carillion

Making tomorrow a better place

News

3 March 2016

Annual results for the year ended 31 December 2015
Performance in line with expectations

	2015	2014	Change
Revenue	£4,586.9m	£4,071.9m	+13%
Underlying profit from operations(1)	£234.4m	£216.9m	+8%
Underlying operating margin(1)	5.3%	5.6%	n/a
Underlying profit before taxation(1)	£176.5m	£172.9m	+2%
Underlying earnings per share(1)	35.0p	33.7p	+4%
Profit before taxation	£155.1m	£142.6m	+9%
Basic earnings per share	30.9p	28.0p	+10%
Proposed full-year dividend per share	18.25p	17.75p	+3%
Underlying profit from operations cash conversion(1)	104%	119%	n/a

- **Financial performance in line with expectations**
  - Strong revenue growth of 13%, of which 10% was organic, with organic growth in all business segments
  - Good growth in underlying profit before taxation and earnings per share
  - Strong underlying cash flow from operations
  - Net borrowing reduced to £169.8 million at 31 December 2015 (2014: £177.3 million)
  - Considerable financial strength with some £1.4 billion of funding available to support our strategy for growth

- **Robust, high-quality order book and a growing pipeline of contract opportunities**
  - New orders and probable orders worth £3.7 billion (2014: £5.1 billion), reflecting the expected impact in the first half of the UK General Election, with £2.7 billion secured in the second half of the year
  - Total value of secured and probable orders remained strong at £17.4 billion (2014: £18.6 billion), after removing £0.3 billion from the order book due to selling equity investments in Public Private Partnership projects
  - Strong revenue visibility(2) for 2016 of 84% (2014: 85% for 2015)
  - Awarded framework agreements worth over £2.0 billion, which is not yet included in the order book or in probable orders, but will give further revenue growth opportunities
  - Pipeline of specific contract opportunities increased to £41.4 billion (2014: £39.2 billion) in markets offering good growth potential

- **Proposed full-year dividend increased by 3% to 18.25p (2014: 17.75p)**

- **Well positioned to make further progress in 2016**

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

Carillion Chairman, Philip Green, commented:

"Our performance in 2015 reflects the benefits of our consistent and successful strategy, which enabled us to rescale and reposition our business during the economic downturn in order to take advantage of opportunities for growth as market conditions improve. Growth in revenue, underlying profit before taxation and earnings per share was primarily organic, following the successful mobilisation of a number of major new contracts, supplemented by two bolt-on acquisitions, the Rokstad Corporation and the Outland Group, which have significantly enhanced our support services business in Canada. With a strong, high-quality order book, a large and growing pipeline of contract opportunities and the financial strength to support our strategy for growth, the Group is well positioned to make further progress in 2016."

There will be a presentation for analysts and investors today at 09.00am with a telephone facility available tel: primary number **+44 (0) 844 800 3850** – Access Code: **635 277.** A replay facility is also available for 30 days, the telephone number is **+44 (0) 207 136 9233** – Access Code: **21434873.**

If dialling in from overseas, please review the link attached for your dial in telephone number **http://www.conferencingsupport.com/globalaccess/?bid=00&itfn=1&ddi=1&ref**. Carillion's Analyst Presentation will be available for analysts and investors who are unable to attend the presentation. The presentation can be viewed on Carillion's website at http://www.carillionplc.com/investors/reports-presentations.aspx

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3 March 2016

Notes to Editors:

Carillion is a leading integrated support services company with a substantial portfolio of Public Private Partnership projects, extensive construction capabilities and a sector leading ability to deliver sustainable solutions. The Group had annual revenue in 2015 of some £4.6 billion, employs around 46,000 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, utilities services, road maintenance, rail services, remote site accommodation services and consultancy services in the UK, Canada and the Middle East.

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

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

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

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

Photographs:

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

Cautionary statement

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

Key financial figures

		2015	2014	Change
Income statement				
Total revenue	£m	**4,586.9**	4,071.9	+13%
Underlying profit from operations(1)	£m	**234.4**	216.9	+8%
Total Group underlying operating margin(2)	Percentage	**5.3**	5.6	n/a
Support services underlying operating margin(2)	Percentage	**5.8**	5.8	n/a
Middle East construction services underlying operating margin(2)	Percentage	**4.2**	5.0	n/a
Construction services (excluding the Middle East) underlying operating margin(2)	Percentage	**3.0**	3.8	n/a
Underlying profit before taxation(3)	£m	**176.5**	172.9	+2%
Profit before taxation	£m	**155.1**	142.6	+9%
Underlying earnings per share(4)	Pence	**35.0**	33.7	+4%
Basic earnings per share	Pence	**30.9**	28.0	+10%
Diluted earnings per share	Pence	**28.2**	25.4	+11%
Dividends				
Proposed full-year dividend per share	Pence	**18.25**	17.75	+3%
Underlying proposed dividend cover(4)	Times	**1.9**	1.9	n/a
Basic proposed dividend cover	Times	**1.7**	1.6	n/a
Cash flow statement				
Underlying cash flow from operations(5)	£m	**244.9**	258.6	-5%
Underlying profit from operations cash conversion	Percentage	**104**	119	n/a
Pension deficit contributions	£m	**(47.4)**	(46.0)	-3%
Balance sheet				
Net borrowing	£m	**(169.8)**	(177.3)	+4%
Committed borrowing facilities maturing between 2016 and 2020	£m	**870.0**	850.0	+2%
Private placement borrowings maturing between 2017 and 2024 (£135 million and US$ 280 million)	£m	**(325.5)**	(314.5)	-3%
Convertible bonds maturing by 2019	£m	**(170.0)**	(170.0)	-
Net retirement benefit liability (net of taxation)	£m	**(317.6)**	(406.2)	+22%
Net assets	£m	**1,017.3**	894.5	+14%

(1) After Joint Ventures net financial expense of £7.1 million (2014: £6.4 million) and Joint Ventures taxation charge of £2.9 million (2014: £2.7 million) and before intangible amortisation of £20.0 million (2014: £16.8 million) and non-recurring operating items of £5.0 million (2014: Nil) (see note 3 to the financial information on page 32).

(2) Before Joint Ventures net financial expense, Joint Ventures taxation charge, intangible amortisation and non-recurring operating items (see note 3 to the financial information on page 32).

(3) After Joint Ventures taxation charge and before intangible amortisation, non-recurring operating items, non-operating items of £2.5 million (2014: £9.9 million) and fair value movements in derivative financial instruments of £6.1 million (2014: £3.6 million charge) (see notes 3 and 4 to the financial information on page 32).

(4) Before intangible amortisation, non-recurring operating items, non-operating items and fair value movements in derivative financial instruments (see notes 3 and 4 to the financial information on page 32).

(5) Before pension deficit recovery payments and rationalisation costs and after proceeds on the disposal of Public Private Partnership equity investments and dividends received from Joint Ventures.

Summary results

Total revenue increased by 13 per cent to £4.6 billion (2014: £4.1 billion), largely driven by organic growth of 10 per cent, following a strong work-winning performance over the last 18 months, supplemented by contributions from two bolt-on support services acquisitions in Canada, namely the Rokstad Corporation and the Outland Group, in December 2014 and May 2015, respectively.

Underlying profit from operations(1) increased by eight per cent to £234.4 million (2014: £216.9 million), with increased contributions from support services and Public Private Partnership projects. In 2015, profit was less second-half weighted than in previous years, however in 2016 we expect to revert to a greater second-half weighting. The Group's underlying operating margin(1) reduced to 5.3 per cent (2014: 5.6 per cent). This was expected, because the margin in Construction services (excluding the Middle East) has now reduced to a more normal level, in line with our long-standing guidance, as the temporary benefits of rescaling our UK construction business have largely ended, and because the margin in Middle East construction services also reduced, as announced at the half year.

Underlying profit before taxation(1) increased by two per cent to £176.5 million (2014: £172.9 million), after an increase in the Group's underlying net financial expense(2) to £57.9 million (2014: £44.0 million). This increase was due primarily to the underlying interest charge(2) relating to £170 million of convertible bonds issued in December 2014, together with increases in the non-cash interest charges relating to defined benefit pension schemes and those arising from unwinding the discount on the deferred consideration payments in respect of the acquisitions of the Rokstad Corporation and the Outland Group.

After an underlying taxation charge(3) of £19.5 million (2014: £21.0 million), underlying earnings per share(1) increased by four per cent to 35.0 pence (2014: 33.7 pence). Reported profit before taxation increased by nine per cent to £155.1 million (2014: £142.6 million) and basic earnings per share also increased by 10 per cent to 30.9 pence (2014: 28.0 pence).

Underlying cash flow from operations(1) remained strong and represented 104 per cent of underlying profit from operations(1) (2014: 119 per cent). Net borrowing reduced to £169.8 million at the end of the year (2014: £177.3 million), despite increases in non-operating cash flow items, notably in respect of business acquisitions and investments in Public Private Partnership projects, to support growth. However, as expected the timing of these items, together with the cash impact of contract mobilisations in 2015, did affect average net borrowing, which increased to £538.9 million (2014: £450.7 million).

In 2015, we renewed and extended the maturity date of our main revolving credit facility of £790 million by nearly three years to November 2020, at reduced pricing, which reflects the strength of the Group's credit standing in the bank debt markets. This facility, together with private placement funding of over £300

(1) The underlying results stated above are based on the definitions included in the key financial figures on page 3.
(2) Before fair value movements in derivative financial instruments (see note 4 on page 32).
(3) Excluding the tax impacts relating to intangible amortisation, non-recurring operating items, non-operating items and fair value movements in derivative financial instruments (see notes 3 and 4 to the financial information on page 32).

million, £170 million of convertible bonds and other bank facilities means the Group has total available funding of £1.4 billion, almost all of which matures in 2020 or beyond. We therefore continue to have considerable financial strength to achieve our objectives and support our strategy for growth.

The total value of new orders and probable orders won in 2015 of £3.7 billion (2014: £5.1 billion) represented a good performance, given the hiatus in major public sector contract awards caused by the UK General Election in May 2015. In the second half of the year, we returned to a more typical run rate of contract awards, with around £2.7 billion of new and probable orders. At 31 December 2015, the Group continued to have a strong, high-quality order book plus probable orders worth £17.4 billion (2014: £18.6 billion), after removing from the order book some £0.3 billion due to the sale of equity investments in Public Private Partnership projects. Revenue visibility(1) also remained strong at 84 per cent for 2016 (2014: 85 per cent for 2015) based on expected revenue from secured and probable orders, which excludes revenue we expect from variable work, contract re-bids and framework agreements as the revenue expected from these opportunities are not included within orders or probable orders. In 2015, we were awarded framework agreements with a potential revenue value of over £2.0 billion, from which we expect to generate substantial revenue in addition to that from orders and probable orders. Furthermore, we also have a growing pipeline of specific contract opportunities, worth £41.4 billion (2014: £39.2 billion), that we expect to bid over the next few years.

In line with the Group's progressive dividend policy, the Board is recommending a final dividend of 12.55 pence per share (2014: 12.15 pence), making the total dividend 18.25 pence for 2015 (2014: 17.75 pence), an increase of three per cent on the total dividend paid in respect of 2014. Full-year dividend cover remains unchanged at 1.9 times underlying earnings per share(2).

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

Strategy

Our strategy is to achieve sustainable profitable growth by:

- Investing in our people and capabilities
- building long-term, trusted partnerships
- transferring knowledge and skills to new and existing markets so we can expand our support services and infrastructure activities and
- providing a selective, high-quality construction capability.

Our strategy supports and develops the key inputs to our integrated business model, which is a major, market-leading strength for all our businesses. Our integrated business model and general performance enables us to take an integrated approach to everything we do by using all the resources and skills we have across the Group to:

- select the contracts for which we bid
- develop contract bids that offer innovative, value-for-money and sustainable solutions for our customers
- monitor and manage the performance of the contracts we win throughout their life and
- deliver contracts safely and successfully to create value for all our stakeholders as well as value we can reinvest in our business.

Our centralised operating platform, sector-leading capability to deliver sustainable solutions safely and strong risk management are especially important elements of our business model, which not only gives us a competitive advantage in winning new work, but also provides the information and visibility needed to manage our business successfully.

Investing in our people and capabilities remains our top priority, because, among all the things we do as a business, developing and attracting excellent people to create a vibrant, diverse and flexible workforce has the greatest impact on our success. Our objective of reducing accidents to zero remains central to our Health & Safety agenda. If an accident does occur, we ensure that we learn from it and apply what we learn to reduce the risk of reoccurrence as part of our journey towards zero accidents. At the same time, we continue to invest in a wide range of programmes to engage, educate and train our people, backed by strong leadership, which comes from our Board. We believe leadership also needs to be visible, which is why we have Directors' safety tours of our work sites, as well as Safety Action Groups and safety audits. Our hazard reporting programme, 'Don't Walk By', which empowers everyone in Carillion to identify and report for immediate action anything they believe to be unsafe, continues to be highly effective. In 2015, some 2.1 million Don't Walk By reports were raised by our employees and our sub-contractors. Our main Key Performance Indicator is the Lost Time Incident Frequency Rate (LTIFR), which is an internationally recognised measure of safety performance. In 2015, our LTIFR per 200,000 hours worked was 0.188, which represented a 22 per cent reduction on 2014, when our LTIFR was 0.241 per 200,000 hours worked, itself a 17 per cent reduction on our LTIFR in 2013 of 0.293. There were no fatal accidents on our worksites in 2015 and no prosecutions by the relevant UK enforcement authorities in 2015.

Sustainability remains a core strategic commitment, as it has done since Carillion was launched as an independent company and listed on the London Stock Exchange in 1999. We believe that being a recognised leader in sustainability through striving to embed sustainability into everything we do, differentiates us from our competitors. It helps us to build trusted relationships and makes us a more efficient and successful business and thereby more attractive to all our stakeholders. We calculate that our sustainability strategy contributed around £33.8 million of profit to the Group in 2015.

Providing a great customer experience lies at the heart of our business and underpins the strong relationships we have developed with customers across all our markets. We use the global standard 'Net Promotor Score' (NPS) to measure customer satisfaction, which tells us what our customers think about our service and enables us to benchmark our performance against other organisations. NPS ranges from -100 to +100 and in 2015 we achieved an NPS of +36 (2014: +37).

We continually run programmes in all our business units and across all our supply chain activities and central functions to reduce costs and improve efficiency, which reflects our relentless focus on cost management and efficiency. These programmes play a fundamental role in enabling us to offer customers high-quality services that are also competitive. The success of these programmes continues to be demonstrated by our ability to win contracts consistent with our selective approach, despite the fact that trading conditions in several of our markets remain challenging.

Although the Group's underlying operating margin(1) reduced in 2015 to 5.3 per cent (2014: 5.6 per cent), this represented a good performance, given current market conditions, with the reduction due to two main factors: the operating margin in Construction services (excluding the Middle East) is trending back to a more normal level in line with our long-standing guidance, as the temporary benefits from rescaling our UK construction activities have now largely ended; and the operating margin in Middle East construction services also reduced as expected and as indicated at the half year. Importantly, we maintained the operating margin in support services at 5.8 per cent, despite higher than normal contract mobilisation costs following an especially successful work-winning performance in 2014.

Strong cash management continues to be central to our strategy and business model and delivering profit that is fully cash-backed remains a key measure of our performance. Since rescaling our UK construction business, a programme we announced in 2010 and completed in 2013, in order to ensure this business remained aligned to the size of its markets, we have returned to a more normal cash flow profile in line with our expectations. Consequently, in 2015 we have again delivered a strong operating cash flow performance with underlying cash flow from operations(1) representing 104 per cent of underlying profit from operations(1) (2014: 119 per cent).

(1) The underlying results stated above are based on the definitions included in the key financial figures on page 3.

Financial reporting segments and analysis

Operating profit by financial reporting segment

	2015 £m	2014 £m	Change from 2014 %
Support services	**146.6**	135.9	+8
Public Private Partnership projects	**49.3**	34.5	+43
Middle East construction services	**25.3**	25.1	+1
Construction services (excluding the Middle East)	**37.8**	41.5	-9
	259.0	237.0	+9
Group eliminations and unallocated items	**(14.6)**	(11.0)	-33
Underlying profit from operations before Joint Ventures net financial expense and taxation	**244.4**	226.0	+8
Share of Joint Ventures net financial expense	**(7.1)**	(6.4)	-11
Share of Joint Ventures taxation	**(2.9)**	(2.7)	-7
Underlying profit from operations(1)	**234.4**	216.9	+8
Intangible amortisation arising from business combinations	**(20.0)**	(16.8)	-19
Non-recurring operating items	**(5.0)**	-	-100
Reported profit from operations	**209.4**	200.1	+5

Support services

	2015 £m	2014 £m	Change from 2014 %
Revenue			
- Group	**2,342.4**	2,099.7	
- Share of Joint Ventures	**191.8**	224.2	
	2,534.2	2,323.9	+9
Underlying operating profit(2)			
- Group	**127.3**	113.5	
- Share of Joint Ventures	**19.3**	22.4	
	146.6	135.9	+8

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

Our performance in support services reflects the success of our strategy of growing organically and through bolt-on acquisitions in markets offering good margins, while maintaining our selective approach to contracts and rigorous cost reduction programmes.

Revenue in support services increased by nine per cent to a record level of £2,534.2 million (2014: £2,323.9 million). This was driven by organic growth, following our exceptionally strong work-winning performance in 2014, together with contributions from the Rokstad Corporation and the Outland Group in Canada, which were acquired in December 2014 and May 2015, respectively, and which are performing well.

(1) The underlying results stated above are based on the definitions included in the key financial figures on page 3.
(2) Before intangible amortisation and non-recurring operating items.

We acquired the entire share capital of the Outland Group, a leading provider of remote site accommodation and services in Canada, for a cash consideration of up to £63 million, depending on future financial performance. This was another important step in extending our support services activities in Canada into markets offering opportunities for growth, including mining, utilities, forestry, defence, oil and gas. This acquisition also complements our existing support services activities in Canada, including Rokstad, a leading provider of services in the overhead power transmission and distribution sector and Bouchier, which provides services to customers in the oil sector.

Underlying operating profit also increased by eight per cent to £146.6 million (2014: £135.9 million), with the underlying operating margin maintained at 5.8 per cent (2014: 5.8 per cent), despite higher than normal contract mobilisation costs. This demonstrates the benefits of our business model and centralised operating platform, which plays a key role in enabling us to mobilise major new contracts efficiently. This is also encouraging because with mobilisation costs now running at a more normal level, we have the potential to improve our support services margin in 2016.

As expected, the value of new orders and probable orders won in 2015 of £1.2 billion (2014: £2.9 billion) was lower than the exceptional level achieved in 2014, due to the usual hiatus in major public sector contract awards caused by a UK General Election and the fact that we had fewer bids reaching contract award in 2015 than in 2014. Nevertheless, we secured a number of new high-quality orders and probable orders during the year, together with framework contracts that have a total potential revenue value of over £2.0 billion, which is not included in orders or probable orders.

Notable successes in 2015 included contracts and preferred bidder positions in the UK for Arriva Trains, Openreach and Highways England, and in Canada for Shell, Canadian Natural Resources Limited and the Department of National Defence, together with several support services contracts secured by winning Public Private Partnership (PPP) projects. The latter included the Midland Metropolitan Hospital and the Midlands Priority Schools Programme in the UK, North Battleford Hospital and Stanton Territorial Hospital in Canada and Bundle Five of Ireland's PPP Schools Programme. In terms of framework contracts, we secured a leading position on the UK Government's Facilities Management Agreement, the position of sole provider of facilities management services to the Scape Group, a public sector owned built environment specialist, and a number of agreements to provide infrastructure services for Network Rail.

At 31 December 2015, we had orders and probable orders worth £12.7 billion (2014: £14.1 billion), which as noted above excludes frameworks worth over £2.0 billion. At 31 December 2015, revenue visibility(1) for 2016 based only on orders and probable orders remained strong at 82 per cent (2014: 80 per cent for 2015). Furthermore, the value of our pipeline of specific new contract opportunities increased to £12.1 billion at 31 December 2015 (2014: £11.1 billion) and this includes significant opportunities arising from further public sector outsourcing in the UK and also for infrastructure services in all our geographies, but notably in the UK and Canada. Consequently, we believe we are well placed to make further good progress in support services in 2016.

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

Public Private Partnership projects

	2015 £m	2014 £m	Change from 2014 %
Revenue			
- Group	**1.3**	1.5	
- Share of Joint Ventures	**191.5**	161.0	
	192.8	162.5	+19
Underlying operating profit[(1)]			
- Group	**39.4**	24.1	
- Share of Joint Ventures	**9.9**	10.4	
	49.3	34.5	+43

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 portfolio of investments in financially closed projects continues to perform well. Revenue increased by 19 per cent to £192.8 million (2014: £162.5 million), largely reflecting the construction progress on new projects won in 2014 and 2015.

Operating profit increased to £49.3 million (2014: £34.5 million), as profit from the sale of equity investments more than offset the returns no longer received from equity sold in 2014 and in the first half of 2015. During 2015, we sold equity investments in three projects for cash proceeds of £54.4 million, which represented an average discount rate of some seven per cent, and generated a net profit of £37.7 million (2014: £13.9 million). Of this £37.7 million, £24.0 million was in the first half of the year and this contributed to the Group's total operating profit being less second-half weighted than in previous years. However, in 2016 we expect a lower contribution to operating profit from equity sales, due to the timing of projects reaching maturity. This is also expected to contribute to the Group's total operating profit reverting to a greater second-half weighting in 2016.

2015 was a successful year in terms of winning new orders, as we achieved financial close on four projects. These included the Midlands Priority Schools Programme, for which a Carillion Joint Venture was appointed preferred bidder in December 2014, and three projects for which Carillion Joint Ventures were appointed preferred bidder and achieved financial close during the year, namely the Midland Metropolitan Hospital in the UK and the North Battleford Hospital and Stanton Territorial Hospital, both of which are in Canada. Carillion expects to invest over £26 million of equity in these four projects, from which we expect to generate around £550 million of revenue in this segment over the life of the concession contracts and around £790 million of construction and support services revenues. In addition, in December 2015, a Carillion Joint Venture was selected as the preferred bidder for Bundle 5 of Ireland's PPP Schools Programme in which we expect to invest equity and from which we expect to generate support services and construction revenue.

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

At 31 December 2015, we had a portfolio of 17 financially closed PPP projects in which we had invested £48.3 million of equity and in which we are committed to make further planned investments of £61.7 million. The Directors' valuation of these investments, using a nine per cent discount rate, was broadly unchanged at £46 million (2014: £48 million), with the effect of selling investments in mature projects during the year, offset by investments in new projects.

The value of our order book plus probable orders at 31 December 2015 was maintained at £1.2 billion (2014: £1.2 billion), despite removing £0.3 billion due to selling equity investments, and this reflected our strong work-winning performance during the year.

Furthermore, we believe the outlook in this segment remains positive. At the year-end our pipeline of contract opportunities of £2.4 billion (2014: £2.5 billion) included opportunities across all our geographies. In Canada, we continue to have a number of opportunities in the healthcare sector, where we have a strong track record, and also for infrastructure projects, notably in the highways and power transmission sectors. In the UK, we expect more projects to be procured using the Government's PF2 procurement model, particularly in the healthcare and infrastructure sectors. In the Middle East, we continue to work with customers on opportunities for using private finance, notably in the healthcare sector in Oman, as customers seek to mitigate the potential impact of a prolonged low oil price on their major investment programmes.

Middle East construction services

	2015 £m	2014 £m	Change from 2014 %
Revenue			
- Group	**358.9**	323.4	
- Share of Joint Ventures	**242.7**	177.3	
	601.6	500.7	+20
Underlying operating profit(1)			
- Group	**20.6**	24.3	
- Share of Joint Ventures	**4.7**	0.8	
	25.3	25.1	+1

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

As expected, we delivered strong organic growth, with revenue up 20 per cent to £601.6 million (2014: £500.7 million), as we made good progress on new and existing contracts. Given our strategy is to focus on large, high-quality projects, for customers for whom quality and reliability are paramount, the phasing of contracts can result in significant movements in Middle East construction revenue between accounting periods.

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

Underlying operating profit increased to £25.3 million (2014: £25.1 million), with the growth in revenue broadly offset by a reduction in operating margin to 4.2 per cent (2014: 5.0 per cent). As previously guided, our operating margin in 2015 reduced, despite the benefit to profit generated from reorganising our staff accommodation facilities in Oman, because our markets in the region continue to be highly competitive. Although we expect our margin to be lower in 2016, because this benefit to profit will not be repeated, our objective is to mitigate the impact of this and the potential effect of the low oil price on customer investment by targeting projects where we can use our market-leading positions in the UK Export Finance and Public Private Partnership projects.

In 2015, we won a number of new orders and probable orders with a combined value of £0.5 billion, to leave the total value of orders and probable orders at 31 December 2015 at £0.8 billion (2014: £0.9 billion). Revenue visibility(1) for 2016 also remained strong at 80 per cent (2014: 85 per cent for 2015). Notable successes in 2015, included a contract to build Phase 1A5 of the Dubai Trade Centre District (DTCD), which followed our success in winning the contract for Phase 1 of the DTCD project, and becoming the preferred bidder for an office development for Bee'ah, a waste management company in the UAE. In Oman, Carillion Alawi won a major contract for BP to build accommodation and other facilities at BP's Khazzan Gas Project.

Looking forward, our pipeline of contract opportunities increased during 2015 to £16.0 billion (2014: £15.4 billion) as planned investment in construction across our Middle East markets remains high. In Dubai, we continue to see growing investment in the commercial, hotel and leisure markets in support of Dubai's role as host to Expo 2020. In Oman and Qatar we also have significant pipelines, including a growing number of opportunities in the healthcare sector. At the same time, we recognise that the prolonged low oil price has the potential to adversely affect these investment programmes. To help mitigate this we continue to work with customers on opportunities to utilise UK Export Finance, for which we are the sector-leader in the Gulf and in which customer interest is growing significantly. There is also growing interest in private finance and since the year end we have signed a Memorandum of Understanding with the Oman Investment Fund, a sovereign wealth fund of the Sultanate of Oman, to develop opportunities for Public Private Partnership projects in the healthcare sector, using our experience as a global market leader in this form of project finance.

Construction services (excluding the Middle East)

	2015 £m	2014 £m	Change from 2014 %
Revenue			
- Group	**1,248.1**	1,069.3	
- Share of Joint Ventures	**10.2**	15.5	
	1,258.3	1,084.8	+16
Underlying operating profit(2)			
- Group	**35.7**	40.9	
- Share of Joint Ventures	**2.1**	0.6	
	37.8	41.5	-9

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

As expected, we delivered strong organic growth with revenue increasing by 16 per cent to £1,258.3 million (2014: £1,084.8 million). This reflected our strong work-winning performance, particularly in 2014 when we secured a number of substantial high-quality contracts in the UK, consistent with our selective approach of focusing on large contracts for long-term customers. Consequently, UK construction revenue increased to some £1.1 billion (2014: £0.9 billion), which more than offset the planned reduction in construction revenue in Canada, where we continue to move away from traditional construction to focus on construction work secured through winning Public Private Partnership (PPP) contracts.

Operating profit reduced to £37.8 million (2014: £41.5 million), which reflected the reduction in operating margin to 3.0 per cent (2014: 3.8 per cent). This result is in line with our long-standing guidance, namely that the margin in this segment would trend back towards a more normal level of between 2.5 per cent and 3.0 per cent, now that the temporary benefits to profit from rescaling our UK construction activities have largely ended. Furthermore, we believe our selective approach to choosing the contracts for which we bid, together with our ongoing cost reduction programmes and efficient operating model, will not only enable us to maintain the margin within this range, but at a level above the industry average.

The value of new orders and probable orders secured in 2015 of some £1.6 billion, resulted in an increase in the total value of orders plus probable orders at 31 December 2015 to £2.7 billion (2014: £2.4 billion). Revenue visibility(1) for 2016 also remained at a very healthy level of 94 per cent (2014: 92 per cent for 2015). Significant successes in 2015 included securing construction work for the PPP projects that we won during the year, a project for Highways England under its Collaborative Delivery Framework to upgrade the A14 in Cambridgeshire, further contracts for developments managed by Argent at Kings Cross in London and at Paradise Circus in Birmingham, a programme to build new schools for Peterborough City Council and securing a preferred partner position on a major project for the Ministry of Defence.

Our pipeline of contract opportunities at 31 December 2015 remained strong at £10.9 billion (2014: £10.2 billion). In Canada, we continue to focus on winning construction work for PPP projects, for which we have a good pipeline of contract opportunities. In the UK, we also have a good pipeline of contract opportunities in both the infrastructure and building sectors, consistent with our selective approach. These include further contract opportunities for Highways England under its Collaborative Delivery Framework for which Carillion is one of five contractors appointed to undertake projects worth between £100 million and £450 million, and the High Speed 2 rail project, on which construction is scheduled to start in 2017, offers major opportunities over the medium term. Our UK building business also has a healthy pipeline, notably in the high-rise residential and defence sectors, and the recently announced plans to build nine major new prisons in the UK offers the prospect of adding further substantial projects to our pipeline.

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

Group income statement, cash flow and balance sheet items

Underlying Group net financial expense

The underlying Group net financial expense(1) of £57.9 million (2014: £44.0 million) comprised a net expense of £40.5 million (2014: £28.4 million) in respect of borrowing and other liabilities, a net interest expense in respect of defined benefit pension schemes of £18.0 million (2014: £15.8 million) and interest receivable in respect of loans to PPP Joint Venture projects of £0.6 million (2014: £0.2 million). The increase in the underlying Group net financial expense primarily reflected the cash and non-cash elements of the interest charge relating to the £170 million of convertible bonds issued in December 2014, together with the non-cash interest charges relating to defined benefit pension schemes and those arising from unwinding the discount on the deferred consideration payments in respect of the acquisitions of the Rokstad Corporation and the Outland Group.

Intangible amortisation arising from business combinations

Intangible amortisation of £20.0 million (2014: £16.8 million) related to the amortisation of intangible assets arising from the acquisitions of the Outland Group in 2015, Rokstad Corporation in 2014, John Laing Integrated Services Limited in 2013, Alfred McAlpine plc in 2008 and Mowlem plc in 2006.

Non-recurring operating items

The non-recurring operating expense of £5.0 million (2014: Nil) relates to a provision against the non-recovery of funds provided to the Green Deal Finance Company, following the decision by the UK Government to withdraw its financial support to the Green Deal Finance Company in view of the continuing low take-up of energy efficiency improvements to properties available under the Government's Green Deal initiative.

Non-operating items

The non-operating charge of £2.5 million (2014: £9.9 million) relates to costs incurred in respect of corporate transactions during the year.

Fair value movement in derivative financial instruments

A non-cash gain of £6.1 million (2014: £3.6 million charge) was recognised in relation to the movement in fair value of the derivative financial instrument associated with the Group's £170 million convertible bonds issued in December 2014. The fair value of this derivative financial instrument is primarily a function of the movement in the Group's share price.

(1) Before fair value movements in derivative financial instruments (see note 4 on page 32).

Taxation

The Group taxation charge of £15.7 million (2014: £15.1 million) comprised a Group underlying taxation charge(1) of £19.5 million (2014: £21.0 million) and a charge in relation to the movement in the fair value of derivative financial instruments of £1.2 million (2014: credit of £0.7 million), partly offset by a Group taxation credit of £5.0 million (2014: £3.4 million) in relation to the amortisation of intangible assets arising from business combinations.

The underlying Group taxation charge of £19.5 million (2014: £21.0 million), when combined with the Group's share of the taxation charge in Joint Ventures of £2.9 million (2014: £2.7 million), represented an underlying effective tax rate(1) of 12.5 per cent (2014: 13.5 per cent). Carillion pays tax on profits in the countries in which profits are generated. The Group's effective rate of tax differs from the UK standard rate of corporation tax of 20.25 per cent (2014: 21.5 per cent), because tax rates in some of the countries in which we operate are lower than in the UK, exemptions are available in respect of certain capital items and we have recognised deferred tax on carried forward trading losses. These factors will continue to have an impact on future underlying effective tax rates, although the quantum of the impact in any given year is difficult to predict as the mix of profits generated can vary from year to year. At 31 December 2015, the Group had £216 million of corporate tax losses (2014: £247 million) that are available to reduce future tax payments.

Earnings per share

Underlying earnings per share(2) increased by four per cent to 35.0 pence (2014: 33.7 pence) based on a weighted average number of shares in issue of 430.2 million (2014: 430.2 million). Basic earnings per share of 30.9 pence (2014: 28.0 pence) represented growth of 10 per cent, largely reflecting a reduction in charges relating to non-underlying items compared to 2014. Diluted earnings per share, including the effect of the Group's convertible bonds, increased by 11 per cent to 28.2 pence (2014: 25.4 pence).

Dividend

For 2015, the Board has recommended a final dividend of 12.55 pence per share, making the proposed full-year dividend 18.25 pence per share (2014: 17.75 pence per share). The three per cent increase in the 2015 proposed full-year dividend is broadly in line with the four per cent increase in underlying earnings per share(2), with underlying dividend cover(2) maintained at 1.9 times (2014: 1.9 times). The final dividend of 12.55 pence per share will be paid on 10 June 2016 to shareholders on the register on 13 May 2016, subject to approval by shareholders at the Annual General Meeting to be held on 4 May 2016.

(1) Excluding the tax impacts relating to intangible amortisation, non-recurring operating items, non-operating items and fair value movements in derivative financial instruments (see notes 3 and 4 to the financial information on page 32).

(2) Underlying results are based on the definitions included in the key financial figures on page 3.

Cash flow

	2015 £m	2014 £m
Underlying Group operating profit	**208.4**	191.8
Depreciation and other non-cash items	**10.7**	26.6
Working capital[(1)]	**9.0**	31.1
Dividends received from Joint Ventures	**16.8**	9.1
Underlying cash flow from operations	**244.9**	258.6
Pension deficit contributions	**(47.4)**	(46.0)
Rationalisation costs	**(6.3)**	(11.5)
Interest and taxation	**(40.4)**	(31.0)
Net capital expenditure	**(12.8)**	(22.4)
Other	**(10.9)**	1.4
	127.1	149.1
Acquisitions and disposals	**(39.6)**	(34.5)
Dividends	**(80.0)**	(76.7)
Reduction in net borrowing	**7.5**	37.9
Net borrowing at 1 January	**(177.3)**	(215.2)
Net borrowing at 31 December	**(169.8)**	(177.3)

Operating cash generation remained strong as we maintain focus on converting working capital into cash, with underlying cash flow from operations of £244.9 million (2014: £258.6 million) representing 104 per cent (2014: 119 per cent) of underlying profit from operations. This includes an increase in the dividends received from Joint Ventures to £16.8 million (2014: £9.1 million), reflecting higher distributions from our Defence Joint Ventures. This represents another good performance, with net working capital days reducing in line with our expectations.

Deficit recovery payments to the Group's pension funds of £47.4 million (2014: £46.0 million) reflect the agreement reached with the Trustees of the Group's main defined benefit schemes in 2014. Interest and taxation payments of £40.4 million (2014: £31.0 million) included increases in taxation payments in our overseas businesses that cannot be sheltered by UK tax losses, together with the coupon payable on the Group's convertible bonds issued in December 2014. Net capital expenditure of £12.8 million (2014: £22.4 million) primarily includes the continued investment in upgrading the Group's back-office IT systems and service delivery equipment on new contracts mobilised in our support services business, partially offset by proceeds of £15.7 million from reorganising our staff accommodation facilities in Oman. These items, together with other changes amounting to £10.9 million, resulted in the Group generating £127.1 million of cash (2014: £149.1 million) before acquisitions and disposals and dividend payments. Payments in respect of acquisitions and disposals amounted to £39.6 million (2014: £34.5 million) and comprised net equity investments in Public Private Partnership (PPP) Joint Ventures of £21.5 million and acquisition related payments of £18.1 million. Dividend payments of £80.0 million (2014: £76.7 million) were more than one times covered on a cash basis.

Overall total net borrowing reduced by £7.5 million, leaving the Group with total net borrowing of £169.8 million at 31 December 2015 (2014: £177.3 million).

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

The management of working capital continued to be a key focus for the Group. Having successfully managed the inevitable impacts on working capital of the planned rescaling of our UK construction business, which we announced in 2010, and of the recession more generally, we are now beginning to see improving trends, as illustrated in the table below.

	2015	2014	Trend
Total revenue (£bn)	**4.6**	4.1	Growing
Working capital cash movement (£m)	**9.0**	31.1	± Neutral
Net borrowing (£m)	**(169.8)**	(177.3)	Reducing
Debtor days outstanding (days)(1)	**51**	61	Reducing
Creditor days outstanding (days)(2)	**67**	76	Reducing

Having completed the rescaling of UK construction in 2013, revenue is now growing again. Following a substantial and inevitable cash outflow due to rescaling UK construction over the period 2010 to 2013, working capital cash flows were broadly neutral in 2014 and 2015 and we expect this to continue in 2016. For the same reason, net debt is also now improving as are the trends in debtor days and creditor days, following a period in which both debtor and creditor days increased due to rescaling of UK construction and pressures created throughout the supply chain from customers downwards, as a result of the recession.

Balance sheet

	2015 £m	2014(3) £m
Property, plant and equipment	**140.8**	141.9
Intangible assets	**1,633.9**	1,614.1
Investments	**166.1**	139.9
	1,940.8	1,895.9
Inventories, receivables and payables	**(379.0)**	(355.3)
Net retirement benefit liability (net of taxation)	**(317.6)**	(406.2)
Other	**(57.1)**	(62.6)
Net operating assets	**1,187.1**	1,071.8
Net borrowing	**(169.8)**	(177.3)
Net assets	**1,017.3**	894.5
Average net borrowing	**(538.9)**	(450.7)

Property, plant and equipment of £140.8 million (2014: £141.9 million(3)) is broadly unchanged as depreciation and the foreign exchange rate movements associated with the weakening of the Canadian dollar are offset by capital expenditure. Intangible assets increased to £1,633.9 million (2014: £1,614.1 million(3)) primarily reflecting the provisional goodwill arising on the acquisition of the Outland Group. Investments have increased to £166.1 million (2014: £139.9 million), reflecting substantial equity investments in Public Private Partnership projects during 2015. The Group's net retirement benefit liability reduced to £317.6 million (2014: £406.2 million) which was primarily due to a reduction in liabilities arising

(1) Debtor days are based on trade receivables plus construction contract receivables divided by Group revenue, adjusted for VAT and acquisitions.
(2) Creditor days are based on trade payables, adjusted for VAT, divided by cost of sales plus administrative expenses, adjusted for non-trade creditor related expenses such as payroll costs and depreciation and the effects of acquisitions during the year.
(3) Restated for the retrospective adjustment to provisional amounts recognised on the acquisition of the Rokstad Corporation in 2014.

from an increase in bond yields and consequently the discount rate. As expected, average net borrowing increased and this reflected the first-half weighting of non-operating cash payments, including those relating to acquisitions and investments and the cash impact of contract mobilisations in 2015.

Committed bank facilities, private placements and convertible bonds

The Group has a very strong funding position to support our objectives over the medium term, with £1.4 billion of funding available predominantly in the form of committed bank facilities totalling £870 million, private placement borrowing of £326 million and £170 million of convertible bonds. In December 2015, we extended the maturity of our main £790 million revolving bank facility from March 2018 to November 2020 on more advantageous terms, reflecting the strength of our position and reputation in the bank debt markets. We now only have £131 million of funding that matures before the end of 2018, which places us in a very strong position and will enable us to focus on the delivery of our corporate targets and objectives. At 31 December 2015, the Group had undrawn committed facilities amounting to £761.2 million (2014: £722.0 million).

Acquisition of the Outland Group

In May 2015, the Group acquired the entire issued share capital of the Outland Group for a gross consideration of up to £63 million, depending upon the financial performance of the Outland Group. The consideration is payable in instalments, with £10.7 million paid in 2015 and approximately £25 million payable in 2016. The remainder of the consideration, which is subject to earnings before interest, taxation, depreciation and amortisation performance for 2017 and 2018, will be payable in 2018 and 2019. Provisional goodwill arising on the acquisition amounted to £43.1 million. The Outland Group, which provides a complete range of remote services across a number of growth sectors in Canada, including mining, utilities, forestry, defence, oil and gas, enhances the Group's skill base and provides opportunities in new markets that have the potential for growth. The Outland Group also complements our existing support services businesses in Canada, particularly the Rokstad Corporation, our transmission and distribution business, and Bouchier, which provides services to customers in the oil sector.

Foreign exchange

	Average		**Year end**	
£ Sterling	**2015**	2014	**2015**	2014
Middle East (US Dollar)	**1.53**	1.65	**1.47**	1.56
Oman (Rial)	**0.59**	0.63	**0.57**	0.60
UAE (Dirham)	**5.61**	6.05	**5.41**	5.73
Canada (Dollar)	**1.96**	1.82	**2.05**	1.81

The value of sterling strengthened during 2015 relative to the Canadian dollar and adversely affected the revenues we have reported for our activities in Canada by £35.0 million. Against the US dollar, sterling has weakened, which has led to a favourable impact on Middle East revenues of £48.8 million.

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 and the measures being taken to mitigate and manage these risks, will be described in detail in our 2015 Annual Report and Accounts, which will be published in March 2016. In summary these risks include continuing to win work in existing and new target markets and geographies, delivering major contracts successfully, managing our pension schemes effectively, attracting, developing and retaining excellent people, managing the risks associated with operating in overseas markets, maintaining the highest standards of ethics, successfully managing information security, including cyber security, Health & Safety and other statutory requirements, managing the impact of low oil prices and the potential impact arising from a failure to effectively manage Human Rights issues.

Outlook

Although trading conditions remain challenging in several of our markets, we continue to see signs of some improvement, especially in the UK. The Group's order book and pipeline of contract opportunities both remain strong, as does operating cashflow, which continues to enable the Group to invest to support our strategy for growth. Therefore, we believe the overall outlook remains positive and that the Group continues to be well positioned to make further progress in 2016.

Consolidated income statement
For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Total revenue		**4,586.9**	4,071.9
Less: share of joint ventures' revenue		**(636.2)**	(578.0)
Group revenue	2	**3,950.7**	3,493.9
Cost of sales		**(3,609.8)**	(3,166.4)
Gross profit		**340.9**	327.5
Administrative expenses		**(195.2)**	(166.4)
Profit on disposal of Public Private Partnership equity investments		**37.7**	13.9
Group operating profit		**183.4**	175.0
Analysed between:			
Group operating profit before intangible amortisation and non-recurring operating items		**208.4**	191.8
Intangible amortisation(1)		**(20.0)**	(16.8)
Non-recurring operating items	3	**(5.0)**	-
Share of results of joint ventures	2	**26.0**	25.1
Analysed between:			
Operating profit		**36.0**	34.2
Net financial expense		**(7.1)**	(6.4)
Taxation		**(2.9)**	(2.7)
Profit from operations		**209.4**	200.1
Analysed between:			
Profit from operations before intangible amortisation and non-recurring operating items		**234.4**	216.9
Intangible amortisation(1)		**(20.0)**	(16.8)
Non-recurring operating items	3	**(5.0)**	-
Non-operating items	3	**(2.5)**	(9.9)
Net financial expense	4	**(51.8)**	(47.6)
Analysed between:			
Financial income		**2.4**	2.3
Financial expense		**(60.3)**	(46.3)
Fair value movements in derivative financial instruments		**6.1**	(3.6)
Profit before taxation		**155.1**	142.6
Analysed between:			
Profit before taxation, intangible amortisation, non-recurring operating items, non-operating items and fair value movements in derivative financial instruments		**176.5**	172.9
Intangible amortisation(1)		**(20.0)**	(16.8)
Non-recurring operating items	3	**(5.0)**	-
Non-operating items	3	**(2.5)**	(9.9)
Fair value movements in derivative financial instruments		**6.1**	(3.6)
Taxation	5	**(15.7)**	(15.1)
Profit for the year		**139.4**	127.5
Profit attributable to:			
Equity holders of the parent		**132.8**	120.7
Non-controlling interests		**6.6**	6.8
Profit for the year		**139.4**	127.5
Earnings per share	6		
Basic		**30.9p**	28.0p
Diluted		**28.2p**	25.4p

(1) Arising from business combinations.

Consolidated statement of comprehensive income
For the year ended 31 December 2015

	2015		2014	
	£m	£m	£m	£m
Profit for the year		**139.4**		127.5
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of net defined benefit liabilities	**88.5**		(171.6)	
Taxation relating to items that will not be reclassified	**(21.7)**		34.4	
	66.8		(137.2)	
Items that may be reclassified subsequently to profit or loss:				
Gain on hedge of net investment in foreign operations	**9.2**		0.1	
Currency translation differences on foreign operations	**(15.3)**		2.6	
Movement in fair value of cash flow hedging derivatives	**15.6**		8.2	
Reclassification of effective portion of cash flow hedging derivatives to profit	**(13.0)**		(10.8)	
Increase in fair value of available-for-sale assets	**-**		0.1	
Taxation relating to items that may be reclassified	**(4.8)**		(1.6)	
Share of recycled cash flow hedges within joint ventures (net of taxation)	**3.6**		1.5	
Share of change in fair value of effective cash flow hedges within joint ventures (net of taxation)	**-**		(2.9)	
	(4.7)		(2.8)	
Other comprehensive income/(expense) for the year		**62.1**		(140.0)
Total comprehensive income/(expense) for the year		**201.5**		(12.5)
Attributable to:				
Equity holders of the parent		**197.0**		(18.9)
Non-controlling interests		**4.5**		6.4
		201.5		(12.5)

Consolidated statement of changes in equity
For the year ended 31 December 2015

	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 2015	**215.1**	**21.2**	**(33.3)**	**(11.2)**	**0.3**	**400.9**	**279.7**	**872.7**	**21.8**	**894.5**
Comprehensive income										
Profit for the year	-	-	-	-	-	-	132.8	132.8	6.6	139.4
Other comprehensive income										
Gain on hedge of net investment in foreign operations	-	-	9.2	-	-	-	-	9.2	-	9.2
Currency translation differences on foreign operations	-	-	(13.2)	-	-	-	-	(13.2)	(2.1)	(15.3)
Movement in fair value of cash flow hedging derivatives	-	-	-	15.6	-	-	-	15.6	-	15.6
Reclassification of effective portion of cash flow hedging derivatives to profit	-	-	-	(13.0)	-	-	-	(13.0)	-	(13.0)
Remeasurement of net defined benefit liabilities	-	-	-	-	-	-	88.5	88.5	-	88.5
Taxation	-	-	(1.6)	(3.2)	-	-	(21.7)	(26.5)	-	(26.5)
Share of recycled cash flow hedges within joint ventures (net of taxation)	-	-	-	3.6	-	-	-	3.6	-	3.6
Transfer between reserves	-	-	-	-	-	(7.2)	7.2	-	-	-
Total comprehensive (expense)/income	-	-	(5.6)	3.0	-	(7.2)	206.8	197.0	4.5	201.5
Transactions with owners										
Contributions by and distributions to owners										
Acquisition of own shares	-	-	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	-	0.7	0.7
Equity-settled transactions (net of taxation)	-	-	-	-	-	-	1.0	1.0	-	1.0
Dividends paid	-	-	-	-	-	-	(76.8)	(76.8)	(3.2)	(80.0)
Total transactions with owners	-	-	-	-	-	-	(76.2)	(76.2)	(2.5)	(78.7)
At 31 December 2015	**215.1**	**21.2**	**(38.9)**	**(8.2)**	**0.3**	**393.7**	**410.3**	**993.5**	**23.8**	**1,017.3**

Consolidated statement of changes in equity
For the year ended 31 December 2014

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Fair value reserve £m	Merger reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
At 1 January 2014	215.1	21.2	(36.4)	(5.6)	0.2	414.6	358.1	967.2	16.4	983.6
Comprehensive income										
Profit for the year	-	-	-	-	-	-	120.7	120.7	6.8	127.5
Other comprehensive income										
Gain on hedge of net investment in foreign operations	-	-	0.1	-	-	-	-	0.1	-	0.1
Currency translation differences on foreign operations	-	-	3.0	-	-	-	-	3.0	(0.4)	2.6
Movement in fair value of cash flow hedging derivatives	-	-	-	8.2	-	-	-	8.2	-	8.2
Reclassification of effective portion of cash flow hedging derivatives to profit	-	-	-	(10.8)	-	-	-	(10.8)	-	(10.8)
Increase in fair value of available-for-sale assets	-	-	-	-	0.1	-	-	0.1	-	0.1
Remeasurement of net defined benefit liabilities	-	-	-	-	-	-	(171.6)	(171.6)	-	(171.6)
Taxation	-	-	-	(1.6)	-	-	34.4	32.8	-	32.8
Share of recycled cash flow hedges within joint ventures (net of taxation)	-	-	-	1.5	-	-	-	1.5	-	1.5
Share of change in fair value of effective cash flow hedges within joint ventures (net of taxation)	-	-	-	(2.9)	-	-	-	(2.9)	-	(2.9)
Transfer between reserves	-	-	-	-	-	(13.7)	13.7	-	-	-
Total comprehensive income/(expense)	-	-	3.1	(5.6)	0.1	(13.7)	(2.8)	(18.9)	6.4	(12.5)
Transactions with owners										
Contributions by and distributions to owners										
Acquisition of own shares	-	-	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(3.1)	(3.1)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	-	3.2	3.2
Equity-settled transactions (net of taxation)	-	-	-	-	-	-	0.5	0.5	-	0.5
Dividends paid	-	-	-	-	-	-	(75.7)	(75.7)	(1.0)	(76.7)
Transfer between reserves	-	-	-	-	-	-	0.1	0.1	(0.1)	-
Total transactions with owners	-	-	-	-	-	-	(75.6)	(75.6)	(1.0)	(76.6)
At 31 December 2014	215.1	21.2	(33.3)	(11.2)	0.3	400.9	279.7	872.7	21.8	894.5

Consolidated balance sheet
As at 31 December 2015

	Note	2015 £m	2014[1] £m
Non-current assets			
Property, plant and equipment		**140.8**	141.9
Intangible assets		**1,633.9**	1,614.1
Retirement benefit assets		**12.7**	6.1
Investments in joint ventures		**161.4**	130.6
Other investments		**4.7**	9.3
Deferred tax assets		**103.8**	141.7
Total non-current assets		**2,057.3**	2,043.7
Current assets			
Inventories		**64.3**	50.1
Trade and other receivables		**1,270.5**	1,328.0
Cash and cash equivalents	9	**462.2**	472.0
Derivative financial instruments		**14.6**	-
Current asset investments		**-**	1.9
Income tax receivable		**1.2**	0.7
Total current assets		**1,812.8**	1,852.7
Total assets		**3,870.1**	3,896.4
Current liabilities			
Borrowing		**(33.5)**	(35.3)
Derivative financial instruments		**(11.6)**	(22.6)
Trade and other payables		**(1,713.8)**	(1,733.4)
Provisions		**(5.0)**	(8.6)
Income tax payable		**(7.2)**	(8.3)
Total current liabilities		**(1,771.1)**	(1,808.2)
Non-current liabilities			
Borrowing		**(598.5)**	(614.0)
Other payables		**(64.4)**	(47.8)
Retirement benefit liabilities		**(406.2)**	(515.8)
Deferred tax liabilities		**(10.5)**	(11.9)
Provisions		**(2.1)**	(4.2)
Total non-current liabilities		**(1,081.7)**	(1,193.7)
Total liabilities		**(2,852.8)**	(3,001.9)
Net assets	2	**1,017.3**	894.5
Equity			
Share capital	12	**215.1**	215.1
Share premium		**21.2**	21.2
Translation reserve		**(38.9)**	(33.3)
Hedging reserve		**(8.2)**	(11.2)
Fair value reserve		**0.3**	0.3
Merger reserve		**393.7**	400.9
Retained earnings		**410.3**	279.7
Equity attributable to shareholders of the parent		**993.5**	872.7
Non-controlling interests		**23.8**	21.8
Total equity		**1,017.3**	894.5

(1) Restated for the retrospective adjustment to provisional amounts recognised on the acquisition of the Rokstad Corporation in 2014.

Consolidated cash flow statement

For the year ended 31 December 2015

	Note	**2015 £m**	2014 £m
Cash flows from operating activities			
Group operating profit		**183.4**	175.0
Depreciation and amortisation		**45.4**	44.8
(Profit)/loss on disposal of property, plant and equipment		**(14.4)**	0.3
Profit on disposal of Public Private Partnership equity investments		**(37.7)**	(13.9)
Other non-cash movements		**(0.3)**	(1.7)
Non-recurring operating items		**5.0**	-
Operating profit before changes in working capital		**181.4**	204.5
Increase in inventories		**(14.3)**	(1.4)
Decrease/(increase) in trade and other receivables		**48.0**	(40.1)
(Decrease)/increase in trade and other payables		**(41.1)**	50.5
Cash generated from operations before pension deficit recovery payments and rationalisation costs		**174.0**	213.5
Deficit recovery payments to pension schemes		**(47.4)**	(46.0)
Rationalisation costs		**(6.3)**	(11.5)
Cash generated from operations		**120.3**	156.0
Financial income received		**2.4**	2.9
Financial expense paid		**(35.3)**	(29.6)
Acquisition related costs		**(6.6)**	(1.2)
Taxation payments		**(7.5)**	(4.3)
Net cash flows from operating activities		**73.3**	123.8
Cash flows from investing activities			
Disposal of property, plant and equipment		**17.6**	6.4
Disposal of joint ventures and other investments	11	**54.1**	36.0
Dividends received from joint ventures		**16.8**	9.1
Loan advance repayments received from joint ventures		**7.2**	15.9
Decrease in current asset investments		**-**	0.5
Acquisition of subsidiaries, net of cash and cash equivalents acquired		**(10.6)**	(26.3)
Acquisition of non-controlling interests		**-**	(3.1)
Acquisition of intangible assets		**(1.2)**	(3.0)
Acquisition of property, plant and equipment		**(29.2)**	(25.8)
Acquisition of equity in and loan advances to joint ventures		**(28.3)**	(7.7)
Acquisition of other non-current asset investments		**(0.4)**	(1.2)
Net cash flows from investing activities		**26.0**	0.8
Cash flows from financing activities			
(Repayment)/draw down of bank and other loans		**(19.0)**	14.7
Repayment of finance lease liabilities		**(6.0)**	(9.2)
Acquisition of own shares		**(0.4)**	(0.5)
Dividends paid to equity holders of the parent		**(76.8)**	(75.7)
Dividends paid to non-controlling interests		**(3.2)**	(1.0)
Net cash flows from financing activities		**(105.4)**	(71.7)
(Decrease)/increase in net cash and cash equivalents		**(6.1)**	52.9
Net cash and cash equivalents at 1 January		**465.8**	410.4
Effect of exchange rate fluctuations on net cash and cash equivalents		**(3.9)**	2.5
Net cash and cash equivalents at 31 December	9	**455.8**	465.8

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 2015 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in joint arrangements.

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).

There were no significant new financial reporting standards adopted in 2015.

The following standards and interpretations, which are not yet effective and not yet endorsed by the EU and have not been early adopted by the Group, will be adopted in future accounting periods:

- International Financial Reporting Standard (IFRS) 15 'Revenue from contracts with customers' (effective 1 January 2018)
- International Financial Reporting Standard (IFRS) 9 'Financial instruments' (effective 1 January 2018)
- International Financial Reporting Standard (IFRS) 16 'Leases' (effective 1 January 2019)

The financial information set out herein (which was approved by the Board on 3 March 2016) does not constitute the Company's statutory accounts for the years ended 31 December 2015 and 2014 but is derived from the 2015 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 2016.

The statutory accounts for the year ended 31 December 2014 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 2015 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 19. The Group has considerable financial resources, including £870.0 million of committed bank facilities the majority of which expire in 2020, £325.5 million of private placement notes expiring between 2017 and 2024 and £170.0 million of convertible bonds maturing by 2019. 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. 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 2015.

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 the 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, estimates of the 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 review the estimated final out-turn on contracts and make adjustments where necessary.

Intangible assets

In determining the fair value of identifiable assets, liabilities and contingent liabilities of businesses acquired, judgement is required in relation to the 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.

Notes to the condensed financial statements continued

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, with relevance to return on assets, levels of capital investment, operating cash flows 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, remote site accommodation services and consultancy businesses in the UK, Canada and the Middle East.

Public Private Partnership projects
In this segment we report the equity returns on our investing activities in Public Private Partnership projects for Government buildings and infrastructure, mainly in 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.

2 Segmental reporting (continued)

Segmental revenue and profit

	2015 Revenue £m	**2015** Operating profit before intangible amortisation and non-recurring operating items £m	2014 Revenue £m	2014 Operating profit before intangible amortisation and non-recurring operating items £m
Support services				
Group	**2,342.4**	**127.3**	2,099.7	113.5
Share of joint ventures	**191.8**	**19.3**	224.2	22.4
	2,534.2	**146.6**	2,323.9	135.9
Inter-segment	**87.0**	**-**	88.2	-
Total	**2,621.2**	**146.6**	2,412.1	135.9
Public Private Partnership projects				
Group	**1.3**	**39.4**	1.5	24.1
Share of joint ventures	**191.5**	**9.9**	161.0	10.4
	192.8	**49.3**	162.5	34.5
Inter-segment	**-**	**-**	-	-
Total	**192.8**	**49.3**	162.5	34.5
Middle East construction services				
Group	**358.9**	**20.6**	323.4	24.3
Share of joint ventures	**242.7**	**4.7**	177.3	0.8
	601.6	**25.3**	500.7	25.1
Inter-segment	**-**	**-**	-	-
Total	**601.6**	**25.3**	500.7	25.1
Construction services (excluding the Middle East)				
Group	**1,248.1**	**35.7**	1,069.3	40.9
Share of joint ventures	**10.2**	**2.1**	15.5	0.6
	1,258.3	**37.8**	1,084.8	41.5
Inter-segment	**24.7**	-	14.5	-
Total	**1,283.0**	**37.8**	1,099.3	41.5
Group eliminations and unallocated items	**(111.7)**	**(14.6)**	(102.7)	(11.0)
Consolidated				
Group	**3,950.7**	**208.4**	3,493.9	191.8
Share of joint ventures	**636.2**	**36.0**	578.0	34.2
Total	**4,586.9**	**244.4**	4,071.9	226.0

Notes to the condensed financial statements continued

2 Segmental reporting (continued)

Reconciliation of operating segment results to reported results

	2015 £m	2014 £m
Group and share of joint ventures' operating profit before intangible amortisation and non-recurring operating items	**244.4**	226.0
Underlying net financial expense		
– Group	**(57.9)**	(44.0)
– Share of joint ventures	**(7.1)**	(6.4)
Share of joint ventures' taxation	**(2.9)**	(2.7)
Underlying profit before taxation	**176.5**	172.9
Intangible amortisation arising from business combinations	**(20.0)**	(16.8)
Non-recurring operating items	**(5.0)**	-
Non-operating items	**(2.5)**	(9.9)
Fair value movements in derivative financial instruments	**6.1**	(3.6)
Profit before taxation	**155.1**	142.6
Taxation	**(15.7)**	(15.1)
Profit for the year	**139.4**	127.5

Intangible amortisation arising from business combinations and non-recurring operating items arise in the following segments:

	2015		2014	
	Intangible amortisation £m	**Non-recurring operating items £m**	**Intangible amortisation £m**	**Non-recurring operating items £m**
Support services	**(18.2)**	**-**	(15.0)	-
Construction services (excluding the Middle East)	**(1.8)**	**-**	(1.8)	-
Public Private Partnership projects	**-**	**(5.0)**	-	-
Total	**(20.0)**	**(5.0)**	(16.8)	-

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

	2015		2014	
	Depreciation and amortisation £m	**Capital expenditure £m**	Depreciation and amortisation £m	Capital expenditure £m
Support services	**(26.3)**	**(13.6)**	(24.8)	(13.1)
Middle East construction services	**(1.4)**	**(1.3)**	(1.8)	(2.2)
Construction services (excluding the Middle East)	**(2.8)**	**(0.9)**	(2.7)	(0.7)
Unallocated Group items	**(14.9)**	**(15.1)**	(15.5)	(28.8)
Total	**(45.4)**	**(30.9)**	(44.8)	(44.8)

Notes to the condensed financial statements continued

2 Segmental reporting (continued)

Segmental net assets

	2015 Operating assets £m	2015 Operating liabilities £m	2015 Net operating assets/ (liabilities) £m	2014(1) Operating assets £m	2014(1) Operating liabilities £m	2014(1) Net operating assets/ (liabilities) £m
Support services						
Intangible assets (2)	**1,367.7**	**-**	**1,367.7**	1,331.6	-	1,331.6
Operating assets	**672.5**	**-**	**672.5**	692.7	-	692.7
Investments	**23.5**	**-**	**23.5**	13.3	-	13.3
Total operating assets	**2,063.7**	**-**	**2,063.7**	2,037.6	-	2,037.6
Total operating liabilities	**-**	**(488.6)**	**(488.6)**	-	(636.7)	(636.7)
Net operating assets/(liabilities)	**2,063.7**	**(488.6)**	**1,575.1**	2,037.6	(636.7)	1,400.9
Public Private Partnership projects						
Operating assets	**1.0**	**-**	**1.0**	2.4	-	2.4
Investments	**35.3**	**-**	**35.3**	20.5	-	20.5
Total operating assets	**36.3**	**-**	**36.3**	22.9	-	22.9
Total operating liabilities	**-**	**(1.9)**	**(1.9)**	-	(1.6)	(1.6)
Net operating assets/(liabilities)	**36.3**	**(1.9)**	**34.4**	22.9	(1.6)	21.3
Middle East construction services						
Operating assets	**290.6**	**-**	**290.6**	321.9	-	321.9
Investments	**86.4**	**-**	**86.4**	82.0	-	82.0
Total operating assets	**377.0**	**-**	**377.0**	403.9	-	403.9
Total operating liabilities	**-**	**(223.7)**	**(223.7)**	-	(287.1)	(287.1)
Net operating assets/(liabilities)	**377.0**	**(223.7)**	**153.3**	403.9	(287.1)	116.8
Construction services (excluding the Middle East)						
Intangible assets (2)	**241.7**	**-**	**241.7**	255.8	-	255.8
Operating assets	**390.8**	**-**	**390.8**	427.3	-	427.3
Investments	**20.9**	**-**	**20.9**	24.1	-	24.1
Total operating assets	**653.4**	**-**	**653.4**	707.2	-	707.2
Total operating liabilities	**-**	**(637.9)**	**(637.9)**	-	(626.9)	(626.9)
Net operating assets/(liabilities)	**653.4**	**(637.9)**	**15.5**	707.2	(626.9)	80.3
Consolidated before Group items						
Intangible assets (2)	**1,609.4**	**-**	**1,609.4**	1,587.4	-	1,587.4
Operating assets	**1,354.9**	**-**	**1,354.9**	1,444.3	-	1,444.3
Investments	**166.1**	**-**	**166.1**	139.9	-	139.9
Total operating assets	**3,130.4**	**-**	**3,130.4**	3,171.6	-	3,171.6
Total operating liabilities	**-**	**(1,352.1)**	**(1,352.1)**	-	(1,552.3)	(1,552.3)
Net operating assets/(liabilities) before Group items	**3,130.4**	**(1,352.1)**	**1,778.3**	3,171.6	(1,552.3)	1,619.3
Group items						
Deferred tax assets/(liabilities)	**103.8**	**(10.5)**	**93.3**	141.7	(11.9)	129.8
Net cash/(borrowing)	**462.2**	**(632.0)**	**(169.8)**	472.0	(649.3)	(177.3)
Retirement benefits (gross of taxation)	**12.7**	**(406.2)**	**(393.5)**	6.1	(515.8)	(509.7)
Income tax	**1.2**	**(7.2)**	**(6.0)**	0.7	(8.3)	(7.6)
Other	**159.8**	**(444.8)**	**(285.0)**	104.3	(264.3)	(160.0)
Net assets/(liabilities)	**3,870.1**	**(2,852.8)**	**1,017.3**	3,896.4	(3,001.9)	894.5

(1) Restated for the retrospective adjustment to provisional amounts recognised on the acquisition of the Rokstad Corporation in 2014.
(2) Arising from business combinations.

2 Segmental reporting (continued)

Geographic information – by origin

	2015 £m	2014 [(1)] £m
United Kingdom		
Total revenue from external customers	**3,334.7**	2,941.1
Less: share of joint ventures' revenue	**(330.9)**	(308.9)
Group revenue from external customers	**3,003.8**	2,632.2
Non-current assets	**1,614.4**	1,590.6
Middle East and North Africa		
Total revenue from external customers	**717.0**	575.5
Less: share of joint ventures' revenue	**(265.9)**	(196.4)
Group revenue from external customers	**451.1**	379.1
Non-current assets	**95.7**	86.5
Canada		
Total revenue from external customers	**513.2**	542.6
Less: share of joint ventures' revenue	**(39.4)**	(72.7)
Group revenue from external customers	**473.8**	469.9
Non-current assets	**226.0**	209.5
Rest of the World		
Total revenue from external customers	**22.0**	12.7
Less: share of joint ventures' revenue	**-**	-
Group revenue from external customers	**22.0**	12.7
Non-current assets	**-**	-
Consolidated		
Total revenue from external customers	**4,586.9**	4,071.9
Less: share of joint ventures' revenue	**(636.2)**	(578.0)
Group revenue from external customers	**3,950.7**	3,493.9
Non-current assets		
Total of geographic analysis above	**1,936.1**	1,886.6
Retirement benefit assets	**12.7**	6.1
Other investments	**4.7**	9.3
Deferred tax assets	**103.8**	141.7
Total non-current assets	**2,057.3**	2,043.7

(1) Restated for the retrospective adjustment to provisional amounts recognised on the acquisition of the Rokstad Corporation in 2014.

2 Segmental reporting (continued)

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

	2015 £m	2014 £m
Support services	**911.1**	826.3
Public Private Partnership projects	**153.4**	89.8
Construction services (excluding the Middle East)	**689.2**	646.9
	1,753.7	1,563.0

3 Non-recurring operating items and non-operating items

Non-recurring operating items

In 2015, the non-recurring operating charge of £5.0 million relates to the impairment of the Group's stakeholder loan to the Green Deal Finance Company Limited, following the decision taken by the UK Government to withdraw from providing further financial support. There is no income tax associated with this non-recurring operating charge. There were no non-recurring operating items in 2014.

Non-operating items

In 2015, the non-operating charge of £2.5 million relates to costs incurred in respect of corporate transactions during the year. There is no income tax associated with this non-operating charge. The non-operating charge in 2014 of £9.9 million related to adviser costs incurred in relation to the aborted merger discussion with Balfour Beatty and the acquisition of the Rokstad Corporation. An income tax credit of £1.8 million relating to these costs is included within taxation in the income statement.

4 Financial income and expense

	2015 £m	2014 £m
Financial income		
Bank interest receivable	**0.8**	0.9
Other interest receivable	**1.6**	1.4
Total financial income	**2.4**	2.3
Financial expense		
Interest payable on bank loans and overdrafts	**(14.1)**	(11.4)
Other interest payable and similar charges	**(28.2)**	(19.1)
Net interest expense on defined benefit pension obligations	**(18.0)**	(15.8)
Underlying financial expense	**(60.3)**	(46.3)
Fair value movements in the derivative component of convertible bonds	**6.1**	(3.6)
Total financial expense	**(54.2)**	(49.9)
Net financial expense	**(51.8)**	(47.6)

Other interest payable and similar charges include Private Placement financing interest of £14.3 million (2014: £14.3 million), finance lease charges of £1.0 million (2014: £1.1 million), convertible bond coupon payments and interest accretion of £7.1 million (2014: £0.2 million), the discount unwind associated with onerous lease provisions of £0.6 million (2014: £0.7 million) and contingent consideration relating to acquisitions of £2.0 million (2014: Nil). No borrowing costs have been capitalised in either of the above years.

In relation to the fair value movements in the derivative component of convertible bonds, a deferred tax charge of £1.2 million (2014: £0.7 million credit) is included within taxation in the income statement.

5 Income tax

The Group's income tax expense (including the Group's share of joint ventures' income tax) for the year ended 31 December 2015 is calculated based on the estimated average annual effective underlying income tax rate of 12.5 per cent (2014: 13.5 per cent). Carillion pays tax on profits in the countries in which profits are generated. The Group's effective rate of tax differs from the standard UK corporation tax rate of 20.25 per cent (2014: 21.50 per cent), because tax rates in some of the countries in which we operate are lower than in the UK, exemptions are available in respect of certain capital items and we have recognised deferred tax on carried forward trading losses.

6 Earnings per share

(a) *Basic earnings per share*

The calculation of earnings per share for the year ended 31 December 2015 is based on the profit attributable to equity holders of the parent of £132.8 million (2014: £120.7 million) and a weighted average number of ordinary shares in issue of 430.2 million (2014: 430.2 million), calculated as follows:

In millions of shares	2015	2014
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	**(0.1)**	(0.1)
Weighted average number of ordinary shares at 31 December	**430.2**	430.2

(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, non-operating items and fair value movements in derivative financial instruments.

	2015		2014	
	Profit before taxation £m	**Taxation £m**	Profit before taxation £m	Taxation £m
Profit before taxation				
Profit before taxation as reported in the income statement	**155.1**	**15.7**	142.6	15.1
Amortisation of intangible assets arising from business combinations	**20.0**	**5.0**	16.8	3.4
Non-recurring operating items	**5.0**	**-**	-	-
Non-operating items	**2.5**	**-**	9.9	1.8
Fair value movements in derivative financial instruments	**(6.1)**	**(1.2)**	3.6	0.7
Underlying profit before taxation	**176.5**	**19.5**	172.9	21.0
Underlying taxation	**(19.5)**		(21.0)	
Underlying profit attributable to non-controlling interests	**(6.6)**		(6.8)	
Underlying profit attributable to shareholders	**150.4**		145.1	

	2015 Pence per share	2014 Pence per share
Earnings per share		
Basic earnings per share as reported in the income statement	**30.9**	28.0
Amortisation of intangible assets arising from business combinations	**3.5**	3.1
Non-recurring operating items	**1.2**	-
Non-operating items	**0.6**	1.9
Fair value movements in derivative financial instruments	**(1.2)**	0.7
Underlying basic earnings per share	**35.0**	33.7
Underlying diluted earnings per share (post-tax basis)	**31.9**	30.6

(c) *Diluted earnings per share*

For the purpose of calculating diluted earnings per share of 28.2 pence (2014: 25.4 pence), profit attributable to shareholders was increased by £1.3 million (2014: £0.1 million) reflecting the after taxation impact on profit of the Group's convertible bonds.

The weighted average number of ordinary shares used in the diluted earnings per share calculation is shown below:

In millions of shares	2015	2014
Weighted average number of ordinary shares	**430.2**	430.2
Effect of potential number of shares that could be issued on conversion of convertible bonds	**42.7**	42.7
Effect of share options in issue	**2.2**	1.9
Weighted average number of ordinary shares (diluted) at 31 December	**475.1**	474.8

7 Dividends

The following dividends were paid by the Company:

	2015		2014	
	£m	**Pence per share**	£m	Pence per share
Previous year final dividend	**52.3**	**12.15**	51.6	12.00
Current year interim dividend	**24.5**	**5.70**	24.1	5.60
Total	**76.8**	**17.85**	75.7	17.60

The following dividends were proposed by the Company:

	2015		2014	
	£m	**Pence per share**	£m	Pence per share
Interim	**24.5**	**5.70**	24.1	5.60
Final	**54.0**	**12.55**	52.3	12.15
Total	**78.5**	**18.25**	76.4	17.75

The final dividend for 2015 of 12.55 pence per share was approved by the Board on 3 March 2016 and, subject to approval by shareholders at the Annual General Meeting, will be paid on 10 June 2016 to shareholders on the register on 13 May 2016.

8 Pension commitments

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

	2015 £m	2014 £m
Charge to operating profit		
Current and past service cost relating to defined benefit schemes	**(7.0)**	(5.9)
Administrative expenses relating to defined benefit schemes	**(4.3)**	(5.1)
Gain on settlement of the Alfred McAlpine (Ireland) Pension Plan	**1.4**	-
Total	**(9.9)**	(11.0)
Net interest expense recognised as a financial expense	**(18.0)**	(15.8)

The valuation of the Group's main defined benefit pension schemes were reviewed by an independent qualified actuary at 31 December 2015.

The amount included in the balance sheet in respect of defined benefit schemes is as follows:

	2015 £m	2014 £m
Present value of defined benefit obligation	**(2,679.7)**	(2,818.8)
Fair value of scheme assets	**2,302.4**	2,320.4
Minimum funding requirement	**(16.2)**	(11.3)
Net pension liability	**(393.5)**	(509.7)
Related deferred taxation asset	**75.9**	103.5
Net pension liability after taxation	**(317.6)**	(406.2)

8 Pension commitments (continued)

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

	2015 %	2014 %
Rate of increase in salaries	**3.55**	3.55
Rate of increase in pensions	**3.00**	2.95
Inflation rate - Retail Price Index	**3.05**	3.05
Inflation rate - Consumer Price Index	**2.00**	2.00
Discount rate	**3.95**	3.70

9 Cash and cash equivalents and net borrowing

Cash and cash equivalents and net borrowing comprise:

	2015 £m	2014 £m
Cash and cash equivalents	**462.2**	472.0
Bank overdrafts	**(6.4)**	(6.2)
Net cash and cash equivalents	**455.8**	465.8
Bank loans	**(118.8)**	(145.8)
Finance lease obligations	**(17.8)**	(26.1)
Other loans	**(489.0)**	(471.2)
Net borrowing	**(169.8)**	(177.3)

Reconciliation of cash flow to movement in net borrowing:

	2015 £m	2014 £m
(Decrease)/increase in net cash and cash equivalents	**(6.1)**	52.9
Net cash and cash equivalents in subsidiaries acquired	**(6.2)**	6.6
Repayment/(draw down) of bank and other loans	**19.0**	(14.7)
Repayment of finance lease liabilities	**6.0**	9.2
Change in net borrowing resulting from cash flows	**12.7**	54.0
Net cash/(borrowing) in subsidiaries acquired	**5.3**	(17.5)
Derivative financial instrument component of convertible bonds at date of issue	**-**	13.4
Interest accretion in respect of convertible bonds	**(2.8)**	-
Finance lease additions	**-**	(4.6)
Currency translation differences	**(7.7)**	(7.4)
Change in net borrowing	**7.5**	37.9
Net borrowing at 1 January	**(177.3)**	(215.2)
Net borrowing at 31 December	**(169.8)**	(177.3)

10 Related party transactions

The Group has made sales to the Group's joint ventures, which are in the normal course of business and on commercial terms, amounting to £181.2 million in the year ended 31 December 2015 (2014: £277.0 million). Amounts receivable from joint ventures amounted to £59.6 million (2014: £128.7 million) and amounts payable to joint ventures amounted to £87.0 million (2014: £37.2 million).

11 Acquisitions and disposals

On 28 May 2015, the Group acquired the entire share capital of the Outland Group (Outland). Outland provides a complete range of remote site services across a number of growth sectors in Canada, including mining, utilities, forestry, gas and oil. The total cash consideration, which is capped at approximately £63 million, is dependent on the financial performance of Outland between 2015 and 2017. The first instalment of the consideration of £10.7 million has been included in the cash flow statement within acquisition of subsidiaries, net of cash and cash equivalents acquired. The second instalment of approximately £25 million is due in 2016, with the remainder due in 2018 and 2019. The fair value of the deferred and contingent consideration is included within liabilities in the balance sheet and is derived from inputs that are not observable in the market. Consequently, the fair value has been determined using an estimate of the contractual cash flows that could be paid under the terms of the sale and purchase agreement using a risk adjusted discount rate of 3.4 per cent.

A provisional assessment has been made of the fair value of the net assets acquired of £18.6 million, which includes identifiable intangible assets of £7.2 million net of deferred taxation. This is after excluding goodwill on the Outland acquisition balance sheet of £0.8 million, and provisional fair value adjustments totalling £9.0 million that reduced the carrying value of net assets at the acquisition date. On the basis of this assessment the provisional goodwill arising on the acquisition amounts to £43.1 million.

In 2015, the Group paid the second instalment of the consideration amounting to £6.1 million relating to the acquisition of the Rokstad Corporation, which completed in 2014. Due to the proximity of the acquisition of Rokstad to the 2014 year end, a provisional assessment was made of the fair value of the net liabilities acquired of £2.8 million, leading to the recognition of provisional goodwill on the acquisition of £70.1 million. This provisional assessment became final in 2015 following finalisation of the completion accounts process, leading to the recognition of revised goodwill of £61.9 million.

On 24 December 2015, the Group acquired a 67 per cent controlling interest in Ask Real Estate Limited, a property development company based in the United Kingdom. The cash consideration of £4.0 million was paid in January 2016. No goodwill arose on the acquisition.

In 2015, the Group disposed of its interest in three Public Private Partnership projects. The disposals generated cash consideration of £54.4 million, which after deducting disposal costs paid of £0.3 million, is included in the cash flow statement within disposal of joint ventures and other investments.

12 Share capital

The issued and fully paid share capital at 31 December 2015 was 430.3 million shares (2014: 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 joint ventures and performance contracts in Public Private Partnership joint ventures. These guarantees in total amount to £112.4 million (2014: £154.9 million), with the reduction compared to 2014 reflecting the disposal of PPP equity investments in 2015. There has been no material change to the contingent liabilities of the Group in the year ended 31 December 2015.

14 Company information.

This preliminary announcement was approved by the Board of Directors on 3 March 2016. The 2015 Annual Report will be posted to shareholders by 31 March 2016 and both this statement and the 2015 Annual Report will be available on the internet at www.carillionplc.com or on request from the Company Secretary, Carillion plc, Carillion House, 84 Salop Street, Wolverhampton, WV3 0SR.

Directors' responsibilities

This preliminary announcement complies with the Disclosure and Transparency Rules (DTR) of the United Kingdom's Financial Conduct 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 2015. 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 2015 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 2015 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 2015 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides information necessary for shareholders to assess the Company's financial position and performance.

Forward-looking statements

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

Governing law

This report of Carillion plc for the year ended 31 December 2015 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 2015 will be determined in accordance with English law.

On behalf of the Board

Richard Adam FCA
Group Finance Director
3 March 2016