7 March 2023

Keller Group plc Unaudited Preliminary Results for the year ended 31 December 2022

Keller Group plc ('Keller' or 'the Group'), the world's largest geotechnical specialist contractor, announces its results for the year ended 31 December 2022.

Record revenue, strong underlying profit growth and dividend increased

Michael Speakman, Chief Executive Officer, said:

"In 2022 Keller made some notable achievements and delivered strong growth in revenue and underlying profits as well as maintaining a robust order book of £1.4bn. We also faced, and dealt with, a number of challenges and headwinds, which held us back during the year. The Group will continue to pursue organic and targeted M&A growth opportunities and we will also look to further refine the portfolio as we continue to execute our strategy. Whilst higher interest rates will increase our interest expense in 2023, we have entered the new financial year with increased momentum, a more solid operational base and are well placed for major contract awards. This, together with the actions we have taken, gives us confidence that 2023 will be a year of good progress".

	2022 £m	2021[1] £m	% change	Constant currency % change
Revenue	**2,944.6**	2,222.5	+32%	+24%
Underlying operating profit[2]	**108.6**	88.5	+23%	+12%
Underlying operating profit margin[2]	**3.7%**	4.0%	-30bps	n/a
Underlying profit before tax[2]	**93.5**	79.6	+17%	+6%
Underlying diluted earnings per share[2]	**100.7p**	84.2p	+20%	
Free cash flow	**(33.8)**	62.5	n/a	
Net debt (bank covenant IAS 17 basis) [3]	**218.8**	119.4	+83%	
Dividend per share	**37.7p**	35.9p	+5%	
Statutory operating profit	**67.8**	76.4	-11%	
Statutory profit before tax	**56.3**	67.5	-17%	
Statutory diluted earnings per share	**62.4p**	77.2p	-19%	
Net cash inflow from operating activities	**54.8**	153.3	-64%	
Statutory net debt (IFRS 16 basis)	**298.9**	193.3	+55%	

[1] Restated for prior period accounting error arising from the financial reporting fraud at Austral and prior period business combination measurement adjustments as detailed in notes 3 and 6 to the consolidated financial statements

[2] 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

[3] 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

- Revenue increased to a record £2,944.6m, up 32%, comprised organic growth of 22%, acquisition growth of 2% and an FX tailwind of 8%
- Underlying operating profit increased to £108.6m, up 12% (at constant currency) as a result of continued strategic and operational delivery in a turbulent, challenging market environment, and despite events at Austral
- Whilst North American margins recovered in H2 as expected, Group operating margin reduced in the year to 3.7% largely driven by the impact of inflationary cost pressures, supply chain challenges and operational issues in North America Foundations in H1. We expect that the actions we have taken will continue to restore Group margins in 2023
- No material change from the position we announced in January 2023 with respect to a financial reporting fraud at Austral. An external forensic investigation has now confirmed that there has been no cash leakage. The impact on the Group's historically stated operating profits was c£7.3m in H1 2022, £4.3m in 2021 and £6.7m in the years prior to 2021
- A robust year-end order book at £1.4bn; up 8% (broadly unchanged at constant currency)
- NEOM project in Saudi Arabia is progressing in line with our expectations operationally and financially; piling on the c£40m initial Works Order was completed in February 2023, ahead of schedule and we are in advanced discussions on the next tranche of work. The precise phasing of this potentially material project is fluid and will require measured investment in equipment and working capital as it accelerates
- Underlying EPS of 100.7p, up 20%, driven by higher operating profit and a reduction in the effective tax rate partially offset by increased finance costs
- Statutory profit before tax decreased by 17% to £56.3m, as a result of increased non-underlying costs of £37.2m, comprising £24.0m of non-cash goodwill impairments and amortisation of acquired intangible assets and £13.2m of cash items including the ERP implementation costs of £6.3m and restructuring costs of £5.3m
- Free cash outflow of £33.8m (2021: £62.5m inflow) driven by a £110.5m (2021: £1.2m inflow) increase in working capital, largely driven by 22% increase in organic revenue, supplier behaviour mainly in NA, and an inventory surplus at Suncoast
- Net debt (on a bank covenant IAS 17 basis) of £218.8m, increased by £99.4m, equating to net debt/EBITDA leverage ratio of 1.2x (2021: 0.8x), well within the Group's leverage target of 0.5x-1.5x and the covenant limit of 3.0x. As a consequence of the anticipated investment in NEOM, we expect to remain in the upper end of our target range
- A slight decline in Group safety performance with an increase in finger injuries; overall accident frequency rate increased to 0.10, representing 26 lost time injuries across our c10,000 employees
- The short, medium and long-term actions required to achieve Net Zero emissions by 2050 are in progress. We are ahead of our Scope 2 carbon reduction target of 10%, achieving 28% reduction from our 2019 baseline
- Further successful execution of strategy, with continued portfolio rationalisation and two bolt-on acquisitions that build our share in our chosen markets
- Recommended final dividend of 24.5p, brings the total dividend for the year to 37.7p (2021: 35.9p) an increase of 5%. The increased dividend continues the Group's uninterrupted track record of increasing or maintaining dividends every year for 28 years and reflects the financial strength of the Group and our confidence in the future

For further information, please contact:

Keller Group plc	www.keller.com
Michael Speakman, Chief Executive Officer	020 7616 7575
David Burke, Chief Financial Officer	
Caroline Crampton, Group Head of Investor Relations	
FTI Consulting	
Nick Hasell	020 3727 1340
Matthew O'Keeffe	

A webcast for investors and analysts will be held at 09.00 GMT on 7 March 2023 and will also be available later the same day on demand

https://www.investis-live.com/keller/63da8f583e92bb0c00491950/ksds

Conference call:	**Accessing the telephone replay:**
Participants joining by telephone:	A recording will be available until 14 March 2023
UK: 0800 640 6441	UK: 020 3936 3001
UK: (Local) 020 3936 2999	USA: 1 845 709 8569
All other locations: +44 20 3936 2999	All other locations: +44 20 3936 3001
Participant access code: 760899	**Access Code: 730110**

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.

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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

The Group delivered a strong performance in 2022 in a turbulent and challenging market environment. Whilst markets generally began to recover in volume terms, the residual pandemic-related labour and supply chain shortages were compounded by more localised effects of the war in Ukraine, resulting in increased supply chain issues and stronger inflationary pressures than the global economy has seen for some time. Against this uneven macroeconomic backdrop, construction demand has reacted variably across geographies and sectors and almost all our businesses faced the challenge of serving increased market demand with a decreasing and more expensive supply base. Whilst the execution of our strategy has structurally put the Group in a strong position, it is a credit to our businesses and management teams that together Keller generated a record revenue for the Group, close to £3bn, as well as a strong growth in the underlying operating profit.

In January 2023, we announced our internal systems had identified a financial reporting fraud discrete to Austral, a business unit in Australia. An external forensic investigation has now confirmed that there has been no cash leakage. This was an isolated and contained incident. The impact of the financial reporting fraud on the Group's historical operating profits was c£7.3m in the first half of 2022, £4.3m in 2021 and £6.7m in the years prior to 2021. We will take the lessons learned from this incident and embed any identified improvements into our management and financial control processes.

Nonetheless, overall the Group progressed well in 2022 and finished the year with a robust year-end order book of £1.4bn (2021: £1.3bn), which excludes expected upcoming sizeable packages in relation to the large NEOM project.

Keller has an unbroken record of dividends, having consistently and materially grown its dividend in the 28 years since listing which clearly demonstrates the Group's ability to continue to prosper through economic downturns, including both the global financial crisis and the pandemic. The Board is committed to paying dividends through the cycle, and despite the increase in net debt driven by growth in the year, the Board is recommending an increased dividend for 2022 in keeping with its confidence in the future.

Financial performance

Group revenue was £2,944.6m, up 24% on the prior year on a constant currency basis, with increased trading activity across all our markets. We delivered an underlying operating profit of £108.6m, an increase of 12% on a constant currency basis. Whilst in North America Foundations some project execution issues continued throughout the year, the supply chain and inflationary pressures that were all a feature of the first half of the year were largely addressed in the second half and the recovery in margin is on track. Europe grew notably year-on-year whilst maintaining its operating margin. In Asia-Pacific, Middle East and Africa (AMEA), despite the Austral setback, the division advanced well in terms of volume and profit. The Group margin for the year was 3.7% (2021: 4.0%), down on prior year, albeit, as anticipated, the North America margin improved in the second half and we expect further progress in 2023.

Our cash flow generation was suppressed by the growth in working capital as a result of the record revenue, reflecting the increased activity and the pressures of supply chain payment terms. As a result, net debt (IAS 17 lender covenant) increased by £99.4m to £218.8m, equating to a net debt/EBITDA leverage ratio of 1.2x, well within our leverage target of 0.5x–1.5x and our covenant limit of 3.0x.

Operational performance

In North America revenue increased by 29% (on a constant currency basis) driven by improved trading volume across all businesses, largely driven by Suncoast (before a slowdown in the fourth quarter in residential demand) and with a material contribution from the accelerated LNG contract at RECON. Despite contract losses in the foundations business, supply chain issues, inflationary pressures and a non-repeat claim resolution in the prior year, underlying operating profit increased marginally, up 1%, on a constant currency basis with these issues more than offset by the benefit from the increased volume across the division. Importantly, the operating margin improved by 150 basis points to 5.0% in the second half compared to the first half, demonstrating the continuing improvement in the business.

In Europe, revenue increased by 19% on a constant currency basis, with growth in all business units despite the macroeconomic backdrop and the impact of the Ukraine war. Underlying operating profit increased by 20% on a constant currency basis, reflecting the growth in trading activity and the ability to pass on the majority of inflationary cost pressures, partially offset by challenges in North-East Europe.

Notwithstanding the issue in Austral, the AMEA Division performed strongly. Revenue increased by 9% on a constant currency basis, driven by a recovery in trading in Keller Australia, the Middle East and Africa, and continued strength in India. NEOM in Saudi Arabia is rapidly gaining momentum and is ramping up in terms of activity. We started the initial Works Order in December and the piling works have completed ahead of schedule in February 2023. We are in advanced discussions on sizeable packages in relation to this project and the quantum of further work will require investment in 2023.

Underlying operating profit in the AMEA Division increased to £6.6m from a restated £0.9m loss in the prior year, despite the losses in Austral, driven by the recovery in trading in Keller Australia and the UAE as well as the impact of the asset impairment reversal related to equipment previously deployed in Mozambique that will be brought back into use elsewhere in the Group which improved year-on-year operating profit by £6.1m. The result was partly offset by challenges on marine projects in Austral that are nearing completion. In light of the reporting fraud at Austral, a goodwill impairment of £7.7m has been taken in the non-underlying items reflecting the current more cautious view taken of its future profitability.

Strategy

Our strategy remains 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.

Our strategic business model provides the Group with diversity in revenue streams in terms of sectors, applications and geographies and helps to provide revenue resilience and lessen the impact of business cycles and geopolitical uncertainly. This in turn ensures that both the consistency of profit generation and the quality of cash conversion are also robust over time, as evidenced by the dividend history of the Group.

We are focused on strengthening and simplifying our asset portfolio and building local market share leadership, in line with our strategy. During the year we made two bolt-on acquisitions that strengthen our existing market positions. As part of our continuing strategic review of our asset portfolio, we took the decision to exit two of our peripheral geographies earlier in the year in the Europe Division. Whilst there are an increasing number of quality acquisition opportunities emerging, the Group will retain its disciplined approach to M&A and will only pursue targets which will generate attractive financial returns and shareholder value.

In terms of organic growth opportunities, the residual impact of the pandemic and the war in Ukraine has materially influenced the opportunities that are currently emerging. The high natural gas price and fluctuating oil price have emphasised the need for governments to diversify energy supply and develop independent supply chains. The short-term focus on energy security is driving investment in traditional hydrocarbon industries and infrastructure, whilst the growing global political will to decarbonise economies is driving long-term power generation construction away from carbon-based energy production projects. Both drivers provide attractive opportunities for the Group. Infrastructure renewal remains a major driver of growth, reflecting the efforts by governments and public institutions to accelerate investment to stimulate activity, especially in an economically constrained time. Investment is being made in battery manufacture, green energy is expanding, and in some markets these are replacing logistics, warehousing and data centres as the higher growth segments.

Whilst we take pride in the quality of our project management and project execution, we recognise that we can always improve and we are engaged in a process of re-energising our project execution and other continuous improvement initiatives. The latest part of this programme is 'Project Performance Management' which is the next incremental improvement that captures the latest best practice across the Group and will ensure that it is accessible to all project managers throughout the Group.

During the year we commenced the design of an enterprise resource planning (ERP) system. This initiative will embed operational excellence in all foundations businesses across the Group by introducing new ways of working, streamlining processes and providing data to drive our growth. Using an ERP system, processes become more consistent and standardised, thereby increasing opportunities for automation and accuracy. The overall result is improved efficiency, driving increased productivity and the profitability of the Group. It will also help address the likely evolution of the UK regulatory landscape as it relates to financial reporting and internal controls. The initiative will be implemented over five years and we will leverage our risk management processes to help control the challenges associated with implementing the programme of work.

Progress on strategic priorities in 2022

In North America, we successfully integrated RECON, a geotechnical and industrial services company acquired in July 2021, into our North America Division. The RECON project to develop an energy facility in the Gulf Coast region of the USA is c90% complete and has been very successful to date. We continue to explore further opportunities related to LNG in the region. We have consolidated our Midwest Business Unit into our North-East Business Unit; they are commercially similar and this will reduce our cost base. In May 2022, the division completed the bolt-on acquisition of GKM Consultants Inc., a small geo-structural measurements and monitoring business based in Quebec, Canada, for c£5m. GKM is integrating into our Speciality Services business and will help accelerate our growth in this specialist segment.

In Europe, in November 2022 the division acquired Nordwest Fundamentering AS, a specialist geotechnical contractor based in Trondheim, in the west of Norway, for c £6m. This builds our market share in the region. As part of our continuing strategic review of our asset portfolio, we took the decision to exit our peripheral businesses in Denmark and the Ivory Coast.

In Saudi Arabia, to meet the increasing needs of the NEOM project we established an operations base in the Tabuk province, in the north west of the country. Equipment and people were sourced and work started on the first Works Order in December, worth c£40m, and the piling works has now been completed.

Strategic priorities for 2023

Our diversified model of operating in a number of sectors, applications and geographies generates revenues that are resilient whilst lessening the impacts that can arise from business cycles and geopolitics. In line with our strategy, we will continue to focus on increased market penetration and cost reduction. We remain customer focused through our branch structure and continue to drive for a leading share in our chosen markets.

We continue to review our diverse markets to ensure that we focus only on sustainable markets and attractive projects that generate long-term returns.

Through our expertise and scale, we will continue to share product knowledge. Colleagues in the North America Foundations business have teamed up with colleagues at RECON at the ground improvement project for the development of an LNG facility. The contract involves early site preparation and soil stabilisation. The North America Foundations team introduced a new technique to their RECON colleagues that was a faster solution, saving the client time and money, and which was also more environmentally friendly in using less cement.

Growth through organic development and a disciplined approach to M&A will remain a priority in 2023, and we will maintain our diligent assessment of potential acquisitions. At the same time, as part of our continuing strategic review of our asset portfolio, we will continue to refine our existing portfolio, and exit non-core businesses where appropriate.

In our effort to drive efficiencies and cost savings, we are assessing opportunities for back-office consolidation.

The NEOM project is ramping up and will become a significant revenue generator for the Group. The project is progressing in line with our expectations operationally and financially; piling on the c£40m initial Works Order was completed in February 2023, ahead of schedule, and we are in advanced discussions on the next tranche of work. The precise phasing of this potentially material project is fluid and will require measured investment in equipment and working capital as it accelerates. We will continue to focus our efforts on successfully delivering for the client as the project gains further momentum.

Environmental, Social and Governance (ESG)

We align our ESG and sustainability approach with the UN Sustainable Development Goals (SDGs) through a number of global and local initiatives. Of the 17 SDGs, we specifically focus on those that are most closely aligned to Keller's core business and where we can have the greatest impact. In addition, there are a number of local initiatives that are being supported at local business level that are relevant and appropriate to their community context.

We are progressing well against the carbon reduction targets we set out last year 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. Scope 2 covers indirect emissions from the electricity we use. These emissions mostly occur as a result of electricity use in our offices and maintenance yards. Whilst it is by far the smallest Scope of carbon emissions for Keller, it is where we can make the most immediate impact and therefore where we aligned our Executive and BU management remuneration for 2022. There are many opportunities to save electricity and these savings have already included energy efficiency improvements to our equipment and lighting, as well as generating our own renewable energy. Whilst Europe and AMEA have significantly reduced their emissions, North America's Scope 2 emissions increased in 2022, driven mostly by local weather events, as well as the acquisition of RECON. For the Group as a whole, Scope 2 emissions reduced by 28% from our 2019 baseline, significantly ahead of our 10% target.

We continue to pay relentless attention to safety and our people. Disappointingly, we saw the key indicator for injury, the accident frequency rate, increase to 0.1, representing 26 lost time injuries, an increase of seven lost times injuries on the prior year. There have been a number of key initiatives in the year including a Group-wide safety stand down day, which together with the introduction of 'mechanised handling steering groups' is targeted upon reducing hand injuries. We have invested in cameras for all c300 of our owned rigs in order to provide the rig driver with reverse and blind spot visibility. With the return to growth and an expanding workforce, we have introduced a new induction process for new employees. The completion of a safety induction will appear on an employee's 'Safety Passport' within Insite, which is an increasingly important tool in keeping our employees safe and managing projects effectively and efficiently.

We have made progress against our Diversity, Equity and Inclusion priorities. Our Inclusion Commitments define the framework we use to set priorities and ensure alignment and progress across the Group and in 2022 we saw these embed deeper into the organisation. This is important as we strive to build a more diverse, equitable and inclusive workplace.

In terms of partnerships, we work with organisations to drive change and those that align with our own focus on the UN Sustainable Development Goals. To that end we have continued our partnership with UNICEF UK and have entered into a three-year partnership, starting with a funding contribution of £250,000 in 2022 towards its Core Resources for Children. Keller's support with unrestricted funding allows UNICEF to rapidly respond to emergencies across the world, including the devastating earthquakes that have affected children and their families in Turkey and Syria.

People

Our people are the major differentiator of our business and pivotal to everything we do. As I travel around the Group I continue to be immensely impressed by the skill, dedication and tenacity of our team and, despite the significant headwinds of the last year, the team has continued to outperform our peers. I would like to acknowledge this endeavour, and thank all Keller employees for their commitment, hard work and expertise during another very challenging year.

We want our people to be inspired and motivated, equipped with the right skills, tools and standards to be successful. To that end, it is important that as Directors we understand and learn from the views of our employees. Our culture and engagement programme provides a structured way of getting and actioning employee feedback, the aim being to continually improve employee experience and drive better business performance. Successfully piloted in four businesses in 2021, it rolled out to a further seven business units in 2022. Having considered the current cost of living crisis that we are experiencing, salary increases across the Group have taken inflationary pressures into account, and we have targeted higher increases across those who are more junior and lower paid amongst our employees.

Whilst we had no projects in Ukraine, we have several employees based in the country and over 20 Ukrainian nationals working for us for many years in our North-East Europe Business Unit. It was therefore incredibly sad that in February 2023 we lost a Ukrainian colleague who was killed defending his country against the Russian invasion. One year after the initial invasion, the Ukrainian people continue to defend their country and their independence. The impact on all people is significant, with destruction, displacement, separation and loss of all daily norms. Money raised through 'Fundacia Keller', a charitable foundation set up by Keller Poland, is given directly to our Ukrainian employees and their families who have been affected by the conflict so they can buy what they need most.

Dividend

Keller has an unbroken record of dividends, having consistently and materially grown its dividend in the 28 years since listing which clearly demonstrates the Group's ability to continue to prosper through economic downturns, including both the global financial crisis and the pandemic. The Board is committed to paying dividends through the cycle and, despite the increase in net debt driven by growth in the year, the Board is recommending an increased dividend for 2022 in keeping with its confidence in the future. The Board has recommended a 5% increase in the final dividend which follows the 5% increase in the interim dividend and marks the resumption of the Group's progressive dividend policy. The final dividend of 24.5p (2021: 23.3p) will be paid on 23 June 2023 to shareholders on the register as at the close of business on 2 June 2023. This will bring the 2022 total dividend payable to 37.7p (2021: 35.9p).

Outlook

In 2022 Keller made some notable achievements and delivered strong growth in revenue and underlying profits as well as maintaining a robust order book of £1.4bn. We also faced, and dealt with, a number of challenges and headwinds, which held us back during the year. The Group will continue to pursue organic and targeted M&A growth opportunities and we will also look to further refine the portfolio as we continue to execute our strategy. Whilst higher interest rates will increase our interest expense in 2023, we have entered the new financial year with increased momentum, a more solid operational base and are well placed for major contract awards. This, together with the actions we have taken, gives us confidence that 2023 will be a year of good progress.

Operating review

North America

	2022 **£m**	2021 £m	Constant currency
Revenue	**1,896.1**	1,323.1	+29.3%
Underlying operating profit	**82.0**	73.0	+1.0%
Underlying operating margin	**4.3%**	5.5%	-120bps
Order book[1]	**761.3**	787.0	-13.0%

[1] Comparative order book stated at constant currency

In North America, revenue was up by 29.3% (on a constant currency basis) driven by improved trading volume across all businesses, largely driven by Suncoast (before a slowdown in the fourth quarter in residential demand) and with a material contribution from the accelerated LNG contract at RECON. Despite contract losses in the foundations business, supply chain issues, inflationary pressures and a non-repeat claim resolution in the prior year, underlying operating profit increased marginally, up 1%, on a constant currency basis, with these issues more than offset by the benefit from the increased volume across the division. In the foundations business trading continued with a high level of activity. As a direct result of management actions, the challenges of project execution and productivity impacted by supply chain disruption began to reduce in the latter part of the year, and started to benefit the North America operating margin which improved from 3.5% in H1 to 5.0% in H2. Further year on year progress in the margin is expected in 2023.The supply chain issues impacted performance through lower productivity due to delayed delivery and put pressure on working capital as suppliers tightened up credit terms on raw materials that were in short supply. The accident frequency rate, our key safety metric, increased from 0.02 in 2021 to 0.08 in 2022.

Suncoast, the Group's post tension business, experienced high volumes in the residential sector despite some market headwinds, with revenue and profit ahead of prior year, despite a continued slowdown in the housing market in the final quarter as interest rates rose. In the high-rise sector, the business benefited from the unwind of the prior years' adverse impact on profit from its long-term customer contracts and a reduction in the price of steel strand, its major raw material.

Moretrench Industrial, our business which operates in the highly regulated industrial, environmental and power segments, delivered a solid performance. RECON, the geotechnical and industrial services company we acquired in July 2021, performed strongly and ahead of expectations. RECON's contract to provide the foundations for an energy facility in the Gulf of Mexico is nearing completion and we see continuing further opportunities related to LNG in the region.

On 1 May 2022, the business completed the bolt-on acquisition of GKM Consultants Inc, a small geo-structural measurements and monitoring business based in Quebec, Canada. GKM will integrate into our Speciality Services business and will help accelerate our growth in this specialist segment.

The order book for North America at the period end was at £761.3m, down 13.0% (on a constant currency basis) from the closing position at the end of 2021. The decrease year on year is predominantly driven by the near completion of the large LNG contract in the RECON business. Excluding this contract, the order book is broadly flat on a constant currency basis.

Europe

	2022 £m	2021 £m	Constant currency
Revenue	**649.3**	549.2	19.4%
Underlying operating profit	**29.1**	24.3	20.2%
Underlying operating margin	**4.5%**	4.4%	+10bps
Order book[1]	**347.5**	332.7	+1.5%

[1] Comparative order book stated at constant currency

In Europe, revenue increased by 19.4% on a constant currency basis, with growth reported by all business units despite the challenging macro environment. Underlying operating profit increased by 20.2% on a constant currency basis, reflecting the growth in revenue, partly offset by challenges in North-East Europe. The businesses were largely able to pass on the significant cost inflation experienced during the first half of 2022, benefiting revenue and helping to maintain the operating margin. The accident frequency rate reduced from 0.23 to 0.19 in the year.

The growth in revenue and operating profit were achieved against the backdrop of the war in Ukraine, and the resulting macro-economic challenges in Europe. The significant escalation in supplier costs and energy prices experienced following the Russian invasion in February 2022 and subsequent delays obtaining materials resulted in some non-productive time, particularly in the first half. Material price inflation and supply shortages receded to some extent in the second half of the year. We were able to include price adjustment measures into most of our contracts and therefore were largely able to pass price increases onto customers.

Our North-East Europe business was the most affected by the war in Ukraine, both from a financial and humanitarian perspective. Despite these challenges, Poland, which benefited from the successful completion of a large oil refinery project, delivered record revenue. Cost inflation and resource scarceness were felt most acutely in Poland and the surrounding countries and, accordingly, contract margins were adversely impacted.

Following a strong 2021, South-East Europe and Nordics delivered another year of record revenue, up by 20% year-on-year, with the largest gains reported in Austria, Italy, Norway, Slovakia and the Czech Republic. The Nordic countries received two substantial multi-year contract awards during the year, Tangenvika, a bridge project in Norway worth c£39m and Södertäliye, a lock project in Sweden worth c£34m. Work will start on both projects in 2023. In November 2022, the business acquired Nordwest Fundamentering AS, a specialist geotechnical contractor based in Trondheim, in the west of Norway.

The UK business reported revenue growth following increased levels of activity through the core Foundations and Geotechnique businesses and continued good delivery on the High Speed 2 (HS2) rail contract.

Our business in Central Europe increased revenue and profit with good trading activity across the region. Despite delays to contract starts during the early part of the year in Germany, the businesses benefited from strong activity levels by year end, including expansion into Belgium, where we registered a new branch.

South West Europe was our business most affected by the impact of COVID-19 during 2021, with extended country lockdowns and delays to contract starts. However, in 2022 the business delivered growth in both revenue and profit in the period.

As part of our continuing strategic review of our asset portfolio we took the decision to exit our businesses in Denmark and the legacy business in Ivory Coast. We continue to review our diverse European markets to ensure that we focus only on sustainable markets and attractive projects, including those in the energy sectors, that generate long-term returns.

During 2022 the European core business responded well to the prevailing macro-economic conditions. The robust year-end order book provides good near term coverage with some of the recent larger contract wins extending beyond 2023. Nevertheless, the threat of recession that hangs over a number of the European markets will provide additional challenges during the year and we will respond appropriately. We expect to manage the risks and maintain the recent levels of profit margin.

The Europe order book at the end of the period was £347.5m, broadly flat on the prior year on a constant currency basis.

Asia-Pacific, Middle East and Africa (AMEA)

	2022 £m	2021 Restated[1] £m	Constant currency
Revenue	**399.2**	350.2	+9.0%
Underlying operating profit	**6.6**	(0.9)	n/a
Underlying operating margin	**1.7%**	(0.3)%	n/a
Order book[2]	**298.4**	182.4	+55.8%

[1] Restated for prior period accounting error arising from the financial reporting fraud at Austral
[2] Comparative order book stated at constant currency

In AMEA, revenues increased by 9% on a constant currency basis, driven by a recovery in trading in Keller Australia, in Middle East and Africa (MEA) and in India. Underlying operating profit increased to £6.6m driven by the recovery in trading and an asset impairment reversal related to equipment in Mozambique that has been repatriated, partly offset by challenges on marine projects in Austral which will be completed during 2023, and mobilisation at NEOM. The accident frequency rate increased to 0.02, with the division reporting two injuries compared to zero in the prior period.

On 9 January 2023, Keller announced that it had identified a financial reporting fraud discrete to its Austral Business Unit in Australia. The financial reporting fraud related to the overstatement of Austral's performance from 2019 onwards by two senior individuals in the finance function. An external forensic investigation has confirmed there was no cash leakage and the impact of the financial reporting fraud on the Group's historical operating profits was c£7.3m in the first half of 2022, £4.3m in 2021 and £6.7m in the years prior to 2021. The strengthening of project reviews at Austral has been implemented and will improve financial control and management reporting. Following the investigation, we have relocated one of the Group's experienced Managing Directors into the business while we review and develop a longer-term succession plan. In light of the reporting fraud at Austral, a goodwill impairment of £7.7m has been taken reflecting the current more cautious view taken of its future profitability.

Excluding Austral, the AMEA Division performed well. Keller Australia rebounded strongly from a loss in the prior year due to COVID-19. The recovery of trading activity reported in the first half further strengthened in the second half and was accompanied by a high level of tendering activity. The ASEAN business continues to experience market softness with low levels of activity, though it is expected that trading will improve in 2023 with several sizeable projects in the pipeline. The Indian business continued to perform strongly, growing revenue and profit in the period. Our MEA business delivered strong growth in revenue, and recovered in terms of profitability following a loss in the prior year. In Mozambique, whilst the LNG project remained suspended in the period, underlying profit improved year on year by £6.1m from the impact of an asset impairment reversal related to equipment previously deployed in the country and will be brought back into use elsewhere in the Group.

In Saudi Arabia our longstanding presence has enabled us to undertake work on the prestigious NEOM Giga project in the Tabuk Province in the North West of the country. The first major element of the NEOM project is The Line, a 170 kilometre long mega city, starting in the west at the Gulf of Aqaba, continuing through the Sharma Valley and terminating at the NEOM International Airport within the upper valley region. Following the signing of the overall Framework Agreement, we received the first Works Order worth c£40m and started piling in December. We completed the piling work in February 2023, ahead of schedule, and we are in advanced discussions on sizeable packages. The majority of mobilisation costs were taken in 2022. The Framework Agreement paves the way for multiple contract awards. While we are in the early stages of this project, it is evolving into a significant and material opportunity for the future.

The AMEA order book strengthened strongly and at the end of the period was at £298.4m, up 55.8% (on a constant currency basis) on the prior year. The increase is predominantly driven by the strengthening opportunities in Australia, India, the UAE and Saudi Arabia.

Chief Financial Officer's review

This report comments on the key financial aspects of the Group's 2022 results.

	2022	2021[1]
	£m	£m
Revenue	**2,944.6**	2,222.5
Underlying operating profit[2]	**108.6**	88.5
Underlying operating profit %[2]	**3.7%**	4.0%
Non-underlying items in operating profit	**(40.8)**	(12.1)
Statutory operating profit	**67.8**	76.4
Statutory operating profit %	**2.3%**	3.4%

1 Restated for prior period accounting error arising from the financial reporting fraud at Austral and prior period measurement adjustments as detailed in notes 3 and 6 to the consolidated financial statements

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 and underlying operating profit split by geography

	Revenue £m		**Underlying operating profit[2] £m**		**Underlying operating profit margin[2] %**	
Year ended	**2022**	2021[1]	**2022**	2021[1]	**2022**	2021[1]
Division						
North America	**1,896.1**	1,323.1	**82.0**	73.0	**4.3%**	5.5%
Europe	**649.3**	549.2	**29.1**	24.3	**4.5%**	4.4%
AMEA	**399.2**	350.2	**6.6**	(0.9)	**1.7%**	-
Central	**-**	-	**(9.1)**	(7.9)	**-**	-
Group	**2,944.6**	2,222.5	**108.6**	88.5	**3.7%**	4.0%

Austral financial reporting fraud

On 9 January 2023, the Group announced that it had identified a financial reporting fraud in the Austral business based in Australia which resulted in an overstatement of revenue and profit in 2021 and prior years. A forensic investigation of the fraud incident has now completed. This confirmed the fraud was financial reporting in nature and there was no cash leakage from the business. We will take the lessons learned from this incident and embed any identified improvements into our management and financial control processes.

Due to the overstatement of revenue and profits, there is now sufficient uncertainty over the future profitability of the Austral business such that we have recognised a goodwill impairment of £7.7m in respect of the total balance of goodwill associated with this cash generating unit.

Prior year restatement

The impact of the fraud on the prior periods was material, and we have therefore restated the comparative results for 2021 presented in the Annual Report to show the corrected amounts. The retained earnings at 31 December 2021 have been reduced by £15.4m, comprising an opening reserves reduction of £8.7m and a reduction in profit after tax in 2021 of £6.7m.

Revenue for 2021 has been reduced by £1.9m to £2,222.5m, underlying operating profit has been reduced by £4.3m to £88.5m and underlying diluted earnings per share has been reduced by 4.2p to 84.2p.

The statutory operating profit has been reduced by £4.3m to £76.4m and the statutory diluted earnings per share has been reduced by 8.9p to 77.2p. The impact on statutory earnings includes the restatement of the non-underlying deferred tax credit recognised last year in respect of Australia tax losses.

In addition to the prior year restatement for Austral, the 2021 income statement and balance sheet have been restated for the prior year measurement period adjustments in respect of acquisitions in 2021 as required by IFRS 3, 'Business combinations'. The fair value of net assets acquired has been finalised, resulting in adjustments to the value of goodwill, intangible assets, trade receivables and deferred tax liabilities as at 31 December 2021.

The detail of these adjustments is set out in note 3 to the consolidated financial statements.

Revenue

Revenue of £2,944.6m (2021[1]: £2,222.5m) was up 32%, and up by 24% at constant currency, driven by increased trading volumes across all three divisions. In North America, organic growth from RECON, acquired in July 2021, combined with increased volume across all businesses delivered a revenue increase of 29%. In Europe, revenue increased by 19%, with growth across all business units despite the macro economic backdrop and the impact of the Ukraine war. In AMEA, a recovery in volumes in Keller Australia and Middle East and Africa, combined with continuing strength in India, led to a revenue increase of 9%.

We have a consistently 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 6% of the Group's revenue. The top 10 customers represent 17% of the Group's revenue (2021: 15%). The Group worked on more than 6,000 projects in the year with 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 £108.6m was 23% up on prior year (2021[1]: £88.5m), which on a constant currency basis was 12% up despite the significant operational challenges at Austral that had been masked by the financial reporting fraud. In North America, despite contract losses in the foundations business, supply chain issues, inflationary pressures and a non-repeat claim resolution in the prior year, underlying operating profit increased marginally, up 1%, on a constant currency basis, with these issues more than offset by the benefit from the increased volume at Suncoast and RECON. In Europe, operating profit was 20% up on a constant currency basis reflecting the growth in trading activity and the ability to largely pass on inflationary pressures. In AMEA, operating profit grew to £6.6m from a restated £0.9m loss in the prior year, despite the poor performance at Austral. Keller Australia contributed to the profit growth and the division benefited from an asset impairment reversal related to equipment previously in Mozambique that will be brought back into use elsewhere in the Group. The result was partly offset by challenges on marine projects in Austral which will be completed during 2023. Central costs have increased by £1.2m from £7.9m to £9.1m.

Share of post-tax results from joint ventures

The Group recognised an underlying post-tax profit of £1.5m in the year (2021: £0.4m) from its share of the post-tax results from joint ventures. The share of the post-tax amortisation charge of £1.2m (2021: £0.6m) arising from the acquisition of NordPile by our joint venture KFS Oy in 2021 is included as a non-underlying item. No dividends (2021: nil) were received from joint ventures in the year.

Statutory operating profit

Statutory operating profit comprising underlying operating profit of £108.6m (2021[1]: £88.5m) and non-underlying items comprising net costs of £40.8m (2021[1]: £12.1m), decreased by 11% to £67.8m (2021[1]: £76.4m). The reduction in statutory operating profit is a reflection of the increase in non-underlying operating costs in 2022 to £40.8m. This includes non-cash costs of £24.0m comprising goodwill impairments and amortisation of acquired intangible assets, including the Austral goodwill impairment cost of £7.7m and increased amortisation of acquired intangible assets of £8.9m on the RECON intangibles. Cash non-underlying costs of £16.8m includes the new ERP implementation costs of £6.3m and exceptional restructuring costs of £5.3m. The non-underlying costs are set out in further detail below.

Net finance costs

Net underlying finance costs increased by 69.7% to £15.1m (2021: £8.9m). The increase has been driven by the increase in underlying interest rates and an increase in the average net debt levels through the year. The average net borrowings, excluding IFRS 16 lease liabilities, during the year were £252.1m (2021: £147.6m).

Taxation

The Group's underlying effective tax rate decreased to 22% (2021[1]: 24%), largely due to the change in the profit mix of where the Group is subject to tax. Cash tax paid in the year of £5.9m (2021: £15.9m) was a decrease of £10.0m over the prior year and was mainly attributable to a delay in paying the estimated US tax charge for 2022. The Group was awaiting a possible US law change on the timing of deductions for research and development expenditure which has not materialised. As such, the Group will pay its estimated US tax charge of £17m in April 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 pre-tax non-underlying items in the year increased to £37.2m (2021[1]: £12.1m), due to the start of the ERP implementation project, exceptional historic contract dispute costs and the amortisation of intangible assets acquired with RECON in 2021.

	2022 **£m**	2021[1] £m
ERP implementation costs	**6.3**	-
Goodwill impairment	**12.5**	-
Exceptional restructuring costs	**5.3**	7.3
Exceptional historic contract dispute	**3.5**	-
Claims related to closed business	**2.5**	-
Impairment costs	**0.3**	-
Contingent consideration: additional amounts provided	**0.1**	1.3
Change in fair value of contingent consideration	**(0.7)**	-
Acquisition costs	**0.2**	0.5
Loss on disposal of operations	**-**	0.5
Amortisation of acquired intangible assets	**10.3**	2.6
Amortisation of joint venture acquired intangibles	**1.2**	0.6
Contingent consideration received	**(0.7)**	(0.7)
Total non-underlying items in operating profit	**40.8**	12.1
Non-underlying items in finance income	**(3.6)**	-
Total non-underlying items before taxation	**37.2**	12.1
Non-underlying taxation	**(9.0)**	(7.0)
Total non-underlying items	**28.2**	5.1

1 Restated for prior period accounting error resulting from the financial reporting fraud at Austral and prior year measurement adjustments in respect of business combinations as detailed in note 3 to the consolidated financial statements

Non-underlying items in operating profit

The Group has commenced a 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 the next five years. Non-underlying ERP costs of £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 £12.5m relates mainly to Austral (£7.7m) due to uncertainty over the future profitability of the business, following the discovery of the financial reporting fraud and Sweden (£4.5m); due to a downward revision to the medium-term forecast, forward projections did not fully support the carrying value of the goodwill.

Exceptional restructuring costs of £5.3m comprises £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 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.

The £3.5m exceptional historic contract charge relates to a provision made for additional legal costs relating to the historical Avonmouth contract dispute following a negotiation with insurers during 2022. In addition, a £2.5m provision for a legal claim in respect of a closed business has been recognised.

An impairment charge of £0.3m by the North-East Europe Business Unit is in respect of trade receivables in Ukraine that are not expected to be recovered due to the ongoing conflict.

Additional contingent consideration of £0.1m relates to the acquisition of the Geo Instruments US business in 2017.

A credit of £0.7m arose from the reduction in the fair value of contingent consideration payable in respect of the RECON and GKM acquisitions. The contingent consideration paid in respect of RECON has been finalised and was settled during the year.

Acquisition costs of £0.2m in the year comprised professional fees relating to the NWF acquisition in Norway..

Non-underlying finance costs

During the year 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 has been recognised in the income statement. This has resulted in the recognition of £3.6m of finance income which has been included in non-underlying as it is material in size and is not reflective of the underlying finance income and costs of the Group.

Non-underlying taxation

A non-underlying tax credit of £9.0m (2021[1]: £7.0m) includes the £4.7m (2021[1]: £1.3m) tax impact of the non-underlying loss. The remaining £4.3m (2021[1]: £5.7m) arises from the re-recognition of deferred tax assets in Canada, as the de-recognition of the deferred tax asset was booked through the non-underlying tax charge in prior years, the credit from the re-recognition of the deferred tax asset has also been treated as a non-underlying item.

Earnings per share

Underlying diluted earnings per share increased by 20% to 100.7p (2021[1]: 84.2p) driven by higher operating profit and the effective tax rate reduction partially offset by the increase in finance costs. Statutory diluted earnings per share was 62.4p (2021[1]: 77.2p) which includes the impact of the non-underlying items.

Dividend

Keller has an unbroken record of dividends, having consistently and materially grown its dividend in the 28 years since listing which clearly demonstrates the Group's ability to continue to prosper through economic downturns, including both the global financial crisis and the pandemic. The Board is committed to paying dividends through the cycle, and despite the increase in debt, driven by growth in the year, the Board is recommending an increased dividend for 2022 in keeping with its confidence in the future. The Board has recommended a 5% increase in the final dividend which follows the 5% increase in the interim dividend and marks the resumption of the Group's progressive dividend policy. The final dividend of 24.5p (2021: 23.3p) will be paid on 23 June 2023 to shareholders on the register as at the close of business on 2 June 2023. This brings the 2022 total dividend payable to 37.7p (2021: 35.9p). The 2022 dividend earnings cover, before non-underlying items, was 2.7x (2021: 2.3x).

Keller Group plc has distributable reserves of £122.1m at 31 December 2022 (2021: £122.9m) that are available to support the dividend policy, which comfortably covers the proposed full-year dividend for 2022 of £17.7m. 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 outflow of £33.8m (2021[1]: inflow of £62.5m) as a result of the increased working capital demands of the Group in the year. The basis of deriving free cash flow is set out below.

Free cash flow

	2022 £m	2021[1] £m
Underlying operating profit	108.6	88.5
Depreciation, amortisation and impairment	97.0	97.4
Underlying EBITDA	**205.6**	185.9
Non-cash items	(1.1)	-
Dividends from joint ventures	-	-
(Increase)/decrease in working capital	(110.5)	1.2
(Decrease)/increase in provisions and retirement benefit liabilities	(13.4)	(7.8)
Net capital expenditure	(73.5)	(72.2)
Additions to right-of-use assets	(24.8)	(23.4)
Free cash flow before interest and tax	**(17.7)**	**83.7**
Free cash flow before interest and tax to underlying operating profit	**(16%)**	**95%**
Net interest paid	(10.2)	(5.3)
Cash tax paid	(5.9)	(15.9)
Free cash flow	**(33.8)**	**62.5**
Dividends paid to shareholders	(26.4)	(25.9)
Purchase of own shares	(1.2)	(3.7)
Acquisitions	(22.4)	(31.8)
Business disposals	0.7	7.1
Non-underlying items	(6.2)	(3.9)
Fair value movements in net debt	2.6	-
Right-of-use assets/lease liability modifications	(1.6)	(4.0)
Foreign exchange movements	(17.3)	(1.1)
Movement in net debt	**(105.6)**	**(0.8)**
Opening statutory net debt	**(193.3)**	**(192.5)**
Closing statutory net debt	**(298.9)**	**(193.3)**

[1] Restated for prior period accounting error resulting from the financial reporting fraud at Austral, prior year measurement adjustments in respect of business combinations and the reclassification of proceeds from the sale of assets held for sale as detailed in note 3 to the consolidated financial statements

Working capital

Net working capital increased by £110.5m (2021[1]: decrease of £1.2m), the net movement comprises £44.2m increase in inventories and a £110.0m increase in trade and other receivables, offset by an increase in trade and other payables of £43.7m. The increase in inventory mainly arose at Suncoast as we bought steel strand upfront given the volatility in the market following the Ukraine war, the subsequent slowdown in the residential market resulted in levels being higher at year end. Organic revenue growth of 22% has driven a significant increase in the trade and other receivables, which has been only partly matched by the increase in trade and other payables. We have seen the impact of the supply side disruption on the payment terms demanded by some suppliers, particularly in the US.

A reduction in provisions and retirement benefit liabilities increased the cash outflow in respect of working capital by £13.4m (2021: £7.8m). This mainly comprises payments in respect of amounts previously provided for contracts or legal claims. The outflow excludes the cash outflow on restructuring provisions which is 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 £73.5m (2021: £72.2m) was net of proceeds from the sale of equipment of £8.2m (2021: £12.2m). 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% (2021: 127%).

Acquisitions

On 1 May 2022, the Group acquired GKM Consultants Inc. for an initial cash consideration of £3.4m, including a £0.1m working capital adjustment, and conditional consideration with an initial fair value of £1.2m of contingent consideration. The business is an instrumentation and monitoring provider based in Quebec, Canada and is included in the North

America Division.

On 15 November 2022, the Group acquired Nordwest Fundamentering AS for cash consideration of £5.8m and deferred consideration of £0.5m. Nordwest Fundamentering is a small specialist geotechnical contractor based in Norway and is included in the Europe Division.

As noted above, the accounting for the 2021 RECON and Subterranean acquisitions was finalised during 2022, giving rise to prior period measurement adjustments which are set out in note 3 to the consolidated financial statements.

Deferred and contingent consideration in respect of prior period acquisitions of £12.4m was paid in the year.

Financing facilities and net debt

The Group's total net debt of £298.9m (2021: £193.3m) comprises loans and borrowings and related derivatives of £319.0m (2021: £200.6m), lease liabilities of £81.0m (2021: £75.4m) net of cash and cash equivalents of £101.1m (2021: £82.7m). The Group's term debt and committed facilities principally comprise a US$75m US private placement repayable in December 2024 and a £375m multi-currency syndicated revolving credit facility, which matures in November 2025. In addition, in November 2022, the Group increased committed borrowing facilities by agreeing a US$115m bilateral term loan facility, expiring in November 2024. At the year end, the Group had undrawn committed and uncommitted borrowing facilities totalling £273.8m (2021: £291.9m).

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 1.2x (2021: 0.8x), 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 1.5x at 31 December (2021: 1.0x). Underlying EBITDA, excluding the impact of IFRS 16, to net finance charges was 15.7x (2021: 29.5x), 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 60% (2021: 44%).

The average month-end net debt during 2022, excluding IFRS 16 lease liabilities, was £252.1m (2021: £147.6m). 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 do look to negotiate advance payments on larger projects such as NEOM.

At 31 December 2022 the Group had drawn upon uncommitted overdraft facilities of £6.9m (2021: £0.9m) and had drawn £190.6m of bank guarantee facilities (2021: £150.4m).

Retirement benefits

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 2020, which recorded the market value of the scheme's assets at £49.7m and the scheme being 77% funded on an ongoing basis. The level of contributions are £2.8m a year with effect from 1 January 2022 and will increase by 3.6% per annum on 1 January going forward to 5 August 2024. Contributions will be reviewed following the next triennial actuarial valuation to be prepared as at 5 April 2023. The 2022 year-end IAS 19 valuation of the UK scheme showed assets of £42.2m, liabilities of £39.0m and a pre-tax surplus of £3.2m before an IFRIC 14 adjustment to reflect the minimum funding requirement for the scheme, which adjusts the closing position to a deficit of £4.1m.

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 £13.2m at 31 December (2021: £15.9m). 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 £3.5m at 31 December 2022 (2021: £3.0m).

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, Singapore dollar 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:

	2022		2021	
	Closing	**Average**	Closing	Average
USD	**1.21**	**1.24**	1.35	1.38
CAD	**1.63**	**1.61**	1.71	1.72
EUR	**1.12**	**1.17**	1.19	1.16
SGD	**1.62**	**1.70**	1.82	1.85
AUD	**1.76**	**1.78**	1.86	1.83

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 sterling, US dollar, Canadian dollar, euro, Australian dollar and Singapore 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.

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 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 2022 was 14.9% (2021[1]: 13.9%).

Consolidated income statement

For the year ended 31 December 2022

		2022			2021 (Restated[1])		
		Underlying	**Non-underlying items (note 9)**	**Statutory**	Underlying	Non-underlying items (note 9)	Statutory
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	4,5	**2,944.6**	**—**	**2,944.6**	2,222.5	—	2,222.5
Operating costs	7	**(2,837.5)**	**(30.0)**	**(2,867.5)**	(2,134.4)	(9.6)	(2,144.0)
Amortisation of acquired intangible assets		**—**	**(10.3)**	**(10.3)**	—	(2.6)	(2.6)
Other operating income		**—**	**0.7**	**0.7**	—	0.7	0.7
Share of post-tax results of joint ventures	17	**1.5**	**(1.2)**	**0.3**	0.4	(0.6)	(0.2)
Operating profit/(loss)	4	**108.6**	**(40.8)**	**67.8**	88.5	(12.1)	76.4
Finance income	10	**0.5**	**3.6**	**4.1**	0.4	—	0.4
Finance costs	11	**(15.6)**	**—**	**(15.6)**	(9.3)	—	(9.3)
Profit/(loss) before taxation		**93.5**	**(37.2)**	**56.3**	79.6	(12.1)	67.5
Taxation	12	**(20.3)**	**9.0**	**(11.3)**	(18.9)	7.0	(11.9)
Profit/(loss) for the year		**73.2**	**(28.2)**	**45.0**	60.7	(5.1)	55.6
Attributable to:							
Equity holders of the parent		**74.2**	**(28.2)**	**46.0**	61.6	(5.1)	56.5
Non-controlling interests	34	**(1.0)**	**—**	**(1.0)**	(0.9)	—	(0.9)
		73.2	**(28.2)**	**45.0**	60.7	(5.1)	55.6
Earnings per share							
Basic	14	**102.1p**		**63.3p**	85.2p		78.1p
Diluted	14	**100.7p**		**62.4p**	84.2p		77.2p

1 The 31 December 2021 consolidated income statement has been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	2022 £m	2021 (Restated[1]) £m
Profit for the year		**45.0**	55.6
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange movements on translation of foreign operations		**46.3**	(3.8)
Exchange movements on translation of non-controlling interests		—	—
Transfer of translation reserve on disposal of subsidiaries		—	(0.4)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension schemes	33	**2.8**	1.2
Tax on remeasurements of defined benefit pension schemes	12	**(0.6)**	(0.2)
Other comprehensive income/(loss) for the year, net of tax		**48.5**	(3.2)
Total comprehensive income for the year		**93.5**	52.4
Attributable to:			
Equity holders of the parent		**94.0**	53.3
Non-controlling interests		**(0.5)**	(0.9)
		93.5	52.4

1 The 31 December 2021 consolidated statement of comprehensive income has been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

Consolidated balance sheet

As at 31 December 2022

	Note	**At 31 December 2022 £m**	At 31 December 2021 (Restated[2]) £m	At 1 January 2021 (Restated[1]) £m
Assets				
Non-current assets				
Goodwill and intangible assets	15	**137.2**	139.5	118.8
Property, plant and equipment	16	**486.5**	443.4	434.9
Investments in joint ventures	17	**4.4**	4.0	4.4
Deferred tax assets	12	**15.1**	8.8	8.3
Other assets	18	**60.8**	88.5	60.3
		704.0	684.2	626.7
Current assets				
Inventories	19	**124.4**	72.1	60.1
Trade and other receivables	20	**764.6**	585.5	495.4
Current tax assets		**5.0**	8.9	2.1
Cash and cash equivalents	21	**101.1**	82.7	66.3
Assets held for sale	22	**2.8**	3.4	8.7
		997.9	752.6	632.6
Total assets	4	**1,701.9**	1,436.8	1,259.3
Liabilities				
Current liabilities				
Loans and borrowings	26	**(34.2)**	(29.8)	(67.0)
Current tax liabilities		**(52.5)**	(17.9)	(17.1)
Trade and other payables	23	**(585.6)**	(508.0)	(381.9)
Provisions	24	**(52.7)**	(53.8)	(54.4)
		(725.0)	(609.5)	(520.4)
Non-current liabilities				
Loans and borrowings	26	**(365.8)**	(246.2)	(191.8)
Retirement benefit liabilities	33	**(20.8)**	(25.7)	(31.1)
Deferred tax liabilities	12	**(5.3)**	(28.3)	(21.3)
Provisions	24	**(66.9)**	(77.9)	(71.4)
Other liabilities	25	**(21.3)**	(21.2)	(22.0)
		(480.1)	(399.3)	(337.6)
Total liabilities	4	**(1,205.1)**	(1,008.8)	(858.0)
Net assets	4	**496.8**	428.0	401.3
Equity				
Share capital	28	**7.3**	7.3	7.3
Share premium account		**38.1**	38.1	38.1
Capital redemption reserve	28	**7.6**	7.6	7.6
Translation reserve		**57.9**	12.1	16.3
Other reserve	28	**56.9**	56.9	56.9
Retained earnings		**326.7**	303.2	271.4
Equity attributable to equity holders of the parent		**494.5**	425.2	397.6
Non-controlling interests	34	**2.3**	2.8	3.7
Total equity		**496.8**	428.0	401.3

1 The 1 January 2021 consolidated balance sheet has been restated in respect of the correction of prior period errors arising from the fraud at Austral as outlined in note 3 to the consolidated financial statements.

2 The 31 December 2021 consolidated balance sheet has been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 6 March 2023.

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 2022

	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 1 January 2021 (as presented)	7.3	38.1	7.6	16.3	56.9	—	280.1	**406.3**	3.7	**410.0**
Prior year adjustment	—	—	—	—	—	—	(8.7)	**(8.7)**	—	**(8.7)**
At 1 January 2021 (restated[1])	7.3	38.1	7.6	16.3	56.9	—	271.4	**397.6**	3.7	**401.3**
Profit/(loss) for the year (restated[1])	—	—	—	—	—	—	56.5	**56.5**	(0.9)	**55.6**
Other comprehensive income										
Exchange movements on translation of foreign operations (restated[1])	—	—	—	(3.8)	—	—	—	**(3.8)**	—	**(3.8)**
Transfer of reserves on disposal of subsidiaries	—	—	—	(0.4)	—	—	—	**(0.4)**	—	**(0.4)**
Remeasurements of defined benefit pension schemes	—	—	—	—	—	—	1.2	**1.2**	—	**1.2**
Tax on remeasurements of defined benefit pension schemes	—	—	—	—	—	—	(0.2)	**(0.2)**	—	**(0.2)**
Other comprehensive (loss)/income for the year, net of tax (restated[1])	—	—	—	(4.2)	—	—	1.0	**(3.2)**	—	**(3.2)**
Total comprehensive (loss)/ income for the year (restated[1])	—	—	—	(4.2)	—	—	57.5	**53.3**	(0.9)	**52.4**
Dividends	—	—	—	—	—	—	(25.9)	**(25.9)**	—	**(25.9)**
Purchase of own shares for ESOP trust	—	—	—	—	—	—	(3.7)	**(3.7)**	—	**(3.7)**
Share-based payments	—	—	—	—	—	—	3.9	**3.9**	—	**3.9**
At 31 December 2021 (restated[1])	**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 (loss)/income for the year, net of tax	—	—	—	45.8	—	—	2.2	**48.0**	0.5	**48.5**
Total comprehensive (loss)/ income 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**

1 Retained earnings as at 1 January 2021 have been restated in respect of the correction of prior period errors arising from the fraud at Austral, as outlined in note 3 to the consolidated financial statements. Retained earnings as at 31 December 2021 have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements

Consolidated cash flow statement

For the year ended 31 December 2022

	Note	2022 £m	2021 (Restated[1]) £m
Cash flows from operating activities			
Profit before taxation		**56.3**	67.5
Non-underlying items	9	**40.8**	12.1
Finance income	10	**(4.1)**	(0.4)
Finance costs	11	**15.6**	9.3
Underlying operating profit	4	**108.6**	88.5
Depreciation/impairment of property, plant and equipment	16	**96.6**	90.6
Amortisation of intangible assets	15	**0.4**	0.6
Share of underlying post-tax results of joint ventures	17	**(1.5)**	(0.4)
Profit on sale of property, plant and equipment		**(3.3)**	(1.8)
Other non-cash movements (including charge for share-based payments)		**3.7**	8.3
Foreign exchange losses		**—**	0.1
Operating cash flows before movements in working capital and other underlying items		**204.5**	185.9
(Increase)/decrease in inventories		**(44.2)**	(18.3)
(Increase)/decrease in trade and other receivables		**(110.0)**	(102.5)
Increase/(decrease) in trade and other payables		**43.7**	121.4
(Decrease)/increase in provisions, retirement benefit and other non-current liabilities		**(13.4)**	(7.8)
Cash generated from operations before non-underlying items		**80.6**	178.7
Cash outflows from non-underlying items: ERP costs		**(5.4)**	—
Cash outflows from non-underlying items: restructuring costs		**(0.6)**	(3.9)
Cash outflows from non-underlying items: acquisition costs		**(0.2)**	(0.5)
Cash generated from operations		**74.4**	174.3
Interest paid		**(10.1)**	(2.0)
Interest element of lease rental payments		**(3.6)**	(3.1)
Income tax paid		**(5.9)**	(15.9)
Net cash inflow from operating activities		**54.8**	153.3
Cash flows from investing activities			
Interest received		**4.0**	0.4
Proceeds from sale of property, plant and equipment		**8.2**	12.2
Proceeds on disposal of businesses	6	**0.7**	7.1
Acquisition of businesses, net of cash acquired	6	**(20.2)**	(29.9)
Acquisition of property, plant and equipment	16	**(81.6)**	(84.0)
Acquisition of other intangible assets	15	**(0.1)**	(0.4)
Net cash outflow from investing activities		**(89.0)**	(94.6)
Cash flows from financing activities			
Increase in borrowings		**99.3**	91.2
Cash flows from derivative instruments		**0.2**	—
Repayment of borrowings		**(1.4)**	(69.4)
Payment of lease liabilities		**(29.5)**	(29.8)
Purchase of own shares for ESOP trust		**(1.2)**	(3.7)
Dividends paid	13	**(26.4)**	(25.9)
Net cash outflow from financing activities		**41.0**	(37.6)
Net increase/(decrease) in cash and cash equivalents		**6.8**	21.1
Cash and cash equivalents at beginning of year		**81.8**	61.6
Effect of exchange rate movements		**5.6**	(0.9)
Cash and cash equivalents at end of year	21	**94.2**	81.8

1 Operating cash flows before movements in working capital and the movements in trade and other receivables and trade and other payables for the year ended 31 December 2021 have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements. Cash generated from operations and proceeds from the disposal of property, plant and equipment have been restated to reclassify cash received on the disposal of assets held from sale.

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 2022 were authorised for issue in accordance with the resolution of the Directors on 6 March 2023.

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 Significant accounting policies

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 2021 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 2021 was unqualified and did not contain an emphasis of matter paragraph or any statement under section 498 of the Companies Act 2006. This preliminary announcement does not constitute the Group's full financial statements for the year ended 31 December 2022.

The Group's full financial statements will be approved by the Board of Directors and reported on by the auditors in March 2023. Accordingly, the financial information for 2022 is presented unaudited in the preliminary announcement.

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 year restatements

Prior year financial reporting fraud

Following an internal management operational review at the Austral business in Australia, the Group has identified a historical overstatement of revenue and profit relating to the years ended 31 December 2021, 31 December 2020 and 31 December 2019 due to a financial reporting fraud. This reporting error has been corrected by restating the prior year comparatives, reducing contract assets and prepayments (included with trade and other receivables) by £8.1m and £0.3m respectively, and increasing other payables (included within trade and other payables) by £2.3m at 31 December 2021. Contract assets were reduced by £6.5m and other payables were increased by £0.2m as at 1 January 2021.

The impact on the consolidated income statement for the year ended 31 December 2021 is a decrease in revenue of £1.9m and an increase in operating costs of £2.4m, resulting in a decrease in operating profit and profit before tax of £4.3m.

The lower profit before tax recognised within the consolidated Australia group of entities as a result, has impacted the recognition of deferred tax assets recognised in respect of tax losses carried forward as the asset is no longer regarded as recoverable. The deferred tax asset at 31 December 2021 is reduced by £4.2m and the deferred tax asset at 1 January 2021 is reduced by £2.0m. The deferred tax charge for the year ended 31 December 2021 is increased by £2.4m.

Net assets are £14.9m lower than previously reported at 31 December 2021 and £8.7m lower at 1 January 2021. The consolidated cash flow statement has been restated to show the change in profit before tax and the change in trade and other receivables and trade and other payables. There is no impact on the cash generated from operations for the year ended 31 December 2021.

The restatement decreased diluted statutory earnings per share from 86.1p to 77.2p and diluted underlying earnings per share from 88.4p per share to 84.2p per share for the year ended 31 December 2021. The basic statutory earnings per share was reduced from 89.5p to 85.2p. Notes 4, 5, 7, 9, 12, 14, 15, 20, 23 and the alternative performance measures set out on pages [x] have also been restated, where relevant, to incorporate these changes.

A reconciliation of the changes made to the restated financial results for the year ended 31 December 2021 are set out in detail in note 3.

Prior year measurement period adjustment

In the year to 31 December 2021, the Group acquired RECON Services Inc. and the trade and assets of Subterranean (Manitoba) Ltd. At 31 December 2021, the purchase price allocation for both business combinations was prepared on a provisional basis in accordance with IFRS 3 'Business Combinations'. 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 Group finalised the valuation of intangible assets recognised on acquisition of RECON in respect of the tradename and customer relationships and the associated deferred tax liabilities. The Group also finalised the valuation of trade receivables acquired with

Subterranean. The impact of the measurement period adjustments has been applied retrospectively, meaning that the results and financial position for the year to 31 December 2021 have been restated. The impact of these adjustments on the comparatives for the year ended 31 December 2021 is included in note 3 and further detail is set out in note 6.

Going concern

At 31 December 2022, the Group had undrawn committed and uncommitted borrowing facilities totalling £273.8m, comprising £113.6m of the unutilised portion of the revolving credit facility, £114.1m of other undrawn committed borrowing facilities and undrawn uncommitted borrowing facilities of £46.1m, as well as cash and cash equivalents of £101.1m. At 31 December 2022, the Group's net debt to underlying EBITDA ratio (calculated on an IAS 17 covenant basis) was 1.2x, well within the limit of 3.0x.

The Group has prepared a forecast of financial projections for the three-year period to 31 December 2025. The forecast underpins the going concern assessment which has been made for the period through to 31 March 2024, , 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 increased market penetration including key project wins, organic growth, a focus on cost reduction, and mobilisation and delivery of the NEOM project. The forecast shows significant headroom and supports the position that the Group can operate within its available banking facilities and covenants throughout this period.

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 the 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.
- Ineffective execution of projects reducing profits by 1% of revenue.
- Not having the right skills to deliver reducing profits by 0.5% of revenue.
- A combination of other principal risks and trading risks materialising together reducing profits by up to £42.9m over the period to 31 March 2024. 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, the cost of a product or solution failure and the impact of a previously unrecorded tax liability.
- Deterioration of working capital performance by 5% of six months' sales.

The financial and cash effects of these scenarios were modelled individually and in combination. The focus was on the ability to secure or retain future work and potential downward pressure on margins. Management applied sensitivities against projected revenue, margin and working capital metrics reflecting a series of plausible downside scenarios. Against the most negative scenario, mitigating actions were overlaid. These include a range of cost-cutting measures and overhead savings designed to preserve cash flows. The most extreme downside scenario modelled, included an aggregation of all risks considered and showed a decrease in operating profit of 29.8% and an increase in net debt of 45.2% against the Group's latest forecast profit and cash flow projections for the review period up to 31 March 2024. The adjusted projections within this scenario does not forecast 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 2024, 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 through our risk management processes including consideration of the Task Force on Climate-related Disclosures (TCFD) framework. There has been no material impact identified on the financial reporting judgements and estimates. In particular, management considered the impact of climate change 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.

Whilst there is currently no medium-term impact expected from climate 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 2022:

- Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract'.
- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use'.

- IFRS 9 Financial Instruments ‘Fees in the ‘10 per cent’ test for derecognition of financial liabilities’.

These amendments have a limited impact on the consolidated financial statements of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IAS 37 ‘Onerous Contracts – Costs of Fulfilling a Contract’

An onerous contract is a contract under which the unavoidable costs (ie, the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (eg, the costs of direct labour and materials) and an allocation of costs directly related to contract activities (eg, depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. This amendment does not have an impact on the consolidated financial statements of the Group as an allocation of costs directly related to contract activities was previously included in the unavoidable costs used in the costs to complete assessment for onerous contracts and the Group does not include an allocation of general overheads.

Amendments to IAS 16 ‘Property, Plant and Equipment: Proceeds before Intended Use’

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments ‘Fees in the ‘10 per cent’ test for derecognition of financial liabilities’

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. This amendment had no impact on the consolidated financial statements of the Group as there were no modifications of the Group’s financial instruments during the period.

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 significant accounting policies

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	**2022**	2021
US dollar	**1.24**	1.38
Canadian dollar	**1.61**	1.72
Euro	**1.17**	1.16
Singapore dollar	**1.70**	1.85
Australian dollar	**1.78**	1.83

Year-end rates	**2022**	2021
US dollar	**1.21**	1.35
Canadian dollar	**1.63**	1.71
Euro	**1.12**	1.19
Singapore dollar	**1.62**	1.82
Australian dollar	**1.76**	1.86

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 are recognised only when the Group considers there is an enforceable right to consideration. 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 16.78%.

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, i.e. 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 5 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 6,000 contracts during 2022, at an average revenue of approximately £500,000 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, 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. Contract assets are £105.3m and contract liabilities are £85.6m at 31 December 2022. 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. 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 £37.8m (2021: £41.9m).

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.

The restatement of the prior period financial statements for the impact of the financing reporting fraud at Austral has involved the use of estimates. Primarily this has been in calculating the correct accrued cost inputs at a project level and therefore the relevant revenue to be recognised on a percentage of completion basis. The estimated costs to complete included in the restatement of the 31 December 2020 and 2021 balance sheets are management's best estimate and no individual estimate or judgement would result in a materially different outcome.

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 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 2022 (£5.3m) is lower than in 2021 (£7.3m).

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. 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.. Refer to note 12 for further information.

The restatement of the prior period financial statements for the impact of the financing reporting fraud at Austral has involved the use of estimates in determining the amount of deferred tax assets that should be recognised on the restated balance sheets as at 31 December 2020 and 2021. The restatement impact was to reduce the deferred tax assets by £2.0m at 31 December 2020 and by £4.2m at 31 December 2021. This is the maximum impact, an increase in the forecast taxable profit of 10% would not have a material impact on the value of these adjustments.

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 Prior year correction of errors arising from the fraud at Austral and business combination measurement period adjustments as at 31 December 2021

As set out in the basis of preparation, following an internal management operational review at the Austral business in Australia, the Group has identified a historical overstatement of revenue and profit relating to the years ended 31 December 2021, 31 December 2020 and 31 December 2019 due to a financial reporting fraud.

The errors have been corrected by restating each of the affected financial statement line items for the prior periods.

In addition, the results and financial position for the year to 31 December 2021 have been restated to reflect the final purchase price allocation adjustments in respect of 2021 business combinations. The impact of the measurement period adjustments has been applied retrospectively, in accordance with IFRS 3 Business Combinations. Further detail is included in note 6.

The following tables summarise the impacts on the Group's financial statements.

Restatement of consolidated income statement for the year ended 31 December 2021 (statutory results)

	2021 Statutory (as presented) £m	Impact of prior period error £m	Impact of measurement period adjustments £m	**2021 Statutory (as restated) £m**
Revenue	2,224.4	(1.9)	—	**2,222.5**
Operating costs	(2,141.6)	(2.4)	—	**(2,144.0)**
Amortisation of acquired intangible assets	(2.8)	—	0.2	**(2.6)**
Other operating income	0.7	—	—	**0.7**
Share of post-tax results of joint ventures	(0.2)	—	—	**(0.2)**
Operating profit/(loss)	80.5	(4.3)	0.2	**76.4**
Finance income	0.4	—	—	**0.4**
Finance costs	(9.3)	—	—	**(9.3)**
Profit/(loss) before taxation	71.6	(4.3)	0.2	**67.5**
Taxation	(9.5)	(2.4)	—	**(11.9)**
Profit/(loss) for the year	62.1	(6.7)	0.2	**55.6**
Attributable to:				
Equity holders of the parent	63.0	(6.7)	0.2	**56.5**
Non-controlling interests	(0.9)	—	—	**(0.9)**
	62.1	(6.7)	0.2	**55.6**
Earnings per share				
Basic	87.1p	(9.3p)	0.3p	**78.1p**
Diluted	86.1p	(9.2p)	0.3p	**77.2p**

Restatement of consolidated income statement for the year ended 31 December 2021 (underlying results)

	2021 Underlying (as presented) **£m**	Impact of prior period error £m	Impact of measurement period adjustments £m	**2021 Underlying (as restated)** £m
Revenue	**2,224.4**	(1.9)	—	**2,222.5**
Operating costs	**(2,132.0)**	(2.4)	—	**(2,134.4)**
Share of post-tax results of joint ventures	**0.4**	—	—	**0.4**
Operating profit/(loss)	**92.8**	(4.3)	—	**88.5**
Finance income	**0.4**	—	—	**0.4**
Finance costs	**(9.3)**	—	—	**(9.3)**
Profit/(loss) before taxation	**83.9**	(4.3)	—	**79.6**
Taxation	**(20.1)**	1.2	—	**(18.9)**
Profit/(loss) for the year	**63.8**	(3.1)	—	**60.7**
Attributable to:				
Equity holders of the parent	**64.7**	(3.1)	—	**61.6**
Non-controlling interests	**(0.9)**	—	—	**(0.9)**
	63.8	(3.1)	—	**60.7**
Earnings per share				
Basic	**89.5p**	(4.3p)	—	**85.2p**
Diluted	**88.4p**	(4.2p)	—	**84.2p**

The impact of the restatement of deferred tax in respect of the Austral accounting error is split between underlying and non-underlying as it comprises the reversal of a £1.2m underlying deferred tax charge and a £3.6m non-underlying deferred tax credit originally recognised in 2021. The restatement results in a net £2.4m increase in the Group's statutory tax charge for 2021.

Restatement of consolidated statement of comprehensive income for the year ended 31 December 2021

	2021 (as presented) £m	Impact of prior period error £m	Impact of measurement period adjustments £m	**2021 (as restated) £m**
Profit for the year	62.1	(6.7)	0.2	**55.6**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange movements on translation of foreign operations	(4.3)	0.5	—	**(3.8)**
Transfer of translation reserve on disposal of subsidiaries	(0.4)	—	—	**(0.4)**
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit pension schemes	1.2	—	—	**1.2**
Tax on remeasurements of defined benefit pension schemes	(0.2)	—	—	**(0.2)**
Other comprehensive loss for the year, net of tax	(3.7)	0.5	—	**(3.2)**
Total comprehensive income for the year	58.4	(6.2)	0.2	**52.4**
Attributable to:				
Equity holders of the parent	59.3	(6.2)	0.2	**53.3**
Non-controlling interests	(0.9)	—	—	**(0.9)**
	58.4	(6.2)	0.2	**52.4**

Restatement of consolidated balance sheet at 1 January 2021

	At 1 January 2021 (as presented) £m	Impact of prior period error £m	**At 1 January 2021 (as restated) £m**
Assets			
Non-current assets			
Goodwill and intangible assets	118.8	—	**118.8**
Property, plant and equipment	434.9	—	**434.9**
Investments in joint ventures	4.4	—	**4.4**
Deferred tax assets	10.3	(2.0)	**8.3**
Other assets	60.3	—	**60.3**
	628.7	(2.0)	**626.7**
Current assets			
Inventories	60.1	—	**60.1**
Trade and other receivables	501.9	(6.5)	**495.4**
Current tax assets	2.1	—	**2.1**
Cash and cash equivalents	66.3	—	**66.3**
Assets held for sale	8.7	—	**8.7**
	639.1	(6.5)	**632.6**
Total assets	1,267.8	(8.5)	**1,259.3**
Liabilities			
Current liabilities			
Loans and borrowings	(67.0)	—	**(67.0)**
Current tax liabilities	(17.1)	—	**(17.1)**
Trade and other payables	(381.7)	(0.2)	**(381.9)**
Provisions	(54.4)	—	**(54.4)**
	(520.2)	(0.2)	**(520.4)**
Non-current liabilities			
Loans and borrowings	(191.8)	—	**(191.8)**
Retirement benefit liabilities	(31.1)	—	**(31.1)**
Deferred tax liabilities	(21.3)	—	**(21.3)**
Provisions	(71.4)	—	**(71.4)**
Other liabilities	(22.0)	—	**(22.0)**
	(337.6)	—	**(337.6)**
Total liabilities	(857.8)	(0.2)	**(858.0)**
Net assets	410.0	(8.7)	**401.3**
Equity			
Share capital	7.3	—	**7.3**
Share premium account	38.1	—	**38.1**
Capital redemption reserve	7.6	—	**7.6**
Translation reserve	16.3	—	**16.3**
Other reserve	56.9	—	**56.9**
Retained earnings	280.1	(8.7)	**271.4**
Equity attributable to equity holders of the parent	406.3	(8.7)	**397.6**
Non-controlling interests	3.7	—	**3.7**
Total equity	410.0	(8.7)	**401.3**

Restatement of consolidated balance sheet at 31 December 2021

	At 31 December 2021 (as presented) £m	Impact of prior period error £m	Impact of measurement period adjustments £m	**At 31 December 2021 (as restated) £m**
Assets				
Non-current assets				
Goodwill and intangible assets	141.5	—	(2.0)	**139.5**
Property, plant and equipment	443.4	—	—	**443.4**
Investments in joint ventures	4.0	—	—	**4.0**
Deferred tax assets	13.0	(4.2)	—	**8.8**
Other assets	88.5	—	—	**88.5**
	690.4	(4.2)	(2.0)	**684.2**
Current assets				
Inventories	72.1	—	—	**72.1**
Trade and other receivables	592.0	(8.4)	1.9	**585.5**
Current tax assets	8.9	—	—	**8.9**
Cash and cash equivalents	82.7	—	—	**82.7**
Assets held for sale	3.4	—	—	**3.4**
	759.1	(8.4)	1.9	**752.6**
Total assets	1,449.5	(12.6)	(0.1)	**1,436.8**
Liabilities				
Current liabilities				
Loans and borrowings	(29.8)	—	—	**(29.8)**
Current tax liabilities	(17.9)	—	—	**(17.9)**
Trade and other payables	(505.7)	(2.3)	—	**(508.0)**
Provisions	(53.8)	—	—	**(53.8)**
	(607.2)	(2.3)	—	**(609.5)**
Non-current liabilities				
Loans and borrowings	(246.2)	—	—	**(246.2)**
Retirement benefit liabilities	(25.7)	—	—	**(25.7)**
Deferred tax liabilities	(28.6)	—	0.3	**(28.3)**
Provisions	(77.9)	—	—	**(77.9)**
Other liabilities	(21.2)	—	—	**(21.2)**
	(399.6)	—	0.3	**(399.3)**
Total liabilities	(1,006.8)	(2.3)	0.3	**(1,008.8)**
Net assets	442.7	(14.9)	0.2	**428.0**
Equity				
Share capital	7.3	—	—	**7.3**
Share premium account	38.1	—	—	**38.1**
Capital redemption reserve	7.6	—	—	**7.6**
Translation reserve	11.6	0.5	—	**12.1**
Other reserve	56.9	—	—	**56.9**
Retained earnings	318.4	(15.4)	0.2	**303.2**
Equity attributable to equity holders of the parent	439.9	(14.9)	0.2	**425.2**
Non-controlling interests	2.8	—	—	**2.8**
Total equity	442.7	(14.9)	0.2	**428.0**

Restatement of consolidated cash flow statement for the year ended 31 December 2021:

	2021 (as presented) £m	Impact of prior period error £m	Impact of measurement period adjustments £m	Presentation reclassification for proceeds from assets held for sale[1] £m	**2021 (as restated) £m**
Cash flows from operating activities					
Profit before taxation	71.6	(4.3)	0.2	—	**67.5**
Non-underlying items	12.3	—	(0.2)	—	**12.1**
Finance income	(0.4)	—	—	—	**(0.4)**
Finance costs	9.3	—	—	—	**9.3**
Underlying operating profit	92.8	(4.3)	—	—	**88.5**
Depreciation of property, plant and equipment	90.6	—	—	—	**90.6**
Amortisation of intangible assets	0.6	—	—	—	**0.6**
Share of underlying post-tax results of joint ventures	(0.4)	—	—	—	**(0.4)**
Profit on sale of property, plant and equipment	(1.8)	—	—	—	**(1.8)**
Other non-cash movements	8.3	—	—	—	**8.3**
Foreign exchange losses	0.1	—	—	—	**0.1**
Operating cash flows before movements in working capital and other underlying items	190.2	(4.3)	—	—	**185.9**
(Increase)/decrease in inventories	(18.3)	—	—	—	**(18.3)**
(Increase)/decrease in trade and other receivables	(104.4)	1.9	—	—	**(102.5)**
Increase/(decrease) in trade and other payables	119.0	2.4	—	—	**121.4**
(Decrease)/increase in provisions, retirement benefit and other non-current liabilities	(7.8)	—	—	—	**(7.8)**
Cash generated from operations before non-underlying items	178.7	—	—	—	**178.7**
Cash inflows from non-underlying items	(2.0)	—	—	(2.4)	**(4.4)**
Cash generated from operations	176.7	—	—	(2.4)	**174.3**
Interest paid	(2.0)	—	—	—	**(2.0)**
Interest element of lease rental payments	(3.1)	—	—	—	**(3.1)**
Income tax paid	(15.9)	—	—	—	**(15.9)**
Net cash inflow from operating activities	155.7	—	—	(2.4)	**153.3**
Net cash outflow from investing activities	(97.0)	—	—	2.4	**(94.6)**
Net cash outflow from financing activities	(37.6)	—	—	—	**(37.6)**
Net increase/(decrease) in cash and cash equivalents	21.1	—	—	—	**21.1**
Cash and cash equivalents at beginning of year	61.6	—	—	—	**61.6**
Effect of exchange rate movements	(0.9)	—	—	—	**(0.9)**
Cash and cash equivalents at end of year	81.8	—	—	—	**81.8**

1 The consolidated cash flow statement has also been restated to reclassify cash flows arising from the disposal of assets held for sale. These proceeds were previously disclosed as cash inflows from non-underlying items and have now been classified within proceeds from disposal of property, plant and equipment within net cash outflow from investing activities.

4 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.

	2022		2021 (Restated[4])	
	Revenue	**Operating profit**	Revenue	Operating profit
	£m	**£m**	£m	£m
North America	**1,896.1**	**82.0**	1,323.1	73.0
Europe	**649.3**	**29.1**	549.2	24.3
Asia-Pacific, Middle East and Africa	**399.2**	**6.6**	350.2	(0.9)
	2,944.6	**117.7**	2,222.5	96.4
Central items	**—**	**(9.1)**	—	(7.9)
Underlying	**2,944.6**	**108.6**	2,222.5	88.5
Non-underlying items (note 9)	**—**	**(40.8)**	—	(12.1)
	2,944.6	**67.8**	2,222.5	76.4

	2022					
	Segment assets	**Segment liabilities**	**Capital employed**	**Capital additions**	**Depreciation[2] and amortisation**	**Tangible[3] and intangible assets**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
North America	**1,016.3**	**(349.1)**	**667.2**	**33.8**	**54.6**	**352.5**
Europe	**338.2**	**(208.0)**	**130.2**	**23.2**	**27.8**	**158.9**
Asia-Pacific, Middle East and Africa	**251.1**	**(163.4)**	**87.7**	**24.7**	**13.7**	**109.6**
	1,605.6	**(720.5)**	**885.1**	**81.7**	**96.1**	**621.0**
Central items[1]	**96.3**	**(484.6)**	**(388.3)**	**—**	**0.9**	**2.7**
	1,701.9	**(1,205.1)**	**496.8**	**81.7**	**97.0**	**623.7**

	2021[4]					
	Segment assets	Segment liabilities	Capital employed	Capital additions	Depreciation[2] and amortisation	Tangible[3] and intangible assets
	£m	£m	£m	£m	£m	£m
North America	826.9	(349.6)	477.3	36.4	46.1	332.7
Europe	273.9	(184.7)	89.2	23.8	25.0	143.7
Asia-Pacific, Middle East and Africa	209.6	(102.2)	107.4	24.2	19.5	103.5
	1,310.4	(636.5)	673.9	84.4	90.6	579.9
Central items[1]	126.4	(372.3)	(245.9)	—	0.6	3.0
	1,436.8	(1,008.8)	428.0	84.4	91.2	582.9

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 2021 consolidated income statement and balance sheet have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

Revenue analysed by country:

	2022	2021 (Restated[1])
	£m	£m
United States	**1,758.0**	1,197.6
Australia	**228.4**	200.5
Canada	**137.9**	125.1
United Kingdom	**127.4**	100.4
Germany	**115.9**	110.0
Other	**577.0**	488.9
	2,944.6	2,222.5

1 The 31 December 2021 consolidated revenue has been restated in respect of the correction of prior period errors arising from the fraud at Austral, as outlined in note 3 to the consolidated financial statements.

5 Revenue

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

	Year ended 31 December 2022			Year ended 31 December 2021 (Restated[1])		
	Revenue recognised on performance obligations satisfied over time	**Revenue recognised on performance obligations satisfied at a point in time**	**Total revenue**	Revenue recognised on performance obligations satisfied over time	Revenue recognised on performance obligations satisfied at a point in time	Total revenue
	£m	**£m**	**£m**	£m	£m	£m
North America	**1,434.7**	**461.4**	**1,896.1**	1,005.0	318.1	1,323.1
Europe	**649.3**	**—**	**649.3**	549.2	—	549.2
Asia-Pacific, Middle East and Africa	**399.2**	**—**	**399.2**	350.2	—	350.2
	2,483.2	**461.4**	**2,944.6**	1,904.4	318.1	2,222.5

1 The 31 December 2021 consolidated revenue has been restated in respect of the correction of prior period errors arising from the fraud at Austral, as outlined in note 3 to the consolidated financial statements.

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 2022 from performance obligations satisfied in previous periods is £15.7m (2021: £28.0m).

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 2022, the total order book is £1,407.1m (2021: £1,302.1m). The order book as at 31 December 2021 has been restated in respect of prior period measurement adjustments.

The order book for contracts with a total duration over one year is £384.5m (2021: £402.0m). Revenue on these contracts is expected to be recognised as follows:

	2022	2021
	£m	£m
Less than one year	**289.3**	279.7
One to two years	**87.1**	103.7
More than two years	**8.1**	18.6
	384.5	402.0

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

	2022	2021 (Restated[1])
	£m	£m
Trade receivables	**615.4**	450.7
Contract assets	**105.3**	99.2
Contract liabilities	**(85.6)**	(46.5)

1 The 31 December 2021 consolidated trade receivables and contract assets have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

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 £121.3m (2021: £85.9m) in respect of retentions anticipated to be receivable within one year. Included in non-current other assets is £16.3m (2021: £24.4m) 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:

	2022		2021 (Restated[1])	
	Contract assets	**Contract liabilities**	Contract assets	Contract liabilities
	£m	**£m**	£m	£m
As at 1 January	**99.2**	**(46.5)**	64.7	(43.9)
Revenue recognised in the current year	**911.2**	**824.2**	652.4	516.0
Acquired with businesses	**0.6**	**—**	2.0	(0.3)
Amounts transferred to trade receivables	**(914.1)**	**—**	(619.5)	—
Cash received/invoices raised for performance obligations not yet satisfied	**—**	**(858.9)**	—	(518.3)
Exchange movements	**8.4**	**(4.4)**	(0.4)	—
As at 31 December	**105.3**	**(85.6)**	99.2	(46.5)

1 The 31 December 2021 consolidated contract asset has been restated in respect of the correction of prior period errors arising from the fraud at Austral as outlined in note 3 to the consolidated financial statements.

6 Acquisitions and disposals

Acquisitions

Current period

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 has been revised to £0.9m, with the reduction in the amount payable recognised in the income statement as a non-underlying item. 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.

In the period to 31 December 2022, the acquisition contributed £6.8m to revenue and a profit before tax of £nil. Had the acquisition taken place on 1 January 2022, total Group revenue would have been £2,984.0m and statutory profit before tax for the period would have been £64.4m.

The identifiable assets and liabilities as at the date of acquisition were:

	Carrying amount £m	Fair value adjustment £m	**Fair value £m**
Assets			
Intangible assets	—	1.5	**1.5**
Property, plant and equipment	0.3	—	**0.3**
Inventories	0.6	—	**0.6**
Trade and other receivables[1]	2.8	(0.1)	**2.7**
Current tax assets	0.1	—	**0.1**
Cash and cash equivalents	0.2	—	**0.2**
	4.0	1.4	**5.4**
Liabilities			
Trade and other payables	(1.9)	—	**(1.9)**
Deferred tax liabilities	(0.1)	(0.4)	**(0.5)**
	(2.0)	(0.4)	**(2.4)**
Total identifiable net assets	2.0	1.0	**3.0**
Goodwill			**1.6**
Total consideration			**4.6**

Satisfied by:	
Initial cash consideration	**3.3**
Contingent consideration	**1.2**
Purchase price adjustment	**0.1**
	4.6

Acquisition of businesses per the cash flow statement:	
Initial cash consideration	**3.3**
Purchase price adjustment paid	**0.1**
Less cash acquired	**(0.2)**
	3.2

1 The fair value of trade receivables amounts to £2.7m. The gross amount of trade receivables before the expected credit loss provision is £2.8m and it is expected that the full contractual amounts can be collected.

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 is expected to be completed in H1 2023. The value of assets acquired is therefore provisional and will be finalised within 12 months of the acquisition date. All asset values, other than for cash and cash equivalents, are provisional, including the value of any intangible assets that have been acquired with the business but not yet separated from the goodwill balance. The provisional value of net assets acquired was £1.0m, resulting in a goodwill and other intangibles value of £5.3m.

In the period to 31 December 2022, the acquisition contributed £2.0m to revenue and a profit before tax of £nil. Had the acquisition taken place on 1 January 2022, total Group revenue would have been £2,956.5m and statutory profit before tax for the period would have been £66.2m.

The identifiable assets and liabilities as at the date of acquisition were:

	Carrying amount £m	Fair value adjustment £m	**Fair value £m**
Assets			
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	—	**5.0**
Liabilities			
Trade and other payables	(1.5)	—	**(1.5)**
Loans and borrowings, including lease liabilities	(2.2)	—	**(2.2)**
Deferred tax liabilities	(0.3)	—	**(0.3)**
	(4.0)	—	**(4.0)**
Total identifiable net assets	1.0	—	**1.0**
Goodwill			**5.3**
Total consideration			**6.3**

Satisfied by:	
Initial cash consideration	**5.5**
Deferred consideration	**0.5**
Purchase price adjustment	**0.3**
	6.3

Acquisition of businesses per the cash flow statement:	
Initial cash consideration	**5.5**
Purchase price adjustment paid	**0.3**
Less cash acquired	**(1.1)**
	4.7

Prior year acquisitions

On 13 July 2021, the Group acquired 100% of the issued share capital of RECON Services Inc., a geotechnical environmental remediation and industrial services company based in Texas, US.

On 29 September 2021, the Group acquired the trade and assets of Subterranean (Manitoba) Ltd., a geotechnical contractor in Canada.

On 1 November 2021, the Group acquired the trade and assets of Voges Drilling, a geotechnical foundation company based in Texas, US.

Total contingent and deferred consideration in respect of prior year acquisitions of £12.3m was paid during the period, comprising £8.1m in respect of the RECON Services Inc. acquisition in 2021 and £3.8m in respect of the Geo Construction Group (Bencor) acquisition in 2015. These both represent final agreements. Additionally, £0.2m was paid in respect of the Geo Instruments acquisition and £0.2m deferred consideration in respect of the Voges Drilling acquisition.

Prior period 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 the RECON Services Inc. acquired assets and liabilities 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]	18.9	(1.4)	**17.5**
Property, plant and equipment	4.7	—	**4.7**
Other non-current assets	0.1	—	**0.1**
Trade and other receivables	20.4	—	**20.4**
Current tax assets	1.4	—	**1.4**
Cash and cash equivalents	0.9	—	**0.9**
	46.4	(1.4)	**45.0**
Liabilities			
Lease liabilities	(1.4)	—	**(1.4)**
Trade and other payables	(11.2)	—	**(11.2)**
Current tax liabilities	(1.1)	—	**(1.1)**
Deferred tax liabilities[2]	(5.1)	0.3	**(4.8)**
Provisions	(1.4)	—	**(1.4)**
Other non-current assets	(0.3)	—	**(0.3)**
	(20.5)	0.3	**(20.2)**
Total identifiable net assets	25.9	(1.1)	**24.8**
Goodwill	3.7	1.1	**4.8**
Total consideration	29.6	—	**29.6**
Satisfied by:			
Initial cash consideration	20.2	—	**20.2**
Initial valuation of contingent consideration	9.5	—	**9.5**
Purchase price adjustment	(0.1)	—	**(0.1)**
	29.6	—	**29.6**

1 The adjustment to intangible assets relates to the revised valuation of the tradename and customer relationships acquired.

2 The adjustment to deferred tax liabilities relates to the updated value of intangible assets.

The impact of these adjustments has been applied retrospectively, meaning that the results and financial position for the year to 31 December 2021 have been restated, as detailed in note 2. The adjustment to intangible assets at acquisition resulted in a lower amortisation charge in the year to 31 December 2021 of £0.2m, resulting in a net adjustment to the net book value of intangible assets of £1.2m as at 31 December 2021.

The valuation of the Subterranean (Manitoba) Ltd. and Voges Drilling acquired assets and liabilities 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	0.4	—	**0.4**
Property, plant and equipment	6.1	—	**6.1**
Trade and other receivables[1]	2.7	1.9	**4.6**
	9.2	1.9	**11.1**
Liabilities			
Trade and other payables	(1.3)	—	**(1.3)**
	(1.3)	—	**(1.3)**
Total identifiable net assets	7.9	1.9	**9.8**
Goodwill	1.9	1.9	–
Total consideration	9.8	—	**9.8**
Satisfied by:			
Initial cash consideration	9.2	—	**9.2**
Deferred consideration	0.8	—	**0.8**
Purchase price adjustment	(0.2)	—	**(0.2)**
	9.8	—	**9.8**

1 The adjustment to trade and other receivables relates to the revised valuation of fair value of the billed and unbilled receivables acquired with Subterranean in relation to their recoverability.

The impact of these adjustments has been applied retrospectively, meaning that the results and financial position for the year to 31 December 2021 have been restated, as detailed in note 3. The adjustments did not result in any impact on the income statement for the year ended 31 December 2021. A summary of the prior period acquisitions after the final measurement period adjustments is 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
RECON	4.8	17.5	(4.8)	12.1	29.6	0.9	8.0	(20.7)
Subterranean and Voges	–	0.4	–	9.4	9.8	–	0.6	(9.2)
	4.8	17.9	(4.8)	21.5	39.4	0.9	8.6	(29.9)

Disposals

Current year

There were no material disposals during the year to 31 December 2022. 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.

Prior year

In 2021, the Group disposed of its Cyntech Anchors operation in Canada, being 100% of the issued share capital of Keller Cyntech U.S. and Cyntech Anchors Ltd., for a total consideration of £6.0m (CAD$10.2m), consisting of the sale price of £3.1m (CAD$5.3m) and further sale price adjustments in relation to working capital of £2.9m (CAD$4.9m). A non-underlying loss on disposal of £0.2m was recognised.

In 2021, the Group completed the disposal of its Colcrete business, being 100% of the issued share capital of Keller Colcrete Limited, for a cash consideration of £0.4m. A non-underlying loss of disposal of £0.4m was recognised in 2020. Contingent consideration of £0.7m in relation to the disposal of Wannenwetsch GmbH was received in 2021 in addition to the initial cash consideration received in 2020.

7 Operating costs

	Note	2022 £m	2021 (Restated[1]) £m
Raw materials and consumables		**1,054.3**	711.8
Staff costs	8	**699.8**	580.7
Other operating charges		**764.7**	583.2
Amortisation of intangible assets	15	**0.5**	0.6
Expenses relating to short-term leases and leases of low-value assets		**201.7**	154.8
Depreciation:			
Owned property, plant and equipment	16a	**71.1**	64.1
Right-of-use assets	16b	**29.7**	26.5
Net expected credit loss of trade receivables and contract assets[2]	20	**15.7**	12.7
Underlying operating costs		**2,837.5**	2,134.4
Non-underlying items	9	**30.0**	9.6
Statutory operating costs		**2,867.5**	2,144.0
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**	1.1
Fees payable to the company's auditor for other services:			
The audit of the company's subsidiaries, pursuant to legislation		**2.0**	1.9
Other assurance services		**0.1**	0.1

1 The 31 December 2021 other operating charges has been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.
2 Of this amount £11.5m (2021: £15.3m) are subject to enforcement activity.

During the year, the Group received £nil (2021: £2.4m) of direct subsidies with respect to COVID-19 related aid measures introduced by government bodies in various countries. These subsidies are recognised as an offset against the expense item which they are intended to compensate.

8 Employees

The aggregate staff costs of the Group were:

	2022 £m	2021 £m
Wages and salaries	**606.7**	505.6
Social security costs	**66.7**	57.5
Other pension costs	**23.1**	13.7
Share-based payments	**3.3**	3.9
	699.8	580.7

These costs include Directors' remuneration. Fees payable to Non-executive Directors totalled £0.5m (2021: £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:

	2022 Number	2021 Number
North America	**4,604**	4,722
Europe	**3,043**	2,922
Asia-Pacific, Middle East and Africa	**2,174**	2,080
	9,821	9,724

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.

	2022 £m	2021 (Restated[1]) £m
ERP implementation costs	**6.3**	—
Goodwill impairment	**12.5**	—
Exceptional restructuring costs	**5.3**	7.3
Exceptional historic contract dispute	**3.5**	—
Claims related to closed business	**2.5**	—
Impairment costs	**0.3**	—
Contingent consideration: additional amounts provided	**0.1**	1.3
Change in fair value of contingent consideration	**(0.7)**	—
Loss on disposal of operations	**—**	0.5
Acquisition costs and other costs	**0.2**	0.5
Non-underlying items in operating costs	**30.0**	9.6
Amortisation of acquired intangible assets	**10.3**	2.6
Contingent consideration received	**(0.7)**	(0.7)
Non-underlying items in other operating income	**(0.7)**	(0.7)
Amortisation of joint venture acquired intangibles	**1.2**	0.6
Total non-underlying items in operating profit	**40.8**	12.1
Non-underlying items in finance income	**(3.6)**	—
Total non-underlying items before taxation	**37.2**	12.1
Taxation	**(9.0)**	(7.0)
Total non-underlying items after taxation	**28.2**	5.1

1 The 31 December 2021 consolidated amortisation of acquired intangible assets has been restated in respect of prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

Non-underlying items in operating costs

ERP implementation costs
The Group has commenced a 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 underlying performance of the Group. As this is a complex implementation, project costs are expected to be incurred over the next five years. Non-underlying ERP costs of £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. There were no ERP implementation costs in 2021.

Goodwill impairment
The goodwill impairment of £12.5m relates 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. Refer to note 15 for further information. There was no goodwill impairment cost in 2021.

Exceptional restructuring costs
Exceptional restructuring costs of £5.3m comprises £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.

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 2022 (£5.3m) is lower than in 2021 (£7.3m).

In 2021, exceptional restructuring costs of £7.3m comprised £4.4m in Europe, £2.5m in Asia-Pacific, Middle East and Africa, £1.6m of central items and a credit of £1.2m in North America. In Europe, these costs arose as a continuation of the strategic project to rationalise the Europe Division. The restructuring costs during the period comprised redundancy costs, property costs, asset impairments and costs of market exit which include project termination costs. In Asia-Pacific, Middle East and Africa these costs arose as part of the project to rationalise the Middle East and Africa business. The restructuring costs during the period comprised mainly asset impairments and redundancy costs. Centrally, restructuring costs were incurred in KGS, the in-house equipment manufacturer, as a result of a restructuring plan for this business. These costs comprised redundancy costs and asset impairments. In North America the credit arose from the reduction in restructuring costs provided for in 2020 as costs incurred were lower than originally anticipated.

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

Impairment costs
An impairment charge of £0.3m by the North-East Europe Business Unit is in respect of trade receivables in Ukraine that are not expected to be recovered due to the ongoing conflict.

Contingent consideration
Additional contingent consideration of £0.1m relates to the acquisition of the Geo Instruments US business in 2017. A credit of £0.7m arose from the reduction in the fair value of contingent consideration payable in respect of the RECON and GKM acquisitions. The contingent consideration paid in respect of RECON has been finalised and was settled during the year.

In 2021, additional contingent consideration payable of £1.3m relates to the acquisition of the Geo Construction Group (Bencor) in 2015, following finalisation of items referenced in the sale and purchase agreement.

Loss on disposal of operations
In 2021, the Cyntech Anchors operation in Canada was disposed of on 28 June 2021, resulting in a net loss on disposal of £0.2m. During 2021 there was a true-up of the sale price of the Brazil disposal reflected in 2020, resulting in an additional loss of £0.3m in the year. This increased the total non-underlying loss on disposal for this transaction to £9.5m.

Acquisition costs
Acquisition costs of £0.2m in the year comprised professional fees relating to the NWF acquisition in Norway and centrally incurred project costs. In 2021, acquisition costs of £0.5m in the year comprised professional fees relating to the RECON and Subterranean acquisitions.

Amortisation of acquired intangible assets
Amortisation of acquired intangible assets relates to the RECON, GKM, Moretrench and Voges acquisitions, as restated for the prior period measurement adjustment to the RECON acquired intangible assets.

Non-underlying items in other operating income
During 2022, the second 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
During the year 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 has been recognised in the income statement. This has resulted in the recognition of £3.6m of finance income which has been included in non-underlying as it material in size and is 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

	2022 **£m**	2021 £m
Bank and other interest receivable	**0.3**	0.2
Net pension interest income	**0.1**	—
Other finance income	**0.1**	0.2
Underlying finance income	**0.5**	0.4
Non-underlying finance income	**3.6**	—
Total finance income	**4.1**	0.4

11 Finance costs

	2022 **£m**	**2021** **£m**
Interest payable on bank loans and overdrafts	**7.8**	3.1
Interest payable on other loans	**2.4**	1.3
Interest on lease liabilities	**3.6**	3.1
Net pension interest cost	**0.1**	0.2
Other interest costs	**1.5**	1.0
Total interest costs	**15.4**	8.7
Unwinding of discount and effect of changes in discount rates on provisions	**0.2**	0.6
Total finance costs	**15.6**	9.3

12 Taxation

	2022 **£m**	2021 (Restated[1]) £m
Current tax expense:		
Current year	**46.6**	14.0
Prior years	**(2.5)**	(3.0)
Total current tax	**44.1**	11.0
Deferred tax expense:		
Current year	**(32.0)**	0.7
Prior years	**(0.8)**	0.2
Total deferred tax	**(32.8)**	0.9
	11.3	11.9

UK corporation tax is calculated at 19% (2021: 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 19% (2021: 19%) as follows:

	2022			2021 (Restated[1])		
	Underlying £m	**Non-underlying items (note 9) £m**	**Statutory £m**	Underlying £m	Non-underlying items (note 9) £m	Statutory £m
Profit/(loss) before tax	**93.5**	**(37.2)**	**56.3**	79.6	(12.1)	67.5
UK corporation tax charge/(credit) at 19% (2021: 19%)	**17.8**	**(7.1)**	**10.7**	15.1	(2.3)	12.8
Tax charged at rates other than 19% (2021: 19%)	**3.1**	**(1.0)**	**2.1**	5.1	(0.5)	4.6
Tax losses and other deductible temporary differences not recognised	**6.6**	**0.8**	**7.4**	3.3	1.2	4.5
Utilisation of tax losses and other deductible temporary differences previously unrecognised	**(0.7)**	**(4.3)**	**(5.0)**	(1.4)	(5.5)	(6.9)
Permanent differences	**(2.8)**	**2.6**	**(0.2)**	(0.5)	0.1	(0.4)
Adjustments to tax charge in respect of previous periods	**(3.3)**	**—**	**(3.3)**	(2.8)	—	(2.8)
Other	**(0.4)**	**—**	**(0.4)**	0.1	—	0.1
Tax charge/(credit)	**20.3**	**(9.0)**	**11.3**	18.9	(7.0)	11.9
Effective tax rate	**21.7%**	**24.1%**	**20.1%**	23.7%	57.9%	17.6%

1 The 31 December 2021 consolidated profit/(loss) before tax and tax charge/(credit) have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

The tax credit of £9.0m on non-underlying losses includes £4.7m as the tax benefit of amounts which are expected to be deductible for tax purposes and £4.3m from the re-recognition of deferred tax assets in Canada at 31 December 2022. The deferred tax asset has been reassessed as recoverable following the improved performance of the business demonstrating a more reliable source of taxable income in order to utilise the tax losses. As the de-recognition of the deferred tax asset was booked through the non-underlying tax charge, the credit from the re-recognition of the deferred tax asset has also been treated as a non-underlying item. The 2021 restated tax credit on non-underlying items is £7.0m. This includes a partial re-recognition of Canadian deferred tax assets of £5.5m and the benefit of a net tax credit on other non-underlying charges which are expected to be deductible for tax purposes.

The effective tax rate in 2022 on non-underlying items before the re-recognition of the deferred tax asset is lower than the effective tax rate on underlying items due to the inclusion of goodwill impairment costs for which there is no corresponding tax credit.

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, provision is 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 has released draft legislation introducing a global minimum tax of 15% in line with the OECD's Pillar 2 rules. If enacted the rules will apply to Keller from 1 January 2024. Based on the draft legislation, it is not expected that the Pillar 2 rules will have a material impact on the group's overall tax charge.

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[2] temporary differences £m	**Total £m**
At 1 January 2021 (Restated[1])	(8.9)	34.4	(4.0)	(6.5)	(6.2)	4.2	**13.0**
(Credit)/charge to the income statement	(4.2)	3.2	(0.7)	0.3	(2.4)	4.5	**0.7**
Charge to other comprehensive income	—	—	0.2	—	—	—	**0.2**
Acquisition and disposal of businesses	—	0.3	—	—	—	4.4	**4.7**
Exchange movements	0.1	0.3	0.2	(0.1)	(0.1)	0.2	**0.6**
Other reallocations/transfers	—	—	0.1	—	—	0.2	**0.3**
At 31 December 2021 and 1 January 2022 (Restated[1])	(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 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)**

1 The 1 January 2021 and 31 December 2021 consolidated deferred tax assets have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

2 Other temporary differences are mainly in respect of intangible assets.

The movement from a net deferred tax liability of £19.5m at 31 December 2021 to a net deferred tax asset of £9.8m at 31 December 2022 is largely as a result of a change in law in the US with regards to the timing of the deductibility of R&D expenditure (totalling £29.3m included in the charge in accelerated capital allowances for the year). Previously, R&D expenditure was tax deductible in the year that it was incurred, whereas following the law change in 2022 R&D expenditure is capitalised for tax purposes and amortised over five years.

Deferred tax assets include amounts of £15.1m (2021 as restated: £8.8m) 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 Canada (£9.1m), the US (£4.1m) and the UK (£1.8m). The amount of profits in each territory which are necessary to be realised over the forecast period to support these assets are £37m, £16m and £7m respectively. Canadian tax rules currently allow tax losses to be carried forward up to 20 years. The UK and the US 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:

	2022 £m	2021 (Restated) £m
Deferred tax liabilities	**5.3**	28.3
Deferred tax assets	**(15.1)**	(8.8)
	(9.8)	19.5

At the balance sheet date, the Group had unused tax losses of £140.9m (2021: £125.0m), 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, £118.2m (2021: £74.3m) may be carried forward indefinitely. Of the remaining losses, £19.2m expire in 2025 and £3.5m 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 £18.0m (2021: £13.9m). 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 £156.7m (2021: £124.9m), 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 £10.2m (2021: £7.6m).

13 Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2022 £m	2021 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2021 of 23.3p (2020: 23.3p) per share	**16.8**	16.8
Interim dividend for the year ended 31 December 2022 of 13.2p (2021: 12.6p) per share	**9.6**	9.1
	26.4	25.9

The Board has recommended a final dividend for the year ended 31 December 2022 of £17.7m, representing 24.5p (2021: 23.3p) per share. The proposed dividend is subject to approval by shareholders at the Annual General Meeting on 17 May 2023 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	
	2022	2021 (Restated[1])	2022	2021 (Restated[1])
Basic and diluted earnings (£m)	**74.2**	61.6	**46.0**	56.5
Weighted average number of ordinary shares (m)[2]				
Basic number of ordinary shares outstanding	**72.7**	72.3	**72.7**	72.3
Effect of dilution from:				
Share options and awards	**1.0**	0.9	**1.0**	0.9
Diluted number of ordinary shares outstanding	**73.7**	73.2	**73.7**	73.2
Earnings per share				
Basic earnings per share (p)	**102.1**	85.2	**63.3**	78.1
Diluted earnings per share (p)	**100.7**	84.2	**62.4**	77.2

1 The 31 December 2021 consolidated earnings attributable to the equity holders of the parent has been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

2 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 £m	Arising on acquisition £m	Other £m	**Total £m**
Cost				
At 1 January 2021	219.6	58.9	23.3	**301.8**
Additions	—	—	0.4	**0.4**
Acquired with businesses[1]	4.8	17.9	—	**22.7**
Disposals	—	—	(0.7)	**(0.7)**
Exchange movements	1.1	0.5	(0.6)	**1.0**
At 31 December 2021 and 1 January 2022[1]	225.5	77.3	22.4	**325.2**
Additions	—	—	0.1	**0.1**
Acquired with businesses (note 6)[2]	6.9	1.5	—	**8.4**
Exchange movements	15.8	3.2	4.6	**23.6**
At 31 December 2022	**248.2**	**82.0**	**27.1**	**357.3**
Accumulated amortisation and impairment				
At 1 January 2021	104.4	56.5	22.1	**183.0**
Amortisation charge for the year[1]	—	2.6	0.6	**3.2**
Disposals	—	—	(0.7)	**(0.7)**
Exchange movements	0.6	(0.1)	(0.3)	**0.2**
At 31 December 2021 and 1 January 2022[1]	105.0	59.0	21.7	**185.7**
Impairment charge for the year	12.5	—	—	**12.5**
Amortisation charge for the year	—	10.3	0.4	**10.7**
Exchange movements	5.4	1.4	4.4	**11.2**
At 31 December 2022	**122.9**	**70.7**	**26.5**	**220.1**
Carrying amount				
At 1 January 2021	115.2	2.4	1.2	**118.8**
At 31 December 2021 and 1 January 2022[1]	120.5	18.3	0.7	**139.5**
At 31 December 2022	**125.3**	**11.3**	**0.6**	**137.2**

1 The 31 December 2021 consolidated balance sheet has been restated in respect of prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.
2 Goodwill arising on acquisition during the year relates to the acquisition of GKM Consultants Inc. and Nordwest Fundamentering AS.

Intangible assets arising on acquisition represent customer contracts and relationships with a carrying amount of £5.5m (2021: £12.4m) and trade names with a carrying amount of £5.8m (2021: £5.9m). Other intangibles represent internally developed software and licences. There are no indicators of impairment for these assets at 31 December 2022.

For the purposes of impairment testing, goodwill has been allocated to ten (2021: nine) 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 95% of the total (2021: 92%). 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:

		2022			2021		
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	**51.9**	**13.6**	**2.0**	45.0	11.6	2.0
Suncoast	North America	**35.5**	**13.5**	**2.0**	31.9	11.6	2.0
Keller Canada	North America	**13.7**	**12.7**	**2.0**	15.0	11.8	2.0
Keller Limited	Europe	**12.1**	**13.2**	**2.0**	12.1	10.1	3.0
Austral	Asia-Pacific, Middle East and Africa	—	—	—	7.3	12.9	2.0
Other	North America and Europe	**12.1**			10.0		
		125.3			121.3		

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 2023 and financial projections for 2024 and 2025 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 2025 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 Limited is sensitive to the future successful execution of business plans designed to address the reduction in revenue, margins and profits from HS2 contracts, scheduled to be completed within the three year-forecast period.

Following the discovery of the financial reporting fraud at Austral and the uncertainty over the forecast operating profit of this CGU, the goodwill in Austral of £7.7m has been impaired. The goodwill in Keller Grundlaggning was impaired during the year by £4.5m, and the goodwill in Keller Getec impaired during the year by £0.3m. 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	28.1	48.9	89.6
Suncoast	North America	45.1	112.9	101.0
Keller Canada	North America	15.1	21.9	74.3
Keller Limited	Europe	4.3	5.3	35.7

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	**2022** £m	2021 £m
Property, plant and equipment – owned assets	16a	**409.5**	375.5
Right-of-use assets – leased assets	16b	**77.0**	67.9
At 31 December		**486.5**	443.4

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 2021	68.9	878.7	7.3	**954.9**
Additions	3.4	79.3	1.3	**84.0**
Acquired with businesses	0.7	8.7	—	**9.4**
Disposals	(2.5)	(41.4)	—	**(43.9)**
Net transfers to held for sale	—	1.3	—	**1.3**
Disposal of businesses	—	(1.2)	(0.5)	**(1.7)**
Reclassification	—	2.4	(2.4)	**—**
Exchange movements	(1.5)	(16.9)	(0.2)	**(18.6)**
At 31 December 2021 and 1 January 2022	69.0	910.9	5.5	**985.4**
Additions	1.9	72.4	7.3	**81.6**
Acquired with businesses (note 6)	—	0.7	—	**0.7**
Disposals	—	(34.8)	—	**(34.8)**
Net transfers to held for sale[1]	—	(1.5)	—	**(1.5)**
Reclassification	—	2.2	(2.2)	**—**
Exchange movements	5.3	68.2	0.6	**74.1**
At 31 December 2022	**76.2**	**1,018.1**	**11.2**	**1,105.5**
Accumulated depreciation and impairment				
At 1 January 2021	21.4	568.1	—	**589.5**
Charge for the year	1.7	62.4	—	**64.1**
Disposals	(0.7)	(35.2)	—	**(35.9)**
Net transfers to held for sale	—	0.9	—	**0.9**
Disposal of businesses	—	(0.3)	—	**(0.3)**
Impairments	—	3.4	—	**3.4**
Exchange movements	(0.5)	(11.3)	—	**(11.8)**
At 31 December 2021 and 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]	—	(1.2)	—	**(1.2)**
Exchange movements	1.6	44.7	—	**46.3**
At 31 December 2022	**25.4**	**670.6**	**—**	**696.0**
Carrying amount				
At 1 January 2021	47.5	310.6	7.3	**365.4**
At 31 December 2021 and 1 January 2022	47.1	322.9	5.5	**375.5**
At 31 December 2022	**50.8**	**347.5**	**11.2**	**409.5**

1 The carrying amount of assets held for sale at the balance sheet date are detailed in note 22.

The Group had contractual commitments for the acquisition of property, plant and equipment of £17.6m (2021: £7.2m) at the balance sheet date. These amounts were not included in the balance sheet at the year end.

In 2021, impairments included the write-down of surplus equipment to their value-in-use in the Middle East and Africa; and KGS, the in-house equipment manufacturer, where it was not relocated to other more active parts of the Group. The carrying amount of these assets was £1.9m, compared to a value-in-use of £0.3m, which resulted in a non-underlying impairment charge of £1.6m. Details of restructuring are set out in note 9. Also included are impairments related to assets that are inaccessible due to a contract suspension. The carrying amount of these assets was £1.8m, compared to a value-in-use of £nil, which resulted in an underlying impairment charge of £1.8m.

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 2021	42.2	27.3	**69.5**
Additions	11.3	12.1	**23.4**
Acquired with businesses	0.4	1.0	**1.4**
Depreciation expense	(12.6)	(13.9)	**(26.5)**
Impairment expense	—	(4.4)	**(4.4)**
Contract modifications	1.7	3.1	**4.8**
Exchange movements	(0.1)	(0.2)	**(0.3)**
At 31 December 2021 and 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	44.1	32.9	**77.0**

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.

Impairments in 2021 related to assets that were inaccessible due to a contract suspension in AMEA. The carrying amount of these assets was £4.4m, compared to a value-in-use of £nil, which resulted in an underlying impairment charge of £4.4m. The impairment was subsequently reversed in the current year as the assets were transported off site and their value-in-use was reassessed.

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.

	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**

	2021 £m
At 1 January 2021	4.4
Share of underlying post-tax results	0.4
Share of non-underlying post-tax results (note 9)	(0.6)
Exchange movements	(0.2)
At 31 December 2021	4.0

In 2022, KFS Finland Oy earned total revenue of £20.7m (2021: £36.8m) and a statutory profit after tax for the year of £0.3m (2021: statutory loss after tax of £0.2m).

The joint venture had no contingent liabilities or commitments as at 31 December 2022 (2021: £nil).

Aggregate amounts relating to joint ventures:

	2022			2021		
	Underlying £m	**Non-underlying items (note 9) £m**	**Statutory £m**	Underlying £m	Non-underlying items (note 9) £m	Statutory £m
Revenue	**20.7**	**—**	**20.7**	18.4	—	18.4
Operating costs[1]	**(19.2)**	**(1.2)**	**(20.4)**	(17.9)	(0.6)	(18.5)
Operating profit/(loss)	**1.5**	**(1.2)**	**0.3**	0.5	(0.6)	(0.1)
Finance costs	**(0.1)**	**—**	**(0.1)**	(0.1)	—	(0.1)
Profit/(loss) before taxation	**1.4**	**(1.2)**	**0.2**	0.4	(0.6)	(0.2)
Taxation	**0.1**	**—**	**0.1**	—	—	—
Share of post-tax results	**1.5**	**(1.2)**	**0.3**	0.4	(0.6)	(0.2)

1 Included within operating costs is depreciation on owned assets of £1.1m (2021: £0.8m).

	KFS Finland Oy (100% of results)		Group's portion of the joint venture	
	2022	2021	**2022**	2021
	£m	£m	**£m**	£m
Non-current assets	**18.0**	20.4	**9.0**	10.2
Cash and cash equivalents	**1.4**	1.2	**0.7**	0.6
Other current assets	**4.4**	7.8	**2.2**	3.9
Total assets	**23.8**	29.4	**11.9**	14.7
Other current liabilities	**(3.4)**	(8.4)	**(1.7)**	(4.2)
Non-current loans and borrowings	**(10.8)**	(11.2)	**(5.4)**	(5.6)
Other non-current liabilities	**(0.8)**	(1.8)	**(0.4)**	(0.9)
Total liabilities	**(15.0)**	(21.4)	**(7.5)**	(10.7)
Share of net assets	**8.8**	8.0	**4.4**	4.0

On 8 September 2021, KFS Finland Oy acquired NordPile, a driven piling contractor, for £7.3m (EUR8.5m). The fair value of the Group's share of intangibles acquired was £2.1m (EUR2.4m), representing the fair value of customer contracts at the date of acquisition and customer relationships. Amortisation of these assets is recognised as a non-underlying item.

18 Other non-current assets

	2022	2021
	£m	£m
Fair value of derivative financial instruments	—	2.6
Non-qualifying deferred compensation plan assets	**19.4**	20.6
Customer retentions	**16.3**	24.4
Other assets	**1.7**	2.1
Insurance receivables	**23.4**	38.8
	60.8	88.5

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 2022, non-current assets in relation to the investments held in the trust were £19.4m (2021: £20.6m). The fair value movement on these assets was £3.5m (2021: £2.0m). During the period proceeds from the sale of NQ-related investments were £nil (2021: £nil). At 31 December 2022, non-current liabilities in relation to the participant investments were £14.7m (2021: £15.8m). These are accounted for as financial liabilities at fair value through profit or loss. The fair value movement on these liabilities was £3.5m (2021: £2.1m). During the year £1.2m (2021: £1.4m) of compensation was deferred.

19 Inventories

	2022	2021
	£m	£m
Raw materials and consumables	**56.3**	40.6
Work in progress	**1.9**	1.8
Finished goods	**66.2**	29.7
	124.4	72.1

During 2022, £2.0m (2021: £2.4m) 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.

20 Trade and other receivables

	2022 £m	2021 (Restated[1]) £m
Trade receivables	**615.5**	450.7
Contract assets	**105.3**	99.2
Other receivables	**20.7**	15.9
Fair value of derivative financial instruments	**—**	—
Prepayments	**23.1**	19.6
Insurance receivables	—	0.1
	764.6	585.5

1 The 31 December 2021 consolidated trade receivables and contract assets have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

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:

	2022 £m	2021 £m
At 1 January	**53.7**	42.9
Used during the year	**(4.4)**	(3.1)
Additional provisions	**13.8**	24.6
Unused amounts reversed	**(29.5)**	(11.9)
Acquisition with businesses	**0.2**	2.4
Exchange movements	**2.2**	(1.2)
At 31 December	**36.0**	53.7

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:

	2022					
	Contract assets	**Trade receivables and non-current customer retentions**				
		Days past due				
	Total £m	**Current £m**	**<30 days £m**	**31-90 days £m**	**>90 days £m**	**Total £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
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**

	2021(Restated[1])					
	Contract assets	Trade receivables and non-current customer retentions				
		Days past due				
	Total £m	Current £m	<30 days £m	31-90 days £m	>90 days £m	Total £m
Expected credit loss rate	1%	7%	0%	1%	63%	10%
Estimated total gross carrying amount at default	99.9	288.9	125.3	60.0	53.9	528.1
Expected credit loss	(0.7)	(18.8)	(0.1)	(0.4)	(33.7)	(53.0)
Carry amount as shown in the balance sheet	99.2	270.1	125.2	59.6	20.2	475.1

1 The 31 December 2021 consolidated trade receivables and contract assets have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

21 Cash and cash equivalents

	2022 £m	2021 £m
Bank balances	**97.0**	77.9
Short-term deposits	**4.1**	4.8
Cash and cash equivalents in the balance sheet	**101.1**	82.7
Bank overdrafts	**(6.9)**	(0.9)
Cash and cash equivalents in the cash flow statement	**94.2**	81.8

Cash and cash equivalents include £8.5m (2021: £2.7m) of the Group's share of cash and cash equivalents held by joint operations, and £1.4m (2021: £1.7m) 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

	2022 £m	2021 £m
Plant and machinery	**2.8**	3.1
Inventories	—	0.3
Trade receivables	**—**	—
	2.8	3.4

Assets held for sale in 2022 and 2021 mainly comprises equipment in North America of £1.2m (2021: £1.3m), following a rationalisation exercise, and machinery in the AMEA Division of £1.4m (2021: £1.6m) as a result of the wind-down of the Waterway business.

During the year, £0.9m of the North American assets were disposed of. The Waterway assets remain in assets held for sale as they are currently being marketed for sale. No new assets have been added to the assets held for sale category during the year.

23 Trade and other payables

	2022 £m	2021 (Restated[1]) £m
Trade payables	**229.4**	268.8
Other taxes and social security payable	**21.5**	25.2
Other payables	**139.4**	119.5
Contract liabilities	**85.6**	46.5
Accruals	**109.7**	48.0
	585.6	508.0

1 The 31 December 2021 consolidated other payables have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

Other payables includes contingent and deferred consideration of £0.8m (2021: £12.3m) and contract specific accruals of £117.6m (2021: £78.7m).

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 2021	9.9	3.5	41.9	72.8	3.6	**131.7**
Charge for the year	3.6	4.3	38.8	24.1	0.1	**70.9**
Acquired with businesses (note 6)	—	—	—	—	—	**—**
Disposal of businesses (note 6)	—	—	—	—	—	**—**
Used during the year	(3.2)	(3.0)	(30.2)	(28.9)	(1.4)	**(66.7)**
Unused amounts reversed	(0.9)	(1.0)	(16.1)	(4.7)	(0.3)	**(23.0)**
Unwinding of discount and changes in the discount rate	0.1	—	—	0.1	—	**0.2**
Exchange movements	0.9	0.3	3.4	1.6	0.3	**6.5**
At 31 December 2022	**10.4**	**4.1**	**37.8**	**65.0**	**2.3**	**119.6**
Current	3.6	3.8	32.4	10.8	2.1	**52.7**
Non-current	6.8	0.3	5.4	54.2	0.2	**66.9**
At 31 December 2022	**10.4**	**4.1**	**37.8**	**65.0**	**2.3**	**119.6**

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 2022, the provision in respect of workers' compensation was £7.1m (2021: £6.5m). A provision is recognised when the 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 2022, the provision in respect of long service leave was £1.9m (2021: £1.7m). 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 (2021: £1.4m) 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.

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 2022 relate primarily to the relevant activities in the North America and Europe Divisions. 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. Provision 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 majority of this balance is expected to be utilised in the next 12 months, given the general short-term nature of contracts. The non-current element of the provision relates to longer-term contracts and customer claims and disputes.

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.

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

	2022	2021
	£m	£m
Non-qualifying compensation plan liabilities	**14.7**	15.8
Other liabilities	**6.6**	5.4
	21.3	21.2

Other liabilities include deferred and contingent consideration of £1.1m (2021: contingent consideration of £0.4m) and £5.2m (2021: £4.7m) 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, US dollars and Australian 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 2022, the fair value of outstanding foreign exchange forward contracts was £nil (2021: £nil) included in current assets/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 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 2022, approximately 80% (2021: 99%) of the Group's third-party borrowings were at floating interest rates.

Hedging currency risk and interest rate risk

The Group hedges currency risk and 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.

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 6% of revenue in 2022 (2021: 3%). 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 and a £375m syndicated revolving credit facility expiring in November 2025. In November 2022 the Group increased borrowing facilities by a $115m bilateral term loan facility, expiring November 2024. This facility has not been used to date. These facilities 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 £75.8m (2021: £76.0m), including overdraft facilities, of which £3.2m was undrawn at 31 December 2022.

Private placements

In October and December 2014, $50m and $75m were raised through a private placement with US institutions. The proceeds of the issue of $50m Series A notes 3.81% due 2021 and $75m Series B notes 4.17% due 2024 were used to refinance maturing private placements. In October 2021 the $50m private placement was repaid, in line with the agreed terms. 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 $75m private placement liability at 31 December 2022 was £62.0m (2021: £58.1m).

Hedging

The 2014 $50m and $75m fixed rate private placement liabilities were swapped into floating rates by means of US dollar interest rate swaps (the '2014 swaps'). In October 2021, the interest rate swap hedging the tranche of the $50m private placement liability repaid in the year was closed out in line with the agreed terms. The outstanding 2014 swaps hedging the $75m private placement liability that held the same maturity and were designated as fair value hedges were settled on 18 May 2022 at a net loss of £0.4m, which was reflected within finance costs in the income statement. The swaps were settled before the maturity of the private placement as a result of the implementation of Group's interest management strategy.

The fair value of the 2014 swaps at 31 December 2022 was £nil (2021: £2.6m); no amount was included in other non-current assets (2021: £6.2m). The effective portion of the changes in the fair value of the 2014 swaps was £nil (2021: loss of £3.6m), which has been taken to the income statement along with the equal and opposite movement in fair value of the corresponding hedged items.

The Group entered into a Treasury lock on 25 August 2022. 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 treasury component of an upcoming debt issuance. This was in order to hedge the treasury rates on the highly probable launch of a new US private placement issuance between the date the Treasury lock was entered into and the intended finalisation of the transaction on 28 September 2022. The financing transaction was deferred; therefore, the Treasury lock was settled on maturity. The treasury reference rates increased over the relevant period, and a net credit was received of £3.6m, which was recognised as finance income in the income statement as a non-underlying item.

All hedges are tested for effectiveness every six months. All hedging relationships remained effective during the year while they were in place. There are no designated hedging relationships at 31 December 2022.The interest rate hedging relationship in place during 2021 as referred to above remained effective in 2021.

Accounting classifications

	2022	2021 (Restated[1])
	£m	£m
Financial assets measured at fair value through profit or loss		
Non-qualifying deferred compensation plan	**19.4**	20.6
Interest rate swaps	—	2.6
Financial assets measured at amortised cost		
Trade receivables	**615.5**	450.7
Contract assets	**105.3**	99.2
Cash and cash equivalents	**101.1**	82.7
Financial liabilities at fair value through profit or loss		
Contingent consideration payable	**(0.9)**	(12.7)
Financial liabilities measured at amortised cost		
Trade payables	**(229.4)**	(268.8)
Contract liabilities	**(85.6)**	(46.5)
Bank and other loans	**(319.0)**	(200.6)
Lease liabilities	**(81.0)**	(75.4)
Deferred consideration payable	**(1.0)**	—

1 The 31 December 2021 consolidated trade receivables and contract assets have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

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:

	2022						
	Effective interest rate	**Due within 1 year**	**Due within 1-2 years**	**Due within 2-5 years**	**Due after more than 5 years**	**Total**	**Carrying amount as shown in the balance sheet**
	%	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Bank loans and overdrafts	**5.0**	10.4	0.4	245.7	0.1	**256.6**	**256.4**
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 and deferred consideration	**—**	0.8	1.1	—	—	**1.9**	**1.9**
		357.7	**87.5**	**278.6**	**7.2**	**731.0**	**716.9**

	2021						
	Effective interest rate	Due within 1 year	Due within 1-2 years	Due within 2-5 years	Due after more than 5 years	Total	Carrying amount as shown in the balance sheet
	%	£m	£m	£m	£m	£m	£m
Bank loans and overdrafts	1.0	1.5	0.4	139.3	0.1	141.3	141.8
Bonds and other loans	1.6	3.6	2.3	57.8	—	63.7	58.8
Lease liabilities	—	30.3	17.4	27.3	7.6	82.6	75.4
Contract liabilities	—	46.5	—	—	—	46.5	46.5
Trade payables	—	268.8	—	—	—	268.8	268.8
Contingent consideration	—	12.3	0.4	—	—	12.7	12.7
		363.0	20.5	224.4	7.7	615.6	604.0

Loans and borrowings analysis

	2022 £m	2021 £m
$75m private placement (due December 2024)	**62.0**	58.1
£375m syndicated revolving credit facility (expiring November 2025)	**248.1**	138.5
Bank overdrafts	**6.9**	0.9
Other bank borrowings	**1.4**	2.4
Other loans	**0.6**	0.7
Lease liabilities (note 27)	**81.0**	75.4
Total loans and borrowings	**400.0**	276.0

The Group has substantial borrowing facilities available to it. The undrawn committed facilities available at 31 December 2022 amounted to £227.6m (2021: £235.5m). This mainly comprised the unutilised portion of the Group's £375m revolving credit facility, which expires on 23 November 2025. In addition, the Group had undrawn uncommitted borrowing facilities totalling £46.1m at 31 December 2022 (2021: £56.4m). Other uncommitted bank borrowing facilities are normally reaffirmed by the banks annually, although they can theoretically be withdrawn at any time. Facilities totalling £1.5m (2021: £3.2m) are secured against certain assets. Future obligations under finance leases on a former IAS 17 basis totalled £0.9m (2021: £1.5m), including interest of £0.1m (2021: £0.1m).

Changes in loans and borrowings 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.

The Group has managed the transition to alternative benchmark rates that are linked to existing interest rate benchmarks related to borrowings, leases and derivative contracts. The impact of IBOR reform on the Group was limited. The changes only applied to one hedge relationship associated with managing the fixed rate on the US private placement expiring in December 2024 (refer to note 25) which was closed out in May 2022. In 2021, the Group amended and restated the £375m syndicated revolving credit facility to replace any reference to IBOR with reference to applicable risk-free rates. There is no impact on the incremental borrowing rate for calculating leases liabilities.

Cash flow hedges

At 31 December 2022, the Group held no instruments to hedge exposures to changes in foreign currency rates (2021: £nil). At 31 December 2021, the Group's net value of instruments held to hedge exposures to changes in foreign currency rates was £nil (2021: £nil).

Fair value hedges

The Group held the following instruments to hedge exposures to changes in interest rates:

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

	2021							
	Maturity				Carrying amount			
	<1 year £m	1-2 years £m	2-5 years £m	>5 years £m	Asset[1] £m	Liability £m	Change in fair value used for calculating hedge ineffectiveness £m	Nominal[2] amount $m
Interest rate swaps	—	—	2.6	—	2.6	—	—	9.4

1 Included within other assets.
2 The average fixed interest rate is 4.2%.

The Group had the following hedged items relating to the above instruments:

	2022			2021		
	Carrying[1] amount liability £m	Change in fair value used for calculating hedge ineffectiveness £m	Hedge[2] ineffectiveness in profit or loss £m	Carrying[1] amount liability £m	Change in fair value used for calculating hedge ineffectiveness £m	Hedge[2] ineffectiveness in profit or loss £m
$75m private placements	—	—	—	(58.1)	—	—
Fair value hedge adjustments	—	—	—	3.6	—	—

1 Included within loans and borrowings.

2 Included in operating profit for the year.

Non-interest-bearing financial liabilities comprise trade payables and contract liabilities of £315.8m (2021: £315.3m), payable within one year.

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 interest rate and cross-currency swaps are calculated based on expected future principal and interest cash flows, discounted using market rates prevailing at the balance sheet date. The valuation methods of 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. During the period, the interest rate swaps on the $75m private placement were terminated.

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 one individually significant unobservable input used in the fair value measurement of the Group's contingent consideration as at 31 December 2022 is the estimation of future profits 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:

	2022 £m	2021 £m
At 1 January	**12.7**	3.0
Acquisition of businesses (note 6)	**1.7**	8.8
Additional amounts provided (note 9)	**0.1**	1.3
Paid during the period	**(12.3)**	(0.4)
Fair value in the income statement during the period (note 9)	**(0.7)**	(0.1)
Exchange movements	**0.4**	0.1
At 31 December	**1.9**	12.7

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 has been subsequently reduced following movements in its fair value to £0.8m 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 contingent consideration provided of £0.1m relates to the acquisition of the Geo Instruments US business in 2017.

Total contingent and deferred consideration of £12.3m was paid during the period, comprising £8.1m in respect of the RECON Services Inc. acquisition in 2021 and £3.8m in respect of the Geo Construction Group (Bencor) acquisition in 2015. These both represent final agreements. Additionally, £0.2m was paid in respect of the Geo Instruments acquisition and £0.2m deferred consideration in respect of the Voges Drilling acquisition in 2021.

Fair value movements during the period of £0.7m relate to a fair value adjustment of the RECON contingent consideration on finalisation of the amount payable (£0.3m) and the reduction in the GKM payable noted above (£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:

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

	2021					
	GBP	USD	EUR	CAD	Other[1]	Total
Weighted average fixed debt interest rate (%)	—	—	1.5	—	6.1	—
Weighted average fixed debt period (years)	—	—	4.1	—	0.3	—
	£m	£m	£m	£m	£m	£m
Fixed rate financial liabilities	—	—	(1.7)	—	(1.3)	(3.0)
Floating rate financial liabilities	(63.3)	(111.8)	(0.1)	—	(22.4)	(197.6)
Lease liabilities	(3.5)	(45.1)	(12.7)	(3.2)	(10.9)	(75.4)
Financial assets	4.3	14.7	6.9	8.4	48.4	82.7
Net debt	(62.5)	(142.2)	(7.6)	5.2	13.8	(193.3)

1 Included within other floating rate financial liabilities are AUD revolver loans of £21.5m. Included within other financial assets are AUD cash balances of £4.1m.

Sensitivity analysis

At 31 December 2022, 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 £1.5m (2021: £1.2m).

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 £8.8m for the year ended 31 December 2022 (2021: £5.0m). The estimated impact of a 10 percentage point decrease in the value of sterling is an increase of £7.2m (2021: £6.1m) 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:

	2022	2021
	£m	£m
At 1 January	**75.4**	73.8
Additions	**24.9**	24.8
Acquired with businesses	**2.1**	—
Contract modifications	**1.6**	4.0
Interest expense	**3.6**	3.1
Payments	**(33.1)**	(29.8)
Exchange movements	**6.5**	(0.5)
At 31 December	**81.0**	75.4
Current	**24.5**	27.5
Non-current	**56.5**	47.9

28 Share capital and reserves

	2022 £m	2021 £m
Allotted, called up and fully paid equity share capital:		
73,099,735 ordinary shares of 10p each (2021: 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 2022, the total number of shares held in treasury was 328,954 (2021: 777,917).

During the year to 31 December 2022, 135,050 ordinary shares were purchased by the Keller Group Employee Benefit Trust (2021: 417,240), to be used to satisfy future obligations of the company under the Keller Group plc Long Term Incentive Plan. This brings the total ordinary shares held by the Employee Benefit Trust to 552,290 (2021: 417,240). The cost of the market purchases was £1.2m (2021: £3.7m).

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:

	2022 £m	2021 £m
Short-term employee benefits	**4.5**	8.2
Post-employment benefits	**0.3**	0.3
Termination payments	**0.4**	0.4
	5.2	8.9

Other related party transactions

As at 31 December 2022, there was a net balance of £0.1m owed by (2021: £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 £17.6m (2021: £7.2m) 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 2022, the Group had outstanding standby letters of credit and surety bonds for the Group's captive insurance arrangements totalling £28.1m (2021: £26.5m). 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 2022, the Group has £190.6m outstanding related to performance and advanced payment bonds (2021: £138.3m). 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 2022, the Group had no contingent assets (2021: £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 with the exception of Executive Directors who 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 2021	2,063,410
Granted during 2021	805,367
Lapsed during 2021	(782,525)
Exercised during 2021	(111,816)
Outstanding at 31 December 2021 and 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	**1,977,177**
Exercisable at 1 January 2021	—
Exercisable at 31 December 2021 and 1 January 2022	—
Exercisable at 31 December 2022	**—**

The average share price during the year was 759.3p (2021: 865.1p).

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:

	2022	2021
Share price at grant	**800.0p**	856.0p
Weighted average exercise price	**0.0p**	0.0p
Expected volatility	**41.2%**	47.3%
Expected life	**3 years**	3 years
Risk-free rate	**1.35%**	0.14%
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 £2.9m (2021: £3.9m) related to equity-settled, share-based payment transactions.

The weighted average fair value of options granted in the year was 724.2p (2021: 827.6p). Options outstanding at the year-end have a weighted average remaining contractual life of 1.2 years (2021: 1.1 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 2022, 552,290 (2021: 417,240) ordinary shares were held by the Trust with a value of £4.9m (2021: £3.7m).

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 2020), the Group has agreed to pay annual contributions of £2.7m, to increase by 3.6% per annum, until 5 August 2024, subject to a review of the level of employer contributions at the next actuarial review in 2023.

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.

The Group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2022 (2021: £nil). The total UK defined contribution pension charge for the year was £1.6m (2021: £1.4m).

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 £14.6m (2021: £6.4m).

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 10.5% (2021: 10.0%). The total Australian pension charge for the year was £4.6m (2021: £3.8m).

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

	The Keller Group Pension Scheme (UK) 2022 £m	The Keller Group Pension Scheme (UK) 2021 £m	**German,[1] Austrian and other schemes 2022 £m**	German,[1] Austrian and other schemes 2021 £m
Present value of the scheme liabilities	**(39.0)**	(58.3)	(16.7)	(18.9)
Fair value of assets	**42.2**	63.7	—	—
Surplus/(deficit) in the scheme	**3.2**	5.4	(16.7)	(18.9)
Irrecoverable surplus	**(7.3)**	(12.2)	—	—
Net defined benefit liability	**(4.1)**	(6.8)	(16.7)	(18.9)

1 Included in this balance is £3.5m (2021: £3.0m) 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 2022 and the committed payments under the Schedule of Contributions agreed on 17 November 2020, there is a irrecoverable surplus of £7.3m (2021: £12.2m). 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 contributions of £2.7m a year with effect from 1 January 2021, increasing by 3.6% per annum on 1 January going forward to 5 August 2024. The contributions will be reviewed following the next actuarial review to be prepared as at 5 April 2023.

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

	The Keller Group Pension Scheme (UK) 2022 %	The Keller Group Pension Scheme (UK) 2021 %	**German and Austrian schemes 2022 %**	German and Austrian schemes 2021 %
Discount rate	**4.8**	2.0	**3.5**	0.8
Interest on assets	**4.8**	2.0	**—**	—
Rate of increase in pensions in payment	**3.4**	3.5	**2.5**	2.0
Rate of increase in pensions in deferment	**2.7**	2.9	**8.3**	3.2
Rate of inflation	**3.3**	3.5	**8.3**	3.2

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) 2022	The Keller Group Pension Scheme (UK) 2021	**German and Austrian schemes 2022**	German and Austrian schemes 2021
Male currently aged 65	**21.0**	21.0	**19.9**	19.5
Female currently aged 65	**23.4**	23.3	**23.3**	22.8

The assets of the schemes were as follows:

	The Keller Group Pension Scheme (UK) 2022 £m	The Keller Group Pension Scheme (UK) 2021 £m	**German, Austrian and other schemes 2022 £m**	German, Austrian and other schemes 2021 £m
Equities	**7.8**	16.8	**—**	—
Target return funds[1]	**5.0**	8.1	**—**	—
Gilts	**—**	—	**—**	—
Bonds	**13.6**	19.7	**—**	—
Liability driven investing (LDI) portfolios[2]	**12.9**	15.9	**—**	—
Cash	**2.9**	3.2	**—**	—
	42.2	63.7	**—**	—

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) 2022 £m	The Keller Group Pension Scheme (UK) 2021 £m	**German,[1] Austrian and other schemes 2022 £m**	German,[1] Austrian and other schemes 2021 £m
Changes in scheme liabilities				
Opening balance	**(58.3)**	(65.0)	**(18.9)**	(21.9)
Current service cost	**—**	—	**(0.8)**	(0.6)
Interest cost	**(1.1)**	(0.8)	**—**	(0.1)
Benefits paid	**2.1**	2.1	**1.0**	1.5
Exchange movements	**—**	—	**(0.8)**	1.0
Experience loss on defined benefit obligation	**(0.5)**	—	**—**	—
Changes to demographic assumptions	**—**	(0.6)	**—**	—
Changes to financial assumptions	**18.8**	6.0	**2.8**	1.2
Closing balance	**(39.0)**	(58.3)	**(16.7)**	(18.9)
Changes in scheme assets				
Opening balance	**63.7**	58.0	**—**	—
Interest on assets	**1.2**	0.7	**—**	—
Administration costs	**(0.2)**	(0.2)	**—**	—
Employer contributions	**2.8**	2.7	**—**	—
Benefits paid	**(2.1)**	(2.1)	**—**	—
Return on plan assets less interest	**(23.2)**	4.6	**—**	—
Closing balance	**42.2**	63.7	**—**	—
Actual return on scheme assets	**(22.0)**	5.3	**—**	—
Statement of comprehensive income				
Return on plan assets less interest	**(23.2)**	4.6	**—**	—
Experience gain on defined benefit obligation	**(0.5)**	—	**—**	—
Changes to demographic assumptions	**—**	(0.6)	**—**	—
Changes to financial assumptions	**18.8**	6.0	**2.8**	1.2
Change in irrecoverable surplus	**4.9**	(10.0)	**—**	—
Remeasurements of defined benefit plans	**—**	—	**2.8**	1.2
Cumulative remeasurements of defined benefit plans	**(25.6)**	(25.6)	**(6.4)**	(9.2)
Expense recognised in the income statement				
Current service cost	**—**	—	**0.8**	0.6
Administration costs	**0.2**	0.2	**—**	—
Operating costs	**0.2**	0.2	**0.8**	0.6
Net pension interest cost	**(0.1)**	0.1	**—**	0.1
Expense recognised in the income statement	**0.1**	0.3	**0.8**	0.7
Movements in the balance sheet liability				
Net liability at start of year	**6.8**	9.2	**18.9**	21.9
Expense recognised in the income statement	**0.1**	0.3	**0.8**	0.7
Employer contributions	**(2.8)**	(2.7)	**—**	—
Benefits paid	**—**	—	**(1.0)**	(1.5)
Exchange movements	**—**	—	**0.8**	(1.0)
Remeasurements of defined benefit plans	**—**	—	**(2.8)**	(1.2)
Net liability at end of year	**4.1**	6.8	**16.7**	18.9

1 Other comprises end of service schemes in the Middle East of £3.5m (2021: £3.0m).

A reduction in the discount rate of 0.5% would increase the deficit in the schemes by £2.5m (2021: reduction in the discount rate of 0.1% would increase the deficit in the scheme by £1.1m), 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 (2021: reduction in the inflation assumption of 0.1% would decrease the deficit by £0.7m). 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:

	2022	2021	2020	2019	2018
	£m	£m	£m	£m	£m
Present value of defined benefit obligation	**(55.7)**	(77.2)	(86.9)	(81.1)	(71.7)
Fair value of scheme assets	**42.2**	63.7	58.0	52.2	45.2
Deficit in the schemes	**(13.5)**	(13.5)	(28.9)	(28.9)	(26.5)
Irrecoverable surplus	**(7.3)**	(12.2)	(2.2)	(1.8)	(1.4)
Net defined benefit liability	**(20.8)**	(25.7)	(31.1)	(30.7)	(27.9)
Experience adjustments on scheme liabilities	**21.1**	6.6	(7.9)	(8.2)	3.7
Experience adjustments on scheme assets	**(23.2)**	4.6	6.1	5.4	(1.5)

34 Non-controlling interests

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

Name	Country of incorporation	**2022**	2021
Keller Fondations Speciales SPA	Algeria	**49%**	49%
Keller Turki Company Limited	Saudi Arabia	**35%**	35%

Loss attributable to non-controlling interests:

	2022	2021
	£m	£m
Keller Fondations Speciales SPA	**(0.5)**	(0.5)
Keller Turki Company Limited	**(0.3)**	(0.3)
Other interests	**(0.2)**	(0.1)
	(1.0)	(0.9)

Share of net assets of non-controlling interests:

	2022	2021
	£m	£m
Keller Fondations Speciales SPA	**2.7**	2.9
Keller Turki Company Limited	**(0.6)**	(0.3)
Other interests	**0.2**	0.2
	2.3	2.8

Aggregate amounts relating to material non-controlling interests:

	2022 £m Keller Fondations Speciales SPA	2022 £m Keller Turki Company Limited	2021 £m Keller Fondations Speciales SPA	2021 £m Keller Turki Company Limited
Revenue	**0.1**	**4.6**	0.9	4.2
Operating costs	**(0.6)**	**(4.9)**	(1.2)	(4.5)
Operating loss	**(0.5)**	**(0.3)**	(0.3)	(0.3)
Finance costs	**—**	**—**	—	—
Loss before taxation	**(0.5)**	**(0.3)**	(0.3)	(0.3)
Taxation	**—**	**—**	(0.2)	—
Loss attributable to non-controlling interests	**(0.5)**	**(0.3)**	(0.5)	(0.3)

	2022 £m Keller Fondations Speciales SPA	2022 £m Keller Turki Company Limited	2021 £m Keller Fondations Speciales SPA	2021 £m Keller Turki Company Limited
Non-current assets	**0.8**	**0.7**	0.9	0.7
Current assets	**2.8**	**6.0**	2.8	2.4
Current liabilities	**(0.9)**	**(6.2)**	(0.8)	(2.8)
Non-current liabilities	**—**	**(1.1)**	—	(0.6)
Share of net assets/(liabilities)	**2.7**	**(0.6)**	2.9	(0.3)

35 Post balance sheet events

There were no 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 results announcement 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 2021 results of overseas operations into sterling at the 2022 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 2021 underlying result and the 2021 constant currency result is shown below and compared to the underlying 2022 performance:

Revenue by segment

	2022	2021 (Restated[1])				
	Statutory	Statutory	Impact of exchange movements	Constant currency	**Statutory change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**1,896.1**	1,323.1	143.6	1,466.7	**+43%**	**+29%**
Europe	**649.3**	549.2	(5.4)	543.8	**+18%**	**+19%**
Asia-Pacific, Middle East and Africa	**399.2**	350.2	15.9	366.1	**+14%**	**+9%**
Group	**2,944.6**	2,222.5	154.1	2,376.6	**+32%**	**+24%**

1 The 31 December 2021 consolidated revenues have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

Underlying operating profit by segment

	2022	2021 (Restated[1])				
	Underlying	Underlying	Impact of exchange movements	Constant currency	**Underlying change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**82.0**	73.0	8.2	81.2	**+12%**	**+1%**
Europe	**29.1**	24.3	(0.1)	24.2	**+20%**	**+20%**
Asia-Pacific, Middle East and Africa	**6.6**	(0.9)	0.8	(0.1)	**n/a**	**n/a**
Central items	**(9.1)**	(7.9)	—	(7.9)	**n/a**	**n/a**
Group	**108.6**	88.5	8.9	97.4	**+23%**	**+12%**

1 The 31 December 2021 consolidated operating profits have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

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)

	2022 £m	2021 (Restated[1]) £m
Underlying operating profit	**108.6**	88.5
Depreciation and impairment of owned property, plant and equipment	**71.1**	65.9
Depreciation and impairment of right-of-use assets	**25.5**	30.9
Amortisation of intangible assets	**0.4**	0.6
Underlying EBITDA	**205.6**	185.9
Non-underlying items in operating costs (excluding goodwill impairment)	**(17.6)**	(9.6)
Non-underlying items in other operating income	**0.7**	0.7
EBITDA	**188.7**	177.0

1 The 31 December 2021 consolidated operating profits have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

EBITDA (IAS 17 covenant basis)

	2022 £m	2021 (Restated[1]) £m
Underlying operating profit	**108.6**	88.5
Depreciation and impairment of owned property, plant and equipment	**71.1**	65.9
Depreciation and impairment of right-of-use assets	**25.5**	30.9
Legacy IAS 17 operating lease charges	**(27.9)**	(32.7)
Amortisation of intangible assets	**0.4**	0.6
Underlying EBITDA	**177.7**	153.2
Non-underlying items in operating costs (excluding goodwill impairment)	**(17.6)**	(9.6)
Non-underlying items in other operating income	**0.7**	0.7
EBITDA	**160.8**	144.3

1 The 31 December 2021 consolidated operating profits have been restated in respect of the correction of prior period errors arising from the fraud at Austral and prior period business combination measurement adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

Net finance costs

	2022 £m	2021 £m
Finance income	**(0.5)**	(0.4)
Underlying finance costs	**15.6**	9.3
Net finance costs (statutory)	**15.1**	8.9
Finance charge on lease liabilities[1]	**(3.6)**	(3.0)
Lender covenant adjustments	**(0.2)**	(0.7)
Net finance costs (IAS 17 covenant basis)	**11.3**	5.2

1 Excluding legacy IAS 17 finance leases.

Net capital expenditure

	2022 £m	2021 (Restated[1]) £m
Acquisition of property, plant and equipment	**81.6**	84.0
Acquisition of other intangible assets	**0.1**	0.4
Proceeds from sale of property, plant and equipment	**(8.2)**	(12.2)
Net capital expenditure	**73.5**	72.2

Net debt

	2022 £m	2021 £m
Current loans and borrowings	**34.2**	29.8
Non-current loans and borrowings	**365.8**	246.2
Cash and cash equivalents	**(101.1)**	(82.7)
Net debt (statutory)	**298.9**	193.3
Lease liabilities[1]	**(80.1)**	(73.9)
Net debt (IAS 17 covenant basis)	**218.8**	119.4

1 Excluding legacy IAS 17 finance leases.

Leverage ratio

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

Statutory

	2022 £m	2021 (Restated[1]) £m
Net debt	**298.9**	193.3
Underlying EBITDA	**205.6**	185.9
Leverage ratio (x)	**1.5**	1.0

IAS 17 covenant basis

	2022 £m	2021 (Restated[1]) £m
Net debt	**218.8**	119.4
Underlying EBITDA	**177.7**	153.2
Leverage ratio (x)	**1.2**	0.8

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.

Financial record

	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021[1] £m	**2022 £m**
Consolidated income statement										
Continuing operations										
Revenue	1,438.2	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**
Underlying EBITDA	124.2	141.9	155.5	158.6	177.2	167.5	198.4	205.0	185.9	**205.6**
Underlying operating profit	77.8	92.0	103.4	95.3	108.7	96.6	103.8	110.1	88.5	**108.6**
Underlying net finance costs	(3.7)	(6.9)	(7.7)	(10.2)	(10.0)	(16.1)	(22.5)	(13.2)	(8.9)	**(15.1)**
Underlying profit before taxation	74.1	85.1	95.7	85.1	98.7	80.5	81.3	96.9	79.6	**93.5**
Underlying taxation	(23.8)	(29.7)	(33.0)	(29.8)	(24.7)	(22.5)	(22.4)	(28.3)	(18.9)	**(20.3)**
Underlying profit for the year	50.3	55.4	62.7	55.3	74.0	58.0	58.9	68.6	60.7	**73.2**
Non-underlying items[2]	(20.2)	(56.6)	(36.4)	(7.3)	13.5	(71.8)	(37.2)	(27.5)	(5.1)	**(28.2)**
Profit/(loss) for the year	30.1	(1.2)	26.3	48.0	87.5	(13.8)	21.7	41.1	55.6	**45.0**
Underlying EBITDA (IAS 17 covenant basis)	124.2	141.9	155.5	158.6	177.2	167.5	170.8	175.0	153.2	**177.7**
Consolidated balance sheet										
Working capital	124.1	104.1	97.1	152.5	181.3	225.4	200.9	180.3	149.6	**303.4**
Property, plant and equipment	281.9	295.6	331.8	405.6	399.2	422.0	460.6	434.9	443.4	**486.5**
Intangible and other non-current assets	202.8	203.4	183.0	218.2	198.3	179.5	192.3	183.5	228.0	**202.4**
Net debt (statutory)	(143.7)	(102.2)	(183.0)	(305.6)	(229.5)	(286.2)	(289.8)	(192.5)	(193.3)	**(298.9)**
Other net liabilities	(92.5)	(154.6)	(94.9)	(41.1)	(77.1)	(114.2)	(166.5)	(196.2)	(199.7)	**(196.6)**
Net assets	372.6	346.3	334.0	429.6	472.2	426.5	397.5	410.0	428.0	**496.8**
Net debt (IAS 17 covenant basis)	(143.7)	(102.2)	(183.0)	(305.6)	(229.5)	(286.2)	(213.1)	(120.9)	(119.4)	**(218.8)**
Underlying key performance indicators										
Diluted earnings per share from continuing operations (p)	71.9	74.2	85.4	74.8	101.8	79.1	81.3	96.3	84.2	**100.7**
Dividend per share (p)	24.0	25.2	27.1	28.5	34.2	35.9	35.9	35.9	35.9	**37.7**
Operating margin	5.4%	5.8%	6.6%	5.4%	5.2%	4.3%	4.5%	5.3%	4.0%	**3.7%**
Return on capital employed[3]	16.7%	18.3%	20.5%	15.3%	15.1%	13.2%	14.4%	16.4%	13.9%	**14.9%**
Net debt: EBITDA (statutory)	1.2x	0.7x	1.2x	1.9x	1.3x	1.7x	1.5x	0.9x	1.0x	**1.5x**
Net debt: EBITDA (IAS 17 covenant basis)	1.2x	0.7x	1.2x	1.9x	1.3x	1.7x	1.2x	0.7x	0.8x	**1.2x**

1 Intangible and other non-current assets and other net liabilities presented here do not correspond to the published 2021 consolidated financial statements. The 31 December 2021 consolidated income statement, balance sheet and key performance indicators have been restated in respect of the prior period reporting errors at Austral and prior period measurement business combinations adjustments, as outlined in notes 3 and 6 to the consolidated financial statements.

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 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.