carillion

Making tomorrow a better place
Annual Report and Accounts 2015

Registered Number 3782379

Who we are

Carillion is one of the UK's leading integrated support services companies, with a substantial portfolio of Public Private Partnership projects, extensive construction capabilities and a sector-leading ability to deliver sustainable solutions.

Our Vision

Our vision is to be the trusted partner for providing services, delivering infrastructure and creating places that bring lasting benefits to our customers and the communities in which we live and work.

Our Values

We care.
We achieve together.
We improve.
We deliver.

Our Values shape the way we do business, how we work with each other, our customers, our suppliers, our partners and all those with whom we interact when delivering our services.

Where we deliver

We operate in the UK, Canada and the Middle East and North Africa and we employ 46,000 people.

What we do

We have three core capabilities - support services, project finance and construction services - and we use these individually or in combinations to design and deliver sustainable services to meet the specific needs of our customers.

Support services

This includes the provision of maintenance, facilities management and energy services for major buildings and large property estates, for both public and private sector customers, infrastructure services for roads, railways and utility networks, notably telecommunications and power transmission and distribution, and remote site accommodation services.

Project finance

This includes arranging the funding for Public Private Partnership projects to deliver public sector buildings and infrastructure, in which we invest equity and for which we win construction and long-term support services contracts.

Construction services

This includes the delivery of a wide range of buildings and infrastructure, focused on large contracts for long-term public and private sector customers for whom quality and reliability are paramount.

United Kingdom[2]

Revenue +14%

£3,356.7m

2014: £2,953.8m

Percentage of total Group revenue

73%

2014: 73%

Canada[1]

Revenue -5%

£513.2m

2014: £542.6m

Percentage of total Group revenue

11%

2014: 13%

Middle East and North Africa

Revenue +25%

£717.0m

2014: £575.5m

Percentage of total Group revenue

16%

2014: 14%

Front cover
Carillion is extending the main stand at Liverpool Football Club's world famous Anfield Stadium under a £75 million contract that will increase the stand's capacity by around 8,500 and the stadium's capacity to some 54,000 - see case study on page 25.

Notes
(1) Includes £9.8 million (2014: £5.2 million) of revenue generated in the Caribbean.
(2) Includes £22.0 million (2014: £12.7 million) of revenue generated outside of the UK, Middle East and North Africa and Canada.

2015 At a glance

Revenue +13%
£4.6bn
2014: £4.1bn

Underlying profit from operations(1) +8%
£234.4m
2014: £216.9m

Underlying operating margin(2)
5.3%
2014: 5.6%

Underlying profit before taxation(3) +2%
£176.5m
2014: £172.9m

Underlying earnings per share(4) +4%
35.0p
2014: 33.7p

Profit before taxation +9%
£155.1m
2014: £142.6m

Basic earnings per share +10%
30.9p
2014: 28.0p

Proposed full-year dividend per share +3%
18.25p
2014: 17.75p

Net borrowing +4%
£169.8m
2014: £177.3m

Committed funding +2%
£1.4bn
2014: £1.3bn

Financial performance in line with expectations

- Strong revenue growth of 13 per cent, of which 10 per cent 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(5) for 2016 of 84 per cent (2014: 85 per cent 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 per cent to 18.25p (2014: 17.75p)

Well positioned to make further progress in 2016

(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 4 on page 93).
(2) Before Joint Ventures net financial expense, Joint Ventures taxation charge, intangible amortisation and non-recurring operating items (see note 4 on page 93).
(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 4 and 5 on page 93).
(4) Before intangible amortisation, non-recurring operating items, non-operating items and fair value movements in derivative financial instruments (see notes 4 and 5 on page 93).
(5) Based on expected revenue and secure and probable orders, which exclude variable work, frameworks and re-bids.

For more information visit: carillionplc.com

A strong track record

Through implementing our consistent and successful strategy and integrated business model we have become a trusted partner for public and private sector customers with a track record of delivering sustainable, cost- effective solutions safely and of creating positive legacies wherever we work.

Our ability to take decisive action in response to the global downturn, to rescale and realign our businesses with markets that are now offering opportunities for growth, was underpinned by the strength of our strategy and business model.

Since Carillion was launched as an independent listed company in July 1999, we have delivered 15 successive years of dividend growth and a total shareholder return of 400 per cent compared with a return of 79 per cent from the FTSE 350.

Summary financial performance

	2015 £m	2014 £m	Change from 2014 %
Revenue			
- Group	**3,950.7**	3,493.9	
- Share of Joint Ventures	**636.2**	578.0	
	4,586.9	4,071.9	+13
Underlying operating profit(1)			
- Group	**223.0**	202.8	
- Share of Joint Ventures	**36.0**	34.2	
	259.0	237.0	+9
Group eliminations and unallocated items	**(14.6)**	(11.0)	
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)	
Share of Joint Ventures' taxation	**(2.9)**	(2.7)	
Underlying profit from operations(2)	**234.4**	216.9	+8
Underlying Group net financial expense	**(57.9)**	(44.0)	
Underlying profit before taxation(2)	**176.5**	172.9	+2
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 movement in derivative financial instruments	**6.1**	(3.6)	
Reported profit before taxation	**155.1**	142.6	+9

(1) Before intangible amortisation and non-recurring operating items.
(2) The underlying results are based on the definitions set out in the key financial highlights on page 1.

We report our results in four business segments

Support services

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

Underlying operating profit +8%

£146.6m

2014: £135.9m

Order book plus probable orders -10%

£12.7bn

2014: £14.1bn

Public Private Partnership projects

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

Underlying operating profit +43%

£49.3m

2014: £34.5m

Order book plus probable orders -%

£1.2bn

2014: £1.2bn

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.

Underlying operating profit +1%

£25.3m

2014: £25.1m

Order book plus probable orders -11%

£0.8bn

2014: £0.9bn

Construction services (excluding the Middle East)

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

Underlying operating profit -9%

£37.8m

2014: £41.5m

Order book plus probable orders +13%

£2.7bn

2014: £2.4bn

Summary of business metrics

We monitor a broad range of financial and non-financial indicators to assess our performance. The data provided in this section sets out the key metrics we believe will assist our stakeholders in assessing our performance during 2015.

Revenue growth (%)

Definition
Percentage change in annual revenue (including share of Joint Ventures' revenue).

+13%

2011	2012	2013	2014	**2015**
-2 £5.1bn	-13 £4.4bn	-7 £4.1bn	- £4.1bn	**+13 £4.6bn**

Underlying operating margin(1) (%)

Definition
Underlying operating profit (including share of Joint Ventures) as a percentage of revenue.

5.3%

2011	2012	2013	2014	**2015**
4.9	5.6	5.6	5.6	**5.3**

Underlying earnings per share(1) (p)

Definition
Underlying profit attributable to shareholders divided by the weighted average number of shares.

+4%

2011	2012	2013	2014	**2015**
42.3	40.4	34.7	33.7	**35.0**

Dividend per share (p)

Definition
Total dividend per share declared (interim and final) in respect of the financial year.

+3%

2011	2012	2013	2014	**2015**
16.90	17.25	17.50	17.75	**18.25**

Underlying cash conversion (%)

Definition
Underlying cash inflow from operations divided by underlying profit from operations.

104%

2011	2012	2013	2014	**2015**
112	42	75	119	**104**

Net debt to EBITDA ratio

Definition
Net debt at the year end divided by Earnings before Interest, Tax, Depreciation and Amortisation.

0.6 times

2011	2012	2013	2014	**2015**
0.2 £50.7m	0.6 £155.8m	0.8 £215.2m	0.7 £177.3m	**0.6 £169.8m**

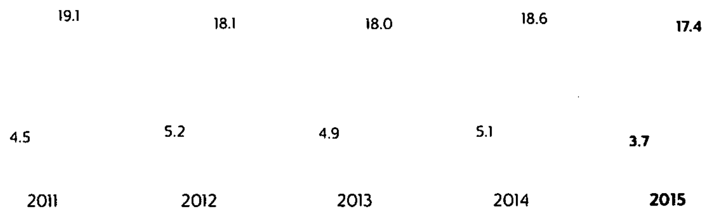
(1) The underlying results are based on the definitions set out in the key financial highlights on page 1.

Work won and secured and probable orders (£bn)

Definition
Work won in the year represents secured and probable orders awarded in the year. Secured and probable orders represents cumulative amount of work won but not yet executed.

£3.7bn
Work won in year

£17.4bn
Secured and probable orders



Work won in year
Secured and probable orders

Book to bill ratio

Definition
Amount of work won during the year as a proportion of the work executed and booked as revenue.

0.8 times

Revenue
Work won in year

High Risk Accident Frequency Rate

Definition
Total number of people injured as a result of high risk accidents per 200,000 hours worked for both employees and subcontractors combined.

0.048
2014: 0.047

Lost Time Incident Frequency Rate

Definition
Total number of incidents that result in one day or more (not including the day of the accident) off work per 200,000 hours worked for both employees and subcontractors combined.

0.188
2014: 0.241

Sustainability contribution to profit

Definition
Cost savings and revenue improvements generated by initiatives related to our sustainability strategy.

£33.8m
2014: £27.2m

Employee engagement score

Definition
The percentage of our employees who responded that they felt engaged with our business in our employee engagement survey.

68%
2014: 63%

Employee volunteering

Definition
Percentage of our employees involved in community and charitable volunteering activities.

18.7%
2014: 13.9%

Net Promoter Score (NPS)

Definition
An international standard for measuring customer satisfaction, NPS can range from -100 to +100.

+36
2014: +37

Chairman's statement

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.

Philip Green
Chairman

The Board remains focused on strong corporate governance, including fostering a culture in which our people behave in accordance with our Values and the highest standards of ethics and integrity, which is fundamental to building a business that can deliver sustainable, profitable growth.

Although the trading environment in several of our markets continued to be challenging, I am delighted to report that the Group returned to top line growth for the first time in five years, with all four business segments reporting increased revenues in 2015. We also continued to extend our support services offering through a further bolt-on acquisition in Canada and finished the year with good revenue visibility for 2016.

Financial performance
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[4] 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 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.

Work winning and order book
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[5] 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.

Dividend (pence)

3.3%
Five-year compound annual growth rate

Notes
(1) The underlying results are based on the definitions set out in the key financial highlights on page 1.
(2) Before fair value movements in derivative financial instruments (see note 5 on page 93).
(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 4 and 5 to the financial information on page 93).
(4) 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.
(5) Based on expected revenue and secure and probable orders, which exclude variable work, frameworks and re-bids.

Dividends
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[1].

Board and Corporate Governance
Having served as a Non-Executive Director for nine years, Steve Mogford retired from the Board on 31 December 2015. On behalf of the Board, I should like to thank Steve for the outstanding contribution he has made to the work of the Board and to Carillion's success and wish him well for the future. In anticipation of Steve's retirement, we were delighted to welcome Keith Cochrane to the Board in July 2015. Keith, who is currently Chief Executive of Weir Group, the FTSE 250 engineering group, brings extensive experience as a senior business leader that will enable him to make a valuable contribution to the Board. Keith is a member of all five Board Committees and has succeeded Steve as our Senior Independent Non-Executive Director.

I continue to believe that our commitment to business integrity, safety, sustainability and strong governance is a key strength of our business. It is vital that our Board has the right blend of skills, experience and diversity to provide effective leadership and support the Executive Directors in the delivery of our strategy. Towards the end of 2014, we established a Sustainability Committee, which is chaired by Ceri Powell who joined the Board as a Non-Executive Director in April 2014. Establishing this committee reflects the importance we attach to building a sustainable business and in this regard I was delighted that in 2015 our external reporting of the Group's sustainability performance won the PwC Building Public Trust Award for the FTSE 250 Sustainability Reporting category for the third year in succession.

The annual evaluation of the Board and all its sub-committees continues to play an important role in ensuring its ongoing effectiveness and the identification of key priorities for the future. The results of this process, together with our governance policies and processes and reports from our five Board sub-committees are set out in the Corporate Governance section on pages 41 to 72.

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 cash flow, 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.

Philip Green
Chairman
3 March 2016

Chief Executive's strategic overview

Our consistent and successful strategy, underpinned by our integrated business model and centralised operating platform, has enabled us to return to strong revenue growth in 2015.

Richard Howson
Group Chief Executive

Our 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
Our business model, which is described in detail on pages 16 and 17, 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.

On pages 22 to 25 you will find a number of case studies that illustrate the strengths of our business model in action.

Our Values
Having a culture throughout our business in which behaving in accordance with our Values is natural and instinctive is essential to the success of our business model. This is why we have consistently invested in the development of our people to encourage and reward behaviours that reflect our Values in everything we do, whether we are working with colleagues, customers, suppliers or partners.

We care.
We respect each other and we do things safely and sustainably. It is good for our people, our business and our local communities.

We achieve together.
We value the contribution of each individual and we work together to build strong, open and trusting partnerships.

We improve.
We listen, learn and adapt our ideas and experience into better solutions and services for our customers.

We deliver.
We set ourselves stretching goals, taking pride in doing a great job and helping our customers and partners to succeed.

2015 key performance indicators (KPIs)
To support our strategy for growth, the Board set the following KPIs for 2015.

1. To develop and attract excellent people to create a vibrant, diverse and flexible workforce;
2. To be a recognised leader in Health & Safety and Sustainability;
3. To improve customer satisfaction;
4. To reduce costs and improve efficiency to support margins; and
5. To deliver cash-backed profit.

How we performed against each of these KPIs is reported on pages 9 and 10.

Key performance indicator

1. To develop and attract excellent people to create a vibrant, diverse and flexible workforce.

68%

Employee engagement score

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.

In 2015, we continued our drive towards greater diversity in our business and at 31 December 2015 the Group had a total of 45,992 employees (31 December 2014: 42,367) of whom some 16,991 (31 December 2014: 16,947) were female and 28,931 were male (31 December 2014: 25,420). At 31 December 2015, the Group had 1,779 senior managers (31 December 2014: 1,675) of which 316 were female (31 December 2014: 287) and 1,463 were male (31 December 2014: 1,388). Of the 98 most senior managers in the Group, which comprises the Chief Executive's Leadership Team and their direct reports, 16 were female (31 December 2014: 18). The Carillion plc Board comprises five male and two female Directors. In 2015, Carillion was also ranked among the Times' list of Top 50 Employers for Women.

We also continue to believe that engaging with our employees to give them the opportunity to contribute to our performance is fundamental to the success of our business. To do this we use a wide range of engagement tools, some of which have remained the same in 2015 and some we have developed and refreshed. Direct employee engagement remains a key form of engagement, which I lead, through personal visits to our contracts, monthly newsletters to all employees, and regular conference calls with up to 2,500 employees in leadership roles to review the performance of our business. We also continue to engage through structured People Forums across our businesses, through regular monthly team talks and through our employee survey, which was refreshed and re-branded as 'Your Say' in 2015. Our 2015 Your Say survey had the highest participation of any employee survey we have carried out since we started such surveys in 2002, with 26,145 people (66 per cent) (2014: 36 per cent) of our people responding. Importantly, the 2015 survey revealed that the employee engagement score, namely the degree to which our people feel engaged, increased to 68 per cent (2014: 63 per cent). Following the 2015 survey, we will continue to focus on the visibility of our business leaders, employee recognition and clearer communication of business direction to everyone.

The increased emphasis we placed on the development of our leadership capabilities in 2014, through delivering a range of development opportunities and programmes across the Group, continued in 2015 and this will also continue into 2016. These include our successful Leadership and Futures Programmes, backed by our job-family career framework, which encourages people to improve their skills and competencies and develop their careers within Carillion. We also promote an environment in which people feel welcome, included and able to contribute to what we do and how we do it, whoever they are. Our flexible working arrangements, underpinned by family-friendly policies, are a key differentiator for us, helping us to be an employer of choice. This is attractive to our people, particularly to women as evidenced by the fact that the numbers of women returning to work following maternity leave have increased substantially over the past three years. In addition, we believe that giving our people the opportunity to engage in voluntary work within the communities in which we operate, to support charities and other good causes, helps to make Carillion an attractive employer as well as enabling us to deliver more sustainable solutions for our customers. All our people have the opportunity to do voluntary work for up to six days a year on full pay and we continue to promote and facilitate take up of this across the Group.

Key performance indicator

2. To be a recognised leader in Health & Safety and in Sustainability.

Health & Safety

22%

Reduction in Lost Time Incident Frequency Rate to 0.188

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.

During 2015, we launched a new road safety charter and programme called 'One Road to Safety'. Through this programme we have committed to reducing instances of road traffic offences and road traffic accidents by providing information to our employees on safe driving behaviours. The programme has three pillars based on people, vehicles and behaviour and when fully implemented it will:

- provide driver training to all commercial, company car and trade-out (those who choose to take a car allowance instead of a company car) drivers
- educate drivers on our standards
- ensure all our drivers who drive on company business have a Carillion Permit to Drive
- ensure our drivers are fit to drive
- ensure drivers do not exceed the legal limits placed on drivers' hours
- have defined standards on journey times, speeding, seat belt use, mobile phone use, drug and alcohol use
- educate drivers on the use and regular monitoring of telematics in commercial vehicles
- report our progress through a suite of driving KPIs
- ensure all vehicles used by Carillion have a high safety specification
- ensure our vehicles are fit for the trade they are being used for and
- ensure all vehicles supplied by Carillion are maintained in a roadworthy condition.

During 2015, we also continued to develop our health strategy called 'Health Like Safety', which recognises that health issues are just as important as safety issues and must be managed with the same rigour as safety issues, using the same tried and tested techniques. In addition to ensuring that health risks are controlled on site, we also made a commitment in our strategy to provide defibrillators at as many workplaces as possible. This decision almost certainly resulted in two lives being saved on our Battersea Power Station project where, in separate incidents, workers had serious heart attacks and the defibrillators were used by our own first-aiders to revive them before paramedics took over.

Once again we took part in the Global Corporate Challenge, an initiative to encourage teams of our employees to increase physical activity by competing against other teams around the world to see who can walk the most steps. In Carillion, 307 teams comprising 2,149 people took part, with each person averaging 13,509 steps every day. Participants reported major health benefits, with an average weight loss of 4.1kg per person and substantial improvements in health and lifestyle scores. 59 per cent of participants also reported an increase in either productivity or concentration as a result.

Chief Executive's strategic overview
continued

Sustainability

£33.8m

Contribution to profit 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.

Our 2020 Sustainability Strategy aims to achieve six Positive Outcomes, namely, building a successful business, leading the way in our sector, cutting carbon, protecting the environment, supporting sustainable communities and providing better prospects for our people. To monitor and measure our performance and progress we have independently-verified Key Performance Indicators for each of our Positive Outcomes, supported by a balanced set of objectives across economic, environmental and social responsibility. *An overview of how we are becoming a more sustainable business is set* out on pages 18 to 21 of this strategic overview. In addition, we publish an extensive annual sustainability report in April of each year.

We use external benchmarking to assess our performance and leadership in sustainability and to learn from others. Our leadership was again exemplified in 2015 with Carillion retaining PwC's Building Public Trust Award for Sustainability Reporting for an unprecedented third consecutive year. We were also one of only two UK Industrial Sector companies that were awarded a Climate A-grade within the CDP (formerly the Carbon Disclosure Project) index for cutting carbon - achieving a score of 98A for disclosure and performance in tackling climate change. We also continue to benchmark our performance through initiatives such as Business in the Community's (BITC's) Corporate Responsibility Index, where we maintained our position among the most responsible companies, by securing a 4-Star (97 per cent) rating. We also secured a place in the Times' list of Top 50 Employers for Women and a Diversity Champion Award, through our investments in diversity and inclusion. Carillion has also been re-accredited as a member of the FTSE4Good Index, which measures the performance of companies that meet globally recognised standards of corporate responsibility.

We also continue to invest extensively in external partnerships with organisations such as BITC, and I chair its Community Impact Leadership team. After eight years of supporting disadvantaged groups under the national Ready for Work scheme, we provided our 1,000th work placement during 2015 and helped our 400th person to secure employment. This, together with our schools engagement programmes and industry-leading apprenticeship programme, exemplifies the investment we are making to create a skilled workforce of the future, which is essential to building a sustainable and profitable business.

Key performance indicator

3. To improve customer satisfaction.

+36

Net Promoter Score

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 Promoter 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). This was a very good score, especially as we successfully mobilised an unprecedented volume of new contracts in 2015, given that all new contracts take time to reach full efficiency. We therefore believe our NPS score indicates that we are a leader in customer service in the sectors in which we operate. Furthermore, with the introduction of a new assurance mechanism and enhanced customer feedback arrangements, supported by our refreshed governance model, we believe we are on track to achieve our future targets of +42 in 2016 and +44 in 2017.

Key performance indicator

4. To reduce costs and improve efficiency to support margins.

5.3%

Group underlying operation margin(1)

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.

Key performance indicator

5. To deliver cash-backed profit.

104%

Profit to cash conversion

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 are based on the definitions set out in the key financial highlights on page 1.

Work-winning

In 2015, we won new orders and probable orders worth £3.7 billion (2014: £5.1 billion), while maintaining our selective approach to choosing the contracts for which we bid in order to support margins and achieve the cash flows we expect from contracts. This represented a good performance, given that the UK General Election in May was accompanied by the usual hiatus in major public sector contract awards, and we had fewer bids reaching contract award stage in the first half of 2015, compared with the corresponding period in 2014. Consequently, the total value of new orders and probable orders won in the first half of the year reduced to £1.0 billion (2014: £3.2 billion), however the pace of work-winning picked up in the second half of the year during which we won some £2.7 billion of new orders and probable orders (2014: £1.9 billion).

At 31 December 2015, we had total orders plus probable orders worth £17.4 billion (2014: £18.6 billion), which in absolute terms remained very strong in relation to the Group's annual revenue. Consequently, revenue visibility[1] for 2016 also remained strong at 84 per cent (2014: 85 per cent), which, with the exception of 2014, is as high as it has ever been at a year end.

Order book plus probable orders

£17.4bn

2014: £18.6bn

	2015 £bn	2014 £bn
Support services	12.7	14.1
Public Private Partnership projects	1.2	1.2
Middle East construction services	0.8	0.9
Construction services (excluding the Middle East)	2.7	2.4

Revenue visibility[1]

84%

2014: 85%

Potential value of framework agreements won

£2bn+

2014: £2bn

Pipeline of contract opportunities

£41.4bn

2014: £39.2bn

	2015 £bn	2014 £bn
Support services	12.1	11.1
Public Private Partnership projects	2.4	2.5
Middle East construction services	16.0	15.4
Construction services (excluding the Middle East)	10.9	10.2

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

Over recent years there has been a growing trend among some of our customers towards awarding more framework contracts. In 2015, we were awarded several multi-year frameworks with a potential revenue value of over £2.0 billion, which was an exceptionally strong performance. Although we do not include the value of frameworks within our order book or probable orders, we expect them to generate substantial revenue in addition to that from orders and probable orders, which also supports our expectation that we will make further progress in 2016.

Furthermore, we saw the value of our pipeline of contract opportunities increase to over £41 billion, which includes only specific contracts that have passed our initial selectivity criteria and which we are either already bidding or which we expect to come to market.

Prospects

Looking forward, we expect to continue benefiting from our successful strategy and integrated business model. Although trading conditions remain challenging in several of our markets, we continue to see signs of some improvement, especially in the UK, and we have a strong order book plus probable orders worth £17.4 billion. This also continues to give us good revenue visibility, which was 84 per cent for 2016 at 31 December 2015.

In addition, we have our strong pipeline of contract opportunities worth over £41 billion, which is spread across all our geographies and most of our market sectors, on which further details can be found in Market overview on pages 12 to 15.

As always, there are a number of risks and uncertainties that may affect our ability to take advantage of these opportunities. Details of our principal risks and uncertainties are set out on pages 28 to 31, together with a description of the Group's rigorous risk management processes and the specific measures we are taking in order to manage and mitigate our principal risks. The prolonged low oil price clearly has the potential to adversely affect some of our customers' investment programmes, notably in the Middle East. Although Middle East construction generates only around 10 per cent of our operating profit, to help mitigate the potential impact of the low price, we will continue to work with customers on opportunities to utilise UK Export Finance and Public Private Partnership projects. It is also worth noting that in respect of the forthcoming referendum on the UK's membership of the European Union, Carillion has no operations on mainland Europe as we have pursued our consistent strategy of focusing on the UK, Canada and the Middle East and North Africa. Therefore, although we draw upon the European labour markets and we source some materials from Europe, we do not regard the decision on the UK's membership of the European Union to be one of our top ten principal risks.

Given the strength of the Group's order book, our pipeline of contract opportunities and operating cash flow, which enables us to continue investing to support our strategy for growth, we believe the overall outlook remains positive and that the Group continues to be well positioned to make further progress in 2016.

Key performance indicators for 2016

In order to support our strategy and targets for growth, the Board will continue to monitor the business metrics set out on pages 4 to 5 and report on the following key performance indicators for 2016, as these continue to be relevant to the Group's development and success.

1. To develop and attract excellent people to create a vibrant, diverse and flexible workforce;
2. To be a recognised leader in Health & Safety and Sustainability;
3. To improve customer satisfaction;
4. To reduce costs and improve efficiency to support margins; and
5. To deliver cash-backed profit.

Richard Howson
Group Chief Executive
3 March 2016

Market overview

We have established strong market positions in our chosen markets.

The focus of our operating activities continues to be targeted towards our long-established markets of UK, Middle East and North Africa and Canada. Within these markets our operations benefit from our ability to provide integrated solutions to address the needs of our customers, our exposure to a broad mix of blue-chip and Government customers and our expertise across a wide range of economic sectors. This section of our Annual Report aims to provide an overview of the key markets and the main activity drivers in relation to our operating units. The charts below set out an analysis of Group's revenue and order book by operating segment.

Revenue

£4.6bn
2014: £4.1bn

Support services	55%
Public Private Partnership projects	4%
Middle East construction services	13%
Construction services (excluding the Middle East)	28%

Order book
(secure orders plus probable orders)

£17.4bn
2014: £18.6bn

Support services	73%
Public Private Partnership projects	7%
Middle East construction services	5%
Construction services (excluding the Middle East)	15%

Support services

We are a leading international support services company with a broad range of skills and capabilities. We maintain and operate buildings and infrastructure, notably for large property estates and for transport and utility networks. We provide services to central government departments, local authorities, operators of utilities and transport networks and blue-chip companies in the private sector.

The table below sets out a summary of our support services target market sectors by geography.

	UK	Canada	Middle East and North Africa
Property and facilities management			
Corporate	•		
Defence	•		•
Health	•	•	
Home affairs and justice	•		
Local Government	•		•
Natural resources		•	
Infrastructure services			
Airports	•	•	
Electricity transmission and distribution	•	•	
Highways maintenance	•	•	•
Natural resources		•	•
Oil and gas	•	•	•
Rail	•		
Telecommunications	•		
Accommodation services			
Remote construction and development		•	
Natural resources		•	

UK Support Services
We are one of the largest support services businesses in the UK with a significant proportion of our revenue and order book generated from central and local government customers. Consequently our work-winning performance during the first half of 2015 was impacted by the slow-down in Government-related contract awards ahead of the UK General Election in May 2015, with this market returning to more normal levels during the second half of the year. Gross Domestic Product for the UK grew by 2.2 per cent in 2015 and it is currently forecast to grow by a similar amount during 2016, which should continue to support growth in our UK markets. Our UK support services activities are focused on two main markets, property and facilities management services and infrastructure services. The UK property and facilities management services market is estimated to be worth £45 billion per annum and is generally considered to be a relatively mature market. Nevertheless, we believe that this market will continue to offer opportunities for growth due to:

- public sector organisations continuing to move towards a commissioning role, rather than a delivery role, leading to the outsourcing of a wider range of services to the private sector
- the need for Local Authorities and Government departments to reduce costs, while maintaining or improving service quality, leading to an increase in the outsourcing of services to the private sector and
- growing demand from both the public and private sectors for innovative, cost-effective or value-adding solutions, including multi-service contracts.

The UK's infrastructure services market is estimated to be worth around £23 billion per annum. Long-term prospects for this market remain positive, with expected growth of around 6 per cent per annum over the coming years, underpinned by the following factors:

- Increased demand driven by the need to extend and upgrade utility networks, e.g. expected investment of £2 billion in broadband services over the next five years and £25 billion of investment in electricity power transmission and distribution over the next seven years
- Increased investment in renewing and upgrading highways from £2.9 billion to £4.1 billion per annum by 2020, under the UK Government's 'Roads Investment Strategy' and
- Planned investment by Network Rail of £35 billion in renewing and upgrading the UK's rail network over the period to 2021.

Canada Support Services
Our support services business in Canada is focused on the property and facilities management services market, which is estimated to be worth £14 billion per annum, the remote site accommodation services market, which is estimated to be worth £3 billion per annum, and the infrastructure services market, which is estimated to be worth £23 billion per annum. Reflecting its exposure to natural resources, growth in Gross Domestic Product for Canada reduced from 2.4 per cent in 2014 to around 1 per cent in 2015, but is forecast to improve to 1.6 per cent in 2016. The majority of our services that are targeted at the natural resources markets support the operation of existing assets, as opposed to new greenfield investments, and consequently we consider these markets to be less sensitive to changes in oil and other commodity prices. Although there is inevitably some uncertainty over the potential impacts of oil and commodity prices remaining at their current low levels for a much longer period, we expect the following factors to help underpin our support services activities in Canada:

- Our property and facilities management activities are expected to benefit from pressures on the public sector to reduce costs, an increase in the range of services outsourced by both the public and private sectors and an increase in facilities management services arising from the growing Public Private Partnerships market
- Our accommodation services business is expected to benefit from continued investment in the development of remote assets and infrastructure and the consequent need to support workers engaged on existing operations undertaken by oil and mining companies and
- Our infrastructure services activities are expected to benefit from Canada's programme to upgrade its power transmission and distribution networks, estimated to be worth over £50 billion, the opportunity to expand our highways maintenance activities into new territories and our ability to enable customers in the natural resources sectors to reduce costs through the provision of integrated service solutions.

Middle East and North Africa Support Services
Our Middle East and North Africa support services business is focused on the property and facilities management services market, which is estimated to be worth £4 billion per annum, and on the infrastructure services market, which is estimated to be worth £2 billion per annum. The Middle East economies have benefited from relatively healthy growth rates in recent years, however, the region's exposure to hydrocarbons and the fall in the oil price over the past year or so, is expected to result in a slow-down in growth in 2016. However, our support services operations in the Middle East are undertaken in support of operating and maintaining existing facilities, rather than new investment in oil industry facilities, and therefore we believe they are less sensitive to the effects of a prolonged low oil price. Although there is inevitably some uncertainty over the potential impacts of the oil price remaining at current low levels for a much longer period, we expect the following factors to underpin the future prospects for our support services business in the Middle East and North Africa region:

- Our property and facilities management activities are expected to benefit from opportunities to extend our activities beyond the UAE, due to growth in the number, size and complexity of buildings across the Gulf region, as individual countries continue to invest in the diversification of their economies away from oil and

Market overview
continued

- Our infrastructure services operations are expected to benefit from growing opportunities arising across the Gulf region from the adoption of planned highways maintenance regimes, increased investment in rail and scope to develop our oil and gas sector services to support the operation and maintenance of existing facilities.

The estimated sizes of our target support services markets are summarised in the table below, for each of our geographies, together with the total size of each market.

	UK		Canada			Middle East and North Africa	
Annual value	Infra	FM	Infra	FM	Accom	Infra	FM
Total market £bn	23	45	23	14	3	2	4
Target market £bn	7	25	13	7	1	0.5	2

Note:
Infra = Infrastructure
FM = Facilities Management
Accom = Accommodation

Public Private Partnership (PPP) projects

We are one of the world's leading companies in delivering PPP projects, for which we use our sector-leading expertise in arranging project finance, combined with our construction and support services capabilities, to deliver a wide range of asset-based services for public sector customers. The table below summarises our PPP target market sectors for each of our geographies.

	UK	Canada	Middle East and North Africa
PPP target sectors			
Health	•	•	•
Education	•		
Highways	•	•	

In the UK, the PPP market continues to offer a steady flow of new project opportunities, which is expected to remain at a similar level to that over recent years. Future projects are expected to be focused in the health, transport and education sectors, where we have strong track records, and the capital value of these projects is estimated to be worth in the region of £6 billion over the next five years.

Canada continues to have a major PPP investment programme, which has a capital investment value estimated to be worth around CA$60 billion over the next 10 to 15 years. Our target markets, which are estimated to be worth around CA$20 billion over this period, are primarily in Ontario and British Columbia. However, we are also beginning to see a growing pipeline of new potential PPP opportunities in other Provinces.

As yet, we have no PPP projects in the Middle East and North Africa. However, a number of Gulf States continue to explore opportunities for using private finance models to deliver buildings and infrastructure. Given planned investment is growing across most of our Middle East markets, particularly in social infrastructure, we are seeking to use our leadership in PPP projects to differentiate our offering and help mitigate the effects of a prolonged low oil price. For example, we have recently signed a Memorandum of Understanding with the Oman Investment Fund to develop PPP opportunities. We are also continuing to use the leadership position we have developed in the Gulf through working with UK Export Finance to offer customers an attractive source of project funding. This also differentiates our offering and should help us to mitigate the effects of a prolonged low oil price.

Middle East construction services

We offer a selective, sector-leading construction capability in our chosen markets in the Middle East, focused on large, higher value-added contracts for customers with whom we have, or can build, long-term relationships. The table below summarises our target market sectors in the Middle East.

	United Arab Emirates	Oman	Qatar	Kingdom of Saudi Arabia
Building construction				
Defence	•	•	•	
Education	•	•		
Health	•	•		•
High rise residential	•	•	•	
Mixed use	•		•	
Leisure	•	•	•	
Infrastructure construction				
Airports	•	•	•	
Rail			•	
Oil and gas	•	•	•	

Our Middle East construction activities serve both the building and the infrastructure markets. Construction activity across a number of Middle East territories has remained healthy over recent years, as countries continue to diversify their economies to reduce their reliance on the oil market. We expect activity in certain markets to continue to be driven by specific factors, such as the 2022 football world cup in Qatar and Expo 2020 in Dubai, although we remain cautious about the potential impacts of the prolonged low oil price on our revenue and margins. As mentioned above, we are already seeking to use our leadership positions in PPP projects and in UK Export Finance, to mitigate the potential effects of the low oil price on our activity levels in the Middle East. Over the longer term, other factors expected to underpin future volumes include the following:

- We expect our building activities to benefit from increased demand for hotel and leisure facilities driven by the growth in tourism and increased investment in social infrastructure to support population and economic growth and
- We expect our infrastructure activities to benefit from increased investment in roads and railways and the need for further investment in airport facilities, to support the expected growth in tourism.

The estimated sizes of our target Middle East markets of building and infrastructure are summarised in the table below, together with the total size of each market.

Annual value	Middle East construction services Building	Middle East construction services Infrastructure
Total market £bn	12	11
Target market £bn	4	1

Construction services (excluding the Middle East)

This business segment includes our construction activities in the UK and Canada. In both countries, we offer a selective, sector-leading construction capability, focused on large, higher value-added contracts for customers with whom we have, or can build, long-term relationships. Our construction capability is also key to our ability to offer fully integrated solutions for PPP projects in both the UK and Canada. Furthermore, in Canada, we are focusing our construction activities on PPP projects and moving away from traditional construction. The table below summarises our target market sectors for construction services in the UK and Canada.

	UK	Canada
Building construction		
Commercial and offices	•	
Defence	•	
Education	•	•
Health	•	•
High rise residential	•	
Infrastructure construction		
Airports	•	
Electricity transmission and distribution	•	•
Highways	•	•
Rail	•	

The UK construction market continues to recover, as indicated by the January 2016 construction purchasing managers' index of 55.0, which has remained above the neutral 50.0 threshold for 21 consecutive months. Volumes are expected to continue recovering, with the Euroconstruct forecast suggesting that the UK non-residential market is expected to grow at five to six per cent per annum, within which the fastest growing sectors are expected to be commercial, office and education buildings. UK infrastructure volumes are also expected to grow, driven by planned investment in a variety of infrastructure projects, notably roads and railways, including High Speed 2. In Canada, the market remains very competitive, which is why we have tightened our selectivity criteria there in order to focus increasingly on construction work secured through PPP projects. Factors expected to underpin future volumes for our construction activities in the UK and Canada include the following:

- Our UK building business expects to benefit from demand for new high-specification commercial buildings, institutional investment in new property developments and selective public sector investment in our target market sectors, for example, there is £23 billion of planned investment in school buildings over the next five years
- Our UK infrastructure business expects to benefit from planned investment of £61 billion in road and rail under the National Infrastructure Plan. In addition, we expect significant opportunities to arise from High Speed Rail 2, Crossrail 2 and the expected investment of £110 billion by the electricity supply industry over the next 10 years and
- In Canada, we expect current levels of demand to be underpinned by investment in buildings and infrastructure by Federal and Provincial government.

The sizes of our target markets in the UK and Canada are summarised in the table below, together with the total size of each market.

Annual value	UK Building	UK Infrastructure	Canada Building	Canada Infrastructure
Total market £bn	39	18	9	35
Target market £bn	18	9	3	1

Our business model

Our integrated business model enables us to use our three core service offerings of support services, project finance and construction, either individually or in combinations, to create unique solutions for our customers, designed to meet their specific needs.

Resources

How we add value

RESOURCES

Financial strength

Excellent people

First class expertise

Leadership in health & safety

Leadership in sustainability

Integrated solutions for customers

HOW WE ADD VALUE

Support services

Project finance

Construction services

Support services
The provision of maintenance, facilities management and energy services for major buildings and large property estates, for both public and private sector customers, infrastructure services including roads, railways and utilities networks, notably telecommunications and power transmission and distribution, and remote site accommodation services.

Project finance
Arranging the funding for Public Private Partnership projects to deliver public sector buildings and infrastructure in which we invest equity and for which we win construction and long-term support services contracts.

Construction services
The delivery of a wide range of buildings and infrastructure, focused on large contracts for long-term public and private sector customers for whom quality and reliability are paramount.

We take an integrated approach to everything we do by using all our resources and skills to:

- select the investments we make in our people and business to support our strategy for growth
- choose 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
- deliver contracts safely and successfully and achieve high-levels of customer satisfaction
- achieve our target margins and cash flows to create value for all our stakeholders, as well as value we can reinvest in our business and
- manage our ongoing cost reduction and efficiency programmes to support margins

How we do it

Centralised operating platform

This enables us to implement our policies and processes consistently across the Group, to manage our back-office functions efficiently, to deliver cost management and efficiency programmes effectively and provide senior management with visibility and control to support the successful delivery of individual contracts and the Group's key objectives. This platform is also readily scaleable, which means it can accommodate the new contracts we win and the businesses we acquire.

Living our Values
A culture in which our employees instinctively live our Values in everything they do is fundamental to the success of our integrated business model and centralised operating platform and to achieving high standards of service delivery and corporate governance.

Page 8

High standards of corporate governance
This is a cornerstone of our business, with rigorous policies, procedures and mandatory training that are designed to create a responsible business culture, which defines the way we do business and enables us to achieve high-standards of customer service, risk management and accountability.

Pages 41 to 49

Strong risk management
Rigorous risk management processes that identify, manage and mitigate risk are fundamental to the success of our centralised operating model.

Pages 26 to 31

Embedding sustainability into everything we do
By embedding sustainability into everything we do in order to lead the way in our sector and be the benchmark in sustainability, we seek to drive demand for sustainable solutions and be the provider of choice for customers.

Pages 18 to 21

Building long-term partnerships with customers, partners and suppliers
With contracts that last for up to 30 years or more, creating trusted, long-term partnerships with customers, whose satisfaction we monitor and measure using Net Promoter Score, together with strong relationships with partners and suppliers, is essential to the success of our business.

Page 10

First-class supply chain management
We have a sector-leading supply chain management system, based on category management, which involves teams of supply chain professionals who specialise in buying individual goods and services, to meet the Group's needs world-wide, from suppliers who are carefully selected and vetted against a wide range of performance criteria. This enables us to build strong, trusted relationships with fewer high-quality suppliers, to whom we can offer greater volumes and long-term visibility, and from whom we obtain competitive prices.

Page 19

On pages 22 to 25 you will find a number of case studies that illustrate the strengths of our business model in action.

Key outputs

Building a sustainable business that creates value for all our stakeholders. We reinvest some of that value to continue growing our business.

Financial strength
Delivering profitable growth with cash-backed profit in order to provide attractive returns for our shareholders and continue investing in our business to support our strategy for growth, while maintaining a robust capital structure and the confidence of the debt and equity markets.

Excellent people
Developing and attracting excellent people to create a vibrant, diverse and flexible workforce, committed to delivering profitable, sustainable, high-quality, value-for-money services for our customers.

Developing and attracting high-quality partners and suppliers with whom we form long-term partnerships to support service delivery.

First-class expertise
Developing the knowledge and skills we have across our business through investing in training and by transferring knowledge and expertise between and across all our business to enhance our ability to design and deliver bespoke solutions for customers.

Leadership in Health & Safety
Enhancing our credentials as a recognised leader in Health & Safety, which is our priority and important to our customers, helping us to win more work and deliver it safely.

Leadership in sustainability
Enhancing our credentials as a recognised leader in sustainability, by achieving our sustainability targets and the six positive outcomes upon which our 2020 sustainability strategy is based, in order to build an increasingly sustainable and successful business.

Sustainability – making us a better business

At Carillion we continue to lead the way in sustainability. It is an integral part of our business model (pages 16 and 17), it is embedded in all our decision-making and it is fundamental to how we create value for all stakeholders. Our sustainable approach gives us a competitive advantage through innovation, efficiency, responsiveness and building strong partnerships.

Delivering our 2020 Sustainability Strategy

Building a sustainable business that creates value for all our stakeholders is at the heart of the Group's strategy and business model. Our 2020 Sustainability Strategy is structured around business, society and the environment, with specific, measurable targets to achieve six positive outcomes, all of which are independently verified.

Better business

Building a successful business	Leading the way with our customers and suppliers

Better society

Providing better prospects for our people	Supporting sustainable communities

Better environment

Enabling low carbon economies	Protecting the environment

Since embarking on our 2020 Sustainability Strategy in 2010, we have made good progress towards achieving these outcomes. Our approach is overseen on behalf of the Board by our Sustainability Committee, which is chaired by Dr Ceri Powell, one of our Non-Executive Directors.

The Committee regularly reviews the issues that our stakeholders consider to be the most material to our strategy, including:

- developing and attracting excellent people
- creating a diverse and flexible workforce
- the safety, health and wellbeing of our people and all who are involved with, or affected by our operations
- financial performance
- managing strong supplier relationships and upskilling suppliers
- local community engagement, including offering training and apprenticeship opportunities
- human rights
- strong corporate governance and management of sustainability
- carbon emissions and energy efficiency
- efficient use of materials and waste minimisation and
- minimising the use of water.

A report on the work of our Sustainability Committee can be found on page 52

2015 Highlights

- Won the PwC Building Public Trust Award for the third consecutive year
- Shortlisted for BITC's Responsible Business of the Year
- Achieved 4-star rating (97%) in BITC's Corporate Responsibility Index
- Re-accredited as a FTSE4Good company
- Achieved our 1,000th Ready for Work placement, and our 400th person supported into employment
- Awarded highest score possible (WWF 3-tree grading) for timber sourcing
- BITC Opportunity Now Diversity Champion 2015 and Times Top 50 Employer for Women

22%
reduction in Lost Time Incident Frequency Rate (LTIFR)

£33.8m
net operating profit contribution through sustainability strategy

+36
Net Promoter Score measuring customer satisfaction

98A
near-perfect score for climate change action (Carbon Disclosure Project)

1%
of pre-tax profit donated to community activities

58%
of external UK supplier spend with local businesses

98%
of sourced timber meets FSC or equivalent standards

31%
reduction in our carbon footprint since 2011 (normalised)

94%
of waste diverted from landfill

68%
employee engagement score

"Sustainability makes a fundamental difference to the success of our business. It is not all about the bottom line, as the health, safety and welfare of our people and those touched by our operations always come first. Creating shared value and a profitable business is key to delivering a balanced sustainability strategy and long-term positive legacies where we work and live."

Richard Howson,
Chief Executive, Carillion

Read more about our strategy and performance in our Sustainability Report 2015: **www.carillionplc.com/sustainability2015** which will be published in April 2016

Better business

We are supporting sustainable economic growth across the geographies in which we operate, through providing jobs, training and maximising local procurement, as well as directly through the infrastructure we build and maintain. Our expertise in cost-efficient, reliable and creative operational delivery has come to distinguish us from others, backed up by our commitment to responsible business. Our vision is to continue helping to lead our customers and suppliers on that journey too.

2015 Highlights
- £33.8m contribution to underlying operating profit
- +36 Net Promoter Score measuring customer satisfaction
- 58% of UK supplier spend with local businesses
- Level 5 of the Government's Flexible Framework for Procurement

Building a successful business
In 2015, we estimate that our sustainability initiatives made a net contribution to operating profit of £33.8 million (2014: £27.2 million), which is very strong progress towards our 2020 target of £40 million. How did we do this? We continued to reduce waste, improve efficiency, develop our talented, flexible and diverse workforce, build strong relationships with customers and suppliers and work with them to create innovative, cost-effective services.

Leading the way with our customers and suppliers
We have been accredited to BS11000, the British Standard for collaborative business relationships since 2013 and we are now working with our customers to help them attain this standard. In 2015, our external expenditure with suppliers was £3.4 billion, through which we help our suppliers become more sustainable. Nearly 7,200 suppliers have been accredited to sustainability standards, with 8 per cent performing at the highest A-grade level, and we are a Board-level Funding Partner of the Supply Chain Sustainability School.

We remain focused on supporting small and medium enterprises (SMEs) and in 2015, 31 per cent of our suppliers were SMEs, exceeding the UK Government's target for its strategic suppliers, which includes Carillion, of 25 per cent. Over 4,000 accredited SME suppliers are supported by our Small Business Charter. Our Early Payment Facility was extended in 2015 to cover 60 per cent of our UK external spend with suppliers, with over 400 suppliers now using this service.

Finalist in Responsible Business of the Year Award

We were selected as one of five finalists in the Business in the Community (BITC) Responsible Business of the Year Award 2015. The award recognises UK businesses that integrate sustainability issues most effectively across their strategy and operations, are influencing others to collaborate and create the conditions for long-term sustainable change.

Chartered Institute of Procurement & Supply (CIPS) Corporate Certification Standard

"Carillion is constructively and consistently responsive to the Thameslink programme's sustainability agenda. They are active participants in our forums, our activities and our initiatives. Overall, they give us this 'can do' approach that really instils confidence in their ability to achieve our sustainability agenda."

Annamarie Compton, Environment Manager, Network Rail

Better society

We aim to make a net positive contribution to society, by providing inclusive, inspiring employment and training opportunities and we seek to build a loyal, motivated workforce that adds value to our business. In our ambition to share value and create a legacy of vibrant communities, we seek to stimulate dynamic local economies, which is an increasingly important differentiator for our business.

2015 Highlights
- 22% reduction in Lost Time Incident Frequency Rate
- 17% of our leadership population are women
- Achieved "Silver Banding" in the BITC Gender Benchmark
- 400th person supported into employment via the Ready for Work programme

Providing better prospects for our people
Investing in developing the skills of our people and their wellbeing makes us an attractive employer in a competitive employment market. It also helps us create positive legacies for the communities in which we work and live.

Sustainability – making us a better business
continued

A safe workplace
In 2015, we made further progress towards our goal of zero accidents on our work sites and we stepped up our focus on road safety with a new campaign, ONE Road to Safety. When we asked our people how they rated the statement in our Group-wide survey, Your Say, "I am encouraged to get involved in creating a safe working environment", 85% responded positively. But we know one accident is one too many, so we remain totally focused on our target of zero accidents.

A diverse workforce
The benefits of a diverse workforce are rooted in our belief that it inspires our people, improves our performance and increases profitability. Improving the gender diversity of those in leadership positions in particular is helping us to attract and inspire the next generation of leaders. 18 per cent of our leadership population are female and we continue to target 30 per cent by 2020. Furthermore we have seen a substantial increase in women returning to work after maternity leave to over 95 per cent.

We also continue to support diversity networks, such as Women in Leadership, and promote our own Working Mums' Network. This 200-strong network has so far given 990 hours of voluntary support, equivalent to an investment of approximately £23,400 by Carillion. Two female employees, Kat Fidler (Sky Blue) and Nicole Bouchier (Bouchier) both received awards for championing diversity, and we were listed for the first time in The Times' Top 50 Employers for Women, linked to the national Diversity and Inclusion 'Opportunity Now' Awards. We are also a national sponsor of the UK's YourLife programme, which promotes and supports Science, Technology, Engineering and Maths (STEM) studies among 14 to 16 year olds.

18%
of our leadership population are female compared with our target of 30% by 2020

29%
of Board membership is female

Through our volunteering programmes, Carillion people work with disadvantaged groups who may face barriers to employment or simply need a little extra help to demonstrate the contribution they can make.

"My mum used to sign this to me when I was young – 'If there is a single lesson in life that a young deaf person must learn, it's that wishing for something does not work, but education and hard work does'. Skyblue saw something in me, took a chance and now I am a productive member of staff."

Jordan (a Carillion employee)

Our business in Canada won the Progressive Aboriginal Relations Bronze award.

A fair workplace
We pay close attention to human rights across all our businesses and we continue to focus on our operations in Qatar, where we have audited over 120 suppliers to assess the living standards of their employees who work on our sites. Where living conditions do not come up to the standards we expect, we offer to work with suppliers to help them improve the living conditions of their people. If suppliers continue to fail to achieve the standards we expect, we cease to work with them. As regards health and safety, we apply the same standards across all our work sites, regardless of location or geography.

Supporting sustainable communities
Adding value to society starts on our doorstep. Our pledge is to leave a long-lasting, positive legacy in the communities where we work. This means focusing on local jobs for local people, training and community engagement.

In schools, 283 Carillion employees volunteered more than 1,800 hours between 2013 and 2015 to support Business Class, BITC's programme for school children at risk of becoming marginalised.

With over 1,500 places for apprentices in 2015, we continue to be the largest trainer and employer of construction apprentices in the UK, helping to tackle the country's skills shortage and build a talented resource for our own business.

In partnership with BITC, we supported our 400th Ready for Work participant into employment in 2015 and offered our 1,000th work placement since we began supporting this programme eight years ago. Through these placements, we are enabling some of society's most vulnerable people to get back into employment, and we introduced specific support in 2015 for women seeking work placements.

We also work with policy makers, local and national authorities to improve the ways in which such programmes can create social value. For example, we are helping customers respond to the UK Government's Public Services (Social Value) Act, which requires them to take into account wider social, environmental and economic benefits when procuring public services.

Carillion holds career fairs in schools and also provides opportunities for students to have 'mock' interviews to help them move on to further education or into employment.

"Signing the EngTechNow Charter demonstrated our commitment to engineers of the future. It also sets out our promise to strengthen the professional status of engineering technicians and apprentices entering the profession through proven and practical measures."

Euan Burns, Chief Engineer, Carillion Services, commenting on the Charter at the Parliamentary launch of a report on solutions to fill the engineering skills gap

18%
of employees use Carillion's special leave policy for voluntary work

over 400
schools engaged with in 2015

In 2015, we completed the construction of section three of the project to upgrade the A465 to dual carriageway, in South Wales. In line with our objective of using local businesses in our supply chain, 84 per cent of the cost of delivering this project was spent with Welsh companies. This equates to an estimated economic benefit of £180 million. The project team liaised extensively with the local community throughout the project. An on-site Job Shop was created in partnership with Blaenau Gwent Council and 99 per cent of those employed through this scheme came from Wales. It was the first project in Wales to receive National Skills Academy for Construction status.

Supporting charities

Our Non-Executive Chairman, Philip Green is Chairman of the Board of Trustees for Sentebale. This charity helps vulnerable children, the forgotten victims of poverty and Lesotho's HIV/AIDS epidemic. In 2015, ten Carillion volunteers helped to complete building work on the Mamohato Children's Centre, which is a flagship centre for Sentebale's work.

In 2015, we completed the second year of our strategic charity partnership with Barnardo's. People across the business were involved in raising over £155,000 during this partnership, delivering over 1,800 hours of volunteering time and making contributions to five major national projects to support 727 children leaving care.

Our strategic charity partner for the next two years is Hospice UK, which was selected by our employees who were invited to vote for our new partner. Hospice UK champions and supports the work of more than 200 hospices across the country and aims to deliver the highest quality of care to people with terminal or life-limiting conditions and to support their families. They are the national 'voice' of hospice care, and our new partnership will focus on fundraising and volunteering opportunities in 2016 and 2017.

Better environment

We believe in the potential for a stable climate and the need to preserve resources for future generations. Working with our customers and suppliers to cut carbon emissions, rethink waste and be smart about resources makes us a more sustainable business.

2015 Highlights

- One of only two UK industrial sector companies with Climate A-grade in Carbon Disclosure Project index
- Sponsored Day 11 of the ECO Action Games for the Paris Climate Summit social media campaign
- Highest score (3-Tree grading) from WWF for purchasing timber and related products
- 60 contracts targeted BREEAM (or equivalent) Excellent standard
- 47% per cent absolute reduction in waste against 2014 baseline

Enabling low-carbon economies

Low-carbon cities of the future will be built using intelligent engineering. We are already at an advanced stage in trialling new approaches, using Building Information Modelling and embodied carbon measurement, alongside other thought leaders, such as the UK Green Building Council (GBC). We were a key sponsor of the GBC's first ever Cities strategic planning event and we also sponsored its Embodied Carbon Conference, which focused on customer requirements and supplier collaboration across the built environment.

In 2015, 60 of our contracts targeted BREEAM (Building Research Establishment Environmental Assessment Methodology) Excellent standard for environmental design, or a similar rating using an equivalent methodology, such as DREAM (Defence Related Environmental Assessment Methodology). Our Middle East and North Africa business achieved a number of awards for design and integration, particularly for pioneering new approaches to minimising water use and maximising energy efficiency.

We reduced our carbon emissions by a further 31 per cent in 2015 and were highly rated in the CDP's Climate A List for the second year running, achieving a score of 98A (one of only two UK companies to be awarded an A grade in the industrials sector). Initiatives like the introduction of electric vehicles, smart PC technology and our continuing focus on reducing fuel consumption and travel have all contributed to this success.

Gold Leaf Member of the UK Green Building Council

99%

of our contracts have Carbon Reduction Plans (CRP) in place (2014: 96%)

In the table below, we report our Greenhouse Gas emissions (GHG) in tonnes of carbon dioxide equivalent (CO_2e) from the sources required under the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013). We have used the Greenhouse Gas (GHG) reporting protocol to calculate our GHG emissions for 2015, based on data gathered to fulfil our requirements under the CRC Energy Efficiency scheme and on emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2015. We have quoted figures for all sources whose costs are included in our consolidated financial statements. We do not record 'fugitive emissions' as these are not part of our core operations.

The figures reported in the table below have been reviewed by independent external assurance provider, Bureau Veritas. For details of the scope of work and opinion on the accuracy of our stated performance, please see the full assurance statement in our 2015 Annual Sustainability Report, which will be published on our corporate website in April 2016.

Emissions from	**2015 (CO_2e tonnes)**	2014 (CO_2e tonnes)
Combustion of fuel and operation of facilities (Scope 1)	**130,417**	134,656
Electricity, heat, steam and cooling purchased for own use (Scope 2)	**19,875**	25,116
Transport, paper and others including electricity, gas (WTT) and electricity (WTT) (Scope 3)	**15,936**	15,936
Chosen intensity metric: Emissions (tonnes) per million (£) of revenue	**36.2**	43.2

Protecting the environment

Moving towards a 'circular economy' in our sector means drastically reducing, or even eliminating, waste, which our stakeholders reiterate is a material issue. We continue to work towards our target of sending zero non-hazardous waste to landfill.

We remain focused on minimising the use of natural resources and recycling waste - from diverting drywall material from landfill in Canada, to converting excavated rock into roof gravel in Oman. Water consumption across our estate reduced by 24 per cent compared with our 2012 baseline consumption.

We conduct biodiversity risk assessments for all of our contracts, working in partnership with conservation specialists like the UK Wildlife Trusts and the UK Freshwater Habitats Trust. Working with schools and local communities through wildlife volunteering projects continues to be an important feature of our strategy, helping to build relationships between our people and the communities in which we work and live.

Our partnership with the UK Freshwater Habitats Trust helps to protect biodiversity. In 2015, Carillion volunteers worked with the Trust to test water quality.

Our business model in action

Support services
National Offender Management Service

How we apply our centralised operating platform

- Living our Values
- High standards of corporate governance
- Strong risk management
- Embedding sustainability into everything we do
- Building long-term partnerships with customers, partners and suppliers
- First-class supply chain management

In January 2015, Carillion was awarded two contracts by the UK National Offender Management Service to provide facilities management services for public sector prisons in two geographical areas - the first for London and the East of England and the second for South West, South Central, Kent and Sussex. In total, these contracts involve the provision of services to 54 prisons, approximately half the total number operated by the National Offender Management Service.

These contracts were successfully mobilised on 1 June 2015 and together are worth approximately £200 million over an initial five-year period, which can be increased to seven years through two one-year extensions, subject to satisfactory performance.

Under these contracts Carillion is providing a wide range of facilities management services, involving nearly 150 service lines, including mechanical and electrical engineering maintenance, building fabric maintenance, energy management and environmental services, waste management, escort services for contractors coming into prisons, grounds maintenance and landscaping, cleaning services and minor building works. We are also using our sector-leading experience as the largest trainer of apprentices in our sector to engage with and train prisoners to carry out some of these services in order to create for them a pathway to future employment, potentially with Carillion or with other businesses in our sector.

Our success in winning these contracts reflects our ability to understand the needs of our customers and to use all our skills and resources to design and deliver fully integrated service solutions, tailored to their needs, combined with our strong focus on quality, value for money and creating positive outcomes for the communities in which we operate and for the environment. All of this means we can work closely with the National Offender Management Service to support its objectives of providing efficient, high-quality services in public prisons in ways that benefit all its stakeholders.

Public Private Partnership projects
Midland Metropolitan Hospital

How we apply our centralised operating platform

- Living our Values
- High standards of corporate governance
- Strong risk management
- Embedding sustainability into everything we do
- Building long-term partnerships with customers, partners and suppliers
- First-class supply chain management

In August 2015, a Carillion joint venture, The Hospital Company (Sandwell) Limited, was selected as the preferred bidder by the Sandwell and West Birmingham Hospitals NHS Trust to finance, design, build and maintain the new Midland Metropolitan Hospital under a 30-year concession contract using the UK Government's PF2 procurement model. Financial close on this project was achieved in December 2015 and construction work is now underway on site, with completion scheduled for late 2018.

Carillion will invest £13 million of equity in the project, as well as building the hospital at a capital cost of £297 million and delivering facilities management and life-cycle maintenance services that are expected to generate approximately £140 million of revenue over the concession period.

PPP projects draw upon all our resources and skills in order to create integrated solutions for public sector buildings and infrastructure that offer value for money by delivering high standards of design and efficiency at the lowest whole-life cost. Carillion has delivered over 60 Public Private Partnership projects, including more than 20 healthcare projects, making us a global leader in the PPP market.

The new Midland Metropolitan Hospital will be a state-of-the-art facility with over 680 beds and 13 operating theatre suites that will support the Trust in delivering significant improvements in healthcare services for the people of Sandwell and West Birmingham. It has been designed to meet the best international standards to make it truly patient focused and to support the efficient delivery of high-quality clinical services. It has also been designed to the highest standards of sustainability, with a number of innovative design features, including a fully enclosed Winter Garden, car parking within the hospital building on the ground and first floors to create a secure environment for patients and staff, and full separation of clinical activities and journeys from the public and non-clinical activities.

As a leading provider of training and apprenticeships, we are also using this project as another opportunity to provide training and apprenticeships for local people as well as maximising the use of local suppliers, to the benefit of the local economy.

Our business model in action
continued

Middle East construction services
Dubai World Trade Centre

How we apply our centralised operating platform

- Living our Values
- High standards of corporate governance
- Strong risk management
- Embedding sustainability into everything we do
- Building long-term partnerships with customers, partners and suppliers
- First-class supply chain management

In October 2015, the Dubai World Trade Centre awarded Carillion the main contract to deliver a further phase of the Dubai Trade Centre District (DTCD), worth £125 million.

Carillion has operated in the United Arab Emirates (UAE) through its Joint Venture with the Al Futtaim Group for around 50 years, during which time we have established a market-leading reputation, with an outstanding track record of delivering iconic buildings throughout the UAE and this latest contract award reflects and enhances that reputation.

At the time of this contract award, we were nearing the successful completion of the first phase of the DTCD development, the contract for which was awarded in March 2014. Winning the contract for the next phase of this development is just one of many examples across the Group of our success in winning repeat work with long-term customers, for whom integrated solutions that meet high standards of quality, reliability, Health & Safety and sustainability are paramount.

The DTCD is a major development located between the current Dubai International Convention Centre and Emirates Towers in the heart of the City's Central Business District. The vision for the DTCD is to create the world's leading destination for all major exhibitions, conferences and events, with the whole development designed and built to best-in-class quality standards. For example, this latest phase, like the first one, includes international office accommodation that has achieved LEED® Gold Certification[1] from the US Green Building Council - an industry benchmark for green building performance covering design, construction, operation and maintenance.

The news that we had been awarded this latest phase of the DTCD development was announced during a visit by the then UK Minister for Trade, Lord Livingston, to highlight Carillion's success as a leading example of how British expertise is playing a key role in the development and growth of Dubai's infrastructure.

Note
(1) LEED - Leadership in Energy & Environmental Design, is a green building certification programme that recognises best-in-class building strategies and practices.

Construction services (excluding the Middle East)
Liverpool Football Club

How we apply our centralised operating platform

- Living our Values
- High standards of corporate governance
- Strong risk management
- Embedding sustainability into everything we do
- Building long-term partnerships with customers, partners and suppliers
- First-class supply chain management

In December 2014, Carillion signed a contract with Liverpool Football Club (LFC) to expand the main stand at the Club's world famous Anfield Stadium, together with associated improvement works, on which construction began on site early in 2015. The contract will add around 8,500 seats to the main stand, increasing its capacity to over 20,000 and making it one of the largest single stands in Europe with best-in-class hospitality facilities, and increase the overall capacity of Anfield to some 54,000. The work is scheduled for completion during the 2016/2017 football season.

From the outset, building a strong and trusted partnership with LFC has been at the heart of delivering this contract successfully. This is essential to deliver the high standards of operational efficiency, Health & Safety and engagement, both with LFC and the local community, required for the successful delivery of the contract. For example, we are using an innovative programme and construction techniques to manage the work in order to minimise its effects on the Club's activities by keeping the main stand fully operational for every football fixture throughout the contract. Prior to every game, our match-day liaison team meet with the Club's safety team, stadium management and the Liverpool City Council Licensing Authority to inspect the existing stand and access routes, to ensure that all the match-day safety requirements are in place. A match-day Inspection Plan has been developed in partnership with LFC and the City Council, which has to be complete before the stand can be formally handed over to LFC for use on match days.

A key element of the contract was to lift into place a 650 tonne, 140 metre long roof truss with pinpoint accuracy, which was televised as well as being watched live on Twitter and by local people from the surrounding streets. The lift was overseen by an independent panel of safety experts, which reviewed and confirmed the engineering procedures used. Two important pieces of club history, the Shankly Gates and the Hillsborough Memorial, have been safely stored and will be re-integrated respectfully into the new building.

Minimising the impact of the contract on the local community, with whom engagement and communication are key priorities, is also an essential part of this contract. We have also held local job fairs and we are committed to provide placements for at least 50 apprentices for local people.

Operational risk management – A key process

Rigorous risk management is critical to the attainment of our strategic objectives and it continues to remain a key part of our business model.

The Board is responsible for determining the Group's risk appetite in pursuit of its strategic objectives and for maintaining a robust system of risk management (including regular reviews of principal risks) to mitigate any potential impacts associated with these risks.

Our risk management process
The Group has a long-established process and methodology for the identification, quantification, monitoring and management of the principal risks associated with its operations. The Group Head of Risk is responsible for advising on strategic risk issues and for the maintenance of a consistent approach to risk management across the Group. Each of our business units has appointed a Business Group Risk Manager who is a member of the Group Risk Forum, which meets on a quarterly basis and is chaired by the

Our risk management framework
The Group's policy is to ensure that all risks are identified, evaluated and an appropriate response determined prior to any commitment being made to any other party. This policy is supported by clear guidance on process and procedures, risks that are unacceptable to the Group and practical guidance for the management of risk at all levels throughout the business. The diagram below sets out an overview of our risk management framework.

Board
Responsible for setting risk appetite and overall management and review of risks.

Board Sub-committees
Responsible for overseeing the development and implementation of policies relevant to their areas of scope, identification of emerging risks and for monitoring the ongoing effectiveness of our procedures.

Business Integrity Committee
Management of ethics and compliance risks associated with our operations.

Sustainability Committee
Management of sustainability issues relating to our operations.

Audit Committee
Oversees effectiveness of internal controls and risk management on behalf of the Board.

Major Projects Committee
Reviews and approves submission of bids for major projects, capital expenditure and mergers and acquisitions.

Corporate oversight and direction

Chief Executive's Leadership Team
Reviews the Group's operating and financial performance, including key risk developments on a monthly basis, with key issues reported to the Board. Emerging risks, including those associated with major contracts, are also covered during regular performance review meetings by the Executive Directors.

Group Risk Management
The Group Head of Risk chairs the Group Risk forum on a quarterly basis and reports key risks to the Board. The Group Head of Risk also undertakes a six-monthly review of the effectiveness of the Group's internal controls and risk management procedures and reports findings to the Audit Committee for its review.

Other Functional Heads
The Group Health & Safety Director, Chief Information Officer, Chief Sustainability Officer and the Group Compliance Manager are responsible for the development and implementation of the detailed policies and procedures relevant to their areas of responsibility and for the monitoring of ongoing compliance with these policies and procedures by our business units.

Operations

Business Unit
Business Unit Managing Directors and their senior management teams are responsible for embedding the Group's policies and procedures into our day-to-day activities and for reporting performance against these on a regular basis.

Independent peer reviews
Independent peer reviews of contracts are conducted by experienced colleagues from other parts of the business with outputs reported to the Audit Committee.

Operational risk management
Operational risks are monitored and managed through local performance reviews and project risk and opportunity registers.

Assurance
Assurance is provided by internal audit, external audit and through our participation in various external benchmarking initiatives organised by external bodies, e.g. Business in the Community and Investing in Integrity.

Group Head of Risk. Business Unit Managing Directors are responsible for the day-to-day management of risks relating to their businesses and for the regular reporting of these to the Group Head of Risk.

In order to ensure that risk management is addressed at the front end of our operations individual projects are required to appoint Project Risk Managers who are responsible for escalating risk issues to Business Unit Risk Managers. The Group Head of Risk identifies the Group's principal risks based on the output from strategic risk lists submitted by the business units; these risks are then reviewed by the key functional heads and by the risk forum as a further check prior to their submission to the Board for approval. The Group's assessment of principal risks is taken into account in the development of internal audit plans and as part of its evaluation of any new strategic initiatives.

The potential impact arising from each risk is assessed by taking into account the potential cost and the likelihood associated with the crystallisation of each risk. Assessment of cost takes into account both the potential financial and reputational costs. Business Units are required to assess the gross impact associated with each risk and then identify potential mitigation measures, which are taken into account before arriving at a net impact assessment. Both the gross and the net impact assessment relating to each risk is reported to the Group Head of Risk. Assessments of impact and likelihood for each risk are categorised into high, medium and low based on standard definitions, which are applied across the Group.

During 2015, the Board reviewed the Group's principal risks and the Audit Committee reviewed the effectiveness of its internal control in February and August and risk management systems in August. In addition, the Group's principal risks were reviewed by the Board in February 2016. These reviews included an assessment of the Group's overall appetite for risk relative to its current assessment of the likelihood and impacts associated with its principal risks. The Board also monitors the level of risk taken on individual major projects using a model known as the Risk Management Matrix. Following their reviews, the Board and the Audit Committee concluded that the level of risk associated with the Group's principal risks is currently consistent with the Group's overall appetite in relation to these risks. The 'heat map' opposite sets out the positioning of our principal risks by impact and likelihood both before any mitigation measures are taken into account and after the impacts of mitigation measures are taken into account.

Viability statement

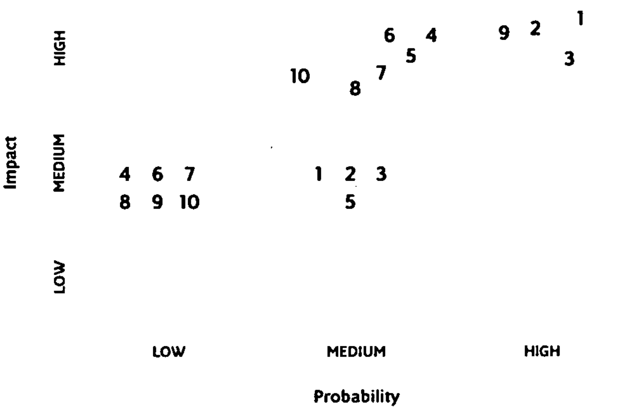
In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required under provision C1.3 of the Code in relation to the adoption of the going concern basis. The Board conducted this review for a period of three years, which was selected for the following reasons:

- The Group's strategic business plan covers a three-year period.
- The construction programmes associated with a majority of the Group's more significant projects often do not exceed a period of more than three years.
- Given its business model and the nature of its markets, the degree of confidence that can be placed on the Group's future revenues diminishes significantly for periods beyond the next three years.

The three-year business plan includes information in relation to the Group's revenues, profits, cash flows, dividends, net debt, and other key financial and non-financial metrics. The business plan includes a level of cover to provide against trading risks and the resulting metrics are subject to sensitivity analysis to illustrate the impact of future deviations in the Group's liquidity position. In addition, the outputs from this plan are tested against the potential impacts from the Group's key strategic risks both individually and in unison.

Based on the results of this analysis, the Directors believe that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Group's principal risks are analysed on a gross and net risk basis



Gross basis — Net basis

1. Work-winning
2. Contract management
3. Pension liabilities
4. People
5. New markets and services
6. Ethics and compliance
7. Systems and cyber security
8. Health and safety
9. Low oil prices
10. Human Rights

The occurrence of the above risks could have a significant impact on the Group's financial position and the simultaneous occurrence of multiple risks could compound the overall financial impact. It should also be noted that the Group is exposed to a much broader universe of potential risks which could impact its future financial performance. As part of its review the Board and Audit Committee consider other risks, which have a potentially significant impact on performance, but are not considered to be among the Group's principal risks due to their remoteness. Further details on the Group's principal risks are set out on pages 28 to 31.

Our principal risks

1. Work-winning

Net impact: **Medium** Probability: **Medium**

Risk description	Potential impact on business metrics	Mitigation	Trend in 2015
Failure to win and retain contracts on satisfactory terms and conditions in our existing and new target markets and geographies, due to changes in customer requirements, increase in competition or reduction in overall demand due to macro-economic factors e.g. impact of low oil prices or availability of finance. **Link to business model outputs** - Financial strength - Excellent people See 'our business model' on pages 16 and 17 for more detail.	- Work won and book to bill ratio - Revenue growth - Delivery of earnings and dividend growth - Attainment of margin targets - Cash conversion and net debt	- Regular analysis of our markets to ensure we understand the opportunities they offer - Ongoing adoption of our rigorous and well-defined selectivity criteria that are designed to ensure that we take on contracts only where we understand and can manage the risks involved - Listening to our customers to ensure we understand their needs and that we meet or exceed them - Continually seeking to differentiate our offering through service quality, value for money and innovation - Annual efficiency and cost reduction programmes to help us remain competitive - Continued reinforcement of our strong Values-based culture to support our objective of being viewed as a trusted partner by our customers	**Increasing** The Group secured £3.7 billion new secured orders and probable orders during 2015 with a significantly improved performance during the second half, following a weaker first-half performance, which was impacted by the UK General Election. Looking ahead, although we have yet to see any major adverse impacts, a prolonged period of low oil price coupled with economic uncertainty, could adversely impact our performance.

2. Contract management

Net impact: **Medium** Probability: **Medium**

Risk description	Potential impact on business metrics	Mitigation	Trend in 2015
Managing contracts to ensure that they are delivered on time, to budget and to the required standards **Link to business model outputs** - Financial strength - Leadership in Health & Safety - First-class expertise - Leadership in sustainability See 'our business model' on pages 16 and 17 for more detail.	- Delivery of earnings and dividend growth - Attainment of margin targets - Cash conversion and net debt - Net promoter score - High Risk Accident Frequency Rate - Lost Time Incident Frequency Rate	- Adoption of rigorous policies and processes for mobilisation, monitoring and management of contract performance - Regular performance reviews undertaken at a number of levels within the business - Independent peer reviews of contracts conducted by business units and contract health checks undertaken by internal audit - Deployment of high-quality people in the delivery of our projects	**Unchanged** The Group has maintained its comprehensive approach to contract management and there has been no change in the nature of contracts being delivered by the Group.

3. Pension liabilities

Net impact: **Medium** Probability: **Medium**

Risk description	Potential impact on business metrics	Mitigation	Trend in 2015
Management of our pension schemes to ensure that scheme liabilities are within a range appropriate to our capital base **Link to business model outputs** - Financial strength - Excellent people See 'our business model' on pages 16 and 17 for more detail.	- Delivery of earnings and dividend growth - Net debt	- The Group's main defined benefit pension schemes have been closed to new members and to future accruals for current members - A single Trustee has been created for the Group's main defined benefit schemes to facilitate a consistent approach to investment strategy and management - The Group's main pension schemes have entered into a longevity swap which hedges the financial risks of future increases in the longevity of 9,000 pensioners in these schemes - Regular review of our pensions management and investment policies to ensure that employee and company contributions, together with scheme benefits, remain appropriate - Rigorous assessment of pensions implications relating to new contract bids and all business acquisitions and disposals to ensure they are manageable	**Decreased** Although no new initiatives were implemented during 2015, the Group's overall pension deficit reduced during the year as a result of the contributions made under the current deficit recovery plan and the positive impact due to the increase in bond yields.

4. People

Net impact: **Medium** Probability: **Low**

Risk description	Potential impact on business metrics	Mitigation	Trend in 2015
Ability to attract, develop and retain excellent people to support existing business requirements and our future growth plans **Link to business model outputs** - Excellent people - First-class expertise See 'our business model' on pages 16 and 17 for more detail.	- Employee engagement and volunteering - Work won and revenue growth - Delivery of earnings and dividend growth - Attainment of margin targets - Cash conversion and net debt	- Continue to focus on leadership, people development and employee engagement programmes that encourage and support all of our people to achieve their full potential - Graduate recruitment, structured development and succession programmes to address our requirement for talented people - Geographical and sector mobility promoted amongst the existing work force - Regular review of employee remuneration in the context of market practices - Maintaining strong recruitment processes across the UK labour market, because access to European labour markets may be affected if the UK votes to withdraw from the European Union in the forthcoming referendum.	**Unchanged** We have continued to see increased competition for people in some of our markets, however, given our ability to reallocate resources between business units and source additional resources from new markets we believe the overall risk remains unchanged on the prior year.

5. New markets and services

Net impact: **Medium** Probability: **Medium**

Risk description	Potential impact on business metrics	Mitigation	Trend in 2015
Effective management of risks associated with operating in overseas markets, potential entry into new territories and new services through our recent bolt-on acquisitions in Canada **Link to business model outputs** - Financial strength See 'our business model' on pages 16 and 17 for more detail.	- Work won and revenue growth - Delivery of earnings and dividend growth - Attainment of margin targets - Cash conversion and net debt	- Expansion of our activities into new territories and pursuit of any merger and acquisition activity continues to be closely managed by the Major Projects Committee - Rigorous due diligence procedures in place to address financial, operational, legal and compliance/ethical risks associated with our entry into new services or markets - Expansion into new markets and services usually restricted to adjacencies and existing areas of expertise	**Unchanged** Following the acquisition of the Rokstad Corporation in December 2014, we acquired the Outland Group in May 2015. The Outland Group is engaged in the provision of remote site accommodation services in Canada. Both of these acquisitions are performing in line with expectations. We also continue to explore a number of opportunities to extend the scope of our PPP activities into additional overseas territories.

Carillion is making good progress delivering Phase 1 of the redevelopment of Battersea Power Station, a mixed-use development situated adjacent to the former Grade II* listed Power Station and comprising over 860 apartments together with retail facilities, theatre space and business studios.

Our principal risks
continued

6. Ethics and compliance

Net impact: **Medium** | Probability: **Low**

Risk description	Potential impact on business metrics	Mitigation	Trend in 2015
Maintenance of high standards of ethics and compliance in respect of managing contracts and meeting regulatory requirements **Link to business model outputs** - Financial strength - Excellent people - Leadership in sustainability See 'our business model' on pages 16 and 17 for more detail.	- Work won and revenue growth - Delivery of earnings and dividend growth - Attainment of margin targets - Cash conversion and net debt - Employee engagement and volunteering	- Clear policies and procedures in respect of ethics, integrity, regulatory requirements and contract management - Mandatory training programmes in place to ensure that our people understand these requirements and our policies - Policies and practices benchmarked through our work with the Institute of Business Ethics; the Group holds the Investing in Integrity Charter Mark which was obtained in 2014 - Anonymous whistleblowing arrangements publicised and promoted amongst employees - Group Compliance Office established and overseen by the Business Integrity Committee	**Unchanged** During 2015, we continued to reinforce the importance the Group places on its adoption of the highest standards of ethics and compliance through our ongoing training and awareness programmes.

7. Systems and cyber security

Net impact: **Medium** | Probability: **Low**

Risk description	Potential impact on business metrics	Mitigation	Trend in 2015
Information security breach leading to a lack of availability of systems and or loss of confidential data belonging to the Group or its customers **Link to business model outputs** - Financial strength - Excellent people See 'our business model' on pages 16 and 17 for more detail.	- Work won and revenue growth - Delivery of earnings and dividend growth - Attainment of margin targets - Cash conversion and net debt - Employee engagement and volunteering - Net promoter score	- The Group's policies and procedures are overseen by a dedicated information security manager - International standards applied in the management of information security, ISO 27001 achieved during 2015 - Deployment of encryption software on laptops and removable devices, prioritising staff working on sensitive contracts - Software and hardware reviewed continuously with upgrades applied where appropriate - Arrangements independently reviewed by internal and external audit	**Increased** This risk has continued to increase as the level and sophistication of cyber security threats continues to increase. In response, we continue to review and improve our systems to ensure that our arrangements are in line with industry standards and emerging best practice.

8. Health and safety

Net impact: **Medium** | Probability: **Low**

Risk description	Potential impact on business metrics	Mitigation	Trend in 2015
Ineffective management of health and safety issues leads to serious injury to or death of an employee and or damage to client property **Link to business model outputs** - Leadership in Health & Safety - Financial strength - Leadership in sustainability - Excellent people See 'our business model' on pages 16 and 17 for more detail.	- High Risk Accident Frequency Rate - Lost Time Incident Frequency Rate - Work won and revenue growth - Delivery of earnings and dividend growth - Attainment of margin targets - Cash conversion and net debt - Employee engagement and volunteering - Net promoter score	- Ongoing focus on Board led commitment to achieve zero accidents - Directors and senior managers lead by example and are trained to NEBOSH standards - Visible management commitment with Directors' Safety Tours, Safety Audits and Safety Action Groups - Safety management systems conform to OHSAS 18001 - Extensive mandatory employee training programmes - Employee engagement through 'Don't Walk By' programme, which enables everyone in the business to report for immediate action anything they believe to be unsafe - Adoption of rigorous risk assessment and management processes supported by robust business continuity plans	**Unchanged** There has been no change in the nature of the Group's activities and we remain focused on delivering continuous improvement in our performance to achieve our objective of leading our sector in Health & Safety and Sustainability.

9. Low oil prices

Net impact: **Medium** Probability: **Low**

Risk description	Potential impact on business metrics	Mitigation	Trend in 2015
Impact of low oil prices on future demand for our services **Link to business model outputs** - Financial strength See 'our business model' on pages 16 and 17 for more detail.	- Work won and revenue growth - Delivery of earnings and dividend growth - Attainment of margin targets - Cash conversion (including the collection of receivables) and net debt	- Maintain close and regular contact with customers significantly impacted by low oil prices and ensure that we understand the impact on their plans - Continue to promote alternative financing solutions (public private partnerships and UK export finance) across our markets most affected by low oil prices - Ensure our oil and gas activities continue to be targeted at operational projects and not new investment activity - Continue to ensure that our cost base remains competitive and our services are targeted across a broad range of sectors	**New risk** Although we have yet to see any significant impact on demand as a result of the recent reductions in oil prices a prolonged period of low oil prices coupled with economic uncertainty could adversely impact the future demand for our services.

10. Human rights

Net impact: **Medium** Probability: **Low**

Risk description	Potential impact on business metrics	Mitigation	Trend in 2015
Ineffective management practices leading to human rights violations by the Group, its suppliers or partners **Link to business model outputs** - Financial strength - Excellent people - Leadership in sustainability See 'our business model' on pages 16 and 17 for more detail.	- Work won and revenue growth - Delivery of earnings and dividend growth - Attainment of margin targets - Cash conversion and net debt - Employee engagement and employee volunteering - Net promoter score	- Group and local human resources teams are responsible for ensuring our policies and practices are effective, in line with local markets, and compliant with national and international legislation - Group compliance office responsible for ongoing risk assessment and development of plans to address any emerging issues - Dedicated steering group established to address any issues which may arise from the recent introduction of the Modern Slavery Act. - Due diligence undertaken on supply chain and other partners prior to commencement of any business activity with the Group.	**New risk** New principal risk identified following the introduction of the new Modern Slavery Act during 2015.

In July 2015, Highways England awarded a package of works worth around £475 million to a Carillion joint venture to convert sections of the M6, M20 and M23 into Smart Motorways to reduce congestion and improve journey times and safety.

Performance and financial review

In 2015, the Group delivered strong revenue growth with profit and earnings in line with expectations.

Richard Adam
Group Finance Director

Summary financial performance

	2015 £m	2014 £m	Change from 2014 %
Revenue			
Support services	**2,534.2**	2,323.9	+9
Public Private Partnership projects	**192.8**	162.5	+19
Middle East construction services	**601.6**	500.7	+20
Construction services (excluding the Middle East)	**1,258.3**	1,084.8	+16
	4,586.9	4,071.9	+13
Underlying operating profit[1]			
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
Underlying Group net financial expense	**(57.9)**	(44.0)	-32
Underlying profit before taxation[1]	**176.5**	172.9	+2
Intangible amortisation arising from business combinations	**(20.0)**	(16.8)	-19
Non-recurring operating items	**(5.0)**	-	-100
Non-operating items	**(2.5)**	(9.9)	+75
Fair value movement in derivative financial instruments	**6.1**	(3.6)	+69
Reported profit before taxation	**155.1**	142.6	+9

Group overview

Carillion is one of the UK's leading integrated support services companies, with a substantial portfolio of Public Private Partnership projects, extensive construction capabilities and a sector-leading ability to deliver sustainable solutions. Having this wide range of skills and resources enables the Group to deliver fully integrated solutions for buildings and infrastructure, from project finance through design and construction to lifetime asset management, together with business support services that add value for our customers and the communities in which we operate. The Group has operations in the UK, Canada and the Middle East and North Africa, as set out on the inside front cover.

Overall, the Group and its four business segments performed in line with expectations in 2015.

Revenue

Total revenue in 2015 increased by 13 per cent to £4,586.9 million (2014: £4,071.9 million), largely driven by organic growth of 10 per cent in construction services (excluding the Middle East), support services and Middle East construction services, together with contributions from the support services businesses we have acquired in Canada. Total revenue included a contribution from Joint Ventures of £636.2 million (2014: £578.0 million), an increase of 10 per cent, which was largely due to growth in our Middle East Joint Venture business, Al Futtaim Carillion.

Underlying operating profit

Underlying operating profit[1] increased by eight per cent to £244.4 million (2014: £226.0 million), including operating profit from Joint Ventures of £36.0 million (2014: £34.2 million). The Group's total underlying operating margin[1] reduced to 5.3 per cent (2014: 5.6 per cent). We expected the margin to be lower in 2015, because the margin in construction services (excluding the Middle East) has reduced to a more normal level, in line with our long-standing guidance, as the temporary benefits of rescaling our UK construction activities have largely ended, and because the margin in Middle East construction services also reduced, in line with our previously announced expectations. Further details on the operating performance of each of our four business segments is given on the following pages.

(1) The underlying results stated above are based on the definitions set out in the key financial highlights on page 1.

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(1)			
- 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.

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(2) 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) Before intangible amortisation and non-recurring operating items.
(2) Based on expected revenue and secure and probable orders, which exclude variable work, frameworks and re-bids.

A Carillion joint venture provides hard facilities management services for over 70,000 buildings for the UK Defence Infrastructure Organisation that commenced in late 2014 and early 2015.

Performance and financial review
continued

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 Five 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.

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.

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

Carillion is delivering the new Royal Liverpool Hospital as a Public Private Partnership project, which is being built at a capital cost of £335 million.

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.

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[2] 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.

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

The Sultan Qaboos Mosque at Nizwa, Oman, was built by Carillion Alawi for the Royal Court Affairs and completed in 2015. With four Minarets, each nearly 250 feet high, vaulted ceilings and high-quality finishes throughout, this project is an excellent example of how Carillion Alawi has earned its reputation for outstanding quality and reliability.

Performance and financial review
continued

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[1]			
- Group	**35.7**	40.9	
- Share of Joint Ventures	**2.1**	0.6	
	37.8	41.5	-9

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[2] 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 (as reported on page 34), 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) Before intangible amortisation and non-recurring operating items.
(2) Based on expected revenue and secure and probable orders, which exclude variable work, frameworks and re-bids.

One St Peter's Square, Manchester, showcases Carillion's construction capability in the commercial building sector. This £62 million project, which has created one of Manchester's most prestigious addresses, was built for Argent with whom we have created a long-term, trusted partnership.

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.

Taxation

The Group taxation charge of £15.7 million (2014: £15.1 million) comprised a Group underlying taxation charge[2] 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[2] 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[3] 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 policy

The Group has a progressive dividend policy which aims to increase the dividend each year broadly in line with the growth in underlying earnings per share. The Board has adopted this baseline policy in order to align shareholder returns with the underlying growth achieved in the profitability of the business. This policy has seen the Group deliver 15 years of successive dividend growth since the formation of the Company in 1999.

In determining the level of dividend in any year in accordance with the policy, the Board also considers a number of other factors that influence the proposed dividend, which include but are not limited to:

- the level of available distributable reserves in the Parent Company;
- future cash commitments and investment needs to sustain the long-term growth prospects of the business; and
- the level of dividend cover.

Carillion plc, the Parent Company of the Group, is a non-trading investment holding company which derives its distributable reserves from dividends paid by subsidiary companies. The Board reviews the level of distributable reserves in the Parent Company bi-annually, to align with the proposed interim and final dividend payment dates, and aims to maintain distributable reserves that provide adequate cover for dividend payments. The distributable reserves of the Parent Company approximate to the balance on the profit and loss account reserve, which at 31 December 2015 amounted to £296.6 million (as disclosed in the Company balance sheet on page 123).

The Group is well positioned to continue to fund its dividend which continues to be well covered by cash generated by the business. Furthermore, with around £1.4 billion of funding available to support our strategy and objectives, of which only £131 million matures before the end of 2018, the Group is also well positioned to support its strategy for growth. Further details on the Group's funding position can be found on page 39 and details on its continuing viability and going concern can be found on pages 27 and 40.

The ability of the Board to maintain future dividend policy will be influenced by a number of the principal risks identified on pages 28 to 31 that could adversely impact the performance of the Group. The risks that could specifically have an adverse impact on the dividend policy include work-winning, contract management, pension liabilities, new markets and services and low oil prices, although we believe we have the ability to mitigate those risks as outlined on pages 28 to 31.

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[3], with underlying dividend cover[3] 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) Before fair value movements in derivative financial instruments (see note 5 on page 93).
(2) 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 4 and 5 on page 93).
(3) The underlying results are based on the definitions set out in the key financial highlights on page 1.

Cash flow
Summary of the Group's 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).

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)[3]	**51**	61	Reducing
Creditor days outstanding (days)[4]	**67**	76	Reducing

(1) Including net proceeds from the sale of Public Private Partnership (PPP) investments.
(2) Restated for the retrospective adjustment to provisional amounts recognised on the acquisition of the Rokstad Corporation in 2014.
(3) Debtor days are based on trade receivables plus construction contract receivables divided by Group revenue, adjusted for VAT and acquisitions.
(4) 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.

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
Summary of the Group's balance sheet

	2015 £m	2014[2] £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[2]) 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[2]) 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 PPP 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 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.

Retirement benefits
Detailed information on the Group's pension arrangements can be found in note 31 on pages 115 to 118 of the consolidated financial statements. The Group operates pension arrangements for the benefit of eligible employees and has a number of defined benefit schemes and other post-retirement benefit arrangements, which have a total pension obligation on an International Accounting Standard (IAS) 19 basis of £2,695.9 million (the 'liabilities'). Total pension assets relating to these liabilities are £2,302.4 million, which results in an IAS 19 deficit of £393.5 million (2014: £509.7 million) before deferred tax and £317.6 million (2014: £406.2 million) after deferred tax.

The key assumptions used in the IAS 19 revised 'Employee benefits' deficit position are summarised below.

	2015 %	2014 %
Discount rate	**3.95**	3.70
Inflation		
RPI	**3.05**	3.05
CPI	**2.00**	2.00
Salary increase	**3.55**	3.55
Average allocation of assets		
Equities/property	**50**	50
Gilts	**24**	22
Corporate bonds	**24**	26
Cash	**2**	2

The discount rate of 3.95 per cent is based on AA bond yields appropriate to the liability duration.

The RPI inflation rate of 3.05 per cent is based on the duration derived market-implied RPI.

The pension liabilities of the Group are subject to fluctuations arising from changes in the key assumptions above that are determined by general market conditions, which are outside the control of the Group. In particular, a 0.1 per cent increase in the discount rate would reduce the overall pre-tax deficit by around £45 million, whilst a 0.1 per cent increase in the inflation rate would increase the overall pre-tax deficit by around £25 million.

The Group's ongoing total pensions charge against profit in 2015, including defined contribution schemes, amounted to £31.0 million (2014: £29.7 million).

The Board devotes significant time and resources to managing the Group's pension schemes and their inherent risks, through the following committees:

- a Board sub-committee chaired by the Group Chief Executive, which is specifically tasked with monitoring and managing defined benefit pension arrangements; and
- an executive committee, which reports to the Board Committee, and comprises the Group Finance Director, Group Financial Controller and Group Head of Reward. The executive committee meets monthly to consider pension issues and to oversee the implementation of the Group's policies in respect of defined benefit pension arrangements.

The Group operates the following policies in respect of defined benefit pension arrangements:

- defined benefit pensions are not offered to employees except where required under legislation or to meet the requirements of work-winning;
- where defined benefit pensions need to be offered to meet legislative or work-winning requirements, business protocols are in place to manage the risk involved and to ensure that the risk and costs are fully factored into pricing; and
- investment risks are monitored and gradually reduced commensurate with a balanced approach to risk and cost.

In line with these policies, the majority of the Group's principal schemes are closed to new entrants and members no longer accrue benefits for future service.

Furthermore, in 2013 we took a further significant step towards reducing the risks and potential liabilities in respect of the Group's main defined benefit pension schemes when the Trustees of those schemes agreed to enter into a longevity swap, which hedges the financial risks of future increases in longevity. The swap covers 9,000 pensioners with a combined longevity liability of around £1 billion, or some 40 per cent of the total liabilities in respect of these defined benefit schemes.

In 2014, we reached agreement with the Trustees in respect of valuations and revised funding arrangements for the Group's principal defined benefit schemes. It has been agreed that, if required, deficit recovery payments can continue until 2027 in respect of these schemes. Total deficit recovery payments for all of the Group's defined benefit schemes are expected to remain at around £50 million in 2016. Each scheme has its own specific funding arrangement and these funding arrangements will be reviewed following subsequent valuations. The next actuarial valuation of the Group's main defined benefit schemes is due as at 31 December 2016.

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.

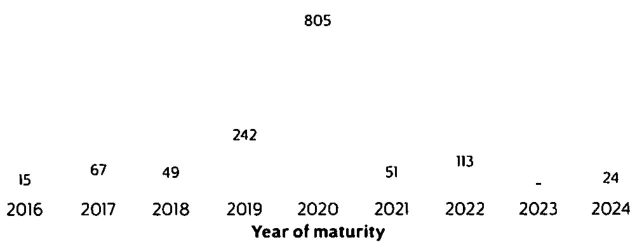
Share price

Carillion's share price was 302.90 pence at the close of business on 31 December 2015, a reduction of 10 per cent on the closing price on 31 December 2014 of 335.8 pence. Carillion delivered total shareholder return in 2015 of negative 4.9 per cent, compared with the return for the FTSE 350 of 0.7 per cent.

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. The graph below shows the maturity profile of the Group's £1.4 billion of funding. 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.

UK borrowing facilities maturity profile (£m)



Funding and liquidity

In addition to Carillion plc's principal borrowing facilities, private placement funding and convertible bonds described above, money market and short-term overdraft facilities are available to Carillion plc and certain subsidiaries. Operating and finance leases are also employed to fund longer-term assets. The quantum of committed borrowing facilities available to the Group is regularly reviewed by the Board and is designed to provide adequate headroom over and above the requirements of the Group's business plan. At 31 December 2015, the Group had undrawn committed facilities amounting to £761.2 million (2014: £722.0 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 them, are described in detail on pages 28 and 31. The Board regularly reviews the risks facing the Group to ensure they are up to date and the appropriate measures are in place to mitigate and manage them. In summary, these risks include continuing to win work in our existing and new target markets and geographies, delivering major contracts successfully, managing our pension schemes effectively, attracting, developing and retaining excellent people, managing the risks associated with operating in overseas markets, maintaining the highest standard 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.

Treasury policy and financial risk management

The Group has a centralised Treasury function whose primary role is to manage funding, liquidity and financial risks. In addition, Treasury sources and administers contract bond and guarantee facilities for the Group. Treasury is not a profit centre and does not enter into speculative transactions. The Board sets policies within which Treasury operates that ensure the most effective financing of the Group's operations and limit exposure to financial risk. The areas of significant financial risk facing the Group relate to funding and liquidity, counterparty risk, country risk, foreign exchange and interest rates.

Performance and financial review
continued

Counterparty risk
The Group undertakes significant financial transactions only with counterparties that have strong credit ratings. Credit exposures to counterparties are monitored regularly so that exposure to any one counterparty is managed against Board approved limits, or approved directly by the Board.

Country risk
The Group has overseas activities in Canada and the Middle East, where our operations are based in Abu Dhabi, Dubai, Oman, Qatar, Egypt (in which we have one project that is now complete and accounted for less than 0.1 per cent of the Group's total revenue in 2015) and Saudi Arabia (in which we have two projects that accounted for less than 0.2 per cent of the Group's total revenue in 2015).

Through our strategy of creating a well-balanced and geographically diversified business, we seek to minimise the political and socio-economic risks to our business. We also seek to mitigate the risks attendant on our overseas activities by ensuring that we operate only where we can apply high standards of corporate governance and corporate social responsibility and by regularly repatriating profits and cash to the UK.

The risk of political instability in Canada is judged to be minimal, as Canada has a stable parliamentary democracy. In the Middle East, we have deliberately based our activities in countries with a history of social stability and we have been unaffected by the unrest seen elsewhere in the Middle East. While the potential for political unrest and conflict in the Middle East and North Africa to recur or to spread to countries so far unaffected remains a possibility, we believe our policy of focusing on countries with a history of stability, together with our rigorous corporate governance and financial management policies and processes, provides adequate mitigation against these risks. Furthermore, our strategy in the Middle East and North Africa of focusing on a small number of financially robust customers has enabled our businesses in the region to maintain satisfactory operating cash flows and remain financially independent.

Foreign exchange
The Group hedges all significant currency transaction exposures using foreign exchange risk management techniques. In order to protect the Group's balance sheet from the impact of exchange rate volatility, our policy is to hedge foreign currency net assets using matching currency loans and forward foreign currency contracts, equivalent to at least 60 per cent of the net asset value, where these assets exceed the equivalent of £10 million. Profits arising within overseas subsidiaries are not hedged unless it is planned to make a distribution. Such distributions are then treated as currency transactions and hedged accordingly. The Group's US dollar denominated private placement financing is hedged using cross-currency derivatives.

The average and year-end exchange rates used to translate the Group's overseas operations are shown in the table below.

	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 revenue 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.

Interest rates
The Group's £790 million five-year syndicated borrowing facility and £80 million bilateral borrowing facilities are at floating rates of interest linked to the London Interbank Offered Rate, the Canadian Dollar Offered Rate or the Emirates Interbank Offered Rate. The Group's £325.5 million of private placement funding is at various fixed interest rates as disclosed in note 20 on page 104. The Group's £170 million of convertible bonds are at a fixed rate of interest of 2.5 per cent.

The Group has entered into cross-currency swaps and a fixed and floating swap to fix or hedge interest rate risk. In addition to the Group's private placement funding, certain longer-term assets have been acquired using finance leases at fixed interest rates.

Carillion has invested equity in a number of Joint Venture Special Purpose Companies (SPC) to deliver Public Private Partnership projects. SPCs obtain funding for these projects in the form of long-term bank loans or corporate bonds without recourse to the Joint Venture partners and secured on the assets of the SPC. A number of SPCs have entered into interest rate derivatives as a means of hedging interest rate risk. These derivatives are interest rate swaps that effectively fix the rate of interest payable.

Credit risk
An analysis of the Group's credit risk is provided in note 27 on pages 108 to 112.

Going concern
The Group's business activities, together with the factors likely to affect its future development, financial performance, financial position, its cash flows, liquidity position and borrowing facilities are described on pages 32 to 40, entitled 'Performance and financial review'. In addition, note 27 on pages 109 to 112 of the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk.

The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

In assessing the Company's ability to continue as a going concern, the Board reviews forecasts of the Group's borrowing requirements compared to available bank facilities. The forecasts are prepared and reviewed in the context of the latest Board approved Budgets and Business plans that project forward for three years and are adjusted where appropriate to reflect known variations. The Board applies sensitivity analysis to these forecasts to assess the impact of potential risks and opportunities in order to provide additional comfort on the level of headroom against available bank facilities. The Board's review also includes a forecast of the covenants associated with the Group's bank facilities and private placement funding in order to provide comfort that funding covenants will continue to be met.

The Directors confirm that, after due consideration, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the forseeable future and that there are no material uncertainties in relation to going concern of which they are aware. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Strategic report approved by order of the Board on 3 March 2016.

Richard Adam FCA
Group Finance Director

Chairman's introduction to Corporate Governance

Dear Shareholder,

Your Board remains strongly committed to ensuring that Carillion maintains and continuously improves the structures and processes required to underpin the effective delivery of its growth strategy. We believe that good governance is an essential part of the way we undertake our business on a day-to-day basis, while maintaining effective risk management, control and accountability.

I am pleased to report that our commitment to business integrity, safety, strong governance and sustainability remains a key strength of our business. In this section of the Annual Report we provide details of our governance policies and practices, highlights of our governance activities and the status of our compliance with the principles of the UK Corporate Governance Code (September 2014).

Your Company continues to be led by a strong and balanced Board, which is well qualified to challenge, motivate and support the business. Biographical details of all of the Directors are provided on pages 42 and 43. The Board as a whole is responsible for the Group's overall strategy and has in place clearly defined structures for the allocation of responsibilities relating to the various elements of the Group's strategy. Please see page 44 for an overview of the governance and management structure for the Group.

The Nominations Committee continues to review the composition of the Board to ensure that we have the right balance of skills, experience, diversity and independence in place to support the future development of the Group. During 2015 the Committee led the process which culminated in Keith Cochrane's appointment to the Board. Keith was subsequently appointed as Senior Independent Non-Executive Director and joined all five committees of the Board. Keith's appointment was made ahead of the planned retirement of Steve Mogford in December after nine years on the Board. Steve also served as our Senior Independent Non-Executive Director until September and made a significant contribution to the Group's development during a period of considerable change for our business. The 2015 report of the Nominations Committee is set out on page 50.

Recognising the importance of right behaviours to long-term performance and our reputation, the Board continues to remain committed to maintaining high standards of ethics and business integrity throughout the Group. The 2015 report of the Business Integrity Committee is set out on page 51. The Group also continues to put sustainability at the heart of all operational activity. During 2015, we were delighted that our external reporting on sustainability was once again recognised when we won the 2015 PwC Building Public Trust Award for the FTSE 250 Sustainability Reporting category for the third year in succession. The Sustainability Committee's report on its work during 2015 is set out page 52.

The annual review of Board effectiveness is an important process for helping to identify key areas for future improvement or focus. The 2015 review was led by myself and facilitated by Linstock Limited, an independent corporate advisory firm. The results from our 2015 evaluation are detailed on page 48, but the following areas were, inter alia, identified as being key future priorities for the Board:

- Overseeing the development of the Group's strategy for growth
- Developing the Board's effectiveness and managing membership succession successfully and
- Supporting the development of the senior management team.

More details of our compliance with the leadership and effectiveness provisions of the Code can be found on pages 46 to 48.

The Board understands the importance of presenting a fair, balanced and understandable assessment of the Company's position and prospects and of the importance of effective reporting, risk management and internal control procedures. Further details on the Group's reporting, internal control and risk management processes are provided in the Audit Committee report on pages 53 to 56.

We also remain committed to regular and active dialogue with our shareholders. Keith Cochrane and I continue to make ourselves available to facilitate such dialogue and in addition we also consult with our shareholders on any significant changes to remuneration for the Executive Directors and other matters of a strategic nature. Our 2015 Remuneration report is set out on pages 57 to 72 and further details on our 2015 interaction with our shareholders are set out on page 49.

Compliance with the 2014 Code
During the year ended 31 December 2015, as detailed in our Corporate Governance report on page 49 and in the Remuneration report on page 57, the Company complied fully with the requirements of the UK Corporate Governance Code (September 2014). Full details of this Code can be obtained from the Financial Reporting Council's website at www.frc.org.uk.

Philip Green
Chairman
3 March 2016

Board of Directors

Your Company continues to be led by a strong and balanced Board, which is well qualified to challenge, motivate and support the business.

01. Philip Green, CBE
Chairman
Age 62

Date appointed to Board:
1 June 2011

Tenure on Board:
4 years 9 months

Committee memberships:
- Chairman of Nominations Committee
- Chairman of Business Integrity Committee
- Sustainability Committee

Independent: Yes

Relevant skills and experience:
- Significant level of listed company board experience gained in executive and non-executive roles
- Chief Executive Officer experience gained with large and complex UK and international businesses
- Operational leadership experience from a variety of business sectors
- Strong track record in corporate responsibility
- Experienced in M&A and strategy development

External appointments:
- Non-Executive Chairman, BakerCorp Inc (USA)
- Senior Independent Director, Saga plc
- Chairman Designate, Williams & Glyn Bank Limited
- Chairman, Sentebale, a charity focused on Lesotho established by Prince Harry

Past roles:
- Chief Executive of United Utilities Group PLC
- Chief Executive of Royal P&O Nedlloyd
- Director and Chief Operating Officer, Reuters Group PLC
- Chief Operating Officer, DHL Europe and Africa
- Chairman of Clarkson plc

02. Richard Howson
Group Chief Executive
Age 47

Date appointed to Board:
10 December 2009

Tenure on Board:
6 years 3 months

Committee memberships:
- Nominations Committee
- Sustainability Committee

Independent: No

Relevant skills and experience:
- Fellow of the Institution of Civil Engineers
- 20 years of service with Carillion in a variety of roles
- Operational leadership experience gained through previous role of Chief Operating Officer
- Detailed knowledge of key business units gained through previous roles
- Significant experience in operational delivery, management of commercial positions and performance improvement
- Strong track record on Health & Safety and sustainability

External appointments:
- Chairman of BITC's Community Leadership Team
- Chairman of the CBI's Construction Council

Past roles:
- Chief Operating Officer, Carillion plc
- Executive Director responsible for UK Construction and Middle East and North Africa, Carillion plc
- Managing Director, Middle East and North Africa, Carillion plc

03. Richard Adam
Group Finance Director
Age 58

Date appointed to Board:
2 April 2007

Tenure on Board:
8 years 11 months

Committee memberships:
None

Independent: No

Relevant skills and experience:
- A Chartered Accountant qualifying with KPMG in 1982
- Nearly 30 years of experience as Finance Director of private and listed businesses
- Significant experience of M&A activity with Carillion and in prior roles
- Well-developed investor relations skills
- Well versed in financing and capital structures, Carillion's funding sources have been significantly diversified over the past eight years
- Strong track record in cost control, cashflow and pension scheme risk management

External appointments:
- Non-Executive Director of Countrywide PLC where he is Chairman of the Audit and Risk Committee
- Non-Executive Director of Countryside Properties Plc where he is Senior Independent Director and Chairman of the Audit Committee

Past roles:
- Group Finance Director, Associated British Ports Holdings plc
- Group Finance Director, Hodder Headline Plc
- Group Finance Director, TVS Entertainment plc
- Non-Executive Director and Chairman of Audit Committee of SSL International plc

04. Keith Cochrane
Senior Independent Non-Executive Director
Age 51

Date appointed to Board:
2 July 2015

Tenure on Board:
8 months

Committee memberships:
- Audit Committee
- Remuneration Committee
- Nominations Committee
- Business Integrity Committee
- Sustainability Committee

Independent: Yes

Relevant skills and experience:
- Chartered Accountant and Member of the Institute of Chartered Accountants of Scotland
- Chief Executive Officer of major listed companies
- Board level strategic leadership of complex domestic and multi-national businesses
- Significant regulatory and Government affairs experience in the UK and internationally
- Experienced in corporate finance, managing large procurement contracts and risk mitigation

External appointments:
- Chief Executive of The Weir Group PLC
- UK Government Lead Non-Executive Director for the Scotland Office and Office of the Advocate General

Past roles:
- Chief Executive, Stagecoach Group PLC
- Finance Director, Stagecoach Group PLC
- Director of Group Finance, ScottishPower PLC

05. Andrew Dougal
Non-Executive Director
Age 64

Date appointed to Board:
3 October 2011

Tenure on Board:
4 years 6 months

Committee memberships:
- Chairman of Audit Committee
- Remuneration Committee
- Nominations Committee
- Business Integrity Committee
- Sustainability Committee

Independent: Yes

Relevant skills and experience:
- Chief Executive Officer and Finance Director experience with FTSE 100 international business
- Extensive experience of M&A and strategic initiatives
- Experienced non-executive director, has chaired two FTSE 350 audit committees in addition to Carillion
- Has detailed knowledge of best practice in risk management and internal control

External appointments:
- Non-Executive Director and Audit Committee Chair of Victrex plc
- Member of the Council and the Oversight Board of The Institute of Chartered Accountants of Scotland

Past roles:
- Chief Executive, Hanson plc (international building materials company).
- Group Finance Director, Hanson plc (Anglo-American diversified industrial company)
- Non-Executive Director and Audit Committee Chair, Creston plc
- Non-Executive Director and Audit Committee member, Premier Farnell Plc
- Non-Executive Director and Chairman of Audit Committees, Taylor Wimpey plc and Taylor Woodrow plc
- Non-Executive Director and Audit Committee member, BPB Plc

06. Alison Horner
Non-Executive Director
Age 49

Date appointed to Board:
1 December 2013

Tenure on Board:
2 years 3 months

Committee memberships:
- Audit Committee
- Chairman of Remuneration Committee
- Nominations Committee
- Business Integrity Committee
- Sustainability Committee

Independent: Yes

Relevant skills and experience:
- Operational leadership experience
- Significant experience in managing human resources, currently manages international workforce of 480,000 employees
- Detailed knowledge in design and implementation of employee and executive remuneration
- Experienced in managing provision of pension arrangements to employees and risk associated with pension schemes
- Strong track record of building capability and driving Group-wide development and change programmes

External appointments:
- Chief People Officer and member of Executive Committee, Tesco Plc
- Trustee, Tesco Pension Scheme

Past roles:
- Operations Director, Tesco
- Non-Executive Director, Tesco Bank

07. Ceri Powell
Non-Executive Director
Age 52

Date appointed to Board:
2 April 2014

Tenure on Board:
1 year 11 months

Committee memberships:
- Audit Committee
- Remuneration Committee
- Nominations Committee
- Business Integrity Committee
- Chairman of Sustainability Committee

Independent: Yes

Relevant skills and experience:
- International operational leadership experience
- Strong track record in business and market development focused on emerging markets
- Significant experience in development and implementation of strategic initiatives
- Well-developed skills in delivery of large capital projects and management of risks associated with these
- Detailed knowledge of key issues and best practice in sustainability

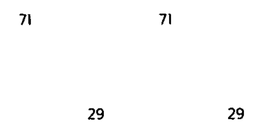
External appointments:
- Executive Vice President for Global Exploration, Royal Dutch Shell
- Member of the Advisory Board of the United Nations Sustainable Energy for All initiative, chaired by the UN Secretary General

Past roles:
- Vice President Strategy, Royal Dutch Shell
- Regional Vice President Exploration, Middle East, Caspian and South Asia, Royal Dutch Shell

Board diversity
The Board continues to ensure it has the right balance of skills, knowledge and experience, independence and diversity to lead the business.

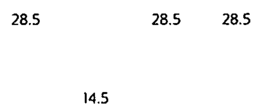
The composition and tenure of our Board members is summarised below.

Board composition



Independent	71%
Non-independent	29%
Male	71%
Female	29%

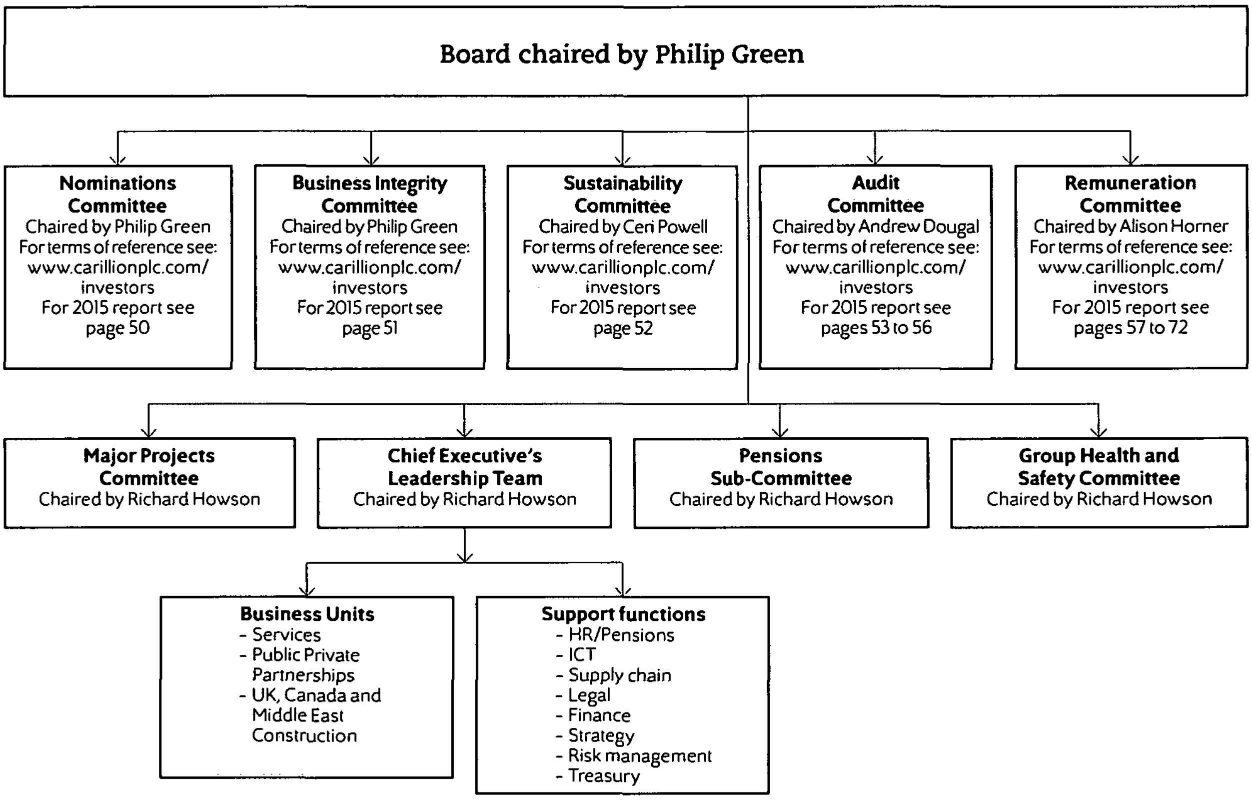
Board tenure



0-2 years	28.5%
2-4 years	14.5%
4-6 years	28.5%
6+ years	28.5%

Carillion plc's Governance and management structure

Governance and management structure
Under the Board's leadership, Carillion plc has put in place a comprehensive management structure together with clearly defined policies, procedures and limits of delegated authority. Our management and governance structure is summarised in the diagram below.



However, the Board recognises that on their own policies and procedures are not enough and, in order to achieve consistently high standards of governance and service excellence, we have to ensure that our values are at the heart of everything we do. Our values are helping to shape the culture, character and beliefs of our business. For more information on our values visit www.carillionplc.com/about-us.

More than any policy document our values define the way we behave, with each other, with our customers and partners, and how we approach our challenges and opportunities on a daily basis.

We care

We achieve together

Living our Values

We improve

We deliver

Our vision
To be the trusted partner for providing services, delivering infrastructure and creating places that bring lasting benefits to our customers and the communities in which we live and work.

Our values
We care.
We respect each other and we do things safely and sustainably. It's good for our people, our business and our local communities.

We achieve together.
We value the contribution of each individual and we work together to build strong, open and trusting partnerships.

We improve.
We listen, learn and adapt our ideas and experience into better solutions and services for our customers.

We deliver.
We set ourselves stretching goals, taking pride in doing a great job and helping our customers and partners to succeed.

Corporate Governance report

Leadership

The Board
The Board as a whole continues to take ownership of effective leadership and the long-term success of the Company. The management and governance framework, which the Board has implemented to support the Company's long-term growth objectives, is set out on page 44. The diverse range of skills and leadership experience offered by the Non-Executive Directors means that they are well qualified to scrutinise performance, assess the Group's risk management and control processes, provide constructive challenge and to support the Executive Directors. Biographical details for each of the Directors together with their Board responsibilities are set out on pages 42 and 43.

The Board has 10 scheduled meetings during the year; additional meetings are arranged if required. The Board committee meetings are scheduled around the regular Board meetings.

In order to facilitate increased understanding of our overseas businesses amongst Board members and to provide local employees and management with access to the Board, a Board meeting is held each year at an overseas operation.

Decision making
Directors are required to attend each Board meeting and meetings of any Committee of which they are a member. In addition, other members of the senior management team and the Group's advisers may, by invitation, attend meetings to address specific agenda items. There is a formal schedule of matters reserved for the Board, which is reviewed regularly to ensure that it remains current. Matters reserved for the Board include the items summarised in the table below:

Governance	Strategy and direction	Risk management, accountability and control
- Review of governance arrangements - Appointments to and removals from the Board - Terms of reference for and membership of Board committees	- Approval of strategy and annual budgets - Authorisation of acquisition and disposal activity - Affirmation of risk management strategies and risk appetite	- Approval of financial statements, other updates to market and recommendations on dividends - Approval of authority levels, financial and treasury policies - Review of internal control and risk management - Approval of Health & Safety policies

In addition, The Chief Executive's Leadership Team (CELT) meets on a monthly basis. The CELT, led by Richard Howson, is responsible for strategy development, operational and financial management and the executive management of the Group's businesses. In addition to Mr Howson, the CELT comprises the Group Finance Director, the Group Financial Controller, the Managing Directors of selected Business Units, the Group Development and Strategy Director, the Group HR Director and the Company Secretary and Director of Legal Services.

The Executive Directors and the Carillion subsidiary companies operate within clearly defined limits of authority delegated by the Board and any matters outside these limits are referred to the Board for consideration.

Arrangements in relation to Directors' indemnification and the management of conflicts are provided in the Directors' report on page 74.

Division of responsibilities
A clear division of responsibilities is important for the effective working of the Board and to ensure that no one individual has unfettered power of decision. The Chairman and Group Chief Executive work together to provide effective and complementary stewardship. The roles of the Chairman, Group Chief Executive and Senior Independent Non-Executive Director are clearly defined as summarised below.

Chairman
- Responsible for the composition and capability of the Board
- Responsible for the effective leadership and governance of the Board
- Ensures Board and Committee meetings are used effectively by focusing on key areas and promoting a culture of openness and healthy debate
- Maintains regular contact with the Group Chief Executive providing advice, counsel and support to the Group Chief Executive as and when appropriate
- Works with the Group Chief Executive and Company Secretary to establish the Board's 12-month rolling agenda
- Leads assessment of the effectiveness of the Board and each Director.

Group Chief Executive
- Responsible for providing effective leadership to the Company
- Identification and analysis of strategic options for growth in shareholder value
- Implementation of operating plans and budgets required to deliver the agreed strategy
- Works closely with the Group Finance Director to ensure that the Group has in place an appropriate capital structure and risk management and internal control processes
- Works closely with the Group Finance Director to ensure that the Group maintains effective relationships and communications with investors
- Responsible for delivery of ongoing operational performance against targets and continuous improvement in performance on safety and sustainability.

Senior Independent Non-Executive Director
- Available as the alternative point of contact for shareholders where communication through the Executive Directors or the Chairman may not be appropriate
- Act as a sounding board for the Chairman and alternate Board contact for other Directors where appropriate
- Would chair Board meetings in the absence of the Chairman
- Leads the annual assessment of the effectiveness of the Chairman.

The Company Secretary acts as the Secretary to the Board and each of its Committees. The Chairman maintains contact with the Senior Independent Non-Executive Director and the Company Secretary in relation to Board and governance matters. In addition, the Chairman holds meetings with the Non-Executive Directors without the Executive Directors present. The Senior Independent Non-Executive Director also holds meetings with the Non-Executive Directors without the Chairman present at least once a year.

Corporate Governance report
continued

Effectiveness

Board composition
The Board and its Committees continue to benefit from an appropriate balance of expertise, experience, independence and knowledge of the Company and its business sectors. At 31 December 2015, the Board comprised two Executive and five Non-Executive Directors.

Ceri Powell, who joined the Board in 2014, is the Executive Vice President for Global Exploration at Royal Dutch Shell, a customer of, and supplier to, the Group. However, Dr Powell has not been and is not expected to be involved with any commercial dealings between the Group and Royal Dutch Shell. Consequently, the Board confirms that the Chairman and each of the Non-Executive Directors are considered to be independent of management under the guidelines set out in the UK Corporate Governance Code.

71 per cent of Directors are independent

Independent	71%
Non-independent	29%

29 per cent of Directors are female

Male	71%
Female	29%

60 per cent of Non-Executive Directors have been in role for less than four years

1-4 years	60%
5-9 years	40%

Appointments to the Board are managed by the Nominations Committee (see page 50 for the Nominations Committee's 2015 report). In line with our succession planning, during 2015 there were two changes to the composition of the Board. Keith Cochrane was appointed as an Independent Non-Executive Director of the Company and in September succeeded Steve Mogford as Senior Independent Non-Executive Director. Steve Mogford, who completed nine years as a member of the Board in September 2015, retired from the Board on 31 December 2015.

Changes to the Board since 1 January 2015 are summarised in the table below:

Director	Position	Date of appointment	Date of resignation
Keith Cochrane	Non-Executive Director	2 July 2015	N/A
Steve Mogford	Non-Executive Director	5 Sep 2006	31 Dec 2015

Commitment
All Directors are made aware at the time of appointment of the time commitment required to discharge their Board and Committee responsibilities effectively. There is a formal job specification in place for the Chairman. The terms and conditions of appointment for the Executive and Non-Executive Directors will be available at the 2016 AGM and can, at other times, be inspected at the Company's registered office, Carillion House, 84 Salop Street, Wolverhampton, WV3 0SR.

Recognising that external appointments can broaden experience and knowledge and so be of benefit to the Company, Executive Directors are permitted, at the discretion of the Board, to accept a limited number of such appointments and retain the fees received for such appointments. In addition to his role as Group Finance Director, Richard Adam continued to act as a Non-Executive Director of Countrywide Plc and in addition was appointed as a Non-Executive Director of Countryside Properties Plc. Richard Howson does not hold any external appointments.

The Board is aware of current external commitments for all of the Non-Executive Directors who are also required to discuss any additions to these with the Chairman prior to their acceptance of any further external appointments. Changes to the external commitments of the Non-Executive Directors during 2015 are summarised in the table below:

Director	2015 changes to external commitments
Keith Cochrane	None
Andrew Dougal	Appointed a director of Victrex plc on 1 March 2015. Retired as a director of Premier Farnell plc on 16 June 2015 and Creston plc on 30 November 2015.
Philip Green	None
Alison Horner	None
Ceri Powell	None

All Directors were able to allocate sufficient time to their Board responsibilities during 2015 and this is expected to be the case in 2016.

Board meeting attendance
The number of scheduled Board meetings attended by each Director together with the number of Board meetings that they were eligible to attend during 2015 and 2014 is summarised in the table below:

	2015			2014		
Member	Attendance	Eligibility	Percentage	Attendance	Eligibility	Percentage
Richard Adam	10	10	100	10	10	100
Keith Cochrane*	5	5	100	N/A	N/A	N/A
Andrew Dougal	10	10	100	10	10	100
Philip Green	10	10	100	10	10	100
Alison Horner	10	10	100	9	10	90
Richard Howson	10	10	100	10	10	100
Steve Mogford	10	10	100	10	10	100
Ceri Powell	10	10	100	8	8	100

* Keith Cochrane was appointed to the Board on 2 July 2015.

This year's overseas meeting was held in Canada and provided Board members with an opportunity to visit some of our businesses and contracts in this country and learn more about our strategy for Canada from the local leadership team.

Key areas of activity considered at Board meetings during 2015 are summarised in the table below:

Area of activity	Frequency	Agenda item
Review of financial and operational performance	1	Group Chief Executive's report on safety and operational performance, work-winning, human resources and market development.
	1	Group Finance Director's report on financial performance, liquidity, investor relations, share price performance and supply chain
	1	Reports from the Major Projects Committee
	1	Reports on sustainability practice and performance
	2	Review and approval of latest forecasts and budgets
Leadership, governance and strategy	2	Review and approval of the Group's three-year business plan
	2	Presentations on Group and business unit strategy
	2	Review and approval of acquisition and disposal activity
	2	Review of delegated authorities
	2	Review of policies such as sustainability, ethics and business integrity
	2	Appointment of new Director and succession planning
	2	Consideration of reports from the Board Committees
	2	Evaluation of the Board and its Committees
	2	Review of any conflicts of interest
	1	Review of Directors' share dealings
Accountability, control and risk management	2	Review of 2015 half year report and 2014 Annual Report and Accounts. Approval of final dividend for 2014 and half year dividend for 2015.
	2	Review of trading updates issued to the market
	2	Consideration of reports from the Chairman of the Audit Committee on internal control and risk management
	2	Consideration of risk management procedures and key risks and uncertainties facing the Group
Relations with shareholders	2	Consideration of matters relating to the AGM
	2	Consideration of feedback from investors received following release of our results or during routine meetings with Board members.

1 Standing agenda item for all Board meetings.
2 Item tabled on a periodic basis or as and when necessary.

Board Committees

To ensure compliance with regulatory requirements, the Board delegates certain matters to its Committees, which are required to consider these in accordance with their terms of reference. Occasionally, where it may be more expedient to do so, the Board may delegate certain of its powers to a sub-committee on an ad-hoc basis. The terms of reference for each Board Committee are available on the Group's website (www.carillionplc.com/investors) and summarised in the following table.

Committee	Summary of terms of reference	Minimum number of meetings	Committee report for 2015
Nominations Chaired by: Philip Green	- Makes recommendations on appointments to the Board and its Committees - Reviews the Group's succession arrangements and overall Board composition to ensure the balance of skills and experience remains appropriate.	1	See page 50
Business Integrity Chaired by: Philip Green	- Reviews and oversees the development and implementation of the Group's Ethics and Business Integrity Policy - Monitors the Group's compliance with relevant legislation such as the Bribery Act 2010 and the Competition Act - Monitors the Group's communication and training programmes on ethics and business integrity.	2	See page 51
Sustainability Chaired by: Ceri Powell	- Reviews and approves policies, targets and performance in relation to key sustainability initiatives - Reviews and approves the annual Sustainability Report prior to publication - Monitors legislation and/or regulations that might affect the Group or its stakeholders and other matters which could impact corporate reputation and the management of any such matters - Engage with key internal and external stakeholders on key sustainability themes.	4	See page 52
Audit Chaired by: Andrew Dougal	- Reviews and reports to the Board on the Group's financial reporting to investors, internal controls and risk management processes - Makes recommendations to the Board on the appointment or reappointment of the external auditor and monitors the effectiveness and independence of the external auditor - Directs and reviews the work undertaken by the external and internal audit functions.	3	See pages 53 to 56
Remuneration Chaired by: Alison Horner	- Reviews and advises the Board on remuneration arrangements for the Chairman, the Executive Directors and their direct reports.	3	See pages 57 to 72

Induction and development

Directors are provided with a comprehensive information pack on joining the Company and are advised of their legal and other duties and obligations as a director of a listed company. In addition, all new Directors receive induction on their appointment covering such matters as the operation and activities of the Group, the role of the Board and the Company's corporate governance procedures. Directors are also briefed by the Company's external advisers, where appropriate, on changes to legislation, regulation or market practice as well as receiving briefings from business units throughout the year.

"Carillion's comprehensive induction programme has enabled me to quickly get to grips with the structure of the organisation, its operations and associated risks, the culture and the governance environment. This has supported my role on the Board in this, my first appointment as a Non-Executive Director."

Keith Cochrane

As part of his induction to the Group, Keith Cochrane received or undertook the following activities:

- A briefing on the responsibilities of a director of a public listed company
- A briefing on Carillion's culture, strategy, policies and processes
- Briefings from senior management and operational leads
- Briefings from external advisers such as the corporate brokers
- Site visits to major projects.

The Directors are also encouraged to update their skills and knowledge regularly, including in relation to environmental, sustainability and governance matters, and a procedure has been established whereby the Company Secretary is notified by Directors of their requirements in this respect. In pursuit of best practice, the Board receives presentations on governance and regulatory matters. The potential requirement for any specific training in the light of new statutory or governance regulations is kept under regular review.

Information and support

The Board is provided with regular and timely information on the financial performance of businesses within the Group, and of the Group as a whole, together with reports on trading matters, markets, Health & Safety, sustainability and other relevant issues.

The Company Secretary is the Secretary to the Board and its Committees. Prior to each Board or Committee meeting, the Company Secretary ensures that the relevant papers are made available to all Directors five working days in advance of the meeting. Since late 2010, the Board has used a secure electronic portal to receive Board papers. The portal provides information in a timely and secure manner, enabling the Directors to receive Board papers quickly and to access them via tablet devices, wherever they may be.

All Directors have access to the Company Secretary, who is responsible to the Board for ensuring that agreed procedures and applicable rules and regulations are observed. The Board approves the appointment and removal of the Company Secretary.

Any Director may, in furtherance of his duties, take independent professional advice when necessary, at the expense of the Company.

Board and Committee performance evaluation

The Board undertakes a formal review of its effectiveness and that of its Committees on an annual basis, with the evaluation being conducted by an external facilitator every three years. The 2015 performance evaluation was conducted by Linstock Limited, an independent corporate advisory firm.

Progress against key priorities identified during the 2014 review

Priority	Update
Supporting senior management	Non-Executive Directors have continued to provide effective support to the Executive Directors and other management as appropriate.
Addressing specific business challenges	The Board has continued to work collaboratively in addressing the challenges and opportunities associated with the Group's operations. Key developments during 2015 are covered in the Strategic report on pages 1 to 40.

For the 2015 evaluation, Lintstock initially engaged with the Chairman and the Company Secretary to set the context for the evaluation and subsequently reviewed and reported on the performance of the Carillion Board and Committees during the year. Customised assessments, based on anonymous responses to an online survey, were undertaken for the Board as a whole and each of its Committees. Topics addressed included Board composition, effectiveness of Board and Committee meetings, Committee structure and performance, strategy, succession, performance monitoring, leadership and culture, remuneration, relations with shareholders and accountability.

The performance of the Chairman and each Director was also reviewed as part of this evaluation process with the anonymity of respondents ensuring an open and frank exchange of views. The Senior Independent Non-Executive Director led the evaluation of the Chairman's effectiveness. At the November 2015 Board meeting, the Directors reviewed the results of the evaluation, which confirmed that the Board, each of its Committees and the Directors continue to be highly effective. The evaluation confirmed that the key priorities identified as part of the 2015 evaluation, including those in relation to succession management, development/delivery of strategy, managing around political change and management of pension liabilities, had been effectively managed during 2015. Some of the key strengths highlighted by the 2015 evaluation included the organisation of the Board, the high quality of Board business and the excellent relationships between Directors. The Group's on-boarding for new Non-Executive Directors was also rated highly as was the Board's focus on strategy.

The key priorities for the Board in 2016 were identified as follows:

- Overseeing the development of the Group's strategy for growth
- Developing the Board's effectiveness and managing membership succession successfully
- Supporting the development of the senior management team.

The Board intends to continue to comply with the UK Corporate Governance Code guidance that the evaluation should be externally facilitated at least every three years.

Re-election of Directors

In accordance with the UK Corporate Governance Code, all of the Directors will submit themselves for election or re-election at the Annual General Meeting to be held on 4 May 2016. All of the Directors proposed for election or re-election have been subject to formal performance evaluation and continue to be effective members of the Board. The Chairman has confirmed that each of the Directors remains committed to the role and to the time required for Board and, where applicable, Committee meetings and any other duties required of them.

Accountability

The Board remains committed to ensuring that its communications with shareholders continue to present a fair, balanced and understandable assessment of the Company and its prospects. Both the Audit Committee and the Board received drafts of the Annual Report and Accounts to facilitate review and to provide an opportunity for challenge and discussion.

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. Principal risks and uncertainties associated with the Group's business are summarised on pages 28 to 31 of the Strategic report. The Board has an Audit Committee which monitors and reports on the Group's risk management systems. The Audit Committee also considers how the Board should apply corporate reporting and internal control principles and is responsible for maintaining an appropriate relationship with the Company's auditor, KPMG LLP. The 2015 report of the Audit Committee is set out on pages 53 to 56.

Remuneration

Details relating to the Company's policy on remuneration together with the level and components of remuneration available to the Company's Directors are provided in the Remuneration Committee's report on pages 57 to 72.

Dialogue with shareholders
The Board is committed to ensuring that we continue to engage effectively with our shareholders to facilitate a mutual understanding of objectives. Our Group Corporate Affairs Director, who reports to the Group Finance Director, is responsible for managing our investor relations programme. The Executive Directors and the Director of Group Corporate Affairs meet regularly with representatives of major shareholders in order to foster the mutual understanding of objectives.

Where appropriate, meetings and requests for information are also facilitated with other shareholders and prospective shareholders. Appropriate governance around disclosure of information is maintained throughout our interaction with shareholders. The details of these meetings are reported to the Board and, in addition, the Board also receives formal investor feedback provided through the Group's corporate brokers following the release of our half-year and full-year results. The Chairman and Senior Independent Non-Executive Director are available for meetings with representatives of major shareholders as required.

During 2015, we maintained an extensive investor relations programme. Our half year and full-year results announcements, which involved a presentation to analysts, investors and banks, were given by our two Executive Directors. We issued trading updates in July and December, which were followed on the day of the announcements by conference calls for analysts and investors, hosted by our two Executive Directors. In May we released on the Regulatory News Service, an AGM statement on trading. We also continued to offer meetings to institutional investors, both shareholders and non-shareholders, and we continued to hold meetings or conference calls with all institutions that requested them. In 2015, we met or held conference calls with over 150 institutions, around 40 per cent of which were attended by at least one Executive Director.

Constructive use of the Annual General Meeting (AGM)
The Board uses the AGM to communicate with investors and encourages their participation. Shareholders are invited to attend the AGM each year and to ask questions. The Chairmen of the Audit, Business Integrity, Nominations, Remuneration and Sustainability Committees are present at that meeting to answer questions on the work of the Committees.

Investors by type

84
16

Institutional	84%
Private	16%

Investors by geography

72
16
7
5

UK	72%
Europe	7%
North America	16%
Rest of the World	5%

Investor concentration

93
74
50
7

Percentage of issued share capital held by:

Top 10 investors	50%
Top 30 investors	74%
Top 100 investors	93%
Other investors	7%

During the year under review, the AGM was held in May 2015 with each member of the Board in attendance to answer questions. Notice of the AGM and related papers were sent out more than 20 working days before the meeting. Separate resolutions were tabled on all substantively separate issues. The Group's 2014 Remuneration Report was approved by 98.9 per cent of the votes cast and its 2014 Annual Report and Accounts were approved by 99.8 per cent of the votes cast.

The Company complies fully with the provisions of the UK Corporate Governance Code (September 2014) in respect of the notice, content of agenda and conduct of its Annual General Meetings. The Chairmen of all the Board Committees will be present at the Annual General Meeting on 4 May 2016 to respond to shareholders' questions.

Philip Green
Chairman
3 March 2016

Report of the Nominations Committee

Dear Shareholder,

I am pleased to present the 2015 report of the Nominations Committee.

After a busy 2014 when we addressed a number of Board succession issues, the Committee had a relatively quiet year during 2015. As planned, Steve Mogford, who completed nine years as a member of the Board in September, stepped down as Senior Independent Non-Executive Director in September and retired from the Board and the Committee in December 2015. I would like to thank Steve for his contribution to the Committee's work over the years. Keith Cochrane joined the Board as a Non-Executive Director in July 2015 and was appointed to the Committee at that time. In September, Keith succeeded Steve as Senior Independent Non-Executive Director. We welcome Keith and the experience and skills that he brings to the Board.

This report provides a summary of the Committee's work during 2015.

Membership and attendance at meetings held during the year ended 31 December 2015

		Meeting attendance 2015		Meeting attendance 2014	
Member	Appointed/ (retired)	Attended	Eligible to attend	Attended	Eligible to attend
Philip Green	01.06.11	2	2	3	3
Keith Cochrane	02.07.15	0	0	N/A	N/A
Andrew Dougal	03.10.11	2	2	3	3
Alison Horner	01.12.13	2	2	2	3
Richard Howson	10.12.09	2	2	3	3
Steve Mogford	(31.12.15)	2	2	2	3
Ceri Powell	02.04.14	2	2	1	1

The Committee reviews the structure, size, composition, balance of skills, knowledge and experience of the Board and makes recommendations to the Board with regard to any changes that are deemed desirable. The Committee also reviews succession planning to ensure that processes and plans are in place with regard to both Board and senior appointments. The Committee continues to be chaired by myself and its membership includes the independent Non-Executive Directors plus the Group Chief Executive. The Group Human Resources Director attends certain meetings of the Committee by invitation. The Committee's terms of reference are available at www.carillionplc.com or on request from the Company Secretary.

The appointment of a Director is a matter for resolution by the Board as a whole, taking advice from the Nominations Committee.

Implementation of Board succession
I was very pleased with the seamless transition we achieved in relation to the appointment of Keith Cochrane as Non-Executive Director and Senior Independent Non-Executive Director in succession to Steve Mogford. Having served on the Board since 2006, Steve Mogford retired as a Director on 31 December 2015. In anticipation of this, the Committee led the process that culminated in the appointment of Keith Cochrane to the Board in July 2015. These changes were largely planned during 2014 and implemented during 2015.

Appointment of Non-Executive Director
In order to facilitate the search relating to the appointment of Keith Cochrane, the Nominations Committee used the services of executive recruitment consultants, JCA Group. JCA Group has no connections to the Company other than the provision of services in relation to searches for new Non-Executive Directors. The JCA Group has adopted the 'Voluntary Code of Conduct for Executive Search Firms' which, inter alia, is designed to improve gender balance on Boards.

The Nominations Committee evaluated the balance of skills, experience, independence and knowledge on the Board and, based on this assessment, prepared a description of the key skills and expertise required. Details of potential candidates were provided by the JCA Group and initially reviewed by a sub-committee of the Nominations Committee. Meetings with selected candidates were then held with the Directors. Subsequently, the Nominations Committee met to recommend Mr Cochrane's appointment, which was then proposed to the Board for approval.

Non-Executive Directors are appointed for specified terms and subject to annual re-election. Written terms and conditions in relation to the appointment of all Non-Executive Directors will be available at the 2016 AGM and can be inspected at the Company's registered office, Carillion House, 84 Salop Street, Wolverhampton, WV3 0SR. Fees payable to Non-Executive Directors are discussed in the Remuneration report on pages 57 to 72.

Board diversity
The Nominations Committee is responsible for reviewing the composition of the Board to ensure that it continues to represent the right balance of skills, knowledge and experience, independence and diversity to support the future delivery of the Group's strategy. The Committee recognises the importance of gender diversity throughout the Group.

Currently, two of the seven Board members are female. While the Committee will continue to follow a policy of ensuring that the best people are appointed for the relevant roles, the benefits of greater diversity are recognised and will continue to be taken into account when considering any particular appointment.

Annual evaluation
As part of the overall Board evaluation process, the Committee reviewed its performance for 2015 and this confirmed that it continues to be highly effective. Future priorities highlighted by this evaluation included a continued focus on executive succession within the Group. I will be available to answer any questions about the work of the Committee at the AGM on 4 May 2016.

Philip Green
Chairman
3 March 2016

Report of the Business Integrity Committee

Dear Shareholder,

I am pleased to present the Business Integrity Committee's report for the year ended 31 December 2015.

High standards of ethics and business integrity are essential to achieving consistently high standards of corporate governance and service excellence. The Board has therefore implemented a formal ethics and business integrity policy to ensure that the Group conducts its business to the highest ethical standards.

Our ethics and business integrity policy sets out the Group's approach to a number of compliance or ethical issues and the standards and behaviours that all Carillion employees are expected to meet wherever in the world we operate. This policy provides guidance in relation to areas such as bribery, fraud and corruption, gifts and hospitality, insider trading, conflicts of interest, ethical procurement, competition law, money laundering, human rights and compliance with general laws and regulations. For further details on the Group's Business Integrity Policy see www.carillionplc.com.

The implementation of our ethics and business integrity policy is overseen by the Business Integrity Committee, and its effectiveness is reviewed annually by the Board.

Membership and attendance at meetings held during the year ended 31 December 2015

		Meeting attendance 2015		Meeting attendance 2014	
Member	Appointed/ (retired)	Attended	Eligible to attend	Attended	Eligible to attend
Philip Green	01.06.11	4	4	2	2
Keith Cochrane	02.07.15	3	3	N/A	N/A
Andrew Dougal	03.10.11	4	4	2	2
Alison Horner	01.12.13	4	4	2	2
Steve Mogford	(31.12.15)	4	4	1	2
Ceri Powell	02.04.14	4	4	1	1

The changes to the Committee's composition summarised in the Report of the Nominations Committee on page 50, resulted from the succession related changes to the Board discussed on page 41. The Group Chief Executive and the Group Compliance Manager are invited to attend the Committee's meetings. The main activities undertaken by the Committee during 2015 are summarised below.

Our commitment to ethics and compliance

Following the introduction of the Bribery Act 2010, we established an Ethics and Compliance Office in 2010. This Office reviews and monitors compliance and aims to ensure that the Group's policies and procedures aimed at maintaining high ethical standards remain effective. In 2014, our formal policies and procedures in relation to ethics and integrity were externally benchmarked by the Institute of Business Ethics as part of our successful application to obtain the Investing in Integrity Charter Mark. This award covers all of our businesses globally and we remain one of the largest businesses to have been awarded the Charter Mark which remains valid until 2019. We also continue to undertake regular risk assessments in light of external compliance failures to ensure that any risks highlighted by these are appropriately managed and any lessons learnt addressed within our business. The Ethics and Compliance Office reports to the Business Integrity Committee on key global compliance risks and functional activity.

Our values

To create a culture in which high standards of ethics and integrity are natural and instinctive, we promote, encourage and reward behaviours that reflect our core values. We aim to ensure that our values, which are described on page 44, are at the heart of everything we do so that they define how we behave towards our colleagues, our customers, our partners and our suppliers, and how we approach every challenge and opportunity.

Integration of acquired businesses

The Group acquired the Outland Group, a Canadian provider of remote site accommodation and associated services, during the first half of 2015. Our acquisition integration process includes procedures designed to ensure that the ethics and compliance practices at newly acquired businesses are aligned with those adopted by the Group. As part of the Outland Group's integration into the Group, we undertook an assessment of its existing ethics and compliance policies and implemented a detailed programme to align these with those adopted by the Group. This programme included face-to-face training on Ethics, Business Integrity and Competition laws for the relevant members of the Outland team, with senior management within the business then being tasked to ensure that the key messages from this training continued to be communicated to all employees on a regular basis. We also undertook a similar alignment and training programme with the Rokstad Corporation in Canada following our acquisition of a 60 per cent ownership interest in this business in December 2014.

Modern Slavery Act 2015

We commenced a review of our current policies and procedures to ensure compliance with the Modern Slavery Act 2015 which came into force in October 2015. Our initial assessment is that the Group is well placed in relation to these regulations, however, in order to ensure that any potential gaps in our current procedures are addressed, the Committee has established a Modern Slavery Steering Group, which includes senior representation from each of our five business units. This Steering Group includes a mix of functional, commercial and operational expertise and it has been tasked to identify and review any new compliance risks associated with the introduction of this new legislation. The Steering Group has developed an implementation plan to ensure full compliance with these new regulations is achieved in line with the timelines set out within the Modern Slavery Act 2015.

Training

The Ethics and Compliance Office continued to oversee the delivery of the Group's regular compliance training programme during 2015. The Group provides employees with face-to-face and online training, dependent upon role and grade, to ensure that employees are aware of any new developments in Group policy and changes to laws and regulations. This programme includes training in competition law, ethics, integrity and bribery and corruption. During 2015, some 860 employees received face-to-face compliance training. Ongoing refresher training is mandatory for all senior employees who are also required to complete an online assessment at least once every three years.

Key priorities for 2016

During 2016, the Committee will continue to monitor the delivery of training under the Group's ongoing programme for all senior employees and new joiners (including those joining as part of the recent acquisition of the Outland Group) and ensure that its content remains relevant and up to date. The Committee will also continue to monitor external legal and regulatory developments and ensure these are implemented across the Group on a timely basis. In addition, the Committee will closely monitor the work undertaken by the Steering Group established following the introduction of the Modern Slavery Act 2015 and ensure that any gaps in our existing procedures are addressed.

Annual evaluation

As part of the overall Board evaluation process, the Committee reviewed its performance for 2015 which confirmed that it continues be highly effective. I will be available to answer any questions about the work of the Committee at the AGM on 4 May 2016.

Philip Green
Chairman
3 March 2016

Report of the Sustainability Committee

Dear Shareholder,

I am pleased to present the Sustainability Committee's report for the year ended 31 December 2015.

Sustainability is a core commitment embedded within Carillion's operational delivery, values and reputational management - backed up by our published 2020 Sustainability Strategy and independently-verified Key Performance Indicators.

Our Strategy consists of six Positive Outcomes which target a balanced set of strategic objectives across economic, environmental and social responsibility and include building a successful business, leading the way in our sector, enabling low-carbon economies, protecting the environment, supporting sustainable communities and providing better prospects for our people.

The Board Sustainability Committee was established as a principle in 2014 and commenced its work in 2015, aiming to oversee the development and implementation of the Group's sustainability strategy, values and policies, by engaging with key internal and external stakeholders on prime sustainability themes. The Board receives monthly reports on progress, priorities, targets and challenges on topical sustainability issues, so the Sustainability Committee focuses on the Group's wider strategy, its relevance to sector contexts, and legislation or regulations that might affect the Group or its stakeholders. The Committee also approves external sustainability advisor appointments and reviews Carillion's Annual Sustainability Report prior to its publication, including the annual management report of the Group's sustainability auditors.

Membership and attendance at meetings held during the year ended 31 December 2015

		Meeting attendance 2015		Meeting attendance 2014	
Member	Appointed/ (retired)	Attended	Eligible to attend	Attended	Eligible to attend
Ceri Powell	02.04.14	4	4	N/A	N/A
Keith Cochrane	02.07.15	3	3	N/A	N/A
Andrew Dougal	03.10.11	4	4	N/A	N/A
Philip Green	01.06.11	4	4	N/A	N/A
Alison Horner	01.12.13	3	4	N/A	N/A
Richard Howson	10.12.09	4	4	N/A	N/A
Steve Mogford	(31.12.15)	4	4	N/A	N/A

The Chief Sustainability Officer also attends the Committee's meetings. The Committee's terms of reference are available at www.carillionplc.com or on request from the Company Secretary.

Committee activities in 2015

Key areas of debate and review at the Board Committee's four meetings in 2015 included a review of sustainability risks, each of the Strategy's six Positive Outcomes, external validation and Sustainability Moments across the Group's international business operations.

Risk review

The review of risks within Carillion's Sustainability 2020 Strategy included an assessment of specific risks associated with each Positive Outcome, as well as wider considerations of work with new and existing clients, the development of an ambitious future Sustainability Strategy and the management of supply chain relationships. It was recognised that these and other risks were well managed under the Group's robust existing risk management processes, including its Group Risk Forum. In addition, Carillion has established sustainability reporting to Global Reporting Initiative G4 standards, which includes a declaration of risk issues and their associated mitigation within the Annual Sustainability Report.

Positive Outcome review

The Sustainability Committee reviewed each of the Group's six Positive Outcomes, focusing on the strategic aims, key targets and metrics associated with each one, as well as making adjustments or recommending actions to improve their associated delivery and benefits. Specific areas of review included the sources and categories of sustainability's profitability contributions under the building a successful business outcome, together with Carillion's extensive efforts to promote and enable employee volunteering. The Committee noted the compelling community engagement position that Carillion had established, targeting headline performance indicators which included local spending, employment outcomes for disadvantaged people, apprenticeships, community needs plans and direct support for schools.

See also pages 18 to 21 of Sustainability - making us a better business.

External validation and benchmarking

The Committee noted the importance of continuing to lead the way by learning from external benchmarking, exemplified by Carillion retaining PwC's Building Public Trust Award for Sustainability Reporting for an unprecedented third consecutive year. This was further demonstrated by being recognised as one of only two UK Industrial sector firms awarded a Climate A-grade within the CDP (formerly the Carbon Disclosure Project) index for cutting carbon - achieving a score of 98A for disclosure and performance in tackling climate change. The Committee further noted Carillion's investment in external partnerships such as Business in the Community (BITC), particularly with the Chief Executive Officer chairing its Community Leadership team, and the opportunities to assess best practice through initiatives such as BITC's Corporate Responsibility and Diversity Indices.

Sustainability Moments

The Committee reviewed Sustainability Moments during 2015, which offered an opportunity to focus on examples of Carillion's most inspiring sustainability behaviour and values. Specific initiatives included the independent reclamation of building materials to reduce waste and improve profitability, the support given to a homeless person under Carillion's support for BITC's Ready for Work programme and the employment of a disabled person through a focused volunteering commitment from a Carillion employee. The Committee also reviewed the positive and diverse impacts achieved through Carillion's Employee Nomination Fund, supporting 160 charities through two annual funding rounds across its international business regions.

Committee annual evaluation

The Committee reviewed its performance for 2015, as part of the overall Board evaluation process, confirming that it had established an excellent forum that stimulated good debate and focus around the sustainability agenda. The Committee felt that its agenda would develop over time, as it refined its role to add value and exercise appropriate governance. Future priorities highlighted by the evaluation include continuing to develop its understanding of wider sustainability themes and their relevance to Carillion, and engaging more directly with external advisors on current trends to benchmark Carillion's sustainability performance. In addition during 2016, the Committee plans to undertake a broader review of the strategic themes and the six Positive Outcomes, in the context of environmental and regulatory drivers, particularly to ensure that sustainability continues to serve as a competitive differentiator. It will continue to focus on responsible reporting and development of the Sustainability 2020 Strategy, to further integrate it with our wider corporate strategy. I will be available to answer any questions about the work of the Committee at the AGM on 4 May 2016.

Ceri Powell
Chairman
3 March 2016

Report of the Audit Committee

Dear Shareholder,

I am pleased to present the report of the Audit Committee for the financial year ended 31 December 2015. During 2015, the Committee has continued to review and report to the Board on the Group's financial reporting, internal control and risk management processes and the performance, independence and effectiveness of the auditor, KPMG LLP. This report describes the Committee's major areas of focus since my last report in March 2015.

During 2015, there were further changes to the composition of the Committee resulting from changes in Board membership. In July, I was delighted to welcome Keith Cochrane to the Committee. Keith is Chief Executive Officer of The Weir Group PLC and brings with him a wealth of financial experience, as prior to his current role he served as the Group Finance Director of The Weir Group PLC having previously been Finance Director of Stagecoach Group Plc and Director of Group Finance of ScottishPower Plc. Keith is a member of the Institute of Chartered Accountants of Scotland. His business skills and financial experience leave him very well placed to support the Committee and I look forward to working with him. As a result of his retirement from the Board, Steve Mogford stepped down from the Committee in December and I would like to thank Steve for his valuable contribution to the work of the Committee over the years.

I am also a member of the Institute of Chartered Accountants of Scotland and previously served as Group Finance Director with a FTSE 100 business. In addition, I continue to chair one other plc audit committee and I am a member of the Council and the Oversight Board of the Institute of Chartered Accountants of Scotland. This provides the Board with the confidence that the Committee continues to meet the UK Corporate Governance Code's requirement in relation to recent and relevant financial experience.

The assurance framework required by the Audit Committee is provided by complementary contributions from management reports, internal and external audit reports and from risk management reports.

I continue to hold regular meetings with both the Company's external and internal auditors, Richard Adam, the Group Finance Director and Robin Herzberg, the Group Head of Risk, in which key issues relevant to the Committee's work are discussed. In addition, I and my colleagues on the Committee visit contract operations in both the support services and construction areas of the business in order to maintain a more detailed understanding of the Group's businesses, which together with the reports we receive, facilitate the ongoing effective operation of the Committee.

In order to ensure ongoing compliance with regulatory developments, the Committee's terms of reference are reviewed annually. The requirements introduced under The UK Corporate Governance Code (September 2014), which became effective for accounting periods beginning after 1 October 2014 were incorporated into the Committee's terms of reference in 2014 and consequently there were no significant changes made to the Committee's terms of reference during 2015.

The Committee's terms of reference can be viewed at www.carillionplc.com or a copy obtained on request from the Company Secretary.

Membership and attendance at meetings held during the year ended 31 December 2015

		Meeting attendance 2015		Meeting attendance 2014	
Member	Appointed/ (retired)	Attended	Eligible to attend	Attended	Eligible to attend
Andrew Dougal (Chairman)	03.10.11	3	3	4	4
Keith Cochrane	02.07.15	2	2	N/A	N/A
Alison Horner	01.12.13	3	3	4	4
Steve Mogford	(31.12.15)	3	3	3	4
Ceri Powell	02.04.14	3	3	3	3

To ensure compliance with the requirements of the UK Corporate Governance Code, Committee membership is limited to Independent Non-Executive Directors of the Company. We also have in attendance at meetings, by invitation of the Committee, the Chairman, Executive Directors, the Group Financial Controller, representatives of both the external auditors (KPMG LLP) and the internal auditors (Deloitte LLP) and the Group Head of Risk. The Committee also meets privately with both the external and internal auditors.

The Committee is authorised by the Board to seek any information necessary to fulfil its duties, call any member of staff to be questioned at a meeting of the Committee, as and when required, and obtain independent legal, accounting or other professional advice, at the Company's expense, which might be necessary for the fulfilment of its duties.

Main activities of the Audit Committee in relation to the year ended 31 December 2015

As summarised above, the Committee met on three occasions in 2015. The table below summarises the agenda items covered at the Committee's meetings held during 2015.

	Feb	August	Dec
Financial reporting and significant financial judgements			
Full-year results and associated announcements	•		
Half-year results and associated announcements		•	
Going concern report	•	•	
External audit			
Review and consideration of the Audit Memorandum	•	•	
Board representation letter	•	•	
Evaluation of audit function	•		
Auditor re-appointment recommendation to the Board	•		
Fees for non-statutory audit activities	•		
Year end audit plan update			•
Committee meeting with auditor	•	•	•
Internal audit			
Audit report	•	•	•
Evaluation of audit function			•
Audit plan			•
Peer review plan			•
Committee meeting with internal audit	•	•	•
Other			
Review of risk management and internal controls	•	•	
Review of whistleblowing and fraud reports	•	•	•
Annual review of terms of reference			•
Annual evaluation of the Committee			•
Compliance with the UK Corporate Governance Code and the Financial Conduct Authority's Listing Rules and Disclosure and Transparency Rules	•	•	

In addition to the above, at its meeting in February 2016, the Committee reviewed the Group's financial statements and other relevant disclosures relating to this 2015 Annual Report and Accounts.

Report of the Audit Committee
continued

Financial reporting and significant judgements
The Committee is responsible for reviewing whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements in the preparation of the financial statements. The Committee also keeps under review the impact of any actual or expected changes to accounting standards applicable to the Group and provides general oversight in relation to the financial policies of the Group.

The Group reported revenue of £4,586.9 million (2014: £4,071.9 million) and an underlying profit before tax of £176.5 million (2014: £172.9 million) for the year ended 31 December 2015. In August 2015, the Committee reviewed the Group's half-year results and discussed these with the external auditor prior to their release. In February 2016, the Committee reviewed the Group's 2015 Annual Report and Accounts to ensure compliance with statutory and other regulatory requirements and discussed significant financial reporting issues or areas of judgement with the external auditor. In respect of the financial statements for the year ended 31 December 2015, the significant issues reviewed and how these issues were addressed are summarised below:

Revenue and margin recognition
Given the nature of the Group's activities, revenue and margin recognition continues to be a key area of judgement for management. Note 32 on page 118 of the financial statements describes the estimation techniques used by management to determine the amount of revenue and costs to be recognised in relation to construction and services contracts. A significant proportion of the Committee's time is spent reviewing contract judgements given the Company's extensive portfolio of contracts. During 2015, the Committee reviewed, through discussions with management and the external auditor, the positions and judgements taken by management on a number of material contracts across the Group. On the basis of these discussions, the Committee concluded that the positions and judgements taken in relation to the contracts reviewed were reasonable. The Committee has also continued to monitor the management of cash flows and working capital, in particular receivables and payables, as these are key areas of importance in relation to the Group's financial performance.

Valuation of goodwill
At 31 December 2015, the Group had £1,544.0 million (2014: £1,510.9 million) of goodwill, being the largest single item included in its balance sheet. Goodwill (note 11 on page 98 of the financial statements) describes the estimation techniques used by management to assess whether there has been an impairment to the carrying value of goodwill and other intangible assets. The Committee considered and critically reviewed the assumptions used in management's impairment calculations and considered the views of the external auditor on this issue. This included a review of the sensitivity analysis undertaken by management and the external auditor. On the basis of this review, the Committee agreed with management that no impairment to goodwill was necessary.

Adoption of the going concern basis
Prior to the publication of both the half and the full-year results for the Group, the Committee undertook a detailed assessment of the appropriateness of the adoption by the Group of the going concern basis in the preparation of its financial statements. Information considered to support the ongoing adoption of the going concern basis and the Committee's conclusion supporting this is set out in the Performance and financial review on page 40.

Viability statement
Prior to the publication of the full-year results for 2015, the Committee undertook a detailed assessment of the viability statement and recommended to the Board that the Directors can believe that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. Please refer to page 27 for the statement.

Fair, balanced and understandable
At its February 2016 meeting the Committee reviewed the Group's Annual Report and Accounts and recommended them to the Board as representing a fair, balanced and understandable assessment of the Group's position.

External audit
The Committee is responsible for reviewing the scope and results of the Group's external audit process and its effectiveness. During 2015, the Committee continued to monitor the independence and objectivity of the external auditors to ensure that the services provided continued to represent a healthy balance between objectivity and value for money. In addition, in the interests of efficiency and effectiveness, the Committee also ensured that activities undertaken by the internal and external audit functions complemented each other.

External audit process
During 2015, KPMG LLP (KPMG) acted as the Company's auditor and provided certain non-audit services to the Group. KPMG has indicated its willingness to continue in office and a resolution to reappoint KPMG as auditor will be proposed at the 2016 Annual General Meeting (AGM).

Peter Meehan is the Group Audit Partner. Mr Meehan and members of his team attended each of the Committee's meetings during 2015. As Chairman of the Committee, I also maintain contact with the Group Audit Partner.

The scope of the Group's 2015 audit was discussed and approved by the Committee in August 2015. Proposed audit fees for 2015 were also reviewed by the Committee prior to their recommendation to the Board for approval. KPMG are expected to report to the Committee on any material issues identified in relation to the Group's reported performance or any significant breakdown in controls identified during the audit process. The 2015 audit plan was completed in line with the scope agreed by the Committee with no significant issues being highlighted for the Committee's attention.

External auditor effectiveness
In February 2016, the Committee undertook its annual review of the external auditor's effectiveness. This review was based on feedback received from the Committee members, the Executive Directors and Business Unit Finance Directors. This review confirmed that KPMG continued be highly effective in its role as external auditor to the Group with an overall approval rating of 4.6 out of 5.0. The Group's finance function also obtains feedback from the operating units and holds a two-way feedback session, which is designed to highlight the key strengths of the current process and potential areas for future improvement. This session confirmed that the audit continues to be undertaken in an efficient manner. In addition, the Committee received and discussed with the Group Audit Partner the Financial Reporting Council's annual Audit Quality Inspection report, published in May 2015, on KPMG LLP and KPMG Audit plc. The Audit Committee recommended to the Board the re-appointment of KPMG as auditor and for this to be put to shareholders at the 2016 AGM.

Auditor independence and non-audit services
During 2015, KPMG continued to provide certain non-audit services to the Group. The Committee maintains under review the level and scope of non-audit work awarded to KPMG to ensure that any services provided are within the constraints of the Audit Practices Board's Ethical Standards on Auditing and that the level of fees attached to these services are not sufficiently material such that it could be perceived to impact the auditor's independence and objectivity.

Non-audit engagements awarded to KPMG continue to be subject to strict controls agreed by the Audit Committee. In summary, the Group Finance Director is required to give prior approval of non-audit work carried out by KPMG and its associates in excess of a predetermined threshold. In addition, any such work incurring fees in excess of £250,000 is discussed with me prior to its commencement. These measures are designed to ensure that other potential providers of the services required have been adequately considered.

Non-audit services provided during 2015 related to tax advisory and other assurance services. Details of audit and non-audit fees paid to KPMG can be found in note 3 on page 93.

Non-audit fees 2015

Audit fees £1.4m or 78% of total
Non-audit fees £0.4m or 22% of total

Total fees	£1.8m

Non-audit fees 2014

Audit fees £1.3m or 81% of total
Non-audit fees £0.3m or 19% of total

Total fees	£1.6m

KPMG also has in place strict requirements on rotation, with the lead audit partner required to rotate off the account after five years and other senior team members required to rotate after 10 years on the audit. In addition, KPMG also provides the Committee with information on the safeguards it has in place to maintain its independence and objectivity in relation to the provision of non-audit services to the Group.

Furthermore, at each of its meetings, the Committee holds discussions with the auditor, without management being present. Based on these safeguards the Committee remains confident of the independence and objectivity of KPMG in their reporting on the audit of the Group.

External audit tendering

KPMG was appointed as the Company's auditor at its inception in 1999. The Committee has continued to monitor the independence and objectivity of the auditor and the effectiveness of the audit process through a range of measures discussed on page 54.

The Committee has also kept under review the regulatory position in relation to the tendering of the external audit and rotation of the audit firm during 2015. The UK Corporate Governance Code requires that FTSE 350 companies should put the external audit contract out to tender at least every 10 years or provide an explanation of why it is considered not appropriate to do so. The transitional arrangements associated with this requirement allow companies to align the timing of the tender with the cycle for the rotation of the engagement partner. Furthermore, under an order issued by the UK's Competition and Markets Authority, a tender is required by the year ending 31 December 2020. To achieve compliance with these requirements, after taking into account the suggested 'non-binding' transition arrangements under the UK Corporate Governance Code, the Group will tender its audit by the year ending 31 December 2019. Also, under European Union legislation, again after taking into account the associated transition arrangements, the Group will rotate its audit to a new audit firm by the year ending 31 December 2023.

The Audit Committee understands the value associated with a formal tender process and is committed to ensuring compliance with the above statutory and regulatory requirements. The Committee intends to keep under review the exact timing of a future audit tender, but will comply with the timings noted above.

Internal audit

The Group's internal audit function is currently outsourced to Deloitte LLP. The Committee is responsible for reviewing the role and effectiveness of the internal audit function by monitoring the results of its work and the responses of management to its recommendations. In the interests of increased efficiency and effectiveness, the Committee also ensures that the work undertaken by the internal audit function complements the scope agreed for the external audit.

The Committee reviewed and approved the 2015 internal audit plan at its meeting in December 2014 and continued to monitor progress against this plan during the year. Results and management actions arising from the reviews undertaken in 2015 were discussed in detail at each of the Committee's meetings. The Head of Internal Audit attended all of the Committee's meetings during 2015 and held discussions with the Committee in the absence of Executive management. In December 2015, the Committee undertook an evaluation of the effectiveness of the internal audit function with reference to robustness of audits, quality of delivery and quality of people and service. Based on an approval score of 4.7 out of 5.0 it is satisfied with the effectiveness of the internal audit function.

Risk management and internal control

The Board is ultimately responsible for the Group's system of internal control. This responsibility includes clearly determining the control environment and reviewing annually the effectiveness of the internal control system. The Board is also responsible for (i) determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and, in this regard, the Board maintains risk management and internal control systems and (ii) determining that the Group's systems for risk management and internal control are appropriate and operating effectively. As part of its terms of reference, the Committee is responsible for reviewing the Company's internal control and risk management systems on behalf of the Board.

Risk management

Management is responsible for the identification and evaluation of significant risks applicable to its areas of business together with the design, operation and monitoring of suitable internal controls. The Group Head of Risk, Robin Herzberg, is responsible for co-ordinating the reporting of strategic risk issues across the Group, and for oversight of risk management and training.

Risk management is embedded into the Group's operational activities with risk registers maintained for each project, business unit and the Group as a whole. Internal and external risks arising from a variety of sources, including control breakdowns, disruption to information systems, competition, corporate social responsibility, natural catastrophes and regulatory requirements are monitored on a continuous basis. Each business unit has a formal risk co-ordinator, each of whom participates in a quarterly risk forum chaired by the Group Head of Risk. Based on the output generated at these forums, the Group Head of Risk prepares a summary of the principal risks and associated mitigations, which is submitted to the Board on a six-monthly basis. The Group's risk management procedures are reviewed by its Internal Audit function on a periodic basis. Key risks and uncertainties together with the associated mitigating controls relating to the Group's business are summarised on pages 28 to 31 of the Strategic report.

To mitigate further the risks associated with significant new projects, the Group Head of Risk is also responsible for carrying out an independent appraisal of all projects before submission to the Major Projects Committee (see page 56). This appraisal ensures that the differentiating factors of the Group's offer have been properly identified, thus maximising the opportunities available; it also involves ensuring that all inherent and residual risks associated with the project have been properly identified and considered.

Report of the Audit Committee
continued

Internal control and assurance processes
In order to protect the Company's assets, the interests of its stakeholders and provide mitigation against the risks and uncertainties relating to its business, the Company maintains a comprehensive set of policies, procedures and controls, including financial, operational and compliance controls. This section of the report summarises the key elements of the Group's internal control framework, although it should be noted that the controls summarised below are designed to manage rather than eliminate risk and as such they provide reasonable but not absolute assurance against any material misstatement or loss.

The Group's financial and operating activities are conducted in compliance with the procedures, policies and limits set by the Board. Management has also implemented procedures to ensure timely and accurate reporting of business performance by business units. Regular performance review meetings are held in which senior managers report to the Executive Directors on business performance against targets, risk and internal control matters. The results of these meetings are presented to the Board.

The Major Projects Committee, a committee of the Board, acts as the sanctioning body for major commitments and transactions including capital expenditure, major contracts and company and business acquisitions and disposals. This Committee has delegated authority up to specified levels of risk as determined by a risk assessment matrix, beyond which Board approval is required.

Practical guidance for all staff is maintained in Group policy and procedure documents regarding the authorisation levels for commitments, contract selectivity and bidding, the provision of guarantees and management accounting as well as for reporting and resolving suspected fraudulent activities.

Employees are encouraged to raise genuine concerns about malpractice at the earliest possible stage and a confidential Whistleblowing hotline provided by an independent third party is available. A monthly report on issues raised on the Whistleblowing hotline and subsequent investigations is compiled by the Whistleblowing and Fraud Committee and presented to the Audit Committee. The Board has a policy to prosecute individuals found to have defrauded the Company or its subsidiaries. To minimise the occurrence of fraud, learning points for management are identified and action plans implemented.

The Executive Directors report to the Board on material changes in the business and the external environment that affect significant risks. The Group Finance Director provides the Board with regular financial information, which includes key performance indicators and a summary of risk. These key performance indicators are listed in the Strategic report on pages 8 to 10. Where areas for improvement are identified, the Board considers the recommendations made by both the Executive Directors and the Committee.

Internal audit carries out audits to assess the adequacy and effectiveness of internal controls over the key risks faced by the business and reports its findings to management, the Executive Directors and the Committee. Recommendations to improve the system of control made by internal audit are followed up on a regular basis.

Management has also implemented a system of 'peer reviews', under which the performance of individual contracts is reviewed by experienced teams from other projects across the business. Summaries of the peer review reports were provided to, and reviewed by, the Committee. The Committee is satisfied that the peer review process continues to work well and represents a very useful additional source of assurance for the management and the Board.

The Group has also implemented a process of Control Risk Self-Assessment where Directors and senior managers are required to detail and certify controls in operation to ensure the control environment in their business areas is appropriate. They also confirm annually, in writing, that risk management processes and appropriate controls are in place and are operating effectively.

Annual evaluation of Committee performance
As part of the overall Board evaluation process the Committee reviewed its performance for 2015. This evaluation considered areas such as the Committee's processes and support, its time management and composition, its effectiveness in reviewing the work undertaken by internal and external audit and its effectiveness in reviewing internal control systems, the quality of reporting and management of risk, and confirmed that the Committee continues to be highly effective in undertaking its responsibilities. Future priorities highlighted by this evaluation include:

- engagement with senior finance leadership at the operational level to develop further understanding of capability and risks
- continuing to develop processes to monitor and map the risk profile relating to the Group's activities and the external environment.

Review of risk management and internal controls
During the year, the Audit Committee monitored and reviewed the effectiveness of the Group's internal control systems, including its risk management procedures noted and discussed in this report, and reported thereon to the Board. Based on the Committee's report, the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks (both financial and non-financial and including Corporate Social Responsibility risks) faced by the Group (including joint ventures and overseas businesses). The process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts and have been regularly reviewed by the Committee.

I will be available to answer any questions about the work of the Committee at the AGM on 4 May 2016.

Andrew Dougal
Chairman of the Audit Committee
3 March 2016

Remuneration report

Remuneration Committee Chairman's letter

Dear Shareholder,

On behalf of the Board, I am pleased to present our Directors' Remuneration report for 2015, which sets out the amounts earned in respect of the year ended 31 December 2015 under the Remuneration Policy for the Directors of Carillion that was approved by shareholders at the Company's 2014 AGM.

The report complies with the Large and Medium-Sized Companies and Groups (Accounts and Reports (Amendment)) Regulations 2013, the 2014 UK Corporate Governance Code ('the Code') and the Financial Conduct Authority Listing Rules. This report is presented in two sections: the Annual Report on Remuneration and the Directors' Remuneration Policy. The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 31 December 2015 and how the Directors' Remuneration Policy will operate for the year commencing 1 January 2016. This is subject to an advisory vote at the 2016 Annual General Meeting. The second section sets out the Company's Directors' Remuneration Policy, which was approved by shareholders at the Annual General Meeting on 7 May 2014, from which date it took binding effect. The Policy will expire at next year's AGM and over the course of 2016 the Committee will be reviewing the efficacy of the Policy to ensure that when it is put to shareholders at the 2017 AGM, it represents what we consider to be the most commercially appropriate for the business and one which will fully support Carillion's strategy going forward.

2015 incentive out-turns
Throughout the year, the Remuneration Committee continued to apply the Remuneration Policy prudently, with a clear alignment to the interests of shareholders. In this regard, the Remuneration Committee feels strongly that rewards should be linked to both Group and personal performance.

To encourage behaviours that facilitate profitable growth and the future development of the business, 50 per cent of the 2015 annual bonus opportunity was based on Earnings Per Share ('EPS') performance, 25 per cent was based on personal targets and 25 per cent was based on individual 'stretch' targets (individual strategic objectives that required an outstanding level of performance to be achieved).

Awards granted to Executive Directors under the Company's Leadership Equity Award Plan (LEAP) in 2013 were based on growth in earnings per share and on an average annual cash flow conversion rate target to take account of the importance of the delivery of cash-backed profits. Over the three-year performance period to 31 December 2015, the Group's annual average growth in EPS was -4.7 per cent and the Group's average annual cash flow conversion rate was 99.6 per cent. Therefore no long-term incentive awards vested under the LEAP in respect of the EPS targets, however 15.8 per cent of the overall award vested as a result of the cash conversion performance.

Proposed changes for Non-Executive Remuneration
As part of an ongoing review of remuneration structure, the Board has confirmed an increase to the Chairman's annual fee from £193,000 to £215,000 with effect from 1 January 2016. This increase is made following a review of relevant comparators. The fees paid to Non-Executive Directors were reviewed in February 2016 and increased by approximately 2 per cent. Fees will be reviewed annually in future.

Proposed changes in executive remuneration for 2016
The Remuneration Committee has continued to monitor the Executive Remuneration Policy to take account of evolving market practice, whilst also seeking to ensure that a stable framework is maintained to avoid making unnecessary and frequent changes to the structure of pay. Accordingly, the fundamental structure of the package and the overall quantum of the incentives have not changed.

In our remuneration report last year, we explained that the Committee was proposing to increase the Group Chief Executive's base salary to £660,000 phased over two increases. We provided detailed rationale behind this decision but in essence this increase was agreed to set the Group Chief Executive's salary at a level which was comparable with the market and most importantly which reflected his development in role since his appointment. Our major shareholders were supportive when we consulted with them and we subsequently received a 99% vote in favour of our Annual Report on Remuneration at the 2015 AGM. The first of these salary increases took effect from 1 January 2015. The second increase was subject to the Committee assessing the ongoing performance of the Group Chief Executive and his contribution to the business and also to the continued satisfactory performance of the business. Following assessment at the end of the financial year of corporate performance against plan, the Group Chief Executive's progress against personal development objectives and consideration of future plans for Carillion, the Committee confirmed that the second increase should be awarded and this took effect from 1 January 2016, taking the Group Chief Executive's salary to £660,000.

The Group Finance Director was awarded a two per cent pay increase during the year which was in line with the wider workforce. This took effect from 1 April 2015 and his salary is therefore currently £460,000.

As part of its ongoing review of the remuneration structure, the Committee considered the design of the annual bonus and particularly the performance metrics. No change to quantum is proposed and the deferral structure will be maintained. However, the 2016 bonus will include an additional metric of underlying cash from operating activities. This means that the balance of measures will be 30 per cent EPS, 20 per cent cash conversion, 25 per cent strategic objectives and 25 per cent personal objectives. At the heart of the design of the bonus plan is affordability and our challenging EPS targets are set such that no EPS or cash element pays out unless the EPS target is met. Cash conversion has been introduced because the Committee felt that together with the other objectives this created a more 'balanced scorecard' representing the key short and long-term business drivers for Carillion. The emphasis on driving cash through our operating activities will fund ongoing investment for growth and returns to shareholders.

The LEAP structure for 2016 is unchanged. Two-thirds of the LEAP award (up to 100 per cent of salary for Executive Directors) will continue to be subject to EPS and cash flow conversion performance targets, as set out on page 62 and one-third (up to 50 per cent of salary for Executive Directors) is subject to strategic performance metrics that are aligned to Carillion's long-term strategy. For 2016, the strategic targets will be based on delivering measurable cost-savings and efficiencies through our sustainability agenda and strategic growth measured through the achievement of new, profitable secured and probable orders.

Planning for the future
Looking forward, we will be reviewing our Policy in 2016 in preparation for the next vote on Policy which will be required at the 2017 AGM.

We remain committed to a responsible approach in respect of executive pay. The Remuneration Committee will continue to engage with and seek to incorporate the views of shareholders in any major changes to the Directors' Remuneration Policy.

Alison Horner

Alison Horner
Chairman of the Remuneration Committee
3 March 2016

Remuneration report
continued

Annual Report on Remuneration

Remuneration philosophy and linking executive remuneration with strategy
Carillion's Remuneration Policy is to provide the Executive Directors with appropriate incentives to encourage enhanced performance in a manner consistent with the Group's strategy and to reward them in a fair and responsible manner for their individual contributions to the success of the Group.

The remuneration package has been based on the following key principles:

Key focus	Remuneration Policy and link to strategy
To invest in our people and capabilities	Our Remuneration Policy is designed to reward all employees fairly according to their role, experience and performance and with due regard to actual and expected market conditions and the financial performance of the Group.
Alignment with interests of shareholders	A substantial proportion of the package for the Executive Directors is paid in the Company's shares to ensure that the interests of Executives are aligned with shareholders. This is further supported by shareholding guidelines. To create alignment with shareholders by ensuring that a meaningful portion of each Executive Director's personal wealth is linked to share price performance, each Executive Director is required to hold the net number of shares acquired through the LEAP and the deferred bonus plan until the value of their total shareholding is equal to their annual salary.
Pay for performance and delivery of our business vision	Our strategic focus is to deliver sustainable, profitable growth. A substantial proportion of Executive Director remuneration is variable and linked to the Group's performance, in particular, to the delivery of our business vision and our strategy (see the Strategic report on pages 8 to 11) and to the performance of the individual. To encourage behaviours which facilitate profitable growth and the future development of the business, our short-term performance is assessed against both earnings per share performance and the delivery of specific individual strategic, financial and non-financial objectives. Our long-term performance is measured by assessing the growth in earnings per share, cash flow conversion and key strategic objectives. Together, these metrics are a key measure of success in delivering shareholder value.
Be a recognised leader in Health & Safety and sustainability	To ensure that remuneration arrangements support our sustainability agenda, the quality of the Group's performance in terms of business results and leadership is considered, including achieving high standards in respect of Carillion's Health & Safety, environmental and social performance targets. This is further supported by the inclusion of strategic objectives in the LEAP since 2014, which include specific and quantifiable sustainability metrics.

Single figure of remuneration for each Director
The remuneration of the Directors of Carillion plc for the year ended 31 December 2015 and the previous year is set out in the tables below. This information has been audited.

Director	Salary/fees[a]	Benefits[b]	Bonus[c]	Long-term incentives[d]	Pension[e]	Total remuneration
Year ended 31 December 2015, £'000						
Executive						
Richard Howson	**610**	**20**	**293**	**146**	**214**	**1,283**
Richard Adam	**457**	**20**	**215**	**117**	**162**	**971**
Total for Executive Directors	**1,067**	**40**	**508**	**263**	**376**	**2,254**
Non-Executive						
Philip Green	**193**	**-**	**-**	**-**	**-**	**193**
Andrew Dougal	**60**	**-**	**-**	**-**	**-**	**60**
Steve Mogford	**60**	**-**	**-**	**-**	**-**	**60**
Alison Horner	**60**	**-**	**-**	**-**	**-**	**60**
Ceri Powell	**60**	**-**	**-**	**-**	**-**	**60**
Keith Cochrane	**28**	**-**	**-**	**-**	**-**	**28**
Total for Non-Executive Directors	**461**	**-**	**-**	**-**	**-**	**461**
Total	**1,528**	**40**	**508**	**263**	**376**	**2,715**

Director	Salary/fees[a]	Benefits[b]	Bonus[c]	Long-term incentives[d]	Pension[e]	Total remuneration
Year ended 31 December 2014, £'000						
Executive						
Richard Howson	560	20	246	-	198	1,024
Richard Adam	450	21	203	-	144	818
Total for Executive Directors	1,010	41	449	-	342	1,842
Non-Executive						
Philip Rogerson	68	-	-	-	-	68
Philip Green	147	-	-	-	-	147
Andrew Dougal	60	-	-	-	-	60
Steve Mogford	57	-	-	-	-	57
Vanda Murray	21	-	-	-	-	21
Alison Horner	61	-	-	-	-	61
Ceri Powell	37	-	-	-	-	37
Total for Non-Executive Directors	451	-	-	-	-	451
Total	1,461	41	449	-	342	2,293

The information in the single-figure table on page 58 is derived from the following:

(a) Salary and fees	The amount of salary/fees received in the year. For Philip Rogerson, Vanda Murray and Ceri Powell the amounts for 2014 are pro-rata. The amount shown for Alison Horner in 2014 includes payment in respect of December 2013. For Philip Green the amount shown in 2014 reflects an increase from May 2014 to reflect his appointment as Chairman. Keith Cochrane joined the Board in July 2015 and therefore his fees are shown pro-rata.
(b) Benefits	This is the taxable value of benefits received in the year. This includes a car/car allowance, fuel benefit and private medical care.
(c) Bonus	Bonus is the cash value of the bonus earned in respect of the year including the value of deferred shares, which must be held for a minimum three-year period. A description of performance against objectives, which applied for the financial year, is provided on page 60.
(d) Long-term incentives	Long-term incentives represent the value of performance-related incentives vesting in respect of the performance period ended 31 December 2015. The LEAP award granted to Executive Directors in 2013 was based on growth in earnings per share and average annual cash flow conversion performance as discussed on page 61.
(e) Pension	The pension figure represents the cash value of pension contributions received by the Executive Directors. This includes the Company's contributions to the defined contribution pension plan and any salary supplement in lieu of a Company pension contribution and the allowance paid for salary in excess of the internal cap on pensionable salary.

Individual elements of remuneration

2015 Base salary

Base salaries for individual Directors are reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities within the Group as well as with reference to similar roles in comparable companies. This information has been audited.

In line with best practice, the Directors' Remuneration Policy, approved by shareholders at the 2014 AGM, is that increases in salary for Executive Directors will not normally exceed the range of increases awarded to other employees in the Group with the exception of the specific circumstances listed in the binding policy. The exceptions include situations where an Executive Director has been promoted and the increase takes account of the individual's development or performance in role (e.g. the salary of a newly appointed Executive Director is increased to align it with the market competitive range over time).

In recognition of this policy and as explained in detail in the Chairman's letter in the 2014 Remuneration Report, the Remuneration Committee increased Richard Howson's base salary by 9 per cent to £610,400 with effect from 1 January 2015 to reflect his contribution to the business and his experience in his current role.

Richard Adam received an increase of 2 per cent effective from 1 April 2015, which is in line with the range of increases awarded to other employees in the Group.

2016 Base salary

A phased approach to proposed increases for Richard Howson was put in place. The second increase, which was not guaranteed, was scheduled for 1 January 2016. Implementation of the 1 January 2016 increase was contingent on a continued improvement in corporate performance and of Richard Howson's personal performance. The Remuneration Committee has reviewed the following factors in reaching its decision:

- The financial performance of the business against budgets for the 2015 financial year
- The meeting of personal objectives
- The outcome of the Chief Executive's personal development review by the Chairman
- An assessment of any impending risk factors which might impact the business in the coming year.

Following the review, it was agreed to move the Chief Executive's base salary to £660,000 with effect from 1 January 2016.

Following review in February 2016, Richard Adam's salary will not change in 2016.

The base salaries for 2015 and 2016 are as set out below:

	2015 base salary	**2016 base salary**	Increase
Richard Adam	£460,000	**£460,000**	n/a
Richard Howson	£610,400	**£660,000**	8%

Richard Adam retained the fees of £33,750 and £55,000 paid in 2015 relating his role as a Non-Executive Director of Countryside Properties Plc and Countrywide PLC respectively.

2015 Fees

The Remuneration Policy for Non-Executive Directors, other than the Chairman, is determined by the Board. Fees reflect the responsibilities and duties placed upon Non-Executive Directors, whilst also having regard to market practice. The Non-Executive Directors do not participate in any of the Group's share incentive plans, nor do they receive any benefits or pension contributions.

Non-Executive Director fees	2015	**2016**
Basic fee	£50,000	**£51,000**
Additional fee for:		
- Chairmanship of the Remuneration Committee	£10,200	**£10,500**
- Chairmanship of the Audit Committee	£10,200	**£10,500**
- Chairmanship of the Sustainability Committee	£10,200	**£10,500**
- Senior Independent Non-Executive Director	£10,200	**£10,500**

The Chairman does not receive any additional fee for committee memberships.

Remuneration report
continued

2015 Annual bonus
To encourage behaviours that facilitate profitable growth and the future development of the business, for 2015, the annual bonus was based on the following performance targets. This information has been audited.

Executive Director	Financial performance	Personal performance
Richard Howson and Richard Adam	50 per cent of salary based on achievement and outperformance of EPS target	25 per cent of salary based on personal objectives 25 per cent of salary based on individual 'stretch' targets The personal objectives and individual 'stretch' targets of the Executive Directors were agreed by the Remuneration Committee at the start of the 2015 financial year and assessed in February 2016 to establish the extent to which they had been met.

Performance against targets

Financial performance (up to 50 per cent of salary)	The Group achieved an underlying EPS of 35.0 pence in 2015 which exceeded the threshold level of 34.7 pence and resulted in a bonus award of 4.3 per cent of salary for financial performance.

Personal objectives (up to 25 per cent of salary)

Richard Howson's personal objectives for 2015, percentage of salary allocated and the progress achieved against each of these is summarised in the table below:

Key area of focus for the business	Translated into measures including:	Maximum allocated %	Progress	Percentage achieved
Safety and sustainability	Drive progress on attainment of the Group's target for sustainability based savings including improvement in the Group's Health & Safety performance	6.25	Exceeded	6.25
People	Improve employee engagement score	6.25	Exceeded	6.25
Customers and growth	Focus on work winning and ensure the Group ends 2015 with a healthy position on revenue visibility Improve the Group's NPS score	6.25	Met	5.00
Financials	Ensure the Group's profits continue to be cash-backed	6.25	Met	5.00
		25.00		22.50

Richard Adam's personal objectives for 2015, percentage of salary allocated and the progress achieved against each of these is summarised in the table below:

Key area of focus for the business	Translated into measures including:	Maximum allocated %	Progress	Percentage achieved
Safety and sustainability	Continue to focus on initiatives aimed at improving the Group's position in relation to cyber security	6.25	Exceeded	6.25
People	Work closely with the Group's operational management to deliver 2015 profit targets	6.25	Met	5.00
Customers and growth	Ensure the Group's initiatives aimed at improving efficiency are successfully delivered	6.25	Met	5.00
Financials	Lead the Group's Investor Relations programme and ensure that the Group's performance and other developments are effectively communicated to its debt and equity investors	6.25	Met	5.00
		25.00		21.25

Individual 'stretch' targets (up to 25 per cent of salary)

Richard Howson's individual 'stretch' targets for 2015, percentage of salary allocated and the progress achieved against each of these is summarised in the table below:

		Maximum allocated %	Progress	Percentage achieved
Leadership	Continue to develop and strengthen the Chief Executive's Leadership Team to ensure it remains well placed to deliver the Group's strategic targets.	8.33	Exceeded	8.33
Risk	Analyse, develop and mobilise, in line with the agreed plan, enhancements to Carillion's 'Cyber Security' processes and systems	8.33	Met	6.46
Personal development	Continue to focus on personal development in key management areas which will drive strategic planning	8.34	Met	6.46
		25.00		21.25

Richard Adam's individual 'stretch' targets for 2015, percentage of salary allocated and the progress achieved against each of these is summarised in the table below:

		Maximum allocated %	Progress	Percentage achieved
Financial	Lead the delivery of the Group's working capital targets for 2015	8.33	Met	6.46
Financial	Continue to drive the Group's cost reduction plans to support the Group's profit and margin targets	8.33	Exceeded	8.33
Business Improvement	Secure the successful transition of the Group's Business Process Outsourcing arrangements in the first full year of operation	8.34	Met	6.46
		25.00		21.25

Annual bonus payments to Executive Directors also have the following additional restrictions applied.

- 50 per cent of any bonus earned is deferred into shares in the Company for a period of three years under the deferred bonus plan.
- Dividend equivalents will be earned on deferred shares during the deferral period.
- A clawback provision is operated that gives the Remuneration Committee the right to recover all elements of bonus.
- A malus provision is operated that gives the Remuneration Committee the right to reduce any deferred bonus awards which have not yet vested in relation to circumstances of corporate failure, which may have occurred at any time before malus is operated.
- Each Executive Director is required to hold the net number of shares acquired through the deferred bonus plan and LEAP until the value of their total shareholding is equal to their annual salary.

For 2015, the values of each Executive Directors' annual bonus paid in cash and deferred into shares were as follows:

	Cash payment	Deferred into shares	Total annual bonus shown in column (c) of total remuneration table on page 58 in respect of 2015
Richard Adam	107,608	107,608	215,215
Richard Howson	146,605	146,605	293,210

Summary of 2016 bonus operation

Following consideration of the performance metrics being applied for the annual bonus, the Committee has introduced a cash-based metric for the 2016 bonus. This will constitute 20% of the bonus opportunity with the EPS element being reduced to 30% and the weightings for the other metrics being maintained. The cash measure is defined as underlying cash flow from operations as a percentage of underlying profit from operations and represents the delivery of cash from the day-to-day operations of the business. It is considered to be a key performance metric of the business as detailed in the Strategic report and combined with EPS provides a balance between profitability of the business as a whole and cash generation from its operating activities over the financial year. The maximum annual bonus opportunity remains at 100 per cent of base salary. The Remuneration Committee considers that the actual annual bonus targets are commercially sensitive as they provide our competitors with insight into our business plans, expectations and our strategic actions and should therefore remain confidential to the Company. However, the Remuneration Committee will continue to disclose how bonuses paid relate to performance against targets on a retrospective basis.

Value earned from long-term incentive awards

The Leadership Equity Award Plan (LEAP)

For the LEAP awards granted to Executive Directors in 2013, 100 per cent of salary was based on growth in earnings per share and 50 per cent of salary was based on average annual cash flow conversion targets as shown below. This information has been audited.

	Vesting (% of maximum for Executive Directors)	100% of salary based on EPS growth	50% of salary based on annual average cash flow conversion
Threshold	17%	6% pa	95%
Target	50%	9% pa	100%
Maximum	100%	12% pa	110%

Growth in EPS is measured based on underlying basic earnings per share as disclosed in the Annual Report and Accounts. This is calculated before intangible amortisation arising from business combinations, non-recurring operating items, non-operating items, and fair value movements in derivative financial instruments (and post any impairment of goodwill or intangibles).

The average annual cash flow conversion is calculated as the underlying cash flow from operations divided by the underlying profit from operations as reported in the Annual Report and Accounts. Annual cash flow conversion over the three-year performance period is averaged to provide a focus on the sustainable delivery of cash-backed profits.

Performance against targets

	Performance achieved in three-year performance period to 31 December 2015	% of 2013 award due to vest in April 2016
EPS growth	-4.7%	nil% of salary
Annual average cash flow conversion	99.6%	23.7% of salary
Total vesting		23.7% of salary

Long-term incentives awarded during the financial year

The design of the LEAP approved at the AGM in 2014 includes financial and quantifiable stretching strategic objectives.

The table below outlines awards made under the LEAP to Executive Directors in 2015. This information has been audited.

		Award basis	Number of shares	Face value of the award*	Vesting at threshold	Performance period
9 April 2015	Richard Adam	150% of base salary	209,726	£689,999	25% of base salary	1 January 2015 to 31 December 2017
9 April 2015	Richard Howson	150% of base salary	278,298	£915,600	25% of base salary	1 January 2015 to 31 December 2017

* The face value is based on the issue price at the date of grant of £3.29.

Remuneration report
continued

The performance conditions for these LEAP awards are as follows:

Two-thirds of the 2015 LEAP award (equating to 100% of salary) is subject to EPS and cash flow conversion targets, as set out in the table below:

	Vesting (% of maximum for Executive Directors)	50% of salary based on EPS growth	50% of salary based on annual average cash flow conversion
Threshold	17%	6% pa	95%
Target	50%	9% pa	100%
Maximum	100%	12% pa	110%

One-third of the 2015 LEAP award is subject to strategic performance metrics that are aligned to the Company's sustainability agenda and drive shareholder value. For 2015, this is based on two quantifiable and stretching strategic measures that apply equally:

- delivery of sustainability through measurable cost-savings and efficiencies that will provide contributions to the Company's profit of £96 million over the performance period; and
- strategic growth measured through the achievement of secured and probable, profitable new orders over the performance period with a book-to-bill ratio of more than one.

Vesting under each strategic element will be based on an audited assessment of performance that will be provided to the Remuneration Committee.

In addition, the Remuneration Committee must be satisfied that the vesting reflects the underlying performance of Carillion and retains the flexibility to adjust the vesting amount to ensure it remains appropriate. It is often not possible to assess this formulaically and any adjustment will depend on the nature, timing and materiality of any contributory factors.

In order to maintain transparency, the Remuneration Committee will disclose how the Company has performed against each of the strategic metrics at the end of the performance period and will disclose any adjustments made to ensure that vesting appropriately reflects the underlying performance of the business.

A malus provision is operated that gives the Remuneration Committee the right to reduce any LEAP awards that have not yet vested in relation to circumstances of corporate failure, which may have occurred at any time before malus is operated.

Each Executive Director is required to hold the net number of shares acquired through the deferred bonus plan and LEAP until the value of their total shareholding is equal to their annual salary.

Executive Directors are required to hold onto their vested shares for a further two-year period after the end of the three-year performance period.

Long-term incentive awards for 2016
No changes are proposed to the maximum LEAP opportunity for 2016 and this will therefore remain at 150 per cent of salary annually and the proportion of the award vesting for threshold performance remains at 25 per cent of salary.

Two-thirds of the LEAP award (up to 100 per cent of salary for Executive Directors) will continue to be subject to EPS and cash flow conversion performance targets, as set out above, and one-third (up to 50 per cent of salary for Executive Directors) will be based on two quantifiable and stretching strategic measures that will apply equally:

- delivery of sustainability through measurable cost-saving and efficiencies that will provide contributions to the Company's profit of £108 million over the performance period; and
- strategic growth measured through the achievement of secured and probable, profitable new orders over the performance period with a book-to-bill ratio of more than one.

Dividend equivalents will be earned on the LEAP vested shares over the course of the performance period and holding period and will also be earned on the 2014 and 2015 LEAP awards.

Total pension entitlements (including defined benefit schemes)
Pensionable salary is limited by an internal cap. The Carillion cap commenced at the level of £110,000 for the tax year 2006-07 and rose in line with the published increases in HMRC's Life Time Allowance to the current level of £132,700 which has applied since 2010-11. Future increases are at the discretion of the Remuneration Committee. Salary supplements are paid in respect of salary over the internal cap.

Executive Directors receive pension contributions and supplements up to 40 per cent of salary. Executive Directors who participate in the Company's defined contribution plan are required to pay 9 per cent of the earnings cap.

The defined benefit scheme was closed to future accrual in April 2009 and Executive Directors who were members of this scheme became deferred pensioners. Their deferred benefits are based on pensionable salary and service at the date of closure. Richard Howson was a deferred member of this scheme during the year and details of the pension accrued to him are included below.

	Accrued pension at 31 December 2015/(2014)	Change in accrued pension over 2015/(2014) net of inflation	Normal retirement date
Richard Howson	£27,612 (£27,557)	Nil (Nil)	3 August 2033

(1) The pension data set out above is based on CPI (rather than RPI) to revalue deferred benefits from 1 January 2011 in line with advice received by the Trustee of the Scheme.
(2) The accrued pension allows for inflation from the member's date of leaving to the current date, consistent with the approach taken in prior years, which differs from statutory revaluation.
(3) Richard Howson transferred his benefits out of the Carillion Staff Scheme during the year and therefore the member no longer has any entitlement to benefits from the Scheme. The figures provided at 31 December 2015 are therefore illustrative only and are not available for payment from the scheme.
(4) Figures are calculated in line with the requirements effective from 1 October 2013.
(5) Prior year equivalent figures are shown in brackets.

Death-in-service benefits are provided as part of membership of the defined contribution plan.

Payments to past Directors
There were no payments made to past Directors during the period in respect to services provided to the Company as a Director.

Payments for loss of office
There were no payments for loss of office during the period.

Shareholding guidelines and total shareholdings of Directors
To provide alignment with shareholders' interests and to promote share ownership, each Executive Director is required to hold the net number of shares acquired through the LEAP and, with effect from 1 January 2014, the deferred bonus plan until the value of their total shareholding is equal to their annual salary. The extent to which each Executive Director has met the shareholding guideline is shown in the table below. This information has been audited.

					Unvested		
	Shareholding guidelines	Current shareholdings (% of salary)	Type	Owned outright	Subject to performance conditions	Not subject to performance conditions	Total as at 31 December 2015
Executive Directors							
Richard Adam	100 per cent of salary	120,444	Shares	120,444	N/A	N/A	120,444
		73%*	LEAP award	N/A	639,847	N/A	639,847
			DBP shares	N/A	N/A	55,979	55,979
Richard Howson	100 per cent of salary	128,490	Shares	128,490	N/A	N/A	128,490
		59%*	LEAP award	N/A	813,559	N/A	813,559
			DBP shares	N/A	N/A	64,198	64,198
Non-Executive Directors							
Philip Green	N/A	N/A	Shares	10,000	N/A	N/A	10,000
Keith Cochrane	N/A	N/A	Shares	Nil	N/A	N/A	Nil
Andrew Dougal	N/A	N/A	Shares	5,000	N/A	N/A	5,000
Alison Horner	N/A	N/A	Shares	3,000	N/A	N/A	3,000
Ceri Powell	N/A	N/A	Shares	Nil	N/A	N/A	Nil

* The current shareholdings as a percentage of salary are calculated using the closing Carillion plc share price on 2 March 2016 of 279.3 pence and 2015 base salaries as set out on page 59.

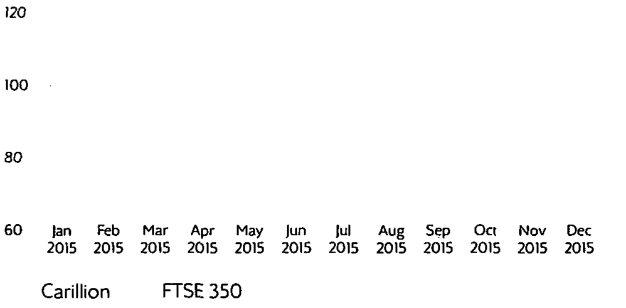
Outstanding Directors' share awards
The awards held by Executive Directors of the Company under LEAP as at 31 December 2015 are shown below.

	As at 1 January 2015 Number	LEAP awards granted during the year Number	Awards vesting during the year Number	Awards/options lapsing during the year Number	As at 31 December 2015 Number	Date of award	Mid-market share price on date of award Pence
Richard Adam							
LEAP 2012 (maximum)	234,864	-	-	234,864	-	05.04.12	287.4
LEAP 2013 (maximum)	244,477	-	-	-	244,477	04.04.13	270.1
LEAP 2014 (maximum)	185,644	-	-	-	185,644	07.05.14	363.6
LEAP 2015 (maximum)	-	209,726	-	-	209,726	09.04.15	329.0
Richard Howson							
LEAP 2012 (maximum)	292,276	-	-	292,276	-	05.04.12	287.4
LEAP 2013 (maximum)	304,238	-	-	-	304,238	04.04.13	270.1
LEAP 2014 (maximum)	231,023	-	-	-	231,023	07.05.14	363.6
LEAP 2015 (maximum)	-	278,298	-	-	278,298	09.04.15	329.0

Performance graph and table

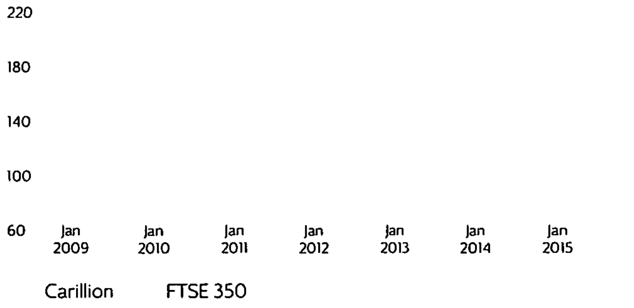
The following graph shows the Total Shareholder Return (TSR) of Carillion plc compared with the TSR of the FTSE 350 Index. The FTSE 350 was chosen as the comparator group in order to illustrate the Company's TSR performance against a broad equity market index of the UK's leading companies. TSR is not used as a performance measure for any benefits provided to Executive Directors.

TSR performance 1 January 2015 to 31 December 2015 (rebased to 100)



Source: Datastream

TSR performance 1 January 2009 to 31 December 2015 (rebased to 100)



Source: Datastream

Table of historic Chief Executive data

Year	Chief Executive	Chief Executive single figure of remuneration (£'000)	Annual bonus payout against maximum opportunity (%)	LEAP vesting rates against maximum opportunity (%)
2015	Richard Howson	1,283	48%	16%
2014	Richard Howson	1,024	44%	Nil
2013	Richard Howson	1,034	36%	Nil
2012	Richard Howson	791	Nil	Nil
2011	John McDonough	1,719	100%	21%
2010	John McDonough	1,512	24%	53%
2009	John McDonough	1,666	54%	85%

Percentage change in remuneration of Director undertaking the role of Chief Executive

The table below sets out in relation to salary, taxable benefits and annual bonus the increase in pay for Richard Howson compared to all UK employees between 2014 and 2015. The latter population provides a comparison that is based on a consistent set of employees and is a fair representation of our worldwide employee base who are eligible to earn an annual bonus and receive benefits that are broadly consistent with those provided to the Chief Executive.

	Chief Executive percentage change	UK employees percentage change
Salary and fees	8.9%	3.1%
Taxable benefits	-4.8%	-
Bonus	19.1%	40.7%

Relative importance of spend on pay

The following table sets out the percentage change in dividends and expenditure on pay for the whole of Carillion.

	2014 £m	**2015 £m**	Change
Dividends	76.4*	**78.5****	3%
Overall expenditure on pay	777.7	**922.7**	19%

Note

* Dividends payable in respect of the year ended 31 December 2014.

** Dividends payable in respect of the year ended 31 December 2015.

Remuneration Committee meetings, members and advisers
The Remuneration Committee is responsible for:

- setting the framework and policy for remuneration of the Executive Directors;
- determining the remuneration packages for the Executive Directors and the Chairman;
- monitoring the level and structure of remuneration for senior management and approving bonus payments; and
- noting any major changes in employee benefit structures throughout the Group and ensuring that Executive Director remuneration practice is consistent with any such changes.

The Remuneration Committee consists exclusively of independent Non-Executive Directors Alison Horner, Steve Mogford, Ceri Powell, Andrew Dougal and Keith Cochrane. Its terms of reference can be found on the Company's website, www.carillionplc.com. The Remuneration Committee determines the policy for remuneration of key members of the senior management team. Details of the Committee's meetings and attendance by Committee members during 2015 are set out in the table below.

		Meeting attendance 2015		Meeting attendance 2014	
Member	Appointed/(retired)	**Attended**	**Eligible to attend**	Attended	Eligible to attend
Alison Horner	01.12.13	**5**	**5**	4	4
Keith Cochrane	02.07.15	**4**	**4**	N/A	N/A
Andrew Dougal	03.10.11	**5**	**5**	4	4
Steve Mogford	(31.12.15)	**4**	**5**	4	4
Ceri Powell	02.04.14	**5**	**5**	2	2

The changes to the Committee's composition summarised above resulted from the appointment of Keith Cochrane on 2 July 2015. The Remuneration Committee is assisted in its work by Janet Dawson, Group HR Director, Philip Green, Chairman, and Richard Howson, Group Chief Executive. The Group Chief Executive is consulted on the remuneration of those who report directly to him and also of other senior executives. No Executive Director or employee is present or takes part in discussions in respect of matters relating directly to their own remuneration.

Additionally, the Remuneration Committee uses Deloitte LLP to provide salary survey and benchmarking information and external and internal contextual information and analysis as required. The Remuneration Committee took into account the Remuneration Consultants Group's Code of Conduct when reviewing the ongoing appointment of Deloitte as adviser to the Remuneration Committee. Deloitte's fees for providing such advice are charged on a time basis and amounted to £44,950 for the year ended 31 December 2015 (2014: £29,520). The Remuneration Committee assesses from time to time whether this appointment remains appropriate or should be put out to tender. The Remuneration Committee undertook such an assessment during the year and remains satisfied with Deloitte's appointment as advisers to the Remuneration Committee. Deloitte, which was appointed by the Remuneration Committee in 2005, also provides certain specialist consultancy services and internal audit resource, but otherwise has no other connections with the Group. The Remuneration Committee is satisfied that the remuneration advice provided by Deloitte is objective and independent.

The Remuneration Committee adopts the principles of good governance as set out in the UK Corporate Governance Code and complies with the Listing Rules of the Financial Conduct Authority and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013). It met five times during the year.

Statement of voting at 2015 Annual General Meeting

Resolution text	Votes for	% for	Votes against	% against	Votes discretionary	% discretionary	Total votes cast	Votes withheld* (abstentions)
Approval of Remuneration report	232,001,399	99%	2,295,032	1%	241,990	-	234,538,421	4,598,362

* A vote withheld is not a vote in law and, as such, is not counted in the calculation of the proportion of votes 'For' and 'Against'.

Directors' Remuneration Policy

This part of the report sets out the Company's Directors' Remuneration Policy which was approved by shareholders at the 2014 Annual General Meeting and which took binding effect from the date of that meeting.

Element	Purpose and link to strategy	Operation
Base salary	Core element of fixed remuneration that provides the basis to recruit and retain the talent necessary to deliver the business strategy. Reflects individual skills, experience and the scope of the executive's responsibility. Takes into account an individual's performance.	Usually reviewed annually (but may be reviewed more frequently) with any changes typically effective from 1 April. The decision is influenced by a range of factors including, but not limited to: - role, experience and performance; - average change in broader workforce salary; - total organisational salary budgets; and - Group profitability and prevailing market conditions. External benchmark data against companies of a similar size and complexity are also considered.
Benefits	To provide market-competitive benefits at a level needed to attract and retain the talent necessary to deliver the business strategy.	Base salary is supplemented with a range of benefits based on the role and individual's circumstances. These benefits include, but are not limited to, company car or car allowance, fuel benefit and healthcare arrangements. Other benefits may be provided based on individual circumstances, such as, but not limited to: housing or relocation allowances, travel allowance or other expatriate benefits.
Retirement benefits	To provide market-competitive retirement benefits at a level needed to attract and retain the talent necessary to deliver the business strategy.	The Company may make payments into an occupational pension scheme (up to the limit of pensionable pay) and/or pay a salary supplement. The Company operates a defined contribution plan for this purpose. For salary in excess of pensionable pay, an allowance (set as a percentage of excess pensionable pay) may be paid. Where contributions exceed HMRC limits for a tax-free pension accrual, Executive Directors have the choice of receiving excess contributions as a salary supplement (subject to tax and National Insurance contributions). In circumstances where there are historical contractual commitments, benefits in part may be provided through membership of the defined benefit pension schemes operated by the Group but now closed. Deferred benefits from these schemes are based on pensionable salary and service at the date of closure. Death-in-service benefits are provided as part of membership of the defined contribution plans based on contractual entitlement and on a life-cover-only basis of membership if applicable. Bonus and other benefits received by Executive Directors do not count towards pensionable pay.

Opportunity	Performance metrics
To avoid setting expectations of Executive Directors and other employees, no maximum base salary has been set under the Remuneration Policy. Increases in salary will not normally exceed the range of increases awarded to other employees in the Group. However, larger increases may be awarded in certain circumstances including, but not limited to: - increases in scope or responsibility; or - a new Executive Director's salary is adjusted to align it with the market competitive range; or - where an Executive Director has fallen below market positioning; or - other exceptional circumstances. Such increases may be implemented over a time period deemed appropriate by the Remuneration Committee.	N/A
Whilst the Remuneration Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value of benefits is set at a level which the Remuneration Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.	N/A
Pensionable pay is limited by an internal cap. The Carillion cap commenced at the level of £110,000 for the tax year 2006-07 and rose in line with the published increases in HMRC's Life Time Allowance to the current level of £132,700 which has applied since 2010-11. Future increases are at the discretion of the Remuneration Committee. Executive Directors receive a contribution of up to 40 per cent of basic salary paid as a contribution to a pension plan or a taxable allowance, as appropriate, to their individual circumstances.	N/A

Element	Purpose and link to strategy	Operation
Annual performance bonus and deferred bonus plan	Drive and reward the achievement of annual financial and/or strategic business targets and/or delivery of personal objectives relevant to Carillion's long-term strategic objectives. Provide alignment with shareholders' interests. Compulsory deferral of a proportion of bonus earned, paid in the Company's shares, supports the creation of long-term sustainable value, promotes share ownership and also provides a retention element.	Awards based on annual performance against key financial and/or strategic targets and/or the delivery of personal objectives. Payments are determined by the Remuneration Committee after the year end, based on performance against targets set annually. The Remuneration Committee may adjust the bonus pay-out either up or down should the formulaic outcome be considered not to reflect underlying business performance. The circumstances where such a change might be made are set out under the explanation of chosen targets and how performance is measured below. 50 per cent of any bonus earned is paid in cash and 50 per cent is awarded in shares, which vest after three years (subject to a de-minimis threshold of £10,000). Deferred share awards may be released early on a change of control (or other relevant event) or in 'good leaver' circumstances (as shown on page 71). The Remuneration Committee has the right to reduce any deferred bonus awards that have not yet vested in relation to circumstances of corporate failure, which may have occurred at any time before reduction is operated (ie a malus provision). The Remuneration Committee may increase the number of shares subject to a deferred share award to reflect dividends that would have been paid over the deferral period on shares that vest, or make a cash payment equal to the value of those additional shares ('Dividend Equivalents').
Long Term Incentive – Carillion plc Leadership Equity Award Plan (LEAP)	Drive and reward the achievement of longer-term objectives aligned closely to shareholders' interests. Retain key executives over a long-term measurement period. Provide alignment with shareholders' interests. Supports retention and promotes share ownership.	The Remuneration Committee intends to make future long-term incentive awards under the LEAP. Annual awards of conditional shares, restricted stock or nil cost options (or similar cash equivalent) under the LEAP can be made with vesting dependent on the achievement of performance conditions, normally over a three-year performance period. Targets, whilst stretching, do not encourage inappropriate business risks to be taken. The Remuneration Committee has the right to reduce any LEAP awards that have not yet vested in relation to circumstances of corporate failure, which may have occurred at any time before the reduction is operated (ie a malus provision). Awards under the LEAP may vest early on a change of control (or other relevant event) subject to satisfaction of the performance conditions and pro-rating for time, although the Remuneration Committee has discretion to increase the extent of vesting having due regard to performance over the period to vesting. As described on page 71, LEAP awards may also vest early in 'good leaver' circumstances. The Remuneration Committee may make a dividend equivalent payment ('Dividend Equivalents') to reflect dividends that would have been paid over the period to vesting on shares that vest. This payment may be in the form of additional shares or a cash payment equal to the value of those additional shares.

Opportunity	Performance metrics
Up to 100 per cent of base salary.	Targets are set annually reflecting the Group's strategy and are aligned with key financial, strategic and/or individual objectives. Targets, whilst stretching, do not encourage inappropriate business risks to be taken. At least 50 per cent of the bonus is assessed against key financial performance metrics of the business and the balance may be based on non-financial strategic measures and/or individual performance. **Financial metrics** There is no minimum payment at threshold performance, 50 per cent of the maximum potential for this element of the bonus will vest for on-target performance and all of the maximum potential will vest for maximum performance. **Non-financial or individual metrics** Vesting of the non-financial or individual metrics will apply on a sliding scale between 0 per cent and 100 per cent based on the Remuneration Committee's assessment of the extent to which a non-financial or individual performance metric has been met.
Under the LEAP rules the overall maximum opportunity is 200 per cent of salary in respect of a financial year. Normal maximum award: 150 per cent of salary in respect of a financial year.	Awards will vest subject to the achievement of performance assessed over more than one financial year, normally three years against key metrics aligned to the business strategy. Performance measures for the LEAP will be a combination of financial measures, and/or strategic performance metrics, including (but not exclusively): - earnings per share growth; - cash flow conversion; and - key strategic objectives. Weightings will be as follows: - at least two-thirds will be based on financial metrics; and - no more than one-third will be based on strategic performance metrics. **Financial metrics** For the achievement of the threshold level of performance (the minimum level of performance for vesting to occur) up to one-sixth of maximum opportunity will vest under each performance measure. For the achievement of the target level of performance up to 50 per cent of the maximum opportunity will vest under each performance measure. For the achievement of the maximum level of performance (the highest level of performance that results in any vesting) 100 per cent of the maximum opportunity will vest. Straight-line vesting will usually apply between these levels of performance. **Strategic metrics** Vesting under the strategic element will apply on a sliding scale between 0 per cent and 100 per cent for each measure to avoid 'cliff edge' vesting. The Remuneration Committee must be satisfied that vesting reflects the underlying performance of the Company and retains the flexibility to adjust the vesting amount to ensure it remains appropriate to the business performance delivered. The Remuneration Committee regularly reviews the performance conditions and targets to ensure they continue to be aligned with Carillion's business strategy.

Remuneration Policy for the Chairman and Non-Executive Directors

Element	Approach of the Company
Chairman fees	The remuneration of the Chairman of the Board is set by the Remuneration Committee. Fees are set at a level that reflects the skills, knowledge and experience of the individual, whilst taking into account appropriate market data. The fee is set as a fixed annual fee and may be paid wholly or partly in cash or Company shares.
Non-Executive Director fees	The Board as a whole is responsible for deciding Non-Executive Directors' fees. Fees are set taking into account several factors including the size and complexity of the business, fees paid to Non-Executive Directors of UK-listed companies of a similar size and complexity and the expected time commitment and contribution for the role. Fees are structured as a basic fee with additional fees payable for chairmanship or membership of a Committee or other additional responsibilities. The fee is set as a fixed annual fee and may be paid wholly or partly in cash or Company shares. Overall fees paid to Directors will remain within the limit set out in the Company's Articles of Association of £500,000 per annum.

Explanation of chosen performance measures and how targets are set

The annual bonus is assessed against both financial and individual targets determined by the Remuneration Committee. This incentivises Executives to focus on delivering the key financial goals of the Company as well as specific strategic objectives for each Director that are aligned to delivering the overall business strategy, and encourages behaviours that facilitate profitable growth and the future development of the business.

Long-term performance measures are chosen by the Remuneration Committee to provide a robust and transparent basis on which to measure Carillion's performance over the longer term. They are aligned with the interests of shareholders and drive business performance in line with the Group's strategy, whilst not encouraging excessive risk taking.

The Remuneration Committee considers carefully the target ranges to be attached to bonus and long-term incentive awards, taking into account a number of factors, which could include future growth expectations, the market environment and the requirement to set stretching but achievable targets.

The Committee retains the ability to adjust/or set different performance measures if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions), which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Awards may be adjusted in the event of a variation of capital in accordance with the scheme rules.

Pay policy for other employees

The Remuneration Policy applied to the Chief Executive's Leadership Team and the most senior executives in the Group is similar to the policy for the Executive Directors in that a significant element of remuneration is dependent on Company and individual performance. The key principles of the remuneration philosophy are applied consistently across the Group below this level, taking account of seniority and local market practice.

Remuneration Policy for new appointments

In the cases of hiring/appointing a new Executive Director, the Remuneration Committee will typically align the remuneration package with the above Remuneration Policy. However, the Remuneration Committee retains the discretion to make payments or awards which are outside the Policy to facilitate the hiring of candidates of the appropriate calibre required to implement the Group's strategy, subject to the principles and limits set out below. The individual will move over time onto a remuneration package that is consistent with the Policy set out in the adjacent table.

In determining appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors (including the quantum and nature of remuneration) to ensure that arrangements are in the best interests of both Carillion and its shareholders. This may, for example, include (but is not limited to) the following circumstances:

- an interim appointment is made to fill an Executive Director role on a short-term basis;
- exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
- an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance; subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis;
- the Executive received benefits at his previous employer that the Committee considers it appropriate to offer.

The Committee may also alter the performance measures, performance period and vesting period of the annual bonus or long-term incentive, subject to the rules of the scheme, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained.

The Remuneration Committee may make an award in respect of hiring to 'buy-out' remuneration arrangements forfeited on leaving a previous employer. In doing so the Remuneration Committee will take account of relevant factors regarding the forfeited arrangements, which may include any performance conditions attached to awards forfeited (and the likelihood of meeting those conditions), the time over which they would have vested and the form of the awards (eg cash or shares). It will generally seek to structure buy-out awards on a comparable basis to remuneration arrangements forfeited. These payments or awards are excluded from the maximum level of variable remuneration referred to below. However, the Remuneration Committee's intention is that the value awarded would be no higher than the expected value of the forfeited arrangements. Where considered appropriate, buy-out awards will be subject to forfeiture or clawback on early departure.

Where necessary, the Company will pay appropriate relocation costs. The Remuneration Committee will seek to ensure that no more is paid than is necessary.

The maximum level of variable remuneration (excluding buy-out awards) which may be awarded to a new Executive Director is 300 per cent of base salary. Subject to this overall maximum, variable remuneration incentive awards may be granted within the first 12 months of appointment above the normal maximum annual award opportunities. The Remuneration Committee will ensure that such awards are linked to the achievement of appropriate and challenging performance measures and will be forfeited if performance or continued employment conditions are not met.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, and subject to the limits referred to above, in order to facilitate the awards mentioned above, the Committee may rely on exemption 9.4.2. of the Listing Rules which allows for the grant of awards to facilitate, in exceptional circumstances, the recruitment of a Director.

Where a position is fulfilled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

Fees payable to a newly-appointed Chairman or Non-Executive Director will be in line with the fee policy in place at the time of appointment. Thereafter, fees will be reviewed annually.

Service contracts
The Board's policy for current and new Executive Directors is that service contracts are on a one-year rolling basis and have a notice period that should not exceed one year.

	Date of contract	Date of appointment	Notice from the Company	Notice from the Director
Richard Howson	8 Dec 2009	8 Dec 2009	12 months	6 months
Richard Adam	11 Dec 2006	2 Apr 2007	12 months	6 months

Non-Executive Directors are not employed under contracts of service, but are generally appointed for fixed terms of three years renewable for further terms of one to three years, if both parties agree.

	Date of appointment	Unexpired term of contract at 31 December 2015
Philip Green	1 June 2011	16 months
Andrew Dougal	3 Oct 2011	21 months
Alison Horner	1 Dec 2013	11 months
Keith Cochrane	2 Jul 2015	30 months
Ceri Powell	2 April 2014	15 months

Philip Green was appointed as Chairman on 7 May 2014 for 36 months.

All Directors offer themselves for annual re-election at each AGM in accordance with the UK Corporate Governance Code. Service contracts for the Executive Directors and letters of appointment for the Non-Executive Directors are available for inspection at the registered office address of the Company.

Richard Adam's service agreement provides that in the period of 12 weeks following a change of control of the Company if there has been a change in his duties, responsibilities, status or reporting line that is materially less favourable to him, he may confirm that such a change has taken place or is proposed. Following any such confirmation by Mr Adam, his employment will terminate and he will receive a payment in lieu of notice consisting of 12 months' basic salary, car allowance (or taxable value of the company car), pension contributions and taxable value of participation in the Company's private health insurance scheme.

Richard Howson's service agreement contains a similar provision in the event of a change of control of the Company, except that his payment in lieu of notice is subject to an obligation to mitigate.

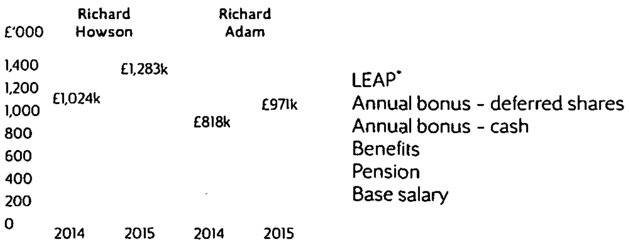
Under the terms of their engagement, the notice period to be given by the Non-Executive Directors to the Company is six months and the Company is obliged to give 12 months. Discretion is retained to terminate with or without due notice or paying any payment in lieu of notice dependent on what is considered to be in the best interests of the Company in the particular circumstances. The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

Payments for loss of office
The policy set out below provides the framework for contracts for Executive Directors:

Element	Policy
Notice period on termination by employing company	12 months.
Termination payment	Severance payments in relation to the service contract are limited to no more than one year's salary plus benefits in kind (including company car or car allowance and private health insurance) and pension contributions (which may include salary supplements). Benefits provided in connection with termination of employment may also include, but are not limited to, outplacement and legal fees.
Vesting of incentives for leavers	The Remuneration Committee has the discretion to determine appropriate bonus amounts taking into consideration the circumstances in which an Executive Director leaves. Typically for 'good leavers', bonus amounts (as estimated by the Remuneration Committee) will be pro-rated for time in service to termination and will be, subject to performance, paid at the usual time. 'Good leavers' typically include leavers due to death, illness, injury, disability, redundancy, retirement with the consent of the Company or any other reason as determined by the Remuneration Committee. - The vesting of share-based awards is governed by the rules of the relevant incentive plan, as approved by shareholders. - Under the LEAP, the provisions for 'good leavers' provide that awards will vest at the end of the normal vesting period but the Remuneration Committee has the discretion to accelerate vesting to the date of cessation of employment. If accelerated to the date of cessation of employment vesting will take account of performance over the period to the date of cessation of employment and will be subject to pro-rating for time (although the Remuneration Committee has discretion to increase the extent of vesting having due regard to performance over the period to vesting). - Under the deferred bonus plan, the provisions for 'good leavers' provide that deferred share awards will be released in full at the date of cessation of employment. - In circumstances other than good leavers, awards will lapse. Were a buy-out award to be made under Listing Rule 9.4.2 then the leaver provisions would be determined at the time of the award.

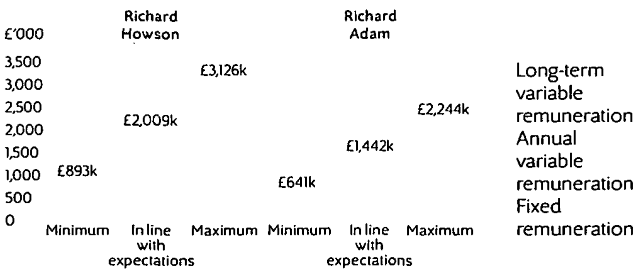
Remuneration report
continued

Actual remuneration for 2014 and 2015
The graph below shows the actual remuneration received by Executive Directors in 2014 and 2015:



Note
* Value of LEAP is based on three-month average share price to 31 December 2015.

Illustration of Remuneration Policy for 2016
This chart provides an illustration of the range of remuneration that may be received by Executive Directors in 2016 based on the assumptions noted below.



Assumptions	
Minimum performance	Fixed elements of remuneration only - base salary, benefits and pension only.
Performance in line with expectations	Total fixed pay as above, plus: Assumes 50 per cent of maximum pay-out under the annual bonus (ie 50 per cent of salary) Assumes 50 per cent of maximum pay-out under the LEAP (ie 75 per cent of salary).
Maximum performance	Total fixed pay as above, plus: Assumes maximum pay-out under the annual bonus (ie 100 per cent of salary) Assumes maximum pay-out under the LEAP (ie 150 per cent of salary).

(1) As required by the regulations, the scenarios do not include any share price growth assumptions or take into account any dividends that may be paid.
(2) Base salary and the value of pension reflects the latest known information (ie the salary effective from 1 January 2016 for Richard Howson and 1 April 2015 for Richard Adam) and benefits have been assumed to be equivalent to those included in the single-figure of remuneration table on page 58.

Wider workforce remuneration
When determining the remuneration arrangements for Executive Directors, the Remuneration Committee takes into consideration, as a matter of course, the pay and conditions of employees throughout the Group. In particular, the Remuneration Committee is kept informed on:

- salary increase for the general employee population;
- overall spend on annual bonus; and
- participation levels in the annual bonus and share plans.

Although no consultation with employees takes place in relation to determining the Remuneration Policy for Directors, the Group has various ways of engaging with employees collectively, as teams, and on a one-to-one basis. A number of methods are common across the Group (Employee Forums, Leadership conference calls, Team Talks, Performance Development Reviews, Job Chats, Your Say and Chief Executive's Leadership Team Lunches) and a number are business or area specific (newsletters, consultation groups and socials). The Board receives updates and feedback on employee engagement.

Existing contractual arrangements
The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the Policy set out on page 71, where the terms of the payment were agreed:

(i) before 27 June 2012 or
(ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes 'payments' include the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted. For the avoidance of doubt, the Remuneration Committee's discretion includes discretion to determine, in accordance with the rules of the current LEAP, the extent to which awards under that plan may vest in the event of a change of control or in a 'good leaver' circumstance.

Shareholder engagement
The Remuneration Committee engages in regular dialogue with shareholders to discuss and take feedback on its Remuneration Policy and governance matters. In particular, the Remuneration Committee discusses any significant changes to the policy or the measures used to assess performance.

No amendments requiring shareholder consultation or a shareholder vote were made to the Remuneration Policy for 2016.

The Remuneration Committee will continue to engage with and seek to incorporate the views of shareholders in any major changes to the Executive Director Remuneration Policy.

Approved by order of the Board

Alison Horner

Alison Horner
Chairman of the Remuneration Committee
3 March 2016

Report of the Directors

Background
The Directors of the Company are required to produce a Directors' report on an annual basis under the Companies Act. The Directors are also required under the Companies Act to publish a Strategic report for the Group and the Company. The Directors' Strategic report must (i) contain a fair review of the Company's business and a description of the principal risks and uncertainties facing the business and (ii) be a balanced and comprehensive analysis of the development and performance of Company's business during the financial year and the position of the Company's business at the end of that year, consistent with the size and complexity of its business.

This section of the Annual Report sets out the information required to be disclosed by the Company and the Group in the Directors' report. Certain matters that would otherwise be disclosed in this Directors' report have been reported elsewhere in this Annual Report and consequently this Directors' report should be read in conjunction with the Strategic report on pages 1 to 40 (which includes our 2015 Sustainability review on pages 18 to 21) and the Corporate Governance report for 2015 on pages 41 to 49, which are incorporated by reference into this Directors' report.

The Strategic report and this Directors' report together with other sections of this Annual Report incorporated by reference, when taken as a whole, form the Management report as required for the purposes of Disclosure and Transparency Rule 4.1.5R. The Management report for 2015 has been prepared and presented in accordance with and in reliance upon applicable English company law and the liabilities of the Directors in connection with this report shall be subject to the limitations and restrictions provided under such law.

Overview of the information required
A summary of the information required to be disclosed in the Directors' report together with the relevant report and page reference is set out in the table below:

Disclosure	Reported in	Page reference
Acquisitions and disposals	Directors' report	73
Amendment of Articles of Association	Directors' report	75
Annual General Meeting	Directors' report	75
Appointment of Directors	Directors' report	73
Disclosure of information to Auditors	Directors' report	75
Authority to allot shares	Directors' report	74
Change of control	Directors' report	75
Community and charitable giving	Strategic report	20
Conflicts of interest	Directors' report	74
Directors	Corporate Governance report	42,43
Directors' indemnity	Directors' report	74
Directors' responsibilities	Responsibility statement	76
Employee involvement	Strategic report	20
Employees with disabilities	Strategic report	20
Going concern	Performance and financial review	40
Greenhouse gas emissions	Strategic report	21
Political donations	Directors' report	75
Post balance sheet events	Directors' report	73
Purchase of own shares	Directors' report	74
Powers of the Directors	Directors' report	74
Restrictions on transfer of shares	Directors' report	75
Results and dividends	Directors' report	73
Rights and obligations attaching to shares	Directors' report	74
Risk management	Strategic report	26-31
Share capital	Directors' report	74
Substantial share interests	Directors' report	75
Voting and restrictions on voting	Directors' report	74

Results and dividends
The consolidated income statement is set out on page 80. Profit before tax was £155.1 million (2014: £142.6 million).

A 2015 interim dividend of 5.7 pence per ordinary share (2014: 5.6 pence) was paid in November 2015. It is proposed to pay a final dividend of 12.55 pence per ordinary share (2014: 12.15 pence) on 10 June 2016 to shareholders on the register at the close of business on 13 May 2016. The payment of these 2015 interim and final dividends amounts to £78.5 million (2014: £76.4 million).

A dividend reinvestment plan (DRIP) will also be offered allowing shareholders a convenient means of reinvesting their dividends in the Company by buying further shares. If required, a DRIP application form is available from the share registrar, Equiniti (see page 130 for contact details).

The Company may by ordinary resolution from time to time declare dividends in accordance with the rights of the members, but no dividend shall exceed the amount recommended by the Board.

Carillion has a progressive dividend policy that aims to increase its dividend broadly in line with the growth in underlying earnings per share, subject to the investment needs of the business. Further details in relation to our dividend policy are provided on page 37.

Acquisitions and disposals
In May 2015, Carillion plc acquired 100 per cent of the share capital of the Outland Group, a leading Canadian provider of remote site accommodation and associated services operating across a wide range of growth sectors including mining, utilities, forestry, gas and oil. Further details of this acquisition can be found on page 33.

In 2015, we sold equity investments in three projects for cash proceeds of approximately £54 million, which represented an average discount rate of some seven per cent and generated a pre-tax profit of £37.7 million.

Post balance sheet events
There have been no material events since the balance sheet date of 31 December 2015 and the date of this report.

Appointment of Directors
There are currently seven Directors on the Board of Carillion plc. Unless otherwise determined by ordinary resolution of the Company, the Directors shall not be less than four nor more than 16 in number.

Shareholders may by ordinary resolution elect any person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board. The Company may also by special resolution remove any Director before the expiration of his or her period of office and may by ordinary resolution appoint another person who is willing to act to be a Director in his or her place.

The Board may appoint any person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed shall retire at the next Annual General Meeting and shall then be eligible for reappointment.

In accordance with the requirements of the UK Corporate Governance Code, all Directors will offer themselves for re-election at the Annual General Meeting on 4 May 2016.

The Company's Articles of Association do not have a shareholding qualification for Directors. However, the Company's Remuneration Policy requires, to provide alignment with shareholders' interests and to promote ownership, that each of the Executive Directors hold the net number of shares acquired through the Leadership Equity Award Plan and the Deferred Bonus Plan until the value of their total shareholding is equal to annual salary.

Report of the Directors
continued

Directors
Details of the Directors of the Company are set out on pages 42 to 43 and changes in the membership of the Board are summarised on page 46 of the Corporate Governance report. Details of Directors' remuneration are provided in the Remuneration report on pages 57 to 72. The interests of the Directors and their families in the share capital of the Company are shown on page 63 of the Remuneration report which also includes information on the Company's contracts of service with its Directors on page 71.

Powers of the Directors
Subject to the Company's Articles and any directions given by the Company in general meeting by special resolution, the business of the Company is managed by the Board which may exercise all the powers of the Company, whether relating to the management of the business of the Company or not.

Directors' responsibilities
The Directors' responsibilities for the financial statements included within this Annual Report and the Directors' confirmations required under the FCA Disclosure and Transparency Rules are set out on page 76.

Conflicts of interest
The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The Board has in place procedures to deal with Directors' conflicts of interest arising under Section 175 of Companies Act 2006 and these procedures are considered to be effective.

Directors' indemnity
Under the Company's Articles of Association, to the extent permitted by the Companies Acts, the Company indemnifies any Director, Secretary or other officer of the Company against any liability and may purchase and maintain insurance against any such liability. The Board understands that the provision of such indemnification is in keeping with current market practice and believes that it is in the best interests of the Group to provide such indemnities in order to attract and retain high-calibre Directors and officers. The Company purchased and maintained Directors' and Officers' liability insurance throughout 2015.

Share capital
The Company has only one class of share with one vote for every share. As at 3 March 2016, the issued share capital of the Company comprised of £215,127,314 divided into 430,254,629 ordinary shares of 50 pence each. The ISIN number of the shares is GB0007365546.

On 12 December 2014, Carillion Finance (Jersey) Limited, a wholly-owned subsidiary of the Company incorporated in Jersey, issued £170 million of convertible bonds, which are guaranteed by the Company. The bonds are a senior and unsecured obligation of Carillion Finance (Jersey) Limited and the Company and are subject to a negative pledge. These bonds carry a coupon of 2.50 per cent per annum payable semi-annually and based on the conversion price of £3.9856 will convert into 42,653,553 ordinary shares of the Company. Upon conversion of the bonds, the Company may elect to settle its obligations by way of delivery of ordinary shares, payment of a cash alternative amount or a combination of the two. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed at par on or around 19 December 2019.

Details of shares issued during the year and outstanding options are given in notes 23 and 25 on pages 106 and 107 to the consolidated financial statements which form part of this report. Details of the share incentives in place are provided on pages 61 to 63 of the Remuneration report.

Rights and obligations attaching to shares
The Company's shares when issued are credited as fully paid and free from all liens, equities, charges, encumbrances and rights. All shares benefit from the same rights in relation to voting, dividends and any return of capital and are subject to the same restrictions as set out in the Company's Articles. Except in relation to dividends which have been declared and rights in relation to the liquidation of the Company, the shareholders have no rights to share in the profits of the Company. The Company's shares are not redeemable, however, the Company may repurchase any of the shares on or off market, subject to compliance with the Companies Act and requirements of the Listings Rules. No shareholder holds any shares that carry any special rights in relation to the control of the Company.

Authority to allot shares
As at 31 December 2015, the Company had the following authority to allot shares and to grant rights to subscribe for or convert any security into shares in the Company:

(a) up to a nominal amount of £71,709,104 (such amount to be reduced by the nominal amount allotted or granted under paragraph (b) below in excess of an equivalent sum); and
(b) comprising equity securities up to a nominal amount of £143,418,209 (such amount to be reduced by any allotments or grants made under paragraph (a) above) in connection with an offer by way of a rights issue.

Purchase of own shares
As at 31 December 2015, the Company had authority from shareholders for the purchase of 43,025,462 of its own shares. Such authority will also be sought from shareholders at the Company's Annual General Meeting on 4 May 2016. To date, this authority has never been used.

Voting and restrictions on voting
On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote and, on a poll, every holder of ordinary shares present in person or by proxy and entitled to vote, shall have one vote for every ordinary share held.

The notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be put to the Annual General Meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced and published on the Company's website after the meeting.

No member shall, unless the Board otherwise decides, be entitled in respect of any share held by him or her to attend or vote (either personally or by proxy) at any general meeting of the Company or upon a poll or to exercise any other right conferred by membership in relation to general meetings or polls unless all calls or other sums presently payable by him or her in respect of that share have been paid.

The Company is not aware of any agreement between the holders of its shares which may result in restrictions on voting rights.

Restrictions on transfer of shares
There are no restrictions on the transfer of ordinary shares in the Company other than in relation to certain restrictions that are imposed from time to time by laws and regulations (for example insider trading laws). In addition, pursuant to the Listing Rules of the Financial Conduct Authority, Directors and certain officers and employees of the Group require the approval of the Company to deal in ordinary shares of the Company.

The Company is not aware of any agreements between shareholders that restrict the transfer of its shares.

Substantial share interests
As at 3 March 2016, the Company had received formal notification of the following holdings in its shares under the Disclosure and Transparency Rules of the Financial Conduct Authority. It should be noted that these holdings may have changed since the Company was notified, however, notification of any change is not required until the next notifiable threshold is crossed.

	Number of shares	% of issued share capital held
Standard Life Investments (Holdings) Ltd	42,466,075	9.87
BlackRock, Inc.	30,894,690	7.2
Templeton Global Advisors Limited	24,031,003	5.6
Kiltearn Partners LLP	21,542,444	5.0
Brewin Dolphin Limited	21,541,472	5.0
Letko, Brosseau and Associates Inc.	17,289,003	4.02

Change of control
A number of agreements take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as loan agreements and share incentive plans.

Carillion's main credit facilities, including the £790 million Syndicated Multicurrency Revolving Credit Facility, contain a provision such that in the event of a change of control any lender may, within a 30-day consultation period and if it so requires, notify the Company that it wishes to cancel its commitment. Any such cancellation of commitment and the repayment of any outstanding borrowings will occur on the date falling three days after the expiry of the consultation period.

Following the occurrence of a change of control, the Company must make an offer to the holders of its private placement notes to prepay the amounts outstanding together with accrued interest. The holders of the Group's £170 million of convertible bonds have the right to require the Group to redeem each bond at its principal amount, together with accrued and unpaid interest.

Political donations
The Company and its subsidiaries made no political donations during the period under review (2014: £nil).

Amendment of Articles of Association
The Articles of Association may be amended by special resolution of the shareholders.

Disclosure of information to auditors
The Directors of Carillion plc confirm that at the date of this Report of the Directors and as far as they are individually aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to ascertain any relevant audit information and to establish that the Company's auditors are aware of this information.

Annual General Meeting
The Annual General Meeting will be held at 12 noon on 4 May 2016 at Austin Court, 80 Cambridge Street, Birmingham B1 2NP. The notice of the Annual General Meeting accompanies this Annual Report and Accounts.

Included in the AGM business is the proposal to renew the authority for the Company to purchase its own shares. As at 31 December 2015, the Company had authority from shareholders for the purchase of 43,025,462 of its own shares.

Global Greenhouse Gas (GHG) emissions data
The disclosures in respect of CO_2 emissions, as required to be reported under the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013), can be found in the Sustainability section of the Strategic report on page 21.

Approved by order of the Board.

Richard Tapp

Richard Tapp
Secretary
3 March 2016

Richard Tapp

Statement of Directors' responsibilities in respect of the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report, the Strategic report, the Directors' report, the Directors' Remuneration Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with the UK Financial Reporting Standard 101, Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report and financial statements

Each of the Directors of Carillion plc, whose names and functions are set out on pages 42 and 43, confirms that to the best of his or her knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards and contained in this 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 and the Directors' report, included in this 2015 Annual Report and Accounts, include 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 that they face; and
- the 2015 Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy.

Approved by order of the Board

Richard Adam FCA
Group Finance Director
3 March 2016

Independent auditor's report to the members of Carillion plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the Group financial statements of Carillion plc for the year ended 31 December 2015 which comprise the Group consolidated income statement, the Group consolidated and Parent Company balance sheets, the Group consolidated statement of comprehensive income, the Group consolidated and Parent Company statement of changes in equity, the Group consolidated cash flow statement and the related notes. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows (unchanged from 2014):

Recognition of contract revenue, margin, and related receivables and liabilities (total revenue £4,586.9 million)

Refer to page 54 (Report of the Audit Committee), page 86 (note 1. Significant accounting policies - Revenue recognition) and page 118 (note 32. Accounting estimates and judgements - Revenue recognition).

The risk - The Group recognises revenue based on the stage of completion of construction contracts by taking the proportion of costs incurred to the balance sheet date compared to the estimated final costs of the contract at completion and therefore relies on estimates in relation to the final out-turn of costs on each contract. Changes to these estimates could give rise to material variances in the amount of revenue and margin recognised. Cost contingencies may also be included in these estimates to take account of specific risks, or claims against the Group, arising within each contract. These contingencies are reviewed by the Group on a regular basis throughout the contract life and adjusted where appropriate. Finally, variations and claims are recognised on a contract-by-contract basis, both on service and construction contracts, where the Group believes the rights and obligations exist given the progress of negotiations. There is therefore a high degree of judgement in: assessing the level of the cost contingencies to recognise; appropriately recognising variations and claims; and estimating the revenue recognised by the Group based on the projected final out-turn on contracts.

Our response - We evaluated the controls designed and implemented by the Group to monitor amounts owed on service and construction contracts, and in particular, the claims and variation elements across the Group. We attended and inspected minutes from certain meetings, which form a key part of the Group's risk process to fully challenge at a lower executive level both new tenders and contract bids, and ongoing performance on existing contracts. We then selected a sample of contracts using a variety of quantitative and qualitative factors in order to assess and challenge the most significant and more complex contract positions. In this area our audit procedures included:

- considering the financial performance of the selected contracts against budget and historical trends to assess the historical accuracy of judgement in the recognition of claims and variations as well as the final out-turn on contracts;
- inspecting the contracts for key clauses, identifying relevant contractual mechanisms such as 'pain/gain' shares, liquidated damages and success fees and considered their impact on the completeness and existence of the amounts recognised in the financial statements;
- obtaining detailed position papers from the Group to support estimates made, challenging these estimates with senior operational, commercial and financial management and assessing whether or not these estimates showed any evidence of management bias;
- completing a number of site visits across the UK, Middle East and Canada, meeting local management and overseas auditors, physically inspecting the stage of completion of individual projects and identifying areas of complexity through observation and discussion with site personnel;
- challenging the Group's judgement in respect of forecast contract out-turn, quantum and allocation of contingencies, settlements and the recoverability of contract balances with reference to our own assessments, historical outcomes and industry norms;
- assessing the profile of aged work in progress on service contracts and challenging aged amounts for recoverability with a focus on claims and variations recognised on individual contracts;
- analysing correspondence and meeting minutes with customers around variations and claims, obtaining assessments of these from the Group's legal or technical experts, if applicable; and
- we also considered the adequacy of the Group's disclosures in respect of these judgements.

Carrying value of goodwill (£1,544.0 million)

Refer to page 54 (Report of the Audit Committee), page 85 (note 1. Significant accounting policies - Goodwill and other intangible assets) and pages 98 to 99 (note 11. Intangible assets).

The risk - The Group's balance sheet includes goodwill, principally arising from historical acquisitions in the UK. The risk is that the goodwill allocated to cash generating units ('CGU') is not recoverable and should be impaired. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgemental areas for our audit.

The Group annually carries out an impairment assessment of goodwill using a value-in-use model which is based on the net present value of the forecast earnings of the cash-generating unit ('value-in-use'). This is calculated using certain assumptions around discount rates, growth rates and cash flow forecasts.

Given the relative size of the goodwill in the Group balance sheet, particularly in the UK Services CGU, relatively small changes in these assumptions could give rise to material changes in the assessment of the carrying value of goodwill.

Our response - Our procedures included critically assessing the key assumptions applied by the Group in determining the recoverable amounts of each CGU. In particular, we:

- considered the consistency and appropriateness of the allocation of businesses and related goodwill balances into CGUs;
- considered the underlying assumptions in determining the cash flows and growth assumptions applied with reference to historical forecasting accuracy and wider macro environment conditions;
- challenged the assumptions used in the calculation of the discount rates used by the Group, including comparisons with external data sources and consideration of the potential risk of management bias;
- performed our own sensitivity analysis, including a reasonably possible reduction in assumed growth rates and cash flows to identify areas to focus our procedures on and we also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions appropriately reflected the risks inherent in the valuation of goodwill.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £8.0 million (2014: £9.0 million), determined with reference to a benchmark of Group profit before tax, normalised to exclude the acquisition costs set out in note 4, of which it represents 5.1 per cent (2014: 5.9 per cent).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.4 million (2014: £0.45 million) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Independent auditor's report to the members of Carillion plc only
continued

Of the Group's 10 reporting components, we subjected five to audits for Group reporting purposes and three to specified risk-focused audit procedures (scoping unchanged from 2014). The latter were not individually financially significant enough to require an audit for Group reporting purposes, but did present specific individual risks that needed to be addressed.

The components, subjected to audits for Group reporting purposes covered 92 per cent of Group revenue, 86 per cent of Group profit before tax and 80 per cent of Group total assets. The components subjected to specified risk-focused audit procedures covered 3 per cent of Group revenue, 13 per cent of Group profit before tax and 15 per cent of Group total net assets.

For the remaining components, we performed analysis at a Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £6.0 million to £6.5 million (2014: £7.0 million to £7.5 million), having regard to the mix of size and risk profile of the Group across the components. The work on three of the five audited components was performed by component auditors with the remaining two, as well as all three not individually financially significant components, by the Group audit team.

The Group audit team visited five component locations in the United Kingdom, Canada, the United Arab Emirates, Qatar and Oman. Video and telephone conference meetings were also held with these component auditors and the majority of the others that were not physically visited. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

5. We have nothing to report on the disclosures of principal risks
Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' viability statement on page 27, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 2018; or
- the disclosures in note 1. Significant accounting policies - basis of preparation of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception
Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Report of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statements, in relation to going concern (page 40) and longer-term viability (page 27); and
- the part of the Corporate Governance statement on pages 45 to 49 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities
As explained more fully in the Directors' responsibilities statement set out on page 76, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

3 March 2016

Financial statements

In this section

Carillion is the leading provider of apprenticeship training in our sector, with up to 2,000 apprentices in training at any one time in our 19 dedicated training centres across the UK.

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	3	**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	4	**(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	4	**(5.0)**	-
Non-operating items	4	**(2.5)**	(9.9)
Net financial expense	5	**(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	4	**(5.0)**	-
Non-operating items	4	**(2.5)**	(9.9)
Fair value movements in derivative financial instruments	5	**6.1**	(3.6)
Taxation	7	**(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	8		
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)

Financial statements

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 (see note 24)	-	-	-	-	-	**(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**
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 (see note 24)	-	-	-	-	-	(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 (see note 24)	-	-	-	-	-	-	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	10	**140.8**	141.9
Intangible assets	11	**1,633.9**	1,614.1
Retirement benefit assets	31	**12.7**	6.1
Investments in joint ventures	12	**161.4**	130.6
Other investments	13	**4.7**	9.3
Deferred tax assets	14	**103.8**	141.7
Total non-current assets		**2,057.3**	2,043.7
Current assets			
Inventories	15	**64.3**	50.1
Trade and other receivables	17	**1,270.5**	1,328.0
Cash and cash equivalents	18	**462.2**	472.0
Derivative financial instruments	27	**14.6**	-
Current asset investments	19	**-**	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	20	**(33.5)**	(35.3)
Derivative financial instruments	27	**(11.6)**	(22.6)
Trade and other payables	21	**(1,713.8)**	(1,733.4)
Provisions	22	**(5.0)**	(8.6)
Income tax payable		**(7.2)**	(8.3)
Total current liabilities		**(1,771.1)**	(1,808.2)
Non-current liabilities			
Borrowing	20	**(598.5)**	(614.0)
Other payables	21	**(64.4)**	(47.8)
Retirement benefit liabilities	31	**(406.2)**	(515.8)
Deferred tax liabilities	14	**(10.5)**	(11.9)
Provisions	22	**(2.1)**	(4.2)
Total non-current liabilities		**(1,081.7)**	(1,193.7)
Total liabilities		**(2,852.8)**	(3,001.9)
Net assets		**1,017.3**	894.5
Equity			
Share capital	23	**215.1**	215.1
Share premium	24	**21.2**	21.2
Translation reserve	24	**(38.9)**	(33.3)
Hedging reserve	24	**(8.2)**	(11.2)
Fair value reserve	24	**0.3**	0.3
Merger reserve	24	**393.7**	400.9
Retained earnings	24	**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.

The financial statements were approved by the Board of Directors on 3 March 2016 and were signed on its behalf by:

Richard Adam FCA
Group Finance Director
3 March 2016

Financial statements

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	30	**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	30	**(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	18	**455.8**	465.8

Notes to the consolidated financial statements

1. Significant accounting policies
Carillion plc (the 'Company') is a company domiciled and incorporated in the United Kingdom (UK). The 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 consolidated financial statements were authorised for issuance on 3 March 2016.

Statement of compliance
The Group's financial statements have been approved by the Directors and prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU). The Company has elected to prepare its financial statements in accordance with Financial Reporting Standard (FRS) 101 issued in the UK. These are presented on pages 123 to 128.

Basis of preparation
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

The financial statements are prepared on a going concern basis based on the assessment made by the Directors as described in the Performance and financial review on page 40.

The financial statements are presented in pounds sterling. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, pension scheme assets and liabilities, and financial instruments classified as available-for-sale.

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 introduction of IFRS 15 and IFRS 9 are not expected to have a material impact on reported results of the Group. The impact of IFRS 16, which was issued in January 2016, is currently being assessed.

Basis of consolidation
(a) Subsidiaries
The consolidated financial statements comprise the financial statements of the Company and subsidiaries controlled by the Company drawn up to 31 December 2015. Control exists when the Group has power over an entity, is exposed or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date that control transfers to the Group until the date that control ceases. The financial statements for material subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the Company.

The purchase method is used to account for the acquisition of subsidiaries.

(b) Joint arrangements
The Group undertakes a number of business activities through joint arrangements. Joint arrangements exist when two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's joint arrangements are of two types:

Joint operations
Joint operations are joint arrangements in which parties with joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The activities of a joint operation are primarily designed for the provision of output to the parties to the arrangement indicating that:

- the parties have the rights to substantially all the economic benefits of the assets of the arrangement; and
- all liabilities are satisfied by the joint participants through their purchases of that output. This indicates that, in substance, the joint participants have an obligation for the liabilities of the arrangement.

The financial statements of the Group includes its share of the assets in joint operations, together with its share of the liabilities, revenues and expenses arising jointly or otherwise from those operations and its revenue derived from the sale of its share of the output from the joint operation. All such amounts are measured in accordance with the terms of each arrangement, which are usually in proportion to the Group's interest in the joint operation.

Joint ventures
Joint ventures are joint arrangements in which the parties with joint control of the arrangement have rights to the net assets of the arrangement. A separate vehicle, not the parties, will have the rights to the assets and obligations to the liabilities, relating to the arrangement. More than an insignificant share of output from a joint venture is sold to third parties which indicates that the joint venture is not dependent on the parties to the arrangement for funding and that the parties to the arrangement have no obligation for the liabilities of the arrangement.

Joint ventures are accounted for using the equity method. Under the equity method the joint venture is recorded initially at cost to the Group, including the value of any goodwill on acquisition. In subsequent periods, the carrying amount of the joint venture is adjusted to reflect the Group's share of its post-acquisition profit or loss and other comprehensive income. After application of the equity method, including recognising the Group's share of the joint ventures' results, the value of the investment will be assessed for impairment if there is objective evidence that an impairment of the investment may have occurred. Where the Group's investment in a joint venture is nil after having applied equity accounting principles (and the Group has no legal or constructive obligation to make further payments, nor has made payments on behalf of the joint venture), dividends received from the joint venture will be recognised in the Group's result as a share of results of joint ventures.

(c) Non-controlling interests
Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Goodwill and other intangible assets
In respect of acquisitions made prior to 1 January 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Generally Accepted Accounting Practice. Goodwill arising on acquisitions that have occurred since 1 January 2004 represents the difference between the fair value of the cost of acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities of an acquired entity. Attributable costs of acquisitions are expensed in the income statement in the period incurred.

Notes to the consolidated financial statements
continued

1. Significant accounting policies (continued)
Positive goodwill is recognised as an asset in the consolidated balance sheet and is subject to an annual impairment review. Goodwill arising on the acquisition of subsidiaries is recognised separately as an intangible asset in the consolidated balance sheet. Goodwill arising on the acquisition of joint ventures is included within the carrying value of the investment. Negative goodwill is recognised in the income statement immediately.

Other intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is based on the useful economic lives of the assets concerned, which are assessed annually, and are principally as follows:

Computer software and licences
- Straight-line over three to ten years.

Customer contracts and lists
- Mowlem - consumption of economic benefits over 35 years
- Alfred McAlpine - consumption of economic benefits over 12 years
- John Laing Integrated Services - consumption of economic benefits over 28 years
- Rokstad Corporation - consumption of economic benefits over seven years
- Outland Group - consumption of economic benefits over nine years.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Impairment
Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment at each balance sheet date. Assets subject to depreciation and amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement based on the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Other non-current asset investments
Other non-current asset investments are classified as available-for-sale financial assets and are recognised at fair value. Changes in fair value in the year are recognised directly in the statement of comprehensive income. Dividend income from investments is recognised in the income statement when the right to receive payment is established.

Construction contracts
When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the degree of completion of each contract, as measured by the proportion of total costs at the balance sheet date to the estimated total cost of the contract.

Insurance claims, incentive payments, and variations arising from construction contracts are included in revenue where it is probable that they will be recovered and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable.

The principal estimation technique used by the Group in attributing profit on contracts to a particular period is the preparation of forecasts on a contract by contract basis. These focus on revenues and costs to complete and enable an assessment to be made of the final out-turn of each contract. Consistent contract review procedures are in place in respect of contract forecasting.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately. Contract costs are recognised as expenses in the period in which they are incurred.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as due from customers on construction contracts within trade and other receivables. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as due to customers on construction contracts within trade and other payables.

Pre-contract costs
Pre-contract costs are expensed as incurred until the Group is appointed preferred bidder or formal notification of the intention to appoint is received. Provided the contract is expected to generate sufficient net cash inflows to enable recovery and the award of the contract is probable, pre-contract costs incurred post the appointment as preferred bidder are included in amounts owed by customers on construction contracts.

Where pre-contract bid costs are reimbursed at financial close, the proceeds are initially applied against the asset included in amounts owed by customers on construction contracts. Any excess recoveries are carried forward as deferred income and released to profit over the period of the contract.

Revenue recognition
Revenue represents the fair value of consideration receivable, excluding sales-related taxation, for services supplied to external customers. It also includes the Group's proportion of work carried out under joint operations during the year. Revenue from the Group's principal business streams is recognised on the following basis:

- Revenue from service contracts is recognised over the period the services are delivered to the customer
- Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts
- Revenue from the delivery of carbon-saving measures to utility companies and other related activities is recognised at the date of sale, except if services are to be provided over future periods, where the income is deferred and recognised over the relevant service period
- Revenue from the installation of energy-efficiency measures such as central heating and other renewable technologies is recognised by reference to the number of energy efficiency measures installed
- Revenue from the sale of a licence is recognised immediately where an agreement is, in substance, an outright sale. For an outright sale to have occurred, the Group must have signed a non-cancellable contract, have provided the licensee with the rights to freely exploit its contractual rights, have no significant ongoing delivery obligations to perform and have received a fee which is not expected to be subject to a material adjustment based on future activity. Where there is an element of contingent revenue to such an agreement, an assessment of the estimated fair value of this future revenue is considered. If this fair value is minimal then the risks and rewards of the agreement are considered to have been transferred in full and therefore the determinable sale income is recognised as revenue immediately, with any contingent revenue recognised as it is earned. Should the contingent revenue be assessed as significant, the sale income is recognised as revenue over a period consistent with the life of the technology or other appropriate measure.

1. Significant accounting policies (continued)

Underlying performance measures

The Group presents underlying performance measures in order to provide greater transparency of the fundamental financial performance of the Group. Consequently, underlying performance measures exclude items that management view as not being part of usual operating activities. Items that are excluded from underlying performance measures are intangible amortisation arising from business combinations, non-recurring operating items, non-operating items and fair value movements in derivative financial instruments. Non-recurring operating items typically include the impairment of investments and costs associated with business restructuring and integration, together with Eaga Partnership Trust related charges. Non-operating items typically include costs associated with the acquisition and disposal of businesses. Fair value movements in derivative financial instruments relate to the option component of convertible bonds and are excluded from underlying performance measures as they are movements derived from market factors largely outside of the operational control of the Group.

Property, plant and equipment

Depreciation is based on historical cost less the estimated residual value, and the estimated economic life of the assets concerned. Freehold land is not depreciated. Property, plant and equipment is depreciated in equal annual instalments over the period of their estimated economic lives, which are principally as follows:

Freehold buildings	40-50 years
Leasehold improvements	Period of lease
Plant, machinery and vehicles	3-10 years

Assets held under finance leases are depreciated over the shorter of the term of the lease or the expected useful life of the assets.

Leasing

Operating lease rental charges are charged to the income statement on a straight-line basis over the life of each lease.

Assets held under finance leases are included in property, plant and equipment at the lower of fair value at the date of acquisition or present value of the minimum lease payments. The capital element of outstanding finance leases is included in financial liabilities. The finance cost element of rentals is charged to the income statement at a constant periodic rate of charge on the outstanding obligations.

Inventories

Inventories comprise raw materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their location and condition at the balance sheet date. Inventories are valued at the lower of cost and net realisable value. Cost is calculated using either the weighted average method or the first-in, first-out method.

Provision is made for obsolete, slow-moving or defective items where appropriate.

Current asset investments

Current asset investments include cash balances held as deposit for periods greater than three months and certain restricted cash balances.

These balances have been excluded from cash in the Group's balance sheet and cash flow statement.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign currencies

In individual entities, transactions denominated in foreign currencies are translated into the appropriate functional currency and recorded using the exchange rate prevailing at the date of the transaction.

On consolidation, the balance sheets of overseas entities are translated into sterling at the rates of exchange ruling at the balance sheet date. Income statements and cash flows of overseas entities are translated into sterling at rates approximating to the foreign exchange rates at the date of the transaction. Gains or losses arising from the consolidation of overseas entities are recognised in the translation reserve.

Net investment hedging of overseas operations is achieved through borrowings denominated in the relevant foreign currencies. Gains and losses arising from the effective portion of the hedges are recognised in equity and ineffective portions are recognised immediately in the income statement.

Employee benefits

(a) Retirement benefit obligations

For defined contribution pension schemes operated by the Group, amounts payable are charged to the income statement as they fall due.

For defined benefit pension schemes, the IAS 19 cost of providing benefits is calculated annually by independent actuaries using the projected unit credit method. The charge to the income statement reflects the current service cost of such obligations, and where applicable, past service cost, and is included within administrative expenses.

The net interest expense in the income statement is calculated by applying a discount rate to the net defined benefit obligation. Certain costs associated with the administration of the Group's defined benefit pension schemes are included within administrative expenses.

The retirement benefit obligation recognised in the balance sheet represents the excess of the present value of scheme liabilities over the fair value of scheme assets. When the calculation results in an asset to the Group, the amount recognised is limited where the Group does not have an unconditional right to the refund of any surplus which may exist.

Experience differences arising from remeasurements in the year are recognised in the statement of comprehensive income.

The Group's contributions to the scheme are paid in accordance with the scheme rules and the recommendations of the actuary.

(b) Other post-retirement benefit obligations

Certain Group companies provide post-retirement healthcare benefits to their employees. The expected costs of providing these benefits are accrued over the period of employment and are calculated by independent actuaries based on the present value of the expected liability.

(c) Share-based payments

Members of the Group's senior management team are entitled to participate in the Leadership Equity Award Plan (LEAP). Under the terms of the Group's bonus arrangements, Executive Directors and certain senior employees receive a proportion of their bonus in shares, which are deferred for a period of up to three years.

The fair value of the LEAP and deferred bonus arrangements at the date of grant are estimated using the Black-Scholes pricing model. The fair value determined at grant date is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest and taking into account service and non-market conditions.

1. Significant accounting policies (continued)
The Group also operates a Share Incentive Plan (SIP) under which qualifying Carillion Energy Services partners may receive free shares. The fair value of the free shares are recognised as an expense in the income statement over the vesting period of the shares.

Borrowing costs
Borrowing costs are capitalised where the Group constructs qualifying assets. All other borrowing costs are expensed to the income statement as incurred.

Borrowing costs incurred by entities relating to the construction of assets in Public Private Partnership projects are capitalised until the relevant assets are brought into operational use.

Borrowing costs are charged to the income statement using the effective interest method.

Share capital
The ordinary share capital of the Company is recorded at the proceeds received, net of directly attributable incremental issue costs.

Consideration paid for shares in the Company held by the Employee Share Ownership Plan (ESOP) Trust are deducted from the retained earnings reserve. Where such shares subsequently vest in the employees under the terms of the Group's share option schemes or are sold, any consideration received is included in the retained earnings reserve.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and where it is probable that an outflow will be required to settle the obligation.

Provisions for restructuring are recognised when the Group has an approved restructuring plan that has either commenced or been announced publicly. Future operating costs are not provided for.

Financial instruments
Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

(a) Other non-current investments
Other non-current investments relate to unquoted equity interests that are not designated on initial recognition as at fair value through the income statement. Instead, they are recognised at fair value with movements in fair value recognised in the fair value reserve.

(b) Trade receivables
Trade receivables are initially recognised at fair value and then are stated at amortised cost.

(c) Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at amortised cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less.

Bank overdrafts are also included as they are an integral part of the Group's cash management.

(d) Current asset investments
Current asset investments are carried in the balance sheet at amortised cost.

(e) Trade payables
Trade payables are initially recognised at fair value and then are stated at amortised cost.

(f) Bank and other borrowings
Interest-bearing bank loans and overdrafts and other loans are recognised initially at amortised cost less attributable transaction costs. All borrowings are subsequently stated at amortised cost with the difference between initial net proceeds and redemption value recognised in the income statement over the period to redemption.

(g) Derivative financial instruments
Derivatives are initially recognised at fair value on the date the contract is entered into and subsequently remeasured in future periods at their fair value. The method of recognising the resulting change in fair value is dependent on whether the derivative is designated as a hedging instrument.

A number of the Group's PPP joint ventures have entered into interest rate derivatives as a means of hedging interest rate risk. The effective part of the change in fair value of these derivatives is recognised directly in equity. Any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged items will affect profit or loss. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date.

The Group also enters into forward contracts in order to provide an economic hedge against small and infrequent transactional foreign currency exposures. In cases where these derivative instruments are significant, hedge accounting is applied as described above. Where hedge accounting is not applied, movements in fair value are recognised in the income statement. Fair values are based on quoted market prices at the balance sheet date.

In accordance with IAS 32 'Financial Instruments: Presentation', the Group's convertible bonds with a cash settlement option are assessed as a hybrid financial instrument, comprising an embedded derivative component (representing the option) and a debt component. At inception, the fair value of the embedded derivative component is determined using a Black-Scholes or similar bespoke model. The fair value attributed to the debt component is the difference between the proceeds of the issue and the fair value attributed to the embedded derivative component.

Subsequently, the fair value of the embedded derivative component is remeasured each year, with the movement recognised within the net financial expense in the income statement as a non-underlying item. In relation to the debt component, interest is charged to the income statement based on applying a market interest rate at the date of issue for a similar bond without the conversion option and is included in financial expenses in the income statement. The difference between the interest charge above and the coupon interest paid is added to the carrying amount of the debt component.

(h) Deferred and contingent consideration
Deferred consideration arises when settlement of all or any part of the cost of a business combination is deferred to a future period. Contingent consideration arises when all or any part of the cost of a business combination is dependent upon the occurrence of future events or performance.

Deferred and contingent consideration due in more than one year is stated at fair value at the date of acquisition, which is determined by discounting management's assessment of the amount due to its present value at that date.

Interest in relation to deferred and contingent consideration is imputed on the fair value of consideration and included in the income statement within financial expenses. Any subsequent changes in deferred and contingent consideration within the remeasurement period that arise from conditions in existence at the acquisition date, are reflected within the goodwill calculation. Any changes to deferred and contingent consideration arising outside of the remeasurement period or from events since the acquisition date are recognised in the income statement within non-operating items.

Net borrowing
Net borrowing comprises cash and cash equivalents together with bank overdrafts and loans, finance leases and other loans.

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.

Segmental revenue and profit

	2015		2014	
	Revenue £m	**Operating profit before intangible amortisation and non-recurring operating items £m**	Revenue £m	Operating profit before intangible amortisation and non-recurring operating items £m
Support services				
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 consolidated 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)

2. Segmental reporting (continued)
Segmental net assets

	2015			2014[1]		
	Operating assets £m	**Operating liabilities £m**	**Net operating assets/ (liabilities) £m**	Operating assets £m	Operating liabilities £m	Net operating assets/ (liabilities) £m
Support services						
Intangible assets[2]	**1,367.7**	**-**	**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

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

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

3. Group operating profit

	2015 £m	2014 £m
Group operating profit has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**22.4**	24.5
Amortisation of intangible assets	**23.0**	20.3
Impairment of other investments	**5.0**	-
Impairment of trade receivables	**0.1**	0.3
(Profit)/loss on disposal of property, plant and equipment	**(14.4)**	0.3
Operating lease charges	**48.5**	41.5
Foreign exchange losses/(gains)	**0.8**	(0.6)
(Gain)/loss on derivative financial assets and liabilities held for trading	**(2.3)**	2.8
Auditor's remuneration:		
Fees payable to the Company's auditor:		
- the audit of the Company's annual accounts	**0.3**	0.3
- the audit of the Company's subsidiaries	**0.8**	0.7
- the audit of the Group's pension schemes	**0.1**	0.1
- the Group's share of the audit of joint ventures	**0.2**	0.2
Total audit fees	**1.4**	1.3
- taxation services	**0.4**	0.2
- other assurance services	**-**	0.1
Total non-audit fees	**0.4**	0.3
	1.8	1.6

4. 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.

5. 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.

6. Payroll costs and employee numbers

	2015 £m	2014 £m
Wages and salaries	**824.4**	688.0
Social security costs	**66.2**	59.6
Pension costs	**31.0**	29.7
Equity-settled transactions	**1.1**	0.4
	922.7	777.7

Pension costs represent amounts in respect of the Group's UK and overseas schemes as described in note 31 and includes a charge of £21.1 million (2014: £18.7 million) in respect of defined contribution schemes.

Detailed information concerning Directors' remuneration, including their pension benefits and long-term incentive arrangements, is set out in the Remuneration report on pages 57 to 72.

The average number of employees during each year, including Directors, was:

	2015 Number	2014 Number
Support services	**20,446**	17,099
Public Private Partnership projects	**27**	24
Middle East construction services	**8,649**	7,798
Construction services (excluding the Middle East)	**2,570**	2,551
Corporate centre	**363**	386
	32,055	27,858
UK	**19,486**	17,237
Overseas	**12,569**	10,621
	32,055	27,858

In addition to the above there are 11,277 staff (2014: 11,031) employed within the Group's joint ventures located in the Middle East.

7. Income tax
Recognised in the income statement

	2015 £m	2014 £m
Current tax expense/(credit)		
Current year		
- UK	**0.6**	4.7
- Overseas	**7.5**	7.2
Adjustments for prior years		
- UK	**(1.8)**	(1.6)
- Overseas	**(0.2)**	0.3
Total current tax	**6.1**	10.6
Deferred tax expense		
Origination and reversal of temporary differences	**8.3**	0.3
Change of rate	**1.0**	-
Adjustments for prior years	**0.3**	4.2
Total deferred tax	**9.6**	4.5
Total income tax expense in the income statement	**15.7**	15.1

7. Income tax (continued)
Reconciliation of effective tax rate

	2015 £m	2014 £m
Profit before tax	**155.1**	142.6
Tax of joint ventures	**2.9**	2.7
	158.0	145.3
Income tax at UK standard corporation tax rate of 20.25 per cent (2014: 21.50 per cent)	**32.0**	31.2
Permanent differences	**0.1**	-
Unrelieved/untaxed trade losses/(profits)	**(2.3)**	0.7
Capital items not taxable/not deductible	**(8.8)**	(1.2)
Effect of utilisation of brought-forward tax losses	**(0.3)**	(0.9)
Effect of tax rates in foreign jurisdictions	**(1.0)**	(3.0)
Change in rate	**1.0**	-
(Over)/under provided in prior years	**(2.7)**	0.7
Deferred taxation relating to prior year losses	**0.6**	(9.7)
Total tax (including tax of joint ventures)	**18.6**	17.8
Tax of joint ventures	**(2.9)**	(2.7)
Group income tax expense	**15.7**	15.1

Over provided in prior years of £2.7 million in 2015 includes a £1.0 million credit (2014: £2.2 million credit) arising from a review of the nature of the tax position in certain entities.

Tax liability/(asset) recognised either in the statement of changes in other comprehensive income or directly in equity

	2015 £m	2014 £m
Deferred tax on remeasurement of net defined benefit liability	**21.7**	(34.4)
Deferred tax on cash flow hedging derivatives	**3.2**	1.6
Current tax on foreign exchange translation adjustments	**1.6**	-
Tax recognised in statement of comprehensive income	**26.5**	(32.8)
Tax directly recognised in equity:		
- Deferred tax on equity-settled transactions	**0.1**	0.1
Total tax recognised in equity	**26.6**	(32.7)

Deferred tax on remeasurement of net defined benefit liability of £21.7 million in 2015 includes a charge of £3.9 million (2014: Nil) in respect of the change in tax rate to 19 per cent (from 1 April 2017) and subsequently to 18 per cent (from 1 April 2020) as these rates were substantively enacted on 26 October 2015.

8. 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 (see note 24)	**(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	

Financial statements

8. Earnings per share (continued)

	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 purposes 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

9. 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.

10. Property, plant and equipment

	Land and buildings £m	Plant, equipment and vehicles £m	Total £m
Cost			
At 1 January 2015	**39.0**	**136.0**	**175.0**
Acquisition of the Outland Group (see note 30)	**0.2**	**2.6**	**2.8**
Additions	**1.9**	**27.8**	**29.7**
Disposals	**(9.5)**	**(5.3)**	**(14.8)**
Effect of movements in foreign exchange rates	**(3.3)**	**(10.8)**	**(14.1)**
At 31 December 2015	**28.3**	**150.3**	**178.6**
Depreciation and impairment losses			
At 1 January 2015	**9.3**	**23.8**	**33.1**
Depreciation charge for the year	**2.0**	**20.4**	**22.4**
Disposals	**(7.9)**	**(3.7)**	**(11.6)**
Effect of movements in foreign exchange rates	**(1.0)**	**(5.1)**	**(6.1)**
At 31 December 2015	**2.4**	**35.4**	**37.8**
Net book value			
At 1 January 2015	**29.7**	**112.2**	**141.9**
At 31 December 2015	**25.9**	**114.9**	**140.8**

Included in the net book value of plant, equipment and vehicles is £17.2 million (2014: £22.8 million) in respect of assets held under finance leases and hire purchase contracts. The leased equipment secures lease obligations as disclosed in note 20.

	Land and buildings £m	Plant, equipment and vehicles[1] £m	Total[1] £m
Cost			
At 1 January 2014	35.6	117.6	153.2
Acquisition of the Rokstad Corporation (see note 30)	0.2	8.0	8.2
Additions	4.1	34.2	38.3
Disposals	(0.8)	(21.9)	(22.7)
Effect of movements in foreign exchange rates	(0.1)	(1.9)	(2.0)
At 31 December 2014	39.0	136.0	175.0
Depreciation and impairment losses			
At 1 January 2014	7.0	18.0	25.0
Depreciation charge for the year	2.4	22.1	24.5
Disposals	(0.3)	(15.7)	(16.0)
Effect of movements in foreign exchange rates	0.2	(0.6)	(0.4)
At 31 December 2014	9.3	23.8	33.1
Net book value			
At 1 January 2014	28.6	99.6	128.2
At 31 December 2014	29.7	112.2	141.9

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

11. *Intangible assets*

	Goodwill £m	Customer contracts and lists £m	Total arising from business combinations £m	Computer software and licences £m	Total £m
Cost					
At 1 January 2015	**1,510.9**	**312.0**	**1,822.9**	**49.6**	**1,872.5**
Acquisition of the Outland Group (see note 30)	**43.1**	**9.8**	**52.9**	**-**	**52.9**
Additions	**-**	**-**	**-**	**1.2**	**1.2**
Effect of movements in foreign exchange rates	**(10.0)**	**(1.7)**	**(11.7)**	**(0.7)**	**(12.4)**
At 31 December 2015	**1,544.0**	**320.1**	**1,864.1**	**50.1**	**1,914.2**
Amortisation and impairment losses					
At 1 January 2015	**-**	**235.5**	**235.5**	**22.9**	**258.4**
Amortisation for the year	**-**	**20.0**	**20.0**	**3.0**	**23.0**
Effect of movements in foreign exchange rates	**-**	**(0.8)**	**(0.8)**	**(0.3)**	**(1.1)**
At 31 December 2015	**-**	**254.7**	**254.7**	**25.6**	**280.3**
Net book value					
At 1 January 2015	**1,510.9**	**76.5**	**1,587.4**	**26.7**	**1,614.1**
At 31 December 2015	**1,544.0**	**65.4**	**1,609.4**	**24.5**	**1,633.9**

Goodwill acquired of £43.1 million relates to the provisional goodwill recognised on the acquisition of the Outland Group and represents the estimated present value of future income streams expected from the business. The provisional goodwill on this acquisition has been allocated to the Support services cash-generating unit. The final assessment of the fair value of the assets and liabilities acquired will be completed during 2016.

Included in the net book value of computer software and licences is £5.4 million (2014: £3.6 million) in respect of assets held under finance leases. The leased assets secure lease obligations as disclosed in note 20.

	Goodwill(1) £m	Customer contracts and lists(1) £m	Total arising from business combinations(1) £m	Computer software and licences £m	Total(1) £m
Cost					
At 1 January 2014	1,449.7	298.2	1,747.9	43.1	1,791.0
Acquisitions (see note 30)	61.9	13.9	75.8	0.1	75.9
Additions	-	-	-	6.4	6.4
Effect of movements in foreign exchange rates	(0.7)	(0.1)	(0.8)	-	(0.8)
At 31 December 2014	1,510.9	312.0	1,822.9	49.6	1,872.5
Amortisation and impairment losses					
At 1 January 2014	-	218.8	218.8	19.4	238.2
Amortisation for the year	-	16.8	16.8	3.5	20.3
Effect of movements in foreign exchange rates	-	(0.1)	(0.1)	-	(0.1)
At 31 December 2014	-	235.5	235.5	22.9	258.4
Net book value					
At 1 January 2014	1,449.7	79.4	1,529.1	23.7	1,552.8
At 31 December 2014	1,510.9	76.5	1,587.4	26.7	1,614.1

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

11. Intangible assets (continued)

Impairment tests for cash-generating units containing goodwill

The following units have significant amounts of goodwill:

	2015 £m	2014[1] £m
Construction services (excluding the Middle East) segment		
UK construction	**233.0**	233.0
Canada construction	**8.7**	9.8
	241.7	242.8
Support services segment		
UK services	**1,191.2**	1,191.2
Canada services	**111.1**	76.9
	1,302.3	1,268.1
Total goodwill	**1,544.0**	1,510.9

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

Each year, and whenever events or a change in the economic environment indicates a risk of impairment, the Group reviews the value of goodwill balances allocated to its cash-generating units. In the absence of any identified impairment risks, tests are performed based on internal valuations of each cash-generating unit (CGU).

Management consider Support services, Public Private Partnership projects, Middle East construction services and Construction services (excluding the Middle East) as distinct reporting segments. Goodwill has been allocated to the applicable CGUs within the Construction services (excluding the Middle East) and Support services reporting segments detailed above. CGUs have been identified within the reporting segments as those businesses that generate cash inflows largely independently of other businesses within the Group, and which are subject to independent management.

Following acquisition in 2015, the Outland Group, a business based in Canada, has been integrated into the Group's Support services reporting segment and consequently the provisional goodwill recognised on this acquisition has been allocated to the Support services CGU.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The value-in-use in 2015 was determined on a similar basis to 2014. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and expected changes to revenue and direct costs during the period. These assumptions were reviewed in 2015 in the light of the continuing challenging economic environment. The potential impacts of macro-economic factors on the financial stability of our customers, partners and suppliers continues to be mitigated by applying rigorous selectivity criteria in relation to their financial stability, the security of project funding and contractual terms and conditions.

Discount rates have been estimated based on pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. In determining the pre-tax discount rate management has derived a Weighted Average Cost of Capital (WACC) using the capital asset pricing model to determine the cost of equity and then weighting the overall cost of capital for the Group by equity and debt. The rate used to discount the forecast cash flows for the CGUs in the Construction services (excluding the Middle East) segment was 9.7 per cent (2014: 11.0 per cent) and for the CGUs in the Support services segment was 8.6 per cent (2014: 9.7 per cent).

The cash flows used to determine the value-in-use calculations are based upon the latest three-year forecasts approved by management, which are based upon secured and probable orders and the Group's overall strategic direction. The cash flows are extrapolated from year four, with a terminal value using a growth rate of 2.5 per cent, which does not exceed the long-term industry average.

Management has undertaken sensitivity analysis on a number of key assumptions in the value-in-use calculations. Sensitivity analysis on the discount rate shows that the discount rate would have to increase to a minimum of 20.4 per cent for Construction services (excluding the Middle East) and to a minimum of 15.8 per cent for Support services before an impairment was triggered in any CGU. On the basis of the sensitivity analysis undertaken in relation to cash flows, management concluded that there is a more than adequate amount of headroom in the value-in-use calculations before an impairment would be triggered. Overall, as at 31 December 2015, based on internal valuations, management has concluded that the recoverable value of the Group's CGUs exceeded their carrying amount.

Amortisation charge

The amortisation profile relating to intangible assets arising from business combinations is shown below:

Acquisition	Original cost £m	Amortisation period	Amortisation profile
Mowlem	119.0	2006-2041	84 per cent complete by 2019
Alfred McAlpine	125.4	2008-2019	100 per cent complete in 2019
John Laing Integrated Services	27.2	2014-2041	60 per cent complete by 2019
Rokstad Corporation	11.5	2015-2021	92 per cent complete by 2019
Outland Group	9.8	2015-2023	93 per cent complete by 2019

Notes to the consolidated financial statements
continued

12. Investments in joint ventures

	Total £m
Cost	
At 1 January 2015	**70.9**
Acquisition of Ask Real Estate Limited	**5.8**
Equity investments and loan advances	**28.3**
Disposals	**(10.8)**
Loan repayments	**(7.2)**
Effect of movements in foreign exchange rates	**(3.6)**
At 31 December 2015	**83.4**
Share of post acquisition results	
At 1 January 2015	**59.7**
Share of results for the year after taxation	**26.0**
Disposals	**5.4**
Distributions received	**(16.8)**
Effect of movements in foreign exchange rates	**3.7**
At 31 December 2015	**78.0**
Net book value	
At 1 January 2015	**130.6**
At 31 December 2015	**161.4**

Equity investments and loan advances of £28.3 million includes £27.1 million of equity and subordinated loans to Public Private Partnership (PPP) joint ventures and £1.2 million in respect of other joint ventures.

During the year, the Group disposed of equity investments in joint ventures engaged in PPP activities as disclosed in note 30.

	Investments £m	Goodwill £m	Total £m
Cost			
At 1 January 2014	91.6	2.1	93.7
Equity investments and loan advances	7.7	-	7.7
Disposals	(11.5)	(2.1)	(13.6)
Loan repayments	(15.9)	-	(15.9)
Effect of movements in foreign exchange rates	(1.0)	-	(1.0)
At 31 December 2014	70.9	-	70.9
Share of post-acquisition results			
At 1 January 2014	58.3	-	58.3
Share of results for the year after taxation	25.1	-	25.1
Share of change in fair value of cash flow hedges (net of taxation)	(2.9)	-	(2.9)
Disposals	(16.1)	-	(16.1)
Distributions received	(9.1)	-	(9.1)
Effect of movements in foreign exchange rates	4.4	-	4.4
At 31 December 2014	59.7	-	59.7
Net book value			
At 1 January 2014	149.9	2.1	152.0
At 31 December 2014	130.6	-	130.6

Equity investments and loan advances of £7.7 million includes £4.8 million of equity and subordinated loans to Public Private Partnership (PPP) joint ventures and £2.9 million in respect of loan advances to a joint venture involved in land development in the UK. The disposal of goodwill of £2.1 million related to CarillionAmey (Housing Prime) Limited, which was accounted for as a deemed step acquisition following a change in control as disclosed in note 30. During the year, the Group disposed of a number of equity investments in joint ventures engaged in PPP activities as disclosed in note 30.

12. Investments in joint ventures (continued)

	2015			2014		
	PPP projects £m	Other £m	Total £m	PPP projects £m	Other £m	Total £m
Non-current assets	**380.9**	**71.3**	**452.2**	762.2	62.4	824.6
Cash	**86.6**	**14.5**	**101.1**	50.6	29.3	79.9
Other current assets	**33.8**	**311.0**	**344.8**	15.6	279.6	295.2
Share of gross assets	**501.3**	**396.8**	**898.1**	828.4	371.3	1,199.7
Current borrowing	**(2.9)**	**(22.9)**	**(25.8)**	(5.3)	(15.1)	(20.4)
Current liabilities	**(33.5)**	**(207.7)**	**(241.2)**	(38.6)	(242.3)	(280.9)
Non-current borrowing	**(413.6)**	**(28.6)**	**(442.2)**	(726.5)	(6.1)	(732.6)
Non-current liabilities	**(30.3)**	**(9.6)**	**(39.9)**	(39.2)	-	(39.2)
Provisions	**(9.5)**	**(2.6)**	**(12.1)**	-	-	-
Share of gross liabilities	**(489.8)**	**(271.4)**	**(761.2)**	(809.6)	(263.5)	(1,073.1)
Share of net assets excluding derivatives	**11.5**	**125.4**	**136.9**	18.8	107.8	126.6
Financial instrument derivatives	**–**	**–**	**–**	(3.6)	-	(3.6)
Share of net assets	**11.5**	**125.4**	**136.9**	15.2	107.8	123.0
Loan advances	**24.5**	**–**	**24.5**	7.6	-	7.6
Total investment in joint ventures	**36.0**	**125.4**	**161.4**	22.8	107.8	130.6

There are no material joint ventures included in the above that require separate disclosure.

The Group's share of total comprehensive income in relation to joint ventures in 2015 of £26.0 million (2014: £28.5 million) comprises the Group's share of results for the year after taxation of £26.0 million (2014: £25.1 million) and the Group's share of other comprehensive income of Nil (2014: £3.4 million income).

Financial instrument derivatives within PPP projects relate to interest rate swaps entered into by the joint ventures concerned as a means of hedging interest rate risk and are stated net of deferred tax. In accordance with International Accounting Standard 39 'Financial instruments: Recognition and measurement', these derivatives are accounted for as cash flow hedges with the effective portion of movements in fair value each year recognised in the hedging reserve and recycled on disposal.

13. Other investments

	£m
Fair value	
At 1 January 2015	**23.1**
Additions	**0.4**
Disposals	**(13.8)**
At 31 December 2015	**9.7**
Impairment losses	
At 1 January 2015	**13.8**
Impairment charge for the year	**5.0**
Released following disposal	**(13.8)**
At 31 December 2015	**5.0**
Net book value	
At 1 January 2015	**9.3**
At 31 December 2015	**4.7**

Additions in 2015 of £0.4 million relate to cash paid in the first half of the year in respect of a further stakeholder loan to the Green Deal Finance Company Limited. The impairment charge for the year of £5.0 million relates to the impairment of the stakeholder loan funding provided to the Green Deal Finance Company Limited, following the decision by the UK Government in the second half of the year to withdraw its financial support to the Green Deal Finance Company Limited in the wake of the continuing low take-up under the Government's Green Deal initiative.

	£m
Fair value	
At 1 January 2014	21.1
Additions	1.2
Fair value of equity interests retained on partial disposals	0.7
Increase in fair value	0.1
At 31 December 2014	23.1
Impairment losses	
At 1 January and 31 December 2014	13.8
Net book value	
At 1 January 2014	7.3
At 31 December 2014	9.3

Additions in 2014 of £1.2 million relate to cash paid in respect of a stakeholder loan to the Green Deal Finance Company Limited.

Notes to the consolidated financial statements
continued

14. Deferred tax assets and liabilities
Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to temporary differences relating to the following:

	Assets		Liabilities		Net	
	2015 £m	2014[1] £m	**2015 £m**	2014[1] £m	**2015 £m**	2014[1] £m
Property, plant and equipment	**7.4**	8.5	**-**	-	**7.4**	8.5
Intangible assets	**-**	-	**(10.9)**	(13.3)	**(10.9)**	(13.3)
Liability for National Insurance on future Eaga Partnership Trust's distributions	**0.8**	0.8	**-**	-	**0.8**	0.8
Employee benefits	**75.9**	103.5	**-**	-	**75.9**	103.5
Working capital	**-**	-	**(10.1)**	(6.2)	**(10.1)**	(6.2)
Equity-settled transactions	**0.3**	-	**-**	-	**0.3**	-
Tax value of carry forward losses recognised	**29.9**	36.5	**-**	-	**29.9**	36.5
Tax assets/(liabilities)	**114.3**	149.3	**(21.0)**	(19.5)	**93.3**	129.8
Set off of tax	**(10.5)**	(7.6)	**10.5**	7.6	**-**	-
Net tax assets/(liabilities)	**103.8**	141.7	**(10.5)**	(11.9)	**93.3**	129.8

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

Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of the following items:

	2015 £m	2014 £m
Tax losses	**19.4**	19.2

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these losses due to the lack of certainty concerning the quantum and timing of future years' taxable profits of the companies concerned.

As permitted under the foreign profits exemption legislation, no deferred tax liability has been recognised in relation to taxable temporary differences arising on unremitted earnings from overseas businesses.

Movements in temporary differences during the year are as follows:

	Balance 1 January 2015 £m	**Acquisitions £m**	**Recognised in income £m**	**Recognised in equity £m**	**Balance 31 December 2015 £m**
Property, plant and equipment	**8.5**	**0.2**	**(1.3)**	**-**	**7.4**
Intangible assets	**(13.3)**	**(2.6)**	**5.0**	**-**	**(10.9)**
Liability for National Insurance on future Eaga Partnership Trust's distributions	**0.8**	**-**	**-**	**-**	**0.8**
Employee benefits	**103.5**	**-**	**(5.9)**	**(21.7)**	**75.9**
Working capital	**(6.2)**	**0.5**	**(1.2)**	**(3.2)**	**(10.1)**
Equity-settled transactions	**-**	**-**	**0.4**	**(0.1)**	**0.3**
Tax value of carry forward losses recognised	**36.5**	**-**	**(6.6)**	**-**	**29.9**
	129.8	**(1.9)**	**(9.6)**	**(25.0)**	**93.3**

	Balance 1 January 2014 £m	Acquisitions[1] £m	Recognised in income £m	Recognised in equity £m	Balance 31 December 2014[1] £m
Property, plant and equipment	19.6	(0.9)	(10.2)	-	8.5
Intangible assets	(15.8)	(0.9)	3.4	-	(13.3)
Liability for National Insurance on future Eaga Partnership Trust's distributions	0.9	-	(0.1)	-	0.8
Employee benefits	75.0	-	(5.9)	34.4	103.5
Working capital	(4.3)	1.0	(1.3)	(1.6)	(6.2)
Equity-settled transactions	-	-	0.1	(0.1)	-
Tax value of carry forward losses recognised	27.0	-	9.5	-	36.5
	102.4	(0.8)	(4.5)	32.7	129.8

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

15. Inventories

	2015 £m	2014 £m
Raw materials and consumables	**36.9**	26.4
Work in progress	**27.4**	23.7
	64.3	50.1

Work in progress of £22.0 million (2014: £18.3 million) is expected to be recovered after more than 12 months.

16. Construction contracts

Contracts in progress at the balance sheet date:

	2015 £m	2014 £m
Due from customers for contract work	**386.8**	437.7
Due to customers for contract work	**(62.8)**	(83.4)

The aggregate amount of costs incurred plus recognised profits less recognised losses for all contracts in progress at the balance sheet date was £5,074.9 million (2014: £5,227.0 million).

The amount of construction contract revenue recognised as revenue in the year amounted to £1,607.0 million (2014: £1,392.7 million).

17. Trade and other receivables

	2015 £m	2014[1] £m
Trade receivables	**252.8**	242.8
Amounts owed by customers on construction contracts	**386.8**	437.7
Other receivables and prepayments	**550.1**	513.3
Amounts owed by joint ventures	**59.6**	128.7
Amounts owed under jointly controlled operations	**21.2**	5.5
	1,270.5	1,328.0

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

At 31 December 2015, retentions of £73.1 million (2014: £84.3 million) relating to construction contracts and other amounts recoverable after more than one year of £49.6 million (2014: £55.6 million) are included above as they are recoverable within the normal operating cycle of the Group.

18. 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)

19. Current asset investments

	2015 £m	2014 £m
Current asset investments	-	1.9

Current asset investments in 2014 include cash balances held on deposit for periods greater than three months and certain restricted cash balances, which are held at floating interest rates linked to the UK Bank Base Rate.

20. Borrowing

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 27.

	2015 £m	2014 £m
Current liabilities		
Bank overdrafts	**6.4**	6.2
Bank loans	**16.7**	22.2
Finance lease obligations	**6.3**	6.9
Other loans	**4.1**	-
	33.5	35.3
Non-current liabilities		
Bank loans	**102.1**	123.6
Finance lease obligations	**11.5**	19.2
Other loans	**484.9**	471.2
	598.5	614.0
Total borrowing	**632.0**	649.3

Bank loans and overdrafts are largely unsecured and bear interest at floating rates linked to the London Interbank Offered Rate, the Canadian Dealer Offered Rate or the Emirates Interbank Offered Rate. Within bank loans of £118.8 million (2014: £145.8 million) are loans amounting to £5.1 million (2014: £8.0 million) which are secured on the assets to which they relate. Finance lease obligations are secured on the assets to which they relate.

In 2015, the Group renewed its main revolving bank facility and extended the maturity date by nearly three years from March 2018 to November 2020. The facility was also increased by £20 million to £790 million and on more favourable pricing terms.

Non-current other loans in 2015 of £484.9 million include private placement financing at fixed rates of interest of £325.5 million and the debt component of convertible bonds amounting to £159.4 million. The contractual terms of private placement financing are disclosed below:

Currency	Currency amount	Sterling amount £m	Interest rate %	Maturity date
US$	25.0	17.0	3.85	November 2017
£ sterling	49.0	49.0	4.38	September 2018
£ sterling	17.5	17.5	3.62	August 2019
US$	80.0	54.4	4.29	November 2019
£ sterling	51.0	51.0	5.10	September 2021
£ sterling	17.5	17.5	4.19	August 2022
US$	140.0	95.3	4.86	November 2022
US$	35.0	23.8	5.01	November 2024
		325.5		

In relation to the US dollar denominated private placement financing, the Group has entered into cross-currency derivative instruments that correspond to the profile of the principal and interest repayments as disclosed in note 27 on page 110.

In December 2014, the Group issued £170 million of unsecured convertible bonds maturing by December 2019 with a coupon of 2.5 per cent payable semi-annually in arrears. The initial conversion price was set at 398.56 pence and upon conversion Carillion may elect to settle its obligations by way of delivery of ordinary shares, payment of a cash alternative amount or a combination of the two. At inception, the proceeds from the convertible bond comprised a derivative liability component of £13.4 million and a debt component of £156.6 million. The embedded derivative component represents the fair value of the embedded option to convert the bond into ordinary shares of the Company or to settle in cash and is calculated using a Black Scholes or similar bespoke model. The fair value of the debt component is calculated as the difference between the proceeds from the issue and the fair value of the embedded derivative component. The debt component at 31 December 2015 amounted to £159.4 million and included £2.8 million of interest accretion.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2015 £m	Interest 2015 £m	Principal 2015 £m	Minimum lease payments 2014 £m	Interest 2014 £m	Principal 2014 £m
Less than one year	**7.0**	**(0.7)**	**6.3**	7.9	(1.0)	6.9
Between one and five years	**12.2**	**(0.7)**	**11.5**	18.2	(1.5)	16.7
More than five years	**-**	**-**	**-**	2.5	-	2.5
	19.2	**(1.4)**	**17.8**	28.6	(2.5)	26.1

Under the terms of the lease agreements, no contingent rents are payable.

21. Trade and other payables

	2015 £m	2014[1] £m
Current liabilities		
Trade payables	**591.4**	611.7
Amounts owed to customers on construction contracts	**62.8**	83.4
Other tax and social security costs	**67.4**	56.3
Amounts owed to joint ventures	**87.0**	37.2
Amounts owed under jointly controlled operations	**9.0**	7.7
Other creditors	**561.2**	510.8
Accruals and deferred income	**304.0**	419.1
Deferred consideration payable	**31.0**	7.2
	1,713.8	1,733.4

Within trade and other payables are £32.7 million (2014: £23.6 million) of liabilities due in more than one year but which are payable within the normal operating cycle of the Group. All other trade and other payables are due within one year.

	2015 £m	2014[1] £m
Non-current liabilities		
Contingent consideration payable	**64.4**	47.8

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

Deferred and contingent consideration payable within current and non-current liabilities in 2015 relates to the acquisition of the Rokstad Corporation and the Outland Group as disclosed in note 30. The remaining contractual maturity profile of this liability is disclosed in note 27.

22. Provisions

	Rationalisation £m	Onerous leases £m	EPT NI £m	Onerous contracts £m	Total £m
At 1 January 2015	**1.2**	**6.3**	**4.0**	**1.3**	**12.8**
Discount unwind	**-**	**0.6**	**-**	**-**	**0.6**
Provisions utilised	**(1.2)**	**(3.8)**	**-**	**(1.3)**	**(6.3)**
At 31 December 2015	**-**	**3.1**	**4.0**	**-**	**7.1**
Disclosed within:					
Current liabilities	**-**	**1.0**	**4.0**	**-**	**5.0**
Non-current liabilities	**-**	**2.1**	**-**	**-**	**2.1**
	-	**3.1**	**4.0**	**-**	**7.1**

The rationalisation provision at 1 January 2015 primarily related to the restructuring of the energy services business in 2013. The onerous contracts provision at 1 January 2015 related to onerous contractual obligations entered into by Carillion Energy Services (CES) prior to the acquisition by Carillion in 2011 and are no longer continuing. Both of these provisions were fully utilised in the year.

The onerous lease provision relates to a number of onerous leases from acquisitions, disposals and restructuring programmes undertaken by the Group. The provision is expected to be fully utilised over the next two years. The Eaga Partnership Trust (EPT) NI provision relates to the provision which was recognised on the acquisition of CES in 2011 in connection with future distributions to employees from the EPT which crystallises a National Insurance cost to the Group.

	Rationalisation £m	Onerous leases £m	EPT NI £m	Onerous contracts £m	Total £m
At 1 January 2014	11.0	7.8	4.2	13.9	36.9
Discount unwind	-	0.7	-	-	0.7
Provisions utilised	(9.8)	(2.2)	(0.2)	(12.6)	(24.8)
At 31 December 2014	1.2	6.3	4.0	1.3	12.8
Disclosed within:					
Current liabilities	1.2	2.1	4.0	1.3	8.6
Non-current liabilities	-	4.2	-	-	4.2
	1.2	6.3	4.0	1.3	12.8

Notes to the consolidated financial statements
continued

23. Share capital

	2015		2014	
	Number million	**£m**	Number million	£m
Issued and fully paid				
At 1 January and 31 December	**430.3**	**215.1**	430.3	215.1

The Company has one class of ordinary share which carries no right to fixed income.

In December 2014, the Group issued £170 million of unsecured convertible bonds. The bonds mature by December 2019, and upon conversion, Carillion may elect to settle its obligations by way of delivery of ordinary shares, payment of a cash alternative or a combination of the two. The initial conversion price has been set at 398.56 pence and upon conversion could lead to the issue of up to 42.7 million new shares, representing 9.9 per cent of the current issued share capital.

24. Reserves

Share premium reserve
The share premium reserve contains the premium in excess of par value arising on the issue of share capital, net of issue expenses.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in foreign operations. The translation reserve also includes any related current taxation.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred, together with any related deferred taxation.

Fair value reserve
The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised, together with any related deferred taxation.

Merger reserve
The merger reserve initially arose on the demerger from Tarmac plc on 29 July 1999. The reserve increased on the acquisition of Mowlem on 23 February 2006, Alfred McAlpine on 12 February 2008 and Carillion Energy Services on 21 April 2011, whereby the consideration included the issue of Carillion plc shares. The premium on the shares issued in relation to these acquisitions has been credited to the merger reserve rather than the share premium account in accordance with the Companies Act 2006. The £7.2 million (2014: £13.7 million) transfer to the retained earnings reserve during the year represents the amounts realised following the amortisation of intangible assets recognised on the Mowlem and Alfred McAlpine acquisitions.

Retained earnings
Retained earnings include the reserve for the Company's own shares which comprises of the cost of the Company's shares held by the Carillion Employee Share Ownership Plan (ESOP). The shares held by the ESOP may subsequently be awarded to employees under the Group's share incentive schemes. The movement in the reserve for own shares included within retained earnings are as follows:

	2015 £m	2014 £m
At 1 January	**-**	-
Share options exercised (transfer to retained earnings)	**0.4**	0.5
Acquisition of own shares	**(0.4)**	(0.5)
At 31 December	**-**	-

At 31 December 2015, the ESOP held 6,578 (2014: seven) of the Company's shares and had a market value of £19,925 (2014: £24). During the year the Company acquired 122,272 of its own shares for £0.4 million to meet the plan's commitments. The ESOP has elected to waive all dividends except for a total payment of 1 pence at the time each dividend is paid.

The Company has also established a Qualifying Employee Share Ownership Trust (QUEST). At 31 December 2015 the total number of shares held by the QUEST amounted to 84,593 (2014: 84,593) and had a market value of £0.3 million (2014: £0.3 million). The QUEST has elected to waive all dividends in excess of 0.01 pence per share.

The retained earnings reserve includes the credit transferred from the merger reserve of £7.2 million (2014: £13.7 million) noted above.

25. Share-based payments

The Group has established a share option programme that entitles Executive Directors and senior employees to shares in the Company. Full details of the Group's share option schemes can be found in the Remuneration report on pages 57 to 72. In addition, under the terms of the Group's bonus arrangements, senior employees and Executive Directors receive a proportion of their annual bonus in shares, which vest a year after the award in respect of senior employees and three years after the award in respect of Executive Directors.

The terms and conditions of option schemes within the scope of IFRS 2 are as follows, whereby all options are settled by physical delivery of shares:

Grant date	Number of instruments	Vesting conditions	Contractual life of options	Exercise price
LEAP option grant at 4 April 2013	948,170	Three years of service, increase in EPS of a minimum of 6 per cent per annum and operating cash conversion of a minimum of 95% over a rolling period.	3 years	Nil
LEAP option grant at 7 May 2014	900,449	Three years of service, increase in EPS of a minimum of 6 per cent per annum, operating cash conversion of a minimum of 95 per cent over a rolling period, delivery of sustainability targets providing contributions of £25 million in 2014, £30 million in 2015, £32 million in 2016, target of 25 per cent employees undertaking community work by the end of 2016 and a book-to-bill ratio of more than one.	3 years	Nil
LEAP option grant at 9 April 2015	1,260,721	Three years of service, increase in EPS of a minimum of 6 per cent per annum, operating cash conversion of a minimum of 95 per cent over a rolling period, delivery of sustainability targets contributing £96 million and a book-to-bill ratio of more than one.	3 years	Nil
Deferred bonus scheme	321,315	Three years of service for Executive Directors and one year of service for senior employees.	1-3 years	Nil
Total share options	**3,430,655**			

The number and weighted average exercise prices of all of the Group's share options is as follows:

	Number of options 2015	Number of options 2014
At 1 January	**2,986,247**	2,718,393
Lapsed during the year	**(937,208)**	(699,270)
Forfeited during the year	**(44,748)**	(16,871)
Exercised during the year	**(121,804)**	(118,578)
Granted during the year	**1,548,168**	1,102,573
At 31 December	**3,430,655**	2,986,247
Exercisable at the end of the year	**-**	-

There were no share options exercisable at the end of 2015. The weighted average exercise price and the weighted average share price during the year was Nil and 329.1 pence respectively. The fair value of services received in return for share options granted is measured using a Black-Scholes model and the following assumptions:

	2015 LEAP	2014 LEAP
Fair value of share options and assumptions		
Fair value at grant date	**283.0p**	310.0p
Share price at grant date	**329.4p**	363.6p
Exercise price	**Nil**	Nil
Expected volatility	**11.20%**	11.64%
Option life	**3 years**	3 years
Expected dividend yield	**5.10%**	5.59%
Risk-free interest rate (based on national Government bonds)	**2.54%**	0.64%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Employee expenses

	2015 £m	2014 £m
Equity-settled share options and deferred bonus shares granted in:		
2013	**0.3**	0.1
2014	**0.4**	0.3
2015	**0.4**	-
Total expense recognised as employee costs	**1.1**	0.4

The expected life of the options is taken to be the full vesting period, as historical exercise patterns have shown this to be appropriate. The estimate of the number of shares that will eventually vest ignores the possibility that market conditions will or will not be achieved given that these market conditions are already included in the fair value of the options.

26. Guarantees and contingent liabilities

	2015 £m	2014 £m
Guarantees in respect of borrowing in Construction services (excluding the Middle East) joint ventures	**3.5**	2.3
Guarantees in relation to deferred equity payments in PPP special purpose entities	**61.6**	117.6
Guarantees in respect of letters of credit issued by banks in relation to performance on contracts for PPP customers	**47.3**	35.0

Guarantees and counter indemnities have, in the normal course of business, been given to financial institutions in respect of the provision of performance and other contract-related bonds and to certain defined benefit pension schemes in respect of deficit recovery payments. The Group treats guarantees and counter indemnities of this nature as contingent liabilities until such time as it becomes probable that the Group will be required to make a payment under the terms of the arrangement.

Claims under contracts and other agreements, including joint arrangements, are outstanding in the normal course of business. The Group, in the normal course of its activities, is the subject of certain legal proceedings. The resolution of these proceedings is regarded as unlikely to succeed or to have a material effect on the Group's financial position.

There are no liabilities of joint ventures for which the Group is contingently liable other than those disclosed above.

27. Financial instruments
Categories of financial instruments

31 December 2015	Loans and receivables £m	Financial liabilities at amortised cost £m	Available for sale £m	Derivatives at fair value through profit or loss £m	Derivatives used for hedging £m	Total £m
Financial assets						
Non-current asset investments	-	-	**4.7**	-	-	**4.7**
Cash and cash equivalents	**462.2**	-	-	-	-	**462.2**
Trade receivables	**252.8**	-	-	-	-	**252.8**
Derivative financial instruments	-	-	-	**1.7**	**12.9**	**14.6**
Total	**715.0**	-	**4.7**	**1.7**	**12.9**	**734.3**
Financial liabilities						
Bank overdrafts	-	**(6.4)**	-	-	-	**(6.4)**
Bank loans	-	**(118.8)**	-	-	-	**(118.8)**
Finance lease obligations	-	**(17.8)**	-	-	-	**(17.8)**
Other loans	-	**(489.0)**	-	-	-	**(489.0)**
Trade payables	-	**(591.4)**	-	-	-	**(591.4)**
Deferred and contingent consideration	-	**(95.4)**	-	-	-	**(95.4)**
Derivative financial instruments	-	-	-	**(10.9)**	**(0.7)**	**(11.6)**
Total	-	**(1,318.8)**	-	**(10.9)**	**(0.7)**	**(1,330.4)**

31 December 2014	Loans and receivables(1) £m	Financial liabilities at amortised cost(1) £m	Available for sale £m	Derivatives at fair value through profit or loss £m	Derivatives used for hedging £m	Total £m
Financial assets						
Non-current asset investments	-	-	9.3	-	-	9.3
Cash and cash equivalents	472.0	-	-	-	-	472.0
Current asset investments	1.9	-	-	-	-	1.9
Trade receivables	242.8	-	-	-	-	242.8
Total	716.7	-	9.3	-	-	726.0
Financial liabilities						
Bank overdrafts	-	(6.2)	-	-	-	(6.2)
Bank loans	-	(145.8)	-	-	-	(145.8)
Finance lease obligations	-	(26.1)	-	-	-	(26.1)
Other loans	-	(471.2)	-	-	-	(471.2)
Trade payables	-	(611.7)	-	-	-	(611.7)
Deferred and contingent consideration	-	(55.0)	-	-	-	(55.0)
Derivative financial instruments	-	-	-	(17.6)	(5.0)	(22.6)
Total	-	(1,316.0)	-	(17.6)	(5.0)	(1,338.6)

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

Financial risk management
Financial risk management is an integral part of the way the Group is managed. In the course of its business, the Group is exposed primarily to foreign exchange risk, interest rate risk, liquidity risk and credit risk. The overall aim of the Group's financial risk management policies are to minimise potential adverse effects on financial performance and net assets. There has been no change to the Group's exposure to financial risk or the manner in which these risks are managed and measured.

27. Financial instruments (continued)
The Group's treasury department manages the principal financial risks within policies and operating parameters approved by the Board of Directors. Treasury is not a profit centre and does not enter into speculative transactions.

Foreign currency risk
The Group has operations in overseas regions, primarily the Middle East and Canada. In order to protect the Group's balance sheet from the impact of foreign exchange rate volatility, the Group's policy is that foreign currency denominated net assets that exceed £10 million equivalent are hedged, as a minimum, to at least 60 per cent of the net asset value. Net investment hedging of overseas operations is achieved through borrowing and forward contracts denominated in the relevant foreign currencies, or where this is not practicable, in a currency which the relevant currency closely follows.

The Group has US$280 million of private placement finance at fixed interest rates from a number of United States of America based investors in order to provide greater flexibility in relation to the maturity profile of Group borrowing. The Group has entered into a number of financial derivative contracts to hedge the exposure to foreign exchange rate volatility in relation to the associated capital and interest payments.

Group policy is to recognise gains and losses from the effective portions of hedges in equity and to recognise ineffective portions immediately in the income statement.

Profits arising within overseas operations are not hedged unless a distribution is planned. Such distributions are then treated as currency transactions and hedged accordingly.

The Group has relatively small and infrequent transactional foreign currency exposures. Any individual exposures that are significant are hedged using forward contracts or other appropriate risk management techniques.

Further details concerning the risks associated with the overseas regions in which the Group operates can be found in the Performance and financial review on page 40.

Foreign currency exposure
The carrying amount of the Group's borrowing denominated in foreign currency is as follows:

	2015 £m	2014 £m
United States of America dollar	**(207.6)**	(195.6)
Canadian dollar	**(65.3)**	(95.2)
United Arab Emirates dirham	**(8.3)**	(7.9)
Other	**(2.5)**	(2.8)
	(283.7)	(301.5)

Of the total foreign currency borrowing of £283.7 million (2014: £301.5 million), the amount of borrowing used for hedging overseas currency net asset amounts to £73.4 million (2014: £78.3 million). The foreign exchange gain of £4.9 million (2014: £0.1 million gain) on translation of the borrowing into sterling has been recognised in the translation reserve as these hedging loans are effective hedges. Exposure to United States of America dollar denominated private placement borrowing included above amounting to £190.5 million (2014: £179.5 million) is hedged by cross-currency derivative instruments as disclosed on page 111.

The Group does not have a significant amount of foreign currency exposure in respect of financial assets.

Each movement of five per cent in exchange rates against sterling would have changed reported profit before tax and equity as follows:

	Five per cent increase		Five per cent decrease	
	Profit £m	Equity £m	Profit £m	Equity £m
United States of America dollar	-	(0.8)	-	0.9
Canadian dollar	(0.6)	(10.0)	0.6	10.4
Euro	(0.1)	2.4	0.1	(2.7)
United Arab Emirates dirham	(0.4)	(4.9)	0.4	5.4
Oman rials	(0.6)	(3.4)	0.6	3.8
Other	0.3	(0.6)	(0.3)	0.6

Interest rate risk
The Group's interest-bearing debt is predominantly drawn from committed bank facilities to fund acquisitions and ongoing working capital requirements. Foreign currency denominated borrowings have been drawn under the facilities to hedge net assets of overseas operations. Such borrowing is subject to floating rates of interest linked to the London Interbank Offered Rate, the Canadian Dealer Offered Rate or the Emirates Interbank Offered Rate. In addition, the Group has secured fixed interest rate finance of £325.5 million from private placements and £170 million from the issue of convertible bonds as disclosed in note 20. The principal purpose of raising this finance at fixed interest rates is to ensure that a proportion of the Group's borrowing was not subject to floating rates of interest which may increase. This has been supplemented by a fixed rate interest swap, which swaps the floating rate to a fixed rate on £35 million of the Group's principal bank facilities. In addition, a number of Group's Public Private Partnership joint ventures have entered into interest rate swaps.

A one percentage point rise in interest rates in respect of US dollar denominated borrowings would increase the annual net interest charge by approximately £0.2 million, in respect of Canadian dollar denominated borrowings an increase of £0.5 million, in respect of sterling denominated borrowings an increase of £2.4 million, and in respect of United Arab Emirates dirham denominated borrowings an increase of £0.1 million.

Liquidity risk
The Group's policy on liquidity risk is to ensure that sufficient borrowing facilities are available to fund ongoing operations without the need to carry significant net debt over the medium term. The Group's principal borrowing facilities are provided by a group of core relationship banks in the form of a syndicated loan facility and bilateral facilities supplemented by private placement financing, convertible bonds and short-term overdraft facilities. The quantum of committed borrowing facilities available to the Group is reviewed regularly and is designed to exceed forecast peak gross debt levels. The average net borrowing during 2015 was £538.9 million (2014: £450.7 million).

Notes to the consolidated financial statements
continued

27. Financial instruments (continued)
Maturity of financial liabilities
The remaining contractual maturity profile of the Group's liabilities, which includes estimated future interest payments, is as follows:

31 December 2015	Trade payables £m	Deferred and contingent consideration £m	Bank overdrafts £m	Bank loans £m	Other loans £m	Finance leases £m	Total £m
Less than one year	**(591.4)**	**(31.0)**	**(6.4)**	**(19.4)**	**(23.2)**	**(7.0)**	**(678.4)**
Between one and two years	**-**	**(2.5)**	**-**	**(38.9)**	**(36.1)**	**(5.9)**	**(83.4)**
Between two and three years	**-**	**(15.1)**	**-**	**(2.1)**	**(67.0)**	**(3.4)**	**(87.6)**
Between three and four years	**-**	**(15.1)**	**-**	**(1.9)**	**(257.9)**	**(0.7)**	**(275.6)**
Between four and five years	**-**	**(38.2)**	**-**	**(66.8)**	**(9.6)**	**(2.2)**	**(116.8)**
More than five years	**-**	**-**	**-**	**-**	**(204.2)**	**-**	**(204.2)**
	(591.4)	**(101.9)**	**(6.4)**	**(129.1)**	**(598.0)**	**(19.2)**	**(1,446.0)**

31 December 2014	Trade payables[1] £m	Deferred and contingent consideration[1] £m	Bank overdrafts £m	Bank loans £m	Other loans £m	Finance leases £m	Total[1] £m
Less than one year	(611.7)	(7.2)	(6.2)	(25.0)	(18.7)	(7.9)	(676.7)
Between one and two years	-	(9.6)	-	(4.7)	(18.7)	(7.4)	(40.4)
Between two and three years	-	(2.8)	-	(3.2)	(34.6)	(6.3)	(46.9)
Between three and four years	-	-	-	(120.9)	(66.5)	(3.8)	(191.2)
Between four and five years	-	-	-	-	(254.1)	(0.7)	(254.8)
More than five years	-	(43.2)	-	-	(205.5)	(2.5)	(251.2)
	(611.7)	(62.8)	(6.2)	(153.8)	(598.1)	(28.6)	(1,461.2)

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

The remaining contractual maturity profile of the Group's derivative financial liabilities is shown below. The Group's derivative financial liabilities relate to cross-currency derivatives to hedge principal and interest repayments associated with US dollar private placement financing.

The maturity profile is based on the undiscounted gross payable and receivable amounts under the contracts.

	2015			2014		
	Payable £m	Receivable £m	Net receivable £m	Payable £m	Receivable £m	Net receivable £m
Less than one year	**(8.3)**	**8.8**	**0.5**	(8.3)	8.3	-
Between one and two years	**(23.9)**	**25.8**	**1.9**	(8.3)	8.3	-
Between two and three years	**(7.7)**	**8.2**	**0.5**	(23.9)	24.3	0.4
Between three and four years	**(57.7)**	**62.6**	**4.9**	(7.7)	7.7	-
Between four and five years	**(5.5)**	**5.8**	**0.3**	(57.7)	59.0	1.3
More than five years	**(122.6)**	**133.1**	**10.5**	(128.1)	130.9	2.8
	(225.7)	**244.3**	**18.6**	(234.0)	238.5	4.5

Borrowing facilities
The Group has the following undrawn committed borrowing facilities available at the year end in respect of which all conditions precedent had been met:

	2015 £m	2014 £m
Expiring within one year	**7.2**	7.1
Expiring between two and five years	**754.0**	714.9
	761.2	722.0

Credit risk
Credit risk arises on financial instruments such as trade receivables, short-term bank deposits and foreign currency hedging contracts. Policies and procedures exist to ensure that customers have an appropriate credit history. Short-term bank deposits and foreign currency hedging transactions are executed only with highly credit-rated authorised counterparties based on ratings issued by the major rating agencies. Counterparty exposure positions are monitored regularly so that credit exposures to any one counterparty are approved at main Board level or within predetermined limits. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

The maximum exposure to credit risk for receivables at 31 December by geographic region was:

	2015 £m	2014[1] £m
United Kingdom	**127.2**	153.0
Middle East	**77.3**	35.3
Canada	**48.1**	54.4
Rest of the World	**0.2**	0.1
	252.8	242.8

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

27. Financial instruments (continued)

The maximum exposure to credit risk for receivables at 31 December by segment was:

	2015 £m	2014[1] £m
Support services	**140.5**	169.4
Public Private Partnership projects	**0.5**	0.3
Middle East construction services	**76.2**	35.3
Construction services (excluding the Middle East)	**35.6**	37.8
	252.8	242.8

The Group's most significant debtor, Network Rail, accounts for £5.6 million of the receivables carrying amount at 31 December 2015 (2014: Direct Line Group: £4.9 million).

Trade receivables included in the balance sheet are net of an impairment provision which has been estimated by management following a review of individual receivable accounts and is based on prior experience and known factors at the balance sheet date. Receivables are written off against the impairment provision when management considers that the debt is no longer recoverable. The ageing of trade receivables is as follows:

	2015		2014	
	Net trade receivables[2] £m	Impairment £m	Net trade receivables[1,2] £m	Impairment £m
Not past due	**177.9**	**-**	153.6	-
Past due less than three months	**49.5**	**0.3**	67.2	0.2
Past due between three and six months	**11.7**	**1.5**	6.4	0.3
Past due between six and 12 months	**8.7**	**0.5**	7.5	0.2
Past due more than 12 months	**5.0**	**4.9**	8.1	6.1
	252.8	**7.2**	242.8	6.8

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

The movement in the impairment provision is as follows:

	2015 £m	2014 £m
At 1 January	**6.8**	7.9
Provision acquired	**1.3**	-
Provision created	**0.1**	0.3
Provision utilised	**(1.0)**	(1.4)
At 31 December	**7.2**	6.8

Whilst uncertainty surrounding counterparty risk has increased due to the prevailing economic climate, on balance the Group believes that debtors will meet their payment obligations in respect of the amount of trade receivables recognised in the balance sheet that are past due and unprovided as at 31 December 2015.

Overall, the Group considers that it is not exposed to a significant amount of credit risk.

Derivative financial instruments

	2015		2014	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Forward foreign currency contracts - at fair value through the income statement	**1.7**	**-**	-	(0.6)
Derivative component of convertible bond - at fair value through the income statement	**-**	**(10.9)**	-	(17.0)
Forward foreign currency contracts - net investment hedging instruments	**1.6**	**-**	-	-
Forward foreign currency contracts - cash flow hedging instruments	**-**	**-**	-	(0.8)
Fixed rate interest derivatives - cash flow hedging instruments	**-**	**(0.7)**	-	(1.7)
Cross-currency derivatives - cash flow hedging instruments	**11.3**	**-**	-	(2.5)
	14.6	**(11.6)**	-	(22.6)

A £2.3 million gain (2014: £2.8 million loss) has been recognised in administrative expenses in the income statement in respect of the movement in the fair value of forward foreign currency contracts at fair value through the income statement and a £6.1 million gain (2014: £3.6 million loss) has been recognised in financial expenses in the income statement in respect of the movement in the fair value of the derivative component of the convertible bond. A £15.6 million gain (2014: £8.2 million gain) has been recognised in the hedging reserve in relation to the forward foreign currency contracts, fixed rate interest derivatives and the cross-currency derivatives which are effective cash flow hedges. A £1.6 million gain (2014: Nil) has been recognised in the translation reserve in relation to the movement in forward foreign currency contracts utilised as net investment hedges of the net assets of overseas operations.

In addition to the above, a number of the Group's Public Private Partnership (PPP) joint ventures have entered into interest rate derivatives as a means of hedging interest rate risk. Interest-bearing debts and the associated interest rate derivatives within these PPP joint ventures are without recourse to the Group. The life of these hedge arrangements track PPP contract terms and hedge future movements across a range up until March 2047. The fair value of these derivatives is based on quoted prices in active markets, with the movement in fair value each year recognised in the share of change in fair value of effective cash flow hedges within joint ventures in the statement of comprehensive income. At 31 December 2015 the Group's share of the total net fair value liability of interest rate derivatives in PPP joint ventures amounted to £0.7 million (2014: £14.4 million) of which Nil (2014: £3.7 million charge together with the related deferred tax asset of £0.8 million) has been recognised in the hedging reserve in 2015.

Notes to the consolidated financial statements
continued

27. Financial instruments (continued)
Fair values
Financial instruments carried at fair value in the balance sheet are non-quoted equity shareholdings within non-current asset investments, derivative financial instruments and contingent consideration payable in respect of the acquisition of the Rokstad Corporation and the Outland Group as disclosed in note 30. The fair value of non-current asset investments and contingent consideration payable is determined based on a level 3 valuation method, using valuation techniques that include inputs that are not based on market data. The fair value of non-current asset investments is calculated by discounting expected future cash flows using asset specific discount rates, with the movement in fair value each year recognised in the fair value movement on available-for-sale assets in the statement of comprehensive income. The fair value of contingent consideration payable is calculated by discounting the maximum contractual cash flows that could be paid under the terms of the sale and purchase agreement using a risk adjusted discount rate.

The movement in the fair value of financial instruments derived using a level 3 valuation method is shown below:

	Contingent consideration[1] £m	Non-current asset investments £m
At 1 January 2015[1]	**(47.8)**	**9.3**
Additions	**(27.7)**	**0.4**
Impairment recognised in the income statement	**-**	**(5.0)**
Discount unwind recognised in financial expense	**(2.0)**	**-**
Exchange rate movements recognised in the translation reserve	**5.6**	**-**
Transfer to current liabilities	**7.5**	**-**
At 31 December 2015	**(64.4)**	**4.7**

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

The fair value of non-current asset investments is most sensitive to movements in the discount rate used. A one percentage point increase in the discount rate would reduce the fair value by £0.4 million. In respect of contingent consideration, a one percentage point increase in the discount rate would reduce the fair value of the liability of £1.8 million.

The fair value of derivative financial instruments is based on a level 2 valuation method, using inputs from quoted prices in active markets, with the movement in fair value each year recognised in administrative expenses in the income statement or the hedging reserve as appropriate. There are no material differences between the fair value and the carrying value of the Group's other financial assets and financial liabilities.

Capital risk management
The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and for other stakeholders and to maintain an optimal debt and equity structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of the dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Where the Group makes significant acquisitions, these are financed with a combination of debt and equity in order to maintain a balanced capital structure. In order to have greater flexibility over the maturity profile of debt, the Group has secured £325.5 million of private placement financing with maturity dates between 2017 and 2024 and £170 million of convertible bonds that mature in 2019. The Group has a policy of progressively increasing dividends paid to shareholders broadly in line with underlying earnings per share growth, after taking account of the investment needs of the business. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

	2015 £m	2014 £m
Total borrowing	**625.6**	643.1
Less: net cash and cash equivalents (note 18)	**(455.8)**	(465.8)
Net borrowing	**169.8**	177.3
Total equity	**1,017.3**	894.5
Total capital	**1,187.1**	1,071.8

28. Financial and capital commitments

	2015 £m	2014 £m
Commitments for equity and subordinated debt investments in PPP special purpose entities	**61.6**	117.6

Non-cancellable operating lease rentals are payable as follows:

	2015		2014	
	Property £m	Other £m	Property £m	Other £m
Within one year	**11.3**	**31.1**	14.6	22.7
Between one and five years	**21.8**	**43.0**	25.8	37.1
Over five years	**18.4**	**-**	12.8	0.2
	51.5	**74.1**	53.2	60.0

The Group leases properties and vehicles for operational purposes. Property leases vary considerably in length up to a maximum period of 99 years. Vehicle leases typically run for a period of four years. None of the leases include contingent rentals.

29. Related parties

The Group has related party relationships with its key management personnel and joint ventures.

Transactions with key management personnel

The Group's key management personnel are the Executive and Non-Executive Directors as identified in the Remuneration report on page 58.

In addition to their salaries, the Group also provides non-cash benefits to Executive Directors, and contributes to a post-employment defined benefit plan or a defined contribution plan on their behalf. Executive Directors also participate in the Group's share option programme. A summary of the value of transactions with key management personnel is shown below:

	2015 £m	2014 £m
Short-term employee benefits	**2.7**	2.3
Post-employment benefits	**0.1**	0.1
Share-based payments	**0.5**	0.3
	3.3	2.7

The number of key management personnel included in the above analysis is eight (2014: nine).

Transactions with joint ventures

The table below summarises the principal receivable and payable balances, together with sales to the Group's joint ventures, which are in the normal course of business and on commercial terms:

	2015			2014		
	Sales £m	**Receivables £m**	**Payables £m**	Sales £m	Receivables £m	Payables £m
PPP joint ventures						
Aberdeen Roads Holdings Ltd	**0.8**	**0.4**	**-**	-	-	-
COE (CAMH) Limited Partnership (Canada)	**-**	**-**	**-**	1.3	0.1	-
CSS (FSCC) Partnership (Canada)	**0.2**	**0.1**	**-**	11.6	0.9	-
Healthcare Infrastructure Partners (NOH) Partnership	**0.1**	**3.1**	**-**	50.3	21.3	-
Inspiredspaces Durham Ltd	**2.5**	**-**	**-**	18.1	10.6	(1.5)
Inspiredspaces Nottingham (Projectco2) Ltd	**0.6**	**-**	**-**	0.9	-	-
Inspiredspaces Nottingham Ltd	**-**	**-**	**-**	13.1	4.5	(0.4)
Inspiredspaces Rochdale (Projectco2) Ltd	**-**	**-**	**-**	5.3	-	-
Inspiredspaces Rochdale Ltd	**1.9**	**-**	**-**	10.8	1.9	(0.2)
Inspiredspaces STAG (Projectco2) Ltd	**-**	**-**	**-**	-	0.8	-
Inspiredspaces STAG Ltd	**3.9**	**-**	**-**	4.7	2.5	-
Inspiredspaces Tameside Ltd	**9.1**	**-**	**-**	16.4	4.8	(1.1)
Inspiredspaces Wolverhampton (Projectco2) Ltd	**15.1**	**-**	**(0.3)**	23.2	4.5	-
Inspiredspaces Wolverhampton Ltd	**-**	**0.3**	**-**	23.1	8.6	(0.4)
LCED (Sault) Limited Partnership (Canada)	**-**	**-**	**-**	3.3	-	-
PBSP Midlands Ltd	**18.5**	**2.0**	**-**	-	-	-
The Healthcare Infrastructure Company of Canada (ROH) Inc.	**-**	**0.8**		5.7	0.4	-
The Hospital Company (Liverpool) Ltd	**84.8**	**10.0**	**-**	34.4	12.9	-
The Hospital Company (Sandwell) Ltd	**16.3**	**-**	**(13.3)**	-	-	-
The Hospital Company (Southmead) Ltd	**-**	**-**	**-**	26.3	9.2	-
Other	**2.6**	**0.5**	**(0.1)**	0.1	0.6	-
	156.4	**17.2**	**(13.7)**	248.6	83.6	(3.6)
Other joint ventures						
Al Futtaim Carillion LLC (UAE)	**2.4**	**0.1**	**(56.5)**	4.2	10.8	(24.9)
CarillionAmey (Housing Prime) Ltd	**-**	**-**	**-**	0.7	-	-
Carillion-Breathe Ltd	**12.9**	**3.3**	**-**	2.9	-	-
Carillion Eltel JV Ltd	**-**	**0.2**	**-**	2.7	1.0	-
Carillion Richardson Partnership	**-**	**26.7**	**-**	-	18.2	-
Carillion Richardson Thanet Phase 2 Ltd	**-**	**-**	**(1.6)**	-	-	(2.5)
Carillion Richardson Worcester Ltd	**0.1**	**0.5**	**-**	0.2	1.0	-
CarillionAmey Ltd	**9.4**	**2.9**	**-**	11.3	4.8	(1.5)
Lodge Park Commercial Developments Ltd	**-**	**3.0**	**-**	-	-	-
Aspire Defence Services Ltd	**-**	**-**	**(15.1)**	-	-	-
Siglion LLP	**-**	**3.4**	**-**	6.2	2.5	(4.5)
Vanmed Construction Company (Canada)	**-**	**-**	**-**	0.2	0.9	-
Others	**-**	**2.3**	**(0.1)**	-	5.9	(0.2)
	181.2	**59.6**	**(87.0)**	277.0	128.7	(37.2)

30. Acquisitions and disposals

Acquisitions in 2015

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 the 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.

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.

The above acquisitions do not have a material impact on the balance sheet of the Group and therefore the full disclosures required by International Financial Reporting Standard 3 'Business combinations' have not been presented.

Total acquisition costs incurred in relation to contracts and due diligence procedures for merger and acquisition activities in the year of £2.5 million (2014: £9.9 million) have been included in non-operating items in the income statement (see note 4).

Acquisitions in 2014

On 24 December 2014, the Group completed the acquisition of a 60 per cent equity shareholding in Rokstad Corporation (Rokstad). Rokstad is a Canadian powerlines and transmission business operating primarily in British Columbia and Alberta and provides the Group with access to markets with strong growth opportunities and where the Group can utilise its expertise. The total consideration for this acquisition of around £31 million is dependent on the financial performance of Rokstad. The consideration is payable in instalments over the period to July 2017, with £11.1 million paid on completion, which was included in the 2014 cash flow statement within acquisition of subsidiaries, net of cash and cash equivalents acquired. The second instalment of the consideration amounting to £6.1 million was paid in 2015 and is included in the cash flow statement within acquisition of subsidiaries, net of cash and cash equivalents acquired. The remaining instalments to be paid in 2016 and 2017, which are dependent on financial performance, will be capped at a combined total of £12 million. Under the acquisition agreement, Carillion has also committed to acquire the remaining 40 per cent interest in Rokstad after five years at a multiple of 4.5 times Rokstad's 2019 earnings before interest, tax, depreciation and amortisation, capped at a maximum additional consideration of £42 million. The fair value of deferred and contingent consideration payable, including the amount to acquire the remaining 40 per cent, 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 the maximum contractual cash flows that could be paid under the terms of the sale and purchase agreement, based on the current expectation that Rokstad's financial performance targets will be fully met, using a risk adjusted discount rate of 3.4 per cent.

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. These provisional assessments became final in 2015 following finalisation of the completion accounts process, leading to the recognition of revised goodwill of £61.9 million. The reconciliation of the provisional goodwill recognised to the revised goodwill recognised is shown below:

	£m
Provisional goodwill	**70.1**
Intangible assets identified (net of a deferred tax liability of £3.0 million)	**(8.5)**
Amendments to property, plant and equipment	**(1.0)**
Amendments to trade and other receivables	**(2.6)**
Amendments to trade and other payables	**6.6**
Amendments to deferred consideration	**(1.2)**
Amendments to deferred taxation	**(1.5)**
Revised goodwill	**61.9**

As the adjustments to the provisional amounts recognised in 2014 are within the measurement period, prior year comparatives have been restated by the amounts included in the table above.

On 1 July 2014, following a change to the shareholder agreement, the Group obtained control of CarillionAmey (Housing Prime) Limited, an entity that was previously subject to joint control. The principal change made to the shareholder agreement was the ability of the Group to appoint the Chairman of the Board with a casting vote on key operational decisions. As a result, the Group has control over the entity and has therefore accounted for this change as a deemed step acquisition. No consideration has been paid and there has been no change to the Group's 67 per cent equity interest in the entity. The acquisition date fair value of the Group's equity interest already held in CarillionAmey (Housing Prime) Limited amounted to £8.4 million. No gain or loss was recognised as a result of remeasuring to fair value the equity interest already held. An intangible asset of £2.4 million, representing customer contracts, has been recognised on this deemed acquisition. No goodwill has been recognised. Non-controlling interests at the acquisition date amounted to £3.2 million representing the proportionate interest in the net assets of the company at the acquisition date.

30. Acquisitions and disposals (continued)

The acquisition of Rokstad and CarillionAmey (Housing Prime) Limited are individually immaterial and therefore the disclosures below are prepared on an aggregated basis:

	Recognised values[1] £m
Property, plant and equipment	**8.2**
Intangible assets	**14.0**
Deferred tax assets	**2.7**
Trade and other receivables	**81.2**
Cash and cash equivalents	**(6.6)**
Borrowings	**(10.9)**
Trade and other payables	**(68.4)**
Income tax	**(0.9)**
Deferred tax liabilities	**(3.5)**
Net identifiable assets and liabilities	**15.8**
Goodwill recognised on acquisition	**61.9**
Total consideration	**77.7**

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

The fair value of the consideration for the above acquisitions is analysed below:

	£m
Cash	**11.1**
Deferred consideration	**7.2**
Contingent consideration	**47.8**
Deemed consideration for previously held interest	**8.4**
Non-controlling interest acquired	**3.2**
Total fair value of consideration	**77.7**

Cash flows associated with the acquisition of subsidiaries included in the cash flow statement are analysed below;

	2015 £m	2014 £m
Cash paid	**(10.7)**	(11.1)
Net cash and cash equivalents acquired	**6.2**	(6.6)
Payments in respect of acquisitions in prior years (see page 114)	**(6.1)**	(8.6)
Net cash outflow on acquisition of subsidiaries	**(10.6)**	(26.3)

Disposals in 2015

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.

Disposals in 2014

In 2014, the Group disposed of equity interests in four Public Private Partnership projects. The disposals generated a cash consideration of £37.0 million, which together with disposal costs of £1.0 million, was included in the cash flow statement within disposal of joint ventures and other investments, and an operating profit of £13.9 million which is included in Group operating profit within the Public Private Partnership projects segment.

31. Retirement benefit obligations

The Carillion Group operates 14 defined benefit pension schemes for eligible employees, of which 13 are in the UK and one is in Canada. In addition, the Group provides other post-retirement benefits under four separate arrangements in Canada.

The defined benefit schemes are administered by Trustee Boards which largely comprise independent Trustees together with Company and employee representatives. The assets of the schemes are held separately from the Company's assets and are managed by the Trustee Boards. Pension scheme valuations are carried out by independent actuaries to determine pension costs for pension funding every three years and bi-annually to calculate the IAS 19 deficit included in the financial statements. Eight of the 14 defined benefit schemes within the Group are closed to future accrual, with payments into these schemes made in line with deficit recovery plans, which have been agreed with pension scheme trustees.

31. Retirement benefit obligations (continued)
The different scheme characteristics can be summarised below:

	2015			2014		
	Assets £m	**Obligations £m**	**Deficit £m**	Assets £m	Obligations £m	Deficit £m
Schemes closed to future accrual	**1,747.9**	**(2,076.0)**	**(328.1)**	1,775.6	(2,194.5)	(418.9)
Open schemes	**554.5**	**(610.2)**	**(55.7)**	544.8	(625.0)	(80.2)
Unfunded schemes [(1)]	**-**	**(9.7)**	**(9.7)**	-	(10.6)	(10.6)
Total	**2,302.4**	**(2,695.9)**	**(393.5)**	2,320.4	(2,830.1)	(509.7)

(1) Unfunded schemes relate to other post-retirement benefits under four separate arrangements in Canada.

The Group also operates defined contribution schemes for all qualifying employees. The total cost charged to the income statement of £21.1 million (2014: £18.7 million) represents contributions payable to the schemes by the Group at rates specified by the scheme rules.

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

	2015		2014	
	UK	**Canada**	UK	Canada
Rate of increase in salaries	**3.55%**	**N/A**	3.55%	N/A
Rate of increase in pensions	**3.00%**	**2.00%**	2.95%	2.00%
Inflation rate - Retail Price Index	**3.05%**	**2.00%**	3.05%	2.00%
Inflation rate - Consumer Price Index	**2.00%**	**N/A**	2.00%	N/A
Discount rate	**3.95%**	**3.75%**	3.70%	3.85%

The valuation of defined benefit pension scheme liabilities is most sensitive to changes in the discount rate, inflation rate and mortality rates. A 0.1 per cent reduction in the discount rate would increase scheme liabilities by approximately £45 million, whilst a 0.1 per cent increase in the inflation rate would increase scheme liabilities by approximately £25 million. An increase of one year to the mortality rate would increase scheme liabilities by approximately £70 million, although this would be mitigated in part by the longevity swap acquired by the Trustees in 2013.

The overall weighted average duration of scheme liabilities as at 31 December 2015 is approximately 18 years. Over the next five years benefits of £569 million are expected to be paid, with a further £658 million expected to be paid over the subsequent five-year period.

The market values of the schemes' assets, which are not intended to be realised in the short term, may be subject to significant change before they are realised. The present values of the schemes' liabilities are calculated by reference to the investment return on Grade AA corporate bonds. The assumptions used do not necessarily represent the investment return that may be achieved.

The average life expectancies at 65 for males aged 45-65 for all schemes are shown below:

	Life expectancies (years)
Retired member (currently 65 years)	22.4
Non-retired member (currently 45 years)	24.0

Expense recognised in the income statement

	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**	-
Defined contribution schemes	**(21.1)**	(18.7)
Total	**(31.0)**	(29.7)

Financial expense

Net interest expense on minimum funding requirement	**(0.4)**	(0.3)
Net interest expense on defined benefit obligation	**(17.6)**	(15.5)
Net interest expense recognised as a financial expense	**(18.0)**	(15.8)

Amounts recognised in the statement of comprehensive income are as follows:

	2015 £m	2014 £m
(Losses)/gains on scheme assets (excluding amounts included in net interest expense)	**(43.0)**	129.6
Actuarial gains arising from changes in demographic assumptions	**23.7**	21.3
Actuarial gains/(losses) arising from changes in financial assumptions	**112.4**	(278.3)
Actuarial losses arising from experience adjustments	**(0.1)**	(40.6)
Movement in minimum funding requirement	**(4.5)**	(3.6)
Remeasurement gains/(losses) relating to the net defined benefit liability	**88.5**	(171.6)

31. Retirement benefit obligations (continued)

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)
Schemes in surplus (within non-current assets)	**12.7**	6.1
Schemes in deficit (within non-current liabilities)	**(406.2)**	(515.8)
	(393.5)	(509.7)
Related deferred taxation asset	**75.9**	103.5
Net pension liability after taxation	**(317.6)**	(406.2)

Reconciliation of net defined benefit obligation

	2015 £m	2014 £m
Defined benefit obligation at 1 January	**(509.7)**	(370.1)
Settlement of the Alfred McAlpine (Ireland) Pension Plan	**1.4**	-
Defined benefit costs included in the income statement	**(29.3)**	(26.8)
Remeasurement gains/(losses) included in other comprehensive income	**88.5**	(171.6)
Contributions from the employer	**54.3**	58.5
Effect of movements in foreign exchange rates	**1.3**	0.3
Defined benefit obligation at 31 December	**(393.5)**	(509.7)

	2015 £m	2014 £m
Changes in defined benefit obligation		
Obligation at 1 January	**(2,818.8)**	(2,498.9)
Settlement of the Alfred McAlpine (Ireland) Pension Plan	**5.2**	-
Current and past service cost	**(7.0)**	(5.9)
Interest cost	**(102.1)**	(112.5)
Contributions from scheme members	**(0.5)**	(0.6)
Increase due to effect of TUPE transfer	**(1.5)**	-
Remeasurements:		
Actuarial gains arising from changes in demographic assumptions	**23.7**	21.3
Actuarial gains/(losses) arising from changes in financial assumptions	**112.4**	(278.3)
Actuarial losses arising from experience adjustments	**(0.1)**	(40.6)
Benefits paid	**105.8**	96.0
Effect of movements in foreign exchange rates	**3.2**	0.7
Obligation at 31 December	**(2,679.7)**	(2,818.8)

The defined benefit obligation analysed by participant status, based on the number of members in the latest triennial valuations, is shown below:

	2015		2014	
	Number of members	Defined benefit obligation £m	Number of members	Defined benefit obligation £m
Active	**787**	**(160.4)**	787	(157.1)
Deferred	**15,140**	**(1,286.1)**	15,140	(1,342.7)
Pensioners	**12,223**	**(1,233.2)**	12,223	(1,319.0)
	28,150	**(2,679.7)**	28,150	(2,818.8)

	2015 £m	2014 £m
Changes in the fair value of scheme assets		
Fair value at 1 January	**2,320.4**	2,136.2
Settlement of the Alfred McAlpine (Ireland) Pension Plan	**(3.8)**	-
Interest income	**84.5**	97.0
Remeasurements:		
(Losses)/gains on scheme assets (excluding amounts included in net interest expense)	**(43.0)**	129.6
Administrative expenses paid from plan assets	**(4.3)**	(5.1)
Contributions from the employer	**54.3**	58.5
Contributions from scheme members	**0.5**	0.6
Increase due to effect of TUPE transfer	**1.5**	-
Benefits paid	**(105.8)**	(96.0)
Effect of movements in foreign exchange rates	**(1.9)**	(0.4)
Fair value at 31 December	**2,302.4**	2,320.4

31. Retirement benefit obligations (continued)
The major categories and fair values of scheme assets as at 31 December 2015 are as follows:

	2015 £m	2014 £m
Equities	**1,026.7**	1,035.9
Corporate bonds	**544.1**	596.6
Government bonds	**547.9**	517.0
Real estate	**136.9**	128.4
Cash and cash equivalents	**37.6**	40.1
Other	**9.2**	2.4
Market value of scheme assets	**2,302.4**	2,320.4
Present value of funded scheme obligation	**(2,670.0)**	(2,808.2)
Present value of unfunded scheme obligation	**(9.7)**	(10.6)
Minimum funding requirement	**(16.2)**	(11.3)
Total deficit	**(393.5)**	(509.7)
Related deferred tax asset	**75.9**	103.5
Net pension liability	**(317.6)**	(406.2)

The actual return on plan assets (net of administration costs) was £37.2 million (2014: £221.5 million).

The triennial actuarial valuations as at 31 December 2013 for five of the Group's schemes were concluded with the Trustees in 2014 and a revised deficit recovery plan agreed. This included the three largest schemes in the Group, namely the Carillion Staff, Mowlem Staff and Alfred McAlpine Staff schemes. The total assets at the date of the actuarial valuation for all five schemes amounted to £1.8 billion, which represented a funding level of 76 per cent. The next actuarial valuation for these schemes is due as at 31 December 2016. The Group expects to make payments totalling £51.8 million to defined benefit schemes during the next financial year.

In 2013, a longevity swap was entered into by five of the Group's defined benefit schemes which insures the Group against the financial risk of pensioners in payment living longer than currently expected. The swap covers around 9,000 pensioners with a combined liability of some £1 billion, which represents around 40 per cent of the total liabilities in respect of the Group's defined benefit schemes. The swap has been recognised as part of scheme assets in accordance with the amendment to IAS 19 'Retirement benefits'. At 31 December 2015, the fair value of the longevity swap calculated in accordance with IFRS 13 'Fair value measurement' was a £1.4 million liability (2014: £1.6 million liability), with the movement in fair value recognised in the consolidated statement of comprehensive income.

32. Accounting estimates and judgements
Management has discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

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. Note 11 provides details of the carrying value of intangible assets.

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 pensions increases.

Details of the assumptions used, together with sensitivity analysis on the discount rate, inflation rate and mortality are included in note 31.

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.

33. Off-balance sheet arrangements

The Group is party to a number of contractual arrangements for the purposes of the Group's principal activities that are not required to be included on the Group balance sheet. The principal off-balance sheet arrangements that the Group are party to are as follows:

- Operating leases (see note 28)
- Pledged assets securing finance lease liabilities (see note 20)
- Contingent liabilities in respect of guarantees for deferred equity payments and performance contracts in PPP special purpose entities (see note 26)
- Capital commitments for capital expenditure and equity and subordinated debt in PPP special purpose entities (see note 28)
- Performance and advance payment bonds on construction contracts
- Outsourcing contracts.

In keeping with normal market practice, performance and advance payment bonds are generally issued to clients in relation to construction contracts. They provide our clients with protection against the Group's failure to perform and expire based on contractually agreed conditions. These arrangements are considered to be a part of ordinary trading activities and are not expected to have a material impact on the financial position of the Group.

In respect of outsourcing contracts, the Group has entered into various arrangements to outsource the provision of certain back-office functions with a third-party provider. These arrangements are on commercial terms and any penalty or termination clauses associated with these arrangements would not have a material impact on the financial position of the Group.

34. Subsidiaries and joint ventures

A list of investments in subsidiaries and joint ventures, including the name, country of incorporation and proportion of ownership interest is given on pages 120 to 122. The voting rights held by the Group equal the Group's percentage shareholding in each entity.

The Group has a 49 per cent equity shareholding in the Bouchier Group, a company that operates in Canada. This subsidiary is consolidated in the Group financial statements on the basis of contractual arrangements which give the Group powers as a shareholder to exert control over the board, together with options to acquire the remaining 51 per cent of the equity by 2022.

The table below shows selected financial data in respect of the Bouchier Group in which there are non-controlling interests that are material to the Group.

	2015 £m	2014 £m
Summary comprehensive income information		
Revenue	**69.3**	79.9
Profit for the financial year	**9.3**	8.6
Other financial information		
Profit for the financial year allocated to non-controlling interests	**4.7**	4.4
Other comprehensive expense allocated to non-controlling interests	**(2.1)**	(0.4)
Summary financial position information		
Non-current assets	**13.6**	18.3
Current assets	**28.3**	29.3
Total assets	**41.9**	47.6
Non-current liabilities	**(2.5)**	(4.7)
Current liabilities	**(5.6)**	(9.1)
Net assets	**33.8**	33.8
Equity shareholders' funds	**16.6**	16.6
Non-controlling interests	**17.2**	17.2
Total equity	**33.8**	33.8
Summary cash flow information		
Net cash flows from operating activities	**9.2**	9.9
Net cash flows from investing activities	**(0.2)**	(2.3)
Net cash flows from financing activities	**(7.6)**	(2.5)
Increase in cash and cash equivalents	**1.4**	5.1

The Group has a 49 per cent equity shareholding in Carillion Alawi LLC, a company that operates in Oman. This subsidiary is fully consolidated in the Group financial statements without any allocation to non-controlling interests on the basis of contractual arrangements that do not entitle other investors to any interest in the profit or net assets of the entity.

The Group holds an 80 per cent equity shareholding in InspiredSpaces Wolverhampton (Holdings 2) Limited and a 50.1 per cent equity shareholding in CarillionAmey Limited. Both of these entities are equity accounted as joint ventures in the Group financial statements on the basis of contractual arrangements that specify that key operating decisions are made jointly, with no shareholder having overall control.

Notes to the consolidated financial statements

continued

34. Subsidiaries and joint ventures (continued)

Shares of those undertakings marked with an asterisk are directly owned by Carillion plc.

Company number	Company name	Country of incorporation	Proportion of ownership interest
02063449	1st Insulation Partners Limited	United Kingdom	100%
SC489526	Aberdeen Roads Holdings Limited	United Kingdom	33.3%
04364773	ACM Health Solutions Limited	United Kingdom	33.333%
02191494	AFR Limited	United Kingdom	100%
08723467	Airport City (Asset Manager) Limited	United Kingdom	20%
08723477	Airport City (General Partner) Limited	United Kingdom	20%
LP016256	Airport City Limited Partnership	United Kingdom	20%
1505628	Alfred McAlpine Asset Management Services Limited	United Kingdom	100%
1449086	Alfred McAlpine International Limited	United Kingdom	100%
1528870	Alfred McAlpine Pension Trustees Limited	United Kingdom	100%
SC292392	AMBS 1 Limited	United Kingdom	100%
1808326	AM Nominees Limited	United Kingdom	100%
07807709	Arlington Real Estate (Durham City) Limited	United Kingdom	100%
OC392861	Ask Carillion Developments LLP	United Kingdom	67%
08084031	Ask Real Estate Ltd	United Kingdom	67%
09008001	Ask Real Estate (Investments) Ltd	United Kingdom	67%
08987222	Ask Real Estate (Embankment) Ltd	United Kingdom	67%
06404740	Ask (Exchange East) Developments Ltd	United Kingdom	67%
06404751	Ask (Exchange East) Ltd	United Kingdom	67%
06404734	Ask (Exchange West) Ltd	United Kingdom	67%
06404738	Ask (Exchange West) Developments Ltd	United Kingdom	67%
4556471	Aspire Defence Services Limited	United Kingdom	50%
2990586	Avery Hill Developments Holdings Limited	United Kingdom	100%
2987829	Avery Hill Developments Limited	United Kingdom	100%
2811168	Barclay Mowlem (Asia) Limited	United Kingdom	100%
06137874	Brooklands Court (Kettering) Management Ltd	United Kingdom	50%
2404092	Building Environmental Hygiene Limited	United Kingdom	100%
1367044	Carillion (AM) Limited*	United Kingdom	100%
5428762	CarillionAmey Limited	United Kingdom	50%
5428732	CarillionAmey (Housing Prime) Limited	United Kingdom	66.7%
05704083	Carillion (Aspire Construction) Holdings Limited	United Kingdom	100%
05704108	Carillion (Aspire Construction) Holdings No.2 Limited	United Kingdom	100%
05704135	Carillion (Aspire Construction) Limited	United Kingdom	100%
05704064	Carillion (Aspire Services) Holdings Limited	United Kingdom	100%
05704172	Carillion (Aspire Services) Holdings No.2 Limited	United Kingdom	100%
05704254	Carillion (Aspire Services) Limited	United Kingdom	100%
09323071	Carillion Academies Trust	United Kingdom	33.333%
SC203910	Carillion (AMBS) Holdings Limited	United Kingdom	100%
SC20258	Carillion (AMBS) Limited	United Kingdom	100%
1685693	Carillion AM Developments Limited	United Kingdom	100%
885404	Carillion AM Government Limited	United Kingdom	100%
3902700	Carillion Aqumen Management Services Limited	United Kingdom	100%
1122808	Carillion Asset Management Limited	United Kingdom	100%
8404799	Carillion-Breathe Limited	United Kingdom	50%
247624	Carillion Capital Projects Limited	United Kingdom	100%
156617	Carillion Construction (Contracts) Limited	United Kingdom	100%
2556935	Carillion Construction (Nominees) Limited	United Kingdom	100%
883233	Carillion Construction (West Indies) Limited	United Kingdom	100%
594581	Carillion Construction Limited*	United Kingdom	100%
1270381	Carillion Construction Overseas Limited	United Kingdom	100%
3783015	Carillion CR Limited	United Kingdom	100%
3256112	Carillion (Denmark) Limited	United Kingdom	100%
7966837	Carillion Eltel JV Limited	United Kingdom	50%
3858865	Carillion Energy Services Limited*	United Kingdom	100%
SC102827	Carillion Energy Services Scotland Limited	United Kingdom	100%
537677	Carillion Fleet Management Limited*	United Kingdom	100%
3105686	Carillion GB Limited	United Kingdom	100%
04996458	Carillion Heating Services Limited	United Kingdom	100%
159414	Carillion Hi-Tech Limited	United Kingdom	100%
3783019	Carillion Holdings Limited*	United Kingdom	100%
01686252	Carillion Home Services Limited	United Kingdom	100%
7211684	Carillion-Igloo Limited	United Kingdom	50%
LP015092	Carillion-Igloo Limited Partnership	United Kingdom	50%
8137485	Carillion-Igloo Nominees Limited	United Kingdom	100%
349002	Carillion Insurance Advisers Limited*	United Kingdom	100%
3679838	Carillion Integrated Services Limited	United Kingdom	100%
77628	Carillion JM Limited*	United Kingdom	100%
3198709	Carillion LGS Limited*	United Kingdom	100%

Company number	Company name	Country of incorporation	Proportion of ownership interest
03130297	Carillion Managed Services Limited	United Kingdom	100%
1469541	Carillion (Maple Oak) Limited	United Kingdom	100%
398443	Carillion MENA Limited	United Kingdom	100%
3787277	Carillion Nominees Limited*	United Kingdom	100%
8884783	Carillion Powerlines Limited	United Kingdom	50%
8113991	Carillion Private Finance (Education) 2012 Limited	United Kingdom	100%
9684392	Carillion Private Finance (Education) 2015 Limited	United Kingdom	100%
9961994	Carillion Private Finance (Education) 2016 Limited	United Kingdom	100%
8684413	Carillion Private Finance (Health) 2013 Limited	United Kingdom	100%
9822736	Carillion Private Finance (Health) 2015 Limited	United Kingdom	100%
5753809	Carillion Private Finance (Secure) Limited	United Kingdom	100%
5753751	Carillion Private Finance (Transport) Limited	United Kingdom	100%
2997859	Carillion Private Finance Limited*	United Kingdom	100%
2916489	Carillion Professional Services Limited*	United Kingdom	100%
1417540	Carillion Project Investments Limited	United Kingdom	100%
961738	Carillion Project Services Holdings Limited	United Kingdom	100%
4322876	Carillion Property Services Limited	United Kingdom	100%
3783014	Carillion Quest Trustee Limited	United Kingdom	100%
2630590	Carillion Regeneration Limited*	United Kingdom	100%
303453	Carillion Regional Construction Limited*	United Kingdom	100%
5308544	Carillion Richardson Anchorwood Limited	United Kingdom	50%
05504709	Carillion Richardson Cwmbran Limited	United Kingdom	50%
4435931	Carillion Richardson Thanet Phase 2 Limited	United Kingdom	50%
5173289	Carillion Richardson Worcester Limited	United Kingdom	50%
2684154	Carillion Services 2006 Limited	United Kingdom	100%
3011791	Carillion Services Limited*	United Kingdom	100%
551186	Carillion (Singapore) Limited	United Kingdom	100%
8684467	Carillion Solar 1 Limited	United Kingdom	100%
2574792	Carillion Specialist Services Limited	United Kingdom	100%
881324	Carillion Support Services & Investments Limited	United Kingdom	100%
2294384	Carillion Swindon Limited*	United Kingdom	100%
1180475	Carillion Technical Services (Installation) Limited	United Kingdom	100%
00728599	Carillion Utility Services Limited	United Kingdom	100%
01521006	Carillion Utility Services Group Limited	United Kingdom	100%
02355338	Carillion Utility Services S.E. Limited	United Kingdom	100%
6190456	Carillion Wyse Holdings Limited	United Kingdom	100%
2995364	Centrac Limited	United Kingdom	100%
2489314	Churchward Plc	United Kingdom	99.5%
5325813	Clinicenta Limited*	United Kingdom	100%
6820088	Clinicenta (Hertfordshire) Limited	United Kingdom	100%
6607841	Cultural Community Solutions Limited	United Kingdom	100%
9214606	Defence Equipment Services Limited	United Kingdom	100%
566465	Dudley Bower Group Plc	United Kingdom	100%
4448876	Eaga Energy Solutions Limited	United Kingdom	100%
05754891	Eaga Heating Limited	United Kingdom	100%
02969358	Eaga Services Limited	United Kingdom	100%
1141203	Eastbourne Harbour Company Limited	United Kingdom	100%
02023634	E.J. Horrocks Limited	United Kingdom	100%
1294261	Ernest Ireland Construction Limited	United Kingdom	100%
2840336	Everprime Limited	United Kingdom	100%
3523664	Formsole Limited	United Kingdom	50%
02836739	George Howe Limited	United Kingdom	100%
SC14842	Glasgow Stockholders Trust Public Limited Company	United Kingdom	100%
3126198	G T Railway Maintenance Holdings Limited*	United Kingdom	100%
2995513	G T Railway Maintenance Limited	United Kingdom	100%
369692	Hall & Tawse Northern Limited	United Kingdom	100%
8018007	Infrasig Limited	United Kingdom	75%
06843799	Inspiredspaces Durham (Holdings 1) Limited	United Kingdom	8%
1752119	Inspiredspaces Limited	United Kingdom	100%
06844060	Inspiredspaces Durham (Projectco 1) Limited	United Kingdom	8%
6844186	Inspiredspaces Durham (PSP1) Limited	United Kingdom	100%
6844166	Inspiredspaces Durham Limited	United Kingdom	80%
06506441	Inspiredspaces Nottingham (Holdings 1) Ltd	United Kingdom	8%
8121567	Inspiredspaces Nottingham (Holdings2) Limited	United Kingdom	8%
06506336	Inspiredspaces Nottingham (Projectco 1) Limited	United Kingdom	8%
8121731	Inspiredspaces Nottingham (Projectco2) Limited	United Kingdom	8%
6506298	Inspiredspaces Nottingham (PSP1) Limited	United Kingdom	100%
8121929	Inspiredspaces Nottingham (PSP3) Limited	United Kingdom	100%
6506329	Inspiredspaces Nottingham Limited	United Kingdom	80%

34. Subsidiaries and joint ventures (continued)

Company number	Company name	Country of incorporation	Proportion of ownership interest
2127430	Carillion EllisDon Services (Sault) Inc./Services Carillion EllisDon (Sault) Inc.	Canada	70%
2193927	Carillion Services (Sault) Inc.	Canada	100%
2423833	Carillion Investments (Canada) Inc.	Canada	100%
2226634	Carillion Services (CAMH) Inc.	Canada	100%
2243591	Carillion Services (Defence Solutions) Inc.	Canada	100%
2244063	Carillion Services (FSCC) Inc.	Canada	100%
1569186	Carillion Services (ROH) Inc.	Canada	70%
1566026	Carillion Services (WOHC) Inc.	Canada	70%
2085741	Hospital Infrastructure Partners Inc./Partenaires D'Infrastructures Hospitalieres Inc.	Canada	100%
2143429	Fengate Ellisdon Carillion (Sault) Holdings Inc.	Canada	100%
6986006	Carillion General Partner (B.C.) Inc.	Canada	100%
6986014	CCI (B.C.) Limited Partnership	Canada	100%
7028271	RPC Limited Partnership	Canada	60%
101270283	Rokstad Power GP Inc.	Canada	60%
0891115	B.C. Ltd.	Canada	60%
BC0677846	Right-of-Way Operations Group Inc.	Canada	60%
BC0971978	Golden Ears Painting and Sandblasting Ltd.	Canada	60%
BC0999148	Plowe Power Systems Ltd.	Canada	60%
207776550	Bouchier Contracting Ltd.	Canada	49%
2014143404	Bouchier Management Services Ltd.	Canada	49%
2014808733	Bouchier Site Services Ltd.	Canada	49%
LP14941629	Bouchier Management Services LP	Canada	49%
LP14941595	Bouchier Site Services LP	Canada	49%
7174226	AP Services General Partner Inc.	Canada	80%
7174234	AP Services Limited Partnership	Canada	80%
2199031	Carillion IT Services Inc.	Canada	100%
2136079	Ontario Inc.	Canada	100%
2136080	Ontario Inc.	Canada	100%
2468522	Carillion Canada (WOHC) Investments Inc.	Canada	100%
2468523	Carillion Canada (WOHC) Inc.	Canada	100%
1780791	Carillion Construction Inc.	Canada	100%
1231335	Carillion Pacific Construction Inc.	Canada	100%
2117031	Vanbots Capital Corporation	Canada	100%
BC0491313	491313 B.C. Ltd.	Canada	100%
BC0444551	Outland Camps Inc.	Canada	100%
1165249393	9198-4468 Quebec Inc.	Canada	49%
C5165	Tangmaarvik Inland Camp Services Inc.	Canada	49%
2012019341	Outland Resources Inc.	Canada	100%
209162692	Bearhills Fire Inc.	Canada	100%
2447586	Ontario Inc.	Canada	100%
2286419	Carillion HIP (NOH) Holdings Inc.	Canada	100%
6295941	Carillion HIP (NOH) LP Inc.	Canada	100%
6295925	HIP (NOH) Limited Partnership	Canada	40%
2286289	Fengate Ellisdon Carillion (NOH) Holdings Inc.	Canada	40%
6295917	HIP (NOH) General Partner Inc.	Canada	40%
6295909	HIP (NOH) Inc.	Canada	40%
6295933	Hospital Infrastructure Partners (NOH) Partnership	Canada	40%
5969566	Carillion (CAMH) Holdings Inc.	Canada	100%
5969540	*Carillion LP Holdings (I) Inc.*	*Canada*	100%
2244062	Carillion (FSCC) Holdings Inc.	Canada	100%
6083669	Carillion (FSCC) LP Holdings Inc.	Canada	100%
2244061	Carillion Concert (FSCC) Holdings Inc.	Canada	50%
6083090	CCII (FSCC) Limited Partnership	Canada	50%
6083102	CCII (FSCC) General Partner Inc.	Canada	50%
6083472	CSS (FSCC) Inc.	Canada	50%
6083111	CSS (FSCC) Partnership	Canada	50%
1618408	Carillion Ottawa Holdings Inc.	Canada	100%
2031472	The Healthcare Infrastructure Company of Canada (ROH) Inc.	Canada	50%
5530245	Carillion (Sault) Holdings Inc.	Canada	100%
2480723	Carillion BHP (STH) Holdings Inc.	Canada	100%
2480722	Carillion BHP (STH) GP Holdings Inc.	Canada	100%
101286801	Carillion AAP GP Holdings Inc.	Canada	100%
2477375	Carillion AAP Holdings Inc.	Canada	100%
2022794	Carillion Canada Finance Corp*	Canada	100%
6130381	EAGA Canada Inc.	Canada	100%
BC0821731	EAGA Canada Services Inc.	Canada	100%

Company number	Company name	Country of incorporation	Proportion of ownership interest
6131701	Homeworks Services Inc.	Canada	75%
BC0233802	Integrated Energy Systems Ltd.	Canada	100%
117045	Carillion Finance (Jersey) Ltd*	Channel Islands	100%
1771	Carillion (Jersey) Ltd	Channel Islands	100%
24845	Carillion Insurance Company Ltd	Channel Islands	100%
39351	John Mowlem (Guernsey) Ltd	Channel Islands	100%
42304	WPL Estates Ltd	Channel Islands	50%
44030/ 503224571	Yu Lan Limited	China	100%
B384804571	Carillion France SA*	France	100%
B/37133	TCon Bauten GmbH	Germany	100%
0109674549	TBV Power Hungary Ltd	Hungary	50%
425449	Alfred McAlpine Irish Pension Trustees Ltd	Ireland	100%
290713	Carillion Irishenco Ltd	Ireland	100%
111382	PJ Walls (Civil) Ltd	Ireland	50%
429873	Vanbots Celtic Limited	Ireland	100%
014576	Alfred McAlpine Construction Isle of Man Ltd	Isle of Man	100%
303524-H	TBV Power Malaysia Sdn Bhd	Malaysia	50%
62491	Al Futtaim Carillion LLC	Middle East and North Africa	49%
1076072	Al Futtaim Carillion (Abu Dhabi) LLC	Middle East and North Africa	49%
30797	Al Futtaim Carillion Contracting S.A.E.	Middle East and North Africa	49%
59850	Emrill Services LLC*	Middle East and North Africa	33.333%
43790	Carillion (Qatar) LLC	Middle East and North Africa	49%
101031785	Carillion (Saudi Arabia) LLC	Middle East and North Africa	100%
1083481	Carillion Alawi LLC	Middle East and North Africa	49%
NI040904	Eaga NI Ltd	Northern Ireland	100%
NI016109	Heat Energy and Associated Technology Ltd	Northern Ireland	100%
1502877	Carillion Investments BV*	The Netherlands	100%
80005437	Dueco Holding BV	The Netherlands	100%
24296440	Mowlem Aqumen BV	The Netherlands	100%
24296427	Mowlem Holdings BV	The Netherlands	100%
C3241(c)	Carillion (Caribbean) Limited	Trinidad and Tobago	100%
130311824-5290930	Carillion USA Inc	United States of America	100%
130333715-5305877	Rokstad Power Inc.	United States of America	60%

34. Subsidiaries and joint ventures (continued)

Company number	Company name	Country of incorporation	Proportion of ownership interest
7017267	Inspiredspaces Rochdale Limited	United Kingdom	80%
7017410	Inspiredspaces Rochdale (ProjectCo1) Limited	United Kingdom	8%
811390	Inspiredspaces Rochdale (ProjectCo2) Limited	United Kingdom	8%
7017618	Inspiredspaces Rochdale (Holdings1) Limited	United Kingdom	8%
8114138	Inspiredspaces Rochdale (Holdings2) Limited	United Kingdom	8%
7017305	Inspiredspaces Rochdale (PSP1) Limited	United Kingdom	100%
7017401	Inspiredspaces Rochdale (PSP2) Limited	United Kingdom	100%
8114163	Inspiredspaces Rochdale (PSP3) Limited	United Kingdom	100%
06436058	Inspiredspaces STaG (Holdings 1) Limited	United Kingdom	4.4%
07033194	Inspiredspaces STaG (Holdings 2) Limited	United Kingdom	4.4%
06436114	Inspiredspaces STaG (Projectco 1) Limited	United Kingdom	4.4%
07033020	Inspiredspaces STaG (Projectco 2) Limited	United Kingdom	4.4%
6436121	Inspiredspaces STaG (PSP1) Limited	United Kingdom	54.5%
6436101	Inspiredspaces STaG Limited	United Kingdom	43.6%
06569899	Inspiredspaces Tameside (Holdings 1) Limited	United Kingdom	8%
07125860	Inspiredspaces Tameside (Holdings 2) Limited	United Kingdom	8%
06569426	Inspiredspaces Tameside (Projectco 1) Limited	United Kingdom	8%
07126179	Inspiredspaces Tameside (Projectco 2) Limited	United Kingdom	8%
6569859	Inspiredspaces Tameside (PSP1) Limited	United Kingdom	100%
6569789	Inspiredspaces Tameside Limited	United Kingdom	80%
07155284	Inspiredspaces Wolverhampton (Holdings 1) Limited	United Kingdom	8%
8686441	Inspiredspaces Wolverhampton (Holdings2) Limited	United Kingdom	80%
08649413	Inspiredspaces Wolverhampton (ProjectCo2) Limited	United Kingdom	80%
07154900	Inspiredspaces Wolverhampton (Projectco 1) Limited	United Kingdom	8%
7155049	Inspiredspaces Wolverhampton (PSP1) Limited	United Kingdom	100%
08649446	Inspiredspaces Wolverhampton (PSP3) Limited	United Kingdom	100%
7154960	Inspiredspaces Wolverhampton Limited	United Kingdom	80%
404120	J.F. Miller Properties Limited	United Kingdom	100%
1947809	John Mowlem Construction Plc	United Kingdom	100%
199835	Johnston Construction Limited	United Kingdom	100%
4536212	Lawgra (No. 975) Limited	United Kingdom	50%
5769391	Lodge Park Commercial Developments Limited	United Kingdom	50%
1401298	Marchwiel Investments Limited	United Kingdom	100%
662675	Marchwiel Properties Limited	United Kingdom	100%
00326348	McAlpine Infrastructure Services Limited	United Kingdom	100%
OC40231	MGH Card LLP	United Kingdom	33.333%
9799665	MGH Partner Company Limited	United Kingdom	33.333%
3392601	Mowlem Environmental Sciences Group Limited	United Kingdom	100%
SC23190	Mowlem Scotland Limited	United Kingdom	100%
03937132	N.E.S.T Makers Limited	United Kingdom	50%
05543634	New World Barnsley Limited	United Kingdom	50%
05477550	New World Crewe Limited	United Kingdom	50%
05186128	New World Haydock Limited	United Kingdom	50%
05380578	New World Leisure Limited	United Kingdom	50%
05848066	New World (NEC) Limited	United Kingdom	50%
6440415	Oaklands Office Park (Management) Limited	United Kingdom	100%
737307	Planned Maintenance Engineering Limited*	United Kingdom	100%
5175471	Plot B5 SA1 Management Company Limited	United Kingdom	100%
3902730	PME Partnerships Limited	United Kingdom	100%
531085	PME Technical Services Limited	United Kingdom	100%
2508579	Postworth Limited*	United Kingdom	100%
09598377	PSBP Midlands Limited	United Kingdom	42.5%
09598495	PSBP Midlands (DebtCo) Limited	United Kingdom	42.5%
09598536	PSBP Midlands (Holdings) Limited	United Kingdom	42.5%
416147	Raine Limited	United Kingdom	100%
01052014	R G Francis Limited	United Kingdom	100%
3917644	Road Management Services (A13) plc	United Kingdom	25%
3917652	Road Management Services (A13) Holdings Limited	United Kingdom	25%
OC307955	SA1 Developments LLP	United Kingdom	100%
2646690	Schal International Management Limited*	United Kingdom	100%
OC394683	Siglion LLP	United Kingdom	50%
09164628	Siglion Nominee Limited	United Kingdom	50%
OC394705	Siglion Developments LLP	United Kingdom	50%
OC394707	Siglion Investments LLP	United Kingdom	50%
680231	Sovereign Consultancy Services Limited	United Kingdom	100%
2217605	Sovereign Harbour Limited	United Kingdom	100%
4135060	Sovereign Harbour Waterfront Holdings Limited	United Kingdom	100%
4979205	Sovereign Harbour Waterfront Limited	United Kingdom	100%
3232308	Sovereign Hospital Services Limited	United Kingdom	100%

Company number	Company name	Country of incorporation	Proportion of ownership interest
309997	Stephenson Maintenance Limited	United Kingdom	100%
1122105	Stiell Facilities Limited	United Kingdom	100%
SC83991	Stiell Inframan Limited	United Kingdom	100%
2519780	TBV Power Limited	United Kingdom	50%
OC402027	The Carillion Arlington Richardson Developments Partnership LLP	United Kingdom	33.333%
775010	The Carillion Construction Company (East Africa) Limited	United Kingdom	100%
8747138	The Hospital Company (Liverpool) Limited	United Kingdom	50%
8751752	The Hospital Company (Liverpool) Holdings Limited	United Kingdom	50%
9822818	The Hospital Company (Sandwell) Limited	United Kingdom	50%
9822833	The Hospital Company (Sandwell) Holdings Limited	United Kingdom	50%
6910378	The Management Company (Castlegate Phase 2) Limited	United Kingdom	50%
2574820	TPS Consult Limited	United Kingdom	100%
1577583	W A Investments Limited	United Kingdom	100%
2112970	Wakeremote Limited*	United Kingdom	100%
1123611	Walter Lawrence Developments Limited	United Kingdom	75%
1273373	Walter Lawrence Homes Chilterns Limited	United Kingdom	100%
2062284	Walter Lawrence Housing Investments Limited	United Kingdom	100%
5052745	Ward Street Developments Limited	United Kingdom	50%
05769525	Warmsure Limited	United Kingdom	100%
3485972	Wyseproperty	United Kingdom	50%
ACN119335787	Carillion Australia Pty Limited	Australia	100%
101286808	Access Prairies Partnership	Canada	50%
250852415	Boreal Health Partnership	Canada	50%
2177453	Carillion Canada Holdings Inc.	Canada	100%
1556261	Carillion Canada Inc.	Canada	100%
2242343	Ontario Inc.	Canada	100%
2056087	Ontario Inc.	Canada	100%
2054599	Ontario Inc.	Canada	33.333%
150191179	MacIntyre Creek Developments Limited Partnership	Canada	50%
2051697	Ontario Inc.	Canada	100%
2045734	Senator Homes Discovery (II) Inc.	Canada	30%
2093729	Ontario Inc.	Canada	100%
171304496	C (Adams Park) Limited Partnership	Canada	100%
2157138	C (Adams Park) General Partners Inc.	Canada	100%
2157135	Democrat Adams Park Limited	Canada	50%
2114735	C (Angus) General Partner Inc.	Canada	100%
161064001	C (Angus) Limited Partnership	Canada	100%
2114737	C (Aurora) General Partner Inc.	Canada	100%
161063987	C (Aurora) Limited Partnership	Canada	100%
2060257	Brookvalley Developments (Aurora) Ltd.	Canada	20%
2149952	C (Port Dover) General Partner Inc.	Canada	100%
171054851	C (Port Dover) Limited Partnership	Canada	100%
2149573	Democrat Port Dover Ltd.	Canada	50%
2114740	C (King) Holdings Inc.	Canada	100%
2114731	CR General Partner Inc.	Canada	50%
161064019	CR (King North) Limited Partnership	Canada	50%
2114308	King North Developments CR Inc.	Canada	50%
161063995	CR (King Dufferin) Limited Partnership	Canada	50%
2114305	King Dufferin Developments CR Inc.	Canada	50%
161064035	CR (King Rocks) Limited Partnership	Canada	50%
2114302	King Rocks Developments CR Inc.	Canada	50%
161063979	CR (King Green) Limited Partnership	Canada	50%
2114306	King Green Developments CR Inc.	Canada	50%
161133913	CR (Valley King) Limited Partnership	Canada	50%
1710357	Valley King Developments Ltd.	Canada	50%
170741847	CR (Brooklin Southeast) Limited Partnership	Canada	50%
2136287	Brooklin Southeast Developments CR Inc.	Canada	50%
170741854	CR (Brooklin Northeast) Limited Partnership	Canada	50%
2136289	Brooklin Northeast Developments CR Inc.	Canada	50%
171237191	CR (Cookstown) Limited Partnership	Canada	50%
2154285	Cookstown Developments CR Inc.	Canada	50%
180891160	CR (Cooksglen) Limited Partnership	Canada	50%
2180957	Cooksglen Developments CR Inc.	Canada	50%
1545130	Maplewood Properties Inc. (Riverfield)	Canada	100%
1341952	TWD Roads Management Inc.	Canada	100%
2173490	Carillion Build Finance Inc.	Canada	50%
2128496	Vanbrook Construction Corporation	Canada	100%
2289895	Carillion EllisDon Services (NOH) Inc.	Canada	70%

Company balance sheet

As at 31 December 2015

	Note	2015 £m	2014 £m
Fixed assets			
Investments in subsidiary undertakings and joint ventures	3	**2,025.9**	1,889.4
Current assets			
Debtors	4	**918.9**	725.4
Cash at bank and in hand		**11.1**	12.1
		930.0	737.5
Creditors: amounts falling due within one year	5		
Borrowing		**(8.4)**	(8.0)
Other creditors		**(1,366.9)**	(996.7)
		(1,375.3)	(1,004.7)
Net current liabilities		**(445.3)**	(267.2)
Total assets less current liabilities		**1,580.6**	1,622.2
Creditors: amounts falling due after more than one year			
Borrowing	6	**(426.0)**	(435.0)
Net assets		**1,154.6**	1,187.2
Financed by:			
Capital and reserves			
Issued share capital	7	**215.1**	215.1
Share premium	8	**21.2**	21.2
Merger reserve	8	**618.7**	618.7
Hedging reserve	8	**(6.8)**	(10.6)
Other reserve	8	**9.8**	9.3
Profit and loss account	8	**296.6**	333.5
Equity shareholders' funds		**1,154.6**	1,187.2

The financial statements were approved by the Board of Directors on 3 March 2016 and were signed on its behalf by:

Richard Adam FCA
Group Finance Director
3 March 2016

Company statement of changes in equity

For the year ended 31 December 2015

	Share capital £m	Share premium account £m	Merger reserve £m	Hedging reserve £m	Other reserve £m	Profit and loss account £m	Total equity £m
At 1 January 2015	**215.1**	**21.2**	**618.7**	**(10.6)**	**9.3**	**333.5**	**1,187.2**
Comprehensive income							
Profit for the year	-	-	-	-	-	**39.7**	**39.7**
Other comprehensive income							
Movement in fair value of cash flow hedging derivatives	-	-	-	**14.8**	-	-	**14.8**
Reclassification of effective portion of cash flow hedging derivatives to profit	-	-	-	**(11.0)**	-	-	**(11.0)**
Total comprehensive income	-	-	-	**3.8**	-	**39.7**	**43.5**
Transactions with owners							
Contributions by and distributions to owners							
Acquisition of own shares	-	-	-	-	-	**(0.4)**	**(0.4)**
Equity-settled transactions (net of taxation)	-	-	-	-	**0.5**	**0.6**	**1.1**
Dividends paid	-	-	-	-	-	**(76.8)**	**(76.8)**
Total transactions with owners	-	-	-	-	**0.5**	**(76.6)**	**(76.1)**
At 31 December 2015	**215.1**	**21.2**	**618.7**	**(6.8)**	**9.8**	**296.6**	**1,154.6**
At 1 January 2014	215.1	21.2	618.7	(8.0)	9.2	352.0	1,208.2
Comprehensive income							
Profit for the year	-	-	-	-	-	57.5	57.5
Other comprehensive income							
Movement in fair value of cash flow hedging derivatives	-	-	-	8.2	-	-	8.2
Reclassification of effective portion of cash flow hedging derivatives to profit	-	-	-	(10.8)	-	-	(10.8)
Total comprehensive (expense)/income	-	-	-	(2.6)	-	57.5	54.9
Transactions with owners							
Contributions by and distributions to owners							
Acquisition of own shares	-	-	-	-	-	(0.5)	(0.5)
Equity-settled transactions (net of taxation)	-	-	-	-	0.1	0.2	0.3
Dividends paid	-	-	-	-	-	(75.7)	(75.7)
Total transactions with owners	-	-	-	-	0.1	(76.0)	(75.9)
At 31 December 2014	215.1	21.2	618.7	(10.6)	9.3	333.5	1,187.2

Notes to the Company financial statements

1. Significant accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation
These financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The following exemptions have been taken in these financial statements: share-based payments, financial instruments, presentation of a cash-flow statement and related party transactions. Where relevant, equivalent disclosures have been presented in the Group accounts of Carillion plc.

The transition to FRS 101 has not had an impact on profit for the year or net assets.

The financial statements are presented in pounds sterling. They are prepared on the historical cost basis, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Taxation
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Fixed asset investments
In the Company's financial statements, investments in subsidiary undertakings and joint ventures are stated at cost, less provision for any impairment.

Own shares
Consideration paid for shares in the Company held by the Employee Share Ownership Plan (ESOP) Trust are deducted from the profit and loss account reserve. Where such shares subsequently vest in the employees under the terms of the Company's share option schemes or are sold, any consideration received is included in the profit and loss account reserve.

Foreign currencies
Transactions denominated in foreign currencies are translated into sterling and recorded using the exchange rate prevailing at the date of the transaction.

Financial instruments
The Company's principal financial assets and liabilities are cash at bank and in hand and borrowings. Cash at bank and in hand is carried in the balance sheet at amortised cost. Borrowings are recognised initially at fair value less attributable transaction costs and subsequently at amortised cost. In addition, the Company enters into forward contracts in order to hedge against small and infrequent transactional foreign currency exposures. In cases where these derivative instruments are significant, hedge accounting is applied. Where hedge accounting is not applied, movements in fair value during the year are recognised in the profit and loss account. Fair values are based on quoted market prices at the balance sheet date. The Company has taken the exemption within FRS 101 'Financial Instruments: Disclosure' and does not present all of the required disclosures as they are included in the consolidated financial statements of which the Company is the parent.

Share-based payments
Members of the Group's senior management team are entitled to participate in the Leadership Equity Award Plan (LEAP).

Under the terms of the Group's bonus arrangements, Executive Directors and certain senior employees receive a proportion of their bonus in shares, which are deferred for a period of up to three years. The fair value of the LEAP and deferred bonus arrangements at the date of grant are estimated using the Black-Scholes pricing model.

The fair value determined at grant date is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest and taking into account service and non-market conditions.

The Group also operates a Share Incentive Plan (SIP) under which qualifying Carillion Energy Services partners may receive free shares. The fair value of the free shares are recognised as an expense in the income statement over the vesting period of the shares.

Financial guarantee contracts
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of subsidiary companies, the Company considers these to be insurance arrangements and treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Retirement benefit obligations
For defined contribution pension schemes operated by the Group, amounts payable by the Company are charged to the income statement as they fall due.

2. Profit for the year and dividends
As permitted by the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. Carillion plc reported a profit for the financial year ended 31 December 2015 of £39.7 million (2014: £57.5 million).

Fees payable to KPMG LLP and its associates for non-audit services to the Company are not required to be disclosed in the individual accounts of Carillion plc because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

A final dividend, declared in the previous year, of 12.15 pence (2014: 12.00 pence) per share was paid during the year, amounting to £52.3 million (2014: £51.6 million).

An interim dividend of 5.7 pence (2014: 5.6 pence) per share was paid during the year, amounting to £24.5 million (2014: £24.1 million).

A final dividend of 12.55 pence (2014: 12.15 pence) per share, amounting to £54.0 million (2014: £52.3 million), 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.

3. Investments

	Subsidiary undertakings £m	Joint ventures £m	Total £m
Cost			
At 1 January 2015	**1,899.8**	**0.2**	**1,900.0**
Additions	**136.0**	**-**	**136.0**
Share options granted to employees of subsidiaries	**0.5**	**-**	**0.5**
At 31 December 2015	**2,036.3**	**0.2**	**2,036.5**
Impairment losses			
At 1 January 2015 and at 31 December 2015	**10.6**	**-**	**10.6**
Net book value			
At 31 December 2015	**2,025.7**	**0.2**	**2,025.9**
At 31 December 2014	1,889.2	0.2	1,889.4

Additions to subsidiary undertakings in the year of £136.0 million relates to a debt for equity swap undertaken with certain subsidiaries following a Group internal reorganisation.

Subsidiary undertakings and joint ventures of the Company are shown on pages 120 to 122.

4. Debtors

	2015 £m	2014 £m
Amounts falling due within one year		
Amounts owed by Group undertakings	**884.6**	711.7
Other debtors and prepayments	**0.5**	0.9
Amounts owed by joint ventures	**4.6**	0.7
Derivative financial instruments	**14.6**	-
Income tax	**14.6**	12.1
	918.9	725.4

5. Creditors: amounts falling due within one year

	2015 £m	2014 £m
Bank overdrafts	**0.1**	0.1
Bank loans	**8.3**	7.9
Borrowing	**8.4**	8.0
Amounts owed to Group undertakings	**1,348.9**	969.0
Amounts owed to joint ventures	**-**	5.9
Amounts owed to joint arrangements	**11.2**	10.0
Derivative financial instruments	**0.7**	5.6
Accruals and deferred income	**6.1**	6.2
	1,375.3	1,004.7

All bank overdrafts and loans are unsecured.

6. Creditors: amounts falling due after more than one year

	2015 £m	2014 £m
Bank loans	**100.5**	120.5
Other loans	**325.5**	314.5
	426.0	435.0

All bank and other loans are unsecured.

7. Share capital
Issued and fully paid

	2015		2014	
	Number million	**£m**	Number million	£m
At 1 January and 31 December	**430.3**	**215.1**	430.3	215.1

8. Reserves

Share premium reserve

The share premium reserve contains the premium in excess of par value arising on the issue of share capital, net of issue expenses.

Merger reserve

The merger reserve initially arose on the demerger from Tarmac plc on 29 July 1999. The reserve increased on the acquisition of Mowlem on 23 February 2006, Alfred McAlpine on 12 February 2008 and Carillion Energy Services on 21 April 2011, whereby the consideration included the issue of Carillion plc shares. The premium on the shares issued in relation to these acquisitions has been credited to the merger reserve rather than the share premium account in accordance with the Companies Act 2006.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred, together with any related deferred taxation.

Other reserve

The other reserve includes the cost of shares provided to employees of the Company's subsidiaries, calculated in accordance with International Financial Reporting Standard 2 'Share-based payments'.

Profit and loss account

The profit and loss account reserve includes the reserve for the Company's own shares which comprises of the cost of the Company's shares held by the Carillion Employee Share Ownership Plan (ESOP). The shares held by the ESOP may subsequently be awarded to employees under the Group's share incentive schemes. The movements in the reserve for own shares included within retained earnings are as follows:

	2015 £m	2014 £m
At 1 January	**-**	-
Share options exercised (transfer to retained earnings)	**0.4**	0.5
Acquisition of own shares	**(0.4)**	(0.5)
At 31 December	**-**	-

At 31 December 2015, the ESOP held 6,578 (2014: seven) of the Company's shares and had a market value of £19,925 (2014: £24). During the year the Company acquired 122,272 of its own shares for £0.4 million to meet the plan's commitments. The ESOP has elected to waive all dividends except for a total payment of 1 pence at the time each dividend is paid.

In addition to the ESOP, the Company has also established a Qualifying Employee Share Ownership Trust ('QUEST'). At 31 December 2015, the total number of shares held by the QUEST amounted to 84,593 (2014: 84,593) and had a market value of £0.3 million (2014: £0.3 million). The QUEST has elected to waive all dividends in excess of 0.01 pence per share.

9. Other guarantees and contingent liabilities

	2015 £m	2014 £m
Guarantees in respect of borrowings of subsidiaries	**194.5**	203.9
Guarantees in respect of interest payments in Construction services (excluding the Middle East) joint ventures	**3.5**	2.3
Guarantees in respect of deferred equity payments in PPP special purpose entities	**61.6**	117.6
Guarantees in respect of letters of credit issued by banks in relation to performance contracts for PPP customers	**47.3**	35.0

The Company has issued performance guarantees in respect of its subsidiaries, joint ventures and joint arrangements in the normal course of business. The Company has guaranteed the obligations in relation to £170 million of convertible bonds issued by Carillion Finance (Jersey) Limited, a wholly owned subsidiary.

Guarantees and counter indemnities have, in the normal course of business, been given to financial institutions in respect of the provisions of performance and other contract-related bonds and to certain defined benefit pensions in respect of deficit recovery payments. The Company considers such guarantees and counter indemnities to be insurance arrangements and accounts for them as such. The Company treats guarantees and counter indemnities of this nature as contingent liabilities until such time as it becomes probable that the Company will be required to make a payment under the terms of the arrangement.

10. Pension arrangements

The Company bears the cost of pension arrangements for the Executive Directors and certain head office functions, which are defined contribution in nature.

Details of the Group's pension schemes are disclosed in note 31 to the consolidated financial statements.

Notes to the Company financial statements
continued

11. Share-based payments
The Group has established a share option programme that entitles key management personnel and senior employees to shares in the Company. Details of the Group's share option programme are disclosed in note 25 to the consolidated financial statements and in the Remuneration Report on pages 57 to 72.

12. Financial instruments
Details of the Company's principal financial instruments are discussed under accounting policies. The numerical financial instrument disclosures are set out below:

Derivative financial instruments

	2015 Assets £m	2015 Liabilities £m	2014 Assets £m	2014 Liabilities £m
Forward foreign currency contracts - at fair value through profit and loss	**3.3**	**-**	-	(1.4)
Fixed-rate interest derivatives - cash flow hedging instruments	**-**	**(0.7)**	-	(1.7)
Cross-currency derivatives - cash flow hedging instruments	**11.3**	**-**	-	(2.5)
	14.6	**(0.7)**	-	(5.6)

The cross-currency derivatives hedge the exposure to foreign exchange rate volatility in relation to the capital and interest payments on United States of America dollar denominated private placement financing. The fixed interest rate derivatives hedge the exposure to interest rate movements on borrowings with floating rates of interest.

The carrying amount of the Company's borrowing denominated in foreign currency is as follows:

	2015 £m	2014 £m
United States of America dollars	**(207.6)**	(195.6)
Canadian dollars	**(48.0)**	(54.4)
United Arab Emirates dirhams	**(8.3)**	(7.9)
Other	**(0.1)**	-
	(264.0)	(257.9)

Of the total foreign currency borrowing of £264.0 million (2014: £257.9 million) the amount of borrowing used for hedging currency net asset of overseas operations of the Group amounts of £73.4 million (2014: £78.3 million). The foreign exchange gain of £4.9 million (2014: £0.1 million gain) on translation of the borrowing into sterling has been recognised in the profit and loss account of the Company.

Maturity of financial liabilities
The maturity profile of the Company's non-current borrowing, which includes estimated future interest payments, is as follows:

31 December 2015	Bank overdrafts £m	Bank loans £m	Other loans £m	Total £m
Between one and two years	**-**	**(37.5)**	**(31.9)**	**(69.4)**
Between two and three years	**-**	**(1.9)**	**(62.7)**	**(64.6)**
Between three and four years	**-**	**(1.9)**	**(83.8)**	**(85.7)**
Between four and five years	**-**	**(66.8)**	**(9.6)**	**(76.4)**
More than five years	**-**	**-**	**(204.2)**	**(204.2)**
More than one year	**-**	**(108.1)**	**(392.2)**	**(500.3)**
Less than one year	**(0.1)**	**(10.9)**	**(14.9)**	**(25.9)**
	(0.1)	**(119.0)**	**(407.1)**	**(526.2)**

31 December 2014	Bank overdrafts £m	Bank loans £m	Other loans £m	Total £m
Between one and two years	-	(2.6)	(14.4)	(17.0)
Between two and three years	-	(2.0)	(30.4)	(32.4)
Between three and four years	-	(120.8)	(62.3)	(183.1)
Between four and five years	-	-	(80.0)	(80.0)
More than five years	-	-	(205.5)	(205.5)
More than one year	-	(125.4)	(392.6)	(518.0)
Less than one year	(0.1)	(10.5)	(14.4)	(25.0)
	(0.1)	(135.9)	(407.0)	(543.0)

Borrowing facilities
The Company had the following undrawn committed borrowing facilities available at the year end in respect of which all conditions precedent had been met:

	2015 £m	2014 £m
Expiring within one year	**7.2**	7.1
Expiring between two and five years	**754.0**	714.9
	761.2	722.0

Technical index

Shareholder information

Dividends
Dividends are normally paid twice a year. The proposed final dividend in respect of the year to 31 December 2015 will be payable on 10 June 2016 to those shareholders on the register on 13 May 2016.

A dividend reinvestment plan (DRIP) will also be offered.

For those shareholders who prefer not to participate in the DRIP, arrangements can be made to pay your dividends automatically into your bank or building society account. This service has a number of benefits:

- it eliminates the chances of your dividend cheque being lost in the postal system
- the dividend payment is received more quickly as the cash is paid directly into your account on the payment date without the need to wait for the cheque to clear; and
- you will help Carillion in reducing its environmental footprint and improve its efficiency by reducing printing and cheque clearing costs.

If you wish to register for this service please call Equiniti on the number detailed below to request a dividend mandate form.

Results
Half year to 30 June 2016: announced August 2016.
Full year to 31 December 2016: announced March 2017.

Shareholder enquiries
Equiniti maintain the share register of the Company. If you have any queries concerning your shareholding, or if any of your details change, please contact Equiniti:

Equiniti
Aspect House
Lancing
West Sussex
BN99 6DA

Telephone 0371 384 2522
Textphone for shareholders with hearing difficulties 0371 384 2255
Non-UK callers should dial +44(0) 121 415 7047.

Lines are open 8.30am to 5.30pm, Monday to Friday (excluding UK public holidays).

Share dealing service
Carillion offers its UK shareholders, Shareview Dealing, a telephone and internet share dealing service operated by Equiniti. For telephone purchases and sales call 0345 603 7037 between 8.30am and 4.30pm, Monday to Friday, or log on to www.shareview.co.uk/dealing. For the sale of shares, you will need your shareholder reference number as shown on your share certificate.

Multiple accounts on the shareholder register
If you have received two or more sets of the documents concerning the Annual General Meeting this means that there is more than one account in your name on the shareholder register, perhaps because either your name or your address appear on each account in a slightly different way. If you think this might be the case and would like to combine your accounts, please contact Equiniti.

Shareview (electronic communications)
www.shareview.co.uk is a service offered by Equiniti that enables you to check your holdings in many UK companies and helps you to organise your investments electronically. You can also notify Equiniti of a change of address or a change to dividend mandate instructions. You can register for this portfolio service which is easy to use, secure and free as long as you have access to the internet by logging on to www.shareview.co.uk and following a simple registration process.

Electronic proxy appointments
For the AGM to be held on 4 May 2016, you may, if you wish, register the appointment of a proxy electronically by logging on to the website www.sharevote.co.uk.

You will need your voting reference numbers (the three eight-digit numbers shown on your form of proxy). Alternatively, if you have registered for a Shareview portfolio, log on to your portfolio at www.shareview.co.uk and click on the link 'vote' under your Carillion plc details, then follow the on-screen directions.

Please note that any electronic communication that is found to contain a computer virus will not be accepted.

ShareGift
Small parcels of shares, which may be uneconomic to sell on their own, can be donated to ShareGift – the share donation charity (Registered Charity number 1052686). ShareGift transfers these holdings into their name, aggregates them, and uses the proceeds to support a wide range of UK registered charities based on donor suggestion. They can also accept larger donations of shares.

If you would like further details about ShareGift, please visit www.sharegift.org, email help@sharegift.org or telephone them on 020 7930 3737.

Warning to shareholders – boiler room scam

Carillion is aware that shareholders have received unsolicited telephone calls from fraudulent organisations offering to buy Carillion plc shares at a substantial premium to the prevailing market price. These operations are commonly known as 'boiler room scams' and the 'brokers' who call shareholders can be extremely persuasive and persistent.

Boiler room scams usually come out of the blue, with most fraudsters cold-calling investors after taking their details from publicly available shareholder lists, but the high-pressure sales tactics can also come by other means such as email or post. The scam is designed to sound attractive, but typically at some point in the process the perpetrator usually asks for money in advance of concluding the main transaction, for example by way of a pre-payment or vendor bond. The transaction is never concluded, and the shareholder loses the money.

If you receive an unsolicited investment approach you should:

- confirm the correct names of the person calling and the organisation they represent;
- check that they are an authorised firm with the Financial Conduct Authority (FCA) by calling 0800 111 6768 or by visiting www.fca.org.uk/register and contact the firm using the details on the register;
- report the matter to the FCA by calling 0800 111 6768 or by visiting www.fca.org.uk/consumers;
- if the calls persist, hang up.

Please be aware that fraudsters will often use the name of a legitimate organisation or organisations, sometimes in combination with others so that the organisation may sound familiar to you. They may have also created a scam website, so simply checking that an organisation appears to have a presence on the web is not a guarantee that you are dealing with a legitimate organisation.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. If you have already paid money to share fraudsters, you should contact Action Fraud on 0300 123 2040.

Board of Directors and Advisers

Non-Executive Directors
Philip Green (Chairman)[3][4][5]
Keith Cochrane (Senior Independent Non-Executive Director)[1][2][3][4][5]
Andrew Dougal[1][2][3][4][5]
Alison Horner[1][2][3][4][5]
Ceri Powell[1][2][3][4][5]

Executive Directors
Richard Howson (Group Chief Executive)[3][5]
Richard Adam (Group Finance Director)

Notes
(1) Member of the Audit Committee
(2) Member of the Remuneration Committee
(3) Member of the Nominations Committee
(4) Member of the Business Integrity Committee
(5) Member of the Sustainability Committee

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NG1 2JX

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BN99 6DA

Carillion online

Carillion's comprehensive website gives you fast, direct access to a wide range of Company information

- Downloadable Annual Report and Accounts
- Latest investor news and press releases
- Our capabilities
- Our markets
- Sustainability
- News and media

To find out more go to **www.carillionplc.com**

Social media

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Flickr - flickr.com/photos/carillionplc/

YouTube - youtube.com/user/CarillionplcLatest

Five-year review

Group income statement		2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Total revenue		**4,586.9**	4,071.9	4,080.9	4,402.8	5,051.2
Analysed between:						
Support services		**2,534.2**	2,323.9	2,300.9	2,359.7	2,345.2
Public Private Partnership projects		**192.8**	162.5	236.9	287.7	309.8
Middle East construction services		**601.6**	500.7	483.5	473.6	548.9
Construction services (excluding the Middle East)		**1,258.3**	1,084.8	1,059.6	1,281.8	1,847.3
Underlying Group and joint ventures' operating profit before intangible amortisation, arising from business combinations, non-recurring operating items and joint ventures' net financial expense and taxation		**244.4**	226.0	228.8	245.6	245.4
Analysed between:						
Support services		**146.6**	135.9	118.0	120.9	119.0
Public Private Partnership projects		**49.3**	34.5	58.4	33.8	31.4
Middle East construction services		**25.3**	25.1	19.2	29.0	49.1
Construction services (excluding the Middle East)		**37.8**	41.5	44.4	72.4	57.9
Group eliminations and unallocated items		**(14.6)**	(11.0)	(11.2)	(10.5)	(12.0)
Share of joint ventures' net financial expense		**(7.1)**	(6.4)	(10.1)	(16.0)	(18.8)
Share of joint ventures' taxation		**(2.9)**	(2.7)	(4.4)	(1.7)	(3.5)
Underlying profit from operations before intangible amortisation arising from business combinations and non-recurring operating items		**234.4**	216.9	214.3	227.9	223.1
Underlying Group net financial expense		**(57.9)**	(44.0)	(39.6)	(27.9)	(18.6)
Underlying profit before tax		**176.5**	172.9	174.7	200.0	204.5
Intangible amortisation arising from business combinations		**(20.0)**	(16.8)	(19.2)	(31.4)	(31.0)
Non-recurring operating items		**(5.0)**	-	(44.2)	(2.6)	(42.8)
Non-operating items		**(2.5)**	(9.9)	(0.7)	(1.2)	(6.9)
Fair value movements in derivative financial instruments		**6.1**	(3.6)	-	-	-
Profit before taxation		**155.1**	142.6	110.6	164.8	123.8
Taxation		**(15.7)**	(15.1)	(4.3)	(9.9)	-
Profit for the year		**139.4**	127.5	106.3	154.9	123.8
Group financial statistics						
Underlying operating profit margin						
Support services	Percentage	**5.8**	5.8	5.1	5.1	5.1
Middle East construction services	Percentage	**4.2**	5.0	4.0	6.1	8.9
Construction services (excluding the Middle East)	Percentage	**3.0**	3.8	4.2	5.6	3.1
Underlying operating profit margin						
Total Group before share of joint ventures' net financial expense and taxation	Percentage	**5.3**	5.6	5.6	5.6	4.9
Underlying profit from operations margin						
Total Group	Percentage	**5.1**	5.3	5.3	5.2	4.4

Group balance sheet	2015 £m	2014[1] £m	2013 £m	2012 £m	2011 £m
Property, plant and equipment	**140.8**	141.9	128.2	125.8	134.2
Intangible assets	**1,633.9**	1,614.1	1,552.8	1,536.6	1,547.6
Investments	**166.1**	139.9	159.3	237.9	210.9
	1,940.8	1,895.9	1,840.3	1,900.3	1,892.7
Inventories, receivables and payables	**(379.0)**	(355.3)	(327.6)	(456.7)	(607.4)
Net retirement benefit liability (net of deferred tax)	**(317.6)**	(406.2)	(295.1)	(269.9)	(229.3)
Other net liabilities	**(57.1)**	(62.6)	(18.8)	(7.2)	(22.8)
Net operating assets	**1,187.1**	1,071.8	1,198.8	1,166.5	1,033.2
Net borrowing	**(169.8)**	(177.3)	(215.2)	(155.8)	(50.7)
Net assets	**1,017.3**	894.5	983.6	1,010.7	982.5

Group cash flow statement					
Underlying Group operating profit	**208.4**	191.8	187.8	193.6	174.4
Depreciation and other non-cash items	**10.7**	26.6	21.3	26.9	36.4
Working capital	**9.0**	31.1	(66.4)	(136.2)	5.1
Dividends received from joint ventures	**16.8**	9.1	18.2	13.6	39.6
Underlying cash flow from operations	**244.9**	258.6	160.9	97.9	255.5
Pension deficit contributions	**(47.4)**	(46.0)	(39.2)	(30.2)	(36.2)
Rationalisation costs	**(6.3)**	(11.5)	(22.0)	(28.6)	(34.4)
Interest and taxation	**(40.4)**	(31.0)	(15.2)	(8.6)	(9.1)
Net capital (expenditure)/income	**(12.8)**	(22.4)	(27.2)	(15.6)	4.6
Other	**(10.9)**	1.4	(12.4)	(8.8)	(6.7)
	127.1	149.1	44.9	6.1	173.7
Acquisitions and disposals	**(39.6)**	(34.5)	(28.6)	(32.6)	(276.6)
Dividends	**(80.0)**	(76.7)	(75.7)	(78.6)	(68.0)
Change in net liquidity	**7.5**	37.9	(59.4)	(105.1)	(170.9)
Net (borrowing)/cash at 1 January	**(177.3)**	(215.2)	(155.8)	(50.7)	120.2
Net borrowing at 31 December	**(169.8)**	(177.3)	(215.2)	(155.8)	(50.7)

Group financial statistics

Earnings per share						
Underlying earnings per share	Pence	**35.0**	33.7	34.7	40.4	42.3
Basic earnings per share	Pence	**30.9**	28.0	23.3	34.6	28.6

Dividends						
Proposed full-year dividend per share	Pence	**18.25**	17.75	17.50	17.25	16.90
Underlying proposed dividend cover	Times	**1.9**	1.9	2.0	2.3	2.5
Basic proposed dividend cover	Times	**1.7**	1.6	1.3	2.0	1.7

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

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