4 August 2020

Keller Group plc Interim Results for the half year period ended 28 June 2020

Keller Group plc ('Keller' or 'the Group'), the world's largest geotechnical specialist contractor, announces its results for the half year period ended 28 June 2020.

Strong performance despite the disruptive impact of COVID-19

	H1 2020 £m	H1 2019 £m	% change	Constant currency % change
Revenue	**1,039.1**	1,091.7	-5%	-5%
Underlying operating profit[1]	**47.9**	38.3	+25%	+20%
Underlying profit before tax[1]	**40.7**	27.5	+48%	+39%
Underlying diluted earnings per share[1]	**39.5p**	27.1p	+46%	+37%
Net debt[2]	**155.1**	333.5	-54%	-54%
Interim dividend per share	**-**	12.6p	-	-
Statutory operating profit	**28.0**	32.5		
Statutory profit before tax	**20.8**	21.7		
Statutory diluted earnings per share	**13.8p**	4.8p		

[1]Underlying operating profit, profit before tax and underlying diluted earnings per share are non-statutory measures which provide readers of this interim announcement with a balanced and comparable view of the Group's performance by excluding the impact of non-underlying items, as disclosed in note 7 of the interim condensed consolidated financial statements.

[2]Net debt is presented on a lender covenant basis excluding the impact of IFRS16 as disclosed in note 12 of the interim condensed consolidated financial statements.

Highlights

- Improved profitability and cash generation evidence a strong first half performance despite the disruptive impact of COVID-19
- Revenue of £1,039m, down 5%, largely due to the impact of COVID-19 in APAC and EMEA
- Underlying operating profit of £47.9m, up 20% at constant currency, driven by strong North America performance and return to profitability in APAC
- Underlying EPS of 39.5p, up 37% at constant currency
- Net debt of £155m, down 54%, equating to net debt/EBITDA (on a covenant and IAS17 basis) of 0.9x, slightly favourable to our 1.0x-1.5x target range
- Strong liquidity position maintained with £595m of undrawn funding available
- Payment of the 2019 final dividend in August continues the Group's track record of maintaining or increasing the dividend every year since flotation in 1994
- Continued progress in conventional and COVID-19 related safety, with a 19% year-on-year improvement in the accident frequency rate
- Execution of the revised strategy continues, with the successful exit from Brazil and rationalisation of Franki Africa including its integration into Middle East based operations
- Order book at the half year remained steady at c.£1bn, despite a recent decline in order intake from increased global macroeconomic uncertainty
- As previously stated, the payment of a 2020 interim dividend will be considered by the Board later in the year

Outlook

- The current order book supports trading through much of the second half of 2020 and, assuming no further material lockdowns, we anticipate delivering a resilient full year result, albeit without the typical second half weighting
- We anticipate that any sustained continuation of the recent decline in order intake during the second half will impact the forward order book, which, together with the macroeconomic uncertainty as a result of COVID-19, would be likely to result in the 2021 outlook being more challenging than for 2020

Michael Speakman, Chief Executive Officer, said:

"I am very pleased with the way the Keller team has responded to the challenges of COVID-19, and their actions are evidenced by our strong financial performance in the first half, further good progress in the implementation of our strategic actions and expected resilient performance for the full year. The late cycle nature of our business makes us naturally cautious about the short-term economic outlook and we are proactively managing the business accordingly. The long-term fundamentals for Keller continue to be strong and we remain optimistic about the future trading prospects and strategic opportunities for the Group."

For further information, please contact:

Keller Group plc	www.keller.com
Michael Speakman, Chief Executive Officer Mark Hooper, Interim Chief Financial Officer Victoria Huxster, Co-Head of Investor Relations Caroline Crampton, Co-Head of Investor Relations	**020 7616 7575**
Finsbury	**020 7251 3801**
Gordon Simpson	

A webcast for investors and analysts will be held at 09.30am and will also be available, on demand, from 2.00pm at
https://www.investis-live.com/keller/5f16c9d77b676e1e00950ba4/rgds

Conference call:	**Accessing the telephone replay:**
Participants joining by telephone: United Kingdom 0800 640 6441 United Kingdom (Local) 020 3936 2999 All other locations +44 20 3936 2999 **Participant access code 007715**	A recording will be available until 11 August 2020 UK: 020 3936 3001 USA: 1 845 709 8569 All other locations: +44 20 3936 3001 **Access Code: 387141**

Notes to editors:
Keller is the world's largest geotechnical specialist contractor providing a wide portfolio of advanced foundation and ground improvement techniques used across the entire construction sector. With around 10,000 staff and operations across six continents, Keller tackles an unrivalled 7,000 projects every year, generating annual revenue of more than £2bn.

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Adjusted performance measures

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

The APMs used include underlying operating profit, underlying earnings before interest, tax, depreciation and amortisation, underlying net finance costs and underlying earnings per share, each of which are the equivalent statutory measure adjusted to eliminate the amortisation of acquired intangibles and other significant one-off items not linked to the underlying performance of the business. Further underlying constant exchange rate measures are given which eliminate the impact of currency movements by comparing the current measure against the comparative restated at this year's actual average exchange rates. Where APMs are given, these are compared to the equivalent measures in the prior period.

APMs are reconciled to the statutory equivalent in the final section of this interim announcement and within other notes to the interim condensed consolidated financial statements, as relevant.

GROUP OVERVIEW

Financial performance

The Group performed strongly in the period, delivering a significant improvement in profitability and cash generation on H1 2019, driven by a strong first quarter and a resilient second quarter which was inevitably impacted by the disruptive effects of COVID-19.

Group revenue was £1,039.1m, 5% down on last year, principally reflecting the impact of COVID-19 in EMEA and APAC. By comparison, North America revenue increased slightly despite the pandemic.

Underlying operating profit was strong, up 20% at constant currency, despite the impact of COVID-19, driven by margin improvement in North America and the return to profit in APAC. The Group initiated a number of proactive measures to protect margin in light of the lower revenues resulting from COVID-19. Operating margin at 4.6% improved year on year (2019 H1: 3.5%).

Operating performance

The Group saw a strong performance in North America in terms of both revenue and profit, with the benefits of the integration of the foundations business starting to be realised. Underlying operating margin in North America improved to 6.1% (H1 2019: 5.4%) due to extreme adverse weather experienced in 2019 not repeating in 2020, operating efficiencies and cost reductions driven by the reorganisation of our foundations businesses and a strong performance at Suncoast. The effect of COVID-19 in the first half was less than initially expected, with varying levels of restrictions in different states and provinces. Construction was considered an essential service in most parts of North America, with the vast majority of our sites remaining open.

In EMEA, the impact of COVID-19 arrived earlier and was more significant than in North America and varied markedly by country. North East Europe, Central Europe and Mexico performed well with activity levels generally maintained, whilst the more disrupted operations in UK, Iberia and French speaking countries performed less well. We continue to monitor the evolving situation with regard to the virus in the Middle East, Africa and South America, which have been impacted later than the rest of the division.

In APAC, trading patterns in the second quarter varied widely by market with Australia largely operational, India and Malaysia closed for a period and Singapore remaining largely closed for construction at the period end. We are pleased that the division continues to be profitable, building on its return to profit in the second half of 2019. Austral in particular had a strong first half benefiting from the Cape Lambert project for Rio Tinto.

The measures put in place across the Group since the start of the COVID-19 pandemic have strengthened our resilience and minimised both the human and financial impact of the crisis. These measures have included enhanced safety protocols, operating cost reductions, cancellation of discretionary projects, reduced capital expenditure and an even greater focus on working capital. We have selectively accessed relevant governmental support schemes across our major markets. In the UK, the level of support has not been material in the context of the overall Group and we have no plans to access the new Coronavirus Job Retention Bonus. To date we have not seen a deterioration in our receivables profile and have actively managed our investment in capital and revenue projects. Given the strong H1 performance and the payment of the 2019 final dividend, the voluntary 20% reduction in fees and salary made by the Board and senior management during the second quarter has now been reinstated. We will continue to review and amend all of the above actions as appropriate in response to trading in H2.

Cash flow and liquidity

Cash generation was strong during the first half, driven by improved disciplines in working capital management as well as heightened vigilance in response to the global pandemic. At 28 June 2020, on a lender covenant and IAS17 basis, our net debt was £155m and net debt/EBITDA leverage was 0.9x, slightly below our target range of 1.0x-1.5x.

The Group has access to substantial borrowing facilities. As at 28 June 2020, the Group had undrawn committed and uncommitted borrowing facilities totalling £595m, comprising £221m of the unutilised portion of the Group's £375m revolving credit facility (which expires in November 2024 and has an option to extend by one further year), £19m of other undrawn committed borrowing facilities and undrawn uncommitted borrowing facilities of £355m, as well as cash and cash equivalents of £129m.

Undrawn uncommitted facilities include £300m under the Covid Corporate Financing Facility (CCFF), confirmed as available to us by the Bank of England in June 2020 and which become committed only at point of drawing. We have not drawn and do not expect to draw on the CCFF. To be explicitly clear, the CCFF facility has only been secured to provide additional protection, in extremis, should there be an unexpected and significant deterioration in future market conditions and client payment behaviours resulting in a very material deterioration in cash flow performance.

Strategy

We have continued to make progress with our revised strategy, to be the preferred international geotechnical specialist contractor focused on sustainable markets and attractive projects, which will enable us to generate increased shareholder value.

At the beginning of 2020 we announced our intention to make a phased withdrawal from South America and complete a strategic review of our Franki Africa business by the end of the first half. The sale of Tecnogeo in April 2020 marked our successful exit from the Brazilian market, and the strategic review of Franki Africa is now complete. The Franki Africa business has faced challenging market, economic and political conditions in a number of the countries in which it operates, and despite the significant cost reductions implemented in 2018 and 2019, the business has been unable to deliver the required margins and returns. The business is therefore being rationalised, with a small number of the profitable operations being retained and integrated into our Middle East based operations, which share similar market dynamics and conditions. There remain major contract opportunities in the region, particularly in the oil and gas sector, where we were recently awarded a US$23m LNG contract in Mozambique. Our ability to compete for and execute such contracts in Africa will not be diminished by this action.

In line with our strategy, we will concentrate our resources on those markets and activities where customers value our skills and expertise, where we can achieve mutual benefits and deliver an appropriate level of financial return. We will therefore continue the rationalisation of our geographic presence, and exit from certain non-core activities.

Safety

As always, safety has continued to be an area of focus, and our accident frequency rate was 1.3 during the first half of the year; a 19% improvement (2019 H1: 1.6). We have an industry-leading track record but are not complacent in this regard and continue to prioritise the health and safety of our employees. In respect of the additional operational challenges posed by COVID-19, the guidance and support we are providing to our employees continues to follow World Health Organisation guidelines, supplemented by local authority guidance in the regions in which we operate. This approach has enabled us to work in a safe and productive manner on sites wherever the local regulatory regime allows, using applicable personal protective equipment and social distancing.

Interim dividend

The Board fully recognises the importance of dividends to shareholders and, as announced in our trading update on 16 June 2020, decided that it would be both prudent and appropriate to maintain the 2019 full year dividend at the prior year's level, representing a full year total dividend of 35.9p. This reflected the continued financial strength of the Group, its significantly improved liquidity position, trading during the first half of the year and the longer-term confidence in the performance of the business. Payment of this dividend continues the Group's track record of maintaining or increasing the full year dividend every year since flotation in 1994.

As announced in the June trading update, the payment of a 2020 interim dividend will be considered by the Board later in the year.

Outlook

The Group had a strong first quarter and a resilient second quarter, with the business responding to the challenges of COVID-19 with a number of proactive measures taken to protect margin and support strong cash generation. Whilst the order book has remained steady at c.£1bn at the period end, there has been a recent decline in order intake, reflecting a combination of the short-term impact of the pandemic and more general restraint caused by the increased macroeconomic uncertainty.

The current order book supports trading through much of the second half of 2020 and, assuming no further material lockdowns, we anticipate delivering a resilient full year result, albeit without the typical second half weighting.

We anticipate that any sustained continuation of the recent decline in order intake during the second half will impact the forward order book which, together with the macroeconomic uncertainty as a result of COVID-19, would be likely to result in the 2021 outlook being more challenging than for 2020.

While the trading environment in the short term is expected to be challenging, the Group remains well positioned to take advantage of strong underlying growth drivers underpinned by the long-term global demand for urbanisation and infrastructure growth. Keller remains strategically well positioned as the world's largest geotechnical specialist contractor and we are focused on re-shaping and investing in the business to take advantage of the long term positive market trends. Accordingly, we remain optimistic about the longer term trading prospects and strategic opportunities for the Group.

OPERATING REVIEW

North America

	H1 2020 £m	H1 2019 £m	Constant currency
Revenue	**636.5**	611.0	+2%
Underlying operating profit	**38.6**	33.1	+14%
Underlying operating margin	**6.1%**	5.4%	
Order book*	**677.3**	624.3	+9%

* Comparative order book stated at constant currency

In North America, revenue increased by 2% on a constant currency basis. All the businesses had a strong first quarter in part due to the extreme adverse weather experienced in 2019 not repeating in 2020. Second quarter revenue, however, was down on last year as COVID-19 began to impact the business. Operating site closures as a result of COVID-19 have varied across North America with some states and provinces imposing tight restrictions, and others imposing very few restrictions. Whilst overall the vast majority of sites on which we were working remained open, a significant number of project starts were postponed during the second quarter.

Underlying operating profit was £38.6m, up 14% and underlying operating margin increased to 6.1% (2019 H1: 5.4%). The margin improvement was driven by the less adverse weather conditions in the first quarter, operating efficiencies and cost reductions driven by the reorganisation of our North America foundations businesses and a strong performance at Suncoast, partly offset by the impact of COVID-19.

The reorganisation of the new North America foundations business that was announced in 2019 successfully launched on 1 January 2020. The new organisation is managed as eight business units, seven geographically based, each with similar revenue and offering our full product portfolio. The eighth business unit offers specialty services across the whole of North America that were previously only offered from a limited number of offices.

We expect the reorganisation, which offers our full range of products and services into the whole of our North American geographic footprint, to drive material incremental revenue and profit growth in the future. We have already won more than US$30m of customer projects which would not have been won under the old structure and expect the 2020 full year cost and efficiency benefits to be at the top end of the previously announced target of £4.5m to £6m, and to be realised significantly earlier than 2022, as previously advised. The costs of delivering the reorganisation were approximately £3.0m and have been absorbed by the North America business through 2019 and 2020 as part of normal operating costs.

After a strong start to the year, the impact of COVID-19 in the second quarter meant that first half revenue at our US foundations business was marginally down on 2019. The operating profit and margin increased significantly however as a result of the cost savings realised and more efficient use of resources following the reorganisation. There were particularly strong performances by the Northeast and Southeast business units from good revenues and the benefit of some large infrastructure projects. Performance in the Midwest however was disappointing, in a very competitive market. Specialty Services also started the year slowly but with a good order book is well set for the second half.

In recent years our Canadian business has been challenged by softer market conditions, specifically in the natural resources sector. Following completion of a strategic review, the Prairies operations were restructured during the period resulting in a more favourable cost base going forward.

Suncoast, the Group's post-tension business which mainly serves the residential construction market, continued to perform strongly carrying good momentum from 2019, with revenue up by 11% and a significant increase in operating profit. Recent additional tariffs on imported steel strand, Suncoast's main raw material, will reduce margins in the high-rise sector in the near to medium term.

Moretrench Industrial continued to perform well during the first half but not at the same levels as 2019, which benefitted from some non-recurring highly profitable projects.

During the period the cash settlement was received for the scope adjustment claim on the large long term contract completed by Specialty Services, previously trading as Bencor, which was resolved in 2019.

Our North America order book reached record levels during H1 including the award of a US$90m two-year contract for the Hampton Roads Bridge Tunnel Expansion project in Virginia. However, recently there has been a reduction in the levels of order intake, leaving the H1 order book at £677.3m, down on the recent record high but still up 9% on the prior year. This robust order book provides good revenue coverage through into the fourth quarter of the year. However, a continuation of the recent decline in order intake or widespread deferral or cancellation of jobs already in the order book, will potentially impact the result for the second half and 2021.

With good momentum carried over from 2019 and having successfully launched the reorganisation of the foundations activities in January, the North America division delivered a strong result during the first half of the year, despite the impact of COVID-19. We are acutely focussed on monitoring the developing macroeconomic conditions in North America and the differing impacts they could have across our geographically diverse business units.

Europe, Middle East and Africa (EMEA)

	H1 2020 £m	H1 2019 £m	Constant currency
Revenue	**286.5**	342.4	-15%
Underlying operating profit	**8.4**	10.6	-26%
Underlying operating margin	**2.9%**	3.1%	
Order book*	**335.9**	263.6	+27%

* Comparative order book stated at constant currency

In EMEA, revenue decreased by 15% on a constant currency basis, with the majority of markets being impacted by COVID-19 shutdowns. Our businesses in Continental Europe were those most significantly impacted initially by COVID-19, however, these markets had largely opened up by early H2 as lockdown restrictions were progressively lifted. The businesses in the Middle East, Africa and Latin America were impacted later during the first half and continue to experience COVID-19 restrictions whether through government restrictions or localised site closures.

Underlying operating profit was £8.4m, down 26% on a constant currency basis, giving an underlying operating margin of 2.9% (2019 H1: 3.1%). The profit impact of COVID-19 was mitigated by a number of cost containment initiatives and strong contract performances in Mexico and Poland.

Our businesses in South East Europe and French speaking countries were all subject to reduced activity arising from COVID-19 related government lockdowns, as well as in-country and cross border travel restrictions. As these restrictions eased, activity levels increased back to near normal levels by the period end. The Middle East reported lower revenue and reduced profitability versus the comparative period last year, following completion of a number of oil and gas projects in 2019 and continued to be affected by travel restrictions in the key markets in response to COVID-19.

The UK, representing 3% of overall Group revenue, started the year slowly with a continuation of the hesitant investment climate following the December 2019 general election, and ongoing Brexit uncertainty before COVID-19 shutdowns closed a large part of the construction sector from March onwards. During the period test piling and early contractor works on two sections of HS2 were completed as well as instrumentation and monitoring activities on the London section.

Our business in North East Europe continued to benefit from momentum seen at the end of 2019 with strong revenue and profit growth as well as an improvement in margin in the first half. The Iberia and Latin America business also reported strong revenue and profit growth following delivery of an oil refinery project in Mexico. During the period we completed the sale of our Brazil business, as part of the previously announced phased withdrawal from South America, which generated a non-underlying and largely non-cash loss on disposal of £10.0m. The exit from the smaller Chile business has been slightly delayed due to COVID-19 disruptions.

In June 2020 we announced the rationalisation of our Franki Africa business, retaining a small number of profitable operations which will be integrated into our Middle East-based operations, which share similar markets and dynamics, during the second half of the year. A resulting non-underlying restructuring charge of £3.3m has been recognised during the period. The business successfully mobilised on site at the recently awarded US$23m LNG contract in Mozambique which will be completed in 2021.

Our EMEA order book at the end of the period was £335.9m, up 27% on the prior year. Tendering activities remained reasonably high during the first quarter, however awards and order intake were subdued during the second quarter.

EMEA performance during the first half of the year was materially affected by the division wide consequences of COVID-19. Some markets have returned to levels of activity experienced before the pandemic and those outside of Europe continue to be affected by ongoing restrictions in travel or activity. Second half performance will be dependent on increasing activity levels within and outside of Europe, including winning and execution of work on HS2 in the UK, and successful contract delivery on the LNG project in Mozambique.

Asia-Pacific (APAC)

	H1 2020 £m	H1 2019 £m	Constant currency
Revenue	**116.1**	138.3	-13%
Underlying operating profit/(loss)	**4.6**	(2.5)	n/a
Underlying operating margin	**4.0%**	(1.8%)	
Order book*	**154.7**	154.0	+1%

* Comparative order book stated at constant currency

In APAC, revenue decreased 13% on a constant currency basis. The reduction in revenue was a result of the closure of the Waterway business during 2019 and the impact of COVID-19 through government enforced site closures on our ASEAN and Indian businesses, compensated somewhat by a strong H1 for Austral. Country and state border restrictions affected our Australian businesses, but sites generally remained operational.

The division delivered underlying operating profit of £4.6m, a significant turnaround from the £2.5m loss in H1 2019, driven by increased profits in Austral and the benefit of the closure of the loss-making Waterway business. All four APAC businesses were profitable in the period.

ASEAN was the first Keller business unit to be impacted by regional government actions taken in response to COVID-19 during early March and, with ongoing caution in the easing of restrictions in Singapore, trading continues to be significantly affected. Despite the reduction in revenue, ASEAN delivered a profit in the period benefitting from the recent restructuring activity to reduce costs and from a sizeable project claim settled during the period.

Austral had a strong start to 2020, in contrast to the slow start in 2019 as a result of two major cyclones and extensive flooding in the Pilbara region in Western Australia which affected a number of mining projects. Good progress was made on the major contract to procure and construct the replacement of berthing structures at Rio Tinto's Cape Lambert Port in the Pilbara.

Our Australia business reported similar revenues and profits to the same period last year, with a continued softness in some markets. There are, however, a number of large infrastructure projects that are currently being tendered that are expected to generate revenue growth during the second half of the year, albeit at typically lower margins.

Activity in India during Q2 was affected by the strict country-wide lockdown implemented at very short notice in late March that stopped all our operations. With the easing of the lockdown during May, activity recommenced by the period end. Despite the lower revenue, margins held up well from a number of more profitable Ground Improvement contracts and a reduced overhead base.

Our APAC order book was broadly flat, though tendering activity and enquiries remained very strong. Project cancellations have been minimal, although the award and commencement dates of some projects have been pushed back later in 2020 or into 2021.

Whilst the APAC division has been significantly affected by COVID-19, the restructuring actions of the organisation during 2018 and 2019 enabled resilience in responding to the pandemic. The re-mobilisation of sites in Singapore, continued execution on Cape Lambert and the winning and delivery of infrastructure jobs in Australia are key to continued positive progress.

FINANCIAL REVIEW

This report comments on the key financial aspects of the Group's interim results for half year period ended 28 June 2020.

Trading summary

	2020 H1 £m	2019 H1 £m
Revenue	1,039.1	1,091.7
Underlying operating profit[1]	47.9	38.3
Underlying operating profit %[1]	4.6%	3.5%
Non-underlying operating loss	(19.9)	(5.8)
Statutory operating profit	28.0	32.5

Geographic segmentation

	Revenue £m		Underlying operating profit[1] £m		Underlying operating profit[1] margin %	
	2020 H1	**2019 H1**	**2020 H1**	**2019 H1**	**2020 H1**	**2019 H1**
Division						
North America	636.5	611.0	38.6	33.1	6.1%	5.4%
EMEA	286.5	342.4	8.4	10.6	2.9%	3.1%
APAC	116.1	138.3	4.6	(2.5)	4.0%	(1.8)%
Central	–	–	(3.7)	(2.9)		
Group	**1,039.1**	**1,091.7**	**47.9**	**38.3**	**4.6%**	**3.5%**

[1] Underlying operating profit is a non-statutory measure which provides readers of this interim announcement with a balanced and comparable view of the Group's performance by excluding the impact of non-underlying items, as disclosed in note 7 of the interim condensed consolidated financial statements

Revenue

Revenue for the half year of £1,039.1m (2019 H1: £1,091.7m) was 5% less than the comparative period at both actual and constant currency foreign exchange rates. Constant currency revenue growth in North America was offset by a decline in both EMEA and APAC.

Trading during the first quarter was better than expected and materially better than the first quarter in the prior year. The winter weather conditions in North America and Europe during the early months of 2020 were less extreme than in the prior year and operations were less impacted. Additionally, there was no repeat of cyclonic storms that affected the Australian businesses during early 2019.

Levels of trading during the second quarter were adversely affected by COVID-19. The impact was varied across the three divisions and in individual geographic markets. In North America whilst some states and provinces imposed tight restrictions, others did not, and overall the vast majority of sites on which we were working remained open. In EMEA, there was variation by country, with an earlier and more significant impact overall. In APAC, India, Singapore and Malaysia experienced countrywide lockdowns whereas Australia largely remained operational throughout. Our operations in APAC and EMEA generally emerged more decisively from lockdown restrictions in Q2 than North America, which in contrast remains regionally variable.

North America reported an increase in revenue of 2% (at constant currency) with growth in Canada and at Suncoast. EMEA revenue declined by 15% (at constant currency) including the reduction from the disposal of our Brazilian entity mid-way through the first half. The EMEA division recorded strong contract performances in North East Europe and in Mexico mitigating the downside from those markets more impacted by COVID-19. APAC revenue declined by 13% (at constant currency) including the reduction from the closure of the Waterway business completed during 2019. Austral revenue increased year-on-year, with 2019 having been adversely impacted by cyclonic storms and flooding in the Pilbara area that affected the level of work in this mining sector.

The construction sector in many markets is categorised as an ‘essential business’ and has generally been impacted less than certain other sectors in relation to COVID-19. Additionally, the Group has clearly benefitted during the pandemic from its geographic diversification and wide project portfolio. The Group has a diversified spread of revenues across geographies, product lines, market segments and end customers. Customers are generally market specific and in 2019 the largest customer represented less than 2% of the Group’s revenue and the top ten customers represented 7% of the Group’s revenue. During 2019 the Group worked on more than 7,000 projects at an average revenue of £325,000 per project.

Underlying operating profit

Underlying operating profit for the half year was £47.9m (2019 H1: £38.3m), an improvement of 25% on 2019 of which 5% was from the tailwind of favourable US dollar foreign exchange rates against weaker sterling with 20% growth on a constant currency basis. The Group operating profit percentage increased to 4.6% (2019 H1: 3.5%).

North America underlying operating profit increased by 14% (at constant currency). This was driven both by increased revenue and an improvement in margin which was a direct consequence of improved operational performance and efficiencies realised through the reorganisation of the foundations businesses. EMEA underlying operating profit declined by 26% (at constant currency), a result of reduced revenues and COVID-19 inefficiencies mitigated by cost savings. APAC reported an underlying operating profit of £4.6m (2019 H1: loss £2.5m) benefitting from the closure of the Waterway business in 2019 and improved profitability in Austral including contribution from the Cape Lambert project.

Non-underlying operating loss

Details of non-underlying items are set out in note 7 to the interim condensed consolidated financial statements. The non-underlying operating loss for the half year period was £19.9m (2019 H1: £5.8m).

Non-underlying operating costs

Non-underlying operating costs were £18.1m (2019 H1: £7.4m). The largest single item is the £10.0m largely non-cash loss recorded on the disposal of the Group’s Brazil business in April 2020. Restructuring costs of £7.8m (2019 H1: £6.9m) have been incurred in respect of strategic restructuring activity undertaken during the period in North America (£4.6m) and in EMEA (£3.3m) with a net credit in APAC (£0.1m) on reversal of charges made in the prior year. The prior year charge was in respect of APAC restructuring, comprising costs from the cessation of the Waterway business and a reversal of provisions made during 2018 as part of the ASEAN Heavy Foundations restructure. Other non-underlying operating costs are in respect of contingent consideration and acquisition related costs.

Amortisation of acquired intangibles

The amortisation charge of acquired intangible assets of £2.5m (2019 H1: £1.7m) relates mainly to the Moretrench and Austral acquisitions.

Other operating income

During the first half proceeds of £0.7m (2019 H1: £3.3m) were received on settlement of a contributory claim relating to an exceptional contract dispute, first reported in 2014.

Statutory operating profit

Statutory operating profit of £28.0m (2019 H1: £32.5m) comprises underlying operating profit of £47.9m (2019 H1: £38.3m) and non-underlying charges totalling £19.9m (2019 H1: £5.8m).

Finance costs

Net finance costs were £7.2m (2019 H1: £10.8m). The decrease in net finance costs is largely attributable to a reduction in average debt levels throughout the period. In addition, we benefitted from a fall in government base rates applicable on our floating rate borrowings as well as a lower margin on borrowings under the Group's revolving credit facility, as a consequence of the improved year end leverage position. Net finance costs include a £1.8m (2019 H1: £2.2m) interest charge on the IFRS 16 lease liabilities.

Taxation

The Group's underlying effective tax rate was 29% (2019 H1 28%). The increase in underlying effective tax for the period is a result of a change in the expected geographic mix of the Group's taxable profits for the full year.

A non-underlying tax credit of £1.2m (2019 H1: £10.2m charge) has been determined by assessing the tax impact of each component of the non-underlying loss of £19.9m (2019 H1 £5.8m). The prior year non-underlying tax charge of £10.2m included a non-underlying tax credit on the same basis of £0.3m and the write-off of a deferred tax asset of £10.5m relating to the Australian tax group, the write-off being triggered by the closure of the Waterway business.

Earnings per share

Underlying diluted earnings per share increased by 46% to 39.5 pence per share (2019 H1: 27.1 pence per share), in line with the increase in underlying profit for the period. Statutory diluted earnings per share increased to 13.8 pence per share (2019 H1: 4.8 pence per share).

Dividend

The Group's policy on dividends has been to increase the dividend sustainably so that the Group is able to grow, or at least maintain, the level of dividend through market cycle volatility. Keller Group plc is a non-trading investment company that derives its profits from dividends paid by subsidiary companies. The dividend policy is therefore impacted by the performance of the Group which is subject to the Group's principal risks and uncertainties as well as the level of headroom on the Group's borrowing facilities and future cash commitments and investment plans.

Following the initial impact of COVID-19 on the Group's operational and financial performance at the end of March 2020 and the high level of uncertainty around future performance, the Board announced that it would keep the 2019 final dividend under review before the company's Annual General Meeting.

In June 2020 the Board decided that it would be both prudent and appropriate to reduce the final 2019 dividend from 27.4 pence per share to 23.3 pence per share and this recommendation was approved at the AGM held on 30 June 2020. This final dividend of 23.3 pence per share maintained the full year dividend for 2019 at the prior year's level of 35.9 pence per share, continuing the Group's track record of maintaining or increasing the dividend every year since flotation in 1994.

The Board also announced in June 2020 that the payment of a 2020 interim dividend will be reviewed later in the year. Accordingly, no interim dividend is declared at this time.

Acquisitions

There were no acquisitions in the period.

Working capital

Net working capital decreased from £210.5m at the 2019 year end to £195.1m at 28 June 2020. Improved focus on the management of collections contributed to the cash inflow from receivables of £82.1m in the period. Local teams operate with a heightened vigilance to the risks in this area arising from the global pandemic. The benefit of year end payables management was not repeated during the first half with a cash outflow from payables during the period of £54.9m but a more sustainable position going forward.

Capital expenditure

The Group manages its capital expenditure carefully whilst investing in upgrading and replacing equipment where appropriate. For the interim reporting period, the Asset Replacement Ratio, calculated by dividing gross capital expenditure, excluding sales proceeds on disposal of items of property, plant and equipment and those assets capitalised under IFRS 16, by the depreciation charge on owned property, plant and equipment, was 83%, an increase on the 2019 interim period (78%) and a reduction from the 2019 full year (91%).

Free cash flow

The Group generated free cash flow of £74.1m (2019 H1 outflow: £31.9m). The basis of deriving free cash flow is set out below.

Operating and free cash flow

£m	**2020 H1**	**2019 H1**
Underlying operating profit	47.9	38.3
Depreciation and amortisation	47.0	46.6
Underlying EBITDA	**94.9**	**84.9**
Non-cash items	0.6	0.5
Dividends from joint ventures	0.5	-
Decrease/(increase) in working capital	24.7	(65.9)
Outflows from provisions and retirement benefit liabilities	(0.1)	(3.3)
Net capital expenditure	(24.9)	(25.3)
Additions to IFRS 16 right-of-use assets	(7.9)	(9.9)
Sale of other non-current assets	-	1.5
Operating cash inflow/(outflow)	**87.8**	**(17.5)**
Operating cash inflow/(outflow) to operating profit	**183%**	**(46%)**
Net interest paid	(7.2)	(10.9)
Cash tax paid	(6.5)	(3.5)
Free cash outflow	**74.1**	**(31.9)**
Dividends paid to shareholders	-	(17.2)
Acquisitions/disposals	(0.1)	-
Non-underlying items	2.7	8.9
Right-of-use assets/lease liability modifications	(0.6)	-
Foreign exchange movements	(18.7)	(6.1)
Movement in net debt	**57.4**	**(46.3)**
Opening net debt	**(289.8)**	**(373.3)**
Closing net debt	**(232.4)**	**(419.6)**
Closing net debt on a lender covenant basis	**(155.1)**	**(333.5)**

Net debt and financing facilities

Net debt, excluding IFRS 16 leases, at the half year was £155.1m (2019 H1: £333.5m) an improvement of £58.0m during the first half (2019 YE: £213.1m) a result of strong operating cashflow during the period across all three divisions. Average month end net debt, on the same basis, during the first half was £223.9m, a significant improvement on the prior year (2019 H1: £334.3m). The period end position also benefitted from the deferral of the payment of the final 2019 dividend into the second half of the year.

The Group's term debt and committed facilities principally comprise US$125m of US private placements which mature between 2021 and 2024 and a £375m multi-currency syndicated Revolving Credit Facility (RCF) which expires in November 2024 and has an option to extend by one further year. In June 2020 we had confirmation from the Bank of England of available funding of up to £300m under their Covid Corporate Financing Facility (CCFF). This funding becomes committed only at the point of drawing. The Group has not drawn on the CCFF and nor does it expect to. The CCFF facility has only been secured to provide additional protection, should there be an unexpected and significant deterioration in future market conditions and client payment behaviours resulting in a very material deterioration in cash flow performance.

At 28 June 2020, the Group had undrawn committed and uncommitted borrowing facilities totalling £595m, including the funds available under the Bank of England CCFF, comprising £221m of the unutilised portion of the RCF, £19m of other undrawn committed borrowing facilities and undrawn uncommitted borrowing facilities of £355m, including £300m under the CCFF, as well as cash of £129m of which £62m was used to pay down debt drawn on the revolving credit facility at the June calendar end.

The most significant lender covenants in respect of the Group's principal borrowing facilities relate to the ratio of net debt to underlying EBITDA, underlying EBITDA interest cover and the Group's net worth. The Group has and continues to operate well within all of its covenant limits. The most important covenant is net debt to underlying EBITDA, excluding the impact of any IFRS changes, including IFRS 16 which was adopted in 2019. At the 2020 interim reporting date the Group's net debt to underlying EBITDA ratio, calculated on this basis, was 0.9x, well within the limit of 3.0x and marginally below the Group's previously advised debt leverage guidance of 1.0x to 1.5x. The current year end leverage is expected to be at the lower end of that range. Leverage calculated on a statutory basis, including IFRS 16, was 1.1x at 28 June 2020.

During the first half the minimum headroom on the Group's main banking facility was £129m, in addition to a cash balance held at that time of £81m. The Group had no material discounting or factoring in place during the period and, given the small value and short-term nature of the majority of the Group's contracts, the incidence of prepayments is very low. The Group had drawn upon £183m of bank guarantee and bonding facilities at the 2020 interim reporting date.

Principal risks

The Group operates globally across many geotechnical market sectors and in a number of geographic markets. The Group's performance and prospects may be affected by risks and uncertainties in relation to the industry and the environments in which it operates across its geographic footprint. A full review of the Group's principal risks and uncertainties is given in the Strategic Report within the Group's 2019 Annual Report and Accounts page 30.

Those principal risks include: financial risk, the inability to finance our business; market risk, a rapid downturn in our markets; strategic risk, the failure to procure new contracts on satisfactory terms, losing market share, ethical misconduct and non-compliance with regulations, inability to maintain our technological advantage, changing environmental factors; 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, not having the right skills to deliver and a loss of security of our data and systems.

The principal risks have been re-assessed in light of the emergence of COVID-19. Two risk items are deemed to have increased. These items are a rapid downturn in markets and failure to procure new contracts on satisfactory terms. All other risk items are deemed not to have changed in the period.

In response to the COVID-19 pandemic the Group established a COVID-19 Committee made up of the Executive Committee, which met weekly throughout Q2. The purpose of the Committee was to monitor the actual and potential impact of the pandemic on the Group and its stakeholders and to agree the response, which included our priority of employee safety and actions required to ensure business continuity in scenarios, which assumed different severities and lengths of time.

The actions implemented as part our response have supported the business to continue to operate and supply our customers. Controls and mitigations put in place in response to the risks presented by COVID-19 include additional health and safety procedures throughout the locations where our people work, more frequent monitoring of cash and financial performance, enhanced financial scenario planning and targeted cost and cash mitigation actions.

Going concern

After making the appropriate enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its interim condensed consolidated financial statements.

The uncertainty as to the future impact on the financial performance and cash flows of the Group as a result of the recent COVID-19 outbreak has been considered as part of the Group's adoption of the going concern basis.

At 28 June 2020, net debt was £232m or £155m excluding IFRS16 lease liabilities net of cash and cash equivalents of £129m. At that date the Group had undrawn committed and uncommitted borrowing facilities totalling £595m, including £221m of the unutilised portion of the revolving credit facility that expires in 2024 and £300m available under the recently confirmed Bank of England CCFF.

The Directors have prepared projected profit and cash flow scenarios for eighteen months from the balance sheet date until December 2021 and have considered various scenarios in assessing the impact of COVID-19 including a post pandemic recession and other risks to future financial performance and cash flows applying appropriate mitigating actions where appropriate.

Statement of Directors' responsibilities

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

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

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

• the important events that have occurred during the first six months of the financial year and their impact on the interim condensed consolidated set of financial statements as required by DTR 4.2.7R;

• the principal risks and uncertainties for the remaining half of the year as required by DTR 4.2.7R; and

• related party transactions that have taken place in the first half of the current financial year and changes in the related party transactions described in the previous annual report that have materially affected the financial position or performance of the Group during the first half of the current financial year as required by DTR 4.2.8R.

The Directors of Keller Group plc are listed in the 2019 Annual Report and Accounts.

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

Michael Speakman
Chief Executive Officer

Mark Hooper
Interim Chief Financial Officer

4 August 2020

INDEPENDENT REVIEW REPORT TO KELLER GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Interim Results of Keller Group plc for the half year period ended 28 June 2020 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, and the related explanatory notes. We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

The Interim Results are the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in the Interim Results has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Results based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the interim period ended 28 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

Ernst & Young LLP Reading, UK
4 August 2020

Interim condensed consolidated income statement (unaudited)

For the half year period ended 28 June 2020

		2020			2019		
	Note	**Underlying £m**	**Non-underlying items (note 7) £m**	**Statutory £m**	Underlying £m	Non-underlying items (note 7) £m	Statutory £m
Revenue	4,5	**1,039.1**	–	**1,039.1**	1,091.7	–	1,091.7
Operating costs		**(991.4)**	**(18.1)**	**(1,009.5)**	(1,053.5)	(7.4)	(1,060.9)
Amortisation of acquired intangible assets		–	**(2.5)**	**(2.5)**	–	(1.7)	(1.7)
Other operating income		–	**0.7**	**0.7**	–	3.3	3.3
Share of post-tax results of joint ventures		**0.2**	–	**0.2**	0.1	–	0.1
Operating profit/(loss)	4	**47.9**	**(19.9)**	**28.0**	38.3	(5.8)	32.5
Finance income		**0.4**	–	**0.4**	0.6	–	0.6
Finance costs		**(7.6)**	–	**(7.6)**	(11.4)	–	(11.4)
Profit/(loss) before taxation		**40.7**	**(19.9)**	**20.8**	27.5	(5.8)	21.7
Taxation	8	**(11.8)**	**1.2**	**(10.6)**	(7.7)	(10.2)	(17.9)
Profit/(loss) for the period		**28.9**	**(18.7)**	**10.2**	19.8	(16.0)	3.8
Attributable to:							
Equity holders of the parent		**28.7**	**(18.7)**	**10.0**	19.5	(16.0)	3.5
Non-controlling interests		**0.2**	–	**0.2**	0.3	–	0.3
		28.9	**(18.7)**	**10.2**	19.8	(16.0)	3.8
Earnings per share							
Basic	10	**39.8p**		**13.9p**	27.1p		4.8p
Diluted	10	**39.5p**		**13.8p**	27.1p		4.8p

Interim condensed consolidated statement of comprehensive income (unaudited)

For the half year period ended 28 June 2020

	2020	2019
	£m	£m
Profit for the period	**10.2**	3.8
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**28.1**	1.8
Transfer of translation reserve on disposal of subsidiary	**2.9**	–
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit pension schemes	**(2.0)**	0.5
Tax on remeasurements of defined benefit pension schemes	**0.4**	(0.1)
Other comprehensive income for the period, net of tax	**29.4**	2.2
Total comprehensive income for the period	**39.6**	6.0
Attributable to:		
Equity holders of the parent	**39.4**	5.7
Non-controlling interests	**0.2**	0.3
	39.6	6.0

Interim condensed consolidated balance sheet (unaudited)

As at 28 June 2020

	Note	**As at 28 June 2020 £m**	As at 30 June 2019[1] £m	As at 31 December 2019 £m
ASSETS				
Non-current assets				
Goodwill and intangible assets		**129.9**	153.3	124.7
Property, plant and equipment	11	**464.3**	488.0	460.6
Investments in joint ventures		**3.9**	4.6	3.8
Deferred tax assets		**15.0**	14.1	13.3
Other assets		**27.2**	25.6	22.3
		640.3	685.6	624.7
Current assets				
Inventories		**74.9**	84.5	70.6
Trade and other receivables		**573.3**	675.1	626.7
Current tax assets		**9.6**	13.8	4.2
Cash and cash equivalents	12	**129.0**	68.0	98.9
		786.8	841.4	800.4
Total assets		**1,427.1**	1,527.0	1,425.1
LIABILITIES				
Current liabilities				
Loans and borrowings		**(41.1)**	(37.5)	(41.0)
Current tax liabilities		**(31.7)**	(18.8)	(21.1)
Trade and other payables		**(453.1)**	(465.4)	(486.8)
Provisions		**(20.3)**	(12.8)	(17.7)
		(546.2)	(534.5)	(566.6)
Non-current liabilities				
Loans and borrowings		**(320.3)**	(450.1)	(347.7)
Retirement benefit liabilities		**(29.5)**	(26.2)	(27.7)
Deferred tax liabilities		**(28.9)**	(38.1)	(26.1)
Provisions		**(41.4)**	(43.7)	(40.0)
Other liabilities		**(22.8)**	(19.3)	(19.5)
		(442.9)	(577.4)	(461.0)
Total liabilities		**(989.1)**	(1,111.9)	(1,027.6)
Net assets		**438.0**	415.1	397.5
EQUITY				
Share capital	14	**7.3**	7.3	7.3
Share premium account		**38.1**	38.1	38.1
Capital redemption reserve		**7.6**	7.6	7.6
Translation reserve		**50.1**	43.0	19.1
Other reserve		**56.9**	56.9	56.9
Retained earnings		**272.5**	257.0	263.2
Equity attributable to equity holders of the parent		**432.5**	409.9	392.2
Non-controlling interests		**5.5**	5.2	5.3
Total equity		**438.0**	415.1	397.5

[1] Trade and other payables, provisions and retained earnings presented here do not agree to the published 2019 interim condensed consolidated financial statements as a result of re-presenting the comparative balance sheet as outlined in note 16 to the interim financial statements.

Interim condensed consolidated statement of changes in equity (unaudited)

For the half year period ended 28 June 2020

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 31 December 2019	**7.3**	**38.1**	**7.6**	**19.1**	**56.9**	**263.2**	**5.3**	**397.5**
Total comprehensive income for the period	–	–	–	**31.0**	–	**8.4**	**0.2**	**39.6**
Share-based payments	–	–	–	–	–	**0.9**	–	**0.9**
At 28 June 2020	**7.3**	**38.1**	**7.6**	**50.1**	**56.9**	**272.5**	**5.5**	**438.0**

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 31 December 2018	7.3	38.1	7.6	41.2	56.9	270.5	4.9	426.5
Total comprehensive income for the period	–	–	–	1.8	–	3.9	0.3	6.0
Dividends	–	–	–	–	–	(17.2)	–	(17.2)
Share-based payments	–	–	–	–	–	(0.2)	–	(0.2)
At 30 June 2019[1]	7.3	38.1	7.6	43.0	56.9	257.0	5.2	415.1

[1] Retained earnings and total equity presented here do not agree to the published 2019 interim condensed consolidated financial statements as a result of re-presenting the comparative balance sheet as outlined in note 16 to the interim financial statements.

Interim condensed consolidated cash flow statement (unaudited)

For the half year period ended 28 June 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Profit before taxation		**20.8**	21.7
Non-underlying items		**19.9**	5.8
Finance income		**(0.4)**	(0.6)
Finance costs		**7.6**	11.4
Underlying operating profit	4	**47.9**	38.3
Depreciation of property, plant and equipment		**46.8**	46.3
Amortisation of intangible assets		**0.2**	0.3
Share of post-tax results of joint ventures		**(0.2)**	(0.1)
Profit on sale of property, plant and equipment	11	**(1.2)**	(0.6)
Other non-cash movements		**0.9**	1.5
Foreign exchange losses/(gains)		**0.5**	(0.3)
Operating cash flows before movements in working capital		**94.9**	85.4
Increase in inventories		**(2.5)**	(4.0)
Decrease/(increase) in trade and other receivables		**82.1**	(60.9)
Decrease in trade and other payables		**(54.9)**	(1.1)
Decrease in provisions, retirement benefit and other non-current liabilities		**(0.1)**	(3.3)
Cash generated from operations before non-underlying items		**119.5**	16.1
Cash inflows from non-underlying items: contract dispute		**0.7**	3.3
Cash inflows from non-underlying items: assets held for sale		**–**	8.1
Cash inflows/(outflows) from non-underlying items: restructuring costs		**2.0**	(2.1)
Cash outflows from non-underlying items: acquisition costs		**–**	(0.4)
Cash generated from operations		**122.2**	25.0
Interest paid (including IFRS 16)		**(7.6)**	(11.2)
Income tax paid		**(6.5)**	(3.5)
Net cash inflow from operating activities		**108.1**	10.3
Cash flows from investing activities			
Interest received		**0.4**	0.3
Proceeds from sale of property, plant and equipment		**2.9**	1.6
Proceeds from sale of other non-current assets		**–**	1.5
Proceeds on disposal of subsidiary (net of cash disposed)	6	**(0.1)**	–
Acquisition of property, plant and equipment	11	**(27.8)**	(26.8)
Acquisition of intangible assets		**–**	(0.1)
Dividends received from joint ventures		**0.5**	–
Net cash outflow from investing activities		**(24.1)**	(23.5)
Cash flows from financing activities			
New borrowings		**–**	35.7
Repayment of borrowings		**(40.3)**	(35.2)
Cash flows from derivative instruments		**–**	(0.1)
Payment of lease liabilities		**(12.6)**	(11.3)
Dividends paid	9	**–**	(17.2)
Net cash outflow from financing activities		**(52.9)**	(28.1)
Net increase/(decrease) in cash and cash equivalents		**31.1**	(41.3)
Cash and cash equivalents at beginning of period		**87.5**	103.7
Effect of exchange rate fluctuations		**2.8**	(0.7)
Cash and cash equivalents at end of period	12	**121.4**	61.7

1. Corporate information

The interim condensed consolidated financial statements of Keller Group plc and its subsidiaries (collectively, ‘the Group’) for the half year period ended 28 June 2020 were authorised for issue in accordance with a resolution of the directors on 4 August 2020.

Keller Group plc (‘the company’) is a limited company, incorporated and domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. The registered office is located at 5th floor, 1 Sheldon Square, London W2 6TT. The Group is principally engaged in the provision of specialist geotechnical engineering services.

2. Basis of preparation

The condensed financial statements included in this interim financial report have been prepared in accordance with IAS 34, ‘Interim Financial Reporting’, as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2019. The interim report does not constitute statutory accounts. The financial information for the year ended 31 December 2019 does not constitute the Group’s statutory financial statements for that period as defined in section 435 of the Companies Act 2006 but is instead an extract from those financial statements. The Group’s financial statements for the year ended 31 December 2019 have been delivered to the Registrar of Companies. The Auditor’s Report on those financial statements contained an unqualified opinion, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498 of the Companies Act 2006.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply from 1 January 2020 which do not have a material impact on the interim condensed consolidated financial statements of the Group.

In light of the COVID-19 global pandemic experienced in 2020, and subsequent global uncertainty, the Group has undertaken a detailed viability analysis and applied appropriate mitigating actions to ensure the protection of future profits and liquidity. The operational activity of the Group has been adversely impacted by COVID-19 site closures, travel restrictions and other actions necessary to ensure safe working practices. The proactive measures taken by the Group in response to the disruptive effect of the pandemic have mitigated the impact on the financial performance of the Group. However, the potential impact of a second wave of infections or the onset of a post pandemic recession give rise to uncertainty in future near to mid-term financial performance.

As part of the interim going concern review management ran a series of downside scenarios on the latest forecast profit and cash flow projections to assess covenant headroom against available funding facilities for the period to 31 December 2021. This process involved linking the Group’s principal risks to potential pandemic or recessionary effects. The focus was on the ability to secure or retain future work and potential downward pressure on margins. The financial effects of these were modelled individually and in combination. Management applied sensitivities against projected revenue, margin and working capital metrics reflecting a series of plausible downside scenarios. Against the most negative scenario mitigating actions were overlaid. Even in the most extreme downside scenario modelled, which showed a reduction in full year 2021 revenue and operating profit of approximately 20% and 90% compared with 2019, the adjusted projections do not show a breach of covenants. Considerations were given to scenarios where covenants would be breached and the circumstances giving rise to these scenarios were considered extreme and remote. This process allowed the Board to conclude that the Group will continue to operate on a going concern basis for the 18 months to 31 December 2021. Accordingly, the Group continues to adopt the going concern basis in preparing these interim condensed consolidated financial statements.

At 28 June 2020, the Group had undrawn committed and uncommitted borrowing facilities, including the funds available under the Bank of England Covid Corporate Financing Facility, totalling £595m; comprising £221m of the unutilised portion of the RCF, £19m of other undrawn committed borrowing facilities and undrawn uncommitted borrowing facilities of £355m, as well as cash of £129m. At 28 June 2020 the Group’s net debt to underlying EBITDA ratio (calculated on an IAS 17 covenant basis) was 0.9x, well within the limit of 3.0x.

3. Foreign currencies

The exchange rates used in respect of principal currencies are:

	Average for period			Period end		
	Half year period to 28 June 2020	Half year period to 30 June 2019	Year to 31 December 2019	**As at 28 June 2020**	As at 30 June 2019	As at 31 December 2019
US dollar	**1.26**	1.29	1.28	**1.23**	1.27	1.33
Canadian dollar	**1.72**	1.72	1.70	**1.69**	1.66	1.72
Euro	**1.14**	1.14	1.14	**1.10**	1.12	1.18
Singapore dollar	**1.76**	1.76	1.74	**1.72**	1.72	1.78
Australian dollar	**1.92**	1.83	1.84	**1.80**	1.81	1.89

4. Segmental analysis

In accordance with IFRS 8, the Group has determined its operating segments based upon the information reported to the Chief Operating Decision Maker. The Group comprises of three geographical divisions which have only one major product or service: specialist geotechnical services. North America, Europe, Middle East and Africa and Asia-Pacific continue to be managed as separate geographical divisions. This is reflected in the Group's management structure and in the segment information reviewed by the Chief Operating Decision Maker.

	Half year period to 28 June 2020		Half year period to 30 June 2019	
	Revenue £m	**Operating profit £m**	Revenue £m	Operating profit £m
North America	**636.5**	**38.6**	611.0	33.1
Europe, Middle East and Africa	**286.5**	**8.4**	342.4	10.6
Asia-Pacific	**116.1**	**4.6**	138.3	(2.5)
	1,039.1	**51.6**	1,091.7	41.2
Central items and eliminations	**–**	**(3.7)**	–	(2.9)
Before non-underlying items	**1,039.1**	**47.9**	1,091.7	38.3
Non-underlying items (note 7)	**–**	**(19.9)**	–	(5.8)
	1,039.1	**28.0**	1,091.7	32.5

	As at 28 June 2020					
	Segment assets £m	**Segment liabilities £m**	**Capital employed £m**	**Capital additions £m**	**Depreciation[2] and amortisation £m**	**Tangible and[3] intangible assets £m**
North America	**753.7**	**(248.2)**	**505.5**	**8.5**	**24.2**	**332.0**
Europe, Middle East and Africa	**362.0**	**(216.0)**	**146.0**	**11.3**	**15.9**	**185.9**
Asia-Pacific	**155.0**	**(69.5)**	**85.5**	**8.0**	**6.7**	**74.8**
	1,270.7	**(533.7)**	**737.0**	**27.8**	**46.8**	**592.7**
Central items and eliminations[1]	**156.4**	**(455.4)**	**(299.0)**	**–**	**0.2**	**1.5**
	1,427.1	**(989.1)**	**438.0**	**27.8**	**47.0**	**594.2**

	As at 30 June 2019[4]					
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation[2] and amortisation £m	Tangible and[3] intangible assets £m
North America	812.2	(292.5)	519.7	10.4	22.6	367.1
Europe, Middle East and Africa	430.1	(244.6)	185.5	13.5	15.8	195.5
Asia-Pacific	181.4	(84.7)	96.7	2.9	8.0	77.4
	1,423.7	(621.8)	801.9	26.8	46.4	640.0
Central items and eliminations[1]	103.3	(490.1)	(386.8)	–	0.2	1.3
	1,527.0	(1,111.9)	415.1	26.8	46.6	641.3

	As at 31 December 2019					
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation[2] and amortisation £m	Tangible and[3] intangible assets £m
North America	766.5	(262.9)	503.6	25.5	46.6	324.5
Europe, Middle East and Africa	382.8	(214.4)	168.4	27.3	32.1	185.4
Asia-Pacific	166.1	(83.0)	83.1	10.1	15.5	74.3
	1,315.4	(560.3)	755.1	62.9	94.2	584.2
Central items and eliminations[1]	109.7	(467.3)	(357.6)	–	0.4	1.1
	1,425.1	(1,027.6)	397.5	62.9	94.6	585.3

[1] Central items include net debt and tax balances, which are managed at Group.
[2] Depreciation and amortisation excludes amortisation of acquired intangible assets.
[3] Tangible and intangible assets comprise goodwill, intangible assets and property plant and equipment.
[4] Central liabilities and capital employed presented in the note do not agree to the published 2019 interim condensed consolidated financial statements as a result of re-presenting the comparative balance sheet as outlined in note 16 to the interim financial statements.

5. Revenue

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

	Half year period to 28 June 2020			Half year period to 30 June 2019		
	Revenue recognised on performance obligations satisfied over time £m	**Revenue recognised on performance obligations satisfied at a point in time £m**	**Total Revenue £m**	Revenue recognised on performance obligations satisfied over time £m	Revenue recognised on performance obligations satisfied at a point in time £m	Total Revenue £m
North America	**568.1**	**68.4**	**636.5**	546.6	64.4	611.0
Europe, Middle East and Africa	**286.5**	**–**	**286.5**	342.4	–	342.4
Asia-Pacific	**116.1**	**–**	**116.1**	138.3	–	138.3
	970.7	**68.4**	**1,039.1**	1,027.3	64.4	1,091.7

6. Disposals

On 6 April 2020, the Group disposed of the Brazil operation, being 100% of the issued share capital of Keller Tecnogeo Fundacoes Ltda, for a cash consideration received of £0.5m (BRL3.0m). The loss on disposal is analysed as follows:

	£m
Proceeds	**0.5**
Cash disposed	**(0.6)**
Net disposal proceeds	**(0.1)**
Net assets disposed excluding cash (see below)	**(7.0)**
Currency translation losses transferred from translation reserve	**(2.9)**
Non-underlying loss on disposal	**(10.0)**

	£m
Non-current assets	**3.0**
Inventories	**1.9**
Trade and other receivables	**5.3**
Trade and other payables	**(3.4)**
Other net assets	**0.2**
Net assets disposed excluding cash	**7.0**

The results for the period are presented below. The 2020 results represent activity prior to the sale.

	Half year period to 28 June 2020 £m	Half year period to 30 June 2019 £m
Revenue	**4.3**	11.5
Operating costs	**(3.9)**	(11.5)
Operating profit	**0.4**	–

7. Non-underlying items

Non-underlying items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items which are exceptional by their size and, or, are non-trading in nature, including amortisation of acquired intangibles and other non-trading amounts, including those relating to acquisitions and disposals. Non-underlying items comprise the following:

	Half year period to 28 June 2020 £m	Half year period to 30 June 2019 £m
Exceptional restructuring costs	**(7.8)**	(6.9)
Loss on disposal of operations	**(10.0)**	–
Contingent consideration: additional amounts provided	**(0.2)**	–
Acquisition costs	**(0.1)**	(0.5)
Non-underlying items in operating costs	**(18.1)**	(7.4)
Amortisation of acquired intangible assets	**(2.5)**	(1.7)
Exceptional contract dispute	**0.7**	3.3
Non-underlying items in other operating income	**0.7**	3.3
Total non-underlying items in operating profit and before taxation	**(19.9)**	(5.8)
Taxation	**1.2**	(10.2)
Total non-underlying items after taxation	**(18.7)**	(16.0)

In North America total restructuring costs of £4.6m were incurred during the period. In Canada costs relate to the decision to exit the Prairies region, these comprise redundancy and other restructuring costs of £0.5m and asset write-downs of £1.4m. Following a specific market rationalisation exercise in the US, affecting local markets in the Central and Southeast regions, restructuring costs of £0.8m have been incurred in respect of redundancy and other restructuring costs and asset write-downs of £1.9m.

In June 2020 the Group announced the decision to rationalise the Franki Africa business, retaining a small number of profitable operations which will be integrated into the Middle East operation, giving rise to a restructuring cost of £3.3m in the period, comprising redundancy and other restructuring costs.

In Asia-Pacific there was a £0.4m restructuring provision release in Waterway during the period, offset by restructuring costs in India and Malaysia, resulting in a net credit of £0.1m. In the half year period to 30 June 2019 restructuring costs related to the cessation of the Waterway operation, offset by a restructuring provision release in ASEAN in relation to the activities started in the second half of 2018.

A loss of disposal of £10.0m was recognised on disposal of the Group's Brazil operation. Further details are set out in note 6.

Additional contingent consideration provided relates to the acquisition of the GeoConstruction Group (Bencor) in 2015.

Acquisition costs in 2020 relate to professional fees associated with the wind-up of an employee share ownership plan at Moretrench, following acquisition in March 2018 (30 June 2019: £0.5m).

Amortisation of acquired intangible assets primarily relate to Moretrench and Austral acquisitions.

During 2020 £0.7m of proceeds were received on final settlement of a contributory claim relating to an exceptional contract dispute, first reported in 2014. The proceeds received in 2019 are in respect of the same contract dispute.

8. Taxation

The Group's effective tax rate on underlying profit of 29.0% (2019: 28.0%) is calculated using management's best estimate of the average annual effective income tax rate expected for the full year. The tax credit on non-underlying items has been calculated by assessing the tax impact of each component of the charge to the income statement in the interim accounts.

The Group is subject to continuing enquiries from HM Revenue & Customs in relation to historic intercompany financing arrangements which are potentially subject to a recovery of tax benefits received as a consequence of the European Commission ruling that the relevant tax provisions were in breach of State Aid rules. The UK government has challenged the decision and the Group has also made an application to the EU General Court to overturn the ruling. No provision has been made for any additional tax that might become payable due to the significant uncertainty involved in quantifying any amounts that might eventually be payable. The cumulative benefits that have been recognised in relation to the arrangements are approximately £4.0m.

9. Dividends

Ordinary dividends on equity shares:

	Half year period to 28 June 2020 £m	Half year period to 30 June 2019 £m	Year to 31 December 2019 £m
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2019 of 12.6p	–	–	9.1
Final dividend for the year ended 31 December 2018 of 23.9p per share	–	17.2	17.2
	–	17.2	26.3

A decision was made at the AGM on 30 June 2020 to reduce the full year dividend from the 27.4p previously recommended by the Board in March to 23.3p, representing a full year 2019 dividend of 35.9p. This dividend will be paid on 21 August 2020 to shareholders on the register at 31 July 2020.

The 2019 final dividend of 23.3p per share has not been included as a liability in these financial statements and will be accounted for in the period in which it is paid.

The declaration and payment of a 2020 interim dividend will be reviewed later in the year.

10. Earnings per share

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

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

Basic and diluted earnings per share are calculated as follows:

	Underlying earnings attributable to the equity holders of the parent		**Earnings attributable to equity holders of the parent**	
	Half year period to 28 June 2020	Half year period to 30 June 2019	**Half year period to 28 June 2020**	Half year period to 30 June 2019
Basic and diluted earnings (£m)	**28.7**	19.5	**10.0**	3.5
Weighted average number of shares (m)				
Basic number of ordinary shares outstanding	**72.1**	72.1	**72.1**	72.1
Effect of dilution from:				
Share options and awards[1]	**0.6**	–	**0.6**	–
Diluted number of ordinary shares	**72.7**	72.1	**72.7**	72.1
Earnings per share				
Basic earnings per share (p)	**39.8**	27.1	**13.9**	4.8
Diluted earnings per share (p)	**39.5**	27.1	**13.8**	4.8

[1]The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

11. Property, plant and equipment

During the half year period to 28 June 2020 the Group acquired property, plant and equipment with a cost of £27.8m (30 June 2019: £26.8m). Right-of-use asset additions during the period were £7.9m (30 June 2019: £9.9m). Assets with a net book value of £1.7m were disposed of during the half year period to 28 June 2020 (30 June 2019: £1.0m), resulting in a net gain on disposal of £1.2m (30 June 2019: £0.6m).

12. Analysis of closing net debt

	As at 28 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Bank balances	**123.6**	64.3	95.0
Short-term deposits	**5.4**	3.7	3.9
Cash and cash equivalents in the balance sheet	**129.0**	68.0	98.9
Bank overdrafts	**(7.6)**	(6.3)	(11.4)
Cash and cash equivalents in the cash flow statement	**121.4**	61.7	87.5
Bank and other loans	**(275.3)**	(393.7)	(298.9)
Finance leases	**(1.2)**	(1.5)	(1.7)
Lease liabilities	**(77.3)**	(86.1)	(76.7)
Closing net debt	**(232.4)**	(419.6)	(289.8)

13. Financial assets and financial liabilities

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

	As at 28 June 2020	As at 30[1] June 2019	As at 31 December 2019
	£m	£m	£m
Financial assets measured at fair value through profit or loss			
- Non-qualifying deferred compensation plan	**17.5**	20.1	17.1
- Interest rate swaps	**7.8**	3.5	3.4
Financial assets measured at amortised cost			
- Trade receivables	**434.5**	494.5	483.9
- Contract assets	**92.9**	127.2	102.1
- Cash and cash equivalents	**129.0**	68.0	98.9
Financial liabilities at fair value through profit or loss			
- Loans and borrowings[2]	**(109.3)**	(101.8)	(97.2)
- Contingent consideration	**(2.6)**	(2.8)	(2.4)
Financial liabilities measured at amortised cost			
- Trade payables	**(227.6)**	(271.8)	(291.5)
- Contract liabilities	**(49.5)**	(44.9)	(42.0)
- Loans and borrowings	**(174.8)**	(299.7)	(214.8)
- Lease liabilities	**(77.3)**	(86.1)	(76.7)

[1]Loans and borrowings measured at fair value through profit and loss as at 30 June 2019 have decreased by £87.5m and loans and borrowings measured at amortised cost have increased by £1.4m to correct certain misclassifications, relating to the recording of lease liabilities of £86.1m.
[2]This loan is carried at amortised cost adjusted for the fair value movement due to the hedged interest rate risk.

Fair values
The fair values of the Group’s financial assets and liabilities are not materially different from their carrying values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments, being derivatives, interest-bearing loans and borrowings, contingent consideration and payables, receivables and contract assets.

Derivatives
The fair value of interest rate and cross-currency swaps are calculated based on expected future principal and interest cash flows discounted using market rates prevailing at the balance sheet date. The valuation methods of the Group’s derivative financial instruments carried at fair value are categorised as Level 2. Level 2 assets are financial assets and liabilities that do not have regular market pricing, but whose fair value can be determined based on other data values or market prices.

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

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

The valuation methods of the Group’s contingent consideration carried at fair value are categorised as Level 3. Level 3 assets are financial assets and liabilities that are considered to be the most illiquid. Their values have been estimated using available management information including subjective assumptions. There has been additional contingent consideration provided of £0.2m during the half year period to 28 June 2020 relating to the acquisition of GeoConstruction Group (Bencor) in 2015.

Payables, receivables and contract assets
For payables and receivables with a remaining life of one year or less, the carrying amount is deemed to reflect the fair value.

14. Share capital and reserves

	As at 28 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Allotted, called up and fully paid			
Equity share capital:			
73,099,735 ordinary shares of 10p each			
(30 June 2019 and 31 December 2019: 73,099,735)	**7.3**	7.3	7.3

The company has one class of ordinary shares, which carries no rights to fixed income. There are no restrictions on the transfer of these shares.

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

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

At 28 June 2020 the total number of shares held in treasury was 1,001,590 (30 June 2019: 1,039,855 and 31 December 2019 1,029,451).

15. Related party transactions

Transactions between the parent, its subsidiaries and joint operations, which are related parties, have been eliminated on consolidation.

16. Prior year restatement

The accounting policies set out in the Group's annual consolidated financial statements were applied in preparing the financial statements for the half year period ended 28 June 2020 and the comparative information presented for the half year period ended 30 June 2019. In preparing the comparative consolidated balance sheet, the Group restated amounts reported previously in the condensed consolidated interim financial statements as a result of a change in accounting policy and a reclassification of liabilities as outlined below. The change of accounting policy occurred as at 31 December 2019 and thus corresponding adjustments were made to the 30 June 2019 balance sheet.

Presented below is a reconciliation of the consolidated interim balance sheet previously reported as at 30 June 2019 to the 28 June 2020 comparative consolidated balance sheet:

	Note	Presented £m	**2019 Restatements £m**	**2019 Re-presented £m**
Trade and other payables	a	(474.3)	**8.9**	**(465.4)**
Provisions	b	(12.6)	**(0.2)**	**(12.8)**
Current liabilities		(543.2)	**8.7**	**(534.5)**
Provisions	a,b	(16.2)	**(27.5)**	**(43.7)**
Non-current liabilities	a,b	(549.9)	**(27.5)**	**(577.4)**
Total liabilities	a,b	(1,093.1)	**(18.8)**	**(1,111.9)**
Net assets	a,b	433.9	**(18.8)**	**415.1**
Retained earnings	a,b	275.8	**(18.8)**	**257.0**
Equity attributable to equity holders of the parent	a,b	428.7	**(18.8)**	**409.9**
Total equity	a,b	433.9	**(18.8)**	**415.1**

The 30 June 2019 interim condensed consolidated balance sheet previously reported has been restated as follows:

a) The Group previously classified legal claims within trade and other payables. This classification has been revised and legal claims have been reclassified to provisions. As a result, previously reported trade and other payables have decreased by £8.9m and previously reported non-current provisions have increased by £8.9m to reflect the revised classification.

b) The Group has a captive insurance arrangement whereby contractual claims against the Group are held. Recognition of contractual claims more fairly reflect the liabilities of the Group, and as such, a change was made to reflect the requirements of IAS 37. Claims provisions are based on assumptions regarding past claims experience and an assessment by an independent actuary. The total estimated provision as at 30 June 2019 is £18.8m. Previously reported current provisions have increased by £0.2m and previously reported non-current provisions have increased by £18.6m. As there were no change in circumstances in the half year period to 30 June 2019 the valuation as at December 2018 was not revisited.

17. Post balance sheet events

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

Adjusted performance measures

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

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

Underlying measures

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

Constant currency measures

The constant currency basis ('constant currency') adjusts the comparative to exclude the impact of movements in exchange rates relative to sterling. This is achieved by retranslating the 2019 results of overseas operations into sterling at the 2020 average exchange rates.

A reconciliation between the underlying results and the reported statutory results is shown on the face of the consolidated income statement, with non-underlying items detailed in note 7. A reconciliation between the 2019 underlying result to the 2019 constant currency result is shown below and compared to the underlying 2020 performance:

Revenue by segment

	Statutory 2020	Statutory 2019	Impact of exchange movements 2019	Constant currency 2019	**Statutory change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**636.5**	611.0	13.3	624.3	**+4%**	**+2%**
Europe, Middle East and Africa	**286.5**	342.4	(6.0)	336.4	**-16%**	**-15%**
Asia-Pacific	**116.1**	138.3	(4.5)	133.8	**-16%**	**-13%**
Group	**1,039.1**	1,091.7	2.8	1,094.5	**-5%**	**-5%**

Underlying operating profit by segment

	Underlying 2020	Underlying 2019	Impact of exchange movements 2019	Constant currency 2019	**Underlying change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**38.6**	33.1	0.7	33.8	**+17%**	**+14%**
Europe, Middle East and Africa	**8.4**	10.6	0.7	11.3	**-21%**	**-26%**
Asia-Pacific	**4.6**	(2.5)	0.2	(2.3)	**n/a**	**n/a**
Central items	**(3.7)**	(2.9)	–	(2.9)	**n/a**	**n/a**
Group	**47.9**	38.3	1.6	39.9	**+25%**	**+20%**

Underlying operating margin

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

Other adjusted measures

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

EBITDA (IFRS 16 basis)

	28 June 2020 £m	30 June 2019 £m
Operating profit before non-underlying items	**47.9**	38.3
Depreciation of owned property, plant and equipment	**33.5**	34.4
Depreciation of right-of-use assets	**13.3**	11.9
Amortisation of intangible assets	**0.2**	0.3
Underlying EBITDA	**94.9**	84.9
Non-underlying items in operating costs	**(18.1)**	(7.4)
Non-underlying items in other operating income	**0.7**	3.3
EBITDA	**77.5**	80.8

EBITDA (IAS 17 basis)

	28 June 2020 £m	30 June 2019 £m
Operating profit before non-underlying items	**46.8**	37.5
Depreciation of owned property plant and equipment	**33.5**	34.4
Amortisation of intangible assets	**0.2**	0.3
Underlying EBITDA	**80.5**	72.2
Non-underlying items in operating costs	**(18.1)**	(7.4)
Non-underlying items in other operating income	**0.7**	3.3
EBITDA	**63.1**	68.1

Net finance costs

	28 June 2020 £m	30 June 2019 £m
Finance income	**(0.4)**	(0.6)
Finance costs	**7.6**	11.4
Net finance costs (IFRS 16 basis)	**7.2**	10.8
Finance charge on lease liabilities	**(1.8)**	(2.2)
Net finance costs (IAS 17 basis)	**5.4**	8.6

Net capital expenditure

	28 June 2020 £m	30 June 2019 £m	31 December 2019 £m
Acquisition of property, plant and equipment	**27.8**	26.8	62.2
Acquisition of intangible assets	–	0.1	0.7
Proceeds from sale of property, plant and equipment	**(2.9)**	(1.6)	(10.9)
Net capital expenditure	**24.9**	25.3	52.0

Net debt

	28 June 2020 £m	30 June 2019 £m	31 December 2019 £m
Current loans and borrowings	**41.1**	37.5	41.0
Non-current loans and borrowings	**320.3**	450.1	347.7
Cash and cash equivalents	**(129.0)**	(68.0)	(98.9)
Net debt (IFRS 16 basis)	**232.4**	419.6	289.8
Lease liabilities	**(77.3)**	(86.1)	(76.7)
Net debt (IAS 17 basis)	**155.1**	333.5	213.1

Order book

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

Leases

IFRS 16 ‘Leases’ became effective from 1 January 2019. The financial impact of this standard compared to the accounting under the previous leasing standard, IAS 17, is excluded when calculating borrowing leverage under the principal lender covenants and is summarised in the table below:

	28 June 2020 £m	30 June 2019 £m	31 December 2019 £m
Lease charges removed	**14.4**	12.9	27.9
Depreciation of right-of-use assets	**(13.3)**	(12.1)	(22.9)
Increase in operating profit	**1.1**	0.8	5.0
Finance charge	**(1.8)**	(2.2)	(4.3)
(Reduction)/increase in profit before tax	**(0.7)**	(1.4)	0.7
Tax effect	**0.2**	0.4	(0.2)
(Reduction)/increase in profit for the period	**(0.5)**	(1.0)	0.5
Right-of-use assets at balance sheet date	**73.5**	84.4	74.0
Lease liabilities at balance sheet date	**(77.3)**	(86.1)	(76.7)