keltbray

KELTBRAY GROUP (HOLDINGS) LIMITED ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS | 2020

For the year ended 31 October 2020

Innovation in Engineering

Keltbray is a specialist engineering and construction solutions company

Our purpose is to redefine the way sustainable development is delivered. We self-deliver innovative customer solutions across targeted built environment and infrastructure sectors to support economic growth, social advancement and environmental protection.

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Performance highlights

Despite a year of extraordinary challenges, Keltbray continued the implementation of its strategy for sustainable growth – “Unleashing our Potential”, to diversify and strengthen the business. We are aligning our capabilities with rapidly developing UK growth sectors, where we see increasing demand for sustainably engineered solutions.

We are therefore pleased that the Group has posted a resilient performance, ending the year with a high quality order book, strong net cash balances and a robust balance sheet, enabling us to continue to enhance our self-delivery capabilities, and capitalise on a strong mid-term pipeline of opportunities.

FINANCIAL PERFORMANCE

Resilient financial performance, delivering strong cash balances despite the continuing uncertainties posed by the COVID-19 global pandemic and a post-Brexit Britain.

ANNUAL TURNOVER

£428.6m

Down 24% on previous year, shielded by sector diversity with Infrastructure trading generally uninterrupted by COVID-19

EBITDA

£3.3m

Good underlying performance, particularly across Infrastructure businesses, despite economic instability

ORDER BOOK

£224.0m

Group forward order book quality maintained despite tightening opportunity pipeline

NET CASH BALANCES

£25.0m

Closing cash position

£20.0m

Banking facilities (unutilised)

Maintained net funds position with strong investor support for our strategy

COST MANAGEMENT

£11.9m

Material reduction in Group overhead

SUSTAINABILITY PERFORMANCE

Greater focus and alignment with UN Development Goals, UK Government industrial strategy and customers' sustainability targets.

SAFETY AND WELLBEING

61%

reduction in Lost Time Incidents Rates and Reportable Injuries (RIDDORs) – from 18 to 7

ENVIRONMENT

100%

of fixed locations use renewable energy

99.7%

diversion of non-hazardous waste from landfill

70%

of all non-timber key construction materials from recycled and certified sustainable sources

SOCIAL

44,000

Training hours delivered

£50,000

to charitable causes through Keltbray Foundation

58

Apprenticeships supported

2,368

People engaged through community outreach programmes

ECONOMIC

£100.5m

paid in annual salaries and related expenditure to PAYE employees

+30

industry bodies supported by Keltbray

£19.3m

innovation investment deemed applicable for HMRC R&D Tax Credits in last analysed year (2019)

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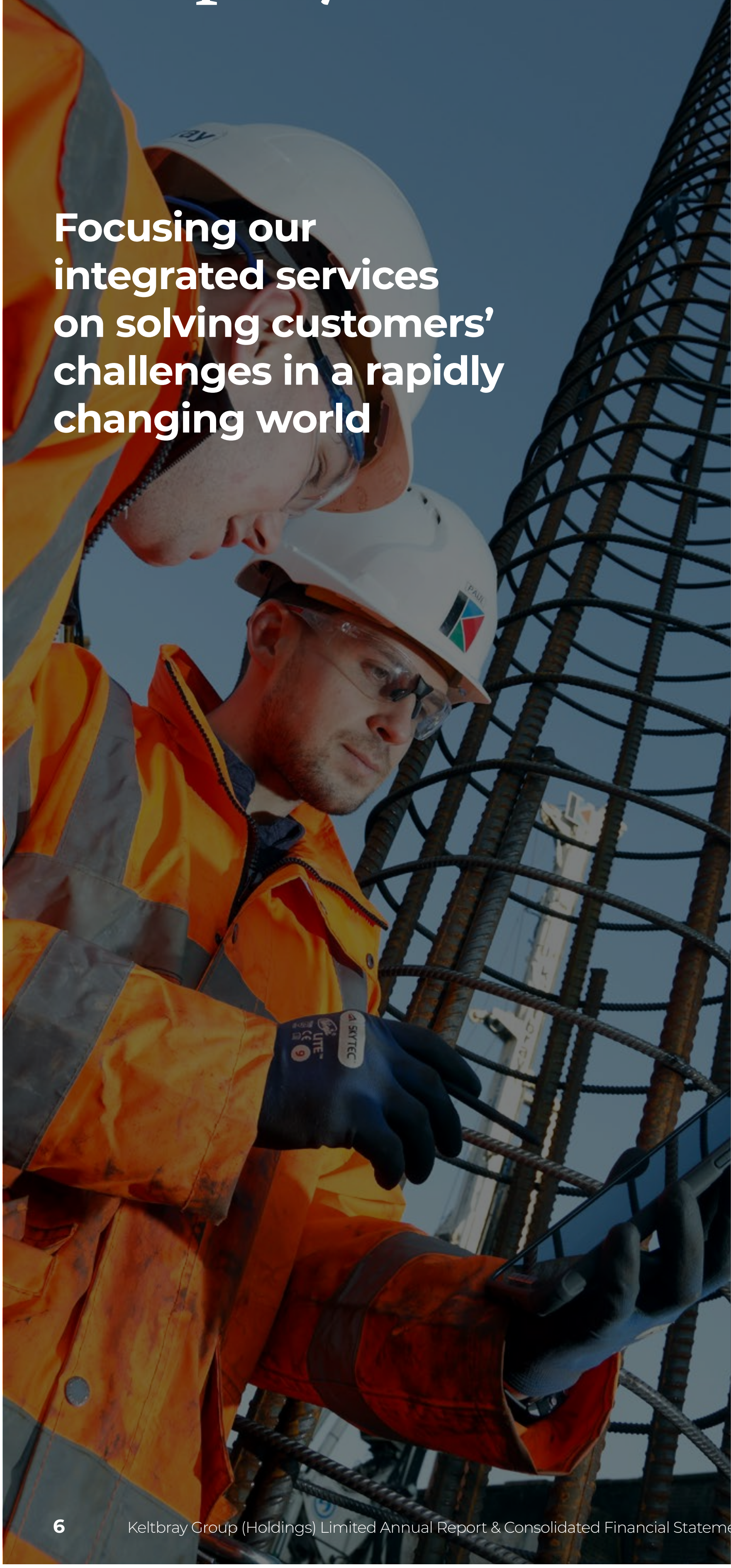
This report covers a period of intensive challenge for Keltbray and the entire industry, none of whom have been immune from the effects. Although we've had to handle lockdowns, fundamentally revise working practices, and take tough decisions to safeguard our business and the jobs it provides, I am pleased to report that Keltbray finished the year in a strong cash position and is making good progress.

Darren James
Chief Executive Officer

Company overview



Focusing our integrated services on solving customers' challenges in a rapidly changing world

WHO WE ARE

Keltbray is a UK-leading specialist engineering and construction business, offering a range of self-delivered solutions for blue-chip public and private sector customers.

WHAT WE DO

Operating in highly regulated sectors, we are a key player in developing and maintaining Britain's economic infrastructure and built environment, and in selective overseas markets.

Our customers trust us to deliver certainty on their projects – to specification, safely, on programme, within budget and with care for the environment and the communities that host us.

Our integrated delivery approach is underpinned by the significant investments we are making in the development of our people, our specialist delivery capabilities and our research and development agenda. It focuses our business on engineering innovation and delivery excellence to provide greater value for all our stakeholders.

WHY WE DO IT

Our purpose is to redefine the way sustainable development is delivered. Our deep expertise means that we offer standalone and holistic services, to meet our clients' complex and changing engineering demands to enhance, upgrade and decarbonise their capital assets.

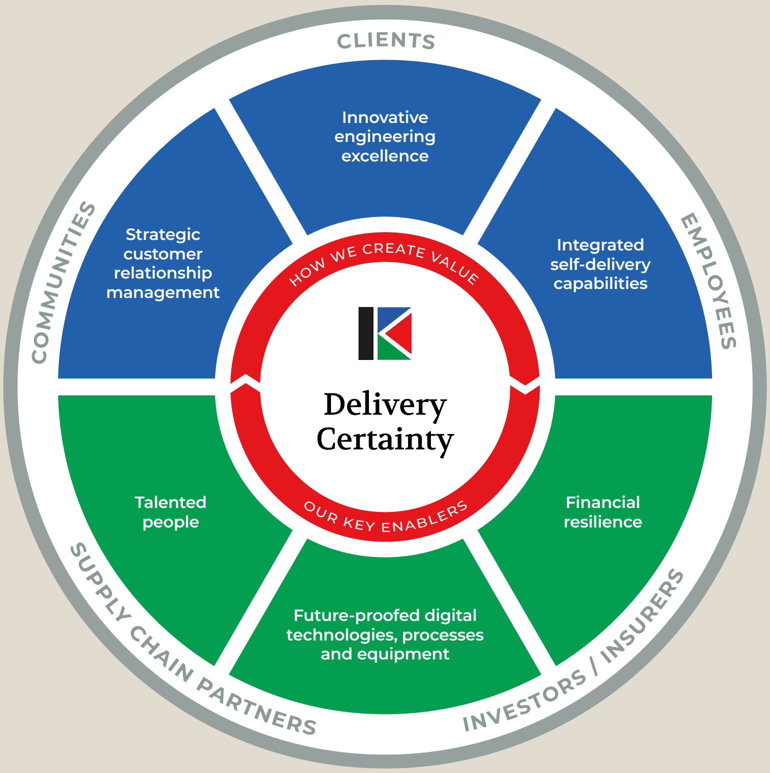
HOW WE DO IT

Keltbray's distinctive delivery model is based around a set of complementary capabilities that together constitute the way we go to work to deliver certainty through the smart solutions we provide for our clients.

Our progressive approach seeks to break down the barriers to success inherent in traditional contracting models. Clients need to feel confident entrusting their investments with a delivery partner capable of turning vision into reality. They need to be certain the end-result will meet their expectations – and will be completed to the agreed programme, budget and specifications.

We believe that our unique delivery model has the potential to address these challenges – and the key to unlocking its benefits lies in deep and trusting client relationships that allow us to engage early on projects as a prerequisite to delivering greater value. It is only when clients and delivery partners – along with designers and others with vested interests – collaborate from the outset, as part of an integrated team, that opportunities for innovation in engineering can be fully exploited.

Our distinctive 'one keltbray' approach



STRATEGIC CUSTOMER RELATIONSHIP MANAGEMENT

Inherent in the way we go to work is a different kind of client / delivery partner relationship management approach – one based on establishing and maintaining long-term strategic relationships where both parties' interests are aligned to deliver mutual benefit.

INNOVATIVE ENGINEERING EXCELLENCE

We work collaboratively with our clients, supply chain and industry partners to de-risk project delivery and engineer solutions with a high degree of outcome certainty. Our multi-disciplined network of professional engineers can design, contract and supervise sustainable, high performance engineering and construction services in the public and private sectors.

INTEGRATED SELF-DELIVERY CAPABILITY

By drawing on our specialist in-house delivery businesses and directly employed workforce, we have greater control over quality and productivity. It enables us to be more responsive, rectify issues and interface clashes quicker and achieve greater integration across the project phases. This brings an operational focus and intensity to project delivery that is very different to the traditional subcontracting model.

Our services and sectors

From its formative years as a demolition and environmental remediation contractor, Keltbray has extended its coverage across the client value chain. Today we offer a diversified portfolio of specialist engineering and construction services through our Built Environment and Infrastructure businesses, as we drive our diversification into new growth sectors and customer revenue streams.

Specialist engineering and environmental services

- Demolition
- Civil engineering
- Environment
  - Contaminated soil / ground water
  - Asbestos removal
  - Site remediation
- Decommissioning

Construction services

- Engineering design – Wentworth House Partnership
- Piling
- Structures
- Transport piling
- Transport structures

Infrastructure services

- Rail systems design – Wentworth House Rail Systems
- Rail engineering and civils
- Rail overhead line electrification and distribution
- Power distribution and transmission
- Renewables

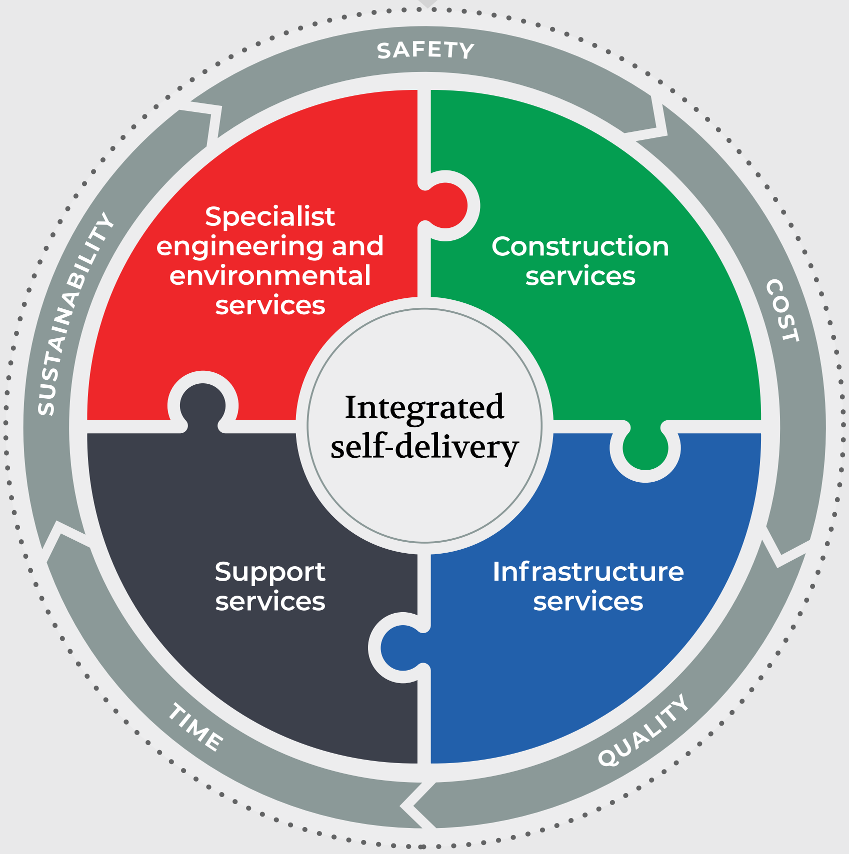
Support services

- Preconstruction and commercial management
- BIM & digital engineering
- Civil engineering plant, lifting and haulage equipment
- Project delivery support services:
  - Recruitment
  - Operational safety training
  - Occupational health and wellbeing

WHAT DIFFERENTIATES KELTBRAY

Sources of competitive advantage

The unique combination of highly experienced teams; innovative self-delivery capabilities; financial resilience; strong, enduring partnerships and our 'can do' reputation across all elements of our business are what we believe sets us apart from our industry peers



Customer sectors

Building
- Residential / Commercial
- Manufacturing
- Industrial

Energy
- Civil / Nuclear
- Power Networks
- Renewables

Rail
- UK Network
- Mass Transit
- High Speed 2

Transport
- Highways
- Aviation
- Marine

Government Infrastructure
- Defence
- Health

Utilities
- Communications

Strategic report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Serious On Safety

Executive Chairman's statement

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In last year's strategic report, I referenced the tougher trading conditions facing the construction industry, which were compounded by the ongoing uncertainties caused by the UK's protracted exit from the European Union. Little did any of us realise just how tough those challenges were about to get, as the outbreak of the COVID-19 pandemic very quickly gripped the globe, changing the world as we knew it forever.

As I reflect on the year, my overwhelming feeling is one of pride for the tremendous work that my executive team and all my colleagues across Keltbray have done to face the challenges head on, continue to deliver the essential services our customers demand and protect the business for the future. Beyond any financial metrics, it truly has been a year of human accomplishment.

I am pleased to report we have delivered a resilient set of results for the full year 2020, with creditable highlights in EBITDA and year-end cash performance. This places us in good shape as we look ahead to 2021 with greater, yet still cautious, optimism. We have also retained cash in the business through a number of cost containment measures, which gives me the confidence that we have the necessary facilities in place to support the growth opportunities identified in our new 5-year strategic plan, entitled '**Unleashing our Potential**'.

Our financial and operational strengths stand us in good stead as we look to contribute significantly to the call to 'build, build, build' once the pandemic and Brexit uncertainties are behind us. Construction collectively has a generation-defining opportunity to play a full and active role in this regard, through the exciting project opportunities coming to market, to demonstrate innovation, delivery excellence, talent development and the social and environmental value that our work creates.

As a champion of the UK Construction industry, through my chairmanship of Build UK, it is particularly pleasing to see the emphasis the UK Government is placing on our industry to lead the economic recovery through its transformative 'Build Back Better' investment programme. We will play our part in the UK's recovery by focusing on key targets in sectors that align with our business model and approach – energy, transport and defence – where we have a compelling offer and a strong track record of delivery.

For these reasons, the Main Board unanimously approved the Group strategic plan to 2025, formulated under the new executive leadership team. It contains clear, unambiguous goals to pursue continual improvement in corporate governance, business development, project delivery and organisational effectiveness. The progress made so far is moving Keltbray further towards its core purpose of redefining the way sustainable development is delivered.

We have made significant progress in the year in strengthening our executive ranks and refreshing our corporate governance. We welcomed Darren James as our new Chief Executive Officer and Main Board member during the year, who has made an impressive start navigating the turbulent waters of COVID, formulating and embedding our new strategy with colleagues and key stakeholders, and opening Keltbray up to new business horizons.

Phil Wilbraham, former Heathrow Expansion Programme Director joined as a non-executive director and Chair of the Group Risk Committee, following a distinguished senior career with the airport operator.

Ashley Muldoon joined Keltbray as a Non-Executive Director of the main Board. Ashley is Chief Operating Officer of Global Switch, and was previously Europe, Middle East and Canada Chief Executive Officer for Multiplex.

Both experienced and respected industry figures with fresh perspectives and specific sector expertise, Phil and Ashley will enable the Board to oversee the management of a broader range of risks and opportunities in support of our strategy for growth.

Michael O'Hagan and Tim Bowen also joined as members of the Executive Board, bringing extensive industry experience, engineering firepower and strategic business development capability. Mike Snee was promoted to the Executive Board in recognition of his achievements in growing our Energy services business, and the potential we see for Keltbray in this important sector.

In summary, these results clearly demonstrate the commitment of our talented workforce, the potential of our customer-centric diversification strategy and the inherent value of our integrated delivery model to respond positively to an increasingly unpredictable world.

It is my sad duty to report that since the year-end a colleague in Infrastructure died from injuries sustained working on an energy project in Scotland. Our immediate priority has been to provide the necessary support to close family and colleagues at this very difficult time.

I want to close by extending my sincere thanks to all my colleagues who share our purpose and strategic ambitions. It has been particularly rewarding to see the resilience of our people and our partners – investors, suppliers, communities, and of course, our customers – who share our resolve to create sustainable value through the exciting projects we deliver on their behalf.

Thank you.

Brendan Kerr
Owner and Executive Chairman

Chief Executive's strategic review

This report covers the financial year 2019/20 and therefore contains many references to the impact of the COVID-19 pandemic. Recognising the need to report on a specific period in Keltbray's history, I have also chosen to focus on a confident future for Keltbray. Our long-term aim is to become a more sustainably profitable specialist engineering business by investing in our talented workforce, innovative engineering solutions and core self-delivery capabilities. We will target opportunities in sectors that most benefit from the certainty of our innovative approach. This approach is reinforced in our new core purpose...

...To redefine the way sustainable development is delivered.

SAFETY AND SUSTAINABILITY

The Group continued to place safety and sustainability at the very heart of our business strategy and decision-making processes – it constitutes our primary focus and is encapsulated in our core purpose.

This past year, the Group improved both its Lost Time Incident Frequency Rates and its Reportable Injuries Rates. Since the year-end, it is with great sadness that I have to report that a colleague lost their life in a workplace incident in our Infrastructure division. We are co-operating fully with the investigation by the authorities, and are committed to learning the lessons from this fatal incident. This tragedy only serves to strengthen our resolve to send our people, and all those impacted by our activities, home safely at the end of every day.

Together with the safety and wellbeing of our people, our core sustainability objectives are to minimise our carbon footprint by reducing waste to landfill, optimising efficient energy and materials resources, and engaging proactively with the people who work at Keltbray and the communities where we go to work.

During the financial year, we finalised our Group Sustainability and Social Value strategy and made good progress in embedding it across the Group – particularly in areas like safety, employee wellbeing, carbon reduction, energy efficiency and community relations. These and other achievements can be viewed in more detail in the Sustainable development review on pages 28-51.

PERFORMANCE

During the full year 2019/20, Keltbray delivered a resilient financial performance, posting strong year-end cash balances and positive pre-tax earnings before interest, tax, depreciation and amortisation (EBITDA) against a predicted reduction in revenue and an unexpected global pandemic.

However, the Group's performance masks in many ways what has been an outstanding operational performance as the Group quickly and effectively adapted working practices to be COVID-secure. We brought paused projects safely back on-line and responsibly restored productivity in our Built Environment division, while our infrastructure services continued to support the national effort throughout. Our health and safety teams and experienced project leadership are to be commended for quickly adapting to constantly evolving working conditions, while also deploying mental health and wellbeing support to those who needed it most.

The Group reported turnover of £428.6m, down 24% on the previous year, reflecting planned completions on major contracts and the unplanned impact following the outbreak of the global pandemic in March. Cost control measures have mitigated some of the margin pressure however, Profit Before Tax (PBT) has reduced to a loss of £9.4m with EBITDA remaining positive at the reduced level of £3.3m.

The Group's order book has been maintained at £224.0m. The positive impact anticipated from the implementation of our new strategy and the planned investment by government in Infrastructure in particular is yet to materially affect forward order book volumes.

The Group continued to focus on improving the cost efficiency of its operations, benefiting in the year from a 19.6% material cost reduction in Group Overhead of £11.9m after exceptional costs. Unfortunately, the slowdown in trading did necessitate the use of the Government's job retention scheme and a subsequent reduction in Group roles, as we sized the cost-base to the addressable market opportunities. This resulted in 270 roles being made redundant. These are the most difficult decisions in business, and while it may be of little consolation for those colleagues who had to leave the business during the year, I want to thank them for their service and professionalism. These decisive steps have helped to strengthen our balance sheet, and will help enable our longer-term strategic investment programme.

STRATEGY

My first priority as Keltbray's new chief executive was to undertake a thorough review of the business to determine the strategic plan for the next five-year phase of growth and development. Keltbray is an incredibly dynamic business with a reputation for keeping its delivery promises. These qualities have served it well in its core London building market, but there are clearly opportunities to diversify into sectors and customers that would benefit from the certainty of Keltbray's integrated offering. Progress has already been made in the rail and energy sectors over the last two years, but there is still more to go for in adjacent infrastructure markets when we unleash our true level of potential.

Despite the current uncertainties, specific UK infrastructure markets are set to grow and develop rapidly as the UK Government prioritises investment in its 'Build Back Better' programme post-COVID, while keeping its election promise to rebalance the UK through greater economic investment outside of the Southeast, with particular focus on the 'Northern Powerhouse', through schemes like High Speed 2. Our dialogue with potential targets has already confirmed to us that there is increasing demand for innovative solutions to upgrade, enhance and decarbonise the nation's strategic infrastructure, particularly in the essential economic and social infrastructure sectors.

Traditional buildings markets are cyclical by nature and this places margin pressure on particular areas of our business as investor confidence peaks and troughs with market sentiment, particularly amongst our core London commercial development customers. However, we see attractive adjacent markets that are growing consistently and that we believe offer convertible opportunities over the medium term in built environment and infrastructure sectors such as residential, highways, defence estates and longer term, marine, aviation and communications.

Cognisant of the drive to decarbonise heavy industrial activities like construction, we have developed a strategy for sustained growth to 2025 – we call it ‘**Unleashing our Potential**’ and it has three clear, simple objectives:

- Build business resilience
- Drive profitable growth
- Become more agile, connected and customer-responsive

We will deliver the plan by:

- Continuing to do what we are doing already, with continuous improvement and lessons learnt
- Driving organisational effectiveness in our operational activities
- Deepening relationships with existing customers through a more integrated service offering
- Broadening the range of customers that we work for in existing sectors
- Broadening the range of customers in attractive adjacent sectors
- Maximising the effectiveness of all our talent

Therefore, we will seek to further broaden and deepen our service offering into targeted areas of the public sector and regulated customer markets, where our hard-earned reputation for delivery excellence, and industry-accredited processes and practices give us a unique competitive advantage. Our private ownership structure; reputation for the safe delivery of high quality engineering services; innovative, can-do culture; and deep relationships and capabilities in our core markets gives me every confidence that the Keltbray brand can expand its presence into these new, attractive sectors, while continuing to develop and drive business growth in our core customer segments.

Alongside our business development priorities, we will continue to enhance our organisational fitness and agility through the application of efficient, effective and controlled processes at all levels of the business.

To support the growth strategy, significant improvements have been made to the corporate governance processes. Clients, partners and stakeholders should have the utmost confidence that we are a well run business with strong controls and agility.

OUTLOOK

The trading period under review has been dominated by the outbreak of the COVID-19 Pandemic, creating extraordinary challenges for the global economy. We continue to take measured action to protect our people and resource the organisation to appropriate levels of demand. I want to assure you that these necessary actions place us in a strong position to re-scale our operations as normal trading conditions return.

Since the financial year-end, we have embarked on a comprehensive programme of stakeholder engagement with our strategy, and The Main Board shares the leadership team’s resolve to transform Keltbray into a beacon of specialist engineering excellence in the UK, alongside targeting selective international markets that share the trading characteristics of our home market.

Our industry leadership and operational strengths, together with our active participation in industry-wide and governmental related forums, gives me the confidence that the next stage of Keltbray’s development to unleash our potential will be a successful period in its history.

SUMMARY

Keltbray has a strategy for sustained growth and the delivery capabilities to navigate its way through the current challenges, while transforming its approach and securing significant new work that meets our stringent financial targets. We will further evolve our customer relationship management approach to closely align our activities with their changing needs, supporting a step change in our project delivery performance and a greater focus on higher margin activities.

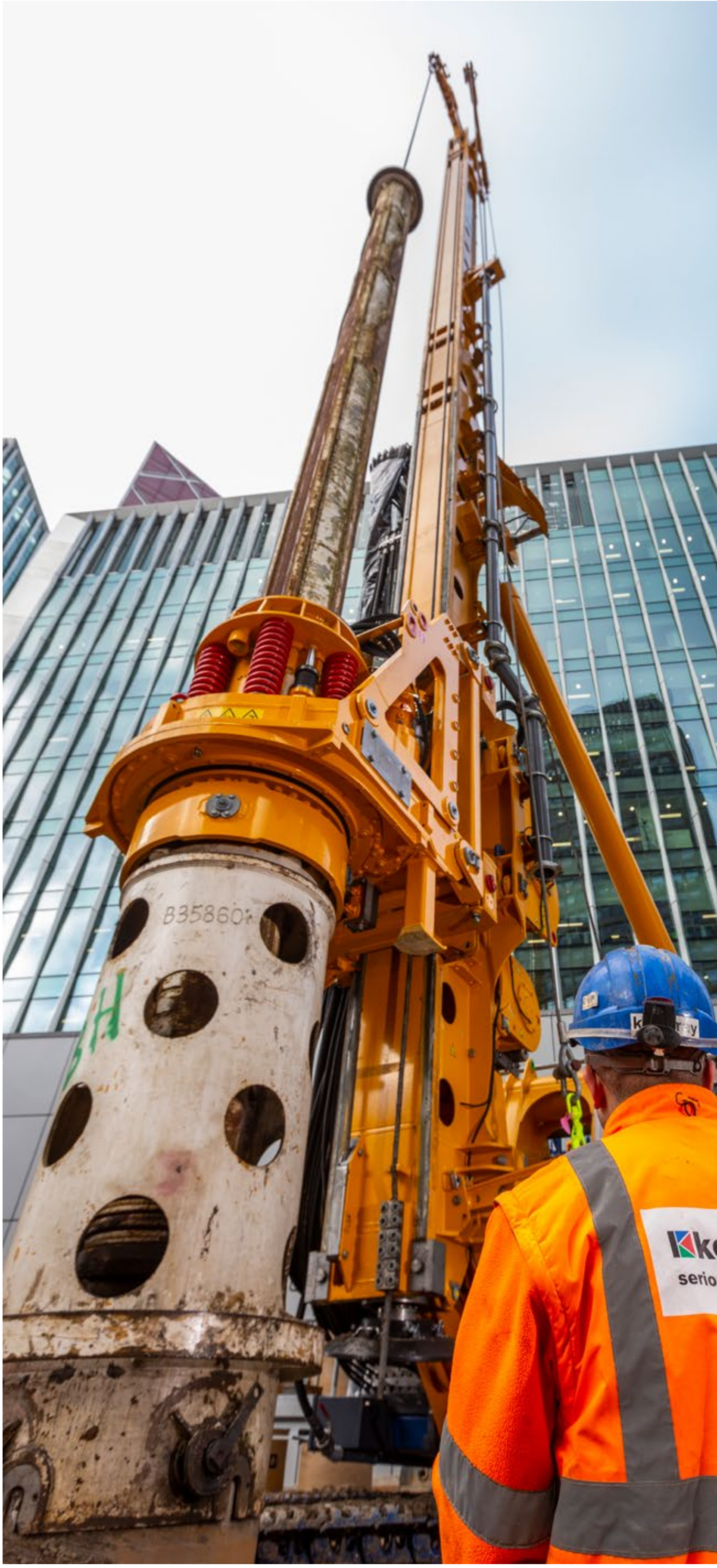
Finally, I want to thank my executive colleagues and all our employees who share our purpose and values, and directly support our business through their unwavering commitment to delivering certainty for our stakeholders. Our continuing focus in the year ahead, is to rebound operationally and continue to drive our strategy implementation, which has already provided resilience and is opening us up to new revenue streams.

I am grateful to our customers, suppliers and other significant stakeholders who support Keltbray and provide us with exciting opportunities to make a real and positive difference and redefine the way sustainable development is delivered.

Darren James

Darren James
Chief Executive Officer

Our strategy



Through the delivery certainty of our operational assets, our financial resilience, and our skilled and experienced teams, we are selectively targeting attractive growth sectors, while at all times remaining true to our corporate values and maintaining a resolute commitment to the highest standards of safe and sustainable delivery for blue-chip customers who share our belief in doing the right thing.

"Achieving the highest standards of safe and sustainable delivery. We believe this constitutes our license to operate."

UNLEASHING OUR POTENTIAL

A strategy for sustained growth

OUR PURPOSE

To redefine the way sustainable development is delivered

OUR VALUES

- Health, safety & wellbeing
- Relationships
- People
- 'Can-do' attitude
- Innovation

OUR STRATEGY

Deliver engineering excellence in all that we do to **lead our industry** in terms of safety, innovative thinking and sustainable delivery methods

Develop a high-performance culture where **our people thrive** and are proud of their work and their contribution to our business and the community

Increase **business resilience** by broadening the range of sectors and customers that we serve and ensure we systematically assess our business and project risk before pursuing opportunities

Grow the **scale and profitability** of our business to achieve a net margin of +5%, securing orders with our customers on their largest and most complex programmes

Develop an **agile, customer-centric** business that is **collaborative** and easy to do business with; quickly and effectively responding to our customers changing needs

MARKET DRIVERS

Greater customer demand for integrated services, deploying innovative engineering solutions and self-delivery certainty to achieve sustainable development goals in the delivery and operation of their capital assets

UK Government investment commitments in economic and social infrastructure post-Election, COVID and Brexit: "Build Back Better" investment programme

CUSTOMER PRIORITIES

1. Enhance our capabilities and strengthen the core of the business
2. Deepen relationships with existing customers through more integrated service solutions
3. Broaden the customer base in rail, energy, and buildings sectors
4. Extend into attractive adjacent infrastructure sectors including, highways, social infrastructure and defence
5. Expand internationally, incrementally and in a risk-managed way, primarily within the rail sector

Operating review

Group

Keltbray's strategy to focus on high value, stable market sectors, where our engineering expertise and integrated delivery capabilities create greater certainty for customers, has underpinned our resilient performance over the last 12 months. Our 'Business as Usual' approach, exemplified by our Infrastructure Rail and Energy businesses throughout the pandemic, coupled with prior years' investments in our delivery platform, augmented by strategic acquisitions and operational discipline have positioned the Group well to benefit from increased economic and social infrastructure investment over the next five-year period.

The Group's purpose 'To redefine the way sustainable development is delivered' was supported during the year through advancements in how we are applying real-world innovations to meet today's challenges. Our investments in Earth Friendly Concrete took significant steps forward as we committed to its use in material volumes on our temporary works packages. We also made significant progress in the development of the HIPER Pile®. This is a 'game changer' for the industry as it has the potential to transform structural piling into a valuable capital asset that has applications in the industrial, energy and waste sectors, while reducing the amount of materials required to produce them, allowing customers to benefit from a significant reduction in embedded carbon.

We continued to maintain our focus on driving greater performance and control into all our delivery activities during the year. Recognising the continuing pressure on margins in a predominantly lowest cost-driven market environment, we took decisive action to retain cash in the business, while ensuring customer focus remained at the heart of everything we do. We continued our smart diversification approach to provide greater protection from market cyclicality, introducing greater selectivity into our opportunity pipeline through the establishment of a capital allocation forum, The Executive Investment Panel, to ensure we seek to only pursue work that meets our strict financial criteria.

During the year, we kept our cost-to-serve activities under intense scrutiny to ensure we were sizing our overhead in line with the good quality opportunities we have identified, thereby optimising the use of our resources, and allocating capital where it generated the greatest returns for the Group. This benefited the Group by £11.9m after exceptional costs, as we removed duplicate activities and refocused investment into business development and work-

winning resources. The number of roles reduced by 270 during the year as we streamlined operational delivery and support activities across our business units, and scaled our systems integration efforts to achieve better internal economies of scale in areas like Financial, HR and Supply Chain Management.

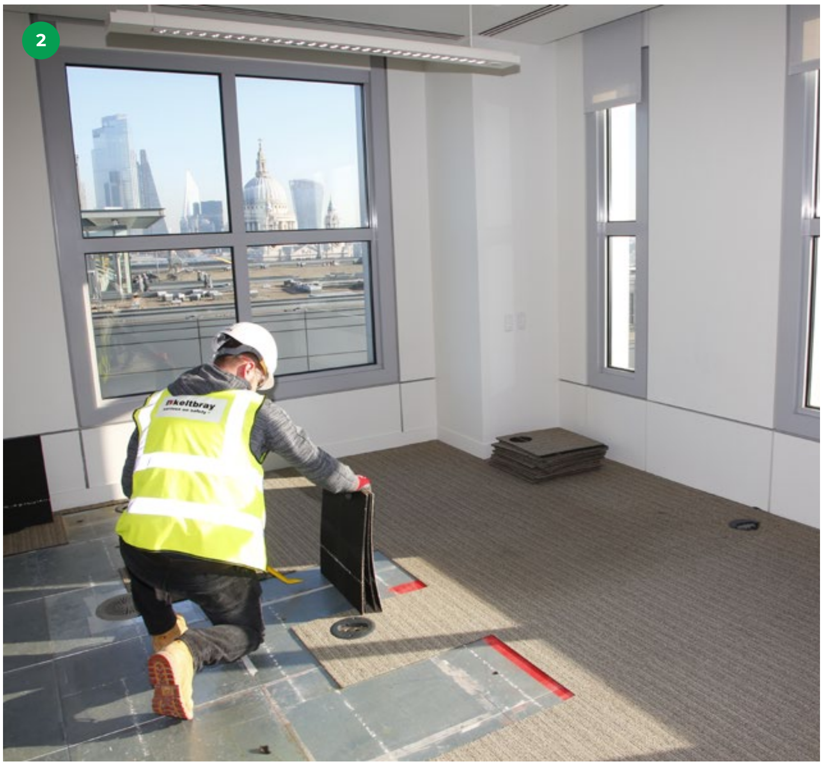
Clichéd as it may sound, our people are Keltbray's most important asset, and for this reason, we continued our long-standing commitment to invest in them directly through training and development – once again delivering over 44,000 hours of training during the financial year – as well as the technologies and equipment they rely on to be effective in their roles. We are broadening their access to online learning tools and development programmes, providing our people with the specific training they need to extend their skill sets and increase their productivity – this helps cement our reputation as a 'can do' organisation. In the review year, one in 12 of our directly employed people were on internship, apprenticeship or graduate development programmes with us.

We paid particular attention to our employees' wellbeing during the year, as we developed smart-working practices supported by mental wellbeing resources to ensure they remained healthy and motivated during the toughest of times. By way of example, one in eight of our directly-employed rail employees is a mental health first aider.

Safety and wellbeing are at the heart of our operations and we were pleased to see a continuing decline in incident rates across both Built Environment and Infrastructure divisions. Engineering and construction activities are, by their very nature, inherently dangerous and expose our project-based employees in particular to higher levels of physical and cognitive risk. Our Strategic Safety, Health, Environment Leadership Team (Strategic SHELT) was established during the year, creating a direct link to the Executive Board; and through the support of the parallel-created Tactical SHELT subgroup, project operations are strategically and tactically managed to ensure decision-making is escalated to the appropriate level and is accompanied by rapid mitigation action. This operating framework has been and remains fundamental in steering the projects successfully through the pandemic over the last ten months, swiftly implementing COVID-secure working practices that meet or exceed the standards set by UK Government through the Construction Leadership Council.

decommissioning of Ferrybridge C Power Station for customer, Scottish and Southern Electricity (SSE). We also secured a number of Considerate Contractor Scheme Awards, including Gold for our Peterborough Court project. Keltbray's Environmental Services business was also shortlisted by Construction News for Environmental Contractor of the Year and Sustainable Contract of the Year during 2020.

The Group once again placed second in Demolition and Recycling International's top 100 demolition companies in the World. The Construction Index's annual survey of the Top 100 Construction Companies in the UK



Keltbray once again received strong industry recognition for the safe and sustainable delivery of its high quality engineering services during the year. Amongst the many external awards, standout recognition included a Considerate Constructors Certificate of Excellence for our

ranked Keltbray 35th based on FY19 revenues, and Construction News Top 100 UK Contractors placed the Group 32nd, based on FY19 Group turnover, retained cash and debt.

1. Ferrybridge C Power Station decommissioning
2. Peterborough Court project

Built Environment

Built Environment (BE) offers market leading design, demolition, ground engineering and environmental services, piling and structures, developing and delivering a comprehensive range of innovative and sustainable engineering solutions for customers.

The business differentiates its offering through the provision of a highly specialised self-delivery capability, adopting an innovative approach that delivers certainty for customers on some of the most complex and challenging engineering projects across the UK.

BE posted revenues of £261.0m for the full year, down 34% on the previous year. The business division won a number of prestigious projects in key sectors, many with existing customers, illustrating the strength of focus on forming long-term, mutually beneficial partnerships.

Notable amongst many significant wins during the year was the Glenn Parva super prison contract for Lendlease on behalf of the Ministry of Justice, where we are delivering remediation and enabling works.

We also continued to secure repeat business with long-standing customers on major development schemes, including enabling works for the major mixed-use development scheme in Elephant and Castle for Delancey; and bulk excavation and site remediation on British Land's Canada Water Masterplan partnership with Southwark Council, to create an outstanding new town centre for the local area. The Group also secured a major structures package on the project to redevelop Bermondsey Town centre for customer, Grosvenor Estates.

Operational highlights during the year included the ongoing delivery of major structural packages at the Landsec Nova East, London Victoria Development. BE also progressed the demolition of the existing 20-storey building in the City of London's Square Mile, at 6-8 Bishopsgate, from which a new concrete structures package is now progressing in delivery. Once complete, this remediated site will the home of a new 50-storey tower in the heart of the City, providing an office-led, mixed-use building with flexible retail space at ground and mezzanine floor levels, and a public viewing gallery at Level 50.

Work progressed on The UK Government's High Speed 2 enabling works programme at Euston Station, as preparations continued for the construction of the new station's concrete sub and super structures. High Speed 2 represents a significant future pipeline for the Group to work across both the enabling and core construction phases of the project, and we are currently prioritising a number of opportunities that we believe will benefit from the delivery certainty of our self-delivery model.

BE's piling services continued development of its sustainable piling delivery approach using Cemfree, an ultra-low carbon alternative to traditional cement concrete which has a number of performance advantages when used for key structural elements. During the year, Keltbray also became the first major engineering and construction company to offer customers Earth Friendly Concrete (EFC) in their temporary works solutions.

Possibly most significantly, given the challenges of the past 12 months, BE demonstrated Keltbray's 'can-do' attitude by delivering a 2,000-space NHS carpark to support the COVID-19 Nightingale Hospital at the ExCel centre in Newham, East London, within 10 working days.

This was a fantastic showcase of the construction industry's ability to respond quickly with innovative solutions to deliver essential infrastructure at cost, to support the national effort to combat the pandemic.

BE's decommissioning business continued work as Principal Designer and Contractor on a range of complex projects in the highly regulated industrial sectors, including two major power stations, three wind turbine sites and a large petrochemical plant, for major customers in the energy generation, petrochemical manufacturing and defence and security sectors, including SSE, EDF, SABIC and AWE.

With a 200-strong team of specialist demolition and decommissioning engineers and operatives, and working in close co-operation with other Keltbray Divisions, including Environmental Solutions, Remediation and Lifting Services – an extensive works scope was safely delivered during the year. Key highlights included over £10.0m of asbestos removal; turbine hall de-planting; heavy boiler lifts; the demolition of five cooling towers by controlled explosives; and one using heavy long reach plant.

BE's remediation services continued to develop its innovative geotechnical approach, which was instrumental in securing the ground engineering package for the new Glen Parva super prison project, as part of the Government's ongoing investment to upgrade the UK prison estate. The business also continued to deliver ground engineering services at Worthy Down, Winchester, where it

has been working since 2015, as part of its largest contract for Tier 1 contractor, Skanska, at the £280.0m Wellesley development, which will provide a new training college for the Ministry of Defence.

BE's asbestos removal and treatment business continued to provide services to Royal Mail as a preferred delivery partner for all asbestos removal throughout the South of England and Northern Ireland. The scope of works includes all planned asbestos removal projects, as well as UK-wide responsibility for immediate response, reactive removal and treatment contracts. The business also continued to work on multiple High Speed 2 sites, where our accredited technicians are performing essential 'watching brief' asbestos duties for customer Skanska Costain Strabag JV (SCS JV).

Since the year-end, BE's asbestos removal business secured a large pre-demolition asbestos project at the Elephant and Castle residential mixed-use development in East London. The project commenced in early January 2021 and runs 24 hours a day through until late May. At the peak of the works, there will be 80 asbestos removal operatives working on the site to ensure programme targets are met.

Keltbray also continued delivery of its contract with the FLO Joint Venture to treat contaminated material arising from several shaft sites constructed for the new Thames Tideway Super Sewer. By using its own wharf facility to accept hazardous and non-hazardous waste soils from the Tideway construction sites, Keltbray used leading sustainable technological practices to ensure the material was recovered.

To further minimise environmental impact and cost, Keltbray applied a range of treatment techniques that reduced the need to landfill large volumes of waste material for this contract. This involved large-scale material management of the excavated soils so that they are being beneficially re-used.

During the year, Keltbray was named as the top European demolition specialist in the Demolition and Recycling International (D&Ri) 100 list for 2020. The D&Ri Top 100 is a prestigious international contractor's league table that looks at the leading contractors by turnover. Keltbray also ranked first in the Top 20 Contractor Companies in Europe for the fourth consecutive year in the same index. Wentworth House Partnership was awarded Temporary Works Initiative of the Year at the British Construction Industry (BCI) Awards, for their innovative design to make the architecturally significant Bank Building in central Belfast safe following a devastating fire.

Infrastructure

The Infrastructure services division operates primarily on key rail and power networks infrastructure projects and frameworks across the UK. It is diversifying its presence into adjacent sectors, including Highways, Government infrastructure and energy renewables, where our design and delivery capabilities provide greater cost and programme certainty.

The Infrastructure business division turnover was £168.0m for the full year, driven by a 'Business as Usual' approach to serving customers throughout the pandemic to ensure essential transport and energy services were maintained to support the wider economy, achievement of targeted operating efficiencies, and high quality contract wins based on the strong demand for Keltbray's integrated self-delivery capabilities.

Keltbray's large scale and multidisciplinary rail services are instrumental in improving Britain's rail track and electrification infrastructure, helping improve safety, increase capacity, relieve congestion, provide better passenger facilities and deliver a more sustainable rail network for the UK.

Rail civil engineering services carries out a significant number of framework contracts for major customers including Network Rail (NR), with a clear focus on maintenance and replacement under NR's Control Period 6 (CP6), which has helped deliver the revenue performance during the 2020 trading year. During the full year, the new Rail business structure was introduced, with regional heads of departments and teams now operationally aligned with Network Rail CP6 delivery strategies and regions.

Work continued in the year to transform the Rail business to compete for delivery of multidisciplinary works packages, and establish a broader portfolio of longer-term framework contracts. This forms part of the Rail business plan that supports the Group strategy to deepen customer relationships and penetrate new customer markets, with a holistic rail 'design, construct and maintain' offering.

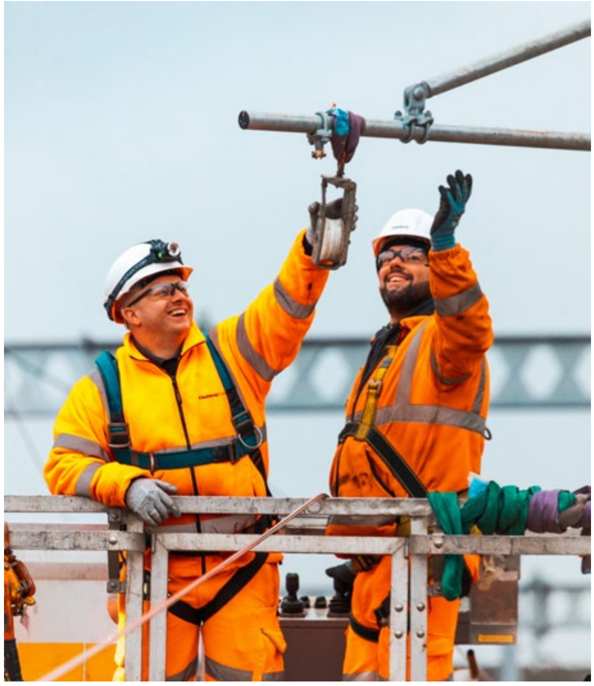
Significant work winning and operational delivery successes during the year included various track civils and overhead line packages on the Paddington to Reading phase of the Crossrail project. Keltbray also secured and successfully delivered a £9.0m multidisciplinary sidings project for Abellio UK, one of the UK's major rail franchise operators, as part of its strategy to diversify its customer portfolio by gaining market entry onto new private sector rail customers' investment programmes.

On the Wales and Western corridor of Network Rail's Great Western Route Modernisation (GWRM), Keltbray picked up further packages on the £3 billion overhead line electrification (OLE) programme. Rail's isolations capability has also gone from strength to strength in the year, with further work secured on the GWRM. By securing this work, the Group is now one of only a handful of Tier 1 OLE isolation contractors in the UK.

Rail is also delivering the platform and track enabling works for the introduction of the new East Anglian trains currently under production by Bombardier. These new passenger trains have a significantly increased specification over existing rolling stock, in terms of train length, ride and interior comfort, and energy efficiency.

In a unique partnership between Dutch company Edilon Sedra, a global supplier of rail track systems, and Keltbray, both organisations have combined their expertise to develop a UK and Network Rail-fully compliant modular level-crossing upgrade solution. This new product innovation has already had proof of concept following successful installation by the Group's rail engineering and civils business at Newhaven and Swineshead. Currently, Keltbray is the only UK supplier and installer of this modern construction approach to level-crossing system upgrades.

Rail continued to secure more works and successfully deliver multidisciplinary projects across the UK's live rail network, throughout the coronavirus Pandemic. Strong performances on major frameworks including the upgrade to the Trans Pennine Rail route and the South East Upgrade, both on behalf of Network Rail, were made possible following the introduction of



COVID-secure working practices that proved instrumental in keeping essential rail work, including maintenance services operational throughout the crisis.

Rail is also playing a key role in a major project that is transforming services for passengers on one of the busiest stations on the rail network. Our work for new customer, Spencer Group, at Cambridge, showcases our industry-leading capability delivering a multi-million pound package of works at busy Cambridge Station for Govia Thameslink Railway (GTR), the UK's largest train operating company, working closely with GTR and Network Rail. The works involve the installation of new Overhead Line Electrification (OLE) to support faster Class 700 rolling stock, helping facilitate faster and more frequent trains from the town through London and on to the south coast. They form part of the £7 billion Thameslink Programme, which is delivering substantial benefits for hundreds of thousands of commuters and other travellers on the Thameslink network.

The rail business also continued to invest in safety and innovation, and is currently developing digital sensoring equipment for our road-rail plant, which recognises and differentiates between obstructions and track operatives. The software creates an exclusion zone that if encroached by anyone, automatically stops the machine, significantly reducing risk of injury to the workforce and damage to the rail infrastructure.

Wentworth House Rail Systems and Keltbray International continued to support each other in expanding Keltbray's rail footprint internationally, in both Australia and Canada, through the delivery of high value rail system design services in partnership with tier one rail infrastructure providers in these adjacent markets.

In Canada, the original Overhead Catenary System (OCS) construction team is focussed heavily on the delivery of the Eglinton LRT project – part of the Smith & Long and Keltbray joint venture, also known as (SLK JV) for customer, Crosslinx. The project is an 11km Light Rail Transit (LRT) system. 6km of which is underground. The contract awarded to the SLK JV was the FLOC package. Fibre, lighting, OCS and MV cabling valued at $30.0m, and will run until December 2021 for OCS and in to 2022 for the signalling works.

Having received the Royal Society for the Prevention of Accidents (RoSPA) Gold Award four times previously, Rail achieved a double win in the 2020 RoSPA Health and Safety Awards, with Rail's civil engineering and overhead electrification services both securing Gold Medals.

Operating review cont.

The Energy business continues to grow its transmission offering with a strong forward order book of works for the next financial year. The business secured its first 400kV project for Scottish Power, marking a key milestone for the development of the transmission division, and delivering a key element of our strategy in this important market for Keltbray.

During the year, Energy secured a number of prestigious, high-value works packages including the contract to dismantle the 275kV OHL route circuit, which ran from Barking Power Station to Barking National Grid Substation on behalf of the City of London. Despite the route only being 2.2km in length, it had significant complexities as it over-sailed numerous factory units, main roads, and across land being developed by Transport for London (TfL), Barking Riverside Developments (BRL) and the Greater London Authority (GLA). Due to significant access constraints to these sites, along with substantial penalty clauses for any delays to TFL's construction works, Energy agreed with the City that it would dismantle the route during the Christmas 2019 break.

A project with this level of complexity would usually require a minimum of six months of detailed planning. However, the distribution and transmission team had only six weeks to plan the entire works, and to fulfil the following: gain access agreement; acquire licenses for road closures; organise footpath closures; arrange and erect scaffold protection; and, complete all the necessary preparatory works.
A team of twenty-five Energy employees successfully completed the works over the Christmas period, lowering and recovering all fittings, insulators, and conductors.

Other notable work-winning achievements during the year included a large programme of refurbishment works for Scottish Power Energy Networks, and our first transmission contract win with strategic customer, Northern Power Grid, as part of their ongoing EHV asset refurbishment programme.

Keltbray continues to be the largest Overhead Line wood pole distribution contractor in the UK, in both work volumes and in terms of our directly employed, qualified linesmen. This directly employed model is a fundamental part of our business strategy, enhancing our ability to respond in a significant way to emergency outages on any UK network, due to a severe weather event for example. We operate on distribution and transmission frameworks for six of the seven UK distribution network owners.

During the year, we established a Renewables business unit that will target the significant renewable energy market opportunity pipeline for wind farms, battery storage, electric vehicle charging and solar farms, working with 'high investment' customers. Whilst this new service offering is still in its infancy, initial business development activities are very encouraging, highlighting the scale of the opportunity Keltbray has to offer its multidisciplinary services into this market, which are increasingly attractive to the customer base, when compared to the traditional, purely transaction al subcontracting models they have operated to this point.

The opportunities in this area will continue to accelerate due to the Government's commitment to carbon neutrality by 2050. Keltbray is well placed to take advantage of this growth area with the certainty of our direct delivery model, emergency response capability and collaborative culture.

As part of the Energy five-year business plan, Keltbray will bring to market a new substation service capability up to 275kV, for both distribution and transmission customers. The addition of this capability, in tandem with our key specialisms in the business and the wider group, will allow us to offer turnkey energy solutions into the renewables sector, as well as business critical, non-core infrastructure customers such as Data Centre Operators and Pharmaceutical companies.

Sustainable development review

Engineering Difference

Sustainability sits at the heart of our core purpose and influences everything we do. This allows Keltbray to deliver solutions that are more valuable for customers, attract the best people, drive productivity improvements, manage risks and seize opportunities, and support local communities and society as a whole. We believe sustainability is not just an obligation; it is a source of competitive advantage.

We made good progress during the year aligning our business and sustainability strategies with the universally recognised United Nations Development Goals and our customers' sustainability targets.

We have reported on our Group sustainability achievements since 2013, highlighting the important work taking place across the business to reduce carbon, support greener practices, and encourage good health and wellbeing whilst driving safety, innovation and economic growth.

Why is sustainability important to Keltbray?

1

ENSURE A LONG-TERM FUTURE

Keltbray believes it has a moral and ethical obligation to its stakeholders, future generations and the planet to be more sustainable. Sustainability is also critical to the ongoing success of our business. Companies that want to survive and thrive need to plan for that long-term success today. Having a sustainable business model puts an organisation ahead in its industry – providing a competitive advantage. The companies who prioritise long-term sustainability in addition to short-term success are the ones who will succeed tomorrow.

2

REDEFINE A SUSTAINABLE DELIVERY APPROACH

There is no more elegant or efficient designer than nature – there is no waste, everything fuels something else – an continual cycle of regeneration. Business needs to emulate this with a 'circular economy' approach. Sustainable services achieve quality in resource health and reutilisation, renewable energy and carbon management, water stewardship, and social fairness. In short, these innovative service providers seek to make things in a way that leaves the world a better place for future generations.

3

BUILD BUSINESS RESILIENCE

Every hedge against a potential future problem increases a company's resilience. Incredible opportunities exist for collaboration among business, government and wider society to plan for the unpredictable. We can also build internal organisational resilience through more sustainable decision making. This helps ensure the future availability of raw materials, and onsite waste management eliminates current and future landfill or waste diversion costs. These are the business models that are going to win in the marketplace of the future.

4

BUSINESS AS A 'FORCE FOR GOOD'

When businesses like Keltbray care about the environment, their accomplishments can have an exponentially positive impact on the world. Many of our customers are also committed to sustainability as a business value, and are some of the most successful companies in their sectors. They are seeking to collaborate with like-minded organisations who genuinely share their sustainable goals and desire to create a world that is in better shape because of their activities, not in spite of them.

keltbray

Bringing sustainability to life

To redefine the way sustainable development is delivered.

Keltbray's clear and guiding Purpose closely aligns with our long-standing reputation for innovation and delivery certainty, and with the millions of people who rely on our products every day.

At Keltbray we are working to create a sustainable future by combining integrity and smart innovation to meet, to the greatest extent possible, the balanced needs of all our stakeholders.

We are focused on enhancing the quality and value of our business through the disciplined allocation of our resources to meet the demands and expectations of our changing world, so that we grow our business safely, sustainably and responsibly, for the benefit of all.

Darren James
Chief Executive Officer

As a self-delivery engineering business operating at the 'doing'-end of the construction value chain, the direct and indirect impacts of our activities at every level are much more tangible and quantifiable to the stakeholders we engage with every day.

Keltbray brings the four core aims, outlined above, to life by inculcating the decision-making, risk mitigation and action planning directly associated with their achievement throughout the entire fabric of the business. This process starts at the very top with our core purpose – 'Redefining the way sustainable development is delivered'. This pre-emptive, pro-active approach defines every element of our operations from medium to long term capital allocation, people management, asset optimisation and resource usage and management, to ensure we can measure progress, continually learn and apply lessons and justify our sustainability claims with all our stakeholder classes.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

In 2020, Keltbray aligned its sustainability commitments with the UN Sustainable Development Goals, recognising the significant impact our industry has on the environment, economy and society.

We therefore believe sustainability can be a real and positive differentiator for the business, and our new company purpose reflects this ambition – To redefine the way Sustainable Development is delivered – with the view that sustainability runs through everything we do.

The United Nations Sustainable Development Goals (SDGs) are an important framework for Keltbray, given we operate largely in complex environments utilising substantial amounts of materials and resources, and we need to monitor and improve the extent to which our business makes a positive contribution to society's wider goals.

The 2030 Agenda for Sustainable Development is a global agreement to eradicate poverty and fight inequality and injustice. It was agreed by world leaders at the UN in 2015, with a focus on the 17 SDGs which the UK has committed to deliver domestically.

The nature of Keltbray's business guides which goals to focus on. We have identified seven of these UN SDGs that are of particular importance to us and our stakeholders, where we believe we can make the greatest positive and lasting difference, based on the strategic beliefs and assumptions that inform our Group Strategy for sustained Growth to 2025 – "**Unleashing our Potential**". While we are concentrating on the goals most relevant to our business and where we have the most influence, our environmental, social and economic performance has a positive impact across many of the SDGs in line with our purpose and values.

KELTBRAY'S SUSTAINABILITY FOCUS

The Seven

We have identified seven of the 17 United Nations Sustainable Development Goals that are of particular importance to us and our stakeholders, where we believe we can make the greatest positive and lasting difference.

Environmental sustainability objectives

11. Sustainable cities and communities

Make cities and human settlements inclusive, safe, resilient and sustainable

13. Climate action

Take urgent action to combat climate change and its impacts

Social sustainability objectives

3: Good health

Ensure healthy lives and promote well-being for all at all ages

4. Quality education

Ensure inclusive and equitable education and promote lifelong learning opportunities for all

8. Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

10. Reduced Inequalities

Reduce inequality in and among countries

Economic sustainability objectives

8. Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

9. Industry, innovation and infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Keltbray

Sustainability framework

Sustainability runs through everything we do. From the people we support, the company we sustain, the local communities we work in, the industry we represent and the planet we live on.

The construction and infrastructure industry is very materials and resource intensive, with huge pressures exerted on the natural environment at every stage of a project's lifecycle. Sustainability is therefore mutually beneficial to both the natural environment and our business, aiding us to use resources efficiently to create long-term sustainable value, build resilience to environmental and social pressures, as well as minimise risks throughout our supply chain to drive economic growth.

Managing the environmental, social and economic pillars holistically is key to protecting our environment, supporting local communities, serving our customers, sustaining the economy and helping wider society thrive.

The areas of focus opposite have been identified as being integral to Keltbray, based on a materiality assessment of their impact on our business, and they therefore set the framework for the Group's Sustainability approach and programmes of work.

*** The UK construction industry accounts for:**

45%

of the UK's total carbon emissions, 60% of material use while creating a third of waste generated

3.1m

employment opportunities created

9%

of the UK's total economy as defined by Gross Domestic Product (GDP)

* Source: The Office for National Statistics

Keltbray's sustainability pledge is to provide innovative building and infrastructure engineering solutions that generate value to our customers and support their own sustainability commitments, whilst playing our own part in addressing the global challenges determined by the UN Sustainable Development Goals

Environment review

Social Value review

Economic review

OBJECTIVES AND SMART KPIs

Decarbonise our operations to achieve Net Zero and assist our clients in meeting their individual pledges

- Set science based target 2020
- Achieve Net Zero by 2050
- Assist our clients in meeting their own net zero timeline

Protect the environment and enhance biodiversity to ensure we leave a better environment than the one we found

- Zero major environmental incidents
- Our business and projects to have a zero net biodiversity loss and identify opportunities for biodiversity net gain

Use resources more efficiently, maximising their life cycle to drive circular economy

- Zero non-hazardous waste to landfill
- Define scope of water and material usage and set reduction targets for all divisions of Keltbray Group

Our people are having 'Good Days at Work'

- Measure success using the Robertson Cooper 'good day at work' framework
- Improve health, safety and environmental conditions and reduce accidents/incidents

Our people feel valued and have a sense of Purpose

- Establish Inclusion Council
- Implement the Fairness, Inclusion and Respect training framework
- Provide quality training and development fairly and inclusively
- Be an equal opportunities employer with fair and transparent recruitment, pay and employment processes

Support local communities through engagement, support and engineering solutions

- Deliver on Social Value outcome for every £2m of Group turnover

Invest in our growth

- Achieve circa £1 billion profitable turnover by 2025
- Achieve higher levels of economic growth through diversification, innovation and supporting key clients

Generating value by supporting local jobs, businesses and economies

- All business units to comply with local spend and employment obligations
- Only work with contractors that satisfy the minimum sustainability req. PQQ and common assessment standard

Our clients want to work with Keltbray above others helping us to secure continual, good quality work

- Put a client feedback Net Promoter Score in Place by end of financial year 2021

ACTION AGENDA

- Climate action
- Carbon footprint and energy efficiency
- Biodiversity
- Waste and the circular economy
- Water usage
- Materials and responsible sourcing

Safety, Health and Wellbeing decent work for employees

- Employee engagement
- Reward and recognition
- Learning and development

Reduced inequalities

- Equality/Diversity and Inclusion Counsel
- Community Partnership initiatives – school liaison
- Employment and skills – including forces/ex-offenders recruitment
- Working with the socially disadvantaged
- Volunteering and charitable giving

Economic growth

- Customer relationship management – repeat business
- Financial performance
- Tax contributions

Industry, innovations & infrastructure

- Supply chain collaboration
- Engineering innovation
- Employability and skills development
- Industry partnerships

Environment review

With our customers placing increasing emphasis on the sustainability of their assets, opportunities for innovations to create increased environmental value are expanding.

To this end, Keltbray is committed to developing climate-smart project solutions that improve resource efficiency in delivery and operation through the innovations in sustainability they deploy. Our environmental pledge therefore affects and influences all the group's operations and processes at every level.

1

CLIMATE ACTION AND CARBON REDUCTION

2050

Targeted year for net zero carbon emissions

One of the most pressing sustainability issues of present time is climate change; we recognise that our operations form part of the problem and bold change is needed. We have therefore set Net-Zero as our own organisational goal to realise the benefits for ourselves, and importantly, our customers.

Our pledge to reach Net Zero underpins all three pillars of sustainability and we recognise the need to move 'beyond zero' – building a resilient business that puts the wellbeing of our teams, the natural environment and our stakeholders requirements at the heart of everything we do.

Keltbray has identified a series of actions to reduce emissions from its operational activities. These include decarbonising our fleet and plant/equipment by investing in new power trains and fuels.

We are not just investing in new equipment, but we are also assessing and changing the way we operate. A perfect example of this is the use of river barges instead of Heavy Good Vehicles (HGVs) to move material from projects using the UK's extensive waterways to reach our own remediation processing facilities.

2

ENERGY

Keltbray aims to improve energy efficiency in both its project delivery operations and its fixed buildings and depots. Fossil fuels are being replaced increasingly by renewable energy sources. Increased energy efficiency is vital to reducing our carbon footprint and the associated costs both within our own operations, as well as benefiting our customers, the end-users and the local communities who host us when we deliver projects. The emissions in Tonnes of Carbon Dioxide Equivalent related to Keltbray's energy demand FY2020 is 17,290 tCO_2e, a reduction of 17.7% on the previous year (see Streamlined Energy and Carbon Reporting (SECR) compliance statement on pages 128-129).

During the year under review, Keltbray's energy sustainability initiatives included the following:

- Achieved Carbon Trust Net Zero Standard (February 2021)

100%

renewable power powering all fixed locations and new projects

- Electric vehicle charging points at all fixed locations
- The business is carrying out the feasibility of installing a wind turbine at its Bathgate fixed depot to power the site and the future electric fleet, making us fully energy sustainable and carbon neutral
- Within the Energy unit, the business has carried out detailed analysis of its fleet and has identified that circa 100 vehicles do less than 100 miles per day, with the objective to introduce electric vehicles to cover shorter journeys within the business
- Keltbray has started trials with supply chain partners and Imperial College, London to test alternative fuels, which can reduce emissions by as much as 90% in off-road vehicles
- A trial of battery powered equipment has been undertaken which seeks to replace fuel powered construction tools and small equipment
- All light and heavy vehicles and excavators are fitted with telematics helping save 65,000 litres of fuel in 2020

3

BIODIVERSITY

Keltbray seeks to understand, avoid and respond to any potential impacts its operational activities may have on biodiversity and sensitive ecosystem areas. Our projects and operations aim to minimise our impact on the environment to the greatest extent possible. We also look for opportunities where we operate to make a positive contribution to conservation and to support local society through initiatives such as volunteering, to support community-based environmental improvement projects.

The biodiversity of a site is assessed when impact assessments are conducted for any new major project or expansions to existing operations. We carefully consider the potential environmental impact of our activities and how local communities may be affected before, during and after operations.

Before we commence works in sensitive environments, biodiversity action plans are developed. This helps us to identify and minimise any impacts during planning, operations and at decommissioning. Measures are taken to restore habitats or ecosystems that are close to our operations and our standards are designed in line with relevant environmental standards.

OVERVIEW STRATEGIC REPORT GOVERNANCE REPORT FINANCE REPORT

4

WASTE REDUCTION AND THE CIRCULAR ECONOMY

Resource efficiency, reduction in usage and circular use of materials, alongside minimising waste generation, all directly influence operational efficiency and reduced environmental impact, particularly climate change.

Since reporting on key sustainability performance indicators, Keltbray has an overall target for reduction of waste, aiming to achieve zero hazardous waste to landfill. In the FY2020, non-hazardous waste that went to landfill across the Group declined from 0.63% to 0.29%, with projects going even further in an aim to send zero hazardous waste to landfill, maximising reuse or recycling for circular economy purposes.

Our main sources of non-hazardous waste include soil from excavations and drill cuttings (materials removed from the ground during piling such as rock and soil) followed by concrete and hardcore. Where possible, these wastes are prioritised for reuse for ground engineering purposes on site, negating the need to source new materials through the supply chain and minimising energy/ fuel usage. Some hazardous waste streams, such as process water from our demolition and decommissioning activities, are treated on-site, or removed for special treatment and safe disposal.

Currently achieving

99.7%

diversion of non-hazardous waste from landfill, and aiming for 100%

- Digitalisation of waste process – rolling out of Electronic Waste Transfer Note (E-WTN) platform E-FORMs to 15 projects last year:
  - Issuing of waste documentation, automated reporting and link to COINS
  - Saved 29,500 sheets of paper (3.5 oaks trees equivalent), improved efficiencies for administration/traffic marshalling/haulage and automatic waste reporting – saving estimated administration 450 days of time and £40k over the past year
- Engaged with CIRCUIT EU funded R&D for opportunities in application of circular economy, new and innovative solutions for demolition waste

5

WATER PRESERVATION

We are taking steps to manage our use of water responsibly – including looking for beneficial ways to recycle and reuse this valuable resource. Few natural resources are as essential in life as fresh water. We drink it, wash in it, grow food with it and use it in industry. Demand for water is set to increase as the world's population rises and economies around the world continue to develop. For these reasons, it is imperative we take steps to reduce our fresh water consumption. This includes looking for innovative ways to reuse and recycle this valuable resource.

As a specialist engineering and project delivery business, Keltbray has a considerable impact on water use, both during the construction phases, and the end use of the built environment and infrastructure assets we deliver. We are therefore constantly seeking new ways to reduce the use of fresh water by substituting grey water as an alternative, increasing availability for local communities.

We design and operate our fixed facilities to help reduce their fresh water use, using the latest technology to help us improve water efficiency.

6

SUPPLY CHAIN AND RESPONSIBLE SOURCING

The engineering and construction industry is dominated by heavily populated, complex supply chain networks. Keltbray's own supply chain consists of suppliers of goods, materials and equipment, together with a variety of service providers including professional services firms like design consultants, and specialist subcontractors to deliver work on project sites.

A secure supply of high-quality construction materials and related products and equipment is essential to ensuring the long-term sustainability of our business. Our responsible sourcing approach plays a key role toward achieving this, with a significant focus on procuring key construction materials from certified sustainable sources. It helps us to know where our materials come from and how they are produced, and to address environmental and social issues such as climate change, deforestation, human rights, and animal welfare. Through responsible sourcing practices, we can have a positive social and environmental impact on the communities where we work.

Responsible sourcing requires transparent and collaborative engagement with our suppliers. We expect all our raw material suppliers to conform to our specified requirements. It is therefore important that Keltbray's ethical standards and code of conduct extend to the supply chain to ensure they are adhering to our policies and we are meeting our sustainable procurement targets. Keltbray works with circa 1,400 fully vetted vendors across the Group, which requires that business processes are robust to uphold laws and regulations, as well as our own business standards.

Driving transformational change requires collaborative, industry-wide and multi-stakeholder engagement, to share expertise and learning and scale up what works. We therefore actively participate in several industry associations to further our vision to redefine the way sustainable development is delivered.

15,500m³

of timber from sustainable sources

181,500m³

of non-timber key construction materials, 70% from recycled and certified sustainable sources

Keltbray offer Earth Friendly Concrete as a standard product for all temporary works

Two Green Apple Awards for Environmental Best Practice won for Ferrybridge Power Station and 40 Leadenhall projects

Case study 1

Trial of vegetable oil-based biofuel for excavators

Keltbray has been testing Green D+ Biofuel, a Hydrogenated Vegetable oil (HVO) which can cut carbon dioxide equivalent emissions by 90%. The fuel is used in generators, and is now being trialled to assess whether it can reduce the impact from construction plant operations.

The trial consists of running two identical Caterpillar 25 tonne machines, one on standard red EN590 diesel and one on Green D+ fuel. Ongoing analysis will be carried out remotely using the machines own telematics as well as downloads from the machines on-board logging systems. To reduce carbon emissions further, the fuel is stored on site in bowsers with telematics that communicate with the supplier to indicate when the tanks need topping up. This in turn reduces the frequency of fuel deliveries to site.

To assist the UK Government's goal to achieve net zero, Keltbray believes Green D+ fuel could provide an immediate solution to reduce carbon emissions in the construction industry until new technologies come onto the market.

Social Value review

At Keltbray, social value is created when our people and businesses make a conscious and concerted effort, and where effect of their actions generates social change by contributing to the long-term wellbeing and resilience of individuals, the company and wider society.

Keltbray's business model means we take direct responsibility for delivering on our promises to consult, improve and leave a positive legacy in the communities in which we work. Through our skills and communities team, we develop and deliver tailored local community development programmes through a partnership approach, working extremely hard to ensure that the communities benefit from the Built Environment and Infrastructure solutions we deliver, not only during the construction phase but also throughout their operational life.

1

SAFETY, HEALTH & WELLBEING

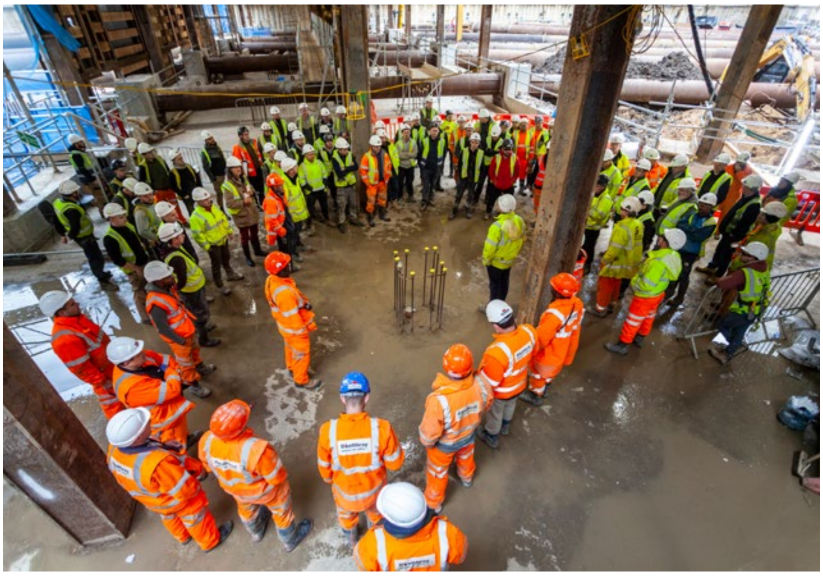
Keltbray's primary focus, above all others, is to maintain a safe environment and healthy working conditions for all employees and supply chain partners wherever they are working. However, we believe our obligations extend further than just safety, and includes responsibility for people's health and wellbeing. To this end, we have created an inclusive culture where everyone has the ability to thrive and contribute to our sustained growth and success. This focused approach manifests itself in our new Group Health, Safety and Wellbeing Strategy, summarily captured by:

Promote Health, Prevent Harm.

Highly engaged and informed people drive health and safety improvement. As part of our people development activities, Keltbray's health, safety and wellbeing training and educational programmes are both interpersonal and/ or technical based. In 2020, Keltbray developed and implemented the Safety, Health and Environment Leadership Team (SHELT) framework to develop our safety performance through the inclusion of our operational teams, focusing on two-way communications and empowering leadership at all levels.

The Strategic SHELT, with the support of the Tactical SHELT, undertakes a continuous review of health and safety performance, identifying trends, innovations and opportunities, setting a clear plan of focussed activities. This approach corresponds to the Decent Work element of UN Sustainable Goal 8.

Keltbray self-delivers occupational health for its people through its in-house occupational health and wellbeing practice – KML. This not only provides the capability to promote health, but also the capability to respond in an agile and effective manner. This approach has proved an invaluable



asset during our management of the COVID-19 outbreak, offering physical and mental wellbeing to support our people.

Our Health, safety and wellbeing performance determines our viability as a business – it is a pre-requisite of our ability to grow and develop the business and constitutes our licence to operate. Keltbray measures performance using a series of metrics, including leading and lagging indicators.

One of our leading indicators is the number of leadership safety audits to promote a clear, visible, engaged safety leadership approach under the terms of reference of the Strategic SHELT. Despite the restrictions imposed by the COVID-19 pandemic, 1,041 visits took place during the year, at an average of 86 per month, demonstrating the focus placed on safety performance by our Executive.

At the Group aggregate level, Keltbray experienced seven Reportable Injury Accidents during the review year, down from 17 in the previous year, equating to an annual reduction of 61%.

Under The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR), revised in 2013, Lost Time Incident Frequency Rate or LTIFR is an industry standard 'leading' measure defined as the number of lost time injuries that take place every million hours worked.

Given the markedly different working practices and processes employed by our Built Environment and Infrastructure businesses, we do not aggregate LITFR at the Group level, and instead report these divisions separately to give a 'true' safety performance for the Group's specific operational delivery approaches.

Built Environment
LTIFR improved

39%

to 0.22 (FY19: 0.36)

Infrastructure
LTIFR improved

63%

to 0.13 (FY19: 0.35)

Since the year-end it is with extreme sadness that we have had to report the death of our colleague, Bob McArthur, following a workplace incident on a Scottish Power Energy Networks site near Edinburgh. We are working closely with the authorities to determine the cause and ensure lessons are learnt from this fatal incident.

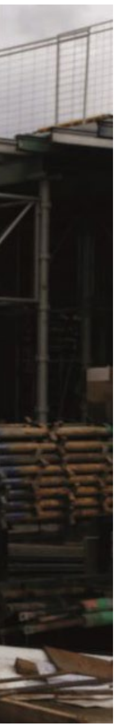
Quality education

Attracting, developing and retaining talented people is central to Keltbray's long-term prosperity. We must create a working environment where our people can thrive by having consistently good days at work. Therefore, we continue to prioritise this as a strategic objective and drive positive progress. Recent employee surveys undertaken specifically to track employee engagement through the COVID-19 period have confirmed that they believe the Group takes its 'Duty of Care' with regard to employee welfare incredibly seriously. Important advantages for Keltbray are that it has a strongly embedded set of values that inculcate everything it does, many professional development opportunities across a range of different businesses, customers and sectors, and a strong purpose – all factors increasingly sought and highly valued by potential and current employees.

Externally focused Learning often involves direct contact with local community agencies, schools and social enterprises, as well as hard-to-reach social groups, to offer routes into formal training, self-improvement and curriculum activities. These include employability workshops, training frameworks, STEM ambassadors, bespoke training for customers and socially disadvantaged groups, including ex-offenders.

103
professionally certified or chartered professionals employed by Keltbray

122
employees on full-time training internships, apprenticeships and graduate development programmes



CITB approved training organisation

Keltbray Training delivers a variety of construction training courses, which are designed to place emphasis on practical strategies for real working environments to a defined and industry-agreed training standard

Energy and Utility Skills Register approved provider

Keltbray is an approved provider for the Level 3 Trailblazer overhead line apprenticeships. This enables us to bring new recruits into the business through an industry-recognised apprenticeship, while upskilling and multi-skilling our existing workforce

NVQ Centre

Keltbray is a fully accredited NVQ Centre covering over 60 qualifications from Level 2 to Level 7 supporting the construction industry's aim of a fully qualified workforce

CITB Site Safety Plus Centre

Site Safety Plus (SSP) provides the construction industry with a suite of courses to enhance career development helping to maintain a safe workforce

National Demolition Training Group (NDTG)

Keltbray is a NDTG-approved centre to deliver training specific to the demolition industry

NPORS

Keltbray Training is accredited by the National Plant Operators Scheme to deliver training and carrying out testing on a range of construction plant, small tools and other health and safety related activities

Railway safety critical training

Accredited to deliver Track Safety and Engineering courses, our team of professional trainers and assessors has a wealth of knowledge in all aspects of railway engineering to help deliver a high quality learning experience to our learners

UKATA

Keltbray is approved by the United Kingdom Asbestos Training Association (UKATA) to deliver Asbestos Awareness (Category A). Asbestos awareness training is required to be given to employees whose work could foreseeably expose them to asbestos

JAUPT Driver CPC Centre

Keltbray is an approved provider of Driver CPC allowing us to ensure full compliance of not only our own fleet drivers but also our subcontractors

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Social Value review cont.

2

DECENT WORK

Our operational culture is driven by a comprehensive behavioural engagement programme of training and development modules entitled: Operational Effectiveness Strategy – 'smart thinking, delivered'.

This transformation agenda is aligning behaviours and providing clarity on important issues such as safety management, skills competency and role accountability, while providing our people with relevant information to be more effective in their roles, and to seek their views on matters of common concern through their representatives and through line managers. Priority is given to ensuring that employees are aware of significant matters affecting the Group's safety performance, issues of inclusion and diversity, and wider standards of ethical business conduct.

Our Policies and practices are aligned with the Group's purpose and values, in particular we are progressing with the development of a single Code of Conduct. The Code is being designed to hold in one place the business ethics we hold, and how we are to behave, and over time will empower employees, customers, suppliers and other stakeholders to raise any issues or concerns, either directly or anonymously. This is a key element as we continue on our strategic growth journey.

The exchange of views with leadership is facilitated through targeted employee surveys Like 'Good days at Work', leadership briefings, the intranet, team away days, and site stand-downs. Directors also visit project sites on a regular basis. This engagement has assisted in the creation of employee value for the workforce in a number of ways, including the addition of relevant employee benefits, availability of Mental Health Champions, initiatives driven by the Strategic and Tactical SHELTs, and the creation of the Inclusion Committee.

We also publish a Gender Pay Gap Report annually. This report outlines the outcome of our gender pay analysis for our UK employees as of April 2020 and our areas of focus in relation to equality, diversity and inclusion within our business to ensure a level playing field for all. Although we acknowledge we still have a great deal of work to do to improve in this area, we have a determination to reduce our gender pay gap and the effect it has on our colleagues over time.

We continued to develop our strategic training and development programmes to help shield the Group from the growing skills shortage in the industry. Our sustainable approach covers entry-level trade apprenticeships through to graduate development, management training, and leadership enhancement, alongside accredited technical and professional development courses to ensure our trade skills remain at the forefront of the industry.

26

dedicated in-house professional training providers

44,000

hours of skills and development training delivered during FY2020

3

SUPPORTING LOCAL COMMUNITIES

Community Engagement is generally community-focussed and helps Keltbray to get to know, and ultimately bring benefit to, its project neighbours and local businesses. This comes in the form of 'meet the buyer' events, school engagements for safety and careers, employer forums including job fairs, Curriculum Vitae (CV) workshops and local mentoring. This can also include neighbourhood and stakeholder engagement to reduce environmental impact.

Support is offered locally to ensure the impact of our works on the neighbours and local businesses is positive, and goes beyond compliance with contractual terms to leave a sustainable legacy, based on the principle that we take every opportunity to leave a community in better shape – socially, environmentally and economically – than when we arrived in it. We drive this approach through dedicated community liaison teams who possess the relevant local and project knowledge to formulate and implement a bespoke programme of social value initiatives. This approach is underpinned by formal tracking and reporting systems to manage our relationships.

Our projects are designed and engineered with people in mind, both at Keltbray and in the community. This comes in many forms and requires a bespoke approach to traffic management, localised economic interfaces and community partnerships. Ultimately, we aim to improve communities through the quality and effectiveness of the engineering solutions we deliver in the physical environment.

During the year in review, our social sustainability programmes helped achieve the following:

30

local people employed and sustained on our projects including those redeployed due to COVID-19

119

hours of curriculum support activities organised to promote STEM learning and construction as a career option

133

hours delivering and participating in Community Investment events

130+

volunteering days facilitated for employees in their local communities

2,368

people engaged through our outreach work, including students and community stakeholders

£50,000

donated to worthy charitable causes, including the Teenage Cancer Trust – our selected corporate charity partner, through the Keltbray Foundation

58

people working towards their apprenticeships supported, including 12 new apprentices taken on during the year, and broadening our scheme to include two new apprenticeship standards across key disciplines

There are five key goals generally covered in any Keltbray Social Value project liaison plan:

Jobs
Promote local skills and employment

To promote growth and development opportunities for all within a community and ensure that they have access to opportunities to develop new skills and gain meaningful employment

Growth
Supporting growth of responsible regional business

To provide local businesses with the skills to compete and the opportunity to work as part of public sector and big business supply chain

Social
Healthier, safer and more resilient communities

To build stronger and deeper relationships with the voluntary and social enterprise sectors whilst continuing to engage and empower citizens

Environment
Decarbonising and safeguarding our world

To ensure the places where people live and work are cleaner and greener, to promote sustainable procurement and secure the long-term future of our planet

Innovation
Promoting social innovation

To promote new ideas and find innovative solutions to existing community issues and problems

Economic review

Keltbray contributes to the economy and society both directly and indirectly, through the taxes it contributes, the jobs it creates, the local people it upskills, the resources it procures, the local business opportunities it generates and the education and community health initiatives it supports.

The people we employ, taxes they and we pay, and money that we spend with suppliers represent our most significant positive contribution to the UK economy and the local communities that host us. The majority of this expenditure is in urban areas, and the multiplier effect means that our total economic contribution extends far beyond the value that we add directly. In the FY2020, by way of example, we contributed the following economic value:

£243.0m

spent through the construction supply chain

£100.5m

paid to our PAYE employees through wages, pensions and related expenditure

1

ECONOMIC GROWTH

Keltbray's five-year strategy is predicated on creating sustained growth that benefits our customers, the company, our supply chain partners and the communities where we go to work. Primarily, by being successful, we deliver economic growth through:

- Procurement of products and services
- Provision of valuable employment, in highly skilled and technical professions and trades through our self-delivery model, generating national income tax, contributions to the public purse and increased consumer spending
- Improved industry skills and employability allowing a greater societal contribution by our people
- Corporation taxes and levies we pay as a large, private enterprise
- The built environment and infrastructure we build, which drives economic growth and development across all sectors of the economy

Our customers and wider society face increasingly complex challenges, which are driving greater demand for Keltbray's expertise in delivering functional, cost-effective solutions through its integrated self-delivery model. Customers are seeking sustainable solutions that go beyond our contractual commitments, and help improve society for the long term. We see this as a powerful opportunity to deliver new, more resilient and low carbon solutions that help customers achieve their own sustainability goals. Reciprocally, this also reduces Keltbray's carbon footprint and makes us a more attractive business partner, enhancing our growth prospects.

Underpinning this approach is the Group's commitment to continuous improvement through consistent project level feedback across the project portfolio. Routine, formal and informal engagement with customers facilitates process improvements across all areas of the company from the contract win through all phases to project handover.

Strategic supplier partnerships are supported through carefully planned and co-ordinated communications. These highlight how partnerships bring benefits to the delivery of projects and drive innovation throughout the industry.

2

BUSINESS INTEGRITY

Keltbray's developing new Code of Conduct is based on the Group's purpose and values, and sets the minimum standard of behaviour expected of our people, and how Keltbray conducts its business. Approved in principle by the Main Board, it seeks to define, in one source, Keltbray's commitments in the workplace, the marketplace and to wider society. It covers important topics like Health and safety, anti-bribery and corruption, data security, conflicts of interest, and drugs and alcohol usage.

All employees, as well as subcontractors and agencies working on Keltbray's behalf, will be required to uphold the ethical principles and responsibilities outlined in the Code at all times – nobody is exempt.

3

INDUSTRY, INNOVATIONS AND INFRASTRUCTURE

Innovative methods, materials and technologies are becoming increasingly important tools for meeting the social, environmental and economic challenges faced by the construction sector. The industry is pushed by public and private sector customers to transform outdated models of delivery using greater systems integration and process efficiency to drive up productivity and reduce waste of all forms. At Keltbray, we are pushing the boundaries in all three areas of Project Delivery, Product Development, and Process Optimisation. A wide range of initiatives has led to large Qualifying Expenditure in the HMRC Research and Development Tax Credit with expenditure of £19.3m deemed applicable for the scheme in the last analysed year (2019).

We are increasing the use of Building Information Modelling (BIM) technologies that are supported through Augmented and Mixed Reality applications, implemented by Keltbray Extended Reality (KXR), drones and other forms of automation to improve critical construction process efficiencies.

Key to our approach is the Innovation Steering Group, a group-level forum of individuals with diversified skills who are tasked with capitalising on the expertise, cross-sector innovations, research and development, and best practices that are being developed and implemented across the company.

We acknowledge that complex development challenges can only be tackled in close collaboration with key suppliers and leading technology, academic, and industry partners. This forum directly supports the achievement of our core purpose – to redefine the way sustainable development is delivered. The following two initiatives exemplify the market leading outcomes of our innovation workstreams.

It is our firm belief that our commitment to meaningful investment in research and development is also starting to reap benefits in terms of improving and advancing the products and services, we are able to offer our customers, as evidenced by the following innovation case studies:

3.1 Earth Friendly Concrete

During the year, Keltbray became the first major engineering and construction company in the UK to offer customers Earth Friendly Concrete (EFC) in its market leading temporary works solutions. Through its in-house design consultancy Wentworth House Partnership (WHP), winner of the Consulting Firm of the Year award at the 2019 Ground Engineering Awards and winner of the BCIA temporary works initiative 2020, Keltbray tested and proved the applications of Wagners EFC®, alongside other low carbon concrete mixes, across a diverse range of project types.

The success of this initiative in achieving proof of concept led to the decision to make EFC a core service offering on all WHP's customers' temporary works projects and is now being deployed in permanent works within our piling services.

EFC has all the performance characteristics of Portland cement-based traditional concrete but uses a geopolymer binder system made from the chemical activation of two industrial waste by-products – blast furnace slag (waste from iron production) and fly ash (waste from coal fired power generation). This alternative eco-friendly binder technology reduces the carbon emissions associated with normal Portland cement and has a much lower embodied energy.

Importantly, the engineering and construction properties of this environmentally friendly concrete are as good, and in some areas better, than normal concrete. Significant performance advantages include improved durability, lower shrinkage, earlier strength gain, higher flexural tensile strength and increased fire resistance.

3.2 HIPER Pile®

Hollow, monitored piles can be re-used and are capable of incorporating essential additional services. This ground-breaking development work, funded through the Innovate UK – Transforming Construction challenge programme with project values of £1.1m, delivers new, world leading integrated foundation systems by meeting a range of significant short, mid and long term sustainability objectives.

A consortium led by Keltbray's Piling business has reimagined the way we look at deep foundations. In collaboration with Converge, DB Group and City, University of London with Arup as peer reviewer, we are turning passive, static piles that only load bear, into hollow and Impression Piles® that offer greater value to a building throughout its lifecycle.

HIPER Pile® uses a hollow and impression enhanced pile design and lightweight cement-free concrete to provide the same shaft-bearing capacity with fewer piles or narrower piles. HIPER® Energy Piles significantly outperform existing comparable solutions while balancing on-off peak demands. The pile incorporates smart technology to monitor performance and the void can be used to integrate renewable energy technologies. With up to 80% reduction in materials and emissions possible, and greater on-site productivity, HIPER Pile® helps achieve embedded carbon reduction and circular economy aims / Construction 2025 objectives.

The project is set to deliver unprecedented efficiencies with up to 40% increase in shaft friction reducing the overall pile length, an increase of over 60% in thermal conductivity resulting in highly efficient heat transfer, 50-70% material savings from hollow and impression enhanced construction modes, and over 80% in carbon reduction using ultra-low carbon concrete.

It will offer a range of possible functions at building and district levels coupled with an extended use as water collector, thermal heat sink, and inter-seasonal storage. The pile reuse at end of the building lifecycle is optional, or to install new deep bores. It fully considers Whole Life Cycle assessment performance and cost targets compared to the typical construction only valuation.

Keltbray has three patents pending for novel HIPER Pile® technologies.

4

BUSINESS INTEGRITY

Keltbray is a recognised industry innovator and takes its role in supporting the transformation of the wider construction industry very seriously. In support of our role as an industry change agent, we are active members on a number of governmental and industry bodies that are challenging and changing the reputation of the construction industry, as a sector known for operational excellence and innovation.

Some examples of our industry participation include:

UK Cabinet Office –
The Construction Playbook

Construction Innovation Hub / CECA / ACE –
Recoding the DNA

ICE –
Project 13

Build UK –
Industry Leadership

Construction Leadership Council

High Speed Rail Group

Railway Industry Association

Keltbray

Section 172 statement

ACTIVITIES OF THE MAIN BOARD IN 2020

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, Section 172 requires a director to have regard, among other matters, to the:

1. likely consequences of any decisions in the long term
2. interests of the company's employees
3. need to foster the company's business relationships with suppliers, customers and others
4. impact of the company's operations on the community and environment
5. desirability of the company maintaining a reputation for high standards of business conduct
6. need to act fairly as between members of the company

In discharging our Section 172 duties, we have regard to the factors set out above. We also have regard to other factors that we consider relevant to the decision being made by providing guidance on the following areas:

- Purpose and leadership
- Board composition
- Director responsibilities
- Opportunity and risk
- Succession and remuneration
- Stakeholders

We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, and values together with its strategic priorities and having a clear governance process in place for decision-making, we do however, aim to make sure that our decisions are consistent and predictable.

As is normal for large private companies, we delegate authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. We regularly review health, safety and environmental matters, financial and operational performance as well as other areas over the course of the financial year including the Company's business strategy, key risks, employee-related matters, diversity and inclusivity, corporate responsibility, governance, compliance and legal matters.

As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our Section 172 duty to promote the success of the company.

The following tables provide examples of how the Directors have satisfied their duty under Section 172 of the Companies Act 2006 to engage with our stakeholders in 2020.

Duty to promote the success of the Company, with regard to:

The likely consequences of any decision in the long term

The interests of the Company's employees

The need to foster the Company's business relationships with suppliers, customers and others

The impact of the Company's operations on the community and the environment

The desirability of the Company maintaining a reputation for high standards of business conduct

The need to act fairly as between members of the Company

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Governance report

Governance report

The Keltbray Group is committed to achieving corporate governance standards and sustainable business practices that meet the highest levels of integrity and scrutiny for a privately owned enterprise. This is why we are early adopters of The Wates Corporate Governance Principles for Large, Private Companies. We believe this is the best way of providing a strong framework within which to benchmark our corporate governance activities in our pursuit of resilient long-term growth and success.

Doing the right thing is integral to the Main Board's objective to sustain a corporate culture aligned with our Group values, drive a level of organisational effectiveness commensurate with the achievement of the Group's purpose and vision – To redefine the way sustainable development is delivered – while at all times upholding the highest standards of business ethics and conduct across all the Group's stakeholder groups.

This approach is encompassed in the Group's Code of Conduct, which provides more granular guidance on a range of standards, including the UK Bribery Act and Modern Slavery Act. The Code of Conduct is available on the company's website: **www.keltbray.com**

ACHIEVING BEST PRACTICE IN PRIVATE COMPANY GOVERNANCE

The framework is reviewed annually to ensure that the committee structure and delegations of authority continue to meet the needs of the business and provide the Main Board and Group senior management with the necessary oversight of Keltbray's business affairs. During the year, the Governance structure was refreshed in line with The Wates Corporate Governance Principles for Large Private Companies, in order to align more closely with the Group's customer-centric strategy and five-year business plan, and to ensure Keltbray was an early adopter of best practice in private enterprise governance and reporting.

This review, entitled 'Project Engine', included the establishment of the Main Board and Executive Board as two separate, but highly interconnected governance forums, whose members meet at least twelve times a year. The principle behind the creation of this two-tier senior governance structure is to facilitate improved co-operation and co-ordination between executive management members and to create more informed challenge and effective decision-making, facilitated by high quality management information, with the aim of ensuring an approach that is much more "fleet of foot" in implementing strategy.

In addition, following the appointment of Phil Wilbraham and Ashley Muldoon as non-executive directors, the subcommittees of the Main Board – Risk; Audit; and Remuneration & Nominations – were reviewed and refreshed, recognising the broad scope of the development and execution of the business strategy. The current terms of reference of the Board and its various committees and subcommittees are set out on pages 60-64.

Governance principles

The company's governance framework applies the Wates Principles outlined in The Wates Corporate Governance Principles for Large Private Companies, published in December 2018.

The core activities of the Main Board and its subcommittees are planned and documented on an annual basis, and this constitutes the framework within which the Main Board and its subcommittees operate, spanning the entire Group.

The Main Board has clear terms of reference that follow the Wates principles and cover the following:

1

Purpose and leadership

Develop and promote the purpose of a company, and ensure that its values, strategy and culture align with that purpose

2

Board composition

The right balance of skills, backgrounds, experience and knowledge to make a valuable contribution

3

Director responsibilities

Clear understanding of directors' accountabilities and responsibilities in ensuring effective decision-making and independent challenge

4

Opportunity and risk

Promote the long term sustainable success of the company by identifying opportunities to create value, and establish oversight for the identification and mitigation of risk

5

Remuneration

Promote executive remuneration structures aligned to the long-term sustainable success of the company

6

Stakeholder relationships and engagement

Foster effective stakeholder relationships aligned to the company's purpose to inform effective decision making

A key function of Keltbray's corporate governance framework is the identification, management and mitigation of operational and financial risks.

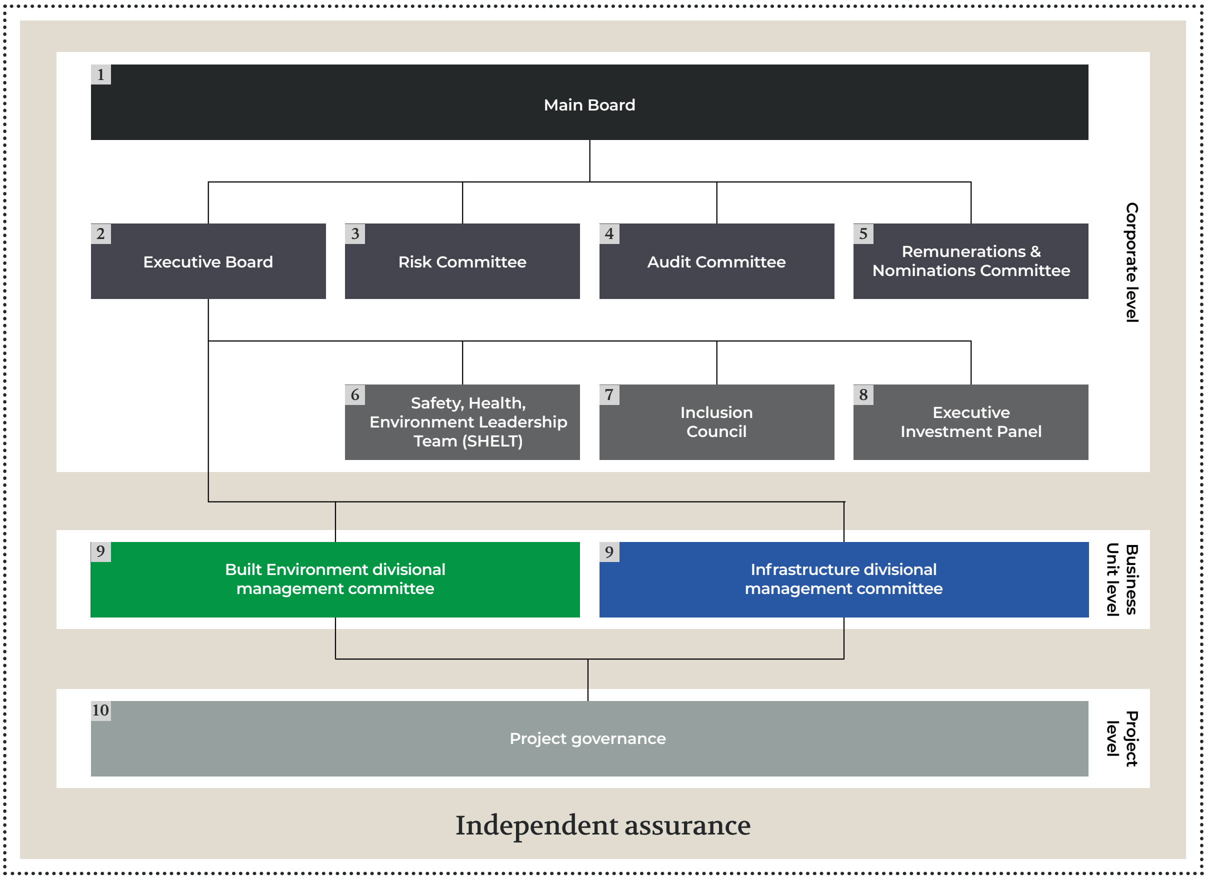
At every governance level, we ensure the necessary decision-making processes are functioning correctly, in line with developments in company laws, corporate governance and best practice.

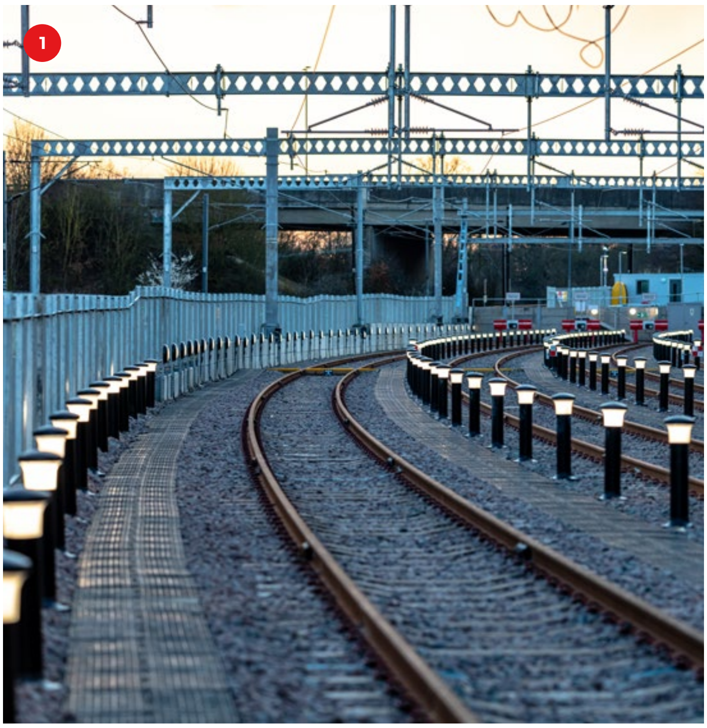
MAIN BOARD ATTENDANCE

Details of individual director's attendance at Main Board sessions in the 2020 Reporting Period are shown in the following table:

Name of Director	Maximum number of Main Board meetings Director could attend	Number of Main Board meetings Director attended	Percentage
Executive Chairman			
Brendan Kerr	12	12	100%
Executive Directors			
Darren James *(appointed 4 April 2020)*	7	7	100%
Vince Corrigan	12	12	100%
Peter Burnside	12	12	100%
Non-Executive Directors – independent			
Tony Douglas	12	12	100%
John Keehan	12	12	100%
Ashley Muldoon *(appointed November 2020)*	n/a	n/a	n/a
Phil Wilbraham *(appointed November 2020)*	n/a	n/a	n/a

Governance framework





1. Norwich Victoria sidings project
2. A KXR digital table-top model
3. Nova East project, London Victoria

1

MAIN BOARD

The Main Board determines the strategic direction of the Group and allocation of necessary resources to ensure the implementation of the Group's strategy. It retains oversight of operations through regular reports by the Group Chief Executive Officer and his direct reports. It has overall responsibility for the management of risk and reviews the effectiveness of internal controls and risk management procedures at Group level through reports by the Risk Committee Chairman.

Certain key decisions are the preserve of the Main Board, and are identified in a schedule of reserved matters for its prior approval. These include changes to the Group's capital structure; approval of material mergers, acquisitions and disposals; significant investments, capital expenditure, and debt facilities. Authority for the day-to-day running of the Group is delegated to the Executive Board.

The Main Board is responsible for ensuring that the Group's accounts give a true and fair view of the business using suitable accounting standards and judgements and determining whether the Group is a going concern. It also has responsibility for approving the Annual Strategic Report and ensuring compliance with UK company law (where the company is registered) and other applicable legislation.

The Board is composed of directors providing an appropriate balance of skills, experience, independence and diverse backgrounds. In addition to Brendan Kerr, the current members of the Board are Tony Douglas, Phil Wilbraham, Ashley Muldoon, John Keehan, Darren James, Vince Corrigan and Peter Burnside. Their biographies can be found on pages 67-69.

The Board acknowledges a relative lack of diversity in its membership, which is a common challenge across the engineering and construction industry, and one it has a determination about tackling. During the course of 2020, the Board approved the establishment of a new Inclusion Council chaired by the Group CEO, and Diversity Statement as part of its new Code of Conduct. Keltbray will continue its aspiration to increase diversity across the business.

Main duties:

- Strategy stress-testing and ratification
- Approving Group strategy and business plan, including EBIT targets
- Operational performance oversight
- Overseeing the Group's succession planning
- Overseeing the Group's corporate governance and compliance arrangements
- Reviewing Executive Board performance and effectiveness
- Drive and promote diversity and inclusion

2

EXECUTIVE BOARD

The Executive Board is responsible to the Main Board for the day-to-day management of the Group's operations and creating sustainable stakeholder value through the management of the customer service divisions – Built Environment and Infrastructure. Its role includes recommending to the Main Board the Group's overall business strategy and driving its implementation, driving the Group's people strategy, driving safety and sustainability performance across the Group, reviewing and monitoring the performance of management, and setting, and ensuring compliance with, the Group's internal controls and risk management procedures. The members of the Executive Board are set out on pages 70-71.

The Executive Board has further delegated authority to a series of subcommittees, which focus on particular Group-wide matters.

Main duties

- Implementing Group strategy
- Driving operational performance in line with business plan targets
- Recommending to the Main Board for approval, material acquisitions and disposals, material contracts and bids, major capital expenditure projects and budgets
- Recommending the Group's code of conduct and corporate policies to the Main Board for approval
- Providing overall health, safety and wellbeing leadership
- Sustainability strategy execution

3

RISK COMMITTEE

The Group operates a Risk Committee, as a subcommittee of the Main Board, to ensure that inherent and emerging risks are identified and managed in a timely manner and at an appropriate level. The Committee reviews the organisation's response to specific areas of risk and approves standards and processes where control weaknesses are considered to exist.

To support the Committee's work and to enhance the cohesion of the Group's risk management approach, including the cascade of Group-wide messages and lessons learnt, business unit commercial leads and function heads attend meetings on a rotational basis to discuss their respective risk management and mitigation plans.

Main duties

- Review and advise regarding the strategic risk management at the Group level and ensure there is a framework for risk management in the business units
- Identify, assess and advise the management of and monitor risks to the Keltbray Group of companies. Pay specific attention to:
  - Strategic level risks – focus on those risks which have the potential to deliver a strategic impact on the efficacy of the Group
- Review controls, management responsibilities and resources to manage the risks arising from the strategic plans and objectives
- Oversee and advise the Main Board on the current risk exposures of the Group and make recommendations for the future risk strategy
- Develop and refine appropriate reporting mechanisms for the Group Executive Board in order to:
  - Raise awareness of risk management
  - Enable the Main Board to focus on the key potential threats and opportunities at the strategic level
  - Communicate those risks which sit across the divisions and business units within the Group
  - Develop a risk management culture and vision which is communicated across the business

4

AUDIT COMMITTEE

The Audit Committee is a subcommittee of the Main Board and provides independent assurance to the Main and Executive Boards regarding the management of the Group's affairs and oversees the Group's financial reporting, capital management and internal controls. It also provides a formal reporting link with the external auditors, BDO.

Main duties

- Monitoring the integrity of the financial statements and formal communications relating to the Group's financial performance
- Reviewing significant financial reporting issues and accounting policies and disclosures in financial reports
- Reviewing the effectiveness of the Group's internal control procedures and financial management systems
- Considering how the Group's internal audit requirements shall be satisfied and making recommendations to the Main Board

- Making recommendations to the Main Board on the appointment or reappointment of the Group's external auditors

5

REMUNERATION AND NOMINATIONS COMMITTEE

A subcommittee of the Main Board, this forum's primary objective is to set remuneration at a level that will enhance the Group's resources by attracting, retaining and motivating quality senior management who can deliver the Group's strategic ambitions within a framework that is aligned with the majority shareholder's interests. The Committee firmly believes that the best people on the right remuneration, with an emphasis on a balanced performance-related pay structure, strengthens the Group's ability to face challenges emanating from economic and market change, and to deliver sustained growth for all stakeholders.

The secondary objective is to ensure that the Main Board remains balanced and effective, that succession plans are in place, and that its structure, composition and skills remain aligned to the Group's strategic objectives. The Committee's primary objective, when necessary, is to identify and evaluate candidates for future appointments and, in doing so, it takes advice from independent external recruitment consultants.

Main duties

- To endorse for approval by the Main Board all Main Board, Executive Board and Senior Leadership Team (SLT) appointments and associated remuneration packages
- To endorse all profit share payments for approval by the Main Board
- To assist the Main Board in ensuring that the Main Board and Executive Board retain an appropriate structure, size and balance of skills to support the strategic objectives and values of the Group
- To make recommendations to the Main Board on Group wide reward and benefit frameworks
- To oversee the succession planning process for all Main Board, Executive Board and Senior Leadership Team positions

6

SAFETY, HEALTH, ENVIRONMENT LEADERSHIP TEAM (SHELT)

A subcommittee of the Executive Board, this forum ensures risks and opportunities associated with health, safety, wellbeing and sustainability are given the highest priority within the Group. It also directly supports the delivery of business strategy through the management of sustainable development issues covering social, economic and environmental matters.

Main duties

- Reviewing the development of policies and guidelines for managing safety and sustainable development issues
- Reviewing the implementation of these policies and guidelines and measuring the performance of the Group across these areas
- Monitoring and acting on reports covering matters relating to significant safety and sustainable development risks and liabilities
- Monitoring incidents, including key impacts and mitigation actions and, where appropriate, ensuring these are communicated Group-wide
- Oversight of the work of its Health and Wellbeing subcommittee
- Considering domestic and international regulatory and technical developments affecting safety and sustainable development management

7

INCLUSION COUNCIL

A subcommittee of the Executive Board, the Inclusion Council is chaired by the Group Chief Executive, with members drawn from the extended leadership team and relevant functional disciplines. The main purpose of the committee is to lead the formulation and endorsement of the Group's people and organisation inclusion agenda, and ensure total alignment with Group business strategy.

Main duties

- Setting guidelines for the types of skills, capability and diversity of human capital necessary to achieve the Group's strategic goals
- Ensuring the human resources function works with management to carry out regular reviews of talent diversity and integrity of recruitment, reward and succession plans
- Managing the necessary investment in development and education activities, including development programmes and education networks, to meet current and future inclusive talent requirements
- Overseeing the Group's recruitment and resource mobilisation plans to meet operational inclusion and diversity demands at all levels in the Group
- Establishing and developing the Group's general policy on employee equality and diversity

- Considering legal and regulatory developments in equality and diversity affecting people management
- Developing and maintaining effective people management systems and processes

8

EXECUTIVE INVESTMENT PANEL

A subcommittee of the Executive Board, it is chaired by the Managing Director of Group Strategic Development and Environmental Services, and is responsible for investment policy decisions. It oversees the commercial prioritisation and capital allocation for strategic work-winning opportunities, development of public sector framework opportunities, and the Group's broader capital allocation programme for sanction by the Executive Board and Main Board. Investment funding for acquisition, disposal, partnering and joint venturing transactions, and related commercial decisions are also overseen by this committee.

Main duties

- Managing 'permission to bid' gateway for Group strategic bids
- Proposing the Group's investment strategy to the Executive Board and monitoring the implementation of the investment policy and procedures
- Monitoring compliance with legislation, rules and regulations affecting the Group's investment activities
- Considering and recommending to the Executive Board for approval the appointment of external investment advisers, including agreeing remuneration, approving engagement terms, and monitoring performance
- Considering all investment and divestment proposals

9

BUILT ENVIRONMENT / INFRASTRUCTURE DIVISIONAL MANAGEMENT COMMITTEES

These division-level management committees have primary accountability for the day-to-day management of business and project operations across the key customer sectors within agreed limits set by the Executive Board. Members are drawn from senior management in our Built Environment and Infrastructure businesses and key supporting functions. The committees are also responsible for driving the implementation of health, safety, wellbeing and sustainable development policies and monitoring the performance of related activities.

Main duties

- Coordinating the implementation of the relevant sector strategies and customer plans, and monitoring performance
- Driving operational performance to ensure the right people are in the right place, doing the rights things at the right time to meet pre-determined performance targets
- Coordinating the division's budget and business plan process
- Allocating capital across the division within Main Board and Executive Board approved limits
- Coordinating the development and implementation of divisional policies, processes and standards
- Maximising divisional alignment, including practices, resources and procurement
- Driving cross pollination of operational efficiencies and learnings as appropriate across the two divisions
- Driving senior talent management and development (in liaison with the Main and Executive Boards, the Inclusion Council and the Group people strategy)

10

PROJECT GOVERNANCE

Project delivery reviews are governed by the standardised processes and practices of Keltbray's Business Management System (BMS) – a systematic approach to risk management and quality assurance in the set-up and delivery stages of all projects, whatever their scale and complexity. Through Keltbray's approved business quality management system, the project Leadership teams ensure project activities are performed in line with commercial targets, legislation, regulations, codes of practice and the requirements of specific quality management assurance accreditations relative to the project. Continual improvement is achieved through the implementation of business objectives, audits, data analysis, corrective and preventive actions and management

Effectiveness

All Directors are advised regularly of likely time commitments and are asked to seek approval from the Board if they wish to take on additional external appointments. The ability of individual Directors to allocate sufficient time to the discharge of their responsibilities is considered as part of the directors' annual performance review process overseen by the Executive Chairman. Any issues concerning the Chairman's time commitments are dealt with by the Main Board.

An induction programme is agreed with all new directors aimed at ensuring that they are quickly able to develop an understanding and awareness of the company's governance structure and core processes, its people and businesses. In addition to the above, as part of the induction process, new directors will typically visit the Group's principal operations in order to meet employees and gain an understanding of the Group's projects and services.

Ongoing training and development is provided for individual directors as required. Directors are supplied with mobile tablet-based information in a timely manner that is in a form and of a quality appropriate to enable them to discharge their duties. In the normal course of business, such information is provided in a regular report to the Main Board that includes information on operational matters, strategic developments, reports on the performance of Group operations, financial performance relative to the business plan, business development, corporate responsibility and customer/ stakeholder relations.

Independent assurance and accreditation

Keltbray is independently audited to ensure governance and compliance against internal, ISO and industry standards through alignment with the Considerate Constructors and Local Authority Considerate Contractor schemes.

This governance structure ensures that in addition to a sound financial performance, Keltbray operates safely, ethically, sustainably and responsibly, with qualified professionals in all areas of the business.

The Group acknowledges responsibility to the Modern Slavery Act 2015 within its business and supply chain. Our Company Directors and senior management take responsibility for implementing this policy, as well as providing adequate resources and investment to ensure that slavery and human trafficking are not taking place within the organisation or our supply chain. A copy of our Modern Slavery and Human Trafficking policy can be viewed on our website: **www.keltbray.com**

Board leadership

The Keltbray Main and Executive Boards are comprised of 17 members, all of whom possess the necessary experience and expertise to deliver our strategic priorities, while upholding the highest standards of business conduct.

MAIN BOARD

The Main Board comprises the Executive Chairman; Chief Executive Officer; Group Finance Director; Chief Operating Officer and four Independent Non-Executive Directors. Its primary responsibility is to promote the long-term success of Keltbray by creating and delivering sustainable value.

The Main Board seeks to achieve this in part by being clear about the company's vision and purpose, and ensuring that its values, strategy and culture align with and fully support that purpose.

Main Board

1 BRENDAN KERR

EXECUTIVE CHAIRMAN

Committee membership 1, 5

Brendan contributes to Keltbray significant leadership, customer relationship building and private company governance experience across the specialist engineering and construction sectors.

Brendan joined Keltbray in 1989 and became sole equity owner and Chief Executive in 2003, expanding the service portfolio through business development and acquisition into a +£500m revenue business by 2019. Keltbray's success has been built on Brendan's focus on business development, innovation and technical leadership, commitment to health and safety, and consideration for quality and the environment. His focus on customer service and bespoke solutions has established long-term repeat business customer relationships.

Current external appointments

- Chairman of Build UK
- Honorary Fellow of RICS

2 TONY DOUGLAS

NON-EXECUTIVE CHAIRMAN

Committee membership 1, 5

Tony joined the Keltbray Group Board as a Non-executive director in 2010, and was appointed Non-executive Chairman in 2015.

Tony is currently Chief Executive Officer of Etihad Aviation Group. He has nearly 20 years of international leadership experience in transportation, infrastructure, and government sectors. He joined Etihad Aviation Group in 2018 from the UK's Ministry of Defence, where he served as CEO of the Defence Equipment and Support department, responsible for procuring and supporting all the equipment and services for the British Armed Forces, managing a budget of US$20 billion a year. Previously, he held senior leadership positions in the UAE, most notably as CEO of Abu Dhabi Airports Company and Abu Dhabi Ports Company, where he was responsible for the successful delivery of Khalifa Port.

In the UK, he held senior positions with airport operator British Airports Authority (BAA), and Chief Operating Officer and Group Chief Executive designate of Laing O'Rourke. His roles under BAA included Managing Director of Heathrow Terminal 5 project, Group Supply Chain Director, Group Technical Director, and CEO of Heathrow Airport.

Current external appointments

- Chief Executive Officer, Etihad Aviation Group

3 PHIL WILBRAHAM

NON-EXECUTIVE DIRECTOR
BSc, CEng, MICE, MIHT

Committee membership 1, 3, 4

Phil Wilbraham has spent his career in major programme and project leadership, design management and civil engineering design, latterly specialising in airport development. He has delivered complex private and public sector programmes from strategy stage, through design, to construction and operation. Over the last ten years, he has demonstrated strong leadership delivering mega projects at Heathrow Airport: he led the Expansion (third runway) Programme; the Terminal 2 Programme; and was integral to the success of the Terminal 5 Programme.

External appointments

- Trustee of the Building Research Establishment
- Non-Executive Director of Epsom and St Helier NHS Trust

GOVERNANCE COMMITTEE

1. THE MAIN BOARD
2. THE EXECUTIVE BOARD
3. THE RISK COMMITTEE
4. THE AUDIT COMMITTEE
5. THE REMUNERATION AND NOMINATIONS COMMITTEE
6. SAFETY, HEALTH, ENVIRONMENT LEADERSHIP TEAM (SHELT)
7. THE INCLUSION COUNCIL
8. EXECUTIVE INVESTMENT PANEL
9. DIVISIONAL MANAGEMENT COMMITTEE

Main Board cont.

4 ASHLEY MULDOON

NON-EXECUTIVE DIRECTOR

Committee membership 1

Ashley is the Chief Operating Officer of Global Switch, the leading owner, operator and developer of large-scale network dense, carrier and cloud neutral multi-tenanted data centres in Europe and Asia-Pacific.

Prior to joining Global Switch, Ashley was CEO of Multiplex, a global construction business, where he was responsible for overseeing Multiplex's UK, Middle East and Canadian portfolios. He has over 27 years of experience delivering outstanding high quality projects within the construction industry.

External appointments

- Chief Operating Officer, Global Switch
- Trustee for The Chickenshed Theatre Foundation
- Development Board member of the Willow Foundation

5 JOHN KEEHAN

NON-EXECUTIVE DIRECTOR

Committee membership 1, 3, 4

John has over 30 years' experience in the construction industry, holding senior roles within Skanska and latterly, Keltbray. John joined Keltbray in 2005 when the business had achieved annual revenues of circa £40.0m. He has been instrumental in the Group's corporate development through the introduction of new management controls and reporting, to ensure controlled organic growth. He has also overseen and supported the Group's diversification strategy, playing a key role in accessing funding for a number of Group acquisitions.

6 DARREN JAMES

CHIEF EXECUTIVE OFFICER
BEng, CEng, FICE, FCIHT, FIoD

Committee membership 1, 2, 3, 4, 5, 6, 7, 8

Darren joined Keltbray as Chief Executive Officer in March 2020. Previously he worked for Costain Group PLC for over 30 years, most recently as Group Chief Operating Officer. He has a wealth of experience in leading high profile programmes for both public and private sector customers, often in highly regulated infrastructure sectors, both in the UK and internationally.

A civil engineering graduate of the University of Surrey, Darren joined Costain as an industrial placement student progressing through the organisation to the executive board. He has held a number of senior positions with significant profit and loss responsibility, including Managing Director of the £1 billion turnover Infrastructure division, and an executive director for 12 years.

External appointments

- Board member of The Port of London Authority
- Director of the Rail Industry Association

GOVERNANCE COMMITTEE

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8. EXECUTIVE INVESTMENT PANEL
9. DIVISIONAL MANAGEMENT COMMITTEE

7 VINCE CORRIGAN

CHIEF OPERATING OFFICER

Committee membership 1, 2, 3, 4, 6, 8, 9

Vince joined Keltbray as a Group Board Director in 2015 with executive responsibility for commercial management and strategic development of Keltbray. He had previously spent over 30 years at Sir Robert McAlpine Ltd as a Main Board Director for the latter nine years, combined with operational responsibility for its London and South East delivery business from 2008. He was promoted to the role of Keltbray's Chief Operating Officer in November 2019.

Vince has extensive experience in the development and delivery of a number of the UK's largest schemes in both the public and private sectors. Highlights include The Jubilee Line Extension, New Colchester Garrison, Arsenal's Emirates Stadium, London 2012 Olympic Stadium, ExCel Docklands, The London 02 Arena and the new Bullring in central Birmingham.

8 PETER BURNSIDE

CHIEF FINANCIAL OFFICER
FCAI

Committee membership 1, 2, 3, 4, 5, 8

Peter began his accounting career at KPMG, before moving to BDO (then Stoy Hayward) where he spent the next 28 years. During that time, he held the positions of Head of Tax and later Managing Partner of the Northern Ireland firm, where he worked on a number of large corporate finance transactions and tax assignments for both local and international groups.

While at the company, Peter was introduced to Keltbray, and worked as an external advisor to the Group and its shareholder for 12 years, prior to joining full time as Chief Financial Officer in February 2018.

Executive Board

The Executive Board is comprised of 12 senior leaders, all of whom are experts in their professional field. Collectively they are responsible for the management of the Group under the leadership of the Chief Executive Officer. This includes formulating strategy proposals for Main Board approval and ensuring that the agreed business plans are implemented in a timely, safe and effective manner.

TIM BOWEN
MANAGING DIRECTOR, STRATEGIC DEVELOPMENT AND ENVIRONMENTAL SERVICES

Committee membership 2, 6, 8, 9

MARTIN BROWN
MANAGING DIRECTOR, RAIL

Committee membership 2, 6, 8, 9

PETER BURNSIDE
CHIEF FINANCIAL OFFICER
FCAI

Committee membership 1, 2, 3, 4, 5, 8

VINCE CORRIGAN
CHIEF OPERATING OFFICER

Committee membership 1, 2, 3, 4, 6, 8, 9

PAUL DEACY
MANAGING DIRECTOR, DEMOLITION AND CIVILS

Committee membership 2, 6, 8, 9

KYLA FARMER
GROUP PEOPLE DIRECTOR

Committee membership 2, 5, 7, 8

GOVERNANCE COMMITTEE

1. THE MAIN BOARD
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7. THE INCLUSION COUNCIL
8. EXECUTIVE INVESTMENT PANEL
9. DIVISIONAL MANAGEMENT COMMITTEE


7

DARREN JAMES
CHIEF EXECUTIVE OFFICER

Committee membership 1, 2, 3, 4, 5, 6, 7, 8


8

MICHAEL O'HAGAN
MANAGING DIRECTOR, BUILT ENVIRONMENT SERVICES

Committee membership 2, 6, 8, 9


9

JOHN PRICE
MANAGING DIRECTOR, HIGH SPEED RAIL

Committee membership 2, 6, 8, 9


10

PHILL PRICE
MANAGING DIRECTOR, INFRASTRUCTURE

Committee membership 2, 3, 4, 6, 8, 9


11

MIKE SNEE
MANAGING DIRECTOR, ENERGY AND RENEWABLES

Committee membership 2, 6, 8, 9


12

PETER SUCHY
GROUP COMMERCIAL DIRECTOR

Committee membership 2, 3, 4, 8

Governance review

The Main Board operates a forward agenda of standing items appropriate to the Group's operating and reporting cycles. Items requiring Main Board approval or endorsement are defined clearly. Other items are for monitoring or reviewing progress against strategic priorities, risk management or the adequacy of internal controls.

GOVERNANCE PRINCIPLES

1

Purpose and leadership

As a specialist engineering and construction group, Keltbray has a clear purpose – To redefine the way sustainable development is delivered. The Group is actively developing a culture based on fulfilling this purpose through compliance with our core values.

This purpose is clear, powerful, and relevant to the business challenges of today and tomorrow, and forms a compelling guide to the overall strategic goals of the Group and how they will be achieved.

The Group's Strategy for sustained growth – '**Unleashing our Potential**' is driven by leadership focus on innovation and self-delivery excellence. Engineering expertise, coupled with adoption of new technologies and equipment, and a progressive people strategy develops talent, attracts the very best people available externally and improves the safety and overall wellbeing of all those who are affected by our business activities. This focus allows the Group to create a clear and sustainable competitive advantage in the demanding markets in which the business operates.

The Board acknowledges the importance of engagement and dialogue with its employees and key stakeholders. If the purpose and strategy are to be achieved, they must be communicated to employees, and this is achieved through periodic CEO conversations with employee groups, supported by regular updates on the Group's Intranet. Where safe and practical during COVID, members of the Main and Executive Boards have visited projects in order to explain the strategic agenda to all concerned.

The Board sets and leads behaviours and culture to support the delivery of the strategy. In October 2020, the Board approved the introduction of a new single Code of Conduct, which sets out behaviours acceptable to Keltbray. The Code of Conduct defines Keltbray's commitment to operating at all times in accordance with ethical standards and the behaviours that are expected of employees, supply chain partners and other stakeholders.

ACTIONS TAKEN

- Approved the strategy: **'Unleashing our Potential'**: to promote profitable, sustainable growth by cross-selling more integrated services to core customers and targeting this existing expertise into adjacent sectors
- Approved the Group Strategic Report and Financial Statements Reports 2019
- Set the Group's 2021 budget and five-year business plan
- Approved the Group's Corporate Purpose and reviewed and endorsed Group values
- Approved the new Group Code of Conduct concept and the annual statements on the Group's policies on anti-slavery and human trafficking, anti-bribery and corruption and the Group's tax strategy, which can all be found on the Group's website **www.keltbray.com**

2

Board composition

Keltbray has appointed a number of Independent Non-Executive Directors to the Main Board. They bring experience from different perspectives and challenge from outside the sectors in which the business operates.

The Main Board is chaired by Tony Douglas, Independent Non-Executive Director, as Non-Executive Chairman of the Group. The Main Board further comprises the Chief Executive Officer, Chief Operating Officer, Group Finance Director and three further Independent Non-Executive Directors.

The size and composition of the Board is considered to be appropriate for a business of this size and complexity, as well as bringing the necessary skills and experience to fulfil the Board's responsibilities.

The Board operates through a number of executive committees the structure of which can be found on pages 60-64. The Risk, Audit and Remuneration and Nominations Committees are all chaired by Non-Executive Directors in order to ensure independent challenge and influence across the broad range of issues for which these Committees are responsible.

Board members have equal voting rights when making decisions. The specific modus operandi of the Board is set out in the Company's Articles of Association, a copy of which can be requested from the Group General Counsel or UK Companies House.

The Group is confident that the Board has the right skills and experience to discharge its duties effectively. The Board calendar includes regular visits to major projects and directors are free to request such information as they may wish on any aspect of the Group's operations. Formal training for Main and Executive Board Directors is currently being developed as part of the Group's clear commitment to professional development at every level of the organisation. The Executive Chairman and Chief Executive Officer undertake a programme of discussion and evaluation with each member of the Main and Executive Boards respectively outside the forum of formal meetings.

This evaluation includes a focus upon succession, which is under regular review both at Board and operational level and is of particular relevance to the strategy implementation over the next three year budget period. The Group will also be implementing an Executive Development Programme, with specialist coaching designed to identify and address development goals.

ACTIONS TAKEN

- Appointment of two new non-executive directors to Main Board to add experience from different perspectives, strengthen decision-making and introduce more independent challenge
- Completed a statutory review of the Keltbray company structure, to streamline the organisation and better support Group strategy
- Formally established Main and Executive Board forums with agreed Terms of Reference
- Refreshed the Group Risk and Audit Committees Terms of Reference
- Received regular reports from the Chairs of the Audit, Risk, Safety and Sustainability Committees on activities and recommendations of the Committees
- Established new Remuneration and Nominations Committee, whose terms of reference include a focus on succession planning

3

Director responsibilities

During the financial year, the Main Board reviewed, revised and approved a new Group Governance Framework as part of its early adoption of the Wates Corporate Governance Principles for large, private companies. This sets out the responsibilities, accountability and obligations of Board members, the collective main and executive Boards and their subcommittees. The aim is to provide a clear understanding of roles and responsibilities, linking to purpose, values, Code of Conduct, policies and procedures as well as delegations of authority, supporting effective decision-making and independent challenge, in turn delivering long-term value to the Group and to stakeholders.

The Main Board delegates day-to-day management of the Group to the Executive Board and the Built Environment and Infrastructure Management Committees report directly into this forum. The Main Board further delegates detailed and specific matters to the other Committees (see pages 60-64) whose role it is to consider specific issues of relevance to Group governance and to recommend a course of action to the Main or Executive Board depending on relevance.

Directors are aware of their statutory and ethical duties in relation to potential conflicts of interest which may compromise objective decision-making. If a perceived conflict of interest arises, the Main Board (or one of its subcommittees if appropriate) will manage the matter as appropriate.

At a subsidiary level, appointments to the boards of operating subsidiary companies are reviewed and aligned with membership of the Group's Executive Committees and our business unit and functional leadership structure. Business Unit Leaders are at the heart of operations, enabling direct engagement with the relevant business unit employees and other stakeholders, most important of whom are our customers.

Main and Executive Board and Subcommittee papers and supporting information must be timely, accurate, clear, comprehensive and up to date, with a clear accountabilities for any resulting action.

ACTIONS TAKEN

- Considered the allocation of capital to support the rolling five-year business plan
- Analysed detailed reports on the Group's operating and financial performance
- Received updates on progress against strategic programmes and tested the overall strategy against the delivery of the shareholder's long-term objectives
- Agreed acceptable levels of balance sheet resilience and liquidity required to support growth plans
- Reviewed the Group's forecast funding requirements, debt capacity and potential financing options that would enable achievement of the desired resilience targets
- Reviewed cash forecasts, cash management and status reports on the Group's investments
- Regularly reviewed key risks, together with the adequacy of mitigation controls
- Reviewed senior appointments, promotions and salary changes
- Delegation of Authority is in the process of being refreshed in order to ensure an entirely risk based approach for decision-making. This not only streamlines authorisations but also clarifies accountabilities

4

Opportunity and risk

The Main and Executive Boards, and the Risk Committee undertake a continuous assessment of risks affecting the Group's operations and has the necessary oversight for the identification and mitigation of risk, or promotion of opportunity. Further details of the management of key financial and operational risk set out on pages 88-93 under ' Summary of Principal Risks and Uncertainties.

Following review of the Group's corporate governance framework under Project Engine, regular reporting to the Main and Executive Boards across a range of compliance requirements and risks has been formalised through a refreshed Risk Committee structure, chaired by a non-executive director. The aim is to build on that momentum over the next year to review and identify where there may be further opportunities to strengthen the Group's management of risk.

Risk reporting at the operational business unit and project levels is guided by the Group's Quality assurance management system – The Keltbray Way. It is structured so that key risks can be escalated rapidly through the management team, and ultimately to the Board where necessary.

The individual businesses and projects are able to tailor and adapt standard risk management processes to suit the specific circumstances of their respective operating environments. The operational risk framework is outlined in greater detail on page 84.

ACTIONS TAKEN

- Developed and rapidly implemented COVID-secure smart working practices to ensure business continuity across the Group's operational delivery entities
- Reviewed and recommended remediation measures to mitigate the impact of Brexit on the Group's activities
- Reviewed and recommended improvements to the Group's behavioural safety governance and control framework to improve performance
- Assessed all project delivery commercial contracts and frameworks materially in excess of approved budgets

5

Remuneration

During the year The Remuneration and Nominations Committee was established, chaired by an Independent Non-Executive Director. The Committee has clearly defined terms of reference and its main function is to make recommendations to the Main Board considering the Group's remuneration structure and to align senior leadership remuneration to the long-term sustainable success of the Group. The Directors' remuneration is disclosed in note 10 to the financial statements.

The ability to attract and retain people to the business is of critical importance and is therefore included in the strategic objectives led by the Group Inclusion Counsel. The Group is confident that the recruitment programmes, pay bandings and salary review processes that are in place ensure equal pay for the same role.

The Group seeks to set fair and reasonable policies for remuneration both at senior level and at the project operational level. A primary responsibility of the Remuneration and Nominations Committee is the attracting, developing and retaining executive management of the quality required to run the business successfully.

In the financial year 2019/20, leadership salaries have not been reviewed. During the initial lockdown following the outbreak of COVID-19, the leadership population accepted pay reductions ranging from 20-50% to help safeguard the business during the resultant economic slowdown.

ACTIONS TAKEN

- Established the Remuneration and Nominations Committee and agreed clearly defined Terms of Reference
- Considered the continued personal development of the Executive Board, including senior management succession planning
- Implemented a review of the Group's remuneration of senior management incentive arrangements to ensure alignment with shareholder returns
- Considered the data and narrative relevant to the Group's Gender Pay Reporting and Payment Practices and Performance Reporting in preparation for external publication, including proposed improvement plans to enhance performance

6

Stakeholder relationships and engagement

The Board is clear that good governance and effective communication are essential to deliver our purpose and to protect the company's brand, reputation and relationships with all our stakeholders, including shareholders, customers, employees, suppliers and the local communities in which we work.

The Group communicates to its employees through presentations, internal group-wide emails and online newsletters, social media channels and blogs on our intranet. An annual employee 'Roadshow', delivered in a number of locations around the country, provides a briefing on the Company's performance, gives an update on strategy and allows individuals to raise questions and concerns. Due to the extraordinary circumstances created by the pandemic, this year's Roadshow did not take place, although engagement was achieved through the extensive use of Microsoft Teams conferencing facilities. Social media channels and the blogs on our Intranet, give our employees the opportunity to interact with members of the Main Board and senior management.

An annual employee engagement Survey will be introduced in 2020/21 in order to highlight areas of improvement in communication of the Group's purpose. The result of an all employee engagement survey will be a good barometer of the workforces confidence in the Group's strategic direction, optimism in the future and career opportunities.

The Group performs customer engagement interviews, and the findings are used to improve customer engagement with knowledge being shared across all of our business.

On all large contracts, the Group hosts local community events including 'Meet the Buyer' to engage with local stakeholders. The Group has also developed environmental and social value targets, as part of its Sustainability Strategy with respect to waste, energy and community engagement that are to be developed throughout 2021. The company's website (**www.keltbray.com**), intranet and social media channels provide up-to-date news and features on our activities.

ACTIONS TAKEN

- Held virtual CEO conversations with the top 100 leadership Grouping to discuss strategy and implementation
- Carried out a COVID-specific survey with all employees to determine effectiveness of new smart working practices, gauge levels of employee trust and engagement, and support a cycle of continuous improvement
- Analysed competitor behaviour, including the impact of potential supply chain 'ruptures' caused by company closures, and the resulting impact on the industry
- Continually considered the evolving economic, political, social and environmental conditions relative to the Group's operations
- Endorsed actions to promote the construction industry as part of a broader focus on Diversity and Inclusion
- Evaluated the short and long term trends in sustainability that would help to inform the wider business strategy and the Group's long term planning process
- Reviewed and endorsed the Group's charitable partners through The Keltbray Foundation

Finance report and accounts

Chief Financial Officer's review

GLOBAL PANDEMIC

It is impossible to consider the financial performance of the Keltbray Group in 2020 without understanding the impact on those results of the global COVID pandemic, which to date has resulted in three national lockdowns, varying localised restrictions on the movement of people, and significant loss of life and livelihood in the UK.

Immediately prior to the outbreak of the pandemic in the UK, the Main Board of Keltbray had concluded the quarter one reforecast for the financial year to 31 October 2020, which showed a modest improvement on the original budget for the year, which itself had forecast a profit before tax of approximately £12.0m. Therefore, when we reflect on a loss before tax of £9.4m, constituting the first significant loss in the history of Keltbray, it does indicate the extent to which a number of factors, principal of which was the COVID pandemic, impacted upon normal business operations.

During the midst of the global pandemic, it was easy to forget that we were also dealing with the fallout of a Brexit process, which went right down to the wire. We have and will continue to feel the effects of the Brexit Agreement on the UK economy, as the trading implications are yet to be fully worked out and understood in their practical implementation.

Against this backdrop of macroeconomic and social uncertainty, Keltbray maintained absolute focus on its key priorities – maintaining a strong cashflow and reducing costs. These key priorities make a significant contribution to the way we deliver greater certainty and value to all our stakeholders.

GROUP FINANCIAL PERFORMANCE

The Group delivered a resilient performance in the FY2020 reporting period, despite the impact of the global pandemic and the UK's exit from the European Union on construction sector customer confidence. Managed revenue decreased 24% to £428.6m, delivering an underlying profit (EBITDA) of £3.3m.

The loss before tax of £9.4m compares to a profit before tax of £10.5m in 2019.

The focus on cash management and disciplined cost control was rewarded by a strong cash performance, with closing cash in hand of £25.0m and a total of £20.0m of banking facilities unused, up £4.0m on the previous year.

In the context of the current market conditions, the strong cash balance and the positive EBITDA can be considered an acceptable outturn.

A major contributor to this performance was the Infrastructure Rail and Energy divisions which performed during the pandemic on a 'business as usual' basis, supporting the maintenance and development of the Nation's transport and energy networks, with Rail in particular exceeding its budgeted turnover by 10% as it supported Network Rail in a number of key safety upgrades.

The resilience of the Infrastructure divisions is an endorsement of the Group's diversification strategy to create a range of income drivers that are not impacted by the same economic pressures, which currently span the construction sector, the rail sector and now the energy sector. The differential performance of these sectors during the COVID pandemic is testament to the long-term validity of this decision.

The gross margin was down from 12.7% in 2019 to 9.3%. This margin erosion was in part caused by a need to pause sites to review the systems of working to allow front line colleagues to return to work in a way that was fully risk assessed, on a site-by-site basis, to respect social distancing and safe systems of working. These revised methods of working were developed internally, with support from industry bodies, in particular the Construction Leadership Council and Build UK. They ensure that all colleagues, both front line and office-based, were in a safe and COVID-secure working environment, which allowed them to return to work during the first national lockdown and to remain at work during successive lockdowns, both locally and nationally.

This process resulted in discrete costs associated with site demobilisation, reconfiguration, re-mobilisation and contract prolongation resulting from reduced productivity levels, whilst the new systems of working were embedded.

The deterioration in work volumes and associated revenue, combined with protracted contract schedules, has resulted in a reduced level of gross margin in 2020. The actual gross margin achieved in 2020 of £40.0m compares with budgeted gross margin of £69.0m.

As a response to the impact of the pandemic, the Main Board took decisive action to reduce Group overhead from £61.0m in 2019 to £49.0m after exceptional items, as ongoing cost efficiency measures helped re-size the overhead in line with the opportunity pipeline.

At the year-end 31 October 2020, the Group's balance sheet total stood at £32.1m, representing a solid capital base, positioning Keltbray firmly alongside its peer group in terms of balance sheet strength and resilience, and well within the level required by the Group's banking covenants.

During the period, the Group spent £12.3m on fixed asset additions, including a number of highly specialised plant for our built environment and energy businesses.

The Group's top 20 customers by revenue continue to be ranked amongst the most prestigious blue-chip public and private sector organisations. As a consequence our Debtor Days ratio remains low and our credit risk exposure is very low. These provide the liquidity levels allowing us to act responsibly in our payment terms with our supply chain, which we have improved during the financial year.

Having once been a small business enterprise, Keltbray supports prompt payments to suppliers and continually monitors its standard payments terms with its circa 1,400 vendors to support supply chain liquidity. As such we continue to support the UK Government's Construction Supply Chain Payment Charter which has been agreed by the Construction Leadership Council (CLC), the body set up to deliver the government's industrial strategy for construction.

GROSS MARGIN

As previously stated, gross margin, pre-exceptional items, reduced from 12.7% to 9.3% as a result of lower margin work across a number of the UK business units, due to a combination of market tightening and corresponding project delays. While the outlook in the UK economy is still uncertain and activity levels are subdued, market conditions remain challenging and pricing levels are very competitive.

A highly selective and rigorous approvals process continues to be applied to our pipeline of work in bid following the introduction of The Executive Investment Panel. Although this does put greater pressure on order book growth, we believe that this disciplined approach to opportunity tracking and work-winning will protect the Group in future years.

Alongside our core markets, we are also targeting growth in profitable adjacent sectors including highways, renewables, defence estates and residential-led mixed use, to drive more stable returns moving forward.

This will benefit the business by strategically rebalancing the project portfolio away from an over-reliance on the more cyclical, private building sectors, and towards longer term funding projects and frameworks in economic and social infrastructure. Our focus on generating diversified sources of revenue both from a sector and customer perspective further reinforces the diversification strategy and will help us return to a more profitable performance in 2021 and beyond, notwithstanding the pressures currently imposed on global capital markets by the ongoing pandemic.

NET AVAILABLE FUNDING

The Group ended the financial year with net available funding of £45.0m, which included a closing cash position of £25.0m and £20.0m in unused secured banking facilities. We believe this constitutes a resilient performance and indicates the underlying strength of our business activities and management processes.

Cash will continue to come under pressure over the next few years, however, through our customer and sector diversification strategy, disposal of non-core assets and right-sizing of our Group overhead, taken together these measures will help mitigate any negative impact on cash. As part of these measures, post year-end, the Group has secured an additional facility with Santander under the government CLBILS facility of £14.5m for a period of three years.

Our cash collection processes have improved during the period and are robust with strong average month-end cash balances.

ORDER BOOK

The Group order book reduced marginally to £224.0m at the year-end, reflecting the anticipated investment hesitancy and project delays. In volume of activity terms, we remain confident that the UK economy will recover strongly. We will continue to be extremely selective in our opportunity selection and tendering processes.

COST MANAGEMENT

Recognising that through acquisition and rapid expansion over the last five-year strategic period, the Group overhead has grown disproportionately to work volumes, we have continued with our priority to integrate support activities to achieve best-in-class cost efficiency.

We believe future investment spend can be more effectively targeted at high value-add activities, while reducing duplication and removing wasteful activities together with the associated cost of their resources. We remain confident that taken together these measures will deliver the targeted cost savings we are seeking and act as one of the main catalysts in the implementation of our next five-year business plan as we strive for industry-leading cost efficiency.

This clear focus on improving the efficiency of our operations and right-sizing our overheads has allowed us to retain the 2021 budgeted figure at close to the 2020 level as a result of the combined measures, including those we are taking to safeguard the business during COVID, are factored together. We will continue to review the overhead run-rate to ensure we meet our targets when market stability returns

TAXATION

The Group takes its social and economic citizenship responsibilities very seriously and pays the appropriate amount of tax due on its business activities. The Group's effective tax rate is materially offset by Keltbray's continuing investments in innovation.

PENSIONS

The Group operates a number of pension schemes with leading industry providers in the UK. These are defined contribution schemes and, as such, there are no outstanding pension liabilities.

INSURANCE

Insurance broking globally is consolidated with Marsh JLT Speciality and Clear Insurance Management, given their respective technical expertise in underwriting Directors' and Senior Officers' corporate liabilities, professional indemnity, property, fleet, heavy plant and commercial engineering-based projects, combined with their international market coverage.

During FY2020, the Group continued to experience low levels of claims. Our insurance profile closely tracks and correlates with our safety performance.

EXCEPTIONAL ITEMS

Total exceptional costs before tax of £8.7m have been recognised in the year. This reflects the payments which the Group have made under the job retention scheme, the income of which is shown under Other Operating Income and the redundancy costs associated with the cost control measures referred to above.

DIVIDEND

The Directors do not recommend the payment of a final dividend (2020: £nil), and there are no plans to reinstate a dividend payment for the current financial period.

FINANCE AND TREASURY

The Group maintains sufficient financial capacity to support its long-term contracting commitments and accommodate future economic and operational challenges. The quantum of the cash and committed credit lines to which the Group has access to satisfy the current and future funding requirements of the Group's business plan totalled £45.0m at the year-end.

This year-end position has been supplemented by a further £14.5m revolving credit facility, which has been agreed with Santander under the CLBILS scheme. The Group continues to review its credit support requirement and base of key financial stakeholders, including key banking relationships and surety bonding providers who support our long-term strategic growth agenda.

We will continue to ensure our treasury policy is appropriate for the scale, complexity and operating environment of our business. We will further develop our credit support capacity in line with the requirements of our Group strategy and the core sectors we are targeting, to ensure we are optimising the Group's cash position.

RISK AND ACCOUNTING POLICIES

The Group's risk management framework and processes have been further enhanced during the review period. The Board continuously assesses and monitors risks affecting the Group and the Chief Executive's statement, Director's report and risks and uncertainties section of this report include consideration of the relevant uncertainties affecting the business. Further details of how the Group has managed key strategic, financial, operational, reputational, people, regulatory and governance risks are set out on pages 88-93.

SUMMARY AND OUTLOOK

The Group has faced up to the prevailing social and economic challenges, while continuing to focus on its core business. Extensive senior management focus has been given to strategy development during the year, following the arrival of Darren James as Group CEO in March. Steps have been taken to strengthen the business through organisational streamlining, adoption of the Wates corporate governance principles for large private companies, and embedding a more robust internal control framework in project selection, safety and risk management and operational delivery.

By building internal capability in our Specialist businesses whilst continuing to invest in our proven service offering to clients, we remain confident that our growth plans are realistic and achievable.

Our 2021 forecast and the longer-term delivery of our '**Unleashing our Potential**' 2025 strategy is predicated on continuing to win sufficient opportunities within our pipeline, the continued implementation of our successful business model and project delivery excellence. Whilst the Board remains confident that its forecast and strategic plan can be delivered, it is still possible that they could be impacted by the ongoing macroeconomic uncertainties that exist.

Our Executive Board continues to review our capital structure and we will always consider more efficient options that are aligned to our operating model. At present we are satisfied that we have an appropriate structure, well balanced cash flows, acceptable risk exposure to the supply chain, and a good order book which we believe we can grow significantly over the next five-year business plan period. Taken together we are generating sufficient financial resources to meet today's requirements and fund future growth.

The Main Board remains confident in the resilience of the business and its leadership due to its proven track record against a challenging market backdrop. As a result, the Main Board has considered the Group's financial requirements, based on current commitments and its secured order book as well as the latest projections of future opportunities, against its banking and surety bonding arrangements and has concluded that Keltbray is well placed to manage its business risks and meet its revised financial targets, despite the continuing uncertainty.

Peter Burnside, FCAI
Chief Financial Officer

Group risk management framework

The effective management of risks and opportunities is fundamental to the delivery of the Group's strategic objectives, achievement of sustainable growth, protection and enhancement of its reputation, and upholding the required standards of corporate governance.

HOW KELTBRAY MANAGES RISK

The Group's structured approach to risk management is based on the principle of prevention through early identification. Detailed analysis and decisive action planning are carried out to remove or mitigate the potential for and impact of key risks before they actually occur. As risks and uncertainties do materialise, this structured approach also ensures actual issues are effectively dealt with.

The Main and Executive Board members, and business division senior leadership teams, are committed to the proactive protection and optimisation of Keltbray's assets, which include human, financial and strategic resources, through the consistent application of an effective risk management process, augmented where necessary by insurance. The Group is equally committed to the effective management of material operational risks, covering important non-financial and reputational risks arising in connection with health, safety and wellbeing, environmental impact and business conduct.

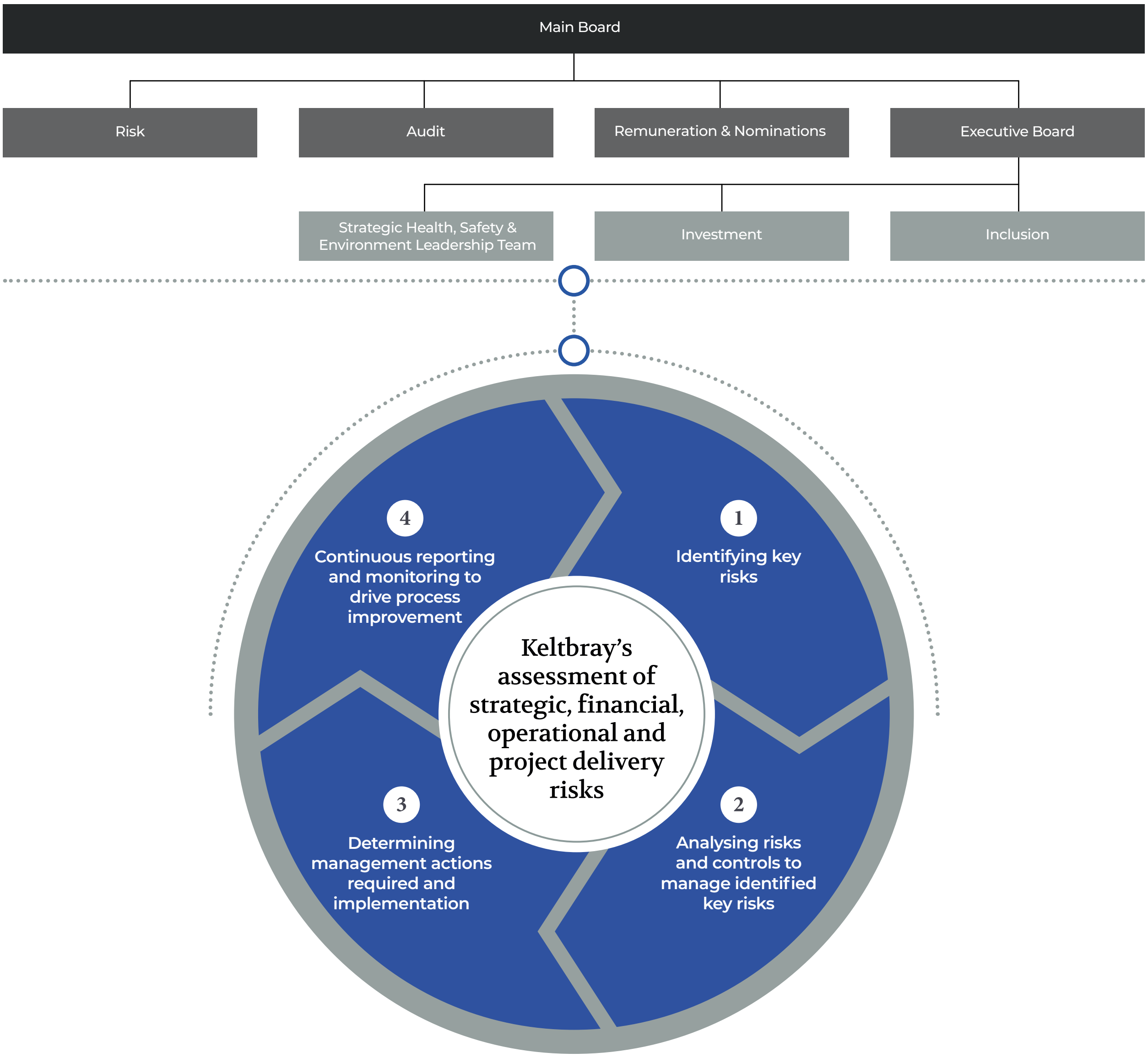
The Main Board has overall responsibility for ensuring that risk is managed effectively across the Group to guarantee full compliance with the legislative and regulatory requirements in the markets where it operates, and to ensure the Group's long-term sustainable business platform is not threatened or compromised. The Main Board delegates certain risk management activities to designated subcommittees, including the Risk Committee chaired by Phil Wilbraham.

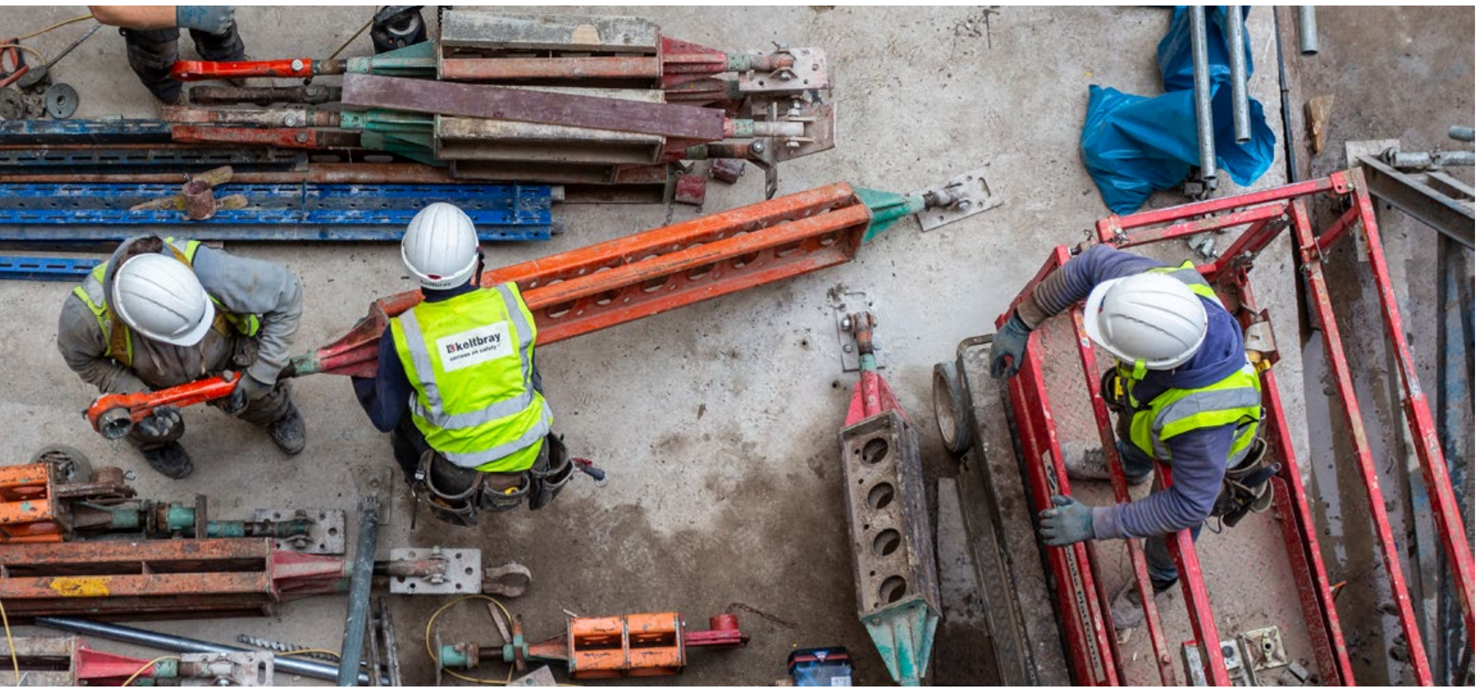
The Main Board considers Keltbray's internal control system to be effective and robust; and all identified risk elements are placed under continuous review and improvement.

The Risk Committee reviews the effectiveness of the Group's risk management systems and reports regularly to the Board on the key sources of risk, the monitoring of their status and the corresponding mitigation plans.

Risk reporting at the operational business unit level is structured so that key risks can be escalated rapidly through the management team, and ultimately to the Board where necessary. The individual businesses are able to tailor and adapt standard risk management processes to suit the specific circumstances of their respective operating environments.

Project risks are monitored and reported by our project leadership teams, which are reviewed by business unit operational management at scheduled contract review meetings. This process covers the financial and schedule performance of projects and is overseen by the commercial function.


Main Board
Risk
Audit
Remuneration & Nominations
Executive Board
Strategic Health, Safety & Environment Leadership Team
Investment
Inclusion
Keltbray's assessment of strategic, financial, operational and project delivery risks
1
Identifying key risks
2
Analysing risks and controls to manage identified key risks
3
Determining management actions required and implementation
4
Continuous reporting and monitoring to drive process improvement



Group risk management cont.

OPERATIONAL RISK MANAGEMENT

Business Code of Conduct

Keltbray believes laws and regulations act as our minimum integrity standards, and we constantly seek to go beyond this level. Our Code of Conduct articulates our approved set of ethical principles covering key business issues that we expect every employee and contracted supply chain partner to uphold in every activity, every day, wherever we operate.

By setting the expected minimum standards of business conduct in different areas of our work, the Code is integral to the way we do business at Keltbray and is underpinned by our Group purpose and values (see page 18). Compliance with the Code provides heightened assurance of our business affairs, which in turn supports the long-term sustainability of the Group by encouraging more ethical and effective relationships and stimulating deeper economic, social and environmental contributions where we work.

The Code applies across the entire Group and its development and application are the responsibility of the Main Board.

Group policies

Our Group policies underpin the Code of Conduct and are based on government laws and regulations as they impact upon Keltbray's business activities. The policies establish and define the internal rules that everyone must comply with to conduct business effectively.

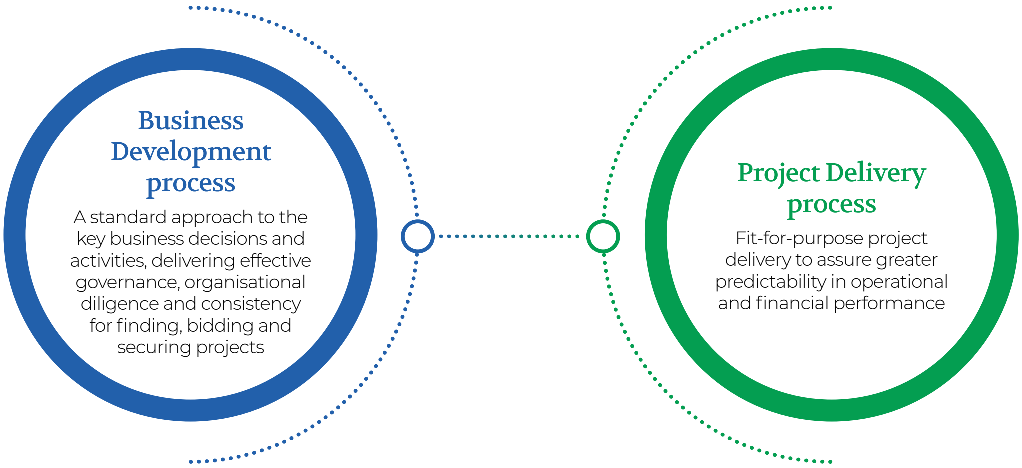
Business Management System – The 'one keltbray way'

Keltbray's Business Management System (BMS) is a set of standards and procedures that guide and direct Keltbray in identifying, securing and delivering projects. This proven quality assurance framework enables us to achieve maximum performance and control across the entire lifecycle of a project. The business management system is subject to continuous improvement to reflect the evolving organisation.

A frequent and formal feedback process is in place to capture key information to enable us continually to assimilate the best and most current ways of working.

Divisional / functional guidelines and procedures

Division- and function-specific guidelines ensure that the different operating hubs and their constituent parts can effectively adapt their business practices and processes to suit the markets and sectors in which they operate. They are designed to align with, and complement, Group policies and stem directly from Keltbray's Business Quality Management System (BQMS) – **the 'one keltbray way'**. In addition, they remain true to both the spirit and the letter of the Code of Conduct, and comply with applicable laws and regulations.

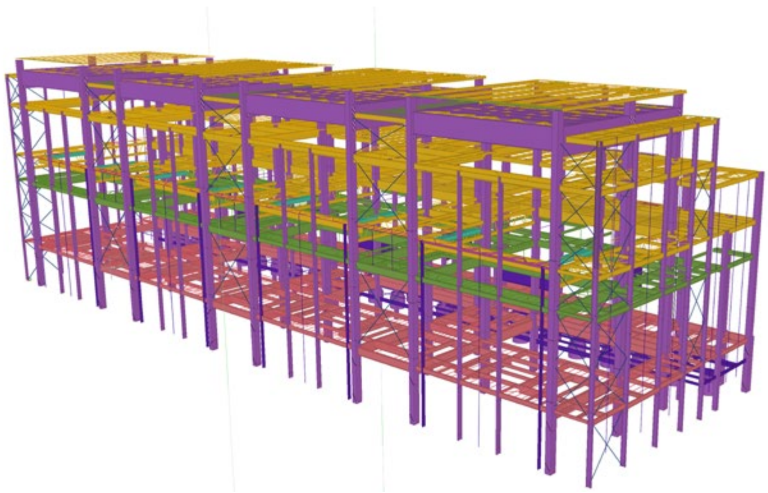


Business Development CRM system

- Opportunity pipeline tracking
- Sector strategies
- Key customer contact management
- Process gateway governance – permission to bid
- Customer satisfaction – net promoter score

BMS
The 'one keltbray way'

- Required minimum standards and skill-sets
- Best practice procedures functional toolkits
- Project controls, including quality assurance
- Continuous improvement
- Formal customer feedback process



Principal risks and uncertainties

The Keltbray Group's principal risks and uncertainties are identified over the following pages, together with a description of how we manage and mitigate them.

This list is not intended to be exhaustive, and some risks and uncertainties have not been included in this list on the basis that they are not considered to be material, to affect or be likely to affect businesses in general, or are not presently known by the Board and various subcommittees. However, we have established controls and systems in place to manage these risks.

Key

- ▲ Increase in risk during FY2020
- ◀▶ No change in risk during FY2020
- ▼ Decrease in risk during FY2020

HEALTH, SAFETY, WELLBEING AND SUSTAINABILITY ◀▶

Risk/impact

The nature of our activities present threats that could cause harm to employees, suppliers, customers, members of the public or the environment, which could lead to injuries, health implications, financial loss/ penalties or damage to the Group's reputation

Management

Health and safety is Keltbray's primary area of focus and mitigation occurs at every level of the Group's governance framework. Our 'Promote Health, Prevent Harm' strategy is an integrated programme designed to eradicate serious accidents by driving continuous improvement through our culture and leadership. Every project is subject to regular reviews and changes implemented where necessary.

The Safety, Health and Environment Leadership Team (SHELT) meets monthly to review policy against any industry changes and continue to develop a consistent approach to health, safety and environmental best practice. Our documented HSQE Management System, clearly details compulsory procedural, behavioural and training requirements, is implemented on every project and is continually reviewed and updated.

The Group's global sustainability strategy was ratified by the Executive Board during the year and will be embedded across all aspects of our operations. Further details can be found in Keltbray's 2020 Sustainable development review on pages 28-53.

ACTS OF FORCE MAJEURE ▲

Risk/impact

COVID-19 could have a significant financial and operational impact on our business

Management

The Group continually monitors and evolves its processes and practices in all areas of operation. The health, safety and wellbeing of all our people and stakeholders is and will always be our number one focus. We continue to follow Government guidance and operate only where it is safe to do so, in consultation with customers and relevant stakeholders. The Group immediately invoked a crisis management process to consider and mitigate the impact of the pandemic and the agility of our decision-making had a major effect on our ability to resume operationally earlier than initially planned in our Built Environment Division; as well as being able to continue largely uninterrupted in our Infrastructure Division particularly in the critical power and rail sectors.

During the year we appropriately and effectively responded to the escalating pandemic crisis, implementing a programme of COVID-safe working practices across all our project sites and fixed operations to ensure compliance with Government-issued guidance via the CLC. By prioritising the wellbeing of all our people and those who are directly impacted by our activities, and right-sizing our business operations as the effects of the pandemic became clearer in our core markets, we improved business resilience.

We continue to monitor developments in relation to this pandemic and the potential impact on our business activities.

Principal risks and uncertainties cont.

FUTURE TURNOVER/PROFITABILITY

Risk/impact

Market uncertainties could put pressure on the business to secure projects with inappropriate price/risk profiles or with onerous contractual arrangements, which could impact the Group's future profitability and its reputation

Management

Keltbray's strategic focus is on those market sectors where competitive advantage is maintained and have the most potential to generate profitable returns. The Group has diversified its product and service offering across different market sectors. Members of our senior leadership team participate in political, economic and regulatory forums to maintain effective working relationships with the government and regulatory authorities.

Our targeted approach to project selection is guided by a detailed set of protocols overseen by The Executive Investment Panel, a subcommittee of the executive board, which determines capital allocation against a strict set of financial and operational risk criteria. There are defined delegated authority levels for approving all tenders depending on the size and complexity of the project under consideration.

Our integrated self-delivery capability results in greater certainty of the construction programme, cost and risk profile pre-contract. Regular review meetings are held to check progress, understand the win strategy and test the contract risk profile providing recommendations where necessary.

PROJECT TENDERING / MARKET RISK

Risk/impact

Market uncertainties, exacerbated by the COVID-19 pandemic, and a degree of post-Brexit disruption, could put pressure on the business to secure projects with inappropriate price/risk profiles or with onerous contractual arrangements, which could impact the Group's future profitability and potentially its reputation

Management

Keltbray's strategic focus is on those market sectors where competitive advantage is maintained and have the most potential to generate profitable returns. The Group has diversified its product and service offering across different market sectors. Members of our senior leadership team participate in governmental, economic and regulatory forums to maintain effective working relationships with the government and regulatory authorities.

Our targeted approach to project selection is guided by a detailed set of protocols overseen by the Group's Enterprise Investment Panel (EIP), a subcommittee of the Executive Board, which determines capital allocation against a strict set of financial and operational risk criteria. There are defined delegated authority levels for approving all tenders depending on the size and complexity of the project under consideration.

Our integrated self-delivery capability results in greater certainty of the construction programme, cost and risk profile pre-contract. Regular review meetings are held to check progress, understand the win strategy and test the contract risk profile providing recommendations where necessary.

PROJECT DELIVERY

Risk/impact

The Group continues to deliver innovative, yet complex, construction and engineering projects across a range of sectors. Any inability to deliver on time, to budget and to the required quality could result in financial loss or reputational damage

Management

Once a project has gone through our rigorous work-winning and project selection as described above, Keltbray's approach is guided by our business management system to ensure a standardised approach to tendering and delivery based on robust project controls and a continuous improvement process.

Keltbray's integrated capabilities result in greater surety of delivery. Building Information Modelling (BIM) and digital engineering technologies are increasingly being deployed to achieve time and cost certainty through a full visualisation of the build sequence on strategic, multidisciplinary projects.

SUPPLY CHAIN AND JOINT VENTURE PARTNERS

Risk/impact

Non-delivery by our supply chain or joint venture partners – through poor performance, financial failure, or reduced capacity/capability – could impact the Group's ability to deliver projects on time, on budget and to the right quality, and result in financial loss or reputational damage

Management

Our integrated self-delivery capability allows the Group to actively work independently wherever possible reducing our reliance on third parties. Joint ventures are only established when the Group's interests are complementary to those of its partners. Keltbray undertakes a thorough evaluation process to determine the financial, operational and reputational integrity of potential partners before committing to any formal arrangement. Once established, implementation of robust governance procedures ensures compliance with all contractual terms and practices within the joint venture.

During the period, the business has centralised its procurement function with an emphasis on strategic procurement and has been undertaking a rationalisation of our supply chain to strengthen relationships with key supply chain partners, based on their financial viability ('going concern' status) and market access.

PEOPLE

Risk/impact

Inability to recruit, develop and retain appropriately skilled people could impact the Group's ability to meet current commitments, deliver projects and grow the business as planned

Management

People Development and talent management is a primary component of Keltbray's strategy, and is overseen by The Main and Executive Boards. The Group aims to be a progressive employer of choice and offers attractive reward packages, training and development, and a broad range of career opportunities. Succession planning is undertaken for all key roles. Innovative partnerships with universities and industry training bodies also helps position Keltbray as a destination employer, attracting leading talent from entry-level apprenticeships right through to seasoned industry professionals.

FINANCIAL (LIQUIDITY)

Risk/impact

Inability to secure funding – in the form of cash and/or bonding facilities – could impact the Group's ability to bid work, make investments or meet its ongoing liquidity needs, which could adversely impact profitability, cash flow and future growth. The unique circumstances of the COVID-19 pandemic caused interruption to the Construction Industry's normal flow

Management

Our experienced in-house financial management team takes a prudent approach to liquidity and constantly monitors and stress-tests cash reserves and available bank facilities to meet liabilities and financing needs as they fall due. Procedures are in place to monitor and forecast cash usage and other highly liquid current assets. This, together with committed credit facilities, ensures that we have adequate availability of cash when required. At year-end, the Group had cash and undrawn facilities of £45.0m.

The Group positively managed and limited the impact of its exposure to COVID-19, both from an operational delivery and financial stress perspective.

Principal risks and uncertainties cont.

POLITICAL, ECONOMIC & REGULATORY (INCLUDING BREXIT)

Risk/impact

Keltbray operates in a cyclical industry and changes in the economic environment, government policy and regulatory developments, including how the global economy recovers from the impacts of COVID-19, can have a significant impact on the number of new projects, thus affecting the Group's profitability

Management

The Group seeks to maintain a diverse portfolio of projects for both private and public customers and a broad exposure to a number of resilient sectors and geographic markets. Keltbray also maintains a focus on sustainable relationships with key customers, government departments and related regulatory authorities.

The Group is also actively rebalancing its portfolio of secured work by developing a more significant proportion of longer term contracting frameworks, as part of its forward order book; as well as focusing on customers and contracting mechanisms where partnerships and collaboration are valued as opposed to traditional, purely transactional arrangements.

Keltbray is closely monitoring potential impacts of the UK Government's exit from the EU, particularly with regard to the availability of labour and material resources. To date, there has been no adverse impact on our operational performance and we do not deliver services to any country in the EU.

CONDUCT, COMPLIANCE & REPUTATION

Risk/impact

Damage to the Group's reputation through poor conduct or acts of fraud, bribery, corruption or anticompetitive behaviour can all adversely impact corporate reputation and result in financial loss

Management

People Development and talent management is a primary component of Keltbray's strategy, and is overseen by The Main and Executive Boards. The Group aims to be a progressive employer of choice and offers attractive reward packages, training and development, and a broad range of career opportunities. Succession planning is undertaken for all key roles. Innovative partnerships with universities and industry training bodies also helps position Keltbray as a destination employer, attracting leading talent from entry-level apprenticeships right through to seasoned industry professionals.

SYSTEMS SECURITY AND DATA PROTECTION

Risk/impact

A loss of our key systems through a lack of resilience or an information security breach or attack, could impact the successful delivery of our projects and lead to a loss of confidential data, damaging our reputation and brand

Management

Robust controls and procedures are in place to monitor the performance of our systems and to identify and mitigate external threats. The Group is continually developing and upgrading its IT infrastructure, software and assessment capabilities. We continue to develop and enhance our data protection procedures in line with market regulations. The controls and procedures are subject to regular independent internal and external review.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Auditor's report and consolidated financial statements

KELTBRAY GROUP (HOLDINGS) LIMITED
Company No. 02810840
Year ended 31 October 2020

Contents	**Page**

Officers and Professional Advisors

THE BOARD OF DIRECTORS

B Kerr *(resigned 28 October 2020 and reappointed 1 November 2020)*

D James *(appointed 24 June 2020)*

J Keehan

V Corrigan

P J Burnside

J Price *(resigned 26 October 2020)*

P Suchy *(resigned 27 October 2020 and reappointed 08 January 2021)*

P Price *(resigned 25 October 2020)*

P Deacy *(resigned 24 October 2020)*

A Douglas *(resigned 25 October 2020 and reappointed 1 November 2020)*

REGISTERED OFFICE

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KT10 9TA

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Chartered accountants and
statutory auditor
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10 Callender Street
Belfast
BT1 5BN

BANKERS

Santander UK plc
2 Triton Square
Regent's Place
London
NW1 3AN

Directors' report

The directors present their report and the financial statements of the Group for the year ended 31 October 2020

Directors

The directors who served the company during the year were as follows:

B Kerr *(resigned 28 October 2020 and reappointed 1 November 2020)*

D James *(appointed 24 June 2020)*

J Keehan

V Corrigan

P J Burnside

J Price *(resigned 26 October 2020)*

P Suchy *(resigned 27 October 2020 and reappointed 08 January 2021)*

P Price *(resigned 25 October 2020)*

P Deacy *(resigned 24 October 2020)*

A Douglas *(resigned 25 October 2020 and reappointed 1 November 2020)*

DIVIDENDS

The directors are not recommending that a dividend be paid in respect of the financial year, other than to the holder of minority interests,

COVID-19 RESPONSE

Following the outbreak of the COVID-19 pandemic in early March 2020, Keltbray responded swiftly with measured action to achieve three main objectives: protect the safety and wellbeing of its people; safeguard the business for future growth; and support the Government's strategy to save lives and keep essential services running across the UK.

The Group developed and implemented COVID-19-specific smart working practices to protect the workforce and provide business continuity, while supporting official measures to curb the outbreak. This allowed the Built Environment Services Division to restart paused construction sites sooner than originally anticipated, alongside the rail and infrastructure businesses which continued working at normal capacity throughout the Lockdown period. As a consequence of the economic slowdown in the non-infrastructure markets, the Group undertook a comprehensive reforecasting of its 2020-2022 budget plans and revised financial targets in line with the anticipated reduction in work volumes. These were shared with the Group's external stakeholders, who clearly indicated their continued support of Keltbray's Strategy 2025.

The Group continued to operate its normal supply chain payment practices and remains committed to be a responsible contractor in the current environment.

EMPLOYMENT OF DISABLED PERSONS

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employee become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk, foreign exchange risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by

monitoring levels of debt finance and the related finance costs. Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a subcommittee of the board. The policies set by the board of directors are implemented by the group's finance department.

PRICE RISK

The group is exposed to some commodity price risk as a result of its operations. However, costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

FOREIGN EXCHANGE RISK

While the greater part of the group's revenues and expenses are denominated in sterling, the group is exposed to some foreign exchange risk in the normal course of business. While the group has not used financial instruments to date to hedge foreign exchange exposure, this position is kept constantly under review.

CREDIT RISK

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is monitored by the board.

LIQUIDITY RISK

The group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the group has sufficient available funds for operations and planned expansions. During the financial year, the Group has continued to trade within its existing covenant criteria and has arranged for additional credit facilities to be available from the Group's banker Santander, designed to provide adequate liquidity for its stress tested forecasts.

INTEREST RATE CASH FLOW RISK

The group has both interest bearing assets and interest bearing liabilities, both of which bear interest at variable rates. The future cashflows of the group's operations are not sufficiently at risk due to interest rate changes to require funding at fixed rate. The appropriateness of this policy will be revisited should the Group's operations change in size or nature.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Particulars of events after the reporting date are detailed in note 31 to the financial statements.

DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT

Please refer to the strategic report (pages 10-53) regarding financial overview, key performance indicators, principal risks and uncertainties and corporate social responsibilities.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

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

- Select suitable accounting policies and then apply them consistently
- Make judgments and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as they are aware, there is no relevant audit information of which the Group and the company's auditor is unaware; and
- They have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information

AUDITOR

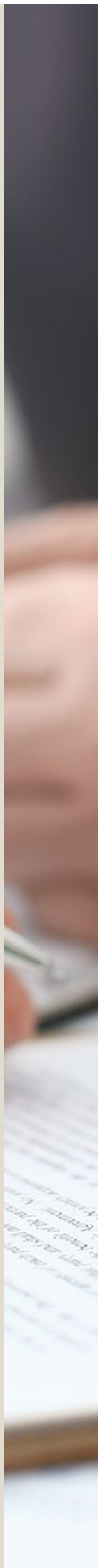
The auditors, BDO Northern Ireland, have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

This report was approved by the board of directors on 26 April 2021 and signed on behalf of the board by:

Peter Burnside, FCAI
Chief Financial Officer

Registered office:

St Andrew's House
Portsmouth Road
Esher
Surrey
KT10 9TA



Independent auditor's report to the members of Keltbray Group (Holdings) Limited

KELTBRAY GROUP (HOLDINGS) LIMITED
Year ended 31 October 2020

OPINION

We have audited the financial statements of Keltbray Group (Holdings) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2020 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

– give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2020 and of the group's loss for the year then ended

– have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice

– have been prepared in accordance with the requirements of the Companies Act 2006

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

– the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

– the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

This description forms part of our auditor's report.

USE OF OUR REPORT

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

Nigel Harra

Nigel V W Harra, senior statutory auditor
For and on behalf of BDO Northern Ireland, statutory auditor
Lindsay House
10 Callender Street
Belfast
BT1 5BN

26 April 2021

keltbray

Consolidated statement of comprehensive income

KELTBRAY GROUP (HOLDINGS) LIMITED
Year ended 31 October 2020

The notes on pages 108 to 127 form part of these financial statements

	Note	2020 £	2019 £
Turnover	4	428,639,342	563,416,176
Cost of sales		(388,644,030)	(492,424,912)
Gross profit		**39,995,312**	**70,991,264**
Administrative expenses		(49,065,637)	(61,026,388)
Other operating income	5	9,461,398	1,757,771
Negative goodwill release		–	257,000
Exceptional (costs)/release	6	(8,730,975)	1,601,985
Operating (loss)/profit	7	**(8,339,902)**	**13,581,632**
Loss on financial assets at fair value through profit or loss		(125,336)	(2,509,795)
Interest payable and similar expenses	11	(979,344)	(523,293)
(Loss)/profit before taxation		**(9,444,582)**	**10,548,544**
Tax on (loss)/profit	12	114,972	(3,743,179)
(Loss)/profit for the financial year and total comprehensive income		**(9,329,610)**	**6,805,365**
Loss for the financial year attributable to:			
The owners of the parent company		(9,479,722)	6,325,368
Non-controlling interests		150,112	479,997
		(9,329,610)	**6,805,365**

All the activities of the group are from continuing operations.

Consolidated statement of financial position

KELTBRAY GROUP (HOLDINGS) LIMITED
Year ended 31 October 2020

The notes on pages 108 to 127 form part of these financial statements

	Note		2020	2019
Fixed assets				
Intangible assets	14		2,928,019	3,315,978
Tangible assets	15		38,634,394	41,045,053
Investments	16		2,295,329	1,534,460
			43,857,742	**45,895,491**
Current assets				
Stocks	17	3,261,868		2,974,751
Debtors: due within one year	18	107,862,394		137,030,278
Debtors: due after more than one year	18	13,390,126		10,516,413
Cash at bank and in hand		25,399,264		20,949,375
		149,913,652		171,470,817
Creditors: amounts falling due within one year	19	144,494,720		163,734,472
Net current assets			5,418,932	7,736,345
Total assets less current liabilities			49,276,674	53,631,836
Creditors: amounts falling due after more than one year	20		18,175,467	12,958,737
Provisions				
Taxation including deferred tax	22		(1,036,364)	(1,104,499)
Net assets			**32,137,571**	**41,777,598**
Capital and reserves				
Called up share capital	26		100,000	100,000
Profit and loss account	27		32,275,491	41,755,213
Equity attributable to the owners of the parent company			32,375,491	41,855,213
Non-controlling interests			(237,920)	(77,615)
			32,137,571	**41,777,598**

These financial statements were approved by the board of directors and authorised for issue on 26 April 2021 and are signed on behalf of the board by:

PJ Burnside

P J Burnside, FCAI
Chief Financial Officer

Company registration number: 02810840

Company statement of financial position

KELTBRAY GROUP (HOLDINGS) LIMITED
Year ended 31 October 2020

The notes on pages 108 to 127 form part of these financial statements

	Note		2020 £	2019 £
Fixed assets				
Investments	16		4,208,927	4,208,927
Current assets				
Debtors: due within one year	18	19,365,405		17,415,405
Creditors: amounts falling due within one year	19	8,713,125		8,963,125
Net current assets			10,652,280	8,452,280
Total assets less current liabilities			14,861,207	12,661,207
Creditors: amounts falling due after more than one year	20		500,000	500,000
Net assets			**14,361,207**	**12,161,207**
Capital and reserves				
Called up share capital	26		100,000	100,000
Profit and loss account	27		14,261,207	12,061,207
Shareholders funds			**14,361,207**	**12,161,207**

The profit for the financial year of the parent company was £2,200,000 (2019: £10,800,000).

These financial statements were approved by the board of directors and authorised for issue on 26 April 2021 and are signed on behalf of the board by:

P J Burnside, FCAI
Chief Financial Officer

Company registration number: 02810840

Keltbray

Consolidated statement of changes in equity

KELTBRAY GROUP (HOLDINGS) LIMITED
Year ended 31 October 2020

The notes on pages 108 to 127 form part of these financial statements

	Note	Called up share capital £	Profit and loss account £	Equity attributable to the owners of the parent company £	Non-controlling interests £	Total £
At 01 November 2018		100,000	41,429,845	41,529,845	(662,531)	40,867,314
Profit for the year			6,325,368	6,325,368	479,997	6,805,365
Total comprehensive income for the year		–	6,325,368	6,325,368	479,997	6,805,365
Dividends paid and payable	13	–	(6,000,000)	(6,000,000)	(266,161)	(6,266,161)
Acquisition of subsidiary with minority interest		–	–	–	371,080	371,080
Total investments by and distributions to owners		–	(6,000,000)	(6,000,000)	104,919	(5,895,081)
At 31 October 2019		100,000	41,755,213	41,855,213	(77,615)	41,777,598
Loss for the year			(9,479,722)	(9,479,722)	150,112	(9,329,610)
Total comprehensive income for the year		–	(9,479,722)	(9,479,722)	150,112	(9,329,610)
Dividends paid and payable	13	–	–	–	(310,417)	(310,417)
Total investments by and distributions to owners		–	–	–	(310,417)	(310,417)
At 31 October 2020		**100,000**	**32,275,491**	**32,375,491**	**(237,920)**	**32,137,571**

Company statement of changes in equity

KELTBRAY GROUP (HOLDINGS) LIMITED
Year ended 31 October 2020

The notes on pages 108 to 127 form part of these financial statements

	Note	Called up share capital £	Profit and loss account £	Total £
At 01 November 2018		100,000	7,261,207	7,361,207
Profit for the year			10,800,000	10,800,000
Total comprehensive income for the year		–	**10,800,000**	**10,800,000**
Dividends paid and payable	13	–	(6,000,000)	(6,000,000)
Total investments by and distributions to owners		–	**(6,000,000)**	**(6,000,000)**
At 31 October 2019		100,000	12,061,207	12,161,207
Profit for the year			2,200,000	2,200,000
Total comprehensive income for the year		–	**2,200,000**	**2,200,000**
At 31 October 2020		**100,000**	**14,261,207**	**14,361,207**

Consolidated statement of cash flows

KELTBRAY GROUP (HOLDINGS) LIMITED
Year ended 31 October 2020

The notes on pages 108 to 127 form part of these financial statements

	2020 £	2019 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(9,329,610)	6,805,365
Adjustments for:		
Depreciation of tangible assets	11,237,789	10,309,461
Amortisation of intangible assets	487,025	982,897
Loss on financial assets at fair value through profit or loss	125,336	2,509,795
Interest payable and similar expenses	979,344	523,293
Gains on disposal of tangible assets	(1,076,026)	(186,732)
Tax on profit	(114,972)	3,743,179
Changes in accruals & deferred income	(15,758,816)	6,129,068
Negative goodwill release	–	(257,000)
Research & Development tax credit	(2,315,024)	(1,459,213)
Profit on disposal of investments	(559,973)	–
Release of deferred profit on sale & leaseback of fixed assets	(520,009)	–
Changes in:		
Stocks	(287,117)	(1,079,943)
Trade and other debtors	27,110,372	(21,815,993)
Trade and other creditors	(1,437,219)	9,777,804
Cash generated from operations	8,541,100	15,981,981
Interest paid	(979,344)	(523,293)
Tax paid	(59,635)	(3,163,150)
Net cash from operating activities	**7,502,121**	**12,295,538**
Cash flows from investing activities		
Purchase of tangible assets	(3,732,283)	(5,237,747)
Proceeds from sale of tangible assets	7,489,049	646,072
Acquisition of subsidiaries	–	(2,363,672)
Purchases of other investments	(563)	(4,999,703)
Proceeds from sale of other investments	1,674,332	3,415,143
Purchase of minority interest in subsidiaries	–	(1,105,502)
Cash acquired with subsidiaries	–	170,736
Net cash from/(used in) investing activities	**5,430,535**	**(9,474,673)**
Cash flows from financing activities		
Payments of finance lease liabilities	(6,167,568)	(7,108,440)
Dividends paid	(310,417)	(6,266,161)
Net cash (outflow)/inflow from related parties	(2,004,782)	1,969,464
Purchase of trade and assets	–	(1,298,500)
Net cash used in financing activities	**(8,482,767)**	**(12,703,637)**
Net increase/(decrease) in cash and cash equivalents	4,449,889	(9,882,772)
Cash and cash equivalents at beginning of year	20,949,375	30,832,147
Cash and cash equivalents at end of year	**25,399,264**	**20,949,375**

Notes to the financial statements

KELTBRAY GROUP (HOLDINGS) LIMITED
Year ended 31 October 2020

1. GENERAL INFORMATION

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is St Andrew's House, Portsmouth Road, Esher, Surrey, KT10 9TA.

The group and its subsidiaries principal activities during the year were demolition, structural and geotechnical engineering, design of permanent and temporary works, reinforced concrete structures, piling, rail overhead line electrification and design, engineering and civils works on the railway infrastructure, asbestos removal, remediation and waste treatment and supply of plant and haulage services.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements have been prepared on the going concern basis and in accordance with the historical cost convention. The financial reporting framework that has been applied in their preparation is the Companies Act 2006 and FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council.

The consolidated financial statements have been prepared in Sterling, which is the functional currency of the entity.

Going concern
On 11 March 2020, the World Health Organisation declared a global pandemic in relation to COVID-19 and on 23 March 2020 the UK Government imposed the first of a series of lockdown measures which have had a significant impact on the economy generally and Keltbray Group operations during this time.

Whilst the Group's rail and infrastructure businesses have been able to operate at largely normal levels throughout this period, the majority of the group's Built Environment businesses were closed during the early stages of the first lockdown period with a phased re-opening throughout April and May 2020.

The financial impact of the loss of revenue and additional costs during this time has been mitigated by a number of measures taken such as: implementation of an overhead reduction programme, use of job retention scheme, negotiation of rent holidays and asset finance capital repayment holidays, deferral of HMRC liabilities and renegotiation of existing banking facilities. Post year end the Group's bankers approved a Coronavirus Large Business Interruption Loan for £14.5m.

The directors have prepared revised forecasts incorporating the expected financial impact of COVID-19 up to 31 October 2023. Due to the ongoing economic uncertainty, there are inherent uncertainties in the range of outcomes of these forecasts, however they demonstrate that the Group has sufficient funds to meet its obligations as they fall due.

The directors will continue to monitor developments and take appropriate mitigating action as needed. Nonetheless, the directors are confident that the actions taken, the strength of its client base and the strong balance sheet will enable the Group to trade through these difficult times and accordingly have will continue to adopt the going concern basis when preparing the financial statements.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

a. Disclosures in respect of each class of share capital have not been presented

b. No cash flow statement or net debt reconciliation has been presented for the company

c. Disclosures in respect of financial instruments have not been presented

d. No disclosure has been given for the aggregate remuneration of key management personnel

Consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the non-controlling interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

To determine whether there are indicators of impairment of the group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, production life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Contract revenue and costs are recognised when the outcome of a construction contract can be reliably estimated. The percentage of completion method is used to value revenue and costs at year end; these are included in the profit or loss account. At year end, the group reviews the recoverability of amounts already recognised as contract revenue. If, on the review of market conditions and conversations with the client, the debtor is not considered to be recoverable, the unrecoverable amount will be expensed in the year. When, on review of programmes and costs to complete, it is deemed probable that total contract costs will exceed total contract revenue the expected loss is recognised as an expense immediately, which a corresponding provision for an onerous contract.

- Impairment of trade debtors is reviewed on an ongoing basis. The company trades with a large and varied number of customers on credit terms. Some debts due will not be paid through the default of a small number of customers. The company uses estimates based on historical experience and current information in determining the level of debts for which an impairment charge is required.

Revenue recognition

Turnover represents net invoiced sales of services, excluding value added tax.

The majority of turnover is on long-term contracts. These contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs by reference to the stage of completion at the reporting date. Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the profit and loss accounts as the difference between the reported turnover and related costs for that contract. Provision is made for all known or expected losses.

For the waste remediation and recycling businesses, turnover is recognised on receipt of waste and for sites that involve restoration and landscaping, turnover is recognised on importation of soils.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable.

Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Sale and leaseback

When a sale and leaseback transaction results in a finance lease, no lease is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are deferred and presented as a liability and subsequently measured at amortised cost using the effective interest method.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss accounts over the directors' estimate of its useful economic life which ranges from 5 to 10 years. Impairment tests on the carrying value of goodwill are undertaken:

1. at the end of the first full financial year following acquisition

2. in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Where the fair value of assets and liabilities acquired exceed the fair value of consideration, the excess is recorded as negative goodwill. Negative goodwill is attributed to the fair value of both non-monetary and monetary assets acquired and is released to profit and loss in the periods in which the non-monetary assets are recovered and in the periods monetary assets are expected to be benefited.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

– **Goodwill**
  Over 5-10 years
– **Negative goodwill**
  Over the period that the benefit is expected to be realised

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Impairment of fixed assets and goodwill

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of net realisable value and value in use.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

- **Plant and machinery** 3-7 years
- **Fixtures and fittings** 7 years
- **Motor vehicles** 4 years
- **Computer equipment** 3 years

Investments

Fixed asset investments are initially recorded at cost and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Investments in subsidiaries are valued at cost less provision for impairment.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Finance leases and hire purchase contracts

Assets held under finance leases are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset. Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Cash and cash equivalents

Cash consists of cash on hand and demand deposits. There are no cash equivalents included in the financial statements.

Other financial assets

Other financial assets comprise of trade debtors, amounts recoverable on contracts, amounts due from group and related undertakings and other debtors. Other financial assets are initially measured at the undiscounted amount of cash receivable and are subsequently measured at amortised cost less impairment, where there is objective evidence of an impairment.

Other financial liabilities

Other financial liabilities include trade creditors, amounts owed to group and related undertakings and other creditors. Other financial liabilities are measured at invoice price, unless payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. In this case the arrangement constitutes a financing transaction, and the financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Ordinary share capital

The ordinary share capital of the group is presented as equity.

Dividends

Equity dividends are recognised when they become fully legally payable. Interim dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

4. TURNOVER

Turnover arises from:

	2020 £	2019 £
Construction contracts	400,631,147	540,576,380
Sale of goods and services	28,008,195	22,839,796
	428,639,342	**563,416,176**

The whole of the turnover is derived from the United Kingdom. An analysis of turnover by business operation is given below:

	2020 £	2019 £
Built Environment services	260,673,489	396,342,801
Infrastructure services	167,965,853	167,073,375
	428,639,342	**563,416,176**

5. OTHER OPERATING INCOME

	2020 £	2019 £
CJRS Furlough Income	6,355,772	–
Research & Development tax credit	2,315,024	1,459,213
Release of deferred profit on sale & leaseback of fixed assets	550,009	–
Other operating income	240,593	298,558
	9,461,398	**1,757,771**

6. EXCEPTIONAL COSTS

Exceptional costs in the current year relate to payroll costs paid to employees whilst on furlough totalling £7,194,737 and redundancy costs totalling £1,536,238. Exceptional income in the prior year related to the release of a provision for a contractual dispute following a settlement.

7. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2020 £	2019 £
Amortisation of intangible assets	487,025	982,897
Depreciation of tangible assets	11,237,789	10,309,461
Gains on disposal of tangible assets	(1,076,026)	(186,732)
Lease costs	–	2,431,227
Impairment of investments	125,336	2,509,795
Release of negative goodwill	–	(257,000)
Profit on disposal of investment	(559,973)	–

8. AUDITOR'S REMUNERATION

	2020 £	2019 £
Fees payable for the audit of the financial statements	145,000	175,000
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	18,500	18,000
Taxation advisory services	27,111	44,784
Corporate finance services	10,500	59,925
	56,111	**122,709**

9. STAFF COSTS

The average number of persons employed by the group during the year, including the directors, amounted to:

	2020 £	2019 £
Production staff	998	1,064
Administrative staff	804	812
Sales staff	7	8
	1,809	**1,884**

The aggregate payroll costs incurred during the year, relating to the above, were:

	2020 £	2019 £
Wages and salaries	88,385,930	97,775,513
Social security costs	10,028,425	11,160,821
Other pension costs	2,066,218	1,955,492
	100,480,573	**110,891,826**

10. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	2020 £	2019 £
Remuneration	2,282,104	4,116,968
Company contributions to defined contribution pension plans	2,628	2,190
	2,284,732	**4,119,158**

The number of directors who accrued benefits under company pension plans was as follows:

	2020 No.	2019 No.
Defined contribution plans	7	7

Remuneration of the highest paid director in respect of qualifying services:

	2020 £	2019 £
Aggregate remuneration	1,272,388	1,542,596

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. All key management are directors and their remuneration for the year has been disclosed above.

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £	2019 £
Interest on banks loans and overdrafts	393,791	13,203
Interest on obligations under finance leases and hire purchase contracts	585,553	510,090
	979,344	**523,293**

12. TAX ON PROFIT

Major components of tax income

	2020 £	2019 £
Current tax:		
UK current tax income	35,043	3,845,976
Adjustments in respect of prior periods	(218,150)	268,046
Total current tax	**(183,107)**	**4,114,022**
Deferred tax:		
Origination and reversal of timing differences	68,135	(370,843)
Tax on profit	**(114,972)**	**3,743,179**

Reconciliation of tax (income)/expense

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £	2019 £
(Loss)/profit on ordinary activities before taxation	(9,444,582)	10,548,544
(Loss)/profit on ordinary activities by rate of tax	(1,794,471)	2,004,223
Adjustment to tax charge in respect of prior periods	(218,150)	268,046
Effect of expenses not deductible for tax purposes	314,332	1,869,700
Effect of capital allowances and depreciation	644,154	24,625
Effect of revenue exempt from tax	(547,225)	(285,609)
Other reconciling items	(164,168)	(137,806)
Deferred tax adjustments	1,650,556	–
Tax on profit	**(114,972)**	**3,743,179**

13. DIVIDENDS

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2020 £	2019 £
Dividends paid on equity shares	–	6,000,000
Dividends paid to minority interests	310,417	266,161
	310,417	**6,266,161**

14. INTANGIBLE ASSETS

Group	Goodwill £	Negative goodwill £	Total £
Cost			
At 01 November 2019	12,553,462	(9,651,565)	2,901,897
Consideration adjustment	–	99,066	99,066
At 31 October 2020	**12,553,462**	**(9,552,499)**	**3,000,963**
Amortisation			
At 01 November 2019	8,535,255	(8,949,336)	(414,081)
Charge for the year	487,025	–	487,025
At 31 October 2020	**9,022,280**	**(8,949,336)**	**72,944**
Carrying amount			
At 31 October 2020	3,531,182	(603,163)	**2,928,019**
At 31 October 2019	4,018,207	(702,229)	3,315,978

The company has no intangible assets.

15. TANGIBLE ASSETS

Group	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
Cost						
At 01 November 2019	6,221,378	75,162,029	2,069,586	1,539,881	2,521,929	87,514,803
Additions	492,872	10,573,151	25,611	915,749	320,865	12,328,248
Disposals	–	(14,098,647)	–	(195,906)	(40,323)	(14,334,876)
At 31 Oct 2020	**6,714,250**	**71,636,533**	**2,095,197**	**2,259,724**	**2,802,471**	**85,508,175**
Depreciation						
At 01 November 2019	1,737,018	41,330,648	1,102,666	883,591	1,415,827	46,469,750
Charge for the year	249,147	9,887,232	222,279	395,513	483,618	11,237,789
Disposals	–	(10,675,507)	–	(156,578)	(1,673)	(10,833,758)
At 31 October 2020	**1,986,165**	**40,542,373**	**1,324,945**	**1,122,526**	**1,897,772**	**46,873,781**
Carrying amount						
At 31 October 2020	4,728,085	31,094,160	770,252	1,137,198	904,699	**38,634,394**
At 31 October 2019	4,484,360	33,831,381	966,920	656,290	1,106,102	41,045,053

The company has no intangible assets.

During the year a company within the group entered into a sale and leaseback transaction in respect of certain items of plant and machinery. This resulted in a disposal of plant and machinery with a net book value of £2,481,978 and a subsequent addition of plant and machinery of £5,393,883. In accordance with the provisions of Section 20 of FRS 102, the excess of proceeds over carrying value have been deferred and are being amortised over the term of the lease.

Finance leases and hire purchase contracts
Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

Group	Plant and machinery £
At 31 October 2020	**22,742,450**
At 31 October 2019	18,453,330

16. INVESTMENTS

Group	Listed investments £	Other investments £	Total £
Cost			
At 01 November 2019	4,767,708	225,000	4,992,708
Additions	563	2,000,000	2,000,563
Disposals	(2,356,969)	(600,000)	(2,956,969)
At 31 October 2020	**2,411,302**	**1,625,000**	**4,036,302**
Impairment			
At 01 November 2019	3,458,248	–	3,458,248
Disposals	(1,842,610)	–	(1,842,610)
Impairment losses	125,335	–	125,335
At 31 October 2020	**1,740,973**	**–**	**1,740,973**
Carrying amount			
At 31 October 2020	670,329	1,625,000	**2,295,329**
At 31 October 2019	1,309,460	225,000	1,534,460

Company	Shares in group undertakings £
Cost	
At 01 November 2019 and 31 October 2020	4,208,927
Impairment	
At 01 November 2019 and 31 October 2020	–
Carrying amount	
At 01 November 2019 and 31 October 2020	**4,208,927**
At 31 October 2019	4,208,927

Notes to the financial statements cont.

	Country of incorporation	%	Nature of business
Keltbray Limited	England & Wales	100%	Demolition and civil engineering
Keltbray Rail Limited	England & Wales	100%	Overhead line engineering for the rail network
Keltbray Plant Limited	England & Wales	100%	Supply of plant to the construction industry
Keltbray Environmental Materials Management Limited	England & Wales	100%	Ground remediation
Keltbray Environmental Ltd	England & Wales	84%	Waste recycling
Wentworth House Rail Systems Limited	England & Wales	100%	Designers of rail overhead electrification
Wentworth House Partnership Limited	England & Wales	65%	Civil engineering design
KML Occupational Health Limited	England & Wales	50%	Undertaking of occupational health services
Keltbray Structures Limited	England & Wales	100%	Construction of commercial buildings
Keltbray International Limited	Canada	100%	Overhead line engineering for the rail network
Keltbray International PTY Limited	Australia	100%	Overhead line engineering for the rail network
Keltbray Lagan Power Limited	England & Wales	75%	Electrical installation
Keltbray Property Investment Limited	England & Wales	100%	Property investment
Kerr Property Holdings Limited	England & Wales	88%	Property investment
Cedarr Properties Limited	England & Wales	88%	Property investment
Kerr Prop One Limited	England & Wales	88%	Property investment
Kerr Prop Two Limited	England & Wales	88%	Property investment
Qualified Recruitment Limited	England & Wales	75%	Dormant
Keltbray Demolition Limited	England & Wales	100%	Dormant
Keltbray Building Services Limited	England & Wales	100%	Dormant
Saturn Land Limited	England & Wales	70%	Dormant
Keltbray AWS Limited	England & Wales	50%	Dormant

Listed investments

At 31 October 2020 the market value of these investments was £670,329.

17. STOCKS

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Raw materials and consumables	3,261,868	2,974,751	–	–

There is no material difference between the replacement cost of stocks and the amounts stated above.

18. DEBTORS

Debtors falling due within one year are as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade debtors	41,327,873	64,210,208	–	–
Amounts owed by group undertakings	–	–	19,365,405	17,415,405
Amounts owed by related parties	2,791,617	2,769,271	–	–
Prepayments and accrued income	4,556,467	5,057,405	–	–
Corporation tax repayable	910,485	–	–	–
Amounts recoverable on contracts	55,179,795	62,877,763	–	–
Other debtors	3,096,157	2,115,631	–	–
	107,862,394	**137,030,278**	**19,365,405**	**17,415,405**

Debtors falling due after one year are as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Amounts owed by related parties	13,390,126	10,516,413	–	–

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade creditors	42,804,735	56,669,238	–	–
Amounts owed to group undertakings	–	–	8,710,850	8,710,850
Accruals and deferred income	74,580,111	90,338,927	–	–
Corporation tax	–	1,647,281	–	–
Social security and other taxes	14,103,429	2,949,951	–	–
Obligations under finance leases and hire purchase contracts	7,341,190	6,448,667	–	–
Director loan accounts	246,457	81,751	–	–
Deferred income	831,793	–	–	–
Other creditors	4,587,005	5,598,657	2,275	252,275
	144,494,720	**163,734,472**	**8,713,125**	**8,963,125**

Secured and other loans

Other creditors include secured loans totalling £910,460 (2019: £1,077,884) which are secured and repayable within 12 months at an average interest rate of nil.

Accruals

Included within accruals and deferred income is £46,207,524 (2019: £60,430,753) of contract accruals.

Assets held under finance lease

The assets held under finance leases are secured upon the assets to which they relate.

Deferred income

Deferred income relates to the excess of proceeds over the carrying value of certain items of plant and machinery which were subject to a sale and leaseback transaction during the year. In accordance with the provisions in Section 20 of FRS 102, this excess has been deferred and is being amortised over the term of the lease.

20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Deferred income	1,556,923	–	–	–
Obligations under finance leases and hire purchase contracts	13,744,611	12,208,737	–	–
Other taxation & social security	2,371,858	–	–	–
Other creditors	502,075	750,000	500,000	500,000
	18,175,467	**12,958,737**	**500,000**	**500,000**

Assets held under finance lease

The assets held under finance leases are secured upon the assets to which they relate.

Deferred income

Deferred income relates to the excess of proceeds over the carrying value of certain items of plant and machinery which were subject to a sale and leaseback transaction during the year. In accordance with the provisions in Section 20 of FRS 102, this excess has been deferred and is being amortised over the term of the lease.

21. FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Not later than 1 year	7,341,190	6,448,667	–	–
Later than 1 year and not later than 5 years	13,744,611	12,208,737	–	–
	21,085,801	**18,657,404**	**–**	**–**

22. PROVISIONS

Group	Note	Deferred tax £
At 01 November 2019	23	(1,104,499)
Credit against provision	23	68,135
		(1,036,364)

The company does not have any provisions.

23. DEFERRED TAX

The deferred tax included in the statement of financial position is as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Included in provisions (note 22)	(1,036,364)	(1,104,499)	–	–

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Accelerated capital allowances	(392,563)	(627,450)	–	–
Provisions	(643,801)	(477,049)	–	–
	(1,036,364)	**(1,104,499)**	**–**	**–**

24. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £2,066,218 (2019: £1,955,492).

25. GOVERNMENT GRANTS

The amounts recognised in the financial statements for government grants are as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Recognised in other operating income				
Government grants recognised directly in income	6,355,772	–	–	–

26. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2020 No.	2020 £	2019 No.	2019 £
A Ordinary shares of £1 each	75,000	75,000	75,000	75,000
B Ordinary shares of £1 each	25,000	25,000	25,000	25,000
	100,000	**100,000**	**100,000**	**100,000**

27. RESERVES

Profit and loss account – This reserve records retained earnings and accumulated losses.

Revaluation reserve – This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income.

28. ANALYSIS OF CHANGES IN NET DEBT

	At 01 Nov 2019 £	Cash flows £	New finance leases £	At 31 Oct 2020 £
Cash at bank and in hand	20,949,375	4,449,889		25,399,264
Debt due within one year	(6,448,667)	968,989	(1,861,512)	(7,341,190)
Debt due after one year	(12,208,737)	5,208,579	(6,734,453)	(13,734,611)
	2,291,971	**10,627,457**	**(8,595,965)**	**4,323,463**

29. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Not later than 1 year	2,928,943	2,431,227	–	–
Later than 1 year and not later than 5 years	6,903,757	6,635,314	–	–
Later than 5 years	1,838,673	2,835,020	–	–
	11,671,373	**11,901,561**	**–**	**–**

30. CONTINGENCIES

Group bank borrowings are held with Santander UK Plc. There is a cross-company guarantee in place between Keltbray Group (Holdings) Limited, Keltbray Limited, Keltbray Plant Limited, Keltbray Rail Limited, Keltbray Environmental Ltd, Keltbray Environmental Materials Management Limited and Keltbray Structures Limited. In addition, the bank holds a debenture over all of the assets and undertakings of each of the aforementioned companies.

31. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 01 November 2020, the group undertook a group reorganisation which had the following impact:

The company's immediate parent company became Keltbray Holdings Limited, a newly incorporated holding company in the group. The ultimate parent company Keltbray Group Limited and controlling party B Kerr remained unchanged.

The company's main investments were transferred to Keltbray Holdings Limited; and

There was a reorganisation of the group's main trading divisions between various group companies so as similar trading activities are all included in the same legal entity.

In March 2021, the group's bankers, approved a Coronavirus Large Business Interruption Loan for £14.5m.

32. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

At the balance sheet date, there is an amount owing to directors totalling £246,457 (2019: £81,751) in respect of advances made by the directors to the company throughout the current and previous year. The loans are not secured, interest free and repayable upon demand.

33. RELATED PARTY TRANSACTIONS

Group

The group has taken advantage of the exemption contained in paragraph 33.1A of FRS 102 not to disclose any transactions with its 100% owned subsidiary undertakings on the grounds that the consolidated accounts of Keltbray Group (Holdings) Limited are publicly available.

At the year end the group had the following balances with related parties:

	2020 Debtors £	2020 Creditors £	2019 Debtors £	2019 Creditors £
	16,082,083	340	14,013,786	441,751

During the year, the group undertook the following transactions with related parties:

	2020 £	2019 £
Sales to related parties	8,213,574	6,373,010
Purchases from related parties	4,823,651	8,279,128
Recharges to related parties	6,378,218	5,486,026

The related parties involved in the aforementioned transactions are related by virtue of ultimate common shareholders and directors.

No further transactions with related parties were undertaken such as are required to be disclosed under FRS 102 Section 33.

Company

The company has taken advantage of the exemption contained in paragraph 33.1A of FRS 102 not to disclose any transactions with its 100% owned subsidiary undertakings on the grounds that the consolidated accounts of Keltbray Group (Holdings) Limited are publicly available.

No transactions with related parties were undertaken such as are required to be disclosed under FRS 102 Section 33.

34. CONTROLLING PARTY

At 31 October 2020 the company was a 75% owned subsidiary of ultimate parent company Keltbray Group Limited, a company registered in England and Wales. The group's ultimate controlling party is B Kerr who is the majority shareholder of the ultimate parent company Keltbray Group Limited.

On 01 November 2020, the company's intermediate parent company became Keltbray Holdings Limited, a newly incorporated holding company in the group. The ultimate controlling party B Kerr remained unchanged.

Streamlined Energy and Carbon Reporting compliance statement

	Current reporting year 2020 – 2021	Previous reporting year 2019 – 2020
Keltbray's consumption used to calculate emissions (kWh)	61,546,895	87,118,542
Keltbray's Scope 1 emissions from combustion of fuel for plant and machinery tCO_2e)	6,566	9,693
Keltbray's Scope 1 emissions from combustion of fuel for on-road vehicles (tCO_2e)	10,032	10,561
Keltbray's Scope 1 emissions from gas combustion (tCO_2e)	105	92
UK & offshore Scope 2 emissions from purchased electricity (tCO_2e)	587	433
UK & offshore Scope 3 emissions from business travel in rental/employee-owned vehicles (tCO_2e)	1,399	3,228
Total gross emissions (tCO_2e)	**18,689**	**24,007**
Intensity ratio (gross Scope 1 & 2 emissions tCO_2e/£1m)	44	42.6

METHODOLOGY USED

The methodology used to calculate Keltbray's total energy (kWh) and emissions carbon dioxide equivalent emissions (tCO_2e) was to break down the energy portfolio:

- The energy (kWh) used in buildings was gained directly from our suppliers as we manage all the contracts centrally. Where this is not applicable, i.e. in a managed building, we take meter readings on a monthly basis and log them on our reporting tool. Using official converting factors the energy used to power our facilities was converted to tCO_2e
- The energy (kWh) used to power the plant and machinery was gained directly from the fuel suppliers and using official converting factors it was converted from litres of fuel to kWh and tCO_2e
- The energy (kWh) used to power the on-road vehicles was gained directly from the fuel suppliers and using official converting factors it was converted from litres of fuel to kWh and tCO_2e
- The emissions (tCO_2e) from business travel are logged on Keltbray facilities via the SMARTWaste tool which is used to report environmental performance

ENERGY EFFICIENCY ACTIONS TAKEN

In 2020/21, Keltbray Group made significant steps to tackling and reduce the energy demand of its operations.

Some key projects which were rolled out were:

- We have fitted more of our road heavy vehicles, on site plant varying from excavators to generators with telemetry which allows us to visualise our performance and put measures in place to become more efficient
- 90% of Keltbray's key fixed locations now have electric vehicles charging points and we have and are continuing to trial various electric vehicles
- We centralised the procurement of red diesel and that has allowed us to introduce telemetry manage fuel bowsers
- We have started using hydrotreated vegetable oil (HVO) in various machines and have collaborated with Imperial College to quantify the actual benefits
- We have continued to roll out LED fittings throughout our facilities and the roll out of smart meters
- We have set our Net-Zero target supported by short-term objectives such as science-based targets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INNOVATION IN ENGINEERING

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