Annual results for the year ended 31 December 2013
Performance in line with expectations

	2013	2012[1]	Change
Revenue	£4.1bn	£4.4bn	-7%
Underlying profit from operations[2]	£214.3m	£227.9m	-6%
Underlying operating margin[2]	5.6%	5.6%	-
Underlying profit before taxation[2]	£174.7m	£200.0m	-13%
Underlying earnings per share[2]	34.7p	40.4p	-14%
Profit before taxation	£110.6m	£164.8m	-33%
Basic earnings per share	23.3p	34.6p	-33%
Proposed full-year dividend per share	17.50p	17.25p	+1%

- **Financial performance in line with expectations**
  - Revenue was lower as expected, primarily due to the rescaling of UK construction
  - Underlying operating margin[2] maintained at 5.6%
  - The reductions in underlying profit before taxation[2] and underlying earnings per share[2] reflected business rescaling and an increase in the net financial expense
  - Reported profit before taxation and basic earnings per share reflected the £42.9 million charge for restructuring energy services
- **Strong work-winning performance**
  - £4.9 billion of additional orders and probable orders in the year
  - Order book plus probable orders of £18.0 billion (2012: £18.1 billion), after deducting £1.7 billion due to selling equity investments in Public Private Partnership (PPP) projects and reduced expectations from the Green Deal and Energy Company Obligation markets, partially offset by the addition of £0.8 billion of orders acquired with John Laing Integrated Services
  - Substantial framework contracts secured in 2013 whose value is not included in the order book
  - 81% revenue visibility[3] for 2014 (2012: 75% for 2013)
  - Pipeline of contract opportunities worth some £37.5 billion (2012: £35.2 billion)
- **Net borrowing reduced from half-year peak**
  - Net borrowing of £215.2 million (2012: £155.8 million), down from £270.8 million at the half year, despite the additional second-half costs of restructuring energy services and of acquiring John Laing Integrated Services, with a significantly improved working capital performance in the second half of the year, reflecting completion of the rescaling of UK construction
  - Main revolving credit facility of £770 million extended from 2016 to 2018
  - Over £1.1 billion of committed borrowing facilities and private placement funding to support strategy for growth over the medium term
- **Business rescaling complete with Group now well positioned for the future**
  - Planned rescaling of UK construction complete with revenue run-rate stabilised by the year end
  - UK energy services restructured as previously announced to reflect lower expectations for Green Deal and Energy Company Obligation markets
- **Proposed full-year dividend increased by 1% to 17.50p (2012: 17.25p)**

(1) Restated on adoption of the amendment to IAS 19 (see note 14).
(2) The underlying results stated above are based on the definitions included in the key financial figures on page 3.
(3) Based on expected revenue and secure and probable orders, which exclude variable work and re-bids.

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Carillion Chairman, Philip Rogerson, commented

"In 2013, Carillion has continued to respond decisively to challenging market conditions, including completing the rescaling of its UK construction activities and the restructuring of its energy services business, which are now aligned in size to their respective markets, while continuing to develop and strengthen its positions in new and existing markets that offer good opportunities for growth. Overall, we expect market conditions to remain challenging in 2014, but with a strong order book, good revenue visibility and substantial pipeline of contract opportunities the Group is now well positioned for the future."

There will be a presentation for analysts and investors today at 08.30am. A telephone dial in facility 0844 800 3850 – Access Code: 429680# 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. A replay facility is also available following the call on Toll Free UK: 0800 032 9687 – Access Code: 72950320# and Toll Free US: 1 +44 207 136 9233 – Access Code: 72950320#.

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5 March 2014

Notes to Editors:
Carillion is a leading integrated support services company with a substantial portfolio of Public Private Partnership projects and extensive construction capabilities. The Group had annual revenue in 2013 of some £4.1 billion, employs around 40,000 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.

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

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

		2013	2012 [1]	Change
Income statement				
Total revenue	£bn	**4.1**	4.4	-7%
Underlying profit from operations[2]	£m	**214.3**	227.9	-6%
Total Group underlying operating margin[3]	Percentage	**5.6**	5.6	n/a
Support services underlying operating margin[3]	Percentage	**5.1**	5.1	n/a
Middle East construction services underlying operating margin[3]	Percentage	**4.0**	6.1	n/a
Construction services (excluding the Middle East) underlying operating margin[3]	Percentage	**4.2**	5.6	n/a
Underlying profit before taxation[4]	£m	**174.7**	200.0	-13%
Profit before taxation	£m	**110.6**	164.8	-33%
Underlying earnings per share[5]	Pence	**34.7**	40.4	-14%
Basic earnings per share	Pence	**23.3**	34.6	-33%
Dividends				
Proposed full year dividend per share	Pence	**17.50**	17.25	+1%
Underlying proposed dividend cover[5]	Times	**2.0**	2.3	n/a
Basic proposed dividend cover	Times	**1.3**	2.0	n/a
Cash flow statement				
Cash generated from operations[6]	£m	**160.9**	97.9	+64%
Underlying profit from operations cash conversion	Percentage	**75.1**	43.0	n/a
Deficit pension contributions	£m	**(39.2)**	(30.2)	-30%
Balance sheet				
Net borrowing	£m	**(215.2)**	(155.8)	-38%
Committed borrowing facilities maturing in 2017 and 2018	£m	**835.0**	737.5	+13%
Private placement borrowings maturing between 2017 and 2024 (£135 million and US$280 million)	£m	**303.7**	310.0	-2%
Net retirement benefit liability (net of taxation)	£m	**(295.1)**	(269.9)	-9%
Net assets	£m	**983.6**	1,010.7[7]	-3%

(1) Restated on adoption of the amendment to IAS 19 (see note 14).
(2) After Joint Ventures net financial expense of £10.1 million (2012: £16.0 million) and taxation charge of £4.4 million (2012: £1.7 million) and before intangible amortisation, non-recurring operating items and non-operating items (see note 3 to the financial information on page 29).
(3) Before Joint Ventures net financial expense and taxation, intangible amortisation and non-recurring operating items (see note 3 to the financial information on page 29).
(4) After Joint Ventures taxation charge of £4.4 million (2012: £1.7 million) and before intangible amortisation, non-recurring operating items and non-operating items (see note 3 to the financial information on page 29).
(5) Before intangible amortisation, non-recurring operating items and non-operating items (see note 3 to the financial information on page 29).
(6) Before pension deficit recovery payments and non-recurring operating items and after dividends received from Joint Ventures and proceeds on the disposal of Public Private Partnership equity investments.
(7) Restated for the retrospective adjustment to provisional amounts recognised on the acquisition of the Bouchier Group in 2012.

Summary results

The reduction in total revenue to £4.1 billion (2012: £4.4 billion) was primarily due to the rescaling of our UK construction activities to ensure they are aligned in size to our chosen sectors of the market. We believe that the process of rescaling, which we began in 2010, is now complete and that by the end of 2013 the revenue run-rate in UK construction had stabilised. Furthermore, the overall quality and risk profile of our business mix has improved, because we have remained very selective in choosing the contracts for which we bid. Our focus has been on larger projects and on customers with whom we have long-term relationships, especially those for whom we provide integrated solutions. Revenue in support services was also slightly lower than in 2012, due to the Green Deal and Energy Company Obligation markets offering fewer opportunities than originally expected, which more than offset the strong growth we achieved in other support services markets.

The reduction in underlying profit from operations(1) to £214.3 million (2012: £227.9 million(2)), broadly reflected the reduction in revenue, with the total underlying operating margin(1) maintained at 5.6 per cent. Reductions in the contributions to profit from construction services (excluding the Middle East), Middle East construction services and support services were partially offset by an increased contribution from Public Private Partnership (PPP) projects, which included an increased contribution from the sale of equity investments in PPP projects. Underlying profit before taxation(1) of £174.7 million (2012: £200.0 million(2)) reflected the reduction in underlying operating profit and an increase in the Group's net financial expense to £39.6 million (2012: £27.9 million(2)). After an underlying taxation charge of £19.4 million, underlying earnings per share(1) were 34.7 pence (2012: 40.4 pence(2)). Reported profit before taxation was £110.6 million (2012: £164.8 million(2)) and basic earnings per share were 23.3 pence (2012: 34.6 pence(2)), which reflected both the reduction in underlying profit before taxation and an increase in non-recurring operating items and non-operating items to £44.9 million (2012: £3.8 million), the largest element of which was a £42.9 million charge for restructuring our energy services business, in line with the announcement we made in our Third Quarter Interim Management Statement on 3 October 2013.

Net borrowing at 31 December 2013 was £215.2 million (2012: £155.8 million). This has fallen from a peak of £270.8 million at 30 June 2013, despite the additional second-half cash costs relating to the restructuring of our energy services business and the acquisition of John Laing Integrated Services (JLIS), with a positive second-half working capital movement consistent with completing the rescaling of our UK construction activities. In December 2013, we renewed the Group's main revolving credit facility of £770.0 million and extended its maturity date from March 2016 to March 2018. This facility, together with private placement funding of £303.7 million and other bank facilities, gives the Group total borrowing capacity of some £1.1 billion to support our medium-term strategy for growth.

(1) The underlying results stated above are based on the definitions included in the key financial figures on page 3.
(2) Restated on the adoption of the amendment to IAS 19 (see note 14).

We have also taken a further significant step towards reducing the risks and potential liabilities in respect of the Group's main defined benefit pension schemes. Having already closed these schemes to new entrants and ceased the accrual of future benefits for existing scheme members, in December 2013 the Group's main pension schemes entered into a longevity swap, which hedges the financial risks of future increases in longevity. The swap covers 9,000 pensioners with a combined liability of £1 billion or some 40 per cent of the total liabilities in respect of these defined benefit schemes.

During 2013, we continued to win new orders and probable orders, together worth £4.9 billion, which was well in excess of the Group's revenue for 2013 and enabled us to maintain the value of our order book plus probable orders at £18.0 billion at 31 December 2013 (2012: £18.1 billion). Overall, this reflects a healthy work winning performance and the addition of £0.8 billion of orders acquired with JLIS, largely offset by the removal from our order book of £1.1 billion of orders due to the sale of equity investments in PPP projects and £0.6 billion of orders due to reduced expectations from Green Deal and Energy Company Obligation contracts. We continue to have good revenue visibility(1), which is currently around 81 per cent of anticipated revenue in 2014 (2012: 75 per cent for 2013). Furthermore, at 31 December 2013, our pipeline of contract opportunities had also increased to £37.5 billion (2012: £35.2 billion).

The Board is recommending a final dividend of 12.00 pence per share (2012: 11.85 pence per share), making the total dividend for 2013 17.50 pence, an increase of one per cent on the 17.25 pence paid in respect of 2012.

(1) Based on expected revenue and secure and probable orders which exclude variable work and re-bids.

Financial reporting segments and analysis

Operating profit by financial reporting segment

	2013 £m	2012[(1)] £m	Change from 2012 %
Support services	**118.0**	120.9	-2
Public Private Partnership projects	**58.4**	33.8	+73
Middle East construction services	**19.2**	29.0	-34
Construction services (excluding the Middle East)	**44.4**	72.4	-39
	240.0	256.1	-6
Group eliminations and unallocated items	**(11.2)**	(10.5)	-7
Profit from operations before Joint Ventures net financial expense and taxation	**228.8**	245.6	-7
Share of Joint Ventures net financial expense	**(10.1)**	(16.0)	+37
Share of Joint Ventures taxation	**(4.4)**	(1.7)	-159
Underlying profit from operations[(2)]	**214.3**	227.9	-6
Intangible amortisation	**(19.2)**	(31.4)	+39
Non-recurring operating items	**(44.2)**	(2.6)	-1600
Reported profit from operations	**150.9**	193.9	-22

(1) Restated on adoption of the amendment to IAS 19 (see note 14).
(2) After Joint Ventures net financial expense of £10.1 million (2012: £16.0 million) and taxation charge of £4.4 million (2012: £1.7 million) and before intangible amortisation and non-recurring operating items.

Support services

	2013 £m	2012[(1)] £m	Change from 2012 %
Revenue			
- Group	**2,029.4**	2,131.4	
- Share of Joint Ventures	**271.5**	228.3	
	2,300.9	2,359.7	-2
Underlying operating profit[(3)]			
- Group	**92.8**	100.0	
- Share of Joint Ventures	**25.2**	20.9	
	118.0	120.9	-2

(3) Before intangible amortisation and non-recurring operating items.

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

Although revenue in support services was two per cent lower than in 2012, we continued to win new contracts that have enabled us to make good progress towards replacing the £400 million of annual revenue lost as a result of a number of energy services contracts ending, as expected, due to changes in Government policy and legislation, and because two contracts were taken in-house for strategic reasons specific to the customers in question, at the end of 2012. After adjusting for these specific issues, we have achieved underlying growth despite disappointing activity levels in the Green Deal and Energy Company Obligation markets that have not grown as expected and envisaged by the UK Government, which created these new markets.

However, we have had some success with EcoPod sales. Over the period from 2011 to 2013, Carillion acquired the exclusive worldwide rights to sell and licence EcoPod, a heating system, which combines a range of technologies, including highly efficient cascade boilers with biomass, ground source and gas absorption heat pumps and thermal solar panels to deliver major energy savings. EcoPod generated revenue, including licence fees, of some £36 million in 2013 and has delivered an overall return on our investment of over two times, which compares favourably with the returns we expect from other investment decisions[(1)].

The operating margin was maintained at 5.1 per cent, with operating profit reduced, broadly in line with the reduction in revenue.

In 2013, we won new support services contracts and contract extensions worth some £1.9 billion, with notable successes in markets where we are seeking to develop and increase our presence, in line with our strategy of diversifying our support services business in each of our three geographies into sectors such as oil, power distribution and highways maintenance. In the UK, notable contract wins included an extension to our contract with BT Openreach for Broadband Delivery UK worth some £500 million over three and a half years, a five-year contract to provide facilities management services for Shell worth up to £150 million, contracts for Network Rail worth over £120 million, a 10-year contract for the Sussex Energy Saving Programme worth up to £100 million, a strategic property services partnership for Stockport Metropolitan Borough, initially worth over £100 million and a contract worth some £100 million as a result of winning the concession contract to deliver the Royal Liverpool Hospital Public Private Partnership project.

In Canada, where we have continued to grow our support services business in 2013, we secured a number of significant contract wins, including support services contracts in the oil and gas sector worth some £125 million and a 12-year highway maintenance contract worth over £100 million. In the Middle East, where we also achieved significant growth in support services in 2013, we won a contract for Shell in Qatar worth some £17 million over three years, a highways maintenance contract in Qatar worth some £36 million over three years and a number of smaller facilities management contracts, reflecting the growth we are seeing in the support services market across the Middle East region.

Consequently, the value of our support services order book and probable orders at 31 December 2013 increased to £13.6 billion (2012: £13.1 billion), despite removing some £600 million from the order book in 2013, because of reduced expectations from Green Deal and Energy Company Obligation contracts. We therefore have good revenue visibility of 78 per cent[(2)] of expected revenue for 2014 (2012: 71 per cent for 2013). Although our pipeline of contract opportunities had decreased at the year end to £10.4 billion (2012: £11.5 billion), this was due to removing opportunities relating to the Green Deal and Energy Company Obligations in line with the current outlook in these markets. However, the rest of our pipeline remains strong and we expect to resume annual revenue growth in this segment in 2014 with increased contributions from the UK, Canada and the Middle East.

(1) Refer to note 2 on page 24 for further revenue and segmental information.
(2) Based on expected revenue and secure and probable orders, which exclude variable work and re-bids.

Public Private Partnership projects

	2013 £m	2012 £m	Change from 2012 %
Revenue			
- Group	**2.3**	1.3	
- Share of Joint Ventures	**234.6**	286.4	
	236.9	287.7	-18
Underlying operating profit(1)			
- Group	**46.0**	17.3	
- Share of Joint Ventures	**12.4**	16.5	
	58.4	33.8	+73

(1) Before intangible amortisation and non-recurring operating items.

In this segment we report the financial returns generated by the investments we make in Public Private Partnership (PPP) projects in the UK and Canada, including those from the sale of equity investments.

Our integrated business model enables us to combine our capabilities in project finance, design, construction and life-time asset management, to win and deliver PPP projects in which we make equity investments and for which we also secure long-term support services contracts and good-quality construction contracts.

Carillion has led the market in recycling equity investments in PPP projects, namely selling investments in mature projects (those that have passed from construction into the operational phase) and reinvesting the proceeds in new projects. In 2013, we sold equity investments in seven projects for cash proceeds of £151.2 million, which represented an average discount rate of some seven per cent and generated a pre-tax profit of £44.6 million.

In 2013, our investments in PPP projects continued to perform well and in line with our objective of achieving a 15 per cent internal rate of return. Revenue in 2013 reduced, due to the effects of selling seven equity investments in 2012, as previously reported, together with the effects of selling further investments in 2013. Operating profit increased, because profit from the sale of equity investments more than offset the equity returns no longer received from the investments sold.

At 31 December 2013, we had 19 PPP projects in which we had invested £53 million of equity and into which we are committed to make further planned investments of £95 million. The Directors' valuation of these investments at 31 December 2013, using a nine per cent discount rate, was £68 million (2012: £173 million), which reduced due to the effect of selling investments during the year(2).

At 31 December 2013, the value of our order book plus probable orders was some £1.2 billion (2012: £2.2 billion), with the reduction on 2012 again due to the sale of equity investments in 2013. However, the outlook for replenishing our portfolio of investments is positive. In December 2013, we achieved financial close on the Royal Liverpool Hospital project, in which we will invest £15 million of equity.

(2) Refer to note 2 on page 24 for further revenue and segmental information.

Beyond this we have a good pipeline of opportunities, which by the year end had increased substantially and contained projects that could generate some £3.0 billion (2012: £1.6 billion) of revenue in this segment. In Canada, we are shortlisted for three projects – North Island Hospital in Vancouver, British Columbia, Erinoak Kids Centre for Treatment and Development in Ontario and Swift Current Long Term Care Facility in Saskatchewan - in which we could invest up to £12 million of equity. In the UK, we are shortlisted for the Aberdeen Western Peripheral Route in which we could invest up to £30 million of equity and in the Republic of Ireland we are shortlisted for a schools project in which we could invest £5 million of equity. We also continue to look for opportunities to deploy our expertise in project finance in new markets. During the year we entered into a memorandum of understanding as a precursor to becoming the preferred bidder for a hospital project in Turkey in which we could invest up to £35 million of equity. Beyond this we expect further opportunities in Canada and in the UK to come to market in 2014, notably in the healthcare sector.

Middle East construction services

	2013 £m	2012 £m	Change from 2012 %
Revenue			
- Group	**250.3**	261.4	
- Share of Joint Ventures	**233.2**	212.2	
	483.5	473.6	+2
Underlying operating profit(1)			
- Group	**15.4**	13.8	
- Share of Joint Ventures	**3.8**	15.2	
	19.2	29.0	-34

(1) Before intangible amortisation and non-recurring operating items.

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

Full-year revenue increased as the pace of contract awards improved during the year, although there continued to be some slippage in respect of a number of contracts that we have been targeting that we now expect to be awarded in 2014. Given that our strategy is to focus on large, high-quality projects, for customers for whom quality and reliability are paramount, fluctuations in Middle East construction revenue between accounting periods is not unusual and we expect to benefit in 2014 from projects that we originally expected to be awarded in 2013. Operating profit reduced in 2013, due to our operating margin reducing to 4.0 per cent (2012: 6.1 per cent), which continues to reflect the fact that our markets across the region remain competitive(2).

During 2013, we won a number of substantial new contracts. For example in Oman, Carillion Alawi won a £130 million contract to build the Oman Convention and Exhibition Centre and a £92 million contract to build the Kempinski Wave Hotel. In Abu Dhabi, our Joint Venture business Al Futtaim Carillion (AFC) won a £130 million contract to build the Four Seasons Hotel and became the preferred bidder for a £110 million contract

(2) Refer to note 2 on page 24 for further revenue and segmental information.

for the Hard Rock Hotel, for which we have signed a contract since the year end. In Dubai, AFC became the preferred bidder for a £155 million contract to build the "City Walk" retail development. As a result, the value of our order book and probable orders for Middle East construction services increased to £0.9 billion at the year end (2012: £0.8 billion). Revenue visibility for 2014 is 85 per cent[(1)] (2012: 94 per cent for 2013). Our pipeline of contract opportunities also increased at the year end to £13.1 billion (2012: £11.4 billion) with notable opportunities in Oman, Qatar and Saudi Arabia, and we expect to deliver further revenue growth in this segment in 2014. Over the medium term, we expect new opportunities in the United Arab Emirates, where, for example, Dubai's success in being chosen to host Expo 2020 will lead to additional investment in buildings and infrastructure. Also, over the medium term we expect margins in this segment to increase and to reach our target of six per cent.

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

Construction services (excluding the Middle East)

	2013 £m	2012 £m	Change from 2012 %
Revenue			
- Group	**1,050.6**	1,272.1	
- Share of Joint Ventures	**9.0**	9.7	
	1,059.6	1,281.8	-17
Underlying operating profit[(2)]			
- Group	**44.8**	73.0	
- Share of Joint Ventures	**(0.4)**	(0.6)	
	44.4	72.4	-39

(2) Before intangible amortisation and non-recurring operating items.

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.

Our performance in this segment continues to reflect the rescaling of our UK construction activities that we announced in 2010. Through this process we have ensured that these activities remain aligned in size to the sectors of the UK market on which we have chosen to focus, namely on large, higher added-value contracts that can be delivered only by contractors with the necessary scale and sector-leading capabilities and on contracts for customers with whom we have, or can build, strong long-term relationships, especially customers for whom we provide integrated solutions. This focus has created a high-quality UK construction business and improved the overall quality and risk profile of our business.

Contrary to our expectations at the beginning of 2013, the need to rescale our UK construction activities continued throughout the year, with total UK construction revenue reducing to around £0.8 billion in 2013 (2012: £0.9 billion). However, we now believe rescaling is complete and that our revenue run-rate in UK construction had stabilised by the year end and now has the potential for modest growth in the second half of 2014. Our construction activities in Canada contributed some £0.3 billion of revenue in 2013, which was slightly lower than in 2012, as we continue to maintain a very selective approach to the contracts for which we bid, with a particular focus on bidding for Public Private Partnership projects for which we expect contract awards to be made in 2014.

The reduction in operating profit reflected lower revenue and a reduction in operating margin to 4.2 per cent (2012: 5.6 per cent), which was in line with our expectations. The margin was lower because some of the factors that have contributed to higher margins, namely lower bid costs, the action we took to reduce overheads and favourable outturns on contracts being completed, are temporary and their effects are declining. Nevertheless, we believe that our strategy of being very selective in terms of the contracts for which we bid will have a permanent benefit to margins and we continue to expect our normalised, long-term margin to remain above the industry average(1).

We won a number of significant new contracts and frameworks in 2013. These included a £400 million contract for the first phase of the redevelopment of Battersea Power Station, the Public Private Partnership project for the new Royal Liverpool Hospital, which has a construction value of some £335 million and highways contracts worth over £100 million. In addition we secured a number of major framework agreements, the values of which have not been included in our order book. These included being selected by Manchester Airports Group (MAG) as a strategic partner to deliver Airport City in Manchester, which is potentially worth up to £580 million to Carillion, additionally as one of four contractors to deliver MAG's £800 million Capital Delivery Framework, as Sunderland City Council's strategic partner to deliver its £800 million regeneration programme and as one of five contractors to deliver the £400 million National Capital Works Framework for the UK Ministry of Defence.

As a result of these contract wins, the value of orders and probable orders at 31 December 2013 increased to £2.3 billion (2012: £2.0 billion) and revenue visibility for 2014 is currently 80 per cent(2) (2012: 72 per cent for 2013). Our pipeline of contract opportunities at the year end was worth £11.0 billion (2012: £10.7 billion), which is also healthy given the current size of our businesses in this segment. We therefore expect to grow revenue in this segment in 2014 with increased contributions from the UK and from Canada.

Group income statement, cash flow and balance sheet items

Intangible amortisation

Intangible amortisation of £19.2 million (2012: £31.4 million) related to the amortisation of intangible assets, largely arising from the acquisitions of Eaga plc (since re-branded as Carillion Energy Services) in 2011, Alfred McAlpine plc in 2008 and Mowlem plc in 2006.

(1) Refer to note 2 on page 24 for further revenue and segmental information.
(2) Based on expected revenue and secure and probable orders, which exclude variable work and re-bids.

Non-recurring operating items

The non-recurring operating charge of £44.2 million (2012: £2.6 million) primarily comprised £42.9 million relating to the previously announced restructuring of our energy services business and a £1.1 million payment into the Carillion Energy Services Employee Share Scheme in lieu of a Carillion dividend of £1.1 million that was waived by the Eaga Partnership Trusts, which hold 3.92 per cent of Carillion's issued share capital, which they acquired as a result of the acquisition of Carillion Energy Services in 2011. In addition, we have amended two provisions relating to obligations entered into prior to the acquisition of Carillion Energy Services in 2011(1).

Non-operating items

The non-operating charge of £0.7 million related to the acquisition costs of John Laing Integrated Services which was acquired by Carillion in October 2013. Non-operating costs in 2012 of £1.2 million consisted of £0.9 million relating to the Bouchier Group acquisition and non-core business closure costs of £0.3 million.

Net financial expense

The Group's net financial expense of £39.6 million (2012: £27.9 million(2)) comprised the following items: a net expense of £26.9 million (2012: £21.5 million) in respect of borrowings and other liabilities, with the increase compared to 2012 due largely to higher borrowings; a net interest charge in respect of defined benefit pension schemes of £15.1 million (2012: £13.8 million(2)), and interest received in respect of loans to PPP Joint Venture projects of £2.4 million (2012: £7.4 million).

Taxation

The overall Group taxation charge for the year amounted to £4.3 million (2012: £9.9 million(2)) and comprised a Group underlying taxation charge of £19.4 million (2012: £20.1 million(2)) being largely offset by a Group taxation credit of £5.9 million (2012: £9.3 million) in relation to the amortisation of intangible assets arising from business combinations and a Group taxation credit of £9.2 million (2012: £0.9 million) in relation to non-recurring operating items and non-operating items. The underlying Group taxation charge(3) of £19.4 million (2012: £20.1 million(2)), when combined with a taxation charge on Joint Ventures of £4.4 million (2012: £1.7 million), represented an underlying effective tax rate(3) of 13 per cent (2012: 11 per cent(2)). This is below the UK standard rate of corporation tax of 23 per cent for 2013, because our profits in the Middle East and from the disposal of PPP equity are subject to zero or low rates of tax and the utilisation of tax losses in the UK that were largely inherited with the acquisitions of Mowlem plc, Alfred McAlpine plc and Eaga plc. At 31 December 2013, the Group had £275 million of corporate tax losses (2012: £250 million) that are available to reduce future tax payments.

(1) Refer to note 3 for further information
(2) Restated on adoption of the amendment to IAS 19 (see note 14).
(3) The underlying results stated above are based on the definitions included in the key financial figures on page 3.

Earnings per share

Underlying earnings per share(1) reduced by 14 per cent to 34.7 pence, compared with the restated figure for 2012 of 40.4 pence(2). The weighted average number of shares in issue in 2013 was 430.1 million (2012: 430.1 million).

Dividend

Carillion has a progressive dividend policy that aims to increase the dividend per share broadly in line with growth in underlying earnings per share(1), subject to the investment needs of the business. The Board has recommended a final dividend of 12.0 pence per share for 2013, making the proposed full-year dividend 17.5 pence per share (2012: 17.25 pence per share), an increase of one per cent on the total paid in respect of 2012. The Board's decision to recommend an increase in the dividend, despite underlying earnings per share(1) being lower in 2013, reflects its confidence in the Group's resilience and ability to achieve its medium-term growth targets. Dividend cover based on the proposed full-year dividend of 17.5 pence per share and underlying earnings per share(1) is 2.0 times (2012: 2.3 times(2)).

Cash flow

Summary of the Group's cash flow	**2013 £m**	2012(2) £m
Underlying Group operating profit	**187.8**	193.6
Depreciation and other non-cash items	**21.3**	26.9
Working capital	**(66.4)**	(136.2)
Dividends received from Joint Ventures	**18.2**	13.6
Underlying cash inflow from operations	**160.9**	97.9
Deficit pension contributions	**(39.2)**	(30.2)
Integration and rationalisation costs	**(22.0)**	(28.6)
Interest, tax and dividends	**(90.9)**	(87.2)
Net capital expenditure	**(27.2)**	(15.6)
Acquisitions and disposals	**(28.6)**	(32.6)
Other	**(12.4)**	(8.8)
Change in net borrowing	**(59.4)**	(105.1)
Net borrowing at 1 January	**(155.8)**	(50.7)
Net borrowing at 31 December	**(215.2)**	(155.8)

Strong cash management remains a priority and this has been particularly important during the rescaling of our UK construction activities, which inevitably resulted in an outflow of working capital. The working capital outflow of £66.4 million in 2013 included the outflow relating to the final phase of rescaling UK construction, together with a number of other smaller expected outflows, offset by some £100.2 million from the sale of equity investments in Public Private Partnership projects. As we expected, there was a significant improvement in our working capital performance in the second half of 2013 as the process of rescaling slowed towards completion around the year end. Consequently, cash conversion in 2013 improved, with full-year cash flow from operations representing 75 per cent of full-year underlying profit from operations (2012: 43 per cent(2)) and second-half cash flow from operations representing 128 per cent of second-half underlying profit (2012: 44 per cent(2)).

(1) The underlying results stated above are based on the definitions included in the key financial figures on page 3.
(2) Restated on adoption of the amendment to IAS 19 (see note 14).

Deficit recovery payments to the Group's pension funds of £39.2 million remain in line with the agreement reached in 2010 with the Trustees of the Group's main defined benefit schemes. The £22.0 million of rationalisation costs primarily relate to the previously announced restructuring of Carillion Energy Services. Interest, tax and dividend payments of £90.9 million included the increases in interest and dividends payable. Net capital expenditure of £27.2 million mainly related to investment in the Group's IT systems and in highways maintenance vehicles and equipment in Canada. The £28.6 million payment in respect of acquisitions and disposals primarily comprised equity investments in Joint Ventures of £6.1 million, the net cost of acquiring John Laing Integrated Services in October 2013 of £14.1 million and a £6.9 million payment in respect of the second instalment for the acquisition of a 49 per cent interest in the Bouchier Group which completed in December 2012, in line with the previously announced agreement to pay the consideration of £20.9 million in instalments over the period from December 2012 to January 2014.

The above items, together with other changes of £12.4 million, resulted in an increase in net borrowing of £59.4 million, leaving the Group with net borrowing of £215.2 million at 31 December 2013 (2012: £155.8 million).

Balance sheet

Summary of the Group's balance sheet	**2013 £m**	2012[(1)] £m
Property, plant and equipment	**128.2**	125.8
Intangible assets	**1,552.8**	1,536.6
Investments	**159.3**	237.9
	1,840.3	1,900.3
Inventories, receivables and payables	**(327.6)**	(456.7)
Net retirement benefit liability (net of tax)	**(295.1)**	(269.9)
Other	**(18.8)**	(7.2)
Net operating assets	**1,198.8**	1,166.5
Net borrowing	**(215.2)**	(155.8)
Net assets	**983.6**	1,010.7

Average net borrowing	**(490.6)**	(344.1)

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

There are four notable movements in the table above. First, the movement in investments reflects the sale of equity investments in Public Private Partnerships during 2013. Second, the movement in inventories, receivables and payables reflects the change in working capital described in the commentary on the summary cash flow statement above. Third, the increase in the Group's net retirement benefit liability, which was primarily due to the positive impacts from improved investment return and the change in the discount rate being more than offset by the increase in liabilities arising from an increase in the assumption on inflation. Fourth, the increase in average net borrowing, which is largely due to the working capital movement described above.

Acquisition of John Laing Integrated Services

The Group acquired John Laing Integrated Services (JLIS) on 18 October 2013 for a gross consideration of £17.5 million, which after adding acquisition costs of £0.7 million and subtracting £4.1 million of cash on the

JLIS balance sheet at acquisition, resulted in a net cost of acquisition of £14.1 million. JLIS provides support services across the local government, education, police, health, library and rail sectors and has enhanced our capabilities in existing and new market sectors and created opportunities for growth.

Committed bank facilities and private placements

The Group has committed bank facilities and private placement funds of over £1.1 billion. This includes a £770.0 million syndicated facility, which was renewed in December 2013. The new facility, which was over subscribed, has been extended from March 2016 to March 2018 and as part of the renewal process the National Bank of Abu Dhabi became one of our syndicate banks, which we believe reflects the Group's strength and prospects for growth in the Middle East. We also have a £50.0 million facility maturing in April 2017 and a £15.0 million facility that matures in March 2016, together with borrowing of £303.7 million under private placements expiring between 2017 and 2024.

Funding and liquidity

In addition to Carillion plc's principal borrowing facilities and private placement funding described above, money market and short-term overdraft facilities are available to Carillion plc and certain subsidiaries. Operating and finance leases are also employed to fund longer-term assets. The quantum of committed borrowing facilities available to the Group is regularly reviewed by the Board and is designed to satisfy the requirements of the Group's business plan. At 31 December 2013, the Group had undrawn committed facilities amounting to £550.5 million (2012: £288.6 million). This excludes the Group's share of cash balances amounting to £52.5 million (2012: £49.4 million) within jointly controlled operations, which are outside of the Group's facilities.

Foreign exchange

The average and year-end exchange rates used to translate the Group's overseas operations were as follows:

£sterling	**Average**		**Year End**	
	2013	2012	**2013**	2012
Middle East (US Dollar)	**1.57**	1.59	**1.66**	1.63
Oman (Rial)	**0.60**	0.61	**0.64**	0.63
UAE (Dirham)	**5.77**	5.84	**6.08**	5.97
Canada (Dollar)	**1.62**	1.59	**1.76**	1.62

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 principal operational and financial risks to our UK and overseas operations and the measures being taken to mitigate and manage them, will be described in detail in our 2013 Annual Report and Accounts, which will be published in March 2014. The Board regularly reviews the risks facing the Group to ensure they are up-to-date and the appropriate measures are in place to mitigate and manage them. In summary, the Group's principal risks are as follows: continuing to win work in our existing and new target markets and geographies, delivering major contracts successfully, managing our pension schemes effectively, attracting, developing and retaining excellent people, selecting high quality joint venture and supply chain partners and maintaining high standards of performance in respect of security, including cyber security, Health and Safety and other statutory requirements.

Board changes

As announced on 11 December 2013, Philip Green, our Senior Independent Non-Executive Director will succeed Philip Rogerson as chairman of Carillion, when Philip Rogerson retires from the Board at the Company's Annual General Meeting on 7 May 2014. Philip Green will also become chairman of the Nominations Committee and chairman of the Business Integrity Committee. Philip Rogerson joined the Board in 2004 and became Chairman in 2005. Under his chairmanship, Carillion has delivered substantial growth in revenue, profit and dividends, driven by the Group's transformation from being primarily a UK construction company into an international, integrated support services company with a substantial portfolio of Public Private Partnership projects, high-quality construction capabilities and sector-leading expertise in delivering sustainable projects and services. He will leave Carillion with the Board's grateful thanks for the outstanding contribution he has made to the Group's success. Steve Mogford, who joined the Board as a Non-Executive Director in September 2006, will succeed Philip Green as Senior Independent Non-Executive Director.

Also as announced on 11 December 2013, Vanda Murray OBE will also retire from the Board at the Company's Annual General Meeting on 7 May 2014. Vanda joined the Board in June 2005 and currently chairs the Remuneration Committee. Vanda has made a major contribution to the Board and to the Group's development and success and leaves with the Board's grateful thanks. Alison Horner, who was appointed as a Non-Executive Director of the Company on 1 December 2013, will succeed Vanda Murray as chairman of the Remuneration Committee.

On 20 February 2014, we announced that Ceri Powell will be appointed as a Non-Executive Director of the Company on 2 April 2014. Ceri is Executive Vice President for Exploration of Royal Dutch Shell and her considerable experience as a business leader will enable her to make a valuable contribution to Carillion's development. Ceri will serve on the Audit, Remuneration, Nominations and Business Integrity Committees.

Outlook and prospects

Looking forward, we expect market conditions to remain challenging in 2014. However, having continued to win work in 2013 and in the early part of 2014, and having maintained a healthy pipeline of contract opportunities, the Group is well positioned for the future. In particular, in 2014 we expect to resume full-year revenue growth in support services and in construction services (excluding the Middle East) and to continue growing our revenues in Canada and in the Middle East.

Consolidated income statement
for the year ended 31 December 2013

	Note	2013 £m	2012[1] £m
Total revenue		**4,080.9**	4,402.8
Less: Share of jointly controlled entities' revenue		**(748.3)**	(736.6)
Group revenue	2	**3,332.6**	3,666.2
Cost of sales		**(2,984.6)**	(3,279.4)
Gross profit		**348.0**	386.8
Administrative expenses		**(268.2)**	(240.4)
Profit on disposal of Public Private Partnership equity investments		**44.6**	13.2
Group operating profit		**124.4**	159.6
Analysed between:			
Group operating profit before intangible amortisation and non-recurring operating items		**187.8**	193.6
Intangible amortisation[2]		**(19.2)**	(31.4)
Non-recurring operating items[3]	3	**(44.2)**	(2.6)
Share of results of jointly controlled entities	2	**26.5**	34.3
Analysed between:			
Operating profit		**41.0**	52.0
Net financial expense		**(10.1)**	(16.0)
Taxation		**(4.4)**	(1.7)
Profit from operations		**150.9**	193.9
Analysed between:			
Profit from operations before intangible amortisation and non-recurring operating items		**214.3**	227.9
Intangible amortisation[2]		**(19.2)**	(31.4)
Non-recurring operating items[3]	3	**(44.2)**	(2.6)
Non-operating items	3	**(0.7)**	(1.2)
Net financial expense	4	**(39.6)**	(27.9)
Analysed between:			
Financial income		**7.7**	15.3
Financial expense		**(47.3)**	(43.2)
Profit before taxation		**110.6**	164.8
Analysed between:			
Profit before taxation, intangible amortisation, non-recurring operating items and non-operating items		**174.7**	200.0
Intangible amortisation[2]		**(19.2)**	(31.4)
Non-recurring operating items[3]	3	**(44.2)**	(2.6)
Non-operating items	3	**(0.7)**	(1.2)
Taxation	5	**(4.3)**	(9.9)
Profit for the year		**106.3**	154.9
Profit attributable to:			
Equity holders of the parent		**100.2**	148.8
Non-controlling interests		**6.1**	6.1
Profit for the year		**106.3**	154.9
Earnings per share	6		
Basic		**23.3p**	34.6p
Diluted		**23.2p**	34.4p

(1) Restated on adoption of the amendment to IAS 19 (see note 14).
(2) Arising from business combinations.
(3) This includes integration and rationalisation costs and Eaga Partnership Trusts related charges (see note 3).

Consolidated statement of comprehensive income
for the year ended 31 December 2013

	2013		2012(1)	
	£m	£m	£m	£m
Profit for the year		**106.3**		154.9
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of net defined benefit liability	**(42.4)**		(58.7)	
Taxation relating to items that will not be reclassified	**(1.3)**		8.4	
	(43.7)		(50.3)	
Items that may be reclassified subsequently to profit or loss:				
Gain on hedge of net investment in foreign operations	**3.3**		1.5	
Currency translation differences on foreign operations	**(15.5)**		(8.8)	
Movement in fair value of cash flow hedging derivatives	**(6.1)**		(7.1)	
Reclassification of effective portion of cash flow hedging derivatives to profit	**3.1**		2.1	
Increase in fair value of available for sale assets	**-**		4.9	
Reclassification of fair value movements on disposal of available for sale assets	**(15.6)**		-	
Taxation relating to items that may be reclassified	**1.9**		(0.4)	
Share of recycled cash flow hedges within jointly controlled entities (net of taxation)	**18.3**		10.4	
Share of change in fair value of effective cash flow hedges within jointly controlled entities (net of taxation)	**(2.1)**		(3.2)	
	(12.7)		(0.6)	
Other comprehensive expense for the year		**(56.4)**		(50.9)
Total comprehensive income for the year		**49.9**		104.0
Attributable to:				
Equity holders of the parent		**44.2**		97.9
Non-controlling interests		**5.7**		6.1
		49.9		104.0

(1) Restated on adoption of the amendment to IAS 19 (see note 14).

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	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 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**

Consolidated statement of changes in equity
for the year ended 31 December 2012

	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 2012	215.1	21.2	(16.1)	(23.7)	10.9	464.6	300.9	972.9	9.6	982.5
Comprehensive income										
Profit for the year[(1)]	-	-	-	-	-	-	148.8	148.8	6.1	154.9
Other comprehensive income										
Net gain on hedge of net investment in foreign operations	-	-	1.5	-	-	-	-	1.5	-	1.5
Currency translation differences on foreign operations	-	-	(8.8)	-	-	-	-	(8.8)	-	(8.8)
Movement in fair value of cash flow hedging derivatives	-	-	-	(7.1)	-	-	-	(7.1)	-	(7.1)
Reclassification of effective portion of cash flow hedging derivatives to profit	-	-	-	2.1	-	-	-	2.1	-	2.1
Increase in fair value of available for sale assets	-	-	-	-	4.9	-	-	4.9	-	4.9
Remeasurement of net defined benefit liability[(1)]	-	-	-	-	-	-	(58.7)	(58.7)	-	(58.7)
Taxation[(1)]	-	-	(0.4)	-	-	-	8.4	8.0	-	8.0
Share of recycled cash flow hedges within jointly controlled entities (net of taxation)	-	-	-	10.4	-	-	-	10.4	-	10.4
Share of change in fair value of effective cash flow hedges within jointly controlled entities (net of taxation)	-	-	-	(3.2)	-	-	-	(3.2)	-	(3.2)
Transfer between reserves	-	-	-	-	-	(31.4)	31.4	-	-	-
Total comprehensive income/(expense)	-	-	(7.7)	2.2	4.9	(31.4)	129.9	97.9	6.1	104.0
Transactions with owners										
Contributions by and distributions to owners										
Acquisition of own shares	-	-	-	-	-	-	(3.0)	(3.0)	-	(3.0)
Equity settled transactions (net of taxation)	-	-	-	-	-	-	2.3	2.3	-	2.3
Cash settlement of vested equity settled transactions	-	-	-	-	-	-	(0.8)	(0.8)	-	(0.8)
Dividends paid	-	-	-	-	-	-	(70.4)	(70.4)	(8.2)	(78.6)
Non-controlling interests acquired[(2)]	-	-	-	-	-	-	-	-	4.3	4.3
Total transactions with owners	-	-	-	-	-	-	(71.9)	(71.9)	(3.9)	(75.8)
At 31 December 2012	215.1	21.2	(23.8)	(21.5)	15.8	433.2	358.9	998.9	11.8	1,010.7

(1) Restated on adoption of the amendment to IAS 19 (see note 14).
(2) Restated for the retrospective adjustment to provisional amounts recognised on the acquisition of the Bouchier Group in 2012.

Consolidated balance sheet
as at 31 December 2013

	Note	2013 £m	2012[1] £m
Non-current assets			
Property, plant and equipment		**128.2**	125.8
Intangible assets		**1,552.8**	1,536.6
Retirement benefit assets		**3.8**	0.7
Investments in jointly controlled entities		**152.0**	176.4
Other investments		**7.3**	61.5
Deferred tax assets		**112.6**	123.8
Total non-current assets		**1,956.7**	2,024.8
Current assets			
Inventories		**48.6**	55.3
Trade and other receivables		**1,212.3**	1,111.5
Cash and cash equivalents	9	**413.7**	657.1
Derivative financial instruments		**2.2**	0.4
Current asset investments		**2.4**	2.5
Income tax receivable		**4.0**	10.8
Total current assets		**1,683.2**	1,837.6
Total assets		**3,639.9**	3,862.4
Current liabilities			
Borrowing		**(22.5)**	(35.3)
Derivative financial instruments		**(13.2)**	(7.1)
Trade and other payables		**(1,588.5)**	(1,614.6)
Provisions		**(32.7)**	(27.0)
Income tax payable		**(4.7)**	(3.8)
Total current liabilities		**(1,661.6)**	(1,687.8)
Non-current liabilities			
Borrowing		**(606.4)**	(777.6)
Other payables		**-**	(9.1)
Retirement benefit liabilities		**(373.9)**	(351.7)
Deferred tax liabilities		**(10.2)**	(16.3)
Provisions		**(4.2)**	(9.2)
Total non-current liabilities		**(994.7)**	(1,163.9)
Total liabilities		**(2,656.3)**	(2,851.7)
Net assets	2	**983.6**	1,010.7
Equity			
Share capital	12	**215.1**	215.1
Share premium		**21.2**	21.2
Translation reserve		**(36.4)**	(23.8)
Hedging reserve		**(5.6)**	(21.5)
Fair value reserve		**0.2**	15.8
Merger reserve		**414.6**	433.2
Retained earnings		**358.1**	358.9
Equity attributable to shareholders of the parent		**967.2**	998.9
Non-controlling interests		**16.4**	11.8
Total equity		**983.6**	1,010.7

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

Consolidated cash flow statement
For the year ended 31 December 2013

	Note	2013 £m	2012[1] £m
Cash flows from operating activities			
Group operating profit		**124.4**	159.6
Depreciation and amortisation		**44.3**	62.2
Loss on disposal of property, plant and equipment		**2.3**	1.6
Profit on disposal of Public Private Partnership equity investments		**(44.6)**	(13.2)
Other non-cash movements		**(6.1)**	(5.5)
Non-recurring operating items		**44.2**	2.6
Operating profit before changes in working capital		**164.5**	207.3
(Increase)/decrease in inventories		**(1.1)**	15.2
Increase in trade and other receivables		**(123.8)**	(36.6)
Decrease in trade and other payables		**(40.6)**	(143.5)
Cash (used in)/generated from operations before pension deficit recovery payments and rationalisation costs		**(1.0)**	42.4
Deficit recovery payments to pension schemes		**(39.2)**	(30.2)
Rationalisation costs		**(22.0)**	(28.6)
Cash used in operations		**(62.2)**	(16.4)
Financial income received		**11.1**	15.8
Financial expense paid		**(30.9)**	(27.3)
Acquisition costs		**(1.0)**	(0.6)
Taxation receipts		**4.6**	2.9
Net cash flows from operating activities		**(78.4)**	(25.6)
Cash flows from investing activities			
Disposal of property, plant and equipment		**0.9**	2.7
Disposal of jointly controlled entity and other investments	11	**143.7**	45.9
Dividends received from jointly controlled entities		**18.2**	13.6
Loan advance repayments received from jointly controlled entities		**2.9**	6.0
Disposal and closure of businesses		**(0.3)**	(3.8)
Decrease in current asset investments		**0.1**	1.8
Acquisition of subsidiaries, net of cash acquired		**(20.3)**	(4.9)
Acquisition of intangible assets		**(6.5)**	(3.7)
Acquisition of property, plant and equipment		**(21.6)**	(14.6)
Acquisition of equity in and loan advances to jointly controlled entities		**(6.1)**	(25.7)
Acquisition of other non-current asset investments		**(3.8)**	(3.0)
Net cash flows from investing activities		**107.2**	14.3
Cash flows from financing activities			
(Repayment)/draw down of bank and other loans		**(171.0)**	277.2
Repayment of finance lease liabilities		**(16.7)**	(16.8)
Acquisition of own shares		**(2.2)**	(3.0)
Payment to employees in settlement of share options		**(0.3)**	(0.8)
Dividends paid to equity holders of the parent		**(74.6)**	(70.4)
Dividends paid to non-controlling interests		**(1.1)**	(8.2)
Net cash flows from financing activities		**(265.9)**	178.0
(Decrease)/increase in net cash and cash equivalents		**(237.1)**	166.7
Net cash and cash equivalents at 1 January		**652.2**	487.7
Effect of exchange rate fluctuations on net cash and cash equivalents		**(4.7)**	(2.2)
Net cash and cash equivalents at 31 December	9	**410.4**	652.2

(1) Restated on adoption of the amendment to IAS 19 (see note 14).

Notes to the condensed financial statements

1 Significant accounting policies

Basis of preparation

Carillion plc (the 'Company') is a company domiciled and incorporated in the United Kingdom (UK). The condensed consolidated financial statements of the Company for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in jointly controlled entities.

The Group's financial statements have been approved by the Directors and prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU). The following standards and interpretations have been adopted in 2013 as they are mandatory for the year ended 31 December 2013:

- Amendment to International Accounting Standard (IAS) 1 'Presentation of items of other comprehensive income'
- Amendment to International Accounting Standard (IAS) 19 'Employee benefits'
- International Financial Reporting Standard (IFRS) 13 'Fair value measurement'.

The amendment to IAS 1 'Presentation of items of other comprehensive income' increases the required level of disclosure within the statement of comprehensive income. The amendment requires items within the statement of comprehensive income to be analysed between items that will not be reclassified subsequently to profit or loss and items that may be reclassified subsequently to profit or loss in accordance with the respective IFRS to which the item relates. The amendment has been applied retrospectively and hence the presentation of items in the statement of comprehensive income has been restated to reflect the change. The amendment to IAS 1 has had no impact on profit, earnings per share or net assets in the year ended 31 December 2013.

The amendment to IAS 19 'Employee benefits' makes changes to the recognition and measurement of the defined benefit pension expense and termination benefits and disclosures relating to all employee benefits. The interest cost and expected return on scheme liabilities and assets used in the previous version of IAS 19 have been replaced with a 'net interest' amount which is calculated by applying a discount rate to the net defined benefit obligation. This amendment has a corresponding impact on remeasurement of net defined benefit liability recognised in the statement of comprehensive income, with no overall change to the net retirement benefit liability in the balance sheet. Furthermore, certain costs previously recorded as part of finance expenses have now been presented within administrative expenses. Comparative information has been restated for the effect of the retrospective application of the amendment to IAS 19 as disclosed in note 14.

IFRS 13 'Fair value measurement' establishes a single framework for measuring fair value that is required by other standards. The standard applies to both financial and non-financial items measured at fair value. The standard defines fair value on the basis of an 'exit price' and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. The standard will impact upon the measurement of fair value for certain assets and liabilities as well as the associated disclosures. The adoption of this standard has had no material impact on profit, earnings per share or net assets in the year ended 31 December 2013.

The following standards and interpretations, which were not effective as at 31 December 2013 and have not been early adopted by the Group, will be adopted in future accounting periods:

- International Financial Reporting Standard (IFRS) 9 'Financial instruments'(1)
- International Financial Reporting Standard (IFRS) 10 'Consolidated financial statements'(2)
- International Financial Reporting Standard (IFRS) 11 'Joint arrangements'(2)
- International Financial Reporting Standard (IFRS) 12 'Disclosure of interests in other entities'(2).

None of the standards above are expected to have a material impact on the Group.

The financial information set out herein (which was approved by the Board on 5 March 2014) does not constitute the Company's statutory accounts for the years ended 31 December 2013 and 2012 but is derived from the 2013 statutory accounts.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement itself does not contain sufficient information to comply with IFRS. The Company will make available the full financial statements that comply with IFRS by 31 March 2014.

The statutory accounts for the year ended 31 December 2012 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The statutory accounts for the year ended 31 December 2013 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. 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 management review on pages 4 to 16. The Group has considerable financial resources, including a £770.0 million committed syndicated facility expiring in March 2018 and £303.7 million of private placement notes expiring between

(1) Not yet endorsed by the EU.
(2) Effective date 1 January 2014.

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 financial statements for the year ended 31 December 2013.

Accounting estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Revenue recognition

In determining the revenue and costs to be recognised each year for work done on construction contracts, estimates are made in relation to final out-turn on each contract. On major construction contracts, it is assessed, based on past experience, that their outcome cannot be estimated reliably during the early stages of the contract, but that costs incurred will be recoverable. Once the outcome can be estimated reliably the estimates of final out-turn on each contract may include cost contingencies to take account of the specific risks within each contract that have been identified during the early stages of the contract. The cost contingencies are reviewed on a regular basis throughout the contract life and are adjusted where appropriate. However, the nature of the risks on contracts are such that they often cannot be resolved until the end of the project and therefore may not reverse until the end of the project. Management continually reviews the estimated final out-turn on contracts and makes adjustments where necessary.

In respect of licensing revenue a number of judgements are made by management in determining whether the criteria have been met in order to allow for the full, immediate recognition of the sale income. These judgements may involve the estimation of the fair value of future royalty income receivable, based on which management will assess whether the licence sale revenue should be recognised immediately or spread over a period consistent with the life of the technology or other appropriate measure. The assessment of that future royalty revenue stream relies on forecast data and a number of variables which are outside of Carillion's control, and hence judgemental. The licence revenue recognised in the year (see note 2) related to amounts recognised immediately, given that contingent revenues arising in future periods from these licensing activities were assessed as not significant.

Intangible assets

In determining the fair value of identifiable assets, liabilities and contingent liabilities of businesses acquired, judgement is required in relation to final out-turn on contracts, discount rates and expected future cash flows and profitability.

Determining whether intangible assets are impaired requires an estimation of the future cash flows expected to arise from the cash-generating unit to which the intangible assets are attached.

Retirement benefits

In determining the valuation of defined benefit pension scheme assets and liabilities, a number of key assumptions, which are largely dependent on factors outside the control of the Group, have been made in relation to:

- Expected return on plan assets
- Inflation rate
- Mortality
- Discount rate
- Salary and pension increases

Details of the assumptions used are included in note 8.

Deferred tax

In determining the quantum of deferred tax assets to be recognised, judgement is required in assessing the extent to which it is probable that future taxable profit will arise in the companies concerned. Management use forecasts of future taxable profits and make assumptions on growth rates for each entity at each year end in assessing the recoverability of assets recognised.

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, utilities services and consultancy businesses in the UK, Canada and the Middle East.

Notes to the condensed financial statements continued

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 the 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.

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

	2013		2012(1)	
	Revenue £m	**Operating profit before intangible amortisation and non-recurring operating items £m**	Revenue £m	Operating profit before intangible amortisation and non-recurring operating items £m
Support services(2)				
Group	**2,029.4**	**92.8**	2,131.4	100.0
Share of jointly controlled entities	**271.5**	**25.2**	228.3	20.9
	2,300.9	**118.0**	2,359.7	120.9
Inter-segment	**85.0**	**-**	87.3	-
Total	**2,385.9**	**118.0**	2,447.0	120.9
Public Private Partnership projects				
Group	**2.3**	**46.0**	1.3	17.3
Share of jointly controlled entities	**234.6**	**12.4**	286.4	16.5
	236.9	**58.4**	287.7	33.8
Inter-segment	**-**	**-**	-	-
Total	**236.9**	**58.4**	287.7	33.8
Middle East construction services				
Group	**250.3**	**15.4**	261.4	13.8
Share of jointly controlled entities	**233.2**	**3.8**	212.2	15.2
	483.5	**19.2**	473.6	29.0
Inter-segment	**-**	**-**	-	-
Total	**483.5**	**19.2**	473.6	29.0
Construction services (excluding the Middle East)				
Group	**1,050.6**	**44.8**	1,272.1	73.0
Share of jointly controlled entities	**9.0**	**(0.4)**	9.7	(0.6)
	1,059.6	**44.4**	1,281.8	72.4
Inter-segment	**2.1**	**-**	3.2	-
Total	**1,061.7**	**44.4**	1,285.0	72.4
Group eliminations and unallocated items	**(87.1)**	**(11.2)**	(90.5)	(10.5)
Consolidated				
Group	**3,332.6**	**187.8**	3,666.2	193.6
Share of jointly controlled entities	**748.3**	**41.0**	736.6	52.0
Total	**4,080.9**	**228.8**	4,402.8	245.6

(1) Restated on adoption of the amendment to IAS 19 (see note 14).
(2) Includes licensing revenue of £27 million (2012: Nil).

Notes to the condensed financial statements continued

2 Segmental reporting (continued)

Reconciliation of operating segment results to reported results

	2013 £m	2012[1] £m
Group and share of jointly controlled entities' operating profit before intangible amortisation and non-recurring operating items	**228.8**	245.6
Net financial expense		
– Group	**(39.6)**	(27.9)
– Share of jointly controlled entities	**(10.1)**	(16.0)
Share of jointly controlled entities' taxation	**(4.4)**	(1.7)
Underlying profit before taxation	**174.7**	200.0
Intangible amortisation arising from business combinations	**(19.2)**	(31.4)
Non-recurring operating items	**(44.2)**	(2.6)
Non-operating items	**(0.7)**	(1.2)
Profit before taxation	**110.6**	164.8
Taxation	**(4.3)**	(9.9)
Profit for the year	**106.3**	154.9

(1) Restated on adoption of the amendment to IAS 19 (see note 14).

Intangible amortisation, non-recurring operating items and non-operating items arise in the following segments:

	2013			2012		
	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	**(17.1)**	**(44.2)**	**(0.7)**	(28.4)	(2.6)	(1.2)
Construction services (excluding the Middle East)	**(2.1)**	**-**	**-**	(3.0)	-	-
Total	**(19.2)**	**(44.2)**	**(0.7)**	(31.4)	(2.6)	(1.2)

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

	2013		2012	
	Depreciation and amortisation £m	Capital expenditure £m	Depreciation and amortisation £m	Capital expenditure £m
Support services	**(27.7)**	**(28.2)**	(40.7)	(13.6)
Middle East construction services	**(2.0)**	**(1.3)**	(2.0)	(1.1)
Construction services (excluding the Middle East)	**(2.7)**	**(1.4)**	(4.0)	(0.5)
Unallocated Group items	**(11.9)**	**(12.9)**	(15.5)	(12.1)
Total	**(44.3)**	**(43.8)**	(62.2)	(27.3)

Notes to the condensed financial statements continued

2 Segmental reporting (continued)

Segmental net assets

	2013			2012[1]		
	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]	**1,270.7**	**-**	**1,270.7**	1,257.8	-	1,257.8
Operating assets	**642.6**	**-**	**642.6**	628.2	-	628.2
Investments	**11.8**	**-**	**11.8**	9.8	-	9.8
Total operating assets	**1,925.1**	**-**	**1,925.1**	1,895.8	-	1,895.8
Total operating liabilities	**-**	**(651.7)**	**(651.7)**	-	(586.1)	(586.1)
Net operating assets/(liabilities)	**1,925.1**	**(651.7)**	**1,273.4**	1,895.8	(586.1)	1,309.7
Public Private Partnership projects						
Operating assets	**2.6**	**-**	**2.6**	6.8	-	6.8
Investments	**36.0**	**-**	**36.0**	112.1	-	112.1
Total operating assets	**38.6**	**-**	**38.6**	118.9	-	118.9
Total operating liabilities	**-**	**(12.8)**	**(12.8)**	-	(17.8)	(17.8)
Net operating assets/(liabilities)	**38.6**	**(12.8)**	**25.8**	118.9	(17.8)	101.1
Middle East construction services						
Operating assets	**275.8**	**-**	**275.8**	263.4	-	263.4
Investments	**76.2**	**-**	**76.2**	73.0	-	73.0
Total operating assets	**352.0**	**-**	**352.0**	336.4	-	336.4
Total operating liabilities	**-**	**(256.8)**	**(256.8)**	-	(260.6)	(260.6)
Net operating assets/(liabilities)	**352.0**	**(256.8)**	**95.2**	336.4	(260.6)	75.8
Construction services (excluding the Middle East)						
Intangible assets [2]	**258.4**	**-**	**258.4**	261.2	-	261.2
Operating assets	**406.8**	**-**	**406.8**	363.5	-	363.5
Investments	**35.3**	**-**	**35.3**	43.0	-	43.0
Total operating assets	**700.5**	**-**	**700.5**	667.7	-	667.7
Total operating liabilities	**-**	**(652.8)**	**(652.8)**	-	(798.2)	(798.2)
Net operating assets/(liabilities)	**700.5**	**(652.8)**	**47.7**	667.7	(798.2)	(130.5)
Consolidated before Group items						
Intangible assets [2]	**1,529.1**	**-**	**1,529.1**	1,519.0	-	1,519.0
Operating assets	**1,327.8**	**-**	**1,327.8**	1,261.9	-	1,261.9
Investments	**159.3**	**-**	**159.3**	237.9	-	237.9
Total operating assets	**3,016.2**	**-**	**3,016.2**	3,018.8	-	3,018.8
Total operating liabilities	**-**	**(1,574.1)**	**(1,574.1)**	-	(1,662.7)	(1,662.7)
Net operating assets/(liabilities) before Group items	**3,016.2**	**(1,574.1)**	**1,442.1**	3,018.8	(1,662.7)	1,356.1
Group items						
Deferred tax asset/(liabilities)	**112.6**	**(10.2)**	**102.4**	123.8	(16.3)	107.5
Net cash/(borrowing)	**413.7**	**(628.9)**	**(215.2)**	657.1	(812.9)	(155.8)
Retirement benefits (gross of taxation)	**3.8**	**(373.9)**	**(370.1)**	0.7	(351.7)	(351.0)
Income tax	**4.0**	**(4.7)**	**(0.7)**	10.8	(3.8)	7.0
Other	**89.6**	**(64.5)**	**25.1**	51.2	(4.3)	46.9
Net assets/(liabilities)	**3,639.9**	**(2,656.3)**	**983.6**	3,862.4	(2,851.7)	1,010.7

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

Notes to the condensed financial statements continued

2 Segmental reporting (continued)

Geographic information – by origin

	2013 £m	2012[1] £m
United Kingdom		
Total revenue from external customers	**2,844.9**	3,247.9
Less: share of jointly controlled entities' revenue	**(376.7)**	(394.6)
Group revenue from external customers	**2,468.2**	2,853.3
Non-current assets	**1,586.0**	1,586.7
Middle East and North Africa		
Total revenue from external customers	**531.6**	487.1
Less: share of jointly controlled entities' revenue	**(250.9)**	(225.7)
Group revenue from external customers	**280.7**	261.4
Non-current assets	**80.5**	78.1
Canada		
Total revenue from external customers	**671.1**	650.9
Less: share of jointly controlled entities' revenue	**(120.7)**	(116.3)
Group revenue from external customers	**550.4**	534.6
Non-current assets	**166.5**	174.0
Rest of the World		
Total revenue from external customers	**33.3**	16.9
Less: share of jointly controlled entities' revenue	**-**	-
Group revenue from external customers	**33.3**	16.9
Non-current assets	**-**	-
Consolidated		
Total revenue from external customers	**4,080.9**	4,402.8
Less: share of jointly controlled entities' revenue	**(748.3)**	(736.6)
Group revenue from external customers	**3,332.6**	3,666.2
Non-current assets		
Total of geographic analysis above	**1,833.0**	1,838.8
Retirement benefit assets	**3.8**	0.7
Other investments	**7.3**	61.5
Deferred tax assets	**112.6**	123.8
Total non-current assets	**1,956.7**	2,024.8

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

Notes to the condensed financial statements continued

2 Segmental reporting (continued)

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

	2013 £m	2012 £m
Support services	**842.5**	924.1
Public Private Partnership projects	**121.3**	175.4
Construction services (excluding the Middle East)	**706.4**	990.1
	1,670.2	2,089.6

3 Non-recurring operating and non-operating items

Non-recurring operating items	2013 £m	2012 £m
Rationalisation of Energy business	**(42.9)**	-
Eaga Partnership Trusts related charges	**(1.1)**	(2.6)
Costs of integration of John Laing Integrated Services	**(0.5)**	-
	(44.5)	(2.6)
Eaga Partnership Trusts National Insurance provision	**14.2**	-
Performance obligations on old energy schemes	**(13.9)**	-
	0.3	-
	(44.2)	(2.6)

Non-recurring operating items amounted to £44.2 million (2012: £2.6 million) and comprised the following:

Rationalisation costs of £42.9 million (2012: Nil) relate to the restructuring of Carillion's energy business and include redundancy, restructuring and other costs relating to the Group's commitments under energy efficiency programmes, including the reassessment of the carrying value of assets. These costs arose as a result of the Group's decision to review the operational structure of Carillion's energy business in order to ensure that its business model is better aligned to the current market conditions which are being affected by the slow start to the Green Deal and Energy Company Obligation market (see page 4).

Eaga Partnership Trusts (EPT) related charges of £1.1 million (2012: £2.6 million) relate to a Share Incentive Plan (SIP) under which certain of its employees are able to receive free shares at the discretion of the EPT. The cost of these shares is borne by the EPT through the waiver of its entitlement to dividends from its holding of Carillion plc shares. However, under International Financial Reporting Standard 2 'share-based payments', the Group is required to recognise a non-cash charge in its income statement in relation to awards made under the SIP. Given that the Group does not control the timing and quantum of any awards made under the SIP and in view of the fact that the cost of these awards is borne by the EPT, charges in relation to the awards are classified as non-recurring operating items.

The acquisition of John Laing Integrated Services (JLIS) was completed on 18 October 2013 and £0.5 million (2012: Nil) of costs have been incurred in integrating the business into the Group.

In addition, we have amended two provisions relating to obligations entered into prior to the Group's acquisition of Carillion Energy Services in 2011. Following clarification of the tax treatment of certain potential distributions to beneficiaries by the EPT, and in particular those beneficiaries who are no longer employed by the Group, the provision has been reduced by £14.2 million during the year. The impact of this release was however partially offset by a separate £13.9 million increase in liabilities on onerous contracts associated with the UK Government's old energy efficiency programmes.

An income tax credit of £9.2 million (2012: £0.6 million), relating to the above items, has been included within taxation in the income statement.

Non-operating items

Non-operating items of £0.7 million relate to adviser costs incurred on the acquisition of JLIS. Non-operating costs in 2012 of £1.2 million consisted of £0.9 million relating to the Bouchier Group acquisition and non-core business closure costs of £0.3 million. There is no income tax associated with these costs (2012: £0.3 million).

4 Financial income and expense

	2013 £m	2012[(1)] £m
Financial income		
Bank interest receivable	**0.6**	0.4
Other interest receivable	**7.1**	14.9
	7.7	15.3
Financial expense		
Interest payable on bank loans and overdrafts	**(9.5)**	(11.5)
Other interest payable and similar charges	**(22.7)**	(17.9)
Net interest expense on defined benefit pension obligations	**(15.1)**	(13.8)
	(47.3)	(43.2)
Net financial expense	**(39.6)**	(27.9)

(1) Restated on adoption of the amendment to IAS 19 (see note 14).

Other interest payable and similar charges include Private Placement financing interest of £14.3 million (2012: £6.0 million), finance lease charges of £1.2 million (2012: £2.0 million) and the discount unwind associated with onerous lease provisions of £1.4 million (2012: £2.1 million). No borrowing costs have been capitalised in either of the above years.

5 Income tax

The Group's income tax expense (including the Group's share of jointly controlled entities' income tax) for the year ended 31 December 2013 is calculated based on an effective underlying income tax rate of 13% (2012: 11%[(1)]). This effective rate differs to the UK standard corporation tax rate of 23.25% (2012: 24.5%) primarily due to items such as the effect of tax rates in foreign jurisdictions, the recognition of deferred tax on trading losses and tax-free equity disposals of certain PPP projects.

(1) Restated on adoption of the amendment to IAS 19 (see note 14).

6 Earnings per share

(a) *Basic earnings per share*

The calculation of earnings per share for the year ended 31 December 2013 is based on the profit attributable to equity holders of the parent of £100.2 million (2012: £148.8 million) and a weighted average number of ordinary shares in issue of 430.1 million (2012: 430.1 million), calculated as follows:

In millions of shares	2013	2012
Issued ordinary shares at 1 January	**430.3**	430.3
Effect of own shares held by Employee Share Ownership Plan and Qualifying Employee Share Ownership Trust	**(0.2)**	(0.2)
Weighted average number of ordinary shares at 31 December	**430.1**	430.1

Notes to the condensed financial statements continued

6 Earnings per share (continued)

(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 the amortisation of intangible assets arising from business combinations, non-recurring operating items and non-operating items.

	2013		2012[1]	
	Profit before tax £m	**Tax £m**	Profit before tax £m	Tax £m
Profit before taxation				
Profit before taxation as reported in the income statement	**110.6**	**4.3**	164.8	9.9
Amortisation of intangible assets arising from business combinations	**19.2**	**5.9**	31.4	9.3
Non-recurring operating items	**44.2**	**9.2**	2.6	0.6
Non-operating items	**0.7**	**-**	1.2	0.3
Underlying profit before taxation	**174.7**	**19.4**	200.0	20.1
Underlying taxation	**(19.4)**		(20.1)	
Underlying profit attributable to non-controlling interests	**(6.1)**		(6.1)	
Underlying profit attributable to shareholders	**149.2**		173.8	

	2013 Pence per share	2012[1] Pence per share
Earnings per share		
Basic earnings per share as reported in the income statement	**23.3**	34.6
Amortisation of intangible assets arising from business combinations	**3.1**	5.1
Non-recurring operating items	**8.1**	0.5
Non-operating items	**0.2**	0.2
Underlying basic earnings per share	**34.7**	40.4
Underlying diluted earnings per share (post-tax basis)	**34.5**	40.2

(1) Restated on adoption of the amendment to IAS 19 (see note 14).

(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	**2013**	2012
Weighted average number of ordinary shares (see note 6(a) above)	**430.1**	430.1
Effect of share options in issue	**1.8**	2.1
Weighted average number of ordinary shares (diluted) at 31 December	**431.9**	432.2

Notes to the condensed financial statements continued

7 Dividends

The following dividends were paid by the Company:

	2013 £m	2013 Pence per share	2012 £m	2012 Pence per share
Previous year final dividend	**51.0**	**11.85**	48.5	11.60
Current year interim dividend	**23.6**	**5.50**	21.9	5.40
Total	**74.6**	**17.35**	70.4	17.00

The following dividends were proposed by the Company:

	2013 £m	2013 Pence per share	2012 £m	2012 Pence per share
Interim	**23.6**	**5.50**	21.9	5.40
Final	**51.6**	**12.00**	51.0	11.85
Total	**75.2**	**17.50**	72.9	17.25

The final dividend for 2013 of 12.0 pence per share was approved by the Board on 5 March 2014 and, subject to approval by the shareholders at the Annual General Meeting, will be paid on 13 June 2014 to shareholders on the register on 16 May 2014.

8 Pension commitments

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

	2013 £m	2012(1) £m
Charge to operating profit		
Current service cost relating to defined benefit schemes	**(6.0)**	(5.9)
Administrative expenses relating to defined benefit schemes	**(5.2)**	(4.5)
Defined contribution schemes	**(23.2)**	(20.0)
Total	**(34.4)**	(30.4)
Financial Expense		
Net interest expense on defined benefit obligation	**(15.1)**	(13.8)

The valuation of the Group's main defined benefit pension schemes were reviewed by the schemes' actuary at 31 December 2013.

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

	2013 £m	2012 £m
Present value of defined benefit obligation	**(2,498.9)**	(2,352.5)
Fair value of scheme assets	**2,136.2**	2,012.3
Minimum funding requirement	**(7.4)**	(10.8)
Net pension liability	**(370.1)**	(351.0)
Deferred tax on the above	**75.0**	81.1
Net pension liability after tax	**(295.1)**	(269.9)

(1) Restated on adoption of the amendment to IAS 19 (see note 14).

8 Pension commitments (continued)

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

	2013	2012
	%	%
Rate of increase in salaries	**3.90**	3.40
Rate of increase in pensions	**3.30**	2.90
Inflation rate - Retail Price Index	**3.40**	2.90
Inflation rate - Consumer Price Index	**2.35**	2.05
Discount rate	**4.60**	4.55

9 Cash and cash equivalents and net borrowing

Cash and cash equivalents and net borrowing comprise:

	2013	2012
	£m	£m
Cash and cash equivalents	**413.7**	657.1
Bank overdrafts	**(3.3)**	(4.9)
Net cash and cash equivalents	**410.4**	652.2
Bank loans	**(292.3)**	(466.2)
Finance lease obligations	**(29.5)**	(34.5)
Other loans	**(303.8)**	(307.3)
Net borrowing	**(215.2)**	(155.8)

Reconciliation of net cash flow to movement in net borrowing:

	2013	2012
	£m	£m
(Decrease)/increase in net cash and cash equivalents	**(237.1)**	166.7
Net cash and cash equivalents in subsidiaries acquired	**(4.1)**	-
Repayment/(draw down) of bank and other loans	**171.0**	(277.2)
Payment of finance lease liabilities	**16.7**	16.8
Change in net borrowing resulting from cash flows	**(53.5)**	(93.7)
Net cash/(borrowing) in subsidiaries acquired	**4.1**	(4.6)
Finance lease additions	**(14.0)**	(9.0)
Currency translation differences	**4.0**	2.2
Change in net borrowing	**(59.4)**	(105.1)
Net borrowing at 1 January	**(155.8)**	(50.7)
Net borrowing at 31 December	**(215.2)**	(155.8)

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 £486.2 million in the year ended 31 December 2013 (2012: £988.4 million). Amounts receivable from jointly controlled entities amounted to £108.8 million (2012: £107.7 million) and amounts payable to jointly controlled entities amounted to £48.8 million (2012: £55.3 million).

Notes to the condensed financial statements continued

11 Acquisitions and disposals

Acquisitions

On 18 October 2013 the Group acquired the entire share capital of John Laing Integrated Services (JLIS) for a cash consideration of £17.5 million. The consideration paid is shown in the cash flow statement within acquisition of subsidiaries, net of cash acquired, after deducting cash on the acquisition balance sheet, amounting to £4.1 million. The provisional assessment of goodwill and intangible assets arising on the acquisition amounts to £4.3 million and £27.2 million respectively. The acquisition complements the Group's existing support services activities in the UK local government, education, police, health, rail and library sectors. Due to the immaterial nature of this acquisition, the full disclosures required under International Financial Reporting Standard 3 'Business combinations' have not been presented.

During 2013 the Group paid in cash the second instalment relating to the acquisition of the Bouchier Group, which completed in 2012, amounting to £6.9 million. This amount has been included in the cash flow statement within acquisition of subsidiaries, net of cash acquired.

On 11 December 2012, the Group acquired a 49% equity shareholding in the Bouchier Group. Due to the proximity of the acquisition to the 2012 year end, a provisional assessment was made of the fair value of consideration payable and the net assets acquired leading to the recognition of provisional goodwill of £20.8 million. Following the finalisation of the completion accounts process in 2013, the provisional amounts in 2012 have been adjusted leading to the recognition of revised goodwill on the acquisition of £16.7 million as shown below:

	£m
Provisional goodwill	20.8
Reduction in consideration payable	(2.9)
Changes to provisional fair value adjustments	(1.8)
Intangible assets identified	0.6
Revised goodwill	16.7

As the adjustments to the provisional amounts recognised in 2012 are within the measurement period, prior year comparatives have been restated accordingly leading to an increase in net assets with a corresponding increase in non-controlling interests amounting to £1.2 million.

Disposals

In 2013, the Group disposed of equity interests in a number of Public Private Partnership projects. The disposals generated a cash consideration of £151.2 million (of which £6.4 million was received on exchange of contracts in 2012), which together with disposal costs paid of £1.1 million is included in the cash flow statement within disposal of jointly controlled entity and other investments, and an operating profit of £44.6 million which is included in Group operating profit within the Public Private Partnership projects segment.

During 2013, the Group made cash payments of £0.3 million in relation to the disposal of businesses that occurred in prior years.

12 Share capital

The issued and fully paid share capital at 31 December 2013 was 430.3 million shares (2012: 430.3 million).

13 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 £140.0 million (2012: £177.6 million). There has been no material change to the contingent liabilities of the Group in the year ended 31 December 2013.

14 Change of accounting policy

Upon the adoption of the amendment to IAS 19 on 1 January 2013, the Group has restated prior period information, which has had the following impact on reported profit and earnings per share:

		Year ended 31 December 2012	
		£m	£m
Income statement			
Profit before tax as previously reported			179.5
Impact of amendment to IAS 19	- operating profit	(4.5)	
	- net financial expense	(10.2)	
			(14.7)
Profit before tax restated			164.8
Taxation as previously reported		(13.3)	
Impact of amendment to IAS 19		3.4	
Taxation restated			(9.9)
Profit after tax restated			154.9

Earnings per share	Pence per share
Basic earnings per share as previously reported	37.2
Impact of amendment to IAS 19	(2.6)
Basic earnings per share restated	34.6
Diluted earnings per share as previously reported	37.0
Impact of amendment to IAS 19	(2.6)
Diluted earnings per share restated	34.4

The amendment to IAS 19 has also reduced underlying earnings per share by 2.6 pence for the year ended 31 December 2012.

Statement of comprehensive income

	Year ended 31 December 2012	
	Remeasurements £m	Deferred tax £m
As previously reported	(73.4)	11.8
Impact of amendment to IAS 19	14.7	(3.4)
As restated	(58.7)	8.4

As described in note 1, the amendment to IAS 19 has changed the accounting for defined benefit schemes and termination benefits. The interest cost and expected return on scheme assets used in the previous version of IAS 19 have been replaced with a 'net interest' amount which is calculated by applying a discount rate to the net defined benefit obligation. This amendment has a corresponding impact on remeasurements recognised in the statement of comprehensive income, with no overall change to the net retirement benefit liability in the balance sheet. Furthermore, certain costs previously recorded as part of finance expenses have now been presented within administrative expenses.

15 Company information

This preliminary announcement was approved by the Board of Directors on 5 March 2014. The 2013 Annual Report will be posted to all shareholders by 31 March 2014 and both this statement and the 2013 Annual Report will be available on the internet at www.carillionplc.com or on request from the Company Secretary, Carillion plc, Birch Street, Wolverhampton, WV1 4HY.

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.

Notes to the condensed financial statements continued

Governing law
This report of Carillion plc for the year ended 31 December 2013 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 year ended 31 December 2013 will be determined in accordance with English law.

Directors' responsibilities
This preliminary announcement complies with the Disclosure and Transparency Rules (DTR) of the United Kingdom's Financial Services Authority. The preliminary announcement is the responsibility of, and has been approved by, the Directors of Carillion plc.

The responsibility statement below has been prepared in connection with the Company's full Annual Report for the year ended 31 December 2013. Certain parts thereof are not included in this announcement.

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

- the financial statements, prepared in accordance with the applicable set of accounting standards and contained in the 2013 Annual Report and Accounts, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report, included in the 2013 Annual Report and Accounts, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.
- the 2013 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

Richard Adam FCA
Group Finance Director
5 March 2014