Registered number: 485692

KELLER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

KELLER LIMITED

COMPANY INFORMATION

Directors	R B Barratt (resigned 5 April 2019) J E De Waele R M Thompson J J Fletcher J W G Hind (resigned 20 August 2018) W M Reid (appointed 4 March 2019) J C Hubback (appointed 4 March 2019) K A A Porritt (appointed 20 August 2018)
Company secretary	W M Reid
Registered number	485692
Registered office	Oxford Road Ryton-on-Dunsmore Coventry Warwickshire CV8 3EG

KELLER LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

Keller Limited represents Keller Group plc in the United Kingdom, and is a leading name in the foundations and ground engineering industry.

We offer the widest range of solutions to our clients through our various divisions, Foundations, Geotechnique, Phi Group and Getec. We also have Colcrete Eurodrill the equipment and tools manufacturer in our Group.

We have a strong reputation for delivering innovative and cost effective foundation and ground engineering solutions within an environment where safety is the number one priority. Our solutions are used across the construction industry from infrastructure, building and civil engineering to the energy and resource sectors.

We are committed to improving health and safety in all that we do and this is enshrined in our Think Safe Programme.

We are also committed to maintaining a sustainable business and to meeting our corporate responsibilities, ensuring a better quality of life for everyone, now and for generations to come. We believe that a profitable business, employee welfare, community involvement and care for our environment are not competing interests and in order to be a successful and sustainable company, we need to realise that alignment. Our business ethics are also a key part of the way we work.

Further information is available at www.keller.co.uk.

Business review

In 2018 we recorded an operating profit of £0.4 million before exceptional items (2017: £2.0 million) on sales of £67.8 million (2017: £65.5 million).

An exceptional charge of £0.9m was recognised in the year following a court judgement in the case of Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC that confirmed that Guaranteed Minimum Pension ("GMP") is to be made equal for men and women. The £0.9m represents the estimated increase in the Company's defined benefit pension scheme liability as a result of this GMP equalisation.

The £19.7m exceptional credit in 2017 relates to a project completed in 2008. The amount represents insurance recoveries and the gain on disposal of the freehold in a property that was acquired as part of a settlement agreement relating to this project.

Principal risks and uncertainties

The main areas of uncertainty facing the company relate to market cycles, technical risk, people and health and safety.

The UK referendum vote to leave the European Union has led to a period of prolonged economic and political uncertainty in the country. Depending upon the nature and timing of the final Brexit agreement, there may be adverse operational impacts in the form of competition for labour within the market, material supply issues, material price fluctuations and delayed investment decisions for construction projects. Whilst the impact of Brexit remains a risk, due to the typical low-value, short term nature of the Company's contracts, the Company is protected somewhat from material price increases. The Company has considered the potential impact of Brexit in making the going concern statement.

Financial key performance indicators

We have selected measures which correspond with the key financial areas of uncertainty for the business summarised above.

Other key performance indicators

We regularly monitor other measures of the business which we believe demonstrate its development and performance.

This report was approved by the board on 24 May 2019 and signed on its behalf.

W. Reid

W M Reid
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the year, after taxation, amounted to £733,000 *(2017 - profit £22,045,000)*.

The directors do not recommend payment of a dividend (2017 - £nil).

Directors

The directors who served during the year were:

R B Barratt (resigned 5 April 2019)
J E De Waele
R M Thompson
J J Fletcher
J W G Hind (resigned 20 August 2018)
K A A Porritt (appointed 20 August 2018)

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Future developments

In the forthcoming year the Company plans to increase efficiencies with the aim of improving shareholder returns.

Employee involvement

The Company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests. Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

Disabled employees

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Post balance sheet events

In February 2019, £3,375,000 of proceeds were received on settlement of a contributory claim relating to a contract completed in 2008. This will be recognised as exceptional other operating income in 2019 as the receipt of these proceeds was not considered virtually certain as at 31 December 2018.

Auditor

Due to mandatory auditor rotation requirements affecting Keller Group plc, the auditor, KPMG LLP, Statutory Auditor, will resign during 2019 and it is intended that Ernst & Young LLP be appointed as auditor for the year ended 31 December 2019 in accordance with section 487 of the Companies Act 2006.

This report was approved by the board on 24 May 2019 and signed on its behalf.

W. Reid

W M Reid
Director

Oxford Road
Ryton-on-Dunsmore
Coventry
Warwickshire
CV8 3EG

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KELLER LIMITED

Opinion

We have audited the financial statements of Keller Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the profitability of key contracts, the recognition of deferred tax assets, calculation of pension scheme liabilities and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KELLER LIMITED (CONTINUED)

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report to you in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KELLER LIMITED (CONTINUED)

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

James Tracey (Senior Statutory Auditor)
for and on behalf of
KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

24 May 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	4	67,819,000	65,495,000
Operating costs		(67,432,000)	(63,453,000)
Operating profit before exceptional items		387,000	2,042,000
Exceptional other operating income		-	19,650,000
Exceptional other operating charges		(872,000)	-
Operating (loss)/profit	5	(485,000)	21,692,000
Income from shares in group undertakings		-	1,524,000
Interest receivable and similar income	9	55,000	18,000
Interest payable and expense	10	(11,000)	(413,000)
Other finance expense		(201,000)	(267,000)
(Loss)/profit before tax		(642,000)	22,554,000
Tax on (loss)/profit	12	(91,000)	(509,000)
(Loss)/profit for the financial year		(733,000)	22,045,000
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit schemes		519,000	984,000
Movements of deferred tax relating to pension deficit		(88,000)	(271,000)
		431,000	713,000
Total comprehensive income for the year		(302,000)	22,758,000

The notes on pages 13 to 34 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note		2018 £		2017 £
Fixed assets					
Tangible assets	14		**10,278,000**		*9,829,000*
			10,278,000		*9,829,000*
Current assets					
Stocks	15	**2,648,000**		*2,946,000*	
Debtors: amounts falling due within 1 year	16	**20,057,000**		*21,698,000*	
Cash at bank and in hand	17	**740,000**		*598,000*	
		23,445,000		*25,242,000*	
Creditors: amounts falling due within 1 year	18	**(12,544,000)**		*(11,745,000)*	
Net current assets			**10,901,000**		*13,497,000*
Total assets less current liabilities			**21,179,000**		*23,326,000*
Provisions for liabilities					
Other provisions	20	**(4,477,000)**		*(5,318,000)*	
			(4,477,000)		*(5,318,000)*
Net assets excluding pension liability			**16,702,000**		*18,008,000*
Pension liabilities	24		**(7,774,000)**		*(8,778,000)*
Net assets			**8,928,000**		*9,230,000*
Capital and reserves					
Called up share capital	21		**33,119,000**		*33,119,000*
Revaluation reserve			**601,000**		*628,000*
Other reserves			**132,000**		*132,000*
Profit and loss account			**(24,924,000)**		*(24,649,000)*
			8,928,000		*9,230,000*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 May 2019.

W. Reid

W M Reid
Director

The notes on pages 13 to 34 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	33,119,000	628,000	132,000	(24,649,000)	9,230,000
Comprehensive income for the year					
Loss for the year	-	-	-	(733,000)	(733,000)
Actuarial gains on pension scheme	-	-	-	431,000	431,000
Other comprehensive income for the year	-	-	-	431,000	431,000
Total comprehensive income for the year	-	-	-	(302,000)	(302,000)
Transfer to/from profit and loss account	-	(27,000)	-	27,000	-
Total transactions with owners	-	(27,000)	-	27,000	-
At 31 December 2018	33,119,000	601,000	132,000	(24,924,000)	8,928,000

The notes on pages 13 to 34 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	33,119,000	655,000	132,000	(47,434,000)	(13,528,000)
Comprehensive income for the year					
Profit for the year	-	-	-	22,045,000	22,045,000
Actuarial gains on pension scheme	-	-	-	713,000	713,000
Other comprehensive income for the year	-	-	-	713,000	713,000
Total comprehensive income for the year	-	-	-	22,758,000	22,758,000
Transfer to/from profit and loss account	-	(27,000)	-	27,000	-
At 31 December 2017	33,119,000	628,000	132,000	(24,649,000)	9,230,000

The notes on pages 13 to 34 form part of these financial statements.

1. General information

Keller Limited (the "Company") is a private company incorporated, domiciled and registered in the UK. The registered number is 485692 and the registered address is Oxford Road, Ryton-on-Dunsmore, Coventry, CV8 3EG.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement, and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemption has been taken.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IAS 7 Statement of Cash Flows
- Comparative period reconciliations for tangible fixed assets
- The effects of new but not yet effective IFRS
- Disclosure in respect of capital management
- Disclosure in respect of transactions with wholly owned subsidiaries
- Disclosure of key management personnel compensation

2.3 Changes in accounting policies and disclosures

The Company adopted IFRS 15 – Revenue from Contracts with Customers from 1 January 2018. This standard modifies the determination of how much revenue to recognise, and when, and provides a single, principles-based five-step model to be applied to all contracts with customers. It replaces the separate models for goods, services and construction contracts under the IFRSs effective prior to 1 January 2018. The Company assessed the impact of adopting this standard at 1 January 2018 and concluded that there was no material difference in revenue recognition under IFRS 15 when compared to the previous accounting policy applied. In addition, the revenue recognised in the year ended 31 December 2018 is materially consistent with the revenue that would have been recognised had the previous accounting policy been applied. As such, no opening equity adjustment or restatement of prior year comparative was required.

The Company adopted IFRS 9 – Financial Instruments from 1 January 2018. The Company assessed the impact of adopting this standard and concluded that there was no material difference in accounting compared to the previous accounting policy applied. As such, no opening equity adjustment or restatement of prior year comparative was required.

2. Accounting policies (continued)

2.4 Going concern

The financial statements have been prepared on a going concern basis.

The Company has sufficient liquid funds to meet its day to day working capital requirement. The Company's forecasts and projections, taking account of reasonable possible changes in trading performance, deterioration in collection of receivables, and significant contract loss show that the Company should be able to operate within the level of its available liquid funds.

Depending upon the nature and timing of the final Brexit agreement, there may be adverse operational impacts in the form of competition for labour within the market, material supply issues, material price fluctuations and delayed investment decisions for construction projects. As the potential impact of Brexit creates a risk to the Company's financial position, it has been considered in making the going concern assessment.

After making enquiries and review of forecasts, the directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2. Accounting policies (continued)

2.6 Revenue

Revenue consists of contracts with customers. For each contract, revenue is the amount that is expected to be received from the customer. Where consideration is variable, this is recognised only to the extent that it is highly probable that there will not be a significant reversal. The effect of contract modifications (for example change orders, variations or claims) is accounted for only when the Company considers there is an enforceable right to consideration.

The majority of the Company's revenue is derived from construction contracts. The vast majority of the Company's construction contracts consist of one performance obligation, however for certain contracts (for example where contracts involve separate phases or products that are not highly interrelated) multiple performance obligations may exist. Where multiple performance obligations exist, total revenue is allocated to performance obligations based on the relative standalone selling prices of each performance obligation.

Revenue attributed to each performance obligation is usually recognised over time based on the output method, however where considered more appropriate in relation to certain performance obligations on larger, more complicated contracts, the input method may be applied:
– Output method: Revenue is recognised on the direct measurement of progress based on output, such as units of production relative to the total number of contracted production units
– Input method: Revenue is recognised on the percentage of completion with reference to cost. The percentage of completion is calculated as the costs incurred to date as a percentage of the total costs expected to satisfy the performance obligation.

Revenue is recognised in order to provide a faithful depiction of the value of the work performed by the Company over time. Where it is probable that a loss will arise on the total contract, full provision for this loss is made when the Company becomes aware that a loss may arise.

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

Any revenues recognised in excess of billings are recognised as contract assets within trade debtors. Any payments received in excess of revenue recognised are recognised as contract liabilities within trade payables. There are no significant financing components of contract assets or liabilities.

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

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.8 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2. Accounting policies (continued)

2.9 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is recognised in profit or loss as a finance expense and is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

2. Accounting policies (continued)

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.12 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2. Accounting policies (continued)

2.13 Tangible fixed assets (continued)

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives or the period of the lease for leased properties.

Depreciation is provided on the following basis:

Freehold property	-	2%
Long-term leasehold property	-	4%
Short-term leasehold property	-	20%
Plant and machinery	-	8%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.17 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The key estimates and judgements applied in preparing the financial statements are in connection with accounting for construction contracts, deferred tax asset and pension liability.

Contracts profitability:
The main factors considered when making those estimated and judgement include the percentage of work completed as at the balance sheet date on longer term contracts, the costs of the work required to complete the contract and the outcome of claims raised against the Company by customers or third parties

Recognition of deferred tax assets:
The recognition of the deferred tax asset is based upon the directors' current estimation of future taxable profits within the Company. In forming this opinion, the directors have considered the current profitability and future trading agreements. The directors consider that future taxable profits within the Company will be sufficient to offset the asset recognised.

Pension liability:
The assumptions used in the calculations of the pension liability are set out in note 24.

4. Turnover

Analysis of turnover by country of destination:

	2018 £	*2017 £*
United Kingdom	**64,538,000**	*61,199,000*
Rest of Europe	**1,209,000**	*786,000*
Rest of the world	**2,072,000**	*3,510,000*
	67,819,000	*65,495,000*

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2018 £	*2017 £*
Depreciation of tangible fixed assets	**1,227,000**	*1,269,000*
Operating lease rentals:		
- Plant and machinery	**4,528,000**	*3,591,000*
- Land and buildings	**279,000**	*268,000*

6. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2018 £	*2017 £*
Fees for the audit of the Company	**49,500**	*44,000*
Audit related assurance services	**2,500**	*-*
	52,000	*44,000*

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	16,742,000	17,343,000
Social security costs	1,867,000	1,941,000
Cost of defined contribution scheme	646,000	679,000
	19,255,000	19,963,000

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Works	208	227
Staff	163	163
	371	390

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	774,000	984,000
	774,000	984,000

The highest paid director received remuneration of £353,000 *(2017 - £366,630)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL *(2017 - £NIL)*.

9. Interest receivable

	2018 £	2017 £
Other interest receivable	55,000	18,000
	55,000	18,000

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	11,000	12,000
Other loan interest payable	-	401,000
	11,000	413,000

11. Other finance expense

	2018 £	2017 £
Net interest on net defined benefit liability	201,000	267,000
	201,000	267,000

12. Taxation recognised in the profit and loss account

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	-	53,000
Adjustments in respect of previous periods	234,000	-
	234,000	53,000
Foreign tax		
Foreign tax on income for the year	84,000	-
	84,000	-
Total current tax	318,000	53,000
Deferred tax		
Origination and reversal of timing differences	(112,000)	456,000
Adjustments in respect of previous periods	(115,000)	-
Total deferred tax	(227,000)	456,000
Taxation on loss (2017: profit) on ordinary activities	91,000	509,000

12. Taxation recognised in the profit and loss account (continued)

Factors affecting tax charge for the year

The standard rate of corporation tax in the UK of 19.00% *(2017 - 19.25%).*

	2018 £	2017 £
(Loss)/profit on ordinary activities before tax	**(642,000)**	*22,554,000*
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	**(122,000)**	*4,341,645*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**3,000**	*1,516*
Recognition/(utilisation) of tax losses and other deductible temporary differences not previously recognised	-	*(4,020,282)*
Taxes on overseas earnings	**84,000**	-
Change in deferred tax rate	-	*227,233*
Other differences leading to an increase in the tax charge	**7,000**	*11,439*
Prior year tax charge	**119,000**	*(52,551)*
Total tax charge for the year	**91,000**	*509,000*

12. Taxation recognised in the profit and loss account (continued)

Factors that may affect future tax charges

The UK corporation tax rate reduced from 20% to 19% with effect from 6 April 2017. Further reductions to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2016 and the deferred tax asset at 31 December 2018 has been calculated at 17%.

13. Exceptional items

	2018	*2017*
	£	*£*
Recovered under insurance policies	-	*(11,650,000)*
Profit on disposal of investment company	-	*(8,000,000)*
Guaranteed Minimum Pension equalisation	**872,000**	-
	872,000	*(19,650,000)*

An exceptional cost of £872,000 has been recognised for the Guaranteed Minimum Pension equalisation requirement in relation to the Defined Benefit Pension Scheme. Further details are set out in note 24.

£11,650,000 was recovered in 2017 under insurance policies in relation to a historical claim for a contract completed in 2008.

On 11 May 2017 the sale of an investment property for £62,000,000 generated an exceptional profit of £8,000,000 over book value.

14. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Plant and machinery £	Total £
Cost or valuation				
At 1 January 2018	**2,839,000**	**649,000**	**21,213,000**	**24,701,000**
Additions	-	-	**1,676,000**	**1,676,000**
Disposals	-	-	**(343,000)**	**(343,000)**
At 31 December 2018	**2,839,000**	**649,000**	**22,546,000**	**26,034,000**
Depreciation				
At 1 January 2018	**1,143,000**	**307,000**	**13,422,000**	**14,872,000**
Charge for the year on owned assets	**65,000**	**47,000**	**1,115,000**	**1,227,000**
Disposals	-	-	**(343,000)**	**(343,000)**
At 31 December 2018	**1,208,000**	**354,000**	**14,194,000**	**15,756,000**
Net book value				
At 31 December 2018	**1,631,000**	**295,000**	**8,352,000**	**10,278,000**
At 31 December 2017	*1,696,000*	*342,000*	*7,791,000*	*9,829,000*

The freehold land and buildings shown at valuation above were valued professionally in October 1990 on an open market existing use basis. The company has previously applied the transitional rules of FRS 15 "Tangible fixed assets" to continue to retain the book values of revalued land and buildings in October 1990 on the deemed cost. As such due to transition to FRS 101 under IAS 16 "Property, plant and equipment" this value will be used as historic cost going forward, with a cost and depreciation method applied.

The amount of freehold land and buildings determined according to the historical accounting rules is as follows:

	2018 £	*2017 £*
Cost	**1,205,000**	*1,205,000*
Depreciation	**(534,000)**	*(514,000)*
	671,000	*691,000*

15. Stocks

	2018 £	*2017 £*
Raw materials and consumables	**2,288,000**	*2,352,000*
Work in progress	**209,000**	*348,000*
Finished goods and goods for resale	**151,000**	*246,000*
	2,648,000	*2,946,000*

16. Debtors

	2018 £	*2017 £*
Trade debtors	**13,622,000**	*12,425,000*
Amounts owed by group undertakings	**2,265,000**	*5,201,000*
Other debtors	**29,000**	*41,000*
Prepayments	**482,000**	*511,000*
Deferred taxation	**3,659,000**	*3,520,000*
	20,057,000	*21,698,000*

At 31 December 2018 aggregate costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £5,028,000 (2017: £13,075,000). Progress billings and advances received from customers under open construction contracts amounted to £4,239,000 (2017: £12,772,000). Advances for which related work has not started, and billings in excess of costs incurred and recognised profits are presented as deferred income and amounted to £nil (2016: £nil) at 31 December 2018.
At 31 December 2018 trade debtors include retentions of £122,000 (2017: £71,000) relating to construction contracts in progress.

17. Cash and cash equivalents

	2018 £	*2017 £*
Cash at bank and in hand	**740,000**	*598,000*
	740,000	*598,000*

18. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	8,637,000	7,925,000
Amounts owed to group undertakings	299,000	69,000
Corporation tax	228,000	55,000
Other taxation and social security	1,193,000	958,000
Other creditors	2,187,000	2,738,000
	12,544,000	11,745,000

19. Deferred taxation

	2018 £	2017 £
At beginning of year	3,520,000	4,247,000
Credited/(charged) to profit or loss	227,000	(456,000)
Charged to other comprehensive income	(88,000)	(271,000)
At end of year	3,659,000	3,520,000

The deferred tax asset is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	906,000	570,000
Tax losses carried forward	1,431,000	1,458,000
Employee benefit	1,322,000	1,492,000
	3,659,000	3,520,000

In addition the Company has losses of £17,659,000 (2017 - £25,919,000) on which no deferred tax asset has been recognised on the grounds that there is insufficient likelihood the losses will be used in future years .

20. Provisions

	Contract loss provisions £
At 1 January 2018	5,318,000
Utilised in year	(841,000)
At 31 December 2018	**4,477,000**

Contract loss provisions represent unpaid amounts in respect of contracts carried out in previous years. Of the provision of £4.5m management expect £0.4m to be paid within 1 year and £4.1m to be paid between 2 and 5 years. The provision has not been discounted because management consider that the effect would be immaterial.

21. Share capital

	2018 £	*2017* £
Allotted, called up and fully paid		
33,119,000 *(2017 - 33,119,000)* Ordinary shares of £1.00 each	**33,119,000**	*33,119,000*

22. Contingent liabilities

(i) The Company, along with a number of other Group companies, has entered into a number of guarantees in the ordinary course of business, the effects of which are to cross-guarantee certain borrowings of the parent company, Keller Group plc. At 31 December 2018, the Company's liability in respect of these cross-guarantees amounted to £343m (2017: £296m). No amounts were paid or liabilities incurred relating to these guarantees during 2017 (2016: £nil).

(ii) Performance bonds and retention bonds have been entered into in the normal course of business. The unexpired value of these bonds at 31 December 2018 amounted to £2,060,267 (2017: £2,060,267).

(iii) In the normal course of trading claims arise which may or may not involve litigation. Full provision has been made in the financial statements for all amounts which the directors consider will become payable in respect of such claims.

(iv) The company has guaranteed to meet any obligations or liabilities incurred by Keller Colcrete Limited.

23. Capital commitments

At 31 December 2018 the Company had capital commitments as follows:

	2018 £	*2017* £
Contracted for but not provided in these financial statements	-	*359,000*
	-	*359,000*

24. Employee benefits

The Company operates a Defined Benefit Pension Scheme.

The company is a participating employer in a pension scheme operated by Keller Group plc, which provides benefits based on final pensionable pay. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation of this group scheme was at 5 April 2017. Further particulars of this scheme are contained in the financial statements of the ultimate parent undertaking, Keller Group plc. The scheme closed to new members in 2000. The overall deficit on the pension scheme is spread between members of the Keller Group, with each individual entity bearing its share of the total deficit.

The valuation at 5 April 2017 has been updated by the actuary on an IAS 19 basis as at 31 December 2018. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The pension scheme was curtailed in 2006 and as a result, no further benefits are being accrued. Starting in 2010, the revaluation in deferment assumption was based on CPI rather than RPI.

Between 1990 and 1997 the scheme members accrued a Guaranteed Minimum Pension ('GMP'). This amount differed between men and women. On 26 October 2018 there was a court judgement (in the case of Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC) that confirmed that GMP is to be made equal for men and women. The estimated increase in the scheme's liabilities is £872,000, which has been recognised as a past service cost in 2018 as an exceptional other operating charge (note 13). The actual cost may differ when the GMP equalisation exercise is complete.

Based on the net deficit of the scheme as at 31 December 2018 and the committed payments under the Schedule of Contributions signed on 15 June 2018, there is a notional surplus of £966,000. Management is of the view that, based on the scheme rules, it does not have an unconditional right to a refund of surplus under IFRIC 14, and therefore an additional balance sheet liability in respect of a 'minimum funding requirement' of £966,000 has been recognised.

24. Employee benefits (continued)

Reconciliation of present value of plan liabilities:

	2018 £	*2017 £*
Reconciliation of present value of plan liabilities		
At the beginning of the year	**40,522,000**	*40,598,000*
Interest cost	**992,000**	*1,058,000*
Actuarial (gains)/losses	**(2,488,000)**	*902,000*
Benefits paid	**(1,890,000)**	*(2,036,000)*
Past service cost	**872,000**	*-*
Previously unrecognised surplus deducted	**966,000**	*-*
At the end of the year	**38,974,000**	*40,522,000*

Reconciliation of present value of plan assets:

	2018 £	*2017 £*
At the beginning of the year	**31,744,000**	*30,152,000*
Administration costs	**(109,000)**	*(131,000)*
Interest income	**791,000**	*791,000*
Actuarial (losses)/gains	**(1,003,000)**	*1,886,000*
Contributions	**1,667,000**	*1,082,000*
Benefits paid	**(1,890,000)**	*(2,036,000)*
At the end of the year	**31,200,000**	*31,744,000*

Composition of plan assets:

	2018 £	*2017 £*
Corporate bonds and government gilts	**12,630,000**	*13,043,000*
Total return funds	**18,570,000**	*18,701,000*
Total plan assets	**31,200,000**	*31,744,000*

24. Employee benefits (continued)

	2018 £	2017 £
Fair value of plan assets	**31,200,000**	*31,744,000*
Present value of plan liabilities	**(38,974,000)**	*(40,522,000)*
Net pension scheme liability	**(7,774,000)**	*(8,778,000)*

The amounts recognised in profit or loss are as follows:

	2018 £	2017 £
Administration costs	**(109,000)**	*(131,000)*
Interest on obligation	**(201,000)**	*(267,000)*
Past service cost	**(872,000)**	-
Total	**(1,182,000)**	*(398,000)*
Actual return on scheme assets	**(212,000)**	*3,023,000*
	(212,000)	*3,023,000*

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income was £16,810,000 *(2017 - £17,329,000)*.

The Company expects to contribute £1,719,000 to its Defined Benefit Pension Scheme in 2019.

24. Employee benefits (continued)

	2018	2017
	£	£
Analysis of actuarial gain recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	**(1,003,000)**	*1,886,000*
Experience gains and losses arising on the scheme liabilities	**2,488,000**	*(902,000)*
Changes in surplus deducted	**(966,000)**	-
	519,000	*984,000*

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2018	2017
	%	%
Discount rate	**2.90**	*2.50*
Future pension increases	**3.55**	*3.45*
Inflation assumption	**3.5**	*3.40*
Mortality rates		
- for a male aged 65 now	**22.2**	*22.4*
- at 65 for a male aged 45 now	**23.6**	*23.8*
- for a female aged 65 now	**23.6**	*23.8*
- at 65 for a female member aged 45 now	**25.2**	*25.3*

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2018	2017	2016	2015	2014
	£	£	£	£	£
Defined benefit obligation	**(38,974,000)**	*(40,522,000)*	*(40,598,000)*	*(33,818,000)*	*(34,744,000)*
Scheme assets	**31,200,000**	*31,744,000*	*30,152,000*	*26,611,000*	*26,628,000*
Surplus	**(7,774,000)**	*(8,778,000)*	*(10,446,000)*	*(7,207,000)*	*(8,116,000)*
Experience adjustments on scheme liabilities	**1,522,000**	*(902,000)*	*(6,650,000)*	*1,096,000*	*(3,241,000)*
Experience adjustments on scheme assets	**(1,003,000)**	*1,886,000*	*2,695,000*	*(887,000)*	*989,000*
	519,000	**984,000**	**(3,955,000)**	**209,000**	**(2,252,000)**

24. Employee benefits (continued)

The expected return on the average value of the assets over the year was calculated using the long-term average rate of return expected over the remaining term of the scheme's liabilities.

During the year, the Company also operated a Legal & General group personal pension plan which is a defined contribution scheme. Contributions during the year were £646,000 (2017: £679,000).

25. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	*2017*
	£	*£*
Not later than 1 year	**411,000**	*472,000*
Later than 1 year and not later than 5 years	**939,000**	*1,078,000*
Later than 5 years	**433,000**	*598,000*
	1,783,000	*2,148,000*

26. Post balance sheet events

In February 2019, £3,375,000 of proceeds were received on settlement of a contributory claim relating to to a contract completed in 2008. This will be recognised as exceptional other operating income in 2019 as the receipt of these proceeds was not considered virtually certain as at 31 December 2018.

27. Controlling party

The ultimate parent undertaking and controlling party is Keller Group plc which is incorporated in England and Wales. The consolidated statements of the Group may be obtained from Keller Group plc, 1 Sheldon Square, London, W2 6TT.