carillion

> interim report 2003

6 months to 30 June 2003

www.carillionplc.com

Our vision is to be the leader in delivering integrated solutions for infrastructure, buildings and services.

Whether it's project finance, buildings, infrastructure, facilities management or support services, we create teams and partnerships to deliver high-quality competitive services for our customers. It's what we do every day to make tomorrow a better place.

Highlights for the six months ended 30 June 2003

- Pre tax profit* £10.5 million (2002: £17.2 million)
- Earnings per share* 3.4 pence (2002: 5.4 pence)
- Strong performance in Business Services
- Swedish Rail Systems acquired and more non-core businesses sold
- Strong order book and framework contracts of £5.0 billion
- Preferred bidder for five PPP projects worth around £2.5 billion
- Interim dividend 1.575 pence per share (2002: 1.5 pence)

*Before goodwill and exceptional items and after £10.0 million additional cost on Nottingham Express Transit project.

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Chairman's Statement

In the first six months of 2003, Carillion continued to benefit from its strategy of focusing on growth markets in the transport, health, private sector facilities management and commercial building sectors, in which it has well-balanced market and geographical positions.

Trading in the Group's main markets has been generally positive, with a strong performance in Business Services partially offsetting the effect of the previously announced cost overrun on the Nottingham Express Transit (NET) project.

As indicated in the Group's trading update in July 2003, profit in Construction Services is £10 million lower than previous expectations due to additional costs associated with delivering the infrastructure for NET and its integration with other elements of the system. The Group has recognised these additional costs in full at the half-year. Work to complete the infrastructure element of NET is progressing in line with the revised outturn cost. Carillion continues to be an equity partner in the Special Purpose Vehicle (SPV) company responsible for the NET project.

Financial Results

Profit before tax, goodwill and exceptional items was £10.5 million (2002: £17.2 million), with the £10 million reduction due to NET partially offset by a better than expected performance in Business Services. Earnings per share before goodwill and exceptional items were 3.4 pence (2002: 5.4 pence).

Total turnover increased by 4.5 per cent to £933 million, with increased turnover in Business Services more than offsetting a reduction in Construction Services. This latter reduction was primarily due to the expected temporary dip in PPP construction activity and the Group's decision to focus its UK civil engineering activities exclusively on heavy rail and road construction projects, which remain key growth markets for the Group. Turnover in Business Services increased largely as a result of higher volumes in rail, with useful contributions from support services and road maintenance.

Net debt at 30 June 2003 was £24 million. As previously indicated, there was a first-half cash outflow of £29 million, because positive cash on a number of major PPP construction contracts continued to unwind as they reached or neared completion. This is expected to reverse in the second half of 2003 as a number of PPP projects are due to reach financial close over this period.

As expected, the Group pension charge increased by some £7 million and insurance costs increased by around £2 million in the first half of 2003. These increases have been offset by savings achieved from the Group's ongoing business improvement programme, through which it continues to drive down costs and increase efficiency.

Order book

The Group has continued to win work in all its main markets and has maintained its order book at around £5 billion. There have been notable successes in the health and transport sectors, with new contracts for highway maintenance and road construction worth up to £350 million and new preferred bidder positions on PPP projects worth approximately £2 billion, including a large road construction project and three major projects in the health sector – two new hospitals and a Local Improvement Finance Trust project.

Outlook and prospects

With the Group focused on markets that are expected to offer continuing opportunities for growth, the outlook is positive. The Group is particularly well positioned to benefit from the substantial investment being made in public sector infrastructure and services. The trading conditions experienced in the first half of 2003 are expected to continue in the second half. As previously announced, the Board therefore expects the Group to deliver full year profit before tax, goodwill and exceptional items of not less than the £50 million achieved in 2002.

Dividend

The Board has decided to pay an interim dividend of 1.575 pence per share, an increase of 5 per cent.

Sir Neville Simms
Chairman
10 September 2003

Carillion has continued to implement its stable and successful strategy for sustainable profitable growth through

- > growing Business Services and PPP Investment activities in the UK and its international regional businesses, especially Canada, both organically and by acquisition
- > maintaining a well positioned and selective Construction Services capability
- > developing and marketing integrated solutions, from project finance through construction to maintenance and lifetime operation.

Delivery of our strategy is supported by our business improvement programme, through which we continue to drive down our cost base and increase efficiency and productivity.

The Group is focused on four growth sectors – transport, health, private sector facilities management and commercial building – and on opportunities to grow our Business Services and PPP Investment activities in our international regional businesses, particularly health and transport in Canada.

Delivery of the Group's strategy is being driven by the creation of sector-focused businesses capable of offering customers fully integrated solutions. Carillion Health and Carillion Roads have been established in 2003, following the success of Carillion Rail launched in 2002. In the UK, the Group's civil engineering capabilities will now be focused on heavy rail and on road construction projects procured under the Government's 'Early Contractor Involvement' (ECI) form of contract.

The acquisition in June 2003 of Swedish Rail Systems Entreprenad has further strengthened Carillion Rail and will open up substantial long-term growth opportunities in the Scandinavian rail infrastructure market. Three more non-core businesses were sold in the first half of 2003, including the Expanded Piling Company and two materials testing businesses in the Middle East.

Investments

	H1 2003	H1 2002
Turnover	**£31.6m**	**£25.0m**
Operating profit	**£3.0m**	**£4.1m**
Pre-tax profit	**£0.6m**	**£1.8m**

Note: PPP net bid costs £1.8m (2002: £0.3m)

As the majority of projects in our PPP portfolio are subject to Finance Debtor accounting (compared with Fixed Asset accounting), turnover and operating profit are not reliable indicators of activity levels and performance in this segment. However, profit before tax remains a reliable indicator of performance.

Excluding the £1.5 million increase in net bid costs, reflecting a high level of bid activity in the health sector, pre-tax profit increased by 14 per cent. The Great Western Hospital, Swindon, was handed over on time and to budget in the second half of 2002 and GCHQ was handed over three months ahead of schedule and to budget in 2003. Refinancing of Darent Valley Hospital was completed in the first half of the year and generated £12 million of cash for the Group.

As anticipated at the start of the year, the flow of PPP projects in our chosen sectors has increased. Carillion-led consortia have been appointed preferred bidder on three more projects – the William Osler Hospital in Ontario, Canada, worth some £800 million, the new Queen Alexandra Hospital, Portsmouth, worth around £1.0 billion and the A249, a £130 million Design Build Finance and Operate project. These awards bring the total number of projects we have at preferred bidder stage to five, following our appointment as preferred bidder for the £600 million John Radcliffe Hospital in Oxford and a £21 million social housing project in North East Derbyshire, towards the end of 2002. Most of these PPP projects are expected to reach financial close in the second half of 2003, adding substantially to our order book.

Carillion has also been appointed preferred bidder for the £80 million Birmingham and Solihull LIFT (Local Improvement Finance Trust) project, for the development, construction and provision of facilities management and financial backing for Primary Care facilities.

We are also short listed for a further 13 PPP, LIFT and DTC (Diagnostic and Treatment Centre) projects, together worth around £3 billion. Therefore the outlook in this segment is very positive, both in the medium term and beyond with continuing opportunities in our chosen sectors, particularly health and transport.

Construction Services

	H1 2003	H1 2002
Turnover	£475.5m	£533.8m
Operating (loss)/profit	£(7.9)m*	£1.6m

*After additional £10.0 m cost of NET and before £1.0m exceptional item for disposals
Note: PPP net bid costs £3.6m (2002: £3.8m)

Turnover reduced primarily as a result of lower turnover on PPP projects, which reflects the industry-wide drop in PPP project flow during 2002 and our withdrawal from UK civil engineering except for heavy rail and road construction projects. In the commercial building market we have continued to win work in our chosen market sectors and regions, particularly in the Midlands and North, which, together with a number of new contracts for urban high-rise mixed development properties, has substantially offset reduced activity levels in the South East. The operating loss of £7.9 million reflects the additional £10 million cost of delivering the infrastructure for the Nottingham Express Transit project.

Following a substantial increase in planned Government spending on road construction, the market we are targeting is now worth around £1.0 billion a year over the next five years. Our newly formed Roads business has already secured two major first half successes: the £65 million ECI contract to upgrade the A74 in Cumbria to motorway standard – the missing link in the M6 between England and Scotland – and preferred bidder for the £130 million Design Build, Finance and Operate concession for the A249 in Kent.

We expect trading in our UK construction markets in the second half to remain stable, with PPP construction activity increasing towards the end of the year as projects for which we are preferred bidder reach financial close. Across our international regions we expect our traditional construction markets to remain firm. In particular, we anticipate further opportunities to develop our Business Services and PPP Investment portfolios in Canada and the Middle East.

Business Services

	H1 2003	H1 2002
Turnover	£442.5m	£398.5m
Operating profit*	£22.7m	£17.4m
Margins	5.1%	4.4%

*Before goodwill amortisation of £1.8m (2002: £1.1m)
Note: PPP net bid costs £0.5m (2002: £0.4m)

Turnover increased primarily as a result of higher volumes in rail, with support services and road maintenance also moving ahead. The increase in rail was due to growth in heavy maintenance work with other rail activities broadly in line with expectations. This higher level of maintenance work is likely to continue in the second half of the year.

In addition to being a leading supplier of road maintenance services to the Highways Agency, Carillion is targeting long-term contracts for maintenance of large local authority road networks. We had a number of first-half contract wins in these markets, including the Area 12 Managing Agent Contract for the Highways Agency worth up to £230 million and a road maintenance contract for Surrey County Council worth up to £160 million, covering around half the county road network.

Having strengthened our capability in the private sector facilities management market through the acquisition of Citex Management Services in 2002, it was encouraging to win a five year £90 million contract for Telewest Broadband.

The outlook in this segment continues to be positive.

John McDonough
Chief Executive
10 September 2003

Consolidated Profit and Loss Account

for the half year ended 30 June 2003

	Half year to 30 June 2003 (unaudited) £m	Half year to 30 June 2002 (unaudited) £m	Year to 31 December 2002 (audited) £m
Total turnover	**932.6**	892.2	1,974.4
Less: share of joint ventures' turnover	**(57.4)**	(46.7)	(127.1)
Group turnover	**875.2**	845.5	1,847.3
Group operating profit	**3.8**	12.0	37.8
Share of operating profit in joint ventures	**8.1**	6.3	14.3
Total operating profit	**11.9**	18.3	52.1
Exceptional items			
(Loss)/profit on sale of businesses:			
Group	**(1.1)**	–	(0.3)
Joint ventures	**0.1**	–	(5.0)
	(1.0)	–	(5.3)
Profit on ordinary activities before interest	**10.9**	18.3	46.8
Net interest (payable)/receivable:			
Group	**(0.8)**	0.1	0.6
Joint ventures	**(2.4)**	(2.3)	(5.2)
	(3.2)	(2.2)	(4.6)
Profit on ordinary activities before taxation	**7.7**	16.1	42.2
Taxation on profit on ordinary activities	**(2.4)**	(4.7)	(12.9)
Profit on ordinary activities after taxation	**5.3**	11.4	29.3
Equity minority interests	**(0.8)**	(1.3)	(2.1)
Profit for the financial period	**4.5**	10.1	27.2
Equity dividends	**(3.3)**	(3.1)	(9.9)
Retained profit for the Group and its share of joint ventures	**1.2**	7.0	17.3
Earnings per ordinary share			
– Basic	**2.2p**	4.9p	13.2p
– Diluted	**2.1p**	4.8p	13.0p
Adjusted earnings per ordinary share			
– Basic (before exceptional items)	**2.6p**	4.9p	15.3p
– Diluted (before exceptional items)	**2.6p**	4.8p	15.1p
– Basic (before exceptional items and goodwill amortisation)	**3.4p**	5.4p	16.6p
Dividends per ordinary share	**1.575p**	1.5p	4.8p

The above results are wholly derived from continuing operations.

Consolidated Statement of Total Recognised Gains and Losses

	Half year to 30 June 2003 (unaudited) £m	Half year to 30 June 2002 (unaudited) £m	Year to 31 December 2002 (audited) £m
Profit for the financial period			
Group	**0.2**	7.1	25.0
Joint ventures	**4.3**	3.0	2.2
	4.5	10.1	27.2
Exchange movements	**–**	–	(1.4)
Total recognised gains and losses for the period	**4.5**	10.1	25.8
Prior year adjustments	**–**	(11.9)	(11.9)
Total recognised gains and losses since previous period's financial statements	**4.5**	(1.8)	13.9

Carillion plc
Consolidated Balance Sheet

	At 30 June 2003 (unaudited) £m	At 30 June 2002 (unaudited) £m	At 31 December 2002 (audited) £m
Fixed assets			
Intangible assets	**47.2**	41.7	49.0
Tangible assets	**57.0**	53.6	56.9
Investments in joint ventures:			
Share of gross assets	**648.9**	618.4	646.1
Share of gross liabilities	**(618.9)**	(574.9)	(606.8)
	30.0	43.5	39.3
Loan advances	**25.0**	21.1	21.7
	55.0	64.6	61.0
Other investments	**6.3**	1.8	6.1
Total investments	**61.3**	66.4	67.1
	165.5	161.7	173.0
Current assets			
Stocks	**42.7**	50.4	43.7
Debtors	**547.1**	556.3	523.6
Investments	**8.4**	8.4	8.2
Cash at bank and in hand	**65.8**	89.0	85.1
	664.0	704.1	660.6
Creditors: amounts falling due within one year			
Borrowings	**(21.6)**	(26.4)	(20.4)
Other creditors	**(556.9)**	(631.2)	(574.9)
	(578.5)	(657.6)	(595.3)
Net current assets			
Due within one year	**59.5**	18.7	42.3
Debtors due after more than one year	**26.0**	27.8	23.0
	85.5	46.5	65.3
Total assets less current liabilities	**251.0**	208.2	238.3
Creditors: amounts falling due after more than one year			
Borrowings	**(75.7)**	(41.5)	(66.8)
Other creditors	**(11.2)**	(14.6)	(13.7)
	(86.9)	(56.1)	(80.5)
Provisions for liabilities and charges	**(7.6)**	(11.6)	(8.1)
Net assets	**156.5**	140.5	149.7
Financed by:			
Capital and reserves			
Called up share capital	**106.5**	106.4	106.5
Reserves	**47.7**	32.1	41.0
Equity shareholders' funds	**154.2**	138.5	147.5
Equity minority interests	**2.3**	2.0	2.2
	156.5	140.5	149.7

The interim report was approved by the Board on 10 September 2003.

Summarised Consolidated Cash Flow Statement

	Half year to 30 June 2003 (unaudited) £m	Half year to 30 June 2002 (unaudited) £m	Year to 31 December 2002 (audited) £m
Net cash (outflow)/inflow from operating activities	**(26.9)**	(3.1)	1.1
Distributions received from joint ventures	**13.8**	2.1	3.8
Net cash outflow from returns on investments and servicing of finance	**(1.5)**	(3.0)	(2.7)
Corporate taxation paid	**(0.8)**	(4.6)	(9.0)
Net cash outflow from capital expenditure and financial investments	**(6.0)**	(7.0)	(15.4)
Net cash outflow from acquisitions and disposals	**(0.2)**	(1.9)	(11.2)
Equity dividends paid	**(6.9)**	(6.2)	(9.3)
Net cash outflow before management of liquid resources and financing	**(28.5)**	(23.7)	(42.7)
Net cash inflow/(outflow) from management of liquid resources	**4.0**	(12.1)	(10.6)
Financing	**11.4**	19.7	42.9
Decrease in cash in the period	**(13.1)**	(16.1)	(10.4)

Reconciliation of Operating Profit to Operating Cash Flows

	Half year to 30 June 2003 £m	Half year to 30 June 2002 £m	Year to 31 December 2002 £m
Group operating profit	**3.8**	12.0	37.8
Depreciation	**7.3**	7.5	14.6
Profit on disposal of fixed assets	**(0.1)**	(0.2)	(0.8)
Change in market value of current asset investments	**(0.2)**	–	0.3
Amortisation of goodwill	**1.8**	1.1	2.7
Amortisation of own shares	**–**	1.0	(3.3)
Decrease in stocks	**3.7**	3.3	9.7
(Increase)/decrease in debtors	**(16.1)**	14.6	41.9
Decrease in creditors due within one year	**(27.1)**	(43.3)	(96.9)
(Decrease)/increase in creditors due after more than one year	**(2.4)**	3.0	2.1
Increase/(decrease) in bills of exchange	**2.9**	(0.7)	(3.5)
Net cash (outflow)/inflow from operating activities before exceptional items	**(26.4)**	(1.7)	4.6
Exceptional operating cash spend	**(0.5)**	(1.4)	(3.5)
Net cash (outflow)/inflow from operating activities	**(26.9)**	(3.1)	1.1

Reconciliation of Net Cash Flow to Movement in Net Debt

	Half year to 30 June 2003 £m	Half year to 30 June 2002 £m	Year to 31 December 2002 £m
Decrease in cash and bank overdrafts	**(13.1)**	(16.1)	(10.4)
(Decrease)/increase in short term deposits	**(4.0)**	12.1	10.6
Cash inflow from drawdown of debt	**(12.4)**	(20.7)	(45.0)
Cash outflow from finance leases	**1.0**	1.1	2.5
Movement in net debt resulting from cash flows	**(28.5)**	(23.6)	(42.3)
Exchange rate movements	**–**	–	(1.5)
Non cash movements from finance leases	**(0.9)**	–	(3.0)
Movement in net debt in the period	**(29.4)**	(23.6)	(46.8)
Net (debt)/funds at start of period	**(2.1)**	44.7	44.7
Net (debt)/funds at end of period	**(31.5)**	21.1	(2.1)

Analysis of changes in Net Debt

	At 1 January 2003 £m	**Cash flows £m**	**Non cash movements £m**	**At 30 June 2003 £m**
Cash at bank and in hand	54.6	(15.3)	–	**39.3**
Bank overdrafts	(18.3)	2.2	–	**(16.1)**
	36.3	(13.1)	–	**23.2**
Short term deposits	30.5	(4.0)	–	**26.5**
Bank loans	(61.5)	(12.1)	–	**(73.6)**
Other loans	–	(0.3)	–	**(0.3)**
Finance leases	(7.4)	1.0	(0.9)	**(7.3)**
	(2.1)	**(28.5)**	**(0.9)**	**(31.5)**

1. Basis of preparation

The interim report, which is unaudited, has been prepared using the accounting policies set out in the 2002 Annual Report.

The financial information included in this report does not constitute statutory accounts for the purpose of section 240 of the Companies Act 1985. The comparative figures for the financial year ended 31 December 2002 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and have been delivered to the Registrar of Companies. The report of the auditor was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

2. Segmental analysis

(a) Group including share of joint ventures

	Half year to 30 June 2003 £m	Half year to 30 June 2002 £m	Year to 31 December 2002 £m
Turnover			
Class of business:			
Investments	**31.6**	25.0	61.6
Business services	**442.5**	398.5	821.7
Construction services	**475.5**	533.8	1,125.4
Internal trading	**(17.0)**	(65.1)	(34.3)
	932.6	892.2	1,974.4
Geographical origin:			
UK	**789.0**	763.0	1,694.4
Europe	**89.4**	62.0	146.9
Rest of the world	**54.2**	67.2	133.1
	932.6	892.2	1,974.4

The analysis of turnover by geographical market served is not materially different from that by geographical origin.

	Half year to 30 June 2003 £m	Half year to 30 June 2002 £m	Year to 31 December 2002 £m
Profit/(loss) on ordinary activities before interest			
Class of business:			
Investments	**3.0**	4.1	7.8
Business services	**20.9**	16.3	36.4
Construction services	**(8.9)**	1.6	11.7
Corporate centre	**(4.1)**	(3.7)	(9.1)
	10.9	18.3	46.8

Construction services is stated after exceptional items as disclosed in Note 3.

Geographical origin:			
UK	**10.2**	15.6	44.8
Europe	**0.5**	0.9	(0.9)
Rest of the world	**0.2**	1.8	2.9
	10.9	18.3	46.8

For the current period the UK segment is stated after charging exceptional non-operating items of £1.3m and the Rest of the world segment is stated after an exceptional non-operating profit of £0.3m. For the year to 31 December 2002, the UK segment is stated after charging exceptional non-operating items of £5.3m.

2. Segmental analysis (continued)

(b) Share of joint ventures

	Half year to 30 June 2003		Half year to 30 June 2002		Year to 31 December 2002	
	Turnover £m	Profit on ordinary activities before interest £m	Turnover £m	Profit on ordinary activities before interest £m	Turnover £m	Profit/(loss) on ordinary activities before interest £m
Class of business:						
Investments	**31.2**	**5.5**	24.7	6.3	60.9	12.5
Business services	**2.9**	**–**	–	–	0.6	–
Construction services	**23.3**	**2.7**	22.0	–	65.6	(3.2)
	57.4	**8.2**	46.7	6.3	127.1	9.3

Construction services is stated after the share of exceptional items in joint ventures as disclosed in Note 3.

3. Exceptional items

	Half year to 30 June 2003		Half year to 30 June 2002		Year to 31 December 2002	
	Gross £m	Tax £m	Gross £m	Tax £m	Gross £m	Tax £m
Non operating items						
Loss/(profit) on sale of businesses:						
Group	**1.1**	**(0.1)**	–	–	0.3	–
Joint ventures	**(0.1)**	**–**	–	–	5.0	(0.9)
	1.0	**(0.1)**	–	–	5.3	(0.9)

The £1.0m loss for the current period relates to the disposal of non-core businesses and is after writing back goodwill of £5.5m that had previously been written off to reserves. Further details will be disclosed in the 2003 Annual Report.

4. Taxation

Based on profit projections for the year to 31 December 2003, the Group's forecast full year effective tax rate on profit before exceptional items is estimated to be 29%. The tax charge in respect of the profit arising in the six month period to 30 June 2003 has been calculated by reference to the expected full year tax rate. The forecast full year rate is lower than the standard rate of UK tax due to a reduction in a potential deferred tax asset relating to capital allowances that has not been previously recognised.

5. Dividends

The interim ordinary dividend of 1.575p per share (2002: 1.5p) will be paid on 14 November 2003, to shareholders on the register at the close of business on 19 September 2003. The Dividend Reinvestment Plan will also be offered to shareholders who authorise or who have already authorised the Company to apply their cash dividends to the market purchase of additional ordinary shares in Carillion plc.

6. Earnings per ordinary share

(a) Basic

Earnings per ordinary share is calculated by dividing the profit for the financial period, amounting to £4.5m (six months ended 30 June 2002: £10.1m; year ended 31 December 2002: £27.2m) by 207.5m (six months ended 30 June 2002: 206.4m; year ended 31 December 2002: 206.5m) ordinary shares, being the weighted average number of shares in issue during the period. The weighted average number of shares excludes shares held by the Employee Share Ownership Plan and the QUEST, which amount to 5.5m shares in total.

(b) Adjusted

A reconciliation of the basic earnings per ordinary share to the adjusted amounts shown on the face of the profit and loss account is set out below in order to illustrate the impact of exceptional items and goodwill amortisation:

	Half year to 30 June 2003		Half year to 30 June 2002		Year to 31 December 2002	
	£m	**Pence per share**	£m	Pence per share	£m	Pence per share
Profit attributable to shareholders	**4.5**	**2.2**	10.1	4.9	27.2	13.2
Exceptional items:						
Loss on sale of businesses	**1.0**	**0.5**	–	–	5.3	2.5
Less taxation in respect of the above	**(0.1)**	**(0.1)**	–	–	(0.9)	(0.4)
Profit before exceptional items	**5.4**	**2.6**	10.1	4.9	31.6	15.3
Amortisation of goodwill	**1.8**	**0.9**	1.1	0.5	2.7	1.3
Less taxation in respect of the above	**(0.2)**	**(0.1)**	–	–	(0.1)	–
Profit before exceptional items and goodwill amortisation	**7.0**	**3.4**	11.2	5.4	34.2	16.6

(c) Diluted

Diluted earnings per ordinary share have been calculated using the same numerators as set out in (a) and (b) above and by reference to the following number of shares:

	Number of ordinary shares		
	At 30 June 2003 m	At 30 June 2002 m	At 31 December 2002 m
Number of ordinary shares per basic earnings per share calculations	**207.5**	206.4	206.5
Adjustments to reflect dilutive shares under option	**1.9**	2.9	2.1
Number of ordinary shares per diluted earnings per share calculations	**209.4**	209.3	208.6

7. Reconciliation of movements in consolidated equity shareholders' funds

	Half year to 30 June 2003 £m	Half year to 30 June 2002 £m	Year to 31 December 2002 £m
Profit for the financial period			
Group	**0.2**	7.1	25.0
Joint ventures	**4.3**	3.0	2.2
	4.5	10.1	27.2
Dividends	**(3.3)**	(3.1)	(9.9)
Retained profit for the Group and its share of joint ventures	**1.2**	7.0	17.3
Exchange movements	**–**	–	(1.4)
New share capital subscribed by QUEST	**–**	–	0.2
Other new share capital subscribed	**–**	0.1	0.2
Transfer arising on issue of shares to QUEST	**–**	–	(0.2)
Goodwill written back on disposal	**5.5**	–	–
Net addition to equity shareholders' funds	**6.7**	7.1	16.1
Opening equity shareholders' funds (see below)	**147.5**	131.4	131.4
Closing equity shareholders' funds	**154.2**	138.5	147.5

Opening equity shareholders' funds as previously reported	**147.5**	143.3	143.3
Prior year adjustments	**–**	(11.9)	(11.9)
Opening equity shareholders' funds as restated	**147.5**	131.4	131.4

8. Acquisitions

In June 2003 the Group acquired the entire share capital of Swedish Rail Systems Entreprenad (SRSE), Sweden and Norway's largest private sector rail infrastructure contractor, which had net assets at fair value of approximately £2.8m. The Directors do not anticipate any goodwill to arise on the acquisition. Further details will be disclosed in the 2003 Annual Report.

9. Approval of interim statement

The interim statement was approved by the Board of Directors on 10 September 2003.

Independent Review Report by KPMG Audit Plc to Carillion plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 4 to 11 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

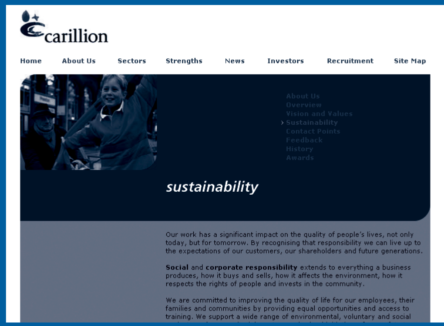
We conducted our review in accordance with guidance contained in Bulletin 1999/4: 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

KPMG Audit Plc
Chartered Accountants
Birmingham

10 September 2003



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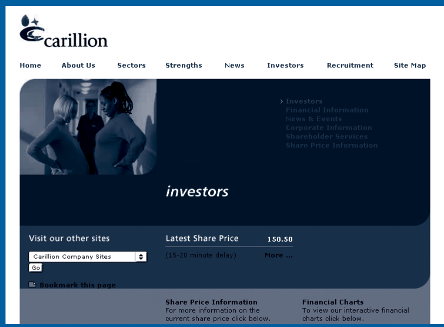

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For the latest information, including Investor Relations and Sustainability, visit our website any time.

Carillion can now offer to its UK shareholders, Shareview Dealing, a telephone and internet share sale service operated by Lloyds TSB Registrars. For telephone sales call 0870 850 0852 between 8.30am and 4.30pm, Monday to Friday, and for internet sales log on to www.shareview.co.uk/dealing. You will need your shareholder reference number as shown on your share certificate.

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