carillion

Making tomorrow a better place

News

14 August 2014

Half-yearly financial report for the six months ended 30 June 2014

Performance in line with expectations with work winning remaining strong

	Six months ended 30 June 2014	Six months ended 30 June 2013	Change
Revenue	£1,871.0m	£1,964.6m	-5%
Underlying profit from operations(1)	£97.4m	£92.3m	+6%
Underlying operating margin(1)	5.5%	5.1%	n/a
Underlying profit before taxation(1)	£75.9m	£73.5m	+3%
Underlying earnings per share(1)	14.7p	14.7p	-
Profit before taxation	£67.5m	£64.2m	+5%
Basic earnings per share	13.2p	13.0p	+2%
Interim dividend per share	5.6p	5.5p	+2%
Underlying profit from operations cash conversion(1)	127%	5%	n/a

- **First-half financial performance in line with expectations**
  - As expected, first-half revenue slightly lower, but well positioned to target revenue growth in the full year
  - Underlying operating margin(1) increased to 5.5% (2013: 5.1%)
  - Underlying profit before taxation(1) up three per cent to £75.9 million, despite a higher net financial expense
  - Underlying earnings per share(1) maintained at 14.7 pence
  - Strong cash flow with underlying operating cash conversion(1) of 127% (2013: 5%)
  - Net borrowing at 30 June 2014 of £203.6 million (31 December 2013: £215.2 million; 30 June 2013: £270.8 million)
  - Strong balance sheet, with over £1.1 billion of committed borrowing facilities and private placement funding

- **Work winning remains strong**
  - £3.2 billion of new orders and probable orders in the first half
  - Total orders plus probable orders increased to £19.5 billion at 30 June 2014 (31 December 2013: £18.0 billion)
  - Pipeline of contract opportunities increased to £38.0 billion (31 December 2013: £37.5 billion)
  - 93% revenue visibility(2) for 2014 (2013: 93%)

- **Interim dividend increased by 2% to 5.6p (2013: 5.5p)**

- **Full-year targets for revenue growth unchanged, despite markets remaining challenging**

(1) The underlying results stated above are based on the definitions included in the key financial figures on page 3.
(2) Based on expected revenue and secure and probable orders, which exclude variable work and re-bids.

Carillion Chairman, Philip Green, commented:

“Carillion continues to perform in line with the Board’s expectations, reflecting the benefits of the early actions we took in response to the economic downturn, notably the planned rescaling of our UK construction business, together with our continuing strong work-winning performance. Having realigned our businesses to the size of the markets in which we operate, the Group is well positioned to benefit from its strong work-winning performance over the last 18 months and from its high-quality pipeline of contract opportunities across our target markets. Consequently, the Board’s expectations for 2014 remain unchanged and we expect to make further progress in the medium term."

There will be a presentation for analysts and investors today at 09.00am. A telephone dial in facility tel: +44(0)20 3003 2666 – Access Code: Carillion Analyst Presentation will be available for analysts and investors who are unable to attend the presentation. The presentation can be viewed on Carillion’s website at www.carillionplc.com/investors/investors_presentations.asp.

For further information contact:

Richard Adam, Group Finance Director	tel: +44 (0) 1902 422431
John Denning, Group Corporate Affairs Director	tel: +44 (0) 1902 422431
Finsbury - James Murgatroyd and Gordon Simpson	tel: +44 (0) 20 7251 3801

14 August 2014

Notes to Editors:
Carillion is a leading integrated support services company with a substantial portfolio of Public Private Partnership projects, extensive construction capabilities and a sector leading ability to deliver sustainable solutions. The Group had annual revenue in 2013 of some £4.1 billion, employs around 41,000 people and operates across the UK, in the Middle East and Canada.

The Group has four business segments:

Support services – this includes facilities management, facilities services, energy services, utility services, road maintenance, rail services and consultancy businesses in the UK, Canada and the Middle East.

Public Private Partnership (PPP) projects – this includes investing activities in PPP projects for Government buildings and infrastructure mainly in the Defence, Health, Education, Transport and Secure accommodation sectors in the UK and Canada.

Middle East construction services – this includes building and civil engineering activities in the Middle East.

Construction services (excluding the Middle East) - this includes building, civil engineering and developments activities in the UK and construction activities in Canada.

This and other Carillion news releases can be found at www.carillionplc.com

Photographs:
High resolution photographs are available free of charge to the media at www.newscast.co.uk telephone + 44 (0) 208 886 5895.

Cautionary statement
This announcement may contain indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates. These and other factors could adversely affect the Group's results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ materially from those currently anticipated. No obligation is assumed to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Key financial figures

		2014	2013	Change
Income statement				
Total revenue	£m	**1,871.0**	1,964.6	-5%
Underlying profit from operations(1)	£m	**97.4**	92.3	+6%
Total Group underlying operating margin(2)	Percentage	**5.5**	5.1	n/a
Support services underlying operating margin(2)	Percentage	**5.0**	4.0	n/a
Middle East construction services underlying operating margin(2)	Percentage	**6.2**	4.5	n/a
Construction services (excluding the Middle East) underlying operating margin(2)	Percentage	**4.2**	3.8	n/a
Underlying profit before taxation(3)	£m	**75.9**	73.5	+3%
Profit before taxation	£m	**67.5**	64.2	+5%
Underlying earnings per share(4)	Pence	**14.7**	14.7	-
Basic earnings per share	Pence	**13.2**	13.0	+2%
Dividends				
Proposed interim dividend per share	Pence	**5.6**	5.5	+2%
Underlying proposed dividend cover(4)	Times	**2.6**	2.7	n/a
Basic proposed dividend cover	Times	**2.4**	2.4	n/a
Cash flow statement				
Cash generated from operations(5)	£m	**123.5**	5.0	+2,370%
Underlying profit from operations cash conversion	Percentage	**126.8**	5.4	n/a
Deficit pension contributions	£m	**(19.1)**	(19.2)	+1%
Balance sheet				
Net borrowing	£m	**(203.6)**	(270.8)	+25%
Committed borrowing facilities (£785 million maturing in 2018)	£m	**850.0**	802.5	+6%
Private placement borrowings maturing between 2017 and 2024 (£135 million and US$ 280 million)	£m	**298.7**	310.0	-4%
Net retirement benefit liability (net of taxation)	£m	**(304.7)**	(283.8)	-7%
Net assets(6)	£m	**968.7**	1,001.6	-3%

(1) After Joint Ventures net financial expense of £3.9 million (2013: £4.8 million) and Joint Ventures taxation charge of £1.1 million (2013: £2.3 million) and before intangible amortisation of £8.4 million (2013: £9.3 million).
(2) Before Joint Ventures net financial expense, Joint Ventures taxation charge and intangible amortisation.
(3) After Joint Ventures taxation charge and before intangible amortisation.
(4) Before intangible amortisation.
(5) Before pension deficit recovery payments and rationalisation costs and after proceeds on the disposal of Public Private Partnership equity investments and dividends received from Joint Ventures.
(6) 2013 restated for the retrospective adjustment to provisional amounts recognised on the acquisition of the Bouchier Group in 2012.

Summary results

Carillion's first-half performance was in line with the Board's expectations and continues to reflect the benefits of the early actions we took in response to the economic downturn, notably the planned rescaling of our UK construction business, together with a continuing strong work-winning performance. As expected, first-half revenue reduced slightly to £1,871.0 million (2013: £1,964.6 million). However, having completed the rescaling of our UK construction business, where annual revenue has been reduced from around £1.8 billion in 2009 to approximately £0.8 billion in 2013, the Group is now well placed to target revenue growth in the full year.

Underlying profit from operations(1) increased by six per cent to £97.4 million (2013: £92.3 million), with the Group's underlying operating margin(2) increasing to 5.5 per cent (2013: 5.1 per cent), which reflected an improved operating performance supported by our selective approach to the contracts for which we bid and a continuing focus on cost management and operational efficiency.

Underlying profit before taxation(3) increased by three per cent to £75.9 million (2013: £73.5 million) after the Group's net financial expense increased to £21.5 million (2013: £18.8 million), including lower interest receivable on loans to Public Private Partnership (PPP) projects following the disposal of our interests in a number of PPP projects in 2013 and 2014 and a higher non-cash charge relating to defined benefit pension schemes. Underlying earnings per share(4) were unchanged at 14.7 pence (2013: 14.7 pence), as the Group's underlying effective tax rate(4) increased to 14 per cent (2013: 12 per cent).

Having completed the rescaling of our UK construction activities, first-half cash flow was strong with cash flow from operations(5) representing 127 per cent of underlying profit from operations (2013: 5 per cent), as the Group has moved back to positive cash generation. Net borrowing at 30 June 2014 reduced to £203.6 million (31 December 2013: £215.2 million), despite the effect of paying the final dividend in respect of 2013 of nearly £52 million, and we continue to expect net borrowing to be lower at the year end.

Work winning has remained strong with £3.2 billion of new orders and probable orders in the first half, which increased the total value of the Group's order book plus probable orders to £19.5 billion at 30 June 2014 (31 December 2013: £18.0 billion). Consequently, revenue visibility(6) has also remained strong at approximately 93 per cent of expected revenue in 2014 (2013: 93 per cent). Furthermore, our pipeline of contract opportunities increased to £38.0 billion at 30 June 2014 (31 December 2013: £37.5 billion).

In view of our expectations for the full year and medium-term prospects for growth, the Board has increased the interim dividend by two per cent to 5.6 pence per share (2013: 5.5 pence), which is covered 2.6 times by underlying earnings per share (2013: 2.7 times).

(1) After Joint Ventures net financial expense of £3.9 million (2013: £4.8 million) and Joint Ventures taxation charge of £1.1 million (2013: £2.3 million) and before intangible amortisation of £8.4 million (2013: £9.3 million).
(2) Before Joint Ventures net financial expense, Joint Ventures taxation charge and intangible amortisation.
(3) After Joint Ventures taxation charge and before intangible amortisation.
(4) Before intangible amortisation.
(5) Before pension deficit recovery payments and rationalisation costs and after proceeds on the disposal of Public Private Partnership equity investments and dividends received from Joint Ventures.
(6) Based on expected revenue and secure and probable orders, which exclude variable work and re-bids.

Business performance

As expected, total first-half revenue reduced slightly to £1,871.0 million (2013: £1,964.6 million), but with the rescaling of UK construction behind us we continue to expect the Group to focus on revenue growth in the full year, as we target growth in support services, Middle East construction services and in construction services (excluding the Middle East).

Underlying profit from operations[1] increased by six per cent to £97.4 million (2013: £92.3 million), with increased contributions from support services, Middle East construction services and construction services (excluding the Middle East) that together more than offset a lower contribution from PPP projects. As previously announced, we expected profit from PPP projects to be lower than in 2013, because we planned to sell fewer PPP equity investments in 2014. The significant increase in the Group's underlying operating margin[2] to 5.5 per cent (2013: 5.1 per cent) reflected the six per cent increase in the Group's underlying profit from operations on slightly lower revenue.

Underlying profit before taxation[3] increased by three per cent to £75.9 million (2013: £73.5 million), after an increase in the Group's net financial expense to £21.5 million (2013: £18.8 million). This increase included a reduction in interest received in respect of loans to PPP Joint Ventures following the sale of our equity investments in a number of these Joint Ventures during 2013 and the first half of 2014 and a higher non-cash interest charge relating to the Group's defined benefit pension schemes.

After an increase in the Group's underlying taxation charge to £9.4 million (2013: £7.1 million) and profit attributable to non-controlling interests of £3.2 million (2013: £3.3 million), underlying profit attributable to shareholders and underlying earnings per share[4] were broadly unchanged at £63.3 million (2013: £63.1 million) and 14.7 pence (2013: 14.7 pence), respectively.

The underlying Group taxation charge of £9.4 million (2013: £7.1 million), when combined with taxation in respect of Joint Ventures of £1.1 million (2013: £2.3 million), represented an underlying effective tax rate[4] of 14 per cent (2013: 12 per cent). The increase in the underlying Group taxation charge and the consequent increase in the underlying effective tax rate was largely due to the fact that the contribution to profit from PPP equity sales, which is exempt from taxation, was lower in 2014 than in 2013. The Group's underlying effective tax rate remains below the UK standard corporation tax rate of 22 per cent because our profits in the Middle East and from the disposal of PPP equity investments are subject to zero or low tax rates and because we continue to utilise tax losses in the UK that were largely inherited with the acquisitions of Mowlem plc, Alfred McAlpine plc and Eaga plc.

(1) After Joint Ventures net financial expense of £3.9 million (2013: £4.8 million) and Joint Ventures taxation charge of £1.1 million (2013: £2.3 million) and before intangible amortisation of £8.4 million (2013: £9.3 million).
(2) Before Joint Ventures net financial expense, Joint Ventures taxation charge and intangible amortisation.
(3) After Joint Ventures taxation charge and before intangible amortisation.
(4) Before intangible amortisation.

Following an intangible amortisation charge of £8.4 million (2013: £9.3 million), reported profit before taxation increased by five per cent to £67.5 million (2013: £64.2 million). After a Group taxation charge of £7.7 million (2013: £5.0 million) and non-controlling interests of £3.2 million (2013: £3.3 million), basic earnings per share increased by two per cent to 13.2 pence per share (2013: 13.0 pence per share).

Dividend

The interim dividend has been increased by two per cent to 5.6 pence per share (2013: 5.5 pence per share), which is covered 2.6 times by underlying earnings per share(1) (2013: 2.7 times), and this reflects Carillion's progressive dividend policy that aims to increase its dividend broadly in line with the growth in underlying earnings per share(1), subject to the investment needs of the business.

Order book and pipeline

The Group's strong work winning performance in 2013 has continued into 2014, with £3.2 billion of new orders and probable orders in the first half of the year, which increased the total value of the Group's orders and probable orders to £19.5 billion at 30 June 2014 (31 December 2013: £18.0 billion). This included a substantial increase in orders and probable orders in support services, where we have had a particularly impressive work winning performance. The Group's pipeline of contract opportunities has also increased and at 30 June 2014 it was worth £38.0 billion (31 December 2013: £37.5 billion), including a substantial increase in the number of opportunities that have come to market in Middle East construction services.

Financial reporting segments and analysis

Operating profit by financial reporting segment

	2014 **£m**	2013 £m	Change from 2013 %
Support services	**55.3**	44.1	+25
Public Private Partnership projects	**20.5**	36.6	-44
Middle East construction services	**13.2**	9.9	+33
Construction services (excluding the Middle East)	**19.2**	19.0	+1
	108.2	109.6	-1
Group eliminations and unallocated items	**(5.8)**	(10.2)	+43
Profit from operations before Joint Ventures net financial expense and taxation	**102.4**	99.4	+3
Share of Joint Ventures net financial expense	**(3.9)**	(4.8)	+19
Share of Joint Ventures taxation	**(1.1)**	(2.3)	+52
Underlying profit from operations(2)	**97.4**	92.3	+6
Intangible amortisation	**(8.4)**	(9.3)	+10
Reported profit from operations	**89.0**	83.0	+7

(1) Before intangible amortisation.
(2) After Joint Ventures net financial expense of £3.9 million (2013: £4.8 million) and Joint Ventures taxation charge of £1.1 million (2013: £2.3 million) and before intangible amortisation of £8.4 million (2013: £9.3 million).

Support services

	2014 **£m**	2013 £m	Change from 2013 %
Revenue			
- Group	**942.9**	977.6	
- Share of Joint Ventures	**157.9**	136.4	
	1,100.8	1,114.0	-1
Underlying operating profit(1)			
- Group	**43.1**	30.4	
- Share of Joint Ventures	**12.2**	13.7	
	55.3	44.1	+25

(1) Before intangible amortisation.

In this segment we report the results of our facilities management, facilities services, energy services, rail services, road maintenance services, utility services and consultancy businesses in the UK, Canada and the Middle East.

Revenue in support services was broadly unchanged as we have made good progress towards replacing the £70 million or so of revenue lost in the first quarter of 2013 due to a number of energy services contracts coming to an end as a result of changes to Government policy and legislation. However, our full-year target of resuming revenue growth in support services remains unchanged, as we expect to continue benefitting from our strong work winning performance in 2013 and 2014. The increase in underlying operating profit was largely due to the operational efficiencies we achieved by taking prompt action in the second half of 2013 to restructure our energy services activities in response to low demand, particularly in the Green Deal and Energy Company Obligation markets, together with a small contribution from John Laing Integrated Services (now rebranded Carillion Integrated Services), which we acquired in October 2013. This was reflected in the first-half operating margin, which increased to 5.0 per cent (2013: 4.0 per cent), although we continue to expect the full-year operating margin in this segment to be broadly stable.

In the first half of 2014, we won new orders and probable orders in support services worth some £2.2 billion, which follows a strong work-winning performance in 2013 and supports our objective of resuming revenue growth in support services in 2014. Significant successes included winning all five of the Next Generation Estate Contracts for the Defence Infrastructure Organisation (DIO) for which we bid. These contracts, which we bid in Joint Venture, have a total potential value of up to £2.0 billion over the initial five-year contract period and a potential value of up to £4.5 billion including additional works if the DIO exercises an option to extend the contract periods to 10 years. Carillion's share of these revenues is expected to be over £1 billion and up to £2.5 billion, respectively.

Other notable first-half successes included signing contracts for Royal Bank of Scotland and Arqiva, which were classified as probable orders at 31 December 2013, and securing contracts for the Nottingham University Hospitals NHS Trust and Canadian Natural Resources Limited that together are worth approximately £570 million over five years. In addition, Network Rail appointed Carillion as a preferred partner for a number of framework contracts, which form part of Network Rail's Control Period Five programme, that together have the potential to generate over £800 million of revenue for Carillion.

Consequently, the value of our support services order book plus probable orders at 30 June 2014 increased to £15.1 billion (31 December 2013: £13.6 billion) and includes a large number of high-quality, long-term contracts with blue-chip companies and Government Departments. We therefore continue to have good revenue visibility[(1)], which currently stands at 93 per cent for 2014.

Following our very strong work winning performance, our pipeline of contract opportunities in support services reduced to £8.6 billion at 30 June 2014 (31 December 2013: £10.4 billion). However, relative to revenue our pipeline remains strong and includes significant opportunities in the defence, health, rail, justice and Local Authority sectors in the UK, in the oil and gas, power distribution, utilities, transport and health sectors in Canada and in the oil and gas, transport, health and education sectors in the Middle East.

Public Private Partnership (PPP) projects

	2014 £m	2013 £m	Change from 2013 %
Revenue			
- Group	**0.7**	0.8	
- Share of Joint Ventures	**94.8**	124.2	
	95.5	125.0	-24
Underlying operating profit[(2)]			
- Group	**15.1**	31.0	
- Share of Joint Ventures	**5.4**	5.6	
	20.5	36.6	-44

In this segment we report the equity returns on our investments in the PPP projects we have in the UK and in Canada.

Our portfolio of PPP projects is performing well and we have continued our policy of selling equity investments in mature projects with the sale of two investments in the first half that generated cash proceeds of approximately £28 million, at an average discount rate of some seven per cent, and a profit of £11.5 million. As expected, revenue reduced as a result of selling equity investments in the second half of 2013 and in the first half of 2014. Underlying operating profit also reduced, largely because we sold fewer equity investments in the first half of 2014 than in the same period in 2013, in line with previous guidance.

At 30 June 2014, we had a portfolio of 18 financially closed projects in which we have invested gross equity of £52 million before repayments and into which we are committed to invest a further £93 million of equity. The Directors' valuation of existing investments in our portfolio of financially closed projects was some £51 million at 30 June 2014, based on discounting the cash flows from our equity investments at nine per cent.

During the first half, a Carillion Joint Venture was selected as the preferred bidder for the Aberdeen Western Peripheral Route, which will generate some £250 million of revenue for Carillion and in which we expect to invest up to £20 million of equity. Consequently, the value of our order book plus probable orders at 30 June 2014 remained unchanged at £1.2 billion (31 December 2013: £1.2 billion), despite the two first-half equity sales.

(1) Based on expected revenue and secure and probable orders, which exclude variable work and re-bids.
(2) Before intangible amortisation.

In addition, we continue to have a substantial pipeline of project opportunities, notably in the health sector in Canada and in the health and education sectors in the UK that could generate around £2.3 billion of revenue and create significant value for the Group. Currently, we are shortlisted for two health sector projects in Canada, for a health sector project in Turkey and for a schools project in Ireland in which we could invest up to a total of £45 million. We therefore remain well placed to continue adding projects to our portfolio to replace the investments we sell when they reach maturity.

Middle East construction services

	2014 £m	2013 £m	Change from 2013 %
Revenue			
- Group	**125.7**	100.1	
- Share of Joint Ventures	**86.9**	121.7	
	212.6	221.8	-4
Underlying operating profit(1)			
- Group	**11.5**	6.3	
- Share of Joint Ventures	**1.7**	3.6	
	13.2	9.9	+33

In this segment we report the results of our building and civil engineering activities in the Middle East and North Africa.

Although first-half revenue reduced by four per cent, we continue to target revenue growth in the full year as we expect the momentum we have created through contract wins in 2013 and in the first half of 2014 to come through in the second half of 2014. The increase in underlying operating profit reflects a number of factors including the phasing of profit in respect of certain contracts, an improved operating performance and some improvement in the competitive landscape. Consequently, the first-half operating margin increased to 6.2 per cent (2013: 4.5 per cent). However, we do not expect to maintain this improvement in operating margin in the full year, although we do expect the full-year margin to be ahead of the 2013 margin as we make progress towards our medium-term margin target of six per cent.

The gradual improvement in the pace of contract awards that we saw in 2013 has continued into 2014 with first-half new and probable orders worth in the region of £0.3 billion. Al Futtaim Carillion (AFC, a 50:50 Joint Venture) had a number of major successes in Dubai, including winning Phase IV of the Madinat Jumeirah Resort project, a further luxury hotel and Phase 1 of the Dubai World Trade Centre, that together are worth approximately £370 million to the Joint Venture. AFC also signed contracts for the Avenue CityWalk development in Dubai and the Hard Rock Hotel in Abu Dhabi, together worth over £200 million to the Joint Venture and which were included in probable orders at the end of 2013. In addition, Carillion Saudi Arabia was awarded a £70 million contract in June 2014 to build the Aldara Hospital and Medical Centre in Riyadh, our second hospital project in the Kingdom of Saudi Arabia. At 30 June 2014, Carillion had an order book plus probable orders in the Middle East worth approximately £1.0 billion (31 December 2013: £0.9 billion) and revenue visibility(2) for 2014 of around 91 per cent.

(1) Before intangible amortisation.
(2) Based on expected revenue and secure and probable orders, which exclude variable work and re-bids.

Our pipeline of contract opportunities in Middle East construction services has increased substantially and at 30 June 2014 it was worth £15.7 billion (31 December 2013: £13.1 billion). This reflects the improving outlook in several of our key markets in the Gulf region and supports our medium-term prospects for growth.

Construction services (excluding the Middle East)

	2014 £m	2013 £m	Change from 2013 %
Revenue			
- Group	**451.6**	499.0	
- Share of Joint Ventures	**10.5**	4.8	
	462.1	503.8	-8
Underlying operating profit[1]			
- Group	**19.0**	18.9	
- Share of Joint Ventures	**0.2**	0.1	
	19.2	19.0	+1

In this segment we report the results of our UK building, civil engineering and developments businesses, together with those of our construction activities in Canada.

As previously announced, first-half revenue was lower than in 2013. However, having completed the rescaling of our UK construction activities by the end of 2013, we continue to target modest revenue growth in the full year. Underlying operating profit was broadly unchanged as the effect of lower revenue was offset by an improved underlying operating margin, which increased to 4.2 per cent (2013: 3.8 per cent). This reflected an improved operating performance, including outturns on a number of contracts that were more favourable than expected. Nonetheless in the full year we continue to expect the operating margin in this segment to reduce as previously announced. In the medium term, we still continue to believe that our normalised margin will be significantly higher than the margin we had prior to rescaling our UK construction activities and also ahead of the industry average.

New order intake in the first half remained healthy, with orders and probable orders worth approximately £0.5 billion, which maintained the total value of our order book plus probable orders in this segment at £2.2 billion (31 December 2013: £2.3 billion). Notable first-half wins included the appointment of a Carillion Joint Venture as the preferred bidder for the Aberdeen Western Peripheral Route Public Private Partnership project, which is expected to generate construction revenue of some £170 million, and being selected as the preferred bidder to deliver Liverpool Football Club's Main Stand Expansion project, which has an estimated construction value in the region of £75 million. Full year 2014 revenue visibility[2] currently stands at 91 per cent.

Our pipeline of contract opportunities at 30 June 2014 remained strong at £11.4 billion (31 December 2013: £11.0 billion). This pipeline, together with our strong order book plus probable orders, supports our view that the outlook in this segment continues to improve, notably because we see more opportunities in our UK markets that will enable us to continue targeting revenue growth beyond 2014, consistent with our selective approach.

(1) Before intangible amortisation.
(2) Based on expected revenue and secure and probable orders, which exclude variable work and re-bids.

Pensions

The Group's first-half pensions charge against operating profit in relation to defined benefit schemes was £5.8 million (2013: £5.3 million). The non-cash interest charge relating to pensions increased to £8.1 million (2013: £7.6 million), which reflected an increase in the Group's pre-tax retirement benefit liability from £351.0 million at 31 December 2012 to £370.1 million at 31 December 2013. At 30 June 2014, the Group's post-tax retirement benefit liability increased to £304.7 million (31 December 2013: £295.1 million), primarily due to a reduction in the AA bond yield.

Cash flow

	2014 £m	2013 £m
Underlying Group operating profit	**82.9**	76.4
Depreciation and other non-cash items	**15.0**	8.0
Working capital[(1)]	**21.3**	(89.4)
Dividends received from Joint Ventures	**4.3**	10.0
Underlying cash flow from operations	**123.5**	5.0
Deficit pension contributions	**(19.1)**	(19.2)
Integration and rationalisation costs	**(5.9)**	(4.4)
Interest, tax and dividends	**(66.4)**	(60.7)
Net capital expenditure	**(11.1)**	(4.4)
Acquisitions and disposals	**(10.6)**	(14.6)
Other	**1.2**	(16.7)
Change in net borrowing	**11.6**	(115.0)
Net borrowing at 1 January	**(215.2)**	(155.8)
Net borrowing at 30 June	**(203.6)**	(270.8)

First-half underlying cash flow from operations was £123.5 million (2013: £5.0 million), representing an underlying profit from operations cash conversion of 127 per cent (2013: 5 per cent). This strong cash flow performance reflects the fact that the planned rescaling of our UK construction activities, with its associated cash outflow, had been completed by the end of 2013 and that the Group's cash flow has returned to a more normal profile.

Dividends received from Joint Ventures amounted to £4.3 million (2013: £10.0 million), with the reduction reflecting a lower contribution from our Defence Joint Ventures. We did not take a dividend from our Middle East Joint Venture business, Al Futtaim Carillion, in the first half of 2014, in line with our prudent approach to cash management. This dividend has become relatively less important to our cash flow over recent years, because profit from the Al Futtaim Carillion Joint Venture has reduced, while the combined profit of our other Middle East businesses that are wholly consolidated has increased and now exceeds Carillion's share of profit from this Joint Venture.

(1) Including net proceeds from the sale of PPP investments.

Balance Sheet

	30 June 2014 £m	31 December 2013 £m
Property, plant and equipment	**136.5**	128.2
Intangible assets	**1,544.8**	1,552.8
Investments	**150.6**	159.3
	1,831.9	1,840.3
Inventories, receivables and payables	**(332.1)**	(327.6)
Net retirement benefit liability (net of tax)	**(304.7)**	(295.1)
Other	**(22.8)**	(18.8)
Net operating assets	**1,172.3**	1,198.8
Net borrowing	**(203.6)**	(215.2)
Net assets	**968.7**	983.6
Average net borrowing	**(402.7)**	(490.6)

There are three notable movements in the balance sheet. First, the movement in investments reflects the sale of equity investments in Public Private Partnership projects during 2014. Second, the increase in the Group's net retirement benefit liability, which was primarily due to the negative impact of a reduction in the discount rate partially offset by improved investment returns and a change in inflation assumption. Third, the reduction in average net borrowing, which is largely due to the improved underlying cash flow from operations as described in the paragraph on cash flow above.

Committed bank facilities

In the first half of 2014, the Group further increased its borrowing capacity following completion of two separate £15 million bi-lateral facilities with Barclays and the National Bank of Abu Dhabi. In total, the Group has available funding of over £1.1 billion, comprising committed bank facilities totalling £850 million, of which £785 million matures in 2018, together with private placement borrowings of £299 million maturing between 2017 and 2024.

Foreign exchange

	Average		**Period End**	
£ Sterling	**2014**	**2013**	**2014**	**2013**
Middle East (US Dollar)	**1.67**	1.55	**1.71**	1.52
Oman (Rial)	**0.64**	0.60	**0.66**	0.58
UAE (Dirham)	**6.15**	5.69	**6.28**	5.57
Canada (Dollar)	**1.83**	1.58	**1.82**	1.60

The value of sterling has strengthened relative to the US dollar and the Canadian dollar and adversely affected the revenues we have reported for our activities in Canada and in the Middle East. The effects of these exchange rate movements have been to reduce reported revenues in the first half of 2014 compared with the first half of 2013, on a like for like basis, by approximately £40 million for Canada and by approximately £10 million for the Middle East, which represents some 16 per cent and four per cent, respectively, of our total revenues in these territories and in aggregate some three per cent of the Group's revenue.

Operational and financial risk management

Carillion has rigorous policies and processes in place to identify, mitigate and manage strategic risks and those specific to individual businesses and contracts, including economic, social, environmental and ethical risks. The Group's risk management policies and processes, together with the Group's principal operational and financial risks and the measures being taken to mitigate and manage these risks, are described in our 2013 Annual Report and Accounts, published in March 2014 and these have not fundamentally changed. The principal operational risks summarised on page 19 of that report include continuing to win work in existing and new target markets, consistent with our strategy for growth, managing major contracts successfully, managing our pension schemes to ensure that scheme liabilities are within a range appropriate to our capital base, attracting, developing and retaining excellent people, maintaining high standards of performance in respect of security, including cyber security, Health & Safety and other Statutory requirements and selecting high-quality Joint Venture and supply chain partners. The Group's principal financial risks, notably funding, liquidity, currency and counterparty risks, and how these are managed are summarised on pages 32 and 33 of our 2013 Annual Report and Accounts.

Outlook and prospects

Following a period in which we have realigned our business to the size of the markets in which we operate, the Group is well positioned to benefit from a strong work-winning performance over the last 18 months and from a high-quality pipeline of contract opportunities across our target markets. Consequently, the Board's expectations for 2014 remain unchanged and we expect to make further progress in the medium term.

Unaudited condensed consolidated income statement
for the six months ended 30 June

	Note	**2014 £m**	2013 £m	Year ended 31 December 2013 £m
Total revenue		**1,871.0**	1,964.6	4,080.9
Less: Share of jointly controlled entities' revenue		**(350.1)**	(387.1)	(748.3)
Group revenue	2	**1,520.9**	1,577.5	3,332.6
Cost of sales		**(1,376.1)**	(1,430.3)	(2,984.6)
Gross profit		**144.8**	147.2	348.0
Administrative expenses		**(81.8)**	(111.4)	(268.2)
Profit on disposal of Public Private Partnership equity investments		**11.5**	31.3	44.6
Group operating profit		**74.5**	67.1	124.4
Analysed between:				
Group operating profit before intangible amortisation and non-recurring operating items		**82.9**	76.4	187.8
Intangible amortisation(1)		**(8.4)**	(9.3)	(19.2)
Non-recurring operating items	3	**-**	-	(44.2)
Share of results of jointly controlled entities	2	**14.5**	15.9	26.5
Analysed between:				
Operating profit		**19.5**	23.0	41.0
Net financial expense		**(3.9)**	(4.8)	(10.1)
Taxation		**(1.1)**	(2.3)	(4.4)
Profit from operations		**89.0**	83.0	150.9
Analysed between:				
Profit from operations before intangible amortisation and non-recurring operating items		**97.4**	92.3	214.3
Intangible amortisation(1)		**(8.4)**	(9.3)	(19.2)
Non-recurring operating items	3	**-**	-	(44.2)
Non-operating items	3	**-**	-	(0.7)
Net financial expense	4	**(21.5)**	(18.8)	(39.6)
Analysed between:				
Financial income		**0.7**	4.0	7.7
Financial expense		**(22.2)**	(22.8)	(47.3)
Profit before taxation		**67.5**	64.2	110.6
Analysed between:				
Profit before taxation, intangible amortisation, non-recurring operating items and non-operating items		**75.9**	73.5	174.7
Intangible amortisation(1)		**(8.4)**	(9.3)	(19.2)
Non-recurring operating items	3	**-**	-	(44.2)
Non-operating items	3	**-**	-	(0.7)
Taxation	5	**(7.7)**	(5.0)	(4.3)
Profit for the period		**59.8**	59.2	106.3
Profit attributable to:				
Equity holders of the parent		**56.6**	55.9	100.2
Non-controlling interests		**3.2**	3.3	6.1
Profit for the period		**59.8**	59.2	106.3
Earnings per share	6			
Basic		**13.2p**	13.0p	23.3p
Diluted		**13.1p**	13.0p	23.2p

(1) Arising from business combinations.

Unaudited condensed consolidated statement of comprehensive income
for the six months ended 30 June

		2014		2013		Year ended 31 December 2013
	£m	**£m**	£m	£m	£m	£m
Profit for the period		**59.8**		59.2		106.3
Items that will not be reclassified subsequently to profit or loss:						
Actuarial losses on defined benefit pension schemes	**(21.5)**		(28.1)		(42.4)	
Taxation relating to items that will not be reclassified	**4.3**		6.5		(1.3)	
	(17.2)		(21.6)		(43.7)	
Items that may be reclassified subsequently to profit or loss:						
Gain/(loss) on hedge of net investment in foreign operations	**2.5**		(2.5)		3.3	
Currency translation differences on foreign operations	**(8.7)**		10.3		(15.5)	
Movement in fair value of cash flow hedging derivatives	**(2.1)**		11.3		(6.1)	
Reclassification of effective portion of cash flow hedging derivatives to profit	**4.9**		(12.4)		3.1	
Increase in fair value of available for sale assets	**0.5**		-		-	
Reclassification of fair value movements on disposal of available for sale assets	**-**		(15.6)		(15.6)	
Taxation relating to items that may be reclassified	**(0.1)**		0.6		1.9	
Share of recycled cash flow hedges within jointly controlled entities (net of taxation)	**-**		13.6		18.3	
Share of change in fair value of effective cash flow hedges within jointly controlled entities (net of taxation)	**(0.8)**		0.6		(2.1)	
	(3.8)		5.9		(12.7)	
Other comprehensive expense for the period		**(21.0)**		(15.7)		(56.4)
Total comprehensive income for the period		**38.8**		43.5		49.9
Attributable to:						
Equity holders of the parent		**36.2**		40.2		44.2
Non-controlling interests		**2.6**		3.3		5.7
		38.8		43.5		49.9

Unaudited condensed consolidated statement of changes in equity
for the six months ended 30 June 2014

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Fair value reserve £m	Merger reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
At 1 January 2014	**215.1**	**21.2**	**(36.4)**	**(5.6)**	**0.2**	**414.6**	**358.1**	**967.2**	**16.4**	**983.6**
Comprehensive income										
Profit for the period	-	-	-	-	-	-	56.6	56.6	3.2	59.8
Other comprehensive income										
Net gain on hedge of net investment in foreign operations	-	-	2.5	-	-	-	-	2.5	-	2.5
Currency translation differences on foreign operations	-	-	(8.1)	-	-	-	-	(8.1)	(0.6)	(8.7)
Movement in fair value of cash flow hedging derivatives	-	-	-	(2.1)	-	-	-	(2.1)	-	(2.1)
Reclassification of effective portion of cash flow hedging derivatives to profit	-	-	-	4.9	-	-	-	4.9	-	4.9
Increase in fair value of available for sale assets	-	-	-	-	0.5	-	-	0.5	-	0.5
Remeasurement of net defined benefit liability	-	-	-	-	-	-	(21.5)	(21.5)	-	(21.5)
Taxation	-	-	(0.1)	-	-	-	4.3	4.2	-	4.2
Share of change in fair value of effective cash flow hedges within jointly controlled entities (net of taxation)	-	-	-	(0.8)	-	-	-	(0.8)	-	(0.8)
Transfer between reserves	-	-	-	-	-	(6.9)	6.9	-	-	-
Total comprehensive income/(expense)	-	-	(5.7)	2.0	0.5	(6.9)	46.3	36.2	2.6	38.8
Transactions with owners										
Contributions by and distributions to owners										
Acquisition of own shares	-	-	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(1.2)	(1.2)
Equity settled transactions (net of taxation)	-	-	-	-	-	-	0.2	0.2	-	0.2
Dividends paid	-	-	-	-	-	-	(51.6)	(51.6)	(0.6)	(52.2)
Total transactions with owners	-	-	-	-	-	-	(51.9)	(51.9)	(1.8)	(53.7)
At 30 June 2014	**215.1**	**21.2**	**(42.1)**	**(3.6)**	**0.7**	**407.7**	**352.5**	**951.5**	**17.2**	**968.7**

Unaudited condensed consolidated statement of changes in equity
for the six months ended 30 June 2013

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Fair value reserve £m	Merger reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
At 1 January 2013[1]	215.1	21.2	(23.8)	(21.5)	15.8	433.2	358.9	998.9	11.8	1,010.7
Comprehensive income										
Profit for the period	-	-	-	-	-	-	55.9	55.9	3.3	59.2
Other comprehensive income										
Net loss on hedge of net investment in foreign operations	-	-	(2.5)	-	-	-	-	(2.5)	-	(2.5)
Currency translation differences on foreign operations	-	-	10.3	-	-	-	-	10.3	-	10.3
Movement in fair value of cash flow hedging derivatives	-	-	-	11.3	-	-	-	11.3	-	11.3
Reclassification of effective portion of cash flow hedging derivatives to profit	-	-	-	(12.4)	-	-	-	(12.4)	-	(12.4)
Reclassification of fair value movements on disposal of available for sale assets	-	-	-	-	(15.6)	-	-	(15.6)	-	(15.6)
Remeasurement of net defined benefit liability	-	-	-	-	-	-	(28.1)	(28.1)	-	(28.1)
Taxation	-	-	0.6	-	-	-	6.5	7.1	-	7.1
Share of recycled cash flow hedges within jointly controlled entities (net of taxation)	-	-	-	13.6	-	-	-	13.6	-	13.6
Share of change in fair value of effective cash flow hedges within jointly controlled entities (net of taxation)	-	-	-	0.6	-	-	-	0.6	-	0.6
Transfer between reserves	-	-	-	-	-	(9.3)	9.3	-	-	-
Total comprehensive income/(expense)	-	-	8.4	13.1	(15.6)	(9.3)	43.6	40.2	3.3	43.5
Transactions with owners										
Contributions by and distributions to owners										
Acquisition of own shares	-	-	-	-	-	-	(1.2)	(1.2)	-	(1.2)
Equity settled transactions (net of deferred taxation)	-	-	-	-	-	-	0.1	0.1	-	0.1
Dividends paid	-	-	-	-	-	-	(51.0)	(51.0)	(0.5)	(51.5)
Total transactions with owners	-	-	-	-	-	-	(52.1)	(52.1)	(0.5)	(52.6)
At 30 June 2013	215.1	21.2	(15.4)	(8.4)	0.2	423.9	350.4	987.0	14.6	1,001.6

(1) Restated for the retrospective adjustment to provisional amounts recognised on the acquisition of the Bouchier Group in 2012.

Unaudited condensed consolidated statement of changes in equity
for the year ended 31 December 2013

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Fair value reserve £m	Merger reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
At 1 January 2013[1]	215.1	21.2	(23.8)	(21.5)	15.8	433.2	358.9	998.9	11.8	1,010.7
Comprehensive income										
Profit for the year	-	-	-	-	-	-	100.2	100.2	6.1	106.3
Other comprehensive income										
Net gain on hedge of net investment in foreign operations	-	-	3.3	-	-	-	-	3.3	-	3.3
Currency translation differences on foreign operations	-	-	(15.1)	-	-	-	-	(15.1)	(0.4)	(15.5)
Movement in fair value of cash flow hedging derivatives	-	-	-	(6.1)	-	-	-	(6.1)	-	(6.1)
Reclassification of effective portion of cash flow hedging derivatives to profit	-	-	-	3.1	-	-	-	3.1	-	3.1
Reclassification of fair value movements on disposal of available for sale assets	-	-	-	-	(15.6)	-	-	(15.6)	-	(15.6)
Remeasurement of net defined benefit liability	-	-	-	-	-	-	(42.4)	(42.4)	-	(42.4)
Taxation	-	-	(0.8)	2.7	-	-	(1.3)	0.6	-	0.6
Share of recycled cash flow hedges within jointly controlled entities (net of taxation)	-	-	-	18.3	-	-	-	18.3	-	18.3
Share of change in fair value of effective cash flow hedges within jointly controlled entities (net of taxation)	-	-	-	(2.1)	-	-	-	(2.1)	-	(2.1)
Transfer between reserves	-	-	-	-	-	(18.6)	18.6	-	-	-
Total comprehensive income/(expense)	-	-	(12.6)	15.9	(15.6)	(18.6)	75.1	44.2	5.7	49.9
Transactions with owners										
Contributions by and distributions to owners										
Acquisition of own shares	-	-	-	-	-	-	(2.2)	(2.2)	-	(2.2)
Equity settled transactions (net of deferred taxation)	-	-	-	-	-	-	1.2	1.2	-	1.2
Cash settlement of vested equity settled transactions	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Dividends paid	-	-	-	-	-	-	(74.6)	(74.6)	(1.1)	(75.7)
Total transactions with owners	-	-	-	-	-	-	(75.9)	(75.9)	(1.1)	(77.0)
At 31 December 2013	215.1	21.2	(36.4)	(5.6)	0.2	414.6	358.1	967.2	16.4	983.6

(1) Restated for the retrospective adjustment to provisional amounts recognised on the acquisition of the Bouchier Group in 2012.

Unaudited condensed consolidated balance sheet
as at 30 June

	Note	2014 £m	2013[(1)] £m	At 31 December 2013 £m
Non-current assets				
Property, plant and equipment		**136.5**	120.9	128.2
Intangible assets		**1,544.8**	1,530.6	1,552.8
Retirement benefit assets		**7.6**	2.2	3.8
Investments in jointly controlled entities		**142.8**	183.2	152.0
Other investments		**7.8**	8.1	7.3
Derivative financial instruments		**-**	4.2	-
Deferred tax assets		**112.0**	127.6	112.6
Total non-current assets		**1,951.5**	1,976.8	1,956.7
Current assets				
Inventories		**53.5**	61.6	48.6
Trade and other receivables		**1,237.7**	1,095.1	1,212.3
Cash and cash equivalents	9	**258.5**	338.7	413.7
Derivative financial instruments		**-**	1.9	2.2
Current asset investments		**2.0**	2.3	2.4
Income tax receivable		**2.3**	6.8	4.0
Total current assets		**1,554.0**	1,506.4	1,683.2
Total assets		**3,505.5**	3,483.2	3,639.9
Current liabilities				
Borrowing		**(19.6)**	(67.1)	(22.5)
Derivative financial instruments		**(16.7)**	-	(13.2)
Trade and other payables		**(1,623.3)**	(1,454.1)	(1,588.5)
Provisions		**(27.3)**	(21.5)	(32.7)
Income tax payable		**(5.4)**	(5.0)	(4.7)
Total current liabilities		**(1,692.3)**	(1,547.7)	(1,661.6)
Non-current liabilities				
Borrowing		**(442.5)**	(542.4)	(606.4)
Retirement benefit liabilities		**(389.8)**	(371.5)	(373.9)
Deferred tax liabilities		**(9.4)**	(14.2)	(10.2)
Provisions		**(2.8)**	(5.8)	(4.2)
Total non-current liabilities		**(844.5)**	(933.9)	(994.7)
Total liabilities		**(2,536.8)**	(2,481.6)	(2,656.3)
Net assets	2	**968.7**	1,001.6	983.6
Equity				
Share capital	13	**215.1**	215.1	215.1
Share premium		**21.2**	21.2	21.2
Translation reserve		**(42.1)**	(15.4)	(36.4)
Hedging reserve		**(3.6)**	(8.4)	(5.6)
Fair value reserve		**0.7**	0.2	0.2
Merger reserve		**407.7**	423.9	414.6
Retained earnings		**352.5**	350.4	358.1
Equity attributable to shareholders of the parent		**951.5**	987.0	967.2
Non-controlling interests		**17.2**	14.6	16.4
Total equity		**968.7**	1,001.6	983.6

(1) Restated for the retrospective adjustment to provisional amounts recognised on the acquisition of the Bouchier Group in 2012.

Unaudited condensed consolidated cash flow statement
for the six months ended 30 June

	Note	2014 £m	2013 £m	Year ended 31 December 2013 £m
Cash flows from operating activities				
Group operating profit		**74.5**	67.1	124.4
Depreciation and amortisation		**21.4**	21.9	44.3
Loss on disposal of property, plant and equipment		**0.3**	-	2.3
Profit on disposal of Public Private Partnership equity investments		**(11.5)**	(31.3)	(44.6)
Other non-cash movements		**1.7**	(4.6)	(6.1)
Non-recurring operating items		**-**	-	44.2
Operating profit before changes in working capital		**86.4**	53.1	164.5
Increase in inventories		**(5.3)**	(5.6)	(1.1)
(Increase)/decrease in trade and other receivables		**(42.1)**	36.2	(123.8)
Increase/(decrease) in trade and other payables		**52.8**	(195.1)	(40.6)
Cash generated from/(used in) operations before pension deficit recovery payments and rationalisation costs		**91.8**	(111.4)	(1.0)
Deficit recovery payments to pension schemes		**(19.1)**	(19.2)	(39.2)
Rationalisation costs		**(5.9)**	(4.4)	(22.0)
Cash generated from/(used in) operations		**66.8**	(135.0)	(62.2)
Financial income received		**1.2**	5.1	11.1
Financial expense paid		**(14.1)**	(15.0)	(30.9)
Acquisition costs		**-**	(0.3)	(1.0)
Taxation (payments)/receipts		**(1.3)**	0.7	4.6
Net cash flows from operating activities		**52.6**	(144.5)	(78.4)
Cash flows from investing activities				
Disposal of property, plant and equipment		**1.4**	0.4	0.9
Disposal of jointly controlled entities and other investments	11	**27.4**	106.4	143.7
Dividends received from jointly controlled entities		**4.3**	10.0	18.2
Loan advance repayments received from jointly controlled entities		**4.2**	-	2.9
Disposal and closure of businesses		**-**	(0.3)	(0.3)
Decrease in current asset investments		**0.4**	0.2	0.1
Acquisition of subsidiaries, net of cash acquired	11	**(8.6)**	(6.9)	(20.3)
Acquisition of non-controlling interests		**(1.2)**	-	-
Acquisition of intangible assets		**(0.2)**	(1.6)	(6.5)
Acquisition of property, plant and equipment		**(12.3)**	(3.2)	(21.6)
Equity investments in and loan advances to jointly controlled entities		**(4.8)**	(3.3)	(6.1)
Acquisition of other non-current asset investments		**(0.2)**	(3.8)	(3.8)
Net cash flows from investing activities		**10.4**	97.9	107.2
Cash flows from financing activities				
Repayment of bank and other loans		**(155.5)**	(250.2)	(171.0)
Repayment of finance lease liabilities		**(6.9)**	(12.0)	(16.7)
Acquisition of own shares		**(0.5)**	(1.2)	(2.2)
Payment to employees in settlement of share options		**-**	-	(0.3)
Dividends paid to equity holders of the parent		**(51.6)**	(51.0)	(74.6)
Dividends paid to non-controlling interests		**(0.6)**	(0.5)	(1.1)
Net cash flows from financing activities		**(215.1)**	(314.9)	(265.9)
Decrease in net cash and cash equivalents for the period		**(152.1)**	(361.5)	(237.1)
Net cash and cash equivalents at 1 January		**410.4**	652.2	652.2
Effect of exchange rate fluctuations on net cash and cash equivalents		**(3.0)**	4.5	(4.7)
Net cash and cash equivalents at period end	9	**255.3**	295.2	410.4

1 Basis of preparation

Carillion plc (the 'Company') is a company domiciled in the United Kingdom (UK). The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in jointly controlled entities.

The condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

This interim financial information has been prepared applying the accounting policies and presentation which were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2013, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union, except for the following standards and interpretations which are effective for the Group from 1 January 2014:

- International Financial Reporting Standard (IFRS) 10 'Consolidated Financial Statements'
- International Financial Reporting Standard (IFRS) 11 'Joint arrangements'
- International Financial Reporting Standard (IFRS) 12 'Disclosure of interests in other entities'

IFRS 10 'Consolidated financial statements' establishes the requirement for the consolidation of entities that a company controls and IFRS 11 'Joint arrangements' outlines the accounting requirement for entities that are subject to joint control.

The adoption of these two standards has not required the Group to change the accounting treatment of any of its subsidiaries or entities subject to joint control and therefore there has been no impact on profit, earnings per share or net assets. IFRS 12 'Disclosure of interests in other entities' establishes the disclosure requirements in relation to the Company's interests in subsidiaries, joint arrangements, associates and other entities. The Group will include the necessary disclosure requirements of IFRS 12 in the 2014 Annual Report.

The comparative financial information for the year ended 31 December 2013 does not constitute the Company's statutory accounts for the purposes of section 434 of the Companies Act 2006 for that financial year. The statutory accounts for the year ended 31 December 2013 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, did not include references to any matter which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The Group's business activities, together with the factors likely to affect its future development, performance and position are described in the interim management review on pages 4 to 13. The Group has considerable financial resources, including £850.0 million of committed bank facilities expiring in 2017 and 2018 and £298.7 million of private placement notes expiring between 2017 and 2024. The Group has long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors confirm that, after making enquiries, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed interim financial statements.

2 Segmental reporting

Segment information is presented in respect of the Group's strategic operating segments. The operating segment reporting format reflects the differing economic characteristics and nature of the services provided by the Group and is the basis on which strategic operating decisions are made by the Group Chief Executive, who is the Group's chief operating decision maker.

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, except finance items and income tax.

Operating segments
The Group is comprised of the following main operating segments:

Support services
In this segment we report the results, including licensing, of our facilities management, facilities services, energy services, road maintenance, rail services, utility services and consultancy businesses in the UK, Canada and the Middle East.

Public Private Partnership projects
In this segment we report the equity returns on our investing activities in Public Private Partnership projects for Government buildings and infrastructure mainly in defence, health, education, transport and secure accommodation sectors.

Middle East construction services
In this segment we report the results of our building and civil engineering activities in the Middle East and North Africa.

Notes to the unaudited condensed interim financial statements continued

2 Segmental reporting (continued)

Construction services (excluding the Middle East)
In this segment we report the results of our UK building, civil engineering and developments businesses and our construction activities in Canada.

Segmental revenue and profit

	2014		2013		Year ended 31 December 2013	
	Revenue £m	**Operating profit before intangible amortisation £m**	Revenue £m	Operating profit before intangible amortisation £m	Revenue £m	Operating profit before intangible amortisation and non-recurring operating items £m
Support services						
Group	**942.9**	**43.1**	977.6	30.4	2,029.4	92.8
Share of jointly controlled entities	**157.9**	**12.2**	136.4	13.7	271.5	25.2
	1,100.8	**55.3**	1,114.0	44.1	2,300.9	118.0
Inter-segment	**42.2**	**-**	43.7	-	85.0	-
Total	**1,143.0**	**55.3**	1,157.7	44.1	2,385.9	118.0
Public Private Partnership projects						
Group	**0.7**	**15.1**	0.8	31.0	2.3	46.0
Share of jointly controlled entities	**94.8**	**5.4**	124.2	5.6	234.6	12.4
	95.5	**20.5**	125.0	36.6	236.9	58.4
Inter-segment	**-**	**-**	-	-	-	-
Total	**95.5**	**20.5**	125.0	36.6	236.9	58.4
Middle East construction services						
Group	**125.7**	**11.5**	100.1	6.3	250.3	15.4
Share of jointly controlled entities	**86.9**	**1.7**	121.7	3.6	233.2	3.8
	212.6	**13.2**	221.8	9.9	483.5	19.2
Inter-segment	**-**	**-**	0.3	-	-	-
Total	**212.6**	**13.2**	222.1	9.9	483.5	19.2
Construction services (excluding the Middle East)						
Group	**451.6**	**19.0**	499.0	18.9	1,050.6	44.8
Share of jointly controlled entities	**10.5**	**0.2**	4.8	0.1	9.0	(0.4)
	462.1	**19.2**	503.8	19.0	1,059.6	44.4
Inter-segment	**4.5**	**-**	2.2	-	2.1	-
Total	**466.6**	**19.2**	506.0	19.0	1,061.7	44.4
Group eliminations and unallocated items	**(46.7)**	**(5.8)**	(46.2)	(10.2)	(87.1)	(11.2)
Consolidated						
Group	**1,520.9**	**82.9**	1,577.5	76.4	3,332.6	187.8
Share of jointly controlled entities	**350.1**	**19.5**	387.1	23.0	748.3	41.0
Total	**1,871.0**	**102.4**	1,964.6	99.4	4,080.9	228.8

Notes to the unaudited condensed interim financial statements continued

2 Segmental reporting (continued)

Reconciliation of operating segment results to reported results

	2014 £m	2013 £m	Year ended 31 December 2013 £m
Group and share of jointly controlled entities' operating profit before intangible amortisation and non-recurring operating items	**102.4**	99.4	228.8
Net financial expense			
– Group	**(21.5)**	(18.8)	(39.6)
– Share of jointly controlled entities	**(3.9)**	(4.8)	(10.1)
Share of jointly controlled entities' taxation	**(1.1)**	(2.3)	(4.4)
Underlying profit before taxation	**75.9**	73.5	174.7
Intangible amortisation arising from business combinations	**(8.4)**	(9.3)	(19.2)
Non-recurring operating items	**-**	-	(44.2)
Non-operating items	**-**	-	(0.7)
Profit before taxation	**67.5**	64.2	110.6
Taxation	**(7.7)**	(5.0)	(4.3)
Profit for the period	**59.8**	59.2	106.3

Non-operating items arise in the following segments:

	2014			2013			Year ended 31 December 2013		
	Intangible amortisation £m	**Non-recurring operating items £m**	**Non-operating items £m**	Intangible amortisation £m	Non-recurring operating items £m	Non-operating items £m	Intangible amortisation £m	Non-recurring operating items £m	Non-operating items £m
Support services	**(7.5)**	**-**	**-**	(8.2)	-	-	(17.1)	(44.2)	(0.7)
Construction services (excluding the Middle East)	**(0.9)**	**-**	**-**	(1.1)	-	-	(2.1)	-	-
Total	**(8.4)**	**-**	**-**	(9.3)	-	-	(19.2)	(44.2)	(0.7)

Depreciation and amortisation and capital expenditure arise in the following segments:

	2014		2013		Year ended 31 December 2013	
	Depreciation and amortisation £m	**Capital expenditure £m**	Depreciation and amortisation £m	Capital expenditure £m	Depreciation and amortisation £m	Capital expenditure £m
Support services	**(10.4)**	**(8.3)**	(13.6)	(4.3)	(27.7)	(28.2)
Middle East construction services	**(0.9)**	**(1.2)**	(0.9)	(0.3)	(2.0)	(1.3)
Construction services (excluding the Middle East)	**(1.4)**	**(0.3)**	(1.5)	(0.3)	(2.7)	(1.4)
Unallocated Group items	**(8.7)**	**(17.7)**	(5.9)	(3.7)	(11.9)	(12.9)
Total	**(21.4)**	**(27.5)**	(21.9)	(8.6)	(44.3)	(43.8)

Notes to the unaudited condensed interim financial statements continued

2 Segmental reporting (continued)

Segmental net assets

	2014			2013[1]			Year ended 31 December 2013		
	Operating assets £m	**Operating liabilities £m**	**Net operating assets/ (liabilities) £m**	Operating assets £m	Operating liabilities £m	Net operating assets/ (liabilities) £m	Operating assets £m	Operating liabilities £m	Net operating assets/ (liabilities) £m
Support services									
Intangible assets [2]	**1,263.2**	**-**	**1,263.2**	1,249.6	-	1,249.6	1,270.7	-	1,270.7
Operating assets	**595.4**	**-**	**595.4**	568.8	-	568.8	642.6	-	642.6
Investments	**16.7**	**-**	**16.7**	15.1	-	15.1	11.8	-	11.8
Total operating assets	**1,875.3**	**-**	**1,875.3**	1,833.5	-	1,833.5	1,925.1	-	1,925.1
Total operating liabilities	**-**	**(641.3)**	**(641.3)**	-	(514.0)	(514.0)	-	(651.7)	(651.7)
Net operating assets/(liabilities)	**1,875.3**	**(641.3)**	**1,234.0**	1,833.5	(514.0)	1,319.5	1,925.1	(651.7)	1,273.4
Public Private Partnership projects									
Operating assets	**2.8**	**-**	**2.8**	5.8	-	5.8	2.6	-	2.6
Investments	**23.2**	**-**	**23.2**	55.9	-	55.9	36.0	-	36.0
Total operating assets	**26.0**	**-**	**26.0**	61.7	-	61.7	38.6	-	38.6
Total operating liabilities	**-**	**(5.3)**	**(5.3)**	-	(9.3)	(9.3)	-	(12.8)	(12.8)
Net operating assets/(liabilities)	**26.0**	**(5.3)**	**20.7**	61.7	(9.3)	52.4	38.6	(12.8)	25.8
Middle East construction services									
Operating assets	**301.3**	**-**	**301.3**	287.3	-	287.3	275.8	-	275.8
Investments	**76.4**	**-**	**76.4**	78.4	-	78.4	76.2	-	76.2
Total operating assets	**377.7**	**-**	**377.7**	365.7	-	365.7	352.0	-	352.0
Total operating liabilities	**-**	**(272.9)**	**(272.9)**	-	(270.7)	(270.7)	-	(256.8)	(256.8)
Net operating assets/(liabilities)	**377.7**	**(272.9)**	**104.8**	365.7	(270.7)	95.0	352.0	(256.8)	95.2
Construction services (excluding the Middle East)									
Intangible assets [2]	**256.0**	**-**	**256.0**	260.8	-	260.8	258.4	-	258.4
Operating assets	**555.7**	**-**	**555.7**	372.1	-	372.1	406.8	-	406.8
Investments	**34.3**	**-**	**34.3**	41.9	-	41.9	35.3	-	35.3
Total operating assets	**846.0**	**-**	**846.0**	674.8	-	674.8	700.5	-	700.5
Total operating liabilities	**-**	**(749.6)**	**(749.6)**	-	(680.0)	(680.0)	-	(652.8)	(652.8)
Net operating assets/(liabilities)	**846.0**	**(749.6)**	**96.4**	674.8	(680.0)	(5.2)	700.5	(652.8)	47.7
Consolidated before Group items									
Intangible assets [2]	**1,519.2**	**-**	**1,519.2**	1,510.4	-	1,510.4	1,529.1	-	1,529.1
Operating assets	**1,455.2**	**-**	**1,455.2**	1,234.0	-	1,234.0	1,327.8	-	1,327.8
Investments	**150.6**	**-**	**150.6**	191.3	-	191.3	159.3	-	159.3
Total operating assets	**3,125.0**	**-**	**3,125.0**	2,935.7	-	2,935.7	3,016.2	-	3,016.2
Total operating liabilities	**-**	**(1,669.1)**	**(1,669.1)**	-	(1,474.0)	(1,474.0)	-	(1,574.1)	(1,574.1)
Net operating assets/(liabilities) before Group items	**3,125.0**	**(1,669.1)**	**1,455.9**	2,935.7	(1,474.0)	1,461.7	3,016.2	(1,574.1)	1,442.1
Group items									
Deferred tax assets/(liabilities)	**112.0**	**(9.4)**	**102.6**	127.6	(14.2)	113.4	112.6	(10.2)	102.4
Net cash/(borrowing)	**258.5**	**(462.1)**	**(203.6)**	338.7	(609.5)	(270.8)	413.7	(628.9)	(215.2)
Retirement benefits (gross of taxation)	**7.6**	**(389.8)**	**(382.2)**	2.2	(371.5)	(369.3)	3.8	(373.9)	(370.1)
Income tax	**2.3**	**(5.4)**	**(3.1)**	6.8	(5.0)	1.8	4.0	(4.7)	(0.7)
Other	**0.1**	**(1.0)**	**(0.9)**	72.2	(7.4)	64.8	89.6	(64.5)	25.1
Net assets/(liabilities)	**3,505.5**	**(2,536.8)**	**968.7**	3,483.2	(2,481.6)	1,001.6	3,639.9	(2,656.3)	983.6

(1) Restated for the retrospective adjustment to provisional amounts recognised on the acquisition of the Bouchier Group in 2012.
(2) Arising from business combinations.

2 Segmental reporting (continued)

Geographic information – by origin

	2014 £m	2013[(1)] £m	Year ended 31 December 2013 £m
United Kingdom			
Total revenue from external customers	**1,363.7**	1,378.4	2,844.9
Less: share of jointly controlled entities' revenue	**(212.7)**	(197.8)	(376.7)
Group revenue from external customers	**1,151.0**	1,180.6	2,468.2
Non-current assets	**1,581.6**	1,583.6	1,586.0
Middle East and North Africa			
Total revenue from external customers	**260.5**	230.7	531.6
Less: share of jointly controlled entities' revenue	**(96.8)**	(129.6)	(250.9)
Group revenue from external customers	**163.7**	101.1	280.7
Non-current assets	**80.9**	87.5	80.5
Canada			
Total revenue from external customers	**244.9**	347.6	671.1
Less: share of jointly controlled entities' revenue	**(40.6)**	(59.7)	(120.7)
Group revenue from external customers	**204.3**	287.9	550.4
Non-current assets	**161.6**	167.8	166.5
Rest of the World			
Total revenue from external customers	**1.9**	7.9	33.3
Less: share of jointly controlled entities' revenue	**-**	-	-
Group revenue from external customers	**1.9**	7.9	33.3
Non-current assets	**-**	-	-
Consolidated			
Total revenue from external customers	**1,871.0**	1,964.6	4,080.9
Less: share of jointly controlled entities' revenue	**(350.1)**	(387.1)	(748.3)
Group revenue from external customers	**1,520.9**	1,577.5	3,332.6
Non-current assets			
Total of geographic analysis above	**1,824.1**	1,838.9	1,833.0
Retirement benefit assets	**7.6**	2.2	3.8
Other investments	**7.8**	8.1	7.3
Deferred tax assets	**112.0**	127.6	112.6
Total non-current assets	**1,951.5**	1,976.8	1,956.7

(1) Restated for the retrospective adjustment to provisional amounts recognised on the acquisition of the Bouchier Group in 2012.

Notes to the unaudited condensed interim financial statements continued

2 Segmental reporting (continued)

Revenue from the Group's major customer, the UK Government, is shown below:

	2014 £m	2013 £m	Year ended 31 December 2013 £m
Support Services	**426.6**	446.9	842.5
Public Private Partnership projects	**55.0**	68.2	121.3
Construction Services (excluding the Middle East)	**299.2**	371.3	706.4
	780.8	886.4	1,670.2

3 Non-recurring operating items and non-operating items

In the six months ended 30 June 2014 there were no costs associated with non-recurring operating items and non-operating items (30 June 2013: Nil).

In the year ended 31 December 2013, non-recurring operating items of £44.2 million primarily included costs associated with the rationalisation of the energy services business of £42.9 million, Eaga Partnership Trusts related charges of £1.1 million and the cost of integrating John Laing Integrated Services (JLIS) of £0.5 million. An income tax credit of £9.2 million relating to these costs was included within taxation in the income statement. Non-operating items of £0.7 million for the year ended 31 December 2013 related to advisor costs incurred on the acquisition of JLIS, on which there was no associated income tax.

4 Financial income and expense

	2014 £m	2013 £m	Year ended 31 December 2013 £m
Financial income			
Bank interest receivable	**0.3**	0.3	0.6
Other interest receivable	**0.4**	3.7	7.1
	0.7	4.0	7.7
Financial expense			
Interest payable on bank loans and overdrafts	**(5.1)**	(4.1)	(9.5)
Other interest payable and similar charges	**(9.0)**	(11.1)	(22.7)
Net interest expense on defined benefit obligation	**(8.1)**	(7.6)	(15.1)
	(22.2)	(22.8)	(47.3)
Net financial expense	**(21.5)**	(18.8)	(39.6)

Other interest payable and similar charges include Private Placement financing interest of £7.2 million (six months ended 30 June 2013: £7.2 million; year ended 31 December 2013: £14.3 million), finance lease charges of £0.6 million (six months ended 30 June 2013: £0.7 million; year ended 31 December 2013: £1.2 million) and the discount unwind associated with onerous lease provisions of £0.1 million (six months ended 30 June 2013 : £0.8 million; year ended 31 December 2013 : £1.4 million)

No borrowing costs have been capitalised in any of the above periods.

5 Income tax

The Group's income tax expense (including the Group's share of jointly controlled entities' income tax) for the six months ended 30 June 2014 is calculated based on the estimated average annual effective underlying income tax rate of 14 per cent (six months ended 30 June 2013: 12 per cent; 31 December 2013: 13 per cent). This effective rate differs to the UK standard corporation tax rate of 21.5 per cent (six months ended 30 June 2013: 23.3 per cent; 31 December 2013: 23.3 per cent) primarily due to items such as the effect of tax rates in foreign jurisdictions, certain exemptions available relating to capital items and the recognition of deferred tax on trading losses.

Notes to the unaudited condensed interim financial statements continued

6 Earnings per share

(a) *Basic*

The calculation of earnings per share for the six months ended 30 June 2014 is based on the profit attributable to equity holders of the parent of £56.6 million (six months ended 30 June 2013: £55.9 million; year ended 31 December 2013: £100.2 million) and a weighted average number of ordinary shares in issue of 430.1 million (six months ended 30 June 2013: 430.1 million; year ended 31 December 2013: 430.1 million), calculated as follows:

In millions of shares	2014	2013	Year ended 31 December 2013
Issued ordinary shares at beginning of period	**430.3**	430.3	430.3
Effect of own shares held by Employee Share Ownership Plan and Qualifying Employee Share Ownership Trust	**(0.2)**	(0.2)	(0.2)
Weighted average number of ordinary shares	**430.1**	430.1	430.1

(b) *Underlying performance*

A reconciliation of profit before taxation and basic earnings per share, as reported in the income statement, to underlying profit before taxation and earnings per share is set out below. The adjustments made in arriving at the underlying performance measures are made to illustrate the impact of non-trading and non-recurring items.

	2014		2013		Year ended 31 December 2013	
	Profit before tax £m	**Tax £m**	Profit before tax £m	Tax £m	Profit before tax £m	Tax £m
Profit before taxation						
Profit before taxation as reported in the income statement	**67.5**	**7.7**	64.2	5.0	110.6	4.3
Amortisation of intangible assets arising from business combinations	**8.4**	**1.7**	9.3	2.1	19.2	5.9
Non-recurring operating items	**-**	**-**	-	-	44.2	9.2
Non-operating items	**-**	**-**	-	-	0.7	-
Underlying profit before taxation	**75.9**	**9.4**	73.5	7.1	174.7	19.4
Underlying taxation	**(9.4)**		(7.1)		(19.4)	
Underlying profit attributable to non-controlling interests	**(3.2)**		(3.3)		(6.1)	
Underlying profit attributable to shareholders	**63.3**		63.1		149.2	

	2014 Pence per share	2013 Pence per share	Year ended 31 December 2013 Pence per share
Earnings per share			
Basic earnings per share	**13.2**	13.0	23.3
Amortisation of intangible assets arising from business combinations	**1.5**	1.7	3.1
Non-recurring operating items	**-**	-	8.1
Non-operating items	**-**	-	0.2
Underlying basic earnings per share	**14.7**	14.7	34.7
Underlying diluted earnings per share (post-tax basis)	**14.7**	14.6	34.5

(c) *Diluted earnings per share*

The calculation of diluted earnings per share is based on profit as shown in note 6 (a) and (b) and a weighted average number of ordinary shares outstanding calculated as follows:

In millions of shares	2014	2013	Year ended 31 December 2013
Weighted average number of ordinary shares	**430.1**	430.1	430.1
Effect of share options in issue	**1.6**	1.4	1.8
Weighted average number of ordinary shares (diluted)	**431.7**	431.5	431.9

7 Dividends

The following dividends were paid by the Company:

	2014		2013		Year ended 31 December 2013	
	£m	**Pence per share**	£m	Pence per share	£m	Pence per share
Previous period final dividend	**51.6**	**12.00**	51.0	11.85	51.0	11.85
Current period interim dividend	**-**	**-**	-	-	23.6	5.50
Total	**51.6**	**12.00**	51.0	11.85	74.6	17.35

The following dividends were proposed by the Company:

	2014		2013		Year ended 31 December 2013	
	£m	**Pence per share**	£m	Pence per share	£m	Pence per share
Interim	**24.0**	**5.6**	23.7	5.5	23.6	5.50
Final	**-**	**-**	-	-	51.6	12.00
Total	**24.0**	**5.6**	23.7	5.5	75.2	17.50

The interim dividend for 2014 of 5.6 pence per share was approved by the Board on 14 August 2014 and will be paid on 5 November 2014 to shareholders on the register on 5 September 2014.

8 Pension commitments

The following expense was recognised in the income statement in respect of defined benefit pension commitments:

	2014 £m	2013 £m	Year ended 31 December 2013 £m
Charge to operating profit			
Current service cost relating to defined benefit schemes	**(3.2)**	(3.1)	(6.0)
Administrative expenses relating to defined benefit schemes	**(2.6)**	(2.2)	(5.2)
Total	**(5.8)**	(5.3)	(11.2)
Net interest expense on defined benefit obligation	**(8.1)**	(7.6)	(15.1)

The valuation of the Group's main defined benefit pension schemes were reviewed by independent qualified actuaries at 30 June 2014.

A summary of defined benefit obligations and scheme assets is given below:

	2014 £m	2013 £m	Year ended 31 December 2013 £m
Present value of defined benefit obligation	**(2,557.0)**	(2,428.8)	(2,498.9)
Fair value of scheme assets	**2,179.3**	2,068.8	2,136.2
Minimum funding requirement	**(4.5)**	(9.3)	(7.4)
Net pension liability	**(382.2)**	(369.3)	(370.1)
Deferred tax on the above	**77.5**	85.5	75.0
Net pension liability after tax	**(304.7)**	(283.8)	(295.1)

8 Pension commitments (continued)

The principal assumptions used by the independent qualified actuaries in providing the IAS 19 position were:

	30 June 2014	31 December 2013
Rate of increase in salaries	**3.80%**	3.90%
Rate of increase in pensions	**3.15%**	3.30%
Inflation rate - Retail Price Index	**3.30%**	3.40%
Inflation rate - Consumer Price Index	**2.25%**	2.35%
Discount rate	**4.40%**	4.60%

9 Cash and cash equivalents and net borrowing

Cash and cash equivalents and net borrowing comprise:

	2014 **£m**	2013 £m	Year ended 31 December 2013 £m
Cash and cash equivalents	**258.5**	338.7	413.7
Bank overdrafts	**(3.2)**	(43.5)	(3.3)
Net cash and cash equivalents	**255.3**	295.2	410.4
Bank loans	**(132.0)**	(218.7)	(292.3)
Finance lease obligations	**(25.6)**	(27.9)	(29.5)
Other loans	**(301.3)**	(319.4)	(303.8)
Net borrowing	**(203.6)**	(270.8)	(215.2)

Reconciliation of cash flow to movement in net borrowing:

	2014 **£m**	2013 £m	Year ended 31 December 2013 £m
Decrease in net cash and cash equivalents	**(152.1)**	(361.5)	(237.1)
Net cash and cash equivalents in subsidiaries acquired	**-**	-	(4.1)
Repayment of bank and other loans	**155.5**	250.2	171.0
Repayment of finance lease liabilities	**6.9**	12.0	16.7
Change in net borrowing resulting from cash flows	**10.3**	(99.3)	(53.5)
Net cash and cash equivalents in subsidiaries acquired	**-**	-	4.1
Finance lease additions	**(3.8)**	(5.0)	(14.0)
Currency translation differences	**5.1**	(10.7)	4.0
Change in net borrowing	**11.6**	(115.0)	(59.4)
Net borrowing at 1 January	**(215.2)**	(155.8)	(155.8)
Net borrowing	**(203.6)**	(270.8)	(215.2)

10 Related party transactions

The Group has made sales to the Group's jointly controlled entities, which are in the normal course of business and on commercial terms, amounting to £146.5 million in the six months ended 30 June 2014 (six months ended 30 June 2013: £242.6 million; year ended 31 December 2013: £486.2 million). Amounts receivable from jointly controlled entities amounted to £89.3 million (31 December 2013: £108.8 million) and amounts payable to jointly controlled entities amounted to £36.1 million (31 December 2013: £48.8 million).

11 Acquisitions and disposals

In the six months ended 30 June 2014, the Group paid the final instalment relating to the acquisition of the Bouchier Group amounting to £8.6 million. The total consideration paid in respect of this acquisition was £20.4 million compared to the provisional estimate of £23.8 million made at the time of the acquisition in 2012. Prior year comparatives for the six months ended 30 June 2013 have been restated in line with those disclosed in the 2013 Annual Report and Accounts.

In the six months to 30 June 2014, the Group disposed of it's interest in two Public Private Partnership projects. The disposals generated a cash consideration of £27.8 million, which together with disposal costs of £0.4 million is included in the cash flow statement within disposal of jointly controlled entities and other investments, and an operating profit of £11.5 million, which is included in Group operating profit within the Public Private Partnership projects segment.

12 Financial instruments

Fair values

Financial instruments carried at fair value in the balance sheet are non-current asset investments and derivative financial instruments. The fair value of non-current asset investments is determined based on a level 3 valuation method, using valuation techniques that include inputs that are not based on market data. Fair value is calculated by discounting expected future cash flows using asset specific discount rates, with the movement in fair value each year recognised in the fair value movement on available for sale assets in the statement of comprehensive income.

The movement in the fair value of non-current asset investments derived using a level 3 valuation method is show below:

	£m
At 1 January 2014	**7.3**
Additions	**0.2**
Disposals	**(0.4)**
Fair value of equity interests retained on partial disposal	**0.2**
Recognised in the statement of comprehensive income	**0.5**
At 30 June 2014	**7.8**

The fair value of non-current asset investments is most sensitive to movements in the discount rate used. A one percentage point increase in the discount rate would reduce the fair value by £0.4 million.

The fair value of derivative financial instruments is based on a level 2 valuation method, using inputs from quoted prices in active markets, with the movement in fair value each year recognised in administrative expenses in the income statement.

The fair value of other financial assets and financial liabilities are a reasonable approximation of their carrying values and have therefore not been disclosed.

Financial risk management

The Group's financial risk management objectives and policies at 30 June 2014 have not materially altered and are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2013.

13 Share capital

The issued and fully paid share capital at 30 June 2014 was 430.3 million shares (30 June 2013: 430.3 million; 31 December 2013: 430.3 million).

14 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2013, except in relation to key assumptions used to determine defined benefit pension obligations as disclosed in note 8.

15 Guarantees and contingent liabilities

The Group has entered into guarantees in respect of letters of credit issued by banks in relation to deferred equity payments, interest payments in jointly controlled entities and performance contracts in Public Private Partnership jointly controlled entities. These guarantees in total amount to £142.6 million (31 December 2013: £140.0 million). There has been no material change to the contingent liabilities of the Group in the six months ended 30 June 2014.

16 Company information

This half-yearly financial report was approved by the Board of Directors on 14 August 2014 and is available on the internet at www.carillionplc.com or on request from the Company Secretary, Carillion plc, Birch Street, Wolverhampton, WV1 4HY.

Directors' responsibilities

This half-yearly financial report complies with the Disclosure and Transparency Rules (DTR) of the United Kingdom's Financial Conduct Authority in respect of the requirements to produce a half-yearly financial report. The half-yearly financial report is the responsibility of, and has been approved by, the Directors of Carillion plc.

The Directors of Carillion plc confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union
- the half-yearly financial report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months of 2014 and description of principal risks and uncertainties for the remaining six months)
- the half-yearly financial report includes a fair review of the information required by DTR 4.2.8R (disclosure of any material related party transactions during the first six months of 2014 that have materially affected the financial position or performance of the Group and any changes in the related party transactions described in the 2013 Annual Report that could do so).

Forward-looking statements
This report may contain certain statements about the future outlook for Carillion plc. Although the Directors believe their expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Governing law
This report of Carillion plc for the six months ended 30 June 2014 has been drawn up and presented for the purposes of complying with English law. Any liability arising out of or in connection with the report for the six months ended 30 June 2014 will be determined in accordance with English law.

On behalf of the Board

Richard Adam FCA
Group Finance Director
14 August 2014

Independent review report to Carillion plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014, which comprises the unaudited condensed consolidated income statement, the unaudited condensed consolidated statement of comprehensive income, the unaudited condensed consolidated statement of changes in equity, the unaudited condensed consolidated balance sheet, the unaudited condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA'). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union (EU). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34: 'Interim Financial Reporting' as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Peter Meehan
For and on behalf of KPMG LLP
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

14 August 2014

Directors' Confirmation on Ordinary Course Profit Forecasts

The Group is currently in an offer period and consequently pursuant to the requirements of Rule 28 of the City Code on Takeovers and Mergers in relation to any repeated ordinary course profit forecast included in this half-yearly financial report it is required to repeat the profit forecast and include a statement by the directors that it remains valid and provide a confirmation by the directors that the profit forecast has been properly compiled on the basis of the assumptions stated and that the basis of accounting used is consistent with the company's accounting policies. This announcement contains the following statements:

- Page 7, Support services: "…However, our full-year target of resuming revenue growth in support services remains unchanged, as we expect to continue benefitting from our strong work winning performance in 2013 and 2014… This was reflected in the first-half operating margin, which increased to 5.0 per cent (2013: 4.0 per cent), although we continue to expect the full-year operating margin in this segment to be broadly stable."

- Page 9, Middle East construction services: "...However, we do not expect to maintain this improvement in operating margin in the full year, although we do expect the full-year margin to be ahead of the 2013 margin as we make progress towards our medium-term margin target of six per cent."

- Page 10, Construction services (excluding Middle East): "...Nonetheless in the full year we continue to expect the operating margin in this segment to reduce as previously announced. In the medium term, we still continue to believe that our normalised, margin will be significantly higher than the margin we had prior to rescaling our UK construction activities and also ahead of the industry average."

(each such statement being a "Profit Forecast" and, together, the "Profit Forecasts").

Each of the Profit Forecasts is a repetition of a profit forecast for the year ending 31 December 2014 made in the Group's trading update released on 2 July 2014 and constitutes an "ordinary course profit forecast" for the purposes of Rule 28 of the City Code on Takeovers and Mergers.

Basis of preparation
The Profit Forecasts have been prepared on a basis consistent with the Group's accounting policies, which are in accordance with IFRS. These accounting policies are expected to apply for the full year ending 31 December 2014, and were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2013.

Each of the Profit Forecasts is based on the actual results included in the unaudited interim financial statements for the six months ended 30 June 2014 and a management forecast for the six months ending 31 December 2014.

Principal assumptions
The Profit Forecasts have been prepared on the basis that any combination of Carillion plc and Balfour Beatty plc will have no financial impact on the Group before 31 December 2014.

The Profit Forecasts exclude any costs associated with any combination of Carillion plc and Balfour Beatty plc.
The directors of Carillion plc have prepared each of the Profit Forecasts on the basis of the following assumptions:

Factors outside the influence or control of the Directors of Carillion plc (or other members of the Group's management)

- There will be no material change to existing prevailing global macroeconomic and political conditions during the year ending 31 December 2014;
- There will be no material changes in market conditions within the relevant sectors in which the businesses in respect of which the relevant Profit Forecast is made operate over the forecast period to 31 December 2014, including in relation to customer demand;
- The British pound and other exchange rates, together with inflation, tax and interest rates in the Group's principal markets, will remain materially unchanged from prevailing rates;
- There will be no material adverse events that will have a significant impact on the Group's financial performance;
- There will be no material change in legislation or regulatory requirements impacting on the Group's operations or its accounting policies;
- Any combination of Carillion plc and Balfour Beatty plc will not result in any material changes to the Group's obligations to customers, its ability to negotiate new business, resolve contract disputes or to the retention of key management; and
- The pipeline of opportunities for each business in respect of which a Profit Statement is made will materialise in the timeframe currently expected.

Factors within the influence or control of the Directors of Carillion plc (or other members of the Group's management)

- The Group's rate of converting its new and probable order book to revenue for the businesses in respect of which a Profit Forecast is made will not differ materially from past experience;
- The Group's success rate in relation to current and future opportunities for the businesses in respect of which a Profit Forecast is made will not differ materially from past experience;
  The Group's cost base will not materially change over the forecast period to 31 December 2014;
- The Profit Forecasts exclude any material acquisitions or disposals by the Group prior to 31 December 2014;
- The Group's accounting policies will be consistently applied in the financial year to 31 December 2014; and
- There will be no material change to the Group's existing operational strategy.

Directors' confirmation

The Directors of Carillion plc confirm that each of the Profit Forecasts remains valid and has been properly compiled on the basis of the principal assumptions stated and the basis of accounting used is consistent with the Group's accounting policies.