Registered number: 00485692

KELLER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

KELLER LIMITED

COMPANY INFORMATION

Directors	D M Cairney D De Sousa Neto J E De Waele J J Fletcher K A A Porritt W M Reid
Company secretary	W M Reid
Registered number	00485692
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 2022

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 GEO-Instruments.

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 2022, the Company made an operating profit of £7,780,000 before exceptional items (2021: £8,291,000) on turnover of £127,430,000 (2021: £100,382,000). The 27% increase in turnover was partly attributable to work performed on various High Speed 2 (HS2) contracts and partly due to the continued recovery in demand for construction services in the UK following the COVID-19 pandemic. Operating margin before exceptional items reduced from 8% in 2021 to 6% in 2022, mainly due to product/project mix and the fact that the 2021 result benefitted from the favourable resolution of a number of historical contract exposures.

The £3,500,000 exceptional charge recognised in 2021 was for additional costs relating to a historical contract dispute that has now been settled.

Future developments and outlook

The Company continues to deliver on existing contracts and secure new business across its various divisions. In addition, the Company continues to work on the two large HS2 contracts announced in 2021: a £167 million contract awarded to the Keller VSL Joint Venture, a joint operation in which the Company has a 50% interest, to deliver geotechnical work as part of the C1 section of HS2 and a £95 million contract awarded to the Bauer Keller Joint Venture, a joint operation in which the Company has a 50% interest, to deliver geotechnical work as part of the C2/3 section of HS2. Work on these contracts is expected to be substantially completed by the end of 2024.

Principal risks and uncertainties

The Company'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. Those risks include: 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, non-compliance with our code of business conduct; operational risk – product and/or solution failure, the ineffective management of our contracts, causing a serious injury or fatality to an employee or member of the public, ineffective management of increasing costs, and not having the right skills to deliver.

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, such as indicators of safety performance, greenhouse gas emissions and energy consumption.

Environmental, energy and carbon reporting

The Company is committed to reducing its impact on the environment and has a carbon reduction plan, which includes setting net zero carbon targets. As disclosures concerning greenhouse gas emissions, energy consumption and energy efficiency actions are set out in Keller Group plc's 2022 Annual Report and Accounts, the Company is exempt from making such disclosures in this Annual Report.

S172 statement

During the financial year, the directors have considered the needs of the Company's stakeholders as part of their decision-making process. Specifically, the directors consider the likely consequences of the Company's decisions in the long term and the need to act fairly between its stakeholders. The Company's key stakeholders, why they are important to the Company and how they have been engaged are:

Shareholders: Delivering value for the Company's shareholders ensures that the business will continue to be successful in the long term and can therefore continue to deliver for all our stakeholders. Engagement with the management of Keller Group plc occurs through regular business review meetings and visits, and group management in turn engage with the external shareholders of Keller Group plc.

Employees: The Company's employees are its most valuable asset. The Company endeavours to have employees that are inspired and motivated, equipped with the right skills, tools and standards to be successful. The Directors' Report on page 3 sets out how the Company engages with its employees.

Customers: Customers are central to the business – without them the Company would not exist. The Company aims to deliver a consistently high performance in an efficient and continuously improving way so as to meet the customer's needs. Engagement in the early stages of projects allows the Company to add the most value, providing the customer with the right solution for their problem. Feedback is sought throughout the project cycle.

Suppliers: Building strong relationships with suppliers enables the Company to obtain the best value, service and quality. The Company works with suppliers who understand our business and adhere to our ways of working. Our procurement and operations teams work hard to understand our supply chain and develop deeper and more strategic relationships with key suppliers.

Communities: What the Company does is an integral part of the community and the community is ultimately our customer. Poor relationships can damage and even destroy our reputation. Good relationships win goodwill. The Company actively engages with the communities close to our offices, for example by undertaking volunteer work in the community and sponsoring local sports teams. The Company seeks to reduce the environmental impact of its operations.

This report was approved by the board on 17 April 2023 and signed on its behalf.

W. Reid

W M Reid
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £7,663,000 (2021: £4,129,000). The directors do not recommend payment of a dividend (2021: £nil).

Directors

The directors who served during the year and up to the date of this report were:

D M Cairney
D De Sousa Neto (appointed 3 January 2023)
J E De Waele
J J Fletcher
K A A Porritt
W M Reid
R M Thompson (resigned 3 January 2023)

Going concern

In making their assessment of the appropriateness of the going concern basis of presentation, the directors have prepared cashflow forecasts for the period to 30 April 2024. Downside sensitivities have been applied to these forecasts, and even in the unlikely scenario that:

- there is a prolonged decrease in demand for construction services in the UK, including in respect of key areas of opportunity for the Company; and
- the Company's current and secured future major contracts do not generate revenues / profits as expected,

the Company still has adequate resources to continue operations. The directors have also considered the potential requirement for the Company's guarantee of borrowings arranged by the ultimate parent undertaking (see note 23 to the financial statements) to be honoured in the period to 30 April 2024. Based on assurances provided by, and the Company having considered the financial situation of, the ultimate parent undertaking, the directors consider the likelihood of the Company being required to honour the guarantee given as remote.

The ultimate parent has also provided written confirmation with regard to the provision of financial support, should it be required, to assist the Company in meeting its liabilities as they fall due for a period of 12 months from the date of approval of the financial statements. The directors are satisfied that the ultimate parent is able to provide such financial support based on the 31 December 2022 Keller Group plc annual report. Therefore the directors conclude that adopting the going concern basis of accounting in preparing the annual financial statements is appropriate.

Employee involvement

The Company's policy is to consult and discuss with employees on a regular basis, through unions, staff councils and at meetings, so their views can be taken into account when decisions are being made on matters likely to affect employees' interests. Information on matters of concern to employees is given through meetings, 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. Employees are also encouraged to be involved in the Company's performance through participation in the Company's bonus schemes.

Disabled employees

The Company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. 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.

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Post balance sheet events

On 31 January 2023, £3,000,000 was paid in settlement of a claim in relation to a historical contract dispute. This liability had been fully provided for at 31 December 2022 and 2021. There were no other material post balance sheet events between the balance sheet date and the date of this report.

Information that is required in the Directors' Report regarding engagement with the Company's stakeholders and the future outlook of the Company has been set out in the Strategic Report on pages 1 to 2.

This report was approved by the board on 17 April 2023 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 2022

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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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.

Opinion

We have audited the financial statements of Keller Limited for the year ended 31 December 2022 which comprise the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period which extends to 30 April 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those related to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, United Kingdom construction quality standards, employees, data protection and anti-bribery and corruption.

- We understood how Keller Limited is complying with those frameworks by making enquiries of management, reviewing management procedures for oversight by those charged with governance (i.e. considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings), the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence. We corroborated our enquiries through our review of board minutes, discussions with the management, any correspondence with relevant authorities and those responsible for legal and compliance procedures.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved understanding the process and controls to identify non-compliance, inquiring of internal legal counsel and management, review of board minutes to identify non-compliance with such laws and regulations, and understanding the fact patterns in each case and documenting the positions taken by management.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. This included evaluating whether the Company has been affected by the fraud that occurred in an overseas subsidiary of the Keller Group. We also considered performance targets and their influence on the risk of management manipulating earnings. Where risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journal entries, where we reviewed the appropriateness of segregation of duties around initiation, processing and authorisation of transactions, a focus on the recoverability of billed and unbilled revenues, and consideration of the accuracy of relevant information produced by the entity. Our procedures also included a review of agreed contracts with third parties and other documentation supporting contract progress and delivery, including whether revenue recognised represented a faithful depiction of the value of work performed by the company over time. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud and error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young

Adrian Mulea (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

17 April 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Turnover	4	**127,430**	100,382
Operating costs		**(119,650)**	(92,091)
Operating profit before exceptional items		**7,780**	8,291
Exceptional other operating charges	13	**-**	(3,500)
Operating profit	5	**7,780**	4,791
Interest income	9	**69**	33
Interest expense	10	**(22)**	(24)
Other finance income / (expense)	11	**90**	(48)
Profit before tax		**7,917**	4,752
Tax on profit	12	**(254)**	(623)
Profit for the financial year		**7,663**	4,129
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss) / gain on defined benefit schemes		**(22)**	30
Movements of deferred tax relating to pension deficit		**4**	(6)
		(18)	24
Total comprehensive income for the year		**7,645**	4,153

The notes on pages 14 to 34 form part of these financial statements.

KELLER LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note		2022 £000		2021 £000
Fixed assets					
Tangible assets	14		**13,918**		13,965
			13,918		13,965
Current assets					
Stocks	15	**2,359**		1,466	
Debtors: amounts falling due within one year	16	**27,028**		29,516	
Cash at bank and in hand	17	**6,977**		2,954	
		36,364		33,936	
Creditors: amounts falling due within one year	18	**(17,880)**		(21,207)	
Net current assets			**18,484**		12,729
Total assets less current liabilities			**32,402**		26,694
Creditors: amounts falling due after more than one year	19	**(603)**		(398)	
Provisions for liabilities					
Provisions	21	**(6,822)**		(7,142)	
			(7,425)		(7,540)
Net assets excluding pension liability			**24,977**		19,154
Pension liabilities	25		**(2,875)**		(4,697)
Net assets			**22,102**		14,457

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Capital and reserves			
Called up share capital	22	**33,119**	33,119
Revaluation reserve	22	**493**	520
Other reserves		**132**	132
Profit and loss account		**(11,642)**	(19,314)
		22,102	14,457

The notes on pages 14 to 34 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 April 2023.

W. Reid

W M Reid
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2022	**33,119**	**520**	**132**	**(19,314)**	**14,457**
Comprehensive income for the year					
Profit for the year	-	-	-	7,663	7,663
Actuarial loss on defined benefit schemes	-	-	-	(22)	(22)
Movements of deferred tax relating to pension deficit	-	-	-	4	4
Other comprehensive income for the year	-	-	-	(18)	(18)
Total comprehensive income for the year	-	-	-	7,645	7,645
Transfer to profit and loss account	-	(27)	-	27	-
Total transactions with owners	-	(27)	-	27	-
At 31 December 2022	33,119	493	132	(11,642)	22,102

The notes on pages 14 to 34 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2021	33,119	547	132	(23,494)	10,304
Comprehensive income for the year					
Profit for the year	-	-	-	4,129	4,129
Actuarial gain on defined benefit schemes	-	-	-	30	30
Movements of deferred tax relating to pension deficit	-	-	-	(6)	(6)
Other comprehensive income for the year	-	-	-	24	24
Total comprehensive income for the year	-	-	-	4,153	4,153
Transfer to profit and loss account	-	(27)	-	27	-
Total transactions with owners	-	(27)	-	27	-
At 31 December 2021	33,119	520	132	(19,314)	14,457

The notes on pages 14 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 00485692 and the registered address is Oxford Road, Ryton-on-Dunsmore, Coventry, Warwickshire, 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 UK adopted international accounting standards 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

At the date of authorisation of these financial statements, the following amendments have become applicable for the current period:

- Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract';
- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use'; and
- IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities'.

These amendments had no impact on the financial statements, nor is there expected to be any future impact. In particular, there is no impact in relation to the amendments to IAS 37 as the Company's accounting policies were already in compliance.

2.4 Going concern

The financial statements have been prepared on a going concern basis. The company continues to meet its day to day working capital requirements and had £6,977,000 of cash as at 31 December 2022, in addition to an amount of £14,033,000 receivable from Keller Holdings Limited, a fellow Keller Group subsidiary, under cash pooling arrangements, repayable on demand.

2.4 Going concern (continued)

In making their assessment of the appropriateness of the going concern basis of presentation, the directors have prepared cashflow forecasts for the period to 30 April 2024. Downside sensitivities have been applied to these forecasts, and even in the unlikely scenario that:

- there is a prolonged decrease in demand for construction services in the UK, including in respect of key areas of opportunity for the company; and
- the Company's current and secured future major contracts do not generate revenues / profits as expected,

the Company still has adequate resources to continue operations. The directors have also considered the potential requirement for the Company's guarantee of borrowings arranged by the ultimate parent undertaking (see note 23 to the financial statements) to be honoured in the period to 30 April 2024. Based on assurances provided by, and the Company having considered the financial situation of, the ultimate parent undertaking, the directors consider the likelihood of the Company being required to honour the guarantee given as remote.

The ultimate parent has also provided written confirmation with regard to the provision of financial support, should it be required, to assist the Company in meeting its liabilities as they fall due for a period of 12 months from the date of approval of the financial statements. The directors are satisfied that the ultimate parent is able to provide such financial support based on the 31 December 2022 Keller Group plc annual report.

The directors conclude, therefore, that adopting the going concern basis of accounting in preparing the annual financial statements is appropriate.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP. Monetary amounts in these financial statements are rounded to the nearest £000.

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 recognised 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 'other finance expense'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'operating costs'.

2.6 Turnover

Turnover consists of contracts with customers. For each contract, turnover is the amount that is expected to be received from the customer based on work performed or services delivered. Where consideration is variable, revenue is recognised only to the extent that it is considered highly probable that there will not be a significant reversal in the future. 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 turnover 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 turnover is allocated to performance obligations based on the relative standalone selling prices of each performance obligation.

Turnover 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: Turnover 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: Turnover is recognised using the percentage of completion method by 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.

Turnover 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. Losses are calculated by reference to the unavoidable costs expected to be incurred. Incremental bid/tender costs and fulfilment costs are expensed as incurred. Invoicing and payment terms vary by contract, however the typical billing cycle is that invoices are usually raised on a monthly basis for work performed to date and payment is usually received within 2 months. Any turnover recognised in excess of billings are recognised as contract assets within trade debtors. Any payments received in excess of turnover recognised are recognised as contract liabilities within trade payables. There are no significant financing components of contract assets or liabilities.

2.7 Leases

The Company assesses at contract inception whether a contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (less than £3,000). The Company recognises liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use asset

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets. Land and buildings are depreciated over 3 to 15 years (or the lease term if shorter); plant, machinery and vehicles are depreciated over 2 to 8 years.

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

2.7 Leases (continued)

Lease liabilities

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate applied to each lease is determined by taking in to account the risk-free rate matched to the term of the lease and adjusted for factors such as the credit risk profile of the lessor. The incremental borrowing rates used during the year were between 2.02% and 5.48%.

After the commencement date, the amount of lease liabilities is increased to reflect the addition of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Company's lease liabilities are included in creditors, split between amounts due within and after one year.

Short-term leases and leases of low-value assets

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

2.8 Interest income

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

2.9 Interest expense

Interest expense is 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.

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 to a third party pension provider. Once the contributions have been paid the Company has no further payment obligations.

2.10 Pensions (continued)

Defined contribution pension plan (continued)

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 is a participating employer in the Keller Group plc 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 101 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 'Actuarial gains/(losses) on pension scheme'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs (in operating costs), comprises:
- the increase in net pension benefit liability arising from employee service during the period; and
- 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.

2.11 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.

2.11 Current and deferred taxation (continued)

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 those related to 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.

Both current and deferred tax assets and liabilities are not discounted.

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.

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 unless doing so would result in the depreciation period exceeding an asset's useful life:

Freehold property	2%
Long term leasehold property	4%
Short term leasehold property	20%
Plant and machinery	8% to 12.5%

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. The directors review annually for indicators of impairment with additional impairment charges being recognised where appropriate.

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

2.15 Debtors

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

2.16 Cash at bank and in hand

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.

2.18 Provisions

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 offset against the provision carried in the Balance Sheet.

2.19 Joint arrangements

The Company undertakes contracts jointly with other parties. These are accounted for as joint operations and therefore the Company recognises its own share of assets, liabilities, turnover and costs measured according to the terms of the joint operation's agreement.

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

The key estimates and judgements applied in preparing the financial statements are highlighted below. The estimates are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Actual results may also differ from these estimates.

Contract profitability

The main factors considered when making key estimates and judgements 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, amounts recognised in accrued liabilities and provisions in respect of the outcome of claims raised against the Company by customers or third parties and whether turnover recognised represents a faithful depiction of the value of the work performed by the Company over time.

Provisions for liabilities and charges

Other liabilities and charges arise in the normal course of business and the Company recognises provisions for these liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated. Judgement is required around the likelihood of an outflow occurring and the value of the anticipated outflow. The factors considered in making these judgements depend on the nature of the liability being provided for.

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 valuation of the defined benefit pension scheme liability is impacted by a number of assumptions which are based on actuarial advice. The assumptions used in the calculation of the pension liability are set out in note 25.

4 Turnover

Analysis of turnover by country of destination:

	2022	2021
	£000	£000
United Kingdom	**127,395**	100,315
Rest of Europe	**19**	65
Rest of the world	**16**	2
	127,430	100,382

£127,430,000 (2021: £100,359,000) of turnover has been recognised on performance obligations satisfied over time. £nil (2021: £23,000) of turnover has been recognised on performance obligations satisfied at a point in time.

5 Operating profit

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

	2022 £000	2021 £000
Raw materials and consumables	**36,591**	28,609
Depreciation of tangible fixed assets – owned assets	**2,639**	2,369
Depreciation of right-of-use assets – leased assets	**263**	209
Short term and low value operating lease expense:		
- Plant and machinery	**12,474**	7,489
- Land and buildings	**101**	97
Foreign exchange (gains) / losses	**(6)**	41

6 Auditor's remuneration

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

	2022 £000	2021 £000
Fees for the audit of the Company	**75**	60
	75	60

No fees for non-audit services have been paid to the auditor during the year (2021: £nil).

7 Employees

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

	2022 £000	2021 £000
Wages and salaries	**29,695**	20,021
Social security costs	**3,256**	2,285
Cost of defined contribution scheme	**1,171**	948
	34,122	23,254

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

	2022 No.	2021 No.
Production	**358**	294
Management and administration	**85**	84
	443	378

8 Directors' remuneration

	2022 £000	2021 £000
Directors' emoluments	**1,048**	897
	1,048	897

Directors emoluments includes all cash payments to directors and the value of benefits in kind.

The Company paid employer contributions to a defined contribution pension scheme for three (2021: three) directors totalling £31,000 (2021: £29,000).

The highest paid director received remuneration of £547,000 (2021: £406,000). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2021: £nil).

9 Interest income

	2022 £000	2021 £000
Interest income on amounts owed by group undertakings	**-**	19
Other interest income	**69**	14
	69	33

10 Interest expense

	2022 £000	2021 £000
Bank interest expense	**-**	4
Interest on lease liabilities	**22**	20
	22	24

11 Other finance income / (expense)

	2022 £000	2021 £000
Net interest income / (expense) on net defined benefit pension liability	**90**	(48)
	90	(48)

12 Taxation recognised in the profit and loss account

	2022 £000	2021 £000
Corporation tax		
Current tax on profit/(loss) for the year	-	-
Charge / (credit) in respect of previous periods	248	(713)
Total current tax charge / (credit)	**248**	(713)
Deferred tax		
Charge from origination and reversal of timing differences	547	862
(Credit) / charge in respect of previous periods	(541)	474
Total deferred tax charge	**6**	1,336
Taxation charge on profit on ordinary activities	**254**	623

Factors affecting tax charge for the year

	2022 £000	2021 £000
Profit on ordinary activities before tax	7,917	4,752
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	1,504	903
Effects of:		
Permanent items not taxable for tax purposes, other than goodwill amortisation and impairment	6	1
Tax rate adjustment	(338)	(116)
Recognition of tax losses and other deductible temporary differences	(625)	105
Other differences leading to an increase in the tax charge	-	(31)
Tax credit in respect of previous periods	(293)	(239)
Total tax charge for the year	**254**	623

Factors that may affect future tax charges

In accordance with the 2021 Finance Act, the UK corporation tax will increase to 25% with effect from 1 April 2023. At 31 December 2022 and at 31 December 2021, deferred tax has been provided at 19% on temporary differences expected to reverse before 1 April 2023 and at 25% thereafter.

No further changes in the UK corporation tax rate were announced in the March 2023 Budget.

13 Exceptional other operating charges

	2022 £000	2021 £000
Contract provision	-	3,500
	-	3,500

In 2021, the £3,500,000 exceptional charge resulted from provision for additional costs relating to a historical contract dispute. The provision held at 31 December 2022 and the impact of a post balance sheet event on the provision is disclosed in note 21.

14 Tangible assets

Property, plant and equipment comprises owned and leased assets:

	Note	**2022 £000**	2021 £000
Tangible fixed assets – owned assets	14.1	**12,906**	13,369
Right-of-use assets – leased assets	14.2	**1,012**	596
		13,918	13,965

14.1 Tangible fixed assets – owned assets

	Freehold property £000	**Long-term leasehold property £000**	**Plant and machinery £000**	**Total £000**
Cost or valuation				
At 1 January 2022	**3,971**	**46**	**23,719**	**27,736**
Additions	**282**	**-**	**1,894**	**2,176**
Disposals	**-**	**-**	**(887)**	**(887)**
At 31 December 2022	**4,253**	**46**	**24,726**	**29,025**
Depreciation				
At 1 January 2022	**1,488**	**43**	**12,836**	**14,367**
Charge for the year on owned assets	**131**	**3**	**2,505**	**2,639**
Disposals	**-**	**-**	**(887)**	**(887)**
At 31 December 2022	**1,619**	**46**	**14,454**	**16,119**
Net book value				
At 31 December 2022	**2,634**	**-**	**10,272**	**12,906**
At 31 December 2021	2,483	3	10,883	13,369

14.1 Tangible fixed assets – owned assets (continued)

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:

	2022	2021
	£000	£000
Cost	**1,205**	1,205
Depreciation	**(614)**	(594)
	591	611

14.2 Right-of-use assets – leased assets

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

The Company has certain leases of twelve months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions available under IFRS 16 for these leases.

The carrying amounts of the right-of-use assets recognised and the movements during the year are as follows:

	Land and buildings £000	**Plant, machinery and vehicles £000**	**Total £000**
At 1 January 2022	**326**	**270**	**596**
Additions	**-**	**701**	**701**
Disposals and contract modifications	**-**	**(22)**	**(22)**
Depreciation	**(78)**	**(185)**	**(263)**
At 31 December 2022	**248**	**764**	**1,012**

15 Stocks

	2022 £000	2021 £000
Raw materials and consumables	**2,359**	1,466
	2,359	1,466

16 Debtors: amounts falling due within one year

	2022 £000	2021 £000
Trade debtors	**8,494**	12,962
Amounts owed by group undertakings	**16,392**	12,927
Other debtors	**5**	14
Prepayments	**693**	790
Corporation tax	**204**	1,581
Deferred taxation	**1,240**	1,242
	27,028	29,516

Of the amounts owed by group undertakings, £14,033,000 (2021: £12,491,000) is the balance of cash swept to Keller Holdings Limited under cash pooling arrangements. The remaining £2,359,000 (2021: £436,000) balance relates to short-term trading balances.

At 31 December 2022 trade debtors include retentions of £115,000 (2021: £215,000) relating to construction contracts in progress and contract assets of £65,000 (2021: £798,000) arising from turnover recognised in excess of billings. All of the contract asset is expected to be billed within 12 months.

17 Cash at bank and in hand

	2022 £000	2021 £000
Cash at bank and in hand	**6,977**	2,954
	6,977	2,954

18 Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	**10,845**	13,833
Amounts owed to group undertakings	**84**	532
Other taxation and social security	**1,550**	1,659
Lease liabilities	**411**	202
Other creditors	**4,990**	4,981
	17,880	21,207

At 31 December 2022, other creditors include contract liabilities of £275,000 (2021: £446,000) arising from billings in excess of turnover recognised. All of the contract labilities as at 31 December 2022 are expected to be recognised as turnover within 12 months. All of the contract liabilities at 31 December 2021 have been recognised as turnover in 2022.

19 Creditors: Amounts falling due after more than one year

	2022 £000	2021 £000
Lease liabilities	**603**	398
	603	398

20 Deferred taxation

	2022 £000	2021 £000
Asset at beginning of year	**1,242**	2,584
Charged to profit or loss	**(6)**	(1,336)
Credited / (charged) to other comprehensive income	**4**	(6)
Asset at end of year	**1,240**	1,242

20 Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	**436**	(279)
Tax losses carried forward	**335**	536
Employee benefits	**469**	985
	1,240	1,242

The deferred tax asset recognised is expected to be utilised within 2 years. In addition the Company has losses of £15,796,000 (2021: £17,988,000) 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.

21 Provisions

Contract loss provisions	**£000**
At 1 January 2022	**7,142**
Additional provisions	**-**
Utilised in year	**(320)**
At 31 December 2022	**6,822**

Contract loss provisions represent outstanding costs to be incurred in respect of contracts carried out in previous years, including in relation to historical contract disputes. Of the provision, management expect £3,620,000 to be paid within 1 year and £3,202,000 to be paid between 2 and 5 years. The provision has not been discounted because management consider that the effect would be immaterial.

On 31 January 2023, £3,000,000 was paid in settlement of a claim in relation to a historical contract dispute. This liability had been fully provided for at 31 December 2022 and 2021.

22 Share capital and reserves

Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
33,119,000 (2021: 33,119,000) Ordinary shares of £1.00 each	**33,119**	33,119

There is only one class of ordinary share.

Reserves

The revaluation reserve is a non-distributable reserve relating to the revaluation of property in 1990 and £27,000 is reclassified into retained earnings, a distributable reserve, each year.

23 Contingent liabilities

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 2022, the Company's potential liabilities in respect of these cross guarantees amounted to £308,430,000 (2021: £195,765,000). No amounts were paid or liabilities incurred relating to these guarantees during 2022 (2021: £nil).

Performance bonds and retention bonds have been entered into in the normal course of business. The unexpired value of these bonds at 31 December 2022 amounted to £78,000 (2021: £78,000).

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

24 Capital commitments

At 31 December 2022 the Company had capital commitments as follows:

	2022	2021
	£000	£000
Contracted for but not provided in these financial statements	**1,066**	833
	1,066	833

25 Employee benefits

Defined contribution pension scheme

During the year, the Company operated a Legal & General group personal pension plan which is a defined contribution scheme. Contributions during the year were £1,171,000 (2021: £948,000). No contributions were outstanding at 31 December 2022 (2021: £nil).

Defined benefit pension scheme

The Company is a participating employer in a defined benefit pension scheme operated by Keller Group plc, which provides benefits based on final pensionable pay. The contributions are agreed between the pension scheme trustees and the employer based on triennial valuations determined by a qualified actuary using the projected unit method. The most recent valuation of this group scheme was at 5 April 2020. 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 the participating entities within the Keller Group, with each individual entity bearing its share of the total deficit. The Company's share of the pension assets and liabilities at 31 December 2022 was 69% (2021: 69%). The weighted average duration of the defined benefit obligation is approximately 13 years.

The valuation at 5 April 2020 has been updated by the actuary on an IAS 19 basis as at 31 December 2022. 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.

25 Employee benefits (continued)

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 was £872,000, which was recognised as a past service cost in 2018. On 20 November 2020, there was an updated judgement requiring an allowance to be made for past transfers. The estimated increase in the Scheme's liability in respect of this was £27,000 and was recognised as a past service cost in 2020. The actual cost may differ when the GMP equalisation exercise is complete.

Based on the net deficit of the scheme as at 31 December 2022 and the committed payments under the Schedule of Contributions agreed on 17 November 2020, there was a notional surplus of £5,037,000 (2021: £8,418,000). 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 £5,037,000 (2021: £8,418,000) has been recognised. The decrease in irrecoverable surplus of £3,381,000 has been recognised in 2022 (2021: increase of £6,900,000).

	2022 **£000**	2021 £000
Present value of plan liabilities	**(26,941)**	(40,231)
Fair value of plan assets	**29,103**	43,952
Surplus in the pension scheme	**2,162**	3,721
Irrecoverable surplus	**(5,037)**	(8,418)
Net defined pension liability	**(2,875)**	(4,697)

Reconciliation of present value of plan liabilities:

	2022 **£000**	2021 £000
At the beginning of the year	**40,231**	44,879
Interest cost	**770**	530
Actuarial (gains)/losses	**(12,600)**	(3,699)
Benefits paid	**(1,460)**	(1,479)
At the end of the year	**26,941**	40,231

25 Employee benefits (continued)

Reconciliation of present value of plan assets:

	2022 £000	2021 £000
At the beginning of the year	**43,952**	40,042
Administration costs	**(146)**	(161)
Interest income	**860**	482
Actuarial (losses) / gains	**(16,003)**	3,231
Contributions	**1,900**	1,837
Benefits paid	**(1,460)**	(1,479)
At the end of the year	**29,103**	43,952

Composition of plan assets:

	2022 £000	2021 £000
Bonds	**9,360**	13,584
Cash	**1,980**	2,184
Equities and total return funds	**8,843**	17,187
Liability driven investment (LDI) portfolios	**8,920**	10,997
Total plan assets	**29,103**	43,952

The amounts recognised in profit or loss are as follows:

	2022 £000	2021 £000
Administration costs	**(146)**	(161)
Net interest income / (cost) on obligation	**90**	(48)
Total	**(56)**	(209)

The actual return on scheme assets was a loss of £15,143,000 (2021: gain of £3,713,000).

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income was £18,368,000 (2021: £18,346,000).

The Company expects to contribute £1,965,000 to its Defined Benefit Pension Scheme in 2023. No contributions were outstanding at 31 December 2022 (2021: £nil).

25 Employee benefits (continued)

The amounts recognised in other comprehensive income are as follows:

	2022 £000	2021 £000
Actual return on plan assets less interest	**(16,003)**	3,231
Experience gains arising on the scheme liabilities	**12,600**	3,699
Changes in irrecoverable surplus	**3,381**	(6,900)
	(22)	30

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

	2022 %	2021 %
Discount rate	**4.80**	1.95
Future pension increases	**3.45**	3.50
Inflation assumption	**3.35**	3.50
Mortality rates	**Years**	Years
- for a male aged 65 now	**21.0**	21.0
- at 65 for a male aged 45 now	**22.4**	22.3
- for a female aged 65 now	**23.4**	23.3
- at 65 for a female member aged 45 now	**24.9**	24.8

A reduction in the discount rate of 0.5% would increase the deficit in the scheme by £1,726,000, whilst a reduction in the inflation assumption of 0.5%, including its impact on the revaluation in deferment and pension increases in payment, would decrease the deficit by £923,000. An increase in the mortality rate by one year would increase the deficit in the scheme by £1,191,000.

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

	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Defined benefit obligation	**(31,978)**	(48,649)	(46,397)	(42,864)	(38,974)
Scheme assets	**29,103**	43,952	40,042	36,070	31,200
	(2,875)	(4,697)	(6,355)	(6,794)	(7,774)
Experience adjustments on scheme liabilities	**15,981**	(3,201)	(5,233)	(4,219)	1,522
Experience adjustments on scheme assets	**(16,003)**	3,231	4,126	3,760	(1,003)
	(22)	30	(1,107)	(459)	519

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.

26 Subsidiary undertakings

The Company has the following subsidiary that is wholly owned through ordinary shares:

Name	**Registered number**
Fondedile Foundations (UK) Limited	03679098

The interest in this dormant entity is held at nil book value. The registered address of the entity is Oxford Road, Ryton on Dunsmore, Coventry, Warwickshire, CV8 3EG.

27 *Joint arrangements*

The Company has the following interests in joint arrangements:

Name	**Structure**	**Type of arrangement**	**Interest**
Bauer Keller Joint Venture	Unincorporated	Joint operation	50%
Keller VSL Joint Venture	Unincorporated	Joint operation	50%
GEO-SOCOTEC Joint Venture	Unincorporated	Joint operation	50%
VSL Keller Joint Venture	Unincorporated	Joint operation	50%

The total turnover recognised by the Company during the year for contracts performed as joint operations was £59,404,000 (2021: £43,663,000).

28 Controlling party

The *immediate and ultimate parent undertaking and controlling* party is Keller Group plc which is incorporated in England and Wales. The consolidated financial statements of Keller Group plc are the smallest and largest group for which consolidated financial statements are prepared which include the Company. These consolidated financial statements may be obtained from Keller Group plc, 2 Kingdom Street, London, W2 6BD.