KELLER

1 August 2023

Keller Group plc

Interim Results for the half year ended 30 June 2023

Keller Group plc ('Keller' or the 'Group'), the world's largest geotechnical specialist contractor, announces its results for the half year ended 30 June 2023.

Record H1 performance; positive H2 outlook; dividend increased

	H1 2023 £m	H1 2022[1] £m	% change	Constant currency % change
Revenue	**1,466.3**	1,333.4	+10%	+6%
Underlying operating profit[2]	**67.0**	42.3	+58%	+50%
Underlying operating profit margin[2]	**4.6%**	3.2%	+140bps	n/a
Underlying diluted earnings per share[2]	**56.0p**	37.9p	+48%	
Free cashflow before interest and tax	**40.8**	(41.6)		
Net debt (bank covenant IAS 17 basis)[3]	**244.6**	194.0	+26%	
Dividend per share	**13.9p**	13.2p	+5%	
Statutory operating profit	**56.6**	30.4	+86%	
Statutory profit before tax	**43.1**	25.4	+70%	
Net cash inflow/(outflow) from operating activities	**35.3**	(12.7)		
Statutory diluted earnings per share	**45.0p**	24.9p	+81%	
Statutory net debt (IFRS 16 basis)	**331.6**	277.7	+19%	

[1] Restated for prior period accounting error arising from the financial reporting fraud at Austral as detailed in note 3 to the interim condensed consolidated financial statements.
[2] Underlying operating profit 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 8 to the interim condensed 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 interim condensed consolidated financial statements.

Highlights

- Record first half performance in revenue and underlying profit
- Revenue of £1,466.3m, up 6% (at constant currency), demonstrating the benefit of our diverse and resilient revenue streams
- Record first half underlying operating profit of £67.0m, up 50% (at constant currency), with an increased underlying operating profit margin of 4.6% (H1 2022: 3.2%). Performance driven by improved performance at North America Foundations and a strong margin performance at Suncoast, offset by losses associated with the closeout of legacy projects at Austral and a more competitive pricing environment due to market conditions in Europe
- Underlying diluted EPS of 56.0p, up 48%, with growth in earnings moderated by higher finance costs
- Statutory diluted EPS of 45.0p, up 81%
- Strong recovery in free cash flow before interest and tax of £40.8m, benefitting from the increased underlying profits and the improved working capital performance
- Net debt of £244.6m, up 26%, impacted by the timing of US tax payments. Net debt/EBITDA leverage ratio of 1.2x (H1 2022[1]: 1.2x)
- Strong order book of £1.5bn which underpins performance in the second half of the year
- Overall accident frequency rate decreased to 0.09 from 0.10 injuries per 100,000 hours worked
- Interim dividend increased by 5% to 13.9p (H1 2022: 13.2p), reflecting strong performance and confidence in both the second half and our longer-term prospects

Michael Speakman, Chief Executive Officer, said:

"Keller delivered a record performance in the first half, largely driven by management actions to drive performance in our North American Foundations business and strong profitability at Suncoast, together with a number of large projects. Accordingly, performance will be more evenly weighted between the first and second half of the year. The continued momentum in the business, together with our strong order book underpins the Board's confidence in the full year expectations which remain unchanged. The underlying strength of the Group's performance provides confidence in our longer-term prospects and is reflected in the Board's decision to increase the interim dividend by 5% for the first half, continuing our 29-year track record of maintained or improved dividend payments."

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A webcast and presentation for investors and analysts will be held at 09.00am BST on 1 August 2023, at Investec Bank plc, 30 Gresham Street, London EC2V 7QP
RSVP: connie.gibson@fticonsulting.com

The webcast replay will be available later the same day on demand
https://www.investis-live.com/keller/649ae6ac9b8a600d00174000/klrt

Conference call:	**Accessing the telephone replay:**
Participants joining by telephone: UK (Local): 020 4587 0498 UK (Toll-free): 0800 358 1035 **Participant access code: 004656**	A recording will be available until 8 August 2023 UK: 020 3936 3001 UK (Toll-free): 0808 304 5227 **Access code: 350651**

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 nearly £3bn.

Cautionary statements:
This document contains certain 'forward-looking statements' with respect to Keller's financial condition, results of operations and business and certain of Keller's plans and objectives with respect to these items. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'potential', 'reasonably possible', 'targets', 'goal' or 'estimates'. By their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates. For a more detailed description of these risks, uncertainties and other factors, please see the Principal risks and uncertainties section of the Strategic report in the Annual Report and Accounts. All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Keller or any other member of the Group, or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to above. Keller does not intend to update these forward-looking statements. Nothing in this document should be regarded as a profits forecast. This document is not an offer to sell, exchange or transfer any securities of Keller Group plc or any of its subsidiaries and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction. Securities may not be offered, sold or transferred in the United States absent registration or an applicable exemption from the registration requirements of the US Securities Act of 1933 (as amended).

LEI number: 549300QO4MBL43UHSN10. Classification: 1.2 (Half yearly financial reports).

Adjusted performance measures

In addition to statutory measures, a number of adjusted performance measures (APMs) are included in this Interim 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 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. 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. Free cash flow before interest and tax is provided as a metric to reflect operating cash flow including capital expenditure, it is reconciled in the net debt flow table in the Chief Financial Officer's review. 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. The Chief Financial Officer's review includes the main drivers of changes in underlying operating profit for the period, which reconciles to the constant currency change in underlying operating profit by division, which is set out in the adjusted performance measures section in this Announcement. 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.

GROUP OVERVIEW

Financial performance

The Group delivered an exceptionally strong first half with a record performance in revenue and even more notably in underlying operating profit.

Reported revenue of £1,466.3m was up 6% on the prior period on a constant currency basis, driven by a strong performance in North America Foundations, a robust performance in Keller Australia and the NEOM project in Saudi Arabia, offset by lower revenues at Suncoast and at RECON.

First half underlying operating profit of £67.0m was 50% higher on a constant currency basis, primarily driven by North America Foundations as a result of an increased focus on both project execution and commercial discipline, the benefit of larger and more profitable contracts in the automotive sector, and temporary higher margins at Suncoast as the lower steel strand price gradually took effect. Our profit performance also benefitted from the first NEOM contract, partly offset by pricing pressure in some European markets and the close out of loss-making legacy projects at Austral.

The Group's profitable growth was underpinned by sustainable, improved cash generation from operations as supply chain issues abated, with a resulting improved working capital performance.

Net debt at the period end of £244.6m was up 26% due to higher tax and interest payments, equating to a net debt/EBITDA leverage ratio of 1.2x (H1 2022[1]: 1.2x). We continue to expect a lower leverage ratio for the 2023 year end and to be well within our target range of 0.5x – 1.5x.

Operating performance

The Group's continued progress in delivering on its strategy to be the preferred international geotechnical specialist contractor generating long-term value for our stakeholders is evident in the strength of its financial results in the period. Management actions and overall resilient market demand resulted in record revenue and operating profit.

In North America, despite a small decline in volume, sustained improvement in underlying contract performance, improved project execution and a heightened focus on commercial discipline as well as the benefit of larger and more profitable contracts in the automotive sector in our foundations business, together with a strong performance at Suncoast, saw the division's underlying operating profit more than double. Supply chain issues that impacted productivity across the region in the prior period have abated. Suncoast, the Group's post-tension business, continued to perform well despite a fall in demand in the residential market. The volume decline was more than offset by temporary higher margins as the lower steel strand price gradually takes effect. These growth drivers were partly offset by reduced volumes in our Specialty Services business and some legacy contract issues. Moretrench Industrial, our business that operates in the highly regulated environmental remediation market, continued to make progress in the period, while RECON, our geo-environmental and industrial services company, saw a decline in volume following the substantial completion of a large project for an LNG plant in the US Gulf Coast region.

In Europe, despite an increase in revenue, profitability was impacted by a more competitive pricing environment, a change in contract mix, a challenging performance in North-East Europe due to the effects of the war in Ukraine, and by softer demand in the residential and commercial sectors across the region. We anticipate an improvement in the second half as we execute more profitable projects in the pipeline.

In AMEA (Asia-Pacific, Middle East and Africa), Keller Australia and the Middle East region delivered a strong performance, driven by the infrastructure sector in Eastern Australia and the completion of the first works order at NEOM. As previously indicated, the phasing of the NEOM project remains subject to variation. We remain in discussions with the client, however there has been an evolution of the design which in turn has delayed further work orders. Our current expectation is we should be awarded a second works order later in the second half. Good performance in the division was partly offset by the significant project losses at Austral, following the close out of the legacy near-shore marine projects and by contract issues elsewhere in the Middle East. Austral is expected to return to profit in the second half.

Strategy

The Group continues to successfully implement its strategy to be the preferred international geotechnical specialist contractor focused on sustainable markets and attractive projects, generating long-term value for our stakeholders. Our local businesses leverage the Group's scale and expertise to deliver engineered solutions and operational excellence, driving market share leadership in our selected segments.

Over the last three years, we have made significant progress rationalising, restructuring and refining the Group's geographic and service offering to create a more focused and higher quality portfolio of businesses. We continue to evaluate our portfolio and potential further incremental rationalisation.

More recently, we have been focusing our efforts on our operational execution across all our businesses, as evidenced by recent results, and we expect to make further progress as we implement the enterprise resource planning (ERP) system, Project Performance Management (PPM) and several other initiatives. Now we have established a strong base for our business, we are looking to grow market share within our existing geographic footprint, through both organic investment and targeted M&A, and gain the benefits of operational leverage within our markets.

Safety

Our continued focus on safety has seen our key indicator for injury - the accident frequency rate - reduce to 0.09 from 0.10, representing 13 lost time injuries per 100,000 hours worked, in the first half of the year.

ESG

In 2021 the executive team set ambitious and achievable targets 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 Keller originated Scope 3 (as opposed to client originated Scope 3). We have begun implementing the short, medium and long-term actions required to achieve these goals.

On Scope 1 this year, we have developed our first electric rig, the KB0-E. This is currently undergoing testing before it becomes the next step we take to decarbonise our site operations. On Scope 2, we remain on track for our net zero commitment, with further reductions in the first half of the year. Energy efficiency audits and an increased use of solar panels in our maintenance yards all have long-term carbon and cost savings for our business units. On Scope 3 operations, we are developing our company car schemes to encourage the use of lower emission, hybrid and electric vehicles in our business units. On Scope 3 materials, we continue to train our engineers and estimators on the sector standard carbon calculator. This is designed to strengthen our ability to upsell low carbon solutions to our clients where appropriate.

Interim dividend

Keller has an unbroken record of dividend payments and has consistently and materially grown its dividend in the 29 years since listing, clearly demonstrating the Group's ability to continue to prosper through economic downturns, including both the global financial crisis and the pandemic. In keeping with the Group's progressive dividend policy and the strong first half performance and outlook, the Board has announced a 5% increase in the interim dividend to 13.9p (2022: 13.2p) payable on 8 September 2023 to shareholders on the register as at 18 August 2023.

Outlook

Keller delivered a record performance in the first half, largely driven by management actions to drive performance in our North American Foundations business and strong profitability at Suncoast, together with a number of large projects. Accordingly, performance will be more evenly weighted between the first and second half of the year. The continued momentum in the business, together with our strong order book underpins the Board's confidence in the full year expectations which remain unchanged. The underlying strength of the Group's performance provides confidence in our longer-term prospects and is reflected in the Board's decision to increase the interim dividend by 5% for the first half, continuing our 29-year track record of maintained or improved dividend payments.

Operating review

North America

	H1 2023 £m	H1 2022 £m	Constant currency
Revenue	**875.8**	865.7	-3.9%
Underlying operating profit	**65.4**	30.1	+105.4%
Underlying operating margin	**7.5%**	3.5%	+400bps
Order book[1]	**979.1**	902.9	+8.4%

[1] Comparative order book stated at constant currency.

In North America, revenue was down 3.9%, on a constant currency basis, with a reduction in trading volume at Suncoast and at RECON. Underlying operating profit doubled on a constant currency basis to £65.4m, driven by an improved performance in the foundations business as well as strong margin performance at Suncoast. The accident frequency rate, our key metric for measuring safety performance, was stable at 0.07 as a result of four lost time injuries.

In the foundations business, revenue increased by 10% reflecting higher activity levels generally. Operating profit grew strongly, benefitting from the sustained improvement in underlying contract performance, improved project execution and a heightened focus on commercial discipline as well as the benefit from larger and more profitable contracts in the automotive sector. Supply chain issues that impacted productivity across the region in the prior period abated. These benefits were partly offset by lower volumes at our Speciality Services business unit, which we expect to reverse in the second half, together with some close out issues on legacy contracts.

Suncoast, the Group's post-tension business, continued to perform well despite a fall in demand in the residential market. The volume decline was more than offset by temporary higher margins as the lower price for steel strand gradually took effect.

Moretrench Industrial, our business that operates in the highly regulated environmental remediation market, continued to make progress in the period, while RECON, our geo-environmental and industrial services company, saw a decline in volume following the substantial completion of a large project for an LNG plant in the US Gulf Coast region. We are in advanced discussions on another LNG project that we anticipate will commence later in the second half, and we continue to target further LNG opportunities in the region.

The order book for North America at the period end strengthened to £979.1m, up 8.4% on a constant currency basis.

Europe

	H1 2023 £m	H1 2022 £m	Constant currency
Revenue	**332.2**	297.6	+8.4%
Underlying operating profit	**4.1**	13.9	-71.4%
Underlying operating margin	**1.2%**	4.7%	-350bps
Order book[1]	**306.0**	389.4	-21.4%

[1] Comparative order book stated at constant currency.

In Europe, revenue increased by 8.4% while underlying operating profit decreased by 71.4% to £4.1m on a constant currency basis. Whilst cost inflation has stabilised and supply chain issues have eased, profitability was impacted by a more competitive pricing environment, a challenging performance in North-East Europe due to the effects of the war in Ukraine, and by softer demand in the residential and commercial sectors across the region. Margin has also been further hampered by the mix of the work completed and the phasing of major projects. The accident frequency rate reduced to 0.14 from 0.27, representing seven lost time injuries.

Overall, despite challenging construction markets in parts of Europe, particularly in the residential and commercial sectors, revenues have held up well and we have successfully secured some large and profitable infrastructure projects that will benefit performance in the second half and for which we expect an improved operating margin.

In the South-East Europe and Nordics business, whilst early works have been completed on the Tangenvika bridge project in Norway and at the Södertälje lock project in Sweden, we anticipate increased volumes in the second half of 2023. In the UK, good progress continues to be made on the High Speed 2 (HS2) rail contract, with lower levels of revenue against the prior period reflecting the phasing of work on the project. Increased volumes have been achieved in the core UK foundations business albeit margins have been adversely affected by the mix of work performed. Our business in Central Europe has seen increased volumes in the first half and despite some pricing pressure has secured some important project wins that position it well for the second half of the year. The North-East Europe trading environment has been challenging, particularly in Poland, with the war in Ukraine causing a market slowdown and lower demand. South-West Europe saw good growth in revenues, but profits were flat with tighter pricing and margin erosion.

We continue to actively monitor our European portfolio whilst seeking to maintain and extend our position in certain growth sectors, such as oil and gas and the energy sector more broadly.

The Europe order book at the end of the period was £306.0m, down 21.4% on a constant currency basis, reflecting the challenging market conditions affecting confidence across Europe. The successful award of some larger project tenders due in the coming months is expected to improve the order book.

Asia-Pacific, Middle East and Africa (AMEA)

	H1 2023 £m	H1 2022[1] £m	Constant currency
Revenue	**258.3**	170.1	+53.8%
Underlying operating profit	**3.7**	3.2	+10.5%
Underlying operating margin	**1.4%**	1.9%	
Order book[2]	**206.2**	229.8	-10.3%

[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 53.8% on a constant currency basis, driven by strong trading in Keller Australia and completion of the first tranche of works at NEOM in Saudi Arabia. Underlying operating profit increased to £3.7m, driven by the NEOM project and trading in Keller Australia, offset particularly by losses at Austral and contract issues elsewhere in the Middle East. The accident frequency rate was 0.04, reporting two lost time injuries compared to zero in the prior period.

Keller Australia significantly increased its trading activity and profitability, particularly in the infrastructure sector. Tendering levels were high and we anticipate this will continue in the second half of the year. Our India business performed well in revenue terms driven by several large projects but with some margin erosion from legacy contracts. The business overall continues to experience high tendering levels and has a number of large industrial infrastructure projects in the pipeline. In the Middle East region, we completed the first works order at NEOM in the first quarter. As previously indicated, the phasing of the NEOM project remains subject to variation. We remain in discussions with the client, however there has been an evolution of the design which in turn has delayed further work orders. Our current expectation is we should be awarded a second works order later in the second half. Elsewhere in the Middle East, performance was mixed with some contract issues that will be remediated in the second half. We continually review our portfolio and have taken the strategic decision to exit Egypt. The ASEAN business continued to experience market softness, while we expect an improved trading environment in the second half. In Austral, some significant losses were incurred in closing out legacy projects. The new management team has addressed the remaining issues in the near-shore marine business and we expect the business to be profitable in the second half.

The AMEA order book at the end of the period was £206.2m, down 10.3% on a constant currency basis.

Chief Financial Officer's review

This report comments on the key financial aspects of the Group's interim results for the half year period ended 30 June 2023.

	H1 2023 £m	H1 2022[1] £m
Revenue	**1,466.3**	1,333.4
Underlying operating profit[2]	**67.0**	42.3
Underlying operating profit %[2]	**4.6%**	3.2%
Non-underlying items	**(10.4)**	(11.9)
Statutory operating profit	**56.6**	30.4

[1] Restated for prior period accounting error arising from the financial reporting fraud at Austral as detailed in note 3 to the interim financial statements.

[2] Details of non-underlying items are set out in note 8 to the interim condensed consolidated financial statements. Reconciliations to statutory numbers are set out in note 5 to the interim condensed consolidated financial statements.

Geographic segmentation

	Revenue £m		Underlying operating profit[3] £m		Underlying operating profit margin[3] %	
	H1 2023	H1 2022[1]	**H1 2023**	H1 2022[1]	**H1 2023**	H1 2022[1]
Division						
North America	**875.8**	865.7	**65.4**	30.1	**7.5%**	3.5%
Europe	**332.2**	297.6	**4.1**	13.9	**1.2%**	4.7%
AMEA	**258.3**	170.1	**3.7**	3.2	**1.4%**	1.9%
Central		-	**(6.2)**	(4.9)	**-**	-
Group	**1,466.3**	1,333.4	**67.0**	42.3	**4.6%**	3.2%

[3] Details of non-underlying items are set out in note 8 of the interim condensed consolidated financial statements.

Prior year restatement
As disclosed in the 2022 year-end financial statement, the impact of the previously reported Austral financial reporting fraud was material. The interim financial statements for the comparative six months to 26 June 2022 have been restated to show the corrected amounts.

Revenue
Revenue of £1,466.3m (H1 2022[1]: £1,333.4m) was 10.0% up on 2022. On a constant currency basis, revenue increased by 5.8%, reflecting volume growth in Europe and AMEA, offset by a reduction in North America.

North America reported a revenue decrease of 3.9% (at constant currency), positively impacted by the higher activity levels in foundations which was offset by a reduction in trading volume at Suncoast and RECON. In Europe, revenue increased by 8.4% (at constant currency), although business activity levels were mixed across the geographies. Revenue in AMEA increased by 53.8% on a constant currency basis, driven by strong trading in Keller Australia and completion of the first tranche of works at NEOM in Saudi Arabia.

We have a diversified spread of revenues across geographies, product lines, market segments and end customers. Customers are generally market specific and the largest customer represented less than 4% (H1 2022[1]: 5%) of the Group's revenue for the half year. The top 10 customers represent 18% of the Group's revenue for the half year (H1 2022[1]: 18%).

Underlying operating profit
The underlying operating profit of £67.0m was 58.3% ahead of prior year (H1 2022[1]: £42.3m) and on a constant currency basis was 49.8% up on prior year.

North America underlying constant currency operating profit increased by over 100% as the improved margin was driven by a strong performance in the foundations business as well as higher profitability at Suncoast. Europe constant currency operating profit decreased by 71.4%, impacted by a change in contract mix, a challenging performance in North-East Europe due to the regional tensions, and by softer demand in the residential and commercial sectors across the region. AMEA constant currency operating profit increased by 10.5% through the contribution of strong performance at Keller Australia and the NEOM project, offset by losses at Austral.

The table below illustrates the key drivers of the movements, H1 2022 to H1 2023, in the divisional segmental operating profit which are summarised above:

	£m
H1 2022 underlying operating profit	**42.3**
Constant currency FX movement	2.4
H1 2022 underlying operating profit at constant currency	**44.7**
North America Foundations volume	6.8
North America Foundations margin	18.5
Suncoast	10.4
North America other movements	(2.1)
North America division movement	**33.6**
Europe volume	4.0
Europe margin	(14.3)
Europe division movement	**(10.3)**
Keller Australia	6.7
Middle East region including NEOM	7.2
Austral	(11.0)
AMEA other movements	(2.6)
AMEA division movement	**0.3**
Central items	(1.3)
H1 2023 underlying operating profit	**67.0**

Share of post-tax results from joint ventures

The Group recognised an underlying post-tax profit of £0.2m in the period (H1 2022: £0.9m) from its share of the post-tax results from joint ventures. The share of the post-tax amortisation charge of £0.4m (H1 2022: £0.7m) arising from the acquisition of NordPile by our joint venture KFS Oy in 2021 is included as a non-underlying item.

Statutory operating profit

Statutory operating profit, comprising underlying operating profit of £67.0m (H1 2022[1]: £42.3m) and non-underlying items comprising net costs of £10.4m (H1 2022: £11.9m), increased by 86% to £56.6m (H1 2022[1]: £30.4m).

Net finance costs

Net finance costs increased by 170% to £13.5m (H1 2022: £5.0m), as a result of higher interest rates and a higher average net debt during the half year. Average net borrowings, excluding IFRS 16 lease liabilities, increased by 12% in the period from £217.8m during the half year to 26 June 2022 to £244.7m during the half year to 30 June 2023, partially driven by increased US tax payments.

Taxation

The Group's underlying effective tax rate decreased to 22% (H1 2022[1]: 26%). The reduction from the 2022 restated rate of 26% is largely due to recognition of the operating loss in Austral for which no associated tax relief is available in Australia. Australia is already in an overall loss position and no deferred tax asset is booked for these losses.

Cash tax paid in the period of £38.6m was an increase of £36.2m over prior year (H1 2022: £2.4m). The difference is mainly attributable to the timing in paying the US tax charge for 2022. The Group was awaiting a possible law change on the timing of deductions for research and development expenditure which has not materialised. As such, the Group has paid both the full year 2022 US tax charge and the provisional payments for H1 2023 during the first half of this year, totalling £36.7m. Given the US law change, the Group is expecting to continue to pay higher cash tax compared to prior years. Further details on tax are set out in note 9 to the interim condensed consolidated financial statements.

The UK government enacted new legislation introducing a global minimum tax of 15% in line with the OECD's Pillar Two rules. The rules will apply to Keller from 1 January 2024 and it is expected that the Pillar Two rules will not have a material impact on the Group's overall tax charge.

Non-underlying items

Details of non-underlying items are included in note 8 to the interim condensed consolidated financial statements.

Non-underlying operating costs

Non-underlying operating costs were £7.2m (H1 2022: £6.1m).

Exceptional restructuring costs of £3.2m (H1 2022: £1.2m) have been incurred during the period, related to senior leadership changes in North America and the planned exit from Egypt. The prior year costs primarily related to the scheduled exit from the Ivory Coast business.

The Group has continued to make progress with the strategic project to implement a new cloud computing enterprise resource planning (ERP) system across the Group. Due to the size, nature and incidence of these costs, they 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 four to five years. The cost recognised in the first half is £4.0m (H1 2022: £1.2m).

In the prior period, a £3.5m exceptional charge was recognised related to a provision made for additional costs from a historical contract dispute. In addition, the prior period included an impairment charge of £0.4m which was recognised in respect of trade receivables in Ukraine that are not expected to be recovered due to the ongoing conflict and a credit of £0.2m arising from the change in the fair value of contingent consideration.

Amortisation of acquired intangibles

The £3.8m (H1 2022: £5.8m) charge for amortisation of acquired intangible assets relates to the RECON, Nordwest Fundamentering, GKM Consultants and Moretrench acquisitions.

Non-underlying other operating income

Non-underlying other operating income of £1.0m (H1 2022: £0.7m) comprises the gain on disposal of assets held for sale. Impairment charges for these assets had previously been charged to non-underlying items in prior periods and therefore the corresponding profit on disposal is also recognised as a non-underlying item. The income in the prior period was the final contingent consideration receivable of £0.7m in relation to the Wannenwetsch disposal, completed in 2020.

Non-underlying taxation

A non-underlying tax credit of £2.3m (H1 2022: £2.4m) relates to the tax benefit on non-underlying charges which are expected to be deductible.

Earnings per share

Underlying diluted earnings per share increased by 47.8% to 56.0p (H1 2022[1]: 37.9p) in line with the increased operating profit combined with a reduced effective tax rate in the period. Statutory diluted earnings per share was 45.0p (H1 2022[1]: 24.9p).

Dividend

The Group's dividend policy is to increase the dividend sustainably whilst allowing the Group to be able to grow or, as a minimum, maintain the level of dividend through market cycles. 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, future cash commitments and investment plans.

Reflecting the financial strength of the Group and the longer-term confidence in the performance of the business, the Board has decided to increase the interim dividend by 5% and has recommended a dividend of 13.9p per share (H1 2022: 13.2p per share).

Net debt flow

The Group's free cash outflow of £9.1m (H1 2022: outflow of £46.8m) compares favourably to the prior period. Free cash flow has been impacted by the timing of US tax payments as well as volume growth in the business and the related increase in working capital requirements. The basis of deriving free cash flow is set out below:

	H1 2023 £m	H1 2022[1] £m
Underlying operating profit	67.0	42.3
Depreciation and amortisation	54.1	48.5
Underlying EBITDA	**121.1**	**90.8**
Non-cash items	(0.6)	(1.1)
Increase in working capital	(33.1)	(85.9)
Increase in provisions, retirement benefit liabilities and other non-current liabilities	7.4	(9.7)
Net capital expenditure	(34.4)	(23.4)
Additions to right-of-use assets	(19.6)	(12.3)
Free cash flow before interest and tax	**40.8**	**(41.6)**
Free cash flow before interest and tax to underlying operating profit	**61%**	**(98%)**
Net interest paid	(11.3)	(2.8)
Cash tax paid	(38.6)	(2.4)
Free cash flow	**(9.1)**	**(46.8)**
Dividends paid to shareholders	(17.6)	-
Purchase of own shares	(3.4)	(1.2)
Acquisitions	-	(15.6)
Non-underlying items	(9.4)	(1.7)
Right-of-use assets/lease liability modifications	(4.9)	(4.4)
Foreign exchange movements	11.7	(14.7)
Movement in net debt	**(32.7)**	**(84.4)**
Opening net debt	**(298.9)**	**(193.3)**
Closing net debt	**(331.6)**	**(277.7)**

[1] Restated for prior period accounting error arising from the financial reporting fraud at Austral as detailed in note 3 to the interim financial statements.

Working capital

Working capital in the period compares favourably to the prior year, where inventory levels and issues associated with the supply chain resulted in a significant outflow. The working capital performance in H1 2023 reflects the increased activity, given the 6% constant currency increase in revenue. The net increase of £33.1m (H1 2022: £85.9m) arises despite a favourable working capital movement in North America as a result of decreased inventory at Suncoast and the abatement of the supply chain pressures on payment terms that we saw in the first half last year. Elsewhere, the working capital was adversely impacted by a change in the invoicing process at NEOM and the unwind of advance payments received last year. There was an increase in provisions and retirement benefits of £7.4m (H1 2022: £9.7m decrease), reflecting movements on provisions for contract and disputes.

Capital expenditure
The Group manages capital expenditure tightly whilst investing in the upgrade and replacement of equipment where appropriate. Net capital expenditure of £34.4m (H1 2022: £23.4m) included proceeds from the sale of equipment of £8.1m (H1 2022: £3.3m). 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 108% (H1 2022: 76%).

Acquisitions and disposals
There were no acquisitions or disposals in the period ended 30 June 2023.

Non-underlying cash flows
Non-underlying cash outflow of £9.4m includes the cash impact of non-underlying items reflected in the income statement in the current and prior periods. The outflow in the period includes £3.1m cash outflow for ERP costs, £1.4m outflow for current period restructuring costs, £1.9m outflow for restructuring costs provided for in a prior period and the £3.0m settlement of the historic contract provision provided for in the prior half year period.

Financing facilities and net debt
The Group's total net debt of £331.6m (H1 2022: £277.7m) comprises loans and borrowings of £344.5m (H1 2022: £279.4m), lease liabilities of £87.5m (H1 2022: £84.1m) net of cash and cash equivalents of £100.4m (H1 2022: £85.8m).

The Group's term debt and committed facilities principally comprise US private placements of US$75m which mature in December 2024, a £375m multi-currency syndicated revolving credit facility which matures in November 2025 and a US$115m bilateral term loan facility, expiring in November 2024. On 21 June 2023, the Group signed a note purchase and guarantee agreement regarding the proposed private placement of US$300m of loan notes, to be split between seven and ten-year maturities. Subject to the fulfilment of certain conditions precedent, proceeds to be received in August 2023 will be used to refinance existing debt of the Group and for general corporate purposes.

At 30 June 2023, the Group had undrawn committed and uncommitted borrowing facilities totalling £237.0m, comprising £174.6m of the unutilised portion of the revolving credit facility, £11.8m of other undrawn committed borrowing facilities and undrawn uncommitted borrowing facilities of £50.6m, as well as cash and cash equivalents of £100.4m.

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 (H1 2022[1]: 1.2x), well within the limit of 3.0x and within the 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 1.4x at 30 June 2023 (H1 2022: 1.4x). Underlying EBITDA, excluding the impact of IFRS 16, to net finance charges for the period to 30 June 2023 was 11.2x (H1 2022[1]: 25.6x). This is lower than in prior periods, due to the impact of higher interest rates on the net finance costs, but still well above the limit of 4.0x.

On an IFRS 16 basis, gearing at 30 June 2023 was 68% (H1 2022[1]: 59%).

The average month-end net debt during the period ended 30 June 2023, excluding IFRS 16 lease liabilities, was £244.7m (H1 2022: £217.8m) and the minimum headroom during this period on the Group's main banking facilities was £147.2m (H1 2022: £275.6m), in addition to a cash balance at that time of £151.2m (H1 2022: £89.4m). The Group had no material discounting or factoring in place during the period. 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.

At 30 June 2023 the Group had drawn upon uncommitted overdraft facilities of £5.6m (H1 2022: £0.5m) and had drawn £185.4m of bank guarantee facilities (H1 2022: £165.2m).

Retirement benefit liabilities
The primary defined benefit scheme is in the UK. The Group also has defined benefit retirement obligations in Germany and Austria and a number of end of service schemes in the Middle East that follow the same principles as a defined benefit scheme. The Group's net defined benefit liabilities as at 30 June 2023 were £18.2m (H1 2022: £22.5m). The reduction in the half year period was driven by an actuarial gain during H2 2022 and cash payments into the schemes. The net defined liability for the Keller Group Pension Scheme in the UK as at 30 June 2023 is £2.6m (H1 2022: £5.4m), being the minimum funding requirement, calculated using the agreed contributions.

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 half year period:

	H1 2023		H1 2022	
	Closing	**Average**	Closing	Average
USD	**1.26**	**1.23**	1.23	1.30
CAD	**1.67**	**1.66**	1.58	1.65
EUR	**1.16**	**1.14**	1.16	1.19
SGD	**1.72**	**1.65**	1.70	1.77
AUD	**1.90**	**1.83**	1.77	1.81

Principal risks
The Group operates globally across many geotechnical market sectors and in varied geographic markets. The Group's performance and prospects may be affected by risks and uncertainties in relation to the industry and the environments in which it undertakes its operations around the world. The Group is alert to the challenges of managing risk and has systems and procedures in place across the Group to identify, assess and mitigate major business risks.

The principal risks and uncertainties are as follows:

- Financial risks
  - The inability to finance our business;
- Market risk
  - A rapid downturn in our markets;
- Strategic risk
  - The failure to procure new contracts, losing market share;
  - Ethical misconduct and non-compliance with regulations;
  - Inability to maintain our technological product advantage;
  - Climate change;
- Operational risk
  - Service or solution failure;
  - The ineffective execution of our projects;
  - Supply chain partners fail to meet the Group's operational expectation and contractual obligations (including capacity, competency, quality, financial stability, safety, environmental, social and ethical);
  - Causing a serious injury or fatality to an employee or member of the public;
  - Not having the right skills to deliver and the risk of potential disruption in the business operations;
  - Cyber risk.

The Group’s principal risks and uncertainties have not materially changed in the first half of 2023. For a more detailed description of these risks, uncertainties and other factors, please see the Principal risks and uncertainties section of the Strategic report in the 2022 Annual Report and Accounts.

The important developments in managing our principal risks during 2023 are as follows:

- Continued focus on embedding risk management processes across all parts of the organisation, supported by the roll out of a new Governance, Risk Management and Compliance (GRC) tool;
- Regularly reviewing our principal risks and the mitigating activities we are taking to ensure they accurately reflect the risks we are facing and how we are responding to those risks;
- Continuing to review risk trends, including the consideration of risks across the medium and long term via horizon scanning and reviewing emerging legislation to ascertain how they may impact Keller;
- Continuing to embed the requirements of the Task Force on Climate-related Financial Disclosures (TCFD) into business-as-usual activities, including development of appropriate scenarios and supporting metrics; and
- Maintaining focus on managing the continued impact of high inflation and rising interest rates.

The key areas of focus for the remainder of 2023 are as follows:

- Finalising and developing further appropriate scenario analyses and identifying relevant metrics to support them, needed to comply with TCFD requirements. These scenarios will also lead to continued improvement in understanding of the longer-term strategic impact and in turn support a more timely and robust decision-making process;
- We will be closely monitoring the following items through the regular review of risks across the business and any impact they may have on our principal risks for 2023 year-end reporting:
    - Supply chain issues, including both scarcity of certain materials (steel, cement and energy) and the pricing impact of this, continue to show signs of easing. While pressure remains as a result of the geopolitical uncertainty following Russia’s invasion of Ukraine, it is being better managed as supply chains fully recover from the COVID-19 impact and demand cools slightly across North America and Europe as interest rate increases take effect.
    - Energy security did not materialise as a major issue last winter due to both the actions taken and the mild weather. However, with the level of gas supplies from Russia still being restricted, focus will increase again on planning and preparation in Europe as it moves into autumn and winter.
    - Recruitment and retention are still being impacted by the inflationary pressure in many of our markets, but with the exception of site personnel, is easing slightly. Increased focus on retaining and training staff.
    - Persistently high inflation, while beginning to fall, alongside still-rising interest rates is having a negative effect in many of the markets in which we operate. We are seeing some customers now beginning to delay investment decisions on new projects, while they evaluate the trajectory of both.

Statement of Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules (DTR) of the United Kingdom's Financial Conduct Authority (FCA).

The DTR require that the accounting policies and presentation applied to the half yearly figures must be consistent with those applied in the latest published annual accounts, except where the accounting policies and presentation are to be changed in the subsequent annual accounts, in which case the new accounting policies and presentation should be followed, and the changes and the reasons for the changes should be disclosed in the interim report, unless the FCA agrees otherwise.

The Directors confirm that to the best of their knowledge the condensed set of financial statements, which have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, as required by DTR 4.2 and in particular include a fair review of:

- The important events that have occurred during the first half of the financial year and their impact on the interim condensed consolidated set of financial statements as required by DTR 4.2.7R;
- The principal risks and uncertainties for the remaining half of the year as required by DTR 4.2.7R; and
- Related party transactions that have taken place in the first half of the current financial year and changes in the related party transactions described in the previous annual report that have materially affected the financial position or performance of the Group during the first half of the current financial year as required by DTR 4.2.8R.

The Directors of Keller Group plc are listed in the 2022 Annual Report and Accounts.

Approved by the Board of Keller Group plc and signed on its behalf by:

Michael Speakman
Chief Executive Officer

David Burke
Chief Financial Officer

31 July 2023

INDEPENDENT REVIEW REPORT TO KELLER GROUP PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the Interim Results of Keller Group plc for the half-year period ended 30 June 2023 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statements of changes in equity, condensed consolidated cash flow statement, and the related explanatory notes. We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the interim period ended 30 June 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, “Interim Financial Reporting”.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
Reading
31 July 2023

Interim condensed consolidated income statement (unaudited)

For the half year period ended 30 June 2023

		30 June 2023			26 June 2022 (Restated)[1]		
	Note	**Underlying £m**	**Non-underlying items (note 8) £m**	**Statutory £m**	Underlying £m	Non-underlying items (note 8) £m	Statutory £m
Revenue	5,6	**1,466.3**	**–**	**1,466.3**	1,333.4	–	1,333.4
Operating costs	13	**(1,399.5)**	**(7.2)**	**(1,406.7)**	(1,292.0)	(6.1)	(1,298.1)
Amortisation of acquired intangible assets		**–**	**(3.8)**	**(3.8)**	–	(5.8)	(5.8)
Other operating income		**–**	**1.0**	**1.0**	–	0.7	0.7
Share of post-tax results of joint ventures		**0.2**	**(0.4)**	**(0.2)**	0.9	(0.7)	0.2
Operating profit/(loss)	5	**67.0**	**(10.4)**	**56.6**	42.3	(11.9)	30.4
Finance income		**0.6**	**–**	**0.6**	0.3	–	0.3
Finance costs		**(14.1)**	**–**	**(14.1)**	(5.3)	–	(5.3)
Profit/(loss) before taxation		**53.5**	**(10.4)**	**43.1**	37.3	(11.9)	25.4
Taxation	9	**(11.8)**	**2.3**	**(9.5)**	(9.7)	2.4	(7.3)
Profit/(loss) for the period		**41.7**	**(8.1)**	**33.6**	27.6	(9.5)	18.1
Attributable to:							
Equity holders of the parent		**41.3**	**(8.1)**	**33.2**	27.8	(9.5)	18.3
Non-controlling interests		**0.4**	**–**	**0.4**	(0.2)	–	(0.2)
		41.7	**(8.1)**	**33.6**	27.6	(9.5)	18.1
Earnings per share							
Basic	11	**56.7p**		**45.6p**	38.3p		25.2p
Diluted	11	**56.0p**		**45.0p**	37.9p		24.9p

[1] The 26 June 2022 condensed consolidated income statement 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 interim financial statements.

Interim condensed consolidated statement of comprehensive income (unaudited)

For the half year period ended 30 June 2023

	30 June 2023 **£m**	26 June 2022 (Restated)[1] £m
Profit for the period	**33.6**	18.1
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange movements on translation of foreign operations	**(26.2)**	40.9
Exchange movements on translation of non-controlling interests	**(0.2)**	0.2
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit pension schemes	**–**	2.2
Tax on remeasurements of defined benefit pension schemes	**–**	(0.4)
Other comprehensive income/(loss) for the period, net of tax	**(26.4)**	42.9
Total comprehensive income for the period	**7.2**	61.0
Attributable to:		
Equity holders of the parent	**7.0**	61.0
Non-controlling interests	**0.2**	–
	7.2	61.0

1 The 26 June 2022 condensed consolidated statement of comprehensive income 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 interim financial statements.

Interim condensed consolidated balance sheet (unaudited)

As at 30 June 2023

	Note	**As at 30 June 2023 £m**	As at 26 June 2022 (Restated)[1] £m	As at 31 December 2022 (Restated)[2] £m
Assets				
Non-current assets				
Goodwill and intangible assets		**128.8**	149.1	137.9
Property, plant and equipment	12	**473.5**	468.1	486.5
Investments in joint ventures		**4.1**	4.4	4.4
Deferred tax assets		**26.2**	9.9	15.1
Other assets		**72.3**	111.4	60.8
		704.9	742.9	704.7
Current assets				
Inventories		**92.8**	107.3	124.4
Trade and other receivables	13	**760.5**	729.5	764.6
Current tax assets	9	**4.3**	9.5	5.0
Cash and cash equivalents	14	**100.4**	85.8	101.1
Assets held for sale	15	**1.6**	1.0	2.8
		959.6	933.1	997.9
Total assets		**1,664.5**	1,676.0	1,702.6
Liabilities				
Current liabilities				
Loans and borrowings		**(30.7)**	(29.0)	(34.2)
Current tax liabilities	9	**(34.6)**	(23.5)	(53.2)
Trade and other payables		**(550.9)**	(610.6)	(585.6)
Provisions		**(49.6)**	(59.9)	(52.7)
		(665.8)	(723.0)	(725.7)
Non-current liabilities				
Loans and borrowings		**(401.3)**	(334.5)	(365.8)
Retirement benefit liabilities	16	**(18.2)**	(22.5)	(20.8)
Deferred tax liabilities		**(4.7)**	(31.5)	(5.3)
Provisions		**(72.6)**	(76.5)	(66.9)
Other liabilities		**(16.8)**	(15.3)	(21.3)
		(513.6)	(480.3)	(480.1)
Total liabilities		**(1,179.4)**	(1,203.3)	(1,205.8)
Net assets		**485.1**	472.7	496.8
Equity				
Share capital	18	**7.3**	7.3	7.3
Share premium account		**38.1**	38.1	38.1
Capital redemption reserve	18	**7.6**	7.6	7.6
Translation reserve		**31.7**	53.0	57.9
Other reserve	18	**56.9**	56.9	56.9
Retained earnings		**341.0**	307.0	326.7
Equity attributable to equity holders of the parent		**482.6**	469.9	494.5
Non-controlling interests		**2.5**	2.8	2.3
Total equity		**485.1**	472.7	496.8

[1] The 26 June 2022 condensed 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 interim financial statements.

[2] The 31 December 2022 condensed consolidated balance sheet has been restated in respect of prior period business combination measurement adjustments, as outlined in notes 3 and 7 to the interim financial statements.

Interim condensed consolidated statement of changes in equity (unaudited)

For the half year period ended 30 June 2023

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 31 December 2022[2]	**7.3**	**38.1**	**7.6**	**57.9**	**56.9**	**326.7**	**2.3**	**496.8**
Total comprehensive income for the period	**–**	**–**	**–**	**(26.2)**	**–**	**33.2**	**0.2**	**7.2**
Dividends	**–**	**–**	**–**	**–**	**–**	**(17.6)**	**–**	**(17.6)**
Purchase of own shares for ESOP trust	**–**	**–**	**–**	**–**	**–**	**(3.4)**	**–**	**(3.4)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**2.1**	**–**	**2.1**
At 30 June 2023	**7.3**	**38.1**	**7.6**	**31.7**	**56.9**	**341.0**	**2.5**	**485.1**

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 31 December 2021 (Restated)[1]	7.3	38.1	7.6	12.1	56.9	303.2	2.8	428.0
Total comprehensive income for the period	–	–	–	40.9	–	20.1	–	61.0
Dividends	–	–	–	–	–	(16.8)	–	(16.8)
Purchase of own shares for ESOP trust	–	–	–	–	–	(1.2)	–	(1.2)
Share-based payments	–	–	–	–	–	1.7	–	1.7
At 26 June 2022	7.3	38.1	7.6	53.0	56.9	307.0	2.8	472.7

1 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 as outlined in note 3 to the interim financial statements.

2 Retained earnings as at 31 December 2022 have been restated in respect of prior period measurement adjustments, as outlined in notes 3 and 7 to the interim financial statements.

Interim condensed consolidated cash flow statement (unaudited)

For the half year period ended 30 June 2023

	Note	30 June 2023 £m	26 June 2022 (Restated)[1] £m
Cash flows from operating activities			
Profit before taxation		**43.1**	25.4
Non-underlying items		**10.4**	11.9
Finance income		**(0.6)**	(0.3)
Finance costs		**14.1**	5.3
Underlying operating profit	5	**67.0**	42.3
Depreciation/impairment of property, plant and equipment		**53.9**	48.2
Amortisation of intangible assets		**0.2**	0.3
Share of underlying post-tax results of joint ventures		**(0.2)**	(0.9)
Profit on sale of property, plant and equipment	12	**(2.5)**	(2.5)
Other non-cash movements (including charge for share-based payments)		**2.1**	2.3
Operating cash flows before movements in working capital and other underlying items		**120.5**	89.7
(Increase)/decrease in inventories		**27.4**	(28.3)
Increase in trade and other receivables		**(38.7)**	(117.7)
Increase/(decrease) in trade and other payables		**(21.8)**	60.1
Increase/(decrease) in provisions, retirement benefit and other non-current liabilities		**7.4**	(9.7)
Cash generated from operations before non-underlying items		**94.8**	(5.9)
Cash outflows from non-underlying items: contract dispute		**(3.0)**	–
Cash outflows from non-underlying items: ERP costs		**(3.1)**	(0.2)
Cash outflows from non-underlying items: restructuring costs		**(3.3)**	(1.5)
Cash generated from operations		**85.4**	(7.6)
Interest paid		**(9.1)**	(0.9)
Interest element of lease rental payments		**(2.4)**	(1.8)
Income tax paid		**(38.6)**	(2.4)
Net cash inflow/(outflow) from operating activities		**35.3**	(12.7)
Cash flows from investing activities			
Interest received		**0.6**	0.3
Proceeds from sale of property, plant and equipment		**8.1**	3.3
Acquisition of businesses, net of cash acquired	7	–	(15.6)
Acquisition of property, plant and equipment	12	**(42.5)**	(26.6)
Acquisition of other intangible assets		–	(0.1)
Net cash outflow from investing activities		**(33.8)**	(38.7)
Cash flows from financing activities			
Increase in borrowings		**100.1**	68.2
Cash flows from derivative instruments		–	0.2
Repayment of borrowings		**(61.2)**	(1.7)
Payment of lease liabilities		**(14.1)**	(15.4)
Purchase of own shares for ESOP trust		**(3.4)**	(1.2)
Dividends paid	10	**(17.6)**	–
Net cash inflow from financing activities		**3.8**	50.1
Net increase/(decrease) in cash and cash equivalents		**5.3**	(1.3)
Cash and cash equivalents at beginning of period		**94.2**	81.8
Effect of exchange rate movements		**(4.7)**	4.8
Cash and cash equivalents at end of period	14	**94.8**	85.3

1 The 26 June 2022 condensed consolidated cash flow statement 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 interim financial statements.

1. Corporate information

The interim condensed consolidated financial statements of Keller Group plc and its subsidiaries (collectively, the 'Group') for the half year period ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 31 July 2023.

Keller Group plc (the 'company') is a 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 engineering services.

2. Basis of preparation

The condensed financial statements included in this interim financial report have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2022. The interim report does not constitute statutory accounts. The financial information for the year ended 31 December 2022 does not constitute the Group's statutory financial statements for that period as defined in section 435 of the Companies Act 2006 but is instead an extract from those financial statements. The Group's financial statements for the year ended 31 December 2022 have been delivered to the Registrar of Companies. The Auditor's Report on those financial statements contained an unqualified opinion, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498 of the Companies Act 2006. The annual financial statements for the year ended 31 December 2023 will be prepared in accordance with UK adopted international accounting standards.

The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Finance (No 2) Bill 2023, that includes Pillar Two legislation, was substantively enacted on 20 June 2023 for IFRS purposes. The Group has applied the exemption from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes as required by the amendments to IAS 12 International Tax Reform-Pillar Two Model Rules which was issued in May 2023.

Going concern

As part of the interim going concern review, management ran a series of downside scenarios on the latest forecast profit and cash flow projections to assess covenant headroom against available funding facilities for the period to 31 December 2024. This is a period of at least 12 months from when the interim financial statements are authorised for issue and align with the period in which the Group's banking covenants are tested.

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 2022 Annual Report and Accounts.

The following severe but plausible downside assumptions were modelled:

- Rapid downturn in the Group's markets resulting in up to a 10% decline in revenues.
- Failure to procure new contracts while maintaining appropriate margins reducing profits by 0.5% of revenue.
- Ineffective execution of projects reducing profits by 1% of revenue.
- A combination of other principal risks and trading risks materialising together reducing profits by up to £97.7m over the period to 31 December 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.

Even in the most extreme downside scenario modelled, including an aggregation of all risks considered, which showed a decrease in operating profit of 58.1%. The adjusted projections do not show a breach of covenants in respect of available funding facilities or any liquidity shortfall. Consideration was given to scenarios where covenants would be breached and the circumstances giving rise to these scenarios were considered extreme and remote.

This process allowed the Board to conclude that the Group will continue to operate on a going concern basis for the period through to the end of December 2024, a period of at least 12 months from when the interim financial statements are authorised for issue. Accordingly, the interim financial statements are prepared on a going concern basis. At 30 June 2023, the Group had undrawn committed and uncommitted borrowing facilities totalling £237.0m, comprising £174.6m of the unutilised portion of the revolving credit facility, £11.8m of other undrawn committed borrowing facilities and undrawn uncommitted borrowing facilities of £50.6m, as well as cash and cash equivalents of £100.4m. At 30 June 2023, 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.

Significant accounting judgements, estimates and assumptions

During the half year period to 30 June 2023, there have not been any changes in the significant accounting judgements, estimates and assumptions disclosed in the 2022 Annual Report and Accounts. Consistent with the disclosure in the 2022 Annual Report and Accounts, our assessment over the carrying value of goodwill in Keller Limited continues to be sensitive to the future successful execution of business plans designed to address the reduction in revenue, margins and profits from HS2 contracts, schedule to be completed over the next three years.

3. Prior period restatements

The below restatements were made to the comparative consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement for 26 June 2022 and 31 December 2022.

Prior period financial reporting fraud

As disclosed in the 2022 Annual Report and Accounts, following an internal management operational review at the Austral business in Australia, the Group identified a historical overstatement of revenue and profit relating to the half year period ended 26 June 2022 and the past three years to 31 December 2021 due to a financial reporting fraud.

For the 2023 interim report, the comparatives as at 26 June 2022 have been restated.

Prior period business combination measurement adjustment

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

In the year to 31 December 2022, the Group acquired Nordwest Fundamentering AS. Adjustments to the provisional fair values were made during the measurement period, as set out in note 7. The impact of the measurement period adjustments has been applied retrospectively, meaning that the results and financial position for the year to 31 December 2022 have been restated.

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

Restatement of condensed consolidated income statement for the period ended 26 June 2022 (statutory results)

	26 June 2022 Statutory (as presented)	Impact of prior period error	**26 June 2022 Statutory (Restated)**
	£m	£m	**£m**
Revenue	1,337.4	(4.0)	**1,333.4**
Operating costs	(1,294.8)	(3.3)	**(1,298.1)**
Amortisation of acquired intangible assets	(5.8)	—	**(5.8)**
Other operating income	0.7	—	**0.7**
Share of post-tax results of joint ventures	0.2	—	**0.2**
Operating profit	37.7	(7.3)	**30.4**
Finance income	0.3	—	**0.3**
Finance costs	(5.3)	—	**(5.3)**
Profit before taxation	32.7	(7.3)	**25.4**
Taxation	(8.3)	1.0	**(7.3)**
Profit for the period	24.4	(6.3)	**18.1**
Attributable to:			
Equity holders of the parent	24.6	(6.3)	**18.3**
Non-controlling interests	(0.2)	—	**(0.2)**
	24.4	(6.3)	**18.1**
Earnings per share			
Basic	33.9p	(8.7p)	**25.2p**
Diluted	33.5p	(8.6p)	**24.9p**

Restatement of condensed consolidated income statement for the period ended 26 June 2022 (underlying results)

	26 June 2022 Underlying (as presented) £m	Impact of prior period error £m	**26 June 2022 Underlying (Restated) £m**
Revenue	1,337.4	(4.0)	**1,333.4**
Operating costs	(1,288.7)	(3.3)	**(1,292.0)**
Amortisation of acquired intangible assets	—	—	**—**
Other operating income	—	—	**—**
Share of post-tax results of joint ventures	0.9	—	**0.9**
Operating profit	49.6	(7.3)	**42.3**
Finance income	0.3	—	**0.3**
Finance costs	(5.3)	—	**(5.3)**
Profit before taxation	44.6	(7.3)	**37.3**
Taxation	(10.7)	1.0	**(9.7)**
Profit for the period	33.9	(6.3)	**27.6**
Attributable to:			
Equity holders of the parent	34.1	(6.3)	**27.8**
Non-controlling interests	(0.2)	—	**(0.2)**
	33.9	(6.3)	**27.6**
Earnings per share			
Basic	47.0p	(8.7p)	**38.3p**
Diluted	46.5p	(8.6p)	**37.9p**

Restatement of condensed consolidated statement of comprehensive income for the period ended 26 June 2022

	26 June 2022 (as presented) £m	Impact of prior period error £m	**26 June 2022 (Restated) £m**
Profit for the period	24.4	(6.3)	18.1
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange movements on translation of foreign operations	41.8	(0.9)	**40.9**
Exchange movements on translation of non-controlling interests	0.2	—	**0.2**
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension schemes	2.2	—	**2.2**
Tax on remeasurements of defined benefit pension schemes	(0.4)	—	**(0.4)**
Other comprehensive income for the period, net of tax	43.8	(0.9)	**42.9**
Total comprehensive income for the period	68.2	(7.2)	**61.0**
Attributable to:			
Equity holders of the parent	68.2	(7.2)	**61.0**
Non-controlling interests	—	—	—
	68.2	(7.2)	**61.0**

Restatement of condensed consolidated balance sheet at 26 June 2022

	At 26 June 2022 (as presented) £m	Impact of prior period error £m	**At 26 June 2022 (Restated) £m**
Assets			
Non-current assets			
Goodwill and intangible assets	149.1	—	**149.1**
Property, plant and equipment	468.1	—	**468.1**
Investments in joint ventures	4.4	—	**4.4**
Deferred tax assets	14.3	(4.4)	**9.9**
Other assets	111.4	—	**111.4**
	747.3	(4.4)	**742.9**
Current assets			
Inventories	107.3	—	**107.3**
Trade and other receivables	742.6	(13.1)	**729.5**
Current tax assets	9.5	—	**9.5**
Cash and cash equivalents	85.8	—	**85.8**
Assets held for sale	1.0	—	**1.0**
	946.2	(13.1)	**933.1**
Total assets	1,693.5	(17.5)	**1,676.0**
Liabilities			
Current liabilities			
Loans and borrowings	(29.0)	—	**(29.0)**
Current tax liabilities	(24.5)	1.0	**(23.5)**
Trade and other payables	(605.0)	(5.6)	**(610.6)**
Provisions	(59.9)	—	**(59.9)**
	(718.4)	(4.6)	**(723.0)**
Non-current liabilities			
Loans and borrowings	(334.5)	—	**(334.5)**
Retirement benefit liabilities	(22.5)	—	**(22.5)**
Deferred tax liabilities	(31.5)	—	**(31.5)**
Provisions	(76.5)	—	**(76.5)**
Other liabilities	(15.3)	—	**(15.3)**
	(480.3)	—	**(480.3)**
Total liabilities	(1,198.7)	(4.6)	**(1,203.3)**
Net assets	494.8	(22.1)	**472.7**
Equity			
Share capital	7.3	—	**7.3**
Share premium account	38.1	—	**38.1**
Capital redemption reserve	7.6	—	**7.6**
Translation reserve	53.4	(0.4)	**53.0**
Other reserve	56.9	—	**56.9**
Retained earnings	328.7	(21.7)	**307.0**
Equity attributable to equity holders of the parent	492.0	(22.1)	**469.9**
Non-controlling interests	2.8	—	**2.8**
Total equity	494.8	(22.1)	**472.7**

Restatement of consolidated balance sheet at 31 December 2022

	At 31 December 2022 (as presented) £m	Impact of measurement period adjustments £m	**At 31 December 2022 (Restated) £m**
Assets			
Non-current assets			
Goodwill and intangible assets	137.2	0.7	**137.9**
Property, plant and equipment	486.5	—	**486.5**
Investments in joint ventures	4.4	—	**4.4**
Deferred tax assets	15.1	—	**15.1**
Other assets	60.8	—	**60.8**
	704.0	0.7	**704.7**
Current assets			
Inventories	124.4	—	**124.4**
Trade and other receivables	764.6	—	**764.6**
Current tax assets	5.0	—	**5.0**
Cash and cash equivalents	101.1	—	**101.1**
Assets held for sale	2.8	—	**2.8**
	997.9	—	**997.9**
Total assets	1,701.9	0.7	**1,702.6**
Liabilities			
Current liabilities			
Loans and borrowings	(34.2)	—	**(34.2)**
Current tax liabilities	(52.5)	(0.7)	**(53.2)**
Trade and other payables	(585.6)	—	**(585.6)**
Provisions	(52.7)	—	**(52.7)**
	(725.0)	(0.7)	**(725.7)**
Non-current liabilities			
Loans and borrowings	(365.8)	—	**(365.8)**
Retirement benefit liabilities	(20.8)	—	**(20.8)**
Deferred tax liabilities	(5.3)	—	**(5.3)**
Provisions	(66.9)	—	**(66.9)**
Other liabilities	(21.3)	—	**(21.3)**
	(480.1)	—	**(480.1)**
Total liabilities	(1,205.1)	(0.7)	**(1,205.8)**
Net assets	496.8	—	**496.8**
Equity			
Share capital	7.3	—	**7.3**
Share premium account	38.1	—	**38.1**
Capital redemption reserve	7.6	—	**7.6**
Translation reserve	57.9	—	**57.9**
Other reserve	56.9	—	**56.9**
Retained earnings	326.7	—	**326.7**
Equity attributable to equity holders of the parent	494.5	—	**494.5**
Non-controlling interests	2.3	—	**2.3**
Total equity	496.8	—	**496.8**

Restatement of condensed consolidated cash flow statement for the period ended 26 June 2022

	26 June 2022 (as presented) £m	Impact of prior period error £m	**26 June 2022 (Restated) £m**
Cash flows from operating activities			
Profit before taxation	32.7	(7.3)	**25.4**
Non-underlying items	11.9	—	**11.9**
Finance income	(0.3)	—	**(0.3)**
Finance costs	5.3	—	**5.3**
Underlying operating profit	49.6	(7.3)	**42.3**
Depreciation of property, plant and equipment	48.2	—	**48.2**
Amortisation of intangible assets	0.3	—	**0.3**
Share of underlying post-tax results of joint ventures	(0.9)	—	**(0.9)**
Profit on sale of property, plant and equipment	(2.5)	—	**(2.5)**
Other non-cash movements	2.3	—	**2.3**
Operating cash flows before movements in working capital and other underlying items	97.0	(7.3)	**89.7**
Increase in inventories	(28.3)	—	**(28.3)**
Increase in trade and other receivables	(121.9)	4.2	**(117.7)**
Increase in trade and other payables	57.0	3.1	**60.1**
Decrease in provisions, retirement benefit and other non-current liabilities	(9.7)	—	**(9.7)**
Cash generated from operations before non-underlying items	(5.9)	—	**(5.9)**
Cash outflows from non-underlying items	(1.7)	—	**(1.7)**
Cash generated from operations	(7.6)	—	**(7.6)**
Interest paid	(0.9)	—	**(0.9)**
Interest element of lease rental payments	(1.8)	—	**(1.8)**
Income tax paid	(2.4)	—	**(2.4)**
Net cash outflow from operating activities	(12.7)	—	**(12.7)**
Net cash outflow from investing activities	(38.7)	—	**(38.7)**
Net cash inflow from financing activities	50.1	—	**50.1**
Net decrease in cash and cash equivalents	(1.3)	—	**(1.3)**
Cash and cash equivalents at beginning of period	81.8	—	**81.8**
Effect of exchange rate movements	4.8	—	**4.8**
Cash and cash equivalents at end of period	85.3	—	**85.3**

4. Foreign currencies

The exchange rates used in respect of principal currencies are:

	Average for period			Period end		
	Half year period to 30 June 2023	Half year period to 26 June 2022	Year to 31 December 2022	**As at 30 June 2023**	As at 26 June 2022	As at 31 December 2022
US dollar	**1.23**	1.30	1.24	**1.26**	1.23	1.21
Canadian dollar	**1.66**	1.65	1.61	**1.67**	1.58	1.63
Euro	**1.14**	1.19	1.17	**1.16**	1.16	1.12
Singapore dollar	**1.65**	1.77	1.70	**1.72**	1.70	1.62
Australian dollar	**1.83**	1.81	1.78	**1.90**	1.77	1.76

5. Segmental analysis

In accordance with IFRS 8, the Group has determined its operating segments based upon the information reported to the Chief Operating Decision Maker. The Group comprises of 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.

	Half year period to 30 June 2023		Half year period to 26 June 2022 (Restated)	
	Revenue £m	**Operating profit £m**	Revenue £m	Operating profit £m
North America	**875.8**	**65.4**	865.7	30.1
Europe	**332.2**	**4.1**	297.6	13.9
Asia-Pacific, Middle East and Africa	**258.3**	**3.7**	170.1	3.2
	1,466.3	**73.2**	1,333.4	47.2
Central items and eliminations	**–**	**(6.2)**	–	(4.9)
Before non-underlying items	**1,466.3**	**67.0**	1,333.4	42.3
Non-underlying items (note 8)	**–**	**(10.4)**	–	(11.9)
	1,466.3	**56.6**	1,333.4	30.4

	As at 30 June 2023					
	Segment assets £m	**Segment liabilities £m**	**Capital employed £m**	**Capital additions £m**	**Depreciation and amortisation[2] £m**	**Tangible and intangible assets[3] £m**
North America	**942.8**	**(320.9)**	**621.9**	**15.5**	**27.7**	**340.3**
Europe	**313.2**	**(187.3)**	**125.9**	**8.6**	**14.9**	**154.5**
Asia-Pacific, Middle East and Africa	**270.5**	**(138.7)**	**131.8**	**18.4**	**10.8**	**106.2**
	1,526.5	**(646.9)**	**879.6**	**42.5**	**53.4**	**601.0**
Central items and eliminations[1]	**138.0**	**(532.5)**	**(394.5)**	**-**	**0.7**	**1.3**
	1,664.5	**(1,179.4)**	**485.1**	**42.5**	**54.1**	**602.3**

Trade receivables include invoiced amounts for retentions. Retentions anticipated to be receivable in more than one year are included in other non-current assets.

	As at 26 June 2022 (Restated)[4]					
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation and amortisation[2] £m	Tangible and intangible assets[3] £m
North America	1,011.3	(410.9)	600.4	12.3	26.2	360.8
Europe	289.7	(191.0)	98.7	7.6	13.4	144.7
Asia-Pacific, Middle East and Africa	239.8	(123.0)	116.8	6.7	9.2	109.3
	1,540.8	(724.9)	815.9	26.6	48.8	614.8
Central items and eliminations[1]	135.2	(478.4)	(343.2)	–	(0.3)	2.4
	1,676.0	(1,203.3)	472.7	26.6	48.5	617.2

	As at 31 December 2022 (Restated)[5]					
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation and amortisation[2] £m	Tangible and intangible assets[3] £m
North America	1,016.3	(349.1)	667.2	33.8	54.6	352.5
Europe	338.9	(208.7)	130.2	23.2	27.8	159.6
Asia-Pacific, Middle East and Africa	251.1	(163.4)	87.7	24.7	13.7	109.6
	1,606.3	(721.2)	885.1	81.7	96.1	621.7
Central items and eliminations[1]	96.3	(484.6)	(388.3)	–	0.9	2.7
	1,702.6	(1,205.8)	496.8	81.7	97.0	624.4

1 Central items include net debt and tax balances, which are managed by the Group.
2 Depreciation and amortisation excludes amortisation of acquired intangible assets.
3 Tangible and intangible assets comprise goodwill, intangible assets and property, plant and equipment.
4 The 26 June 2022 condensed 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 interim financial statements.
5 The 31 December 2022 condensed consolidated balance sheet has been restated in respect of prior period measurement adjustments, as outlined in note 3 to the interim financial statements.

6. 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 5) and timing of revenue recognition:

	Half year period to 30 June 2023			Half year period to 26 June 2022 (Restated)		
	Revenue recognised on performance obligations satisfied over time £m	**Revenue recognised on performance obligations satisfied at a point in time £m**	**Total revenue £m**	Revenue recognised on performance obligations satisfied over time £m	Revenue recognised on performance obligations satisfied at a point in time £m	Total revenue £m
North America	**662.8**	**213.0**	**875.8**	625.4	240.3	865.7
Europe	**332.2**	**–**	**332.2**	297.6	–	297.6
Asia-Pacific, Middle East and Africa	**258.3**	**–**	**258.3**	170.1	–	170.1
	1,253.3	**213.0**	**1,466.3**	1,093.1	240.3	1,333.4

7. Acquisitions

Current period

There were no material acquisitions during the half year period to 30 June 2023.

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.

On 15 November 2022, the Group acquired Nordwest Fundamentering AS. The valuation of the 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	–	0.9	**0.9**
Property, plant and equipment	0.3	–	**0.3**
Property, plant and equipment – right of use asset	2.1	–	**2.1**
Trade and other receivables	1.5	–	**1.5**
Cash and cash equivalents	1.1	–	**1.1**
	5.0	0.9	**5.9**
Liabilities			
Trade and other payables	(1.5)	–	**(1.5)**
Current tax liabilities	–	(0.7)	**(0.7)**
Loans and borrowings, including lease liabilities	(2.2)	–	**(2.2)**
Deferred tax liabilities	(0.3)	–	**(0.3)**
	(4.0)	(0.7)	**(4.7)**
Total identifiable net assets	1.0	0.2	**1.2**
Goodwill	5.3	(0.2)	**5.1**
Total consideration	6.3	–	**6.3**
Satisfied by:			
Initial cash consideration	5.5	–	**5.5**
Initial valuation of contingent consideration	0.5	–	**0.5**
Purchase price adjustment	0.3	–	**0.3**
	6.3	–	**6.3**

The impact of these adjustments has been applied retrospectively, meaning that the results and financial position for the year to 31 December 2022 have been restated, as detailed in note 3.

Disposals

There were no material disposals during the half year period to 30 June 2023 (H1 2022: none).

8. 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, 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 below:

	Half year period to 30 June 2023 £m	Half year period to 26 June 2022 £m
Exceptional historic contract dispute	**–**	(3.5)
Exceptional restructuring costs	**(3.2)**	(1.2)
ERP implementation costs	**(4.0)**	(1.2)
Impairment costs	**–**	(0.4)
Contingent consideration payable: additional amounts provided	**–**	(0.1)
Change in fair value of contingent consideration	**–**	0.3
Non-underlying items in operating costs	**(7.2)**	(6.1)
Amortisation of acquired intangible assets	**(3.8)**	(5.8)
Gain on disposal of assets held for sale	**1.0**	–
Contingent consideration received	**–**	0.7
Non-underlying items in other operating income	**1.0**	0.7
Amortisation of joint venture acquired intangibles	**(0.4)**	(0.7)
Total non-underlying items in operating profit and before taxation	**(10.4)**	(11.9)
Taxation	**2.3**	2.4
Total non-underlying items after taxation	**(8.1)**	(9.5)

Non-underlying items in operating costs

Exceptional restructuring costs
Exceptional restructuring costs comprise £1.7m in the North American division and £1.5m in the Asia-Pacific, Middle East and Africa (AMEA) division. In North America the costs reflect the reorganisation of the US Foundations business and senior leadership changes. In AMEA the costs relate to the closure of the Egypt business. In the prior period, restructuring costs of £1.2m in the Europe division related to the scheduled exit of the Ivory Coast business. Costs include asset impairments and redundancy costs.

ERP implementation costs
The Group is continuing the strategic project to implement a new cloud computing enterprise resource planning (ERP) system across the Group. Due to the size, nature and incidence of the relevant costs expected to be incurred, the costs are presented as a non-underlying item, as they are not reflective of the underlying performance of the Group. Non-underlying ERP costs of £4.0m (H1 2022: £1.2m) 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.

Exceptional historic contract dispute
In the prior period to 26 June 2022, the £3.5m exceptional charge related to a provision made for additional costs relating to a historical contract dispute. The liability has been settled in the current year and the related cash flow included in non-underlying cash flows in the cash flow statement.

Impairment costs
In the prior period to 26 June 2022, an impairment charge of £0.4m by the North-East Europe Business Unit was in respect of trade receivables in Ukraine that are not expected to be recovered due to the ongoing conflict.

Contingent consideration
In the prior period to 26 June 2022, additional contingent consideration payable of £0.1m related to the acquisition of the Geo Instruments US business in 2017. During the prior period there was an adjustment of £0.3m to the fair value of the RECON contingent consideration on finalisation of the amount payable.

Amortisation of acquired intangible assets
Amortisation of acquired intangible assets of £3.8m relates to the amortisation charge on assets acquired in the RECON, Moretrench, GKM and NWF acquisitions. The amortisation for the period ended 26 June 2022 of £5.8m relates to the RECON, Moretrench and Voges acquisitions.

Non-underlying items in other operating income

Gain on disposal of assets held for sale
Gain on disposal of assets held for sale of £1.0m relates primarily to the sale of assets owned by the now closed Waterway business in Australia as mentioned in note 15. Impairment charges for these assets had previously been charged to non-underlying items in prior periods and therefore the corresponding profit on disposal of the assets is also recognised as a non-underlying item.

Contingent consideration received
In the period to 26 June 2022, the second and final instalment of the contingent consideration of £0.7m was received in relation to the Wannenwetsch disposal in September 2020, in accordance with the terms of the sale and purchase agreement.

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 taxation
The credit relates to the tax benefit of amounts which are expected to be deductible for tax purposes.

9. Taxation

The effective tax rate on the Group's underlying profit of 22% (H1 2022 Restated: 26%) is calculated using management's best estimate of the average annual effective income tax rate expected for the full year. The average is calculated using the weighted average profit at jurisdictional rates which differ from the tax rate in the UK of 23.5%. The reduction from the H1 2022 restated rate of 26% is largely due to the fact that the 2022 restated rate takes into account the Austral loss for which no associated tax relief is available in Australia. Australia is already in an overall loss position and no deferred tax asset is booked for these losses.

The tax credit on non-underlying items has been calculated by assessing the tax impact of each component of the charge to the income statement in the interim accounts and applying the jurisdictional tax rate that applies to that item.

The increase in deferred tax assets from 31 December 2022 to 30 June 2023 is as a result of the timing of the deductibility of R&D expenditure for US tax purposes. R&D expenditure is capitalised for tax purposes and amortised over five years.

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 enacted new legislation introducing a global minimum tax of 15% in line with the OECD's Pillar Two rules. The rules will apply to the Group from 1 January 2024 and it is expected that the Pillar Two rules will not have a material impact on its overall tax charge. The Group has applied the exemption in the Amendments to IAS 12 issued in May 2023 and has neither recognised nor disclosed information about deferred tax assets or liabilities relating to Pillar Two income taxes.

10. Dividends

Ordinary dividends on equity shares:

	Half year period to 30 June 2023 £m	Half year period to 26 June 2022 £m	Year to 31 December 2022 £m
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2022 of 13.2p (2021: 12.6p) per share	**–**	–	**9.6**
Final dividend for the year ended 31 December 2022 of 24.5p (2021: 23.3p) per share	**17.6**	–	**16.8**
	17.6	–	**26.4**

The 2022 final dividend of £17.6m was paid on 23 June 2023. The 2021 final dividend of £16.8m was paid on 1 July 2022.

In addition to the above, an interim ordinary dividend of 13.9p per share (H1 2022: 13.2p) will be paid on 8 September 2023 to shareholders on the register at 18 August 2023. This proposed dividend has not been included as a liability in these financial statements and will be accounted for in the period in which it is paid.

11. 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 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.

Basic and diluted earnings per share are calculated as follows:

	Underlying earnings attributable to the equity holders of the parent		Statutory earnings attributable to equity holders of the parent	
	Half year period to 30 June 2023	Half year period to 26 June 2022 (Restated)	**Half year period to 30 June 2023**	Half year period to 26 June 2022 (Restated)
Profit available for equity holders (£m)	**41.3**	27.8	**33.2**	18.3
Weighted average number of shares (m)[1]				
Basic number of ordinary shares outstanding	**72.8**	72.6	**72.8**	72.6
Effect of dilution from:				
Share options and awards	**0.9**	0.8	**0.9**	0.8
Diluted number of ordinary shares	**73.7**	73.4	**73.7**	73.4
Earnings per share				
Basic earnings per share (p)	**56.7**	38.3	**45.6**	25.2
Diluted earnings per share (p)	**56.0**	37.9	**45.0**	24.9

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

12. Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	As at 30 June 2023 £m	As at 26 June 2022 £m	As at 31 December 2022 £m
Property, plant and equipment – owned	**390.7**	392.2	409.5
Right-of-use assets – leased	**82.8**	75.9	77.0
	473.5	468.1	486.5

During the period to 30 June 2023, the Group acquired owned property, plant and equipment with a cost of £42.5m (H1 2022: £26.6m, FY 2022: £81.6m). Right-of-use asset additions during the period were £19.6m (H1 2022: £12.4m, FY 2022: £23.4m).

Owned assets with a net book value of £4.3m were disposed of during the half year period to 30 June 2023 (H1 2022: £0.8m, FY 2022: £4.7m), resulting in a net gain on disposal of £2.5m (H1 2022: £2.5m gain, FY 2022: £3.3m gain).

13. Trade and other receivables

Trade receivables and contract assets on the balance sheet are shown net of expected credit loss provisions. During the period to 30 June 2023, the net expected credit loss included in the operating costs is £14.8m (H1 2022: £11.6m).

14. Analysis of closing net debt

	As at 30 June 2023 £m	As at 26 June 2022 £m	As at 31 December 2022 £m
Bank balances	**98.7**	81.5	97.0
Short-term deposits	**1.7**	4.3	4.1
Cash and cash equivalents in the balance sheet	**100.4**	85.8	101.1
Bank overdrafts	**(5.6)**	(0.5)	(6.9)
Cash and cash equivalents in the cash flow statement	**94.8**	85.3	94.2
Bank and other loans	**(338.9)**	(278.9)	(312.1)
Lease liabilities	**(87.5)**	(84.1)	(81.0)
Closing net debt	**(331.6)**	(277.7)	(298.9)

Cash and cash equivalents include £6.9m (26 June 2022: £9.4m, 31 December 2022: £8.5m) of the Group's share of cash and cash equivalents held by joint operations, and £1.1m (26 June 2022: £1.1m, 31 December 2022: £1.4m) of restricted cash which is subject to local country restrictions.

15. Assets held for sale

	As at 30 June 2023 £m	As at 26 June 2022 £m	As at 31 December 2022 £m
Assets held for sale	**1.6**	1.0	2.8
Liabilities directly associated with assets held for sale	**–**	–	–

During the period to 30 June 2023, £0.8m of the North American assets and £1.2m of the Waterway assets were disposed of for a total cash consideration of £3.0m resulting in a gain from the disposal of assets of £1.0m.

At 30 June 2023, assets held for sale comprises of an electric crane in Australia costing £1.4m which was added during the period and remaining £0.2m of assets in North America and South Africa.

16. Retirement benefit liabilities

The Group operates pension schemes in the UK and overseas. The primary defined benefit scheme is in the UK. The Group also has defined benefit retirement obligations in Germany and Austria and a number of end of service schemes in the Middle East that follow the same principles as a defined benefit scheme. For further information on the Group's pension schemes, refer to note 33 of the Group's financial statements for the year ended 31 December 2022.

The Group's net defined benefit liabilities as at 30 June 2023 were £18.2m (31 December 2022: £20.8m).The reduction in the half year period was driven primarily by the £1.7m contributions from the employer. The net charge to the income statement was £0.6m and no significant actuarial change was recognised in the comprehensive income during the period to 30 June 2023.

The net defined liability for the Keller Group Pension Scheme in the UK as at 30 June 2023 is £2.6m (31 December 2022: £4.1m), being the minimum funding requirement, calculated using the agreed contributions.

17. Financial assets and financial liabilities

Set out below is an overview of financial assets and liabilities held by the Group:

	As at 30 June 2023 £m	As at 26 June 2022 (Restated) £m	As at 31 December 2022 £m
Financial assets measured at fair value through profit or loss			
Non-qualifying deferred compensation plan	**20.0**	18.8	19.4
Contingent consideration receivable	**–**	0.7	–
Financial assets measured at amortised cost			
Trade receivables	**575.0**	531.3	615.5
Contract assets	**138.8**	150.0	105.3
Cash and cash equivalents	**100.4**	85.8	101.1
Financial liabilities at fair value through profit or loss			
Contingent consideration payable	**(0.9)**	(1.2)	(0.9)
Financial liabilities measured at amortised cost			
Deferred consideration payable	**(0.9)**	(0.8)	(1.0)
Trade payables	**(181.6)**	(290.8)	(229.4)
Contract liabilities	**(93.3)**	(58.5)	(85.6)
Bank and other loans	**(344.5)**	(279.4)	(319.0)
Lease liabilities	**(87.5)**	(84.1)	(81.0)

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.

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. There are no individually significant unobservable inputs used in the fair value measurement of the Group's contingent consideration as at 30 June 2023.

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

	As at 30 June 2023 £m	As at 26 June 2022 £m	As at 31 December 2022 £m
Opening balance at 1 January	**1.9**	12.7	12.7
Acquisition of businesses	**–**	1.3	1.7
Additional amounts provided	**–**	0.1	0.1
Amount receivable	**–**	(0.7)	–
Released during the period	**–**	(0.3)	–
Paid during the period	**–**	(12.2)	(12.3)
Fair value in the income statement during the period	**–**	–	(0.7)
Exchange movements	**(0.1)**	0.4	0.4
Closing balance	**1.8**	1.3	1.9

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. The fair value of the contingent consideration is £0.9m (CAD$1.4m) as at 30 June 2023 (31 December 2022: £0.9m or CAD$1.4m).

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 £0.4m (NOK6m) is payable (31 December 2022: £0.5m or NOK6m).

On 1 November 2021, the Group acquired the trade and assets of Voges Drilling, a geotechnical foundation company based in Texas, US. Deferred consideration of £0.5m (US$0.6m) is payable (31 December 2022: £0.5m or US$0.6m).

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

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. Refer to note 18 of the Group's financial statements for the year ended 31 December 2022 for further information on the non-qualifying deferred compensation plan.

18. Share capital and reserves

	As at 30 June 2023 £m	As at 26 June 2022 £m	As at 31 December 2022 £m
Allotted, called up and fully paid equity share capital			
73,099,735 ordinary shares of 10p each			
(26 June 2022 and 31 December 2022: 73,099,735)	**7.3**	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.

At 30 June 2023, the total number of shares held in treasury was 323,133 (26 June 2022: 328,954 and 31 December 2022: 328,954).

During the period to 30 June 2023, 500,000 ordinary shares were purchased by the Keller Group Employee Benefit Trust (H1 2022: 135,050, FY 2022: 135,050), to be used to satisfy future obligations of the company under the Keller Group plc Long Term Incentive Plan. The cost of the market purchases was £3.4m (FY 2022: £1.2m).

19. 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

As at 30 June 2023, a net balance of £0.1m was owed by (26 June 2022: £0.1m owed by and 31 December 2022: £0.1m owed by) the joint venture. This amount is unsecured, has no fixed date of repayment and is repayable on demand.

20. 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 interim condensed 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 including those relating to acquisitions and disposals.

Adjusted performance measures have been used throughout this report to describe the Group's underlying performance. The Board and Executive Committee use these adjusted measures to assess the performance of the business as they consider them more representative of the underlying ongoing trading result and allow more meaningful comparison to prior periods.

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 interim financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group.

Constant currency measures

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

A reconciliation between the underlying results and the reported statutory results is shown on the face of the condensed consolidated income statement, with non-underlying items detailed in note 8. A reconciliation between the 2022 underlying result to the 2022 constant currency result is shown below and compared to the underlying 2023 performance:

Revenue by segment

	Statutory 2023	Statutory 2022 (Restated)	Impact of exchange movements 2022	Constant currency 2022	**Statutory change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**875.8**	865.7	46.0	911.7	**+1%**	**-4%**
Europe	**332.2**	297.6	8.9	306.5	**+12%**	**+8%**
Asia-Pacific, Middle East and Africa	**258.3**	170.1	(2.2)	167.9	**+52%**	**+54%**
Group	**1,466.3**	1,333.4	52.7	1,386.1	**+10%**	**+6%**

Underlying operating profit by segment

	Underlying 2023	Underlying 2022 (Restated)	Impact of exchange movements 2022	Constant currency 2022	**Underlying change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**65.4**	30.1	1.7	31.8	**+117%**	**+105%**
Europe	**4.1**	13.9	0.5	14.4	**-71%**	**-71%**
Asia-Pacific, Middle East and Africa	**3.7**	3.2	0.2	3.4	**+16%**	**+10%**
Central items	**(6.2)**	(4.9)	–	(4.9)	**+27%**	**+27%**
Group	**67.0**	42.3	2.4	44.7	**+58%**	**+50%**

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 interim condensed consolidated income statement, balance sheet or cash flow statement, the adjusted measures are reconciled to the IFRS statutory numbers below:

EBITDA (statutory)

	30 June 2023 £m	26 June 2022 (Restated) £m
Underlying operating profit	**67.0**	42.3
Depreciation and impairment of owned property, plant and equipment	**39.3**	34.8
Depreciation and impairment of right-of-use assets	**14.6**	13.4
Amortisation of intangible assets	**0.2**	0.3
Underlying EBITDA	**121.1**	90.8
Non-underlying items in operating costs	**(7.2)**	(6.1)
Non-underlying items in other operating income	**1.0**	0.7
EBITDA	**114.9**	85.4

EBITDA (IAS 17 covenant basis)

	30 June 2023 £m	26 June 2022 (Restated) £m
Underlying operating profit	**67.0**	42.3
Depreciation and impairment of owned property, plant and equipment	**39.3**	34.8
Depreciation and impairment of right-of-use assets	**14.6**	13.4
Legacy IAS 17 operating lease charges	**(16.7)**	(15.2)
Amortisation of intangible assets	**0.2**	0.3
Underlying EBITDA	**104.4**	75.6
Non-underlying items in operating costs	**(7.2)**	(6.1)
Non-underlying items in other operating income	**1.0**	0.7
EBITDA	**98.2**	70.2

Net finance costs

	30 June 2023 £m	26 June 2022 £m
Finance income	**(0.6)**	(0.3)
Finance costs	**14.1**	5.3
Net finance costs (statutory)	**13.5**	5.0
Finance charge on lease liabilities[1]	**(2.5)**	(1.2)
Lender covenant adjustments	–	–
Net finance costs (IAS 17 covenant basis)	**11.0**	3.8

1 Excluding legacy IAS 17 finance leases.

Net capital expenditure

	30 June 2023 £m	26 June 2022 £m	31 December 2022 £m
Acquisition of property, plant and equipment	**42.5**	26.6	81.6
Acquisition of intangible assets	–	0.1	0.1
Proceeds from sale of property, plant and equipment	**(8.1)**	(3.3)	(8.2)
Net capital expenditure[1]	**34.4**	23.4	73.5

1 Net capital expenditure excludes right-of-use assets.

Net debt

	30 June 2023 £m	26 June 2022 £m	31 December 2022 £m
Current loans and borrowings	**30.7**	29.0	34.2
Non-current loans and borrowings	**401.3**	334.5	365.8
Cash and cash equivalents	**(100.4)**	(85.8)	(101.1)
Net debt (statutory)	**331.6**	277.7	298.9
Lease liabilities[1]	**(87.0)**	(83.7)	(80.1)
Net debt (IAS 17 covenant basis)	**244.6**	194.0	218.8

1 Excluding legacy IAS 17 finance leases.

Leverage ratio

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

Statutory	30 June 2023 £m	26 June 2022 (Restated) £m	31 December 2022 £m
Net debt	**331.6**	277.7	298.9
Underlying EBITDA (last twelve months)	**235.9**	192.7	205.6
Leverage ratio (x)	**1.4**	1.4	1.5

IAS 17 covenant basis	30 June 2023 £m	26 June 2022 (Restated) £m	31 December 2022 £m
Net debt	**244.6**	194.0	218.8
Underlying EBITDA (last twelve months)	**206.5**	158.7	177.7
Leverage ratio (x)	**1.2**	1.2	1.2

Order book

The Group's disclosure of its order book is aimed to provide insight into its backlog of work and future performance. The Group's order book is not a measure of past performance and therefore cannot be derived from its 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.

IFRS 16 gearing

	30 June 2023 £m	26 June 2022 (Restated) £m	31 December 2022 £m
Net debt (statutory)	**331.6**	277.7	298.9
Net assets	**485.1**	472.7	496.8
Gearing	**68%**	59%	60%