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)

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

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.

Notes to the consolidated financial statements
continued

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.

Notes to the consolidated financial statements
continued

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.

Notes to the consolidated financial statements
continued

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	

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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.

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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

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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.

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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)

Notes to the consolidated financial statements

continued

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
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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.

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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).

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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.

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
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	SA 1 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%

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%
N1040904	Eaga NI Ltd	Northern Ireland	100%
N1016109	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%

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

Financial statements

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.

Notes to the Company financial statements
continued

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		2014	
	Assets £m	Liabilities £m	Assets £m	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