Interim Report 2002

carillion

Carillion is one of the UK's leading business and construction services companies.

Vision

Our vision is to be a company renowned for working in a spirit of openness, collaboration and mutual dependency to ensure that our customers' success becomes our success.

Highlights for the six months ended 30 June 2002

- Pre-tax profit almost doubled to £16.1 million
- Record order book increased to £5.3 billion
- GTRM acquisition successfully integrated into Carillion Rail
- Acquisition of Citex Management Services
- Major joint venture opportunity with Nestor Healthcare Group and General Healthcare
- Disposal of non core business Maxxiom
- Earnings per share trebled to 4.9 pence (2001: 1.6 pence)
- Interim dividend up 8.7 per cent to 1.5 pence

Good progress with our strategy has again delivered an improved financial performance. Therefore, with a £5.3 billion order book and positive trading outlook, the Board expects the Group to deliver underlying earnings growth for the full year in line with market forecasts.

Chairman's Statement

Carillion continued to make progress in the first six months of 2002 with its strategy for delivering sustainable, profitable growth through developing its Business Services and PPP Investment activities alongside a strong and selective Construction Services capability. The Group has again improved its financial performance and continued to secure significant new contract awards to increase its record order book to £5.3 billion.

Following the successful acquisition in September 2001 of the remaining 51 per cent of GT Railway Maintenance, the Group has pursued further selective acquisitions to supplement the substantial organic growth already achieved in its Business Services segment. The recent acquisition of Citex Management Services for £11.5 million and its portfolio of facilities management contracts with blue-chip corporate customers complements Carillion's strong public sector portfolio and experience. This will therefore strengthen the capability of Carillion's well established Facilities Management business and enhance opportunities for sustainable growth, both in the UK and internationally.

Since the half year, we have also agreed to pursue a joint venture with General Healthcare and Nestor Healthcare Group to bid for major new opportunities in the health sector for the provision of the recently announced Diagnostic and Treatment Centres.

The Group has continued its strategy of disposing of further non-core businesses, with the sale of its interests in Maxxiom's hoists, accommodation and general plant business to Hewden Stuart. This transaction generates £12 million of cash and will result in a second half exceptional charge of up to £5 million.

Financial Results

Profit before tax almost doubled to £16.1 million, primarily due to the earnings enhancing acquisition of GT Railway Maintenance, organic growth in PPP Investments and Business Services and a reduction in net PPP bid costs.

Total turnover at £892 million was 8 per cent less than in the comparable period last year. This was due entirely to lower turnover in Construction Services, which was attributable to the sale of the Social Housing business in July 2001, downsizing of Crown House Engineering, withdrawal from the smaller civil engineering projects market and project selectivity. Once again, the greater proportion of the Group's profit came from Business Services and PPP Investments, where activity levels continued to increase.

Earnings per share after goodwill amortisation trebled to 4.9 pence, from 1.6 pence in the first half of 2001.

Group net interest was positive and continues to reflect the focus on cash management. Interest payable on debt associated with PPP projects increased from £1.5 million to £2.3 million, in line with the continued development of the Group's PPP portfolio.

Net cash at 30 June was £26.9 million compared with £51.6 million at 31 December 2001. The first half cash outflow was due primarily to unwinding the positive cash flow generated on a number of large PPP construction contracts, which are approaching successful completion.

Outlook and prospects

Our main markets, both in the UK and overseas, are forecast to grow. In the UK, sectors such as health, defence and transport, where Carillion has a strong presence, have particularly attractive growth prospects. Based on spending plans already announced by the Government, the rate of PPP projects reaching preferred bidder and financial close is expected to increase. Opportunities to bid for Business Services work and PPP projects in our international regions are also increasing, particularly in Canada. Therefore, with a £5.3 billion order book and positive trading outlook, the Board expects the Group to deliver underlying earnings growth for the full year in line with market forecasts.

Dividend

In the light of the Group's first half performance and positive outlook for the second half and beyond, the Board has increased the interim dividend by 8.7 per cent from 1.38 pence to 1.5 pence.

Sir Neville Simms
Chairman
11 September 2002

Three objectives remain central to Carillion's strategy for delivering sustainable profitable growth.

- Growing our PPP Investment and Business Services activities in the UK and our international regions, both organically and by acquisitions.
- Maintaining a strong Construction Services capability, focused on larger, higher value added contracts with long-term key customers.
- Improving margins through contract selectivity and operational efficiency.

We have built upon our success in 2001 to deliver a first half margin improvement together with growth in our Business Services and PPP Investments segments. Since the half year, we have disposed of our interest in Maxxiom, our joint venture plant hire company, generating £12 million of cash. This has funded the acquisition of Citex Management Services for £11.5 million.

Good progress is also being made with our Business Improvement Programme, which is on course to meet all its objectives and deliver annual savings of £5 million from 2003 and savings in the region of £2 million in 2002.

Continued success in our chosen markets has increased our record order book to £5.3 billion. In line with our strategic objectives, around 80 per cent of orders is in our growth segments of Business Services and Investments. Of our total order book, over 85 per cent is for 2003 and beyond and some 65 per cent for 2004 and beyond.

Investments

	H1 2002	H1 2001
Turnover	£25.0m	£19.7m
Operating profit/(loss)	£4.1m	£(0.3)m

Increased turnover in our Investments segment reflects our maturing portfolio of successful Public Private Partnership (PPP) contracts, 11 of which are in the operational phase and performing well. Construction of the remaining five projects is either on or ahead of schedule, with two of these – the New Accommodation Project for GCHQ at Cheltenham and Great Western Hospital, Swindon – nearing successful completion. Operating profit improved as a result of increased turnover and a reduction in net bid costs.

In February 2002, we achieved financial close on the £190 million University of Hertfordshire project, on which construction is already progressing well. Bidding activity remains high and we are currently shortlisted for 16 projects with a capital investment, maintenance and FM services value of some £3.8 billion. Going forward, we expect the number of PPP projects reaching preferred bidder and financial close to increase and reverse the slow down in project flow that has occurred across all sectors of the PPP market over the past 12 months.

Government spending plans announced in its 2002 Spending Review have increased total PPP investment in the UK sectors on which we are primarily focused, namely, health, transport, defence, secure establishments and university accommodation, to around £75 billion over the next 10 years. In addition, we are now bidding for seven private finance projects in three of our five International Regions, the Republic of Ireland, the Middle East and Canada, where the market looks particularly attractive.

Business Services

	H1 2002	H1 2001
Turnover	£398.5m	£276.7m
Operating profit	£16.3m	£11.8m
Margins	4.1%	4.3%

Turnover in Business Services increased by over 40 per cent as a result of the earnings enhancing acquisition of GT Railway Maintenance and further organic growth. Operating profit

increased in line with turnover with margins slightly lower, because in the first half of 2001 we benefited from Monteray operating on a fee basis, prior to its contract with BT commencing formally in April 2001.

GT Railway Maintenance, in which we acquired the remaining 51 per cent interest in September 2001, has been successfully integrated into Carillion Rail, significantly strengthening our rail infrastructure services business and enhancing its prospects for further growth.

Contract successes in the first six months of 2002 included a £200 million IMC 2000 rail maintenance contract for South Wales and Marches and a £50 million contract to provide non-clinical services to North Lincolnshire and Goole NHS Trust. In addition, we have signed two 10-year joint venture agreements in the Middle East and Caribbean to provide facilities management services worth up to £500 million.

The recent acquisition of the Citex Management Services business brings to the Group an experienced management team along with a strong portfolio of contracts with blue-chip corporate customers. This complements our own skills and experience, which has to date been largely focused on providing facilities management to public sector customers. The acquisition will therefore strengthen our well established FM Services business and enhance opportunities for further sustainable growth, both in the UK and internationally.

Since the half year, we have agreed to pursue a joint venture with General Healthcare and Nestor Healthcare Group to bid for major new opportunities in the health sector for the provision of Diagnostic and Treatment Centres. The Government is to provide up to 150 such centres and this joint venture will have the full range of skills and experience necessary to design, build and operate them. We estimate that this new market will generate up to £3 billion of construction activity and over £2 billion per annum of medical and support services work.

Carillion Rail has also secured further new contracts and preferred contractor positions for projects and maintenance worth around £480 million.

With our target Business Services markets continuing to grow at up to 10 per cent per annum, the outlook in this segment continues to be very positive.

Construction Services

	H1 2002	H1 2001
Turnover	£533.8m	£696.3m
Operating profit	£1.6m	£2.1m
Margins	0.3%	0.3%
Margins pre bid costs	1.0%	0.9%

Turnover in Construction Services reduced due to the sale of our Social Housing business in July 2001, downsizing of Crown House Engineering, our withdrawal from the smaller civil engineering projects market and the effect of project selectivity. Consistent with our more selective approach, we expect full year margins to increase and to deliver an overall improvement on our 2001 performance.

PPP bidding activity remains high and we continue to target larger projects in the health, transport, secure establishments and defence sectors.

In our traditional building markets we remain focused on contracts with long-term key customers. First half successes included new orders worth some £600 million, including the Marina Towers and Festival City developments in Dubai, an MoD PRIME contract for Lucknow Barracks and a number of prestigious office, retail and residential developments. Since the half year, we have secured framework contracts for BAA and the Scottish Prison Service worth up to £290 million.

In line with our strategy of disposing of non-core businesses, we have sold our interests in Maxxiom's hoists, accommodation and general plant business to Hewden Stuart for £9 million, which will release £12 million of cash.

Over the next two years, the commercial building sector of our Construction Services segment, with its regional focus, is expected to remain stable. Public infrastructure investment is forecast to grow and the number of PPP projects reaching financial close should increase.

John McDonough
Chief Executive
11 September 2002

Unaudited Consolidated Profit and Loss Account

for the half year ended 30 June 2002

	Half year to 30 June 2002 £m	Half year to 30 June 2001 as restated (see note 1) £m	Year to 31 December 2001 as restated (see note 1) £m
Total turnover	**892.2**	970.2	1,889.8
Less: share of joint ventures' turnover	**(46.7)**	(112.8)	(191.0)
Group turnover	**845.5**	857.4	1,698.8
Group operating profit/(loss) before exceptional operating items	**12.0**	(1.2)	27.0
Exceptional operating items	**–**	–	(8.9)
Group operating profit/(loss)	**12.0**	(1.2)	18.1
Share of operating profit in joint ventures	**6.3**	10.9	19.9
Total operating profit	**18.3**	9.7	38.0
Result on sale of businesses	**–**	–	–
Net interest receivable/(payable):			
Group	**0.1**	–	0.3
Joint ventures	**(2.3)**	(1.5)	(3.6)
	(2.2)	(1.5)	(3.3)
Profit on ordinary activities before taxation	**16.1**	8.2	34.7
Taxation on profit on ordinary activities	**(4.7)**	(2.8)	(10.1)
Profit on ordinary activities after taxation	**11.4**	5.4	24.6
Equity minority interests	**(1.3)**	(2.2)	(3.1)
Profit for the financial period	**10.1**	3.2	21.5
Equity dividends	**(3.1)**	(2.7)	(8.9)
Retained profit for the Group and its share of joint ventures	**7.0**	0.5	12.6
Earnings per ordinary share			
– Basic	**4.9p**	1.6p	10.5p
– Diluted	**4.8p**	1.5p	10.4p
Adjusted earnings per ordinary share (excluding exceptional operating items)			
– Basic	**4.9p**	1.6p	13.8p
– Diluted	**4.8p**	1.5p	13.7p
Dividends per ordinary share	**1.5p**	1.38p	4.4p

The results set out above relate to continuing operations.

Unaudited Consolidated Balance Sheet

	At 30 June 2002 £m	At 30 June 2001 as restated (see note 1) £m	At 31 December 2001 as restated (see note 1) £m
Fixed assets			
Intangible assets	**41.7**	1.6	42.8
Tangible assets	**53.6**	41.7	53.0
Investments in joint ventures:			
Share of gross assets	**618.4**	587.6	572.0
Share of gross liabilities	**(559.3)**	(541.1)	(516.7)
	59.1	46.5	55.3
Loan advances	**5.5**	17.3	5.5
	64.6	63.8	60.8
Other investments	**1.8**	4.2	2.7
Total investments	**66.4**	68.0	63.5
	161.7	111.3	159.3
Current assets			
Stocks	**50.4**	49.8	53.7
Debtors	**556.3**	583.1	570.6
Investments	**8.4**	8.1	9.4
Cash at bank and in hand	**89.0**	88.6	94.5
	704.1	729.6	728.2
Creditors: amounts falling due within one year			
Borrowings	**(26.4)**	(19.5)	(45.2)
Other creditors	**(631.2)**	(669.8)	(678.4)
	(657.6)	(689.3)	(723.6)
Net current assets/(liabilities)			
Due within one year	**18.7**	19.7	(26.6)
Debtors due after more than one year	**27.8**	20.6	31.2
	46.5	40.3	4.6
Total assets less current liabilities	**208.2**	151.6	163.9
Creditors: amounts falling due after more than one year			
Borrowings	**(41.5)**	(18.4)	(4.6)
Other creditors	**(14.6)**	(8.7)	(11.6)
	(56.1)	(27.1)	(16.2)
Provisions for liabilities and charges	**(11.6)**	(3.5)	(13.0)
Net assets	**140.5**	121.0	134.7
Financed by:			
Capital and reserves			
Called up share capital	**106.4**	106.0	106.3
Reserves	**32.1**	11.8	25.1
Equity shareholders' funds	**138.5**	117.8	131.4
Equity minority interests	**2.0**	3.2	3.3
	140.5	121.0	134.7

Unaudited Consolidated Statement of Total Recognised Gains and Losses

	Half year to 30 June 2002 £m	Half year to 30 June 2001 as restated (see note 1) £m	Year to 31 December 2001 as restated (see note 1) £m
Profit/(loss) for the financial period			
Group	7.1	(5.5)	10.6
Joint ventures	3.0	8.7	10.9
	10.1	3.2	21.5
Exchange movements	–	–	0.5
Total recognised gains and losses for the period	10.1	3.2	22.0
Prior year adjustments (see note 1)	(11.9)		
Total recognised gains and losses since previous period's financial statements	(1.8)		

Unaudited Reconciliation of Movements in Consolidated Equity Shareholders' Funds

	Half year to 30 June 2002 £m	Half year to 30 June 2001 as restated (see note 1) £m	Year to 31 December 2001 as restated (see note 1) £m
Profit/(loss) for the financial period			
Group	7.1	(5.5)	10.6
Joint ventures	3.0	8.7	10.9
	10.1	3.2	21.5
Dividends	(3.1)	(2.7)	(8.9)
New share capital subscribed	0.1	2.3	3.3
Exchange movements	–	–	0.5
Net addition to equity shareholders' funds	7.1	2.8	16.4
Opening equity shareholders' funds (see below)	131.4	115.0	115.0
Closing equity shareholders' funds	138.5	117.8	131.4
Opening equity shareholders' funds as previously reported	143.3	127.7	127.7
Prior year adjustments (see note 1)	(11.9)	(12.7)	(12.7)
Opening equity shareholders' funds as restated	131.4	115.0	115.0

Summarised Unaudited Consolidated Cash Flow Statement

	Half year to 30 June 2002 £m	Half year to 30 June 2001 as restated (see note 1) £m	Year to 31 December 2001 £m
Net cash (outflow)/inflow from operating activities	(3.1)	14.5	53.8
Dividends received from joint ventures	2.1	5.9	13.8
Net cash outflow from returns on investments and servicing of finance	(3.0)	(0.1)	(0.5)
Corporate taxation paid	(4.6)	(0.8)	(2.3)
Net cash outflow from capital expenditure and financial investments	(7.0)	(1.8)	(15.9)
Net cash outflow from acquisitions and disposals	(1.9)	(12.5)	(41.2)
Equity dividends paid	(6.2)	(3.5)	(5.3)
Net cash (outflow)/inflow before management of liquid resources and financing	(23.7)	1.7	2.4
Net cash (outflow)/inflow from management of liquid resources	(12.1)	2.2	4.2
Financing	19.7	(1.1)	(1.9)
(Decrease)/increase in cash in the period	(16.1)	2.8	4.7

Reconciliation of Net Cash Flow to Movement in Net Funds

	Half year to 30 June 2002 £m	Half year to 30 June 2001 as restated (see note 1) £m	Year to 31 December 2001 £m
(Decrease)/increase in cash and bank overdrafts	(16.1)	2.8	4.7
Cash outflow/(inflow) from management of liquid resources	12.1	(2.2)	(4.2)
Cash inflow from drawdown of debt	(20.7)	–	–
Cash outflow from finance leases	1.1	1.1	1.9
Movement in net funds resulting from cash flows	(23.6)	1.7	2.4
Finance leases of subsidiary undertakings acquired	–	–	(7.0)
Exchange rate movements	–	–	0.3
Movement in net funds in the period	(23.6)	1.7	(4.3)
Net funds at start of period	44.7	49.0	49.0
Net funds at end of period	21.1	50.7	44.7

Reconciliation of Operating Profit to Operating Cash Flows

	Half year to 30 June 2002 £m	Half year to 30 June 2001 as restated (see note 1) £m	Year to 31 December 2001 as restated (see note 1) £m
Group operating profit/(loss) before exceptional operating items	12.0	(1.2)	27.0
Depreciation	7.5	6.1	12.5
Impairment of tangible fixed assets	–	–	3.5
Profit on disposal of fixed assets	(0.2)	(1.7)	(1.1)
Amortisation of goodwill	1.1	–	0.5
Amortisation of own shares	1.0	–	2.0
Provision against other fixed asset investments	–	–	0.5
Decrease/(increase) in stocks	3.3	(4.9)	(0.4)
Decrease/(increase) in debtors	14.6	(64.9)	(11.1)
(Decrease)/increase in creditors due within one year	(43.3)	81.3	25.8
Increase in creditors due after more than one year	3.0	0.7	0.8
(Decrease)/increase in bills of exchange	(0.7)	1.0	0.6
Net cash (outflow)/inflow from operating activities before exceptional items	(1.7)	16.4	60.6
Exceptional operating cash spend	(1.4)	(1.9)	(6.8)
Net cash (outflow)/inflow from operating activities	(3.1)	14.5	53.8

Analysis of changes in Net Funds

	As at 1 January 2002 £m	Cash flows £m	As at 30 June 2002 £m
Cash at bank and in hand	74.1	(17.6)	56.5
Bank overdrafts	(25.7)	1.5	(24.2)
	48.4	(16.1)	32.3
Short term deposits	20.4	12.1	32.5
Bank loans	(17.2)	(20.7)	(37.9)
Finance leases	(6.9)	1.1	(5.8)
	44.7	(23.6)	21.1

1. Basis of preparation

The interim accounts, which are unaudited, have been prepared using the accounting policies set out in the 2001 Annual Report, with the exception of deferred taxation and pre-contract costs as described below.

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 2001 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.

With effect from 1 January 2002 the Group has adopted Financial Reporting Standard 19 'Deferred Taxation', which requires full provision to be made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. As a result of the change in accounting policy, the comparative figures for 2001 have been restated accordingly.

During the period, Urgent Issues Task Force abstract 34 'Pre-contract costs' came into effect. The abstract addresses the accounting treatment of pre-contract costs and represents best practice in accounting for these costs. Following adoption of the abstract, the Group has changed its accounting policy and the comparative figures for 2001 have been restated accordingly. Previously, all pre-contract costs that were estimated to be recovered on financial close were included in stocks, provided the Group had been selected as preferred bidder and the contract was reasonably certain to achieve financial close in the next 12 months. Following adoption of the abstract, pre-contract costs are expensed as incurred until the Group is appointed as preferred bidder. Provided the contract is expected to generate sufficient net cash inflows to enable recovery and the award of the contract is virtually certain, pre-contract costs incurred post the appointment as preferred bidder are included in stocks. Where pre-contract bid costs that have been recognised as an asset are reimbursed at financial close, the proceeds are initially applied against this asset. Any excess recoveries will be carried forward as deferred income and released to profit over the period of the contract to which the pre-contract costs relate.

The impact of the above changes in accounting policy on the accounts for the half year ended 30 June 2002 and on the comparative periods is as follows:

	Total operating profit £m	Profit before taxation £m	Taxation £m	Retained profit £m	Net assets £m
Half year to 30 June 2002					
As would have been reported under previous accounting policies	19.2	17.0	(4.9)	7.7	153.1
UITF 34	(0.9)	(0.9)	0.3	(0.6)	(3.4)
FRS 19	–	–	(0.1)	(0.1)	(9.2)
As presented	18.3	16.1	(4.7)	7.0	140.5
Year ended 31 December 2001					
As previously reported	38.3	35.0	(11.2)	11.8	146.6
UITF 34	(0.3)	(0.3)	0.1	(0.2)	(2.8)
FRS 19	–	–	1.0	1.0	(9.1)
As restated	38.0	34.7	(10.1)	12.6	134.7
Half year to 30 June 2001					
As previously reported	10.5	9.0	(3.1)	1.0	134.2
UITF 34	(0.8)	(0.8)	0.2	(0.6)	(3.2)
FRS 19	–	–	0.1	0.1	(10.0)
As restated	9.7	8.2	(2.8)	0.5	121.0

In addition to the above, the comparatives for the half year end to 30 June 2001 have been amended to incorporate a change in accounting policy that had been reflected in the Annual Report for the year ended 31 December 2001. Following the completion and settlement of certain power and process contracts of the kind the Group no longer undertakes, it was determined that the joint ventures involved were acting as agent for the principal companies and therefore the contracts should be accounted for as joint arrangements. As a result, the joint venture balances have been reclassified primarily into stock, debtors and creditors. The profit and loss account and cash flow statement have also been restated. This reclassification had no effect on the Group's profit or net assets.

2. Segmental analysis

	Half year to 30 June 2002 £m	Half year to 30 June 2001 £m	Year to 31 December 2001 £m
Turnover			
Class of business:			
Investments	**25.0**	19.7	43.9
Business services	**398.5**	276.7	609.3
Construction services	**533.8**	696.3	1,335.9
Internal trading	**(65.1)**	(22.5)	(99.3)
	892.2	970.2	1,889.8

	Half year to 30 June 2002 £m	Half year to 30 June 2001 £m	Year to 31 December 2001 £m
Geographical origin:			
UK	**763.0**	815.4	1,573.7
Europe	**62.0**	83.4	150.9
Other	**67.2**	71.4	165.2
	892.2	970.2	1,889.8

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

	Half year to 30 June 2002 £m	Half year to 30 June 2001 as restated £m	Year to 31 December 2001 as restated £m
Operating profit/(loss)			
Class of business:			
Investments	**4.1**	(0.3)	5.5
Business services	**16.3**	11.8	29.8
Construction services	**1.6**	2.1	22.0
Corporate centre	**(3.7)**	(3.9)	(9.2)
Operating profit before exceptional operating items	**18.3**	9.7	48.1
Exceptional operating items	**–**	–	(10.1)
Total operating profit	**18.3**	9.7	38.0
Geographical origin:			
UK	**15.6**	7.9	40.9
Europe	**0.9**	0.2	1.6
Other	**1.8**	1.6	5.6
Operating profit before exceptional operating items	**18.3**	9.7	48.1
Exceptional operating items	**–**	–	(10.1)
Total operating profit	**18.3**	9.7	38.0

Share of joint ventures

The segmental analysis of the Group's share of joint ventures is set out below:

	Half year to 30 June 2002		Half year to 30 June 2001 as restated		Year to 31 December 2001	
	Turnover £m	Operating profit £m	Turnover £m	Operating profit £m	Turnover £m	Operating profit £m
Class of business:						
Investments	24.7	6.3	19.6	4.0	43.7	10.4
Business services	–	–	67.1	3.9	108.2	5.7
Construction services	22.0	–	26.1	3.0	46.1	5.0
Internal trading	–	–	–	–	(7.0)	–
	46.7	6.3	112.8	10.9	191.0	21.1
Exceptional operating items	–	–	–	–	–	(1.2)
	46.7	6.3	112.8	10.9	191.0	19.9

3. Exceptional items

	Half year to 30 June 2002		Half year to 30 June 2001		Year to 31 December 2001	
	Gross £m	Tax credit £m	Gross £m	Tax credit £m	Gross £m	Tax credit £m
Operating items:						
Subsidiary undertakings:						
Reorganisation costs	–	–	–	–	8.9	(1.7)
Joint ventures:						
Reorganisation costs	–	–	–	–	1.2	–
Total exceptional operating items	–	–	–	–	10.1	(1.7)
Non operating items:						
Profit on sale of businesses	–	–	–	–	(5.3)	–
Provisions against retained contracts	–	–	–	–	5.3	(1.6)
Total exceptional items	–	–	–	–	10.1	(3.3)

4. Taxation

Based on profit projections for the year to 31 December 2002, the forecast full year tax rate is estimated to be 29%. The tax charge in respect of the profit arising in the six month period to 30 June 2002 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 utilisation of losses not previously equalised for deferred tax.

5. Dividends

The interim ordinary dividend of 1.5p per share (2001: 1.38p) will be paid on 15 November 2002, to shareholders on the register at the close of business on 20 September 2002.

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 £10.1m (six months ended 30 June 2001 as restated: £3.2m; year ended 31 December 2001 as restated: £21.5m), by 206,418,011 (six months ended 30 June 2001: 205,164,315; year ended 31 December 2001: 205,485,587) ordinary shares being the weighted average number of shares in issue during the period.

(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 to illustrate the impact of exceptional items is set out below:

	Half year to 30 June 2002		Half year to 30 June 2001 as restated		Year to 31 December 2001 as restated	
	£m	**Pence per share**	£m	Pence per share	£m	Pence per share
Profit attributable to shareholders	**10.1**	**4.9**	3.2	1.6	21.5	10.5
Exceptional items:						
Operating items	**–**	**–**	–	–	10.1	4.9
Less result on sale of businesses	**–**	**–**	–	–	–	–
Less taxation in respect of the above	**–**	**–**	–	–	(3.3)	(1.6)
Earnings before all exceptional items	**10.1**	**4.9**	3.2	1.6	28.3	13.8

(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		
	30 June 2002 m	30 June 2001 m	31 December 2001 m
Number of ordinary shares per basic earnings per share calculations	206.4	205.2	205.5
Adjustments to reflect dilutive shares under option	2.9	2.9	1.3
Number of ordinary shares per diluted earnings per share calculations	209.3	208.1	206.8

7. Approval of interim statement

The interim statement was approved by the Board of Directors on 11 September 2002.

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.

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 2002.

KPMG Audit Plc
Chartered Accountants
Birmingham

11 September 2002

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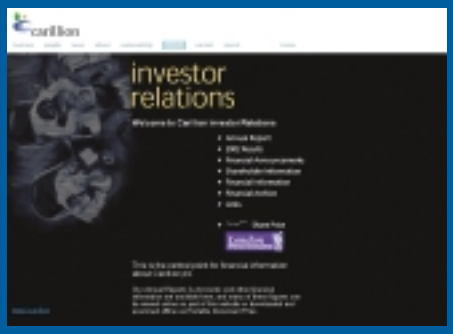

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