

**Carillion plc**

**MINUTES OF A MEETING OF  
THE BOARD OF DIRECTORS**

Held at 25 Maddox Street, London, W1S 2QN  
on  
Thursday 2 April 2015 at 8.00 am

Present:	Mr. P.N. Green	Chairman
	Mr. R.J. Adam	
	Mr. A. Dougal	
	Mr. R.J. Howson	
	Mr. S. Mogford	
	Dr. C. Powell	
Mrs. A. Horner		
In attendance:	Mr. R.F. Tapp	Secretary
	Mr. A.R. Green	
	Mr. P. Rees	Part only

**Minute  
No:**

**ACTION**

**1746 Minutes**

The minutes of the meetings of 3 March and 25 March and of the Sub-Committee of 3 March were approved.

**Matters arising – 3 March:**

- a. **Acquisition Strategy.** A competitor analysis had been prepared and would be presented by Mr Rees later in the meeting.
- b. **Top Ten Risks.** The cyber security risk had been upgraded to a "medium" risk. The possibility of complacency in dealing with risks was noted and would be incorporated into the risk profile.

**1747 Sustainability**

**Health and Safety**

Mr Howson briefed the Board on the health and safety performance in the month. He noted the successful launch of Global Corporate Challenge groups, with some 250 teams funded by the group.




## Sustainability

Mr Adam Green spoke to the Sustainability Board Report, which had been circulated. The Sustainability Report had been signed off, and would be launched on 4 June at Kings Cross.

Mr Howson had hosted the BITC business connector showcase in London. The launch of the group's Volunteering App was on schedule and intended to be available ahead of Give and Gain day on 15 May.

Dr Powell noted that Mr Meehan had commented that some of the numbers in the Sustainability Report could not be verified. Mr Howson responded that that was a timing point around evidential arrangements.

1748

## **Presentations: Markets Review and Strategic Development Update; Competitor Analysis**

Mr Rees joined the meeting. He spoke to the detailed reports on both presentations, which had been circulated.

He noted that the presentation led into the Board Strategy session in June and the Business Plan in July.

Markets had improved in the last year, and there were wider macroeconomic issues including the oil price and geo-political developments including elections in the UK and Canada.

The presentation covered the economic and political context in the group's core markets, the marketplace overview of the core markets, long-term global trends, business development and a review of existing markets in infrastructure, energy and support services, construction services and private finance.

It also identified in detail the growth opportunities in natural resource support, defence, UK support services, UK construction, international private finance and MENA infrastructure services.

In discussion, the following points were noted:

- **UK economy.** The UK had developed a long-term

service economy, which had created jobs in lower-paid service jobs.

- **Oil price.** The oil price crash had been a genuine “unknown unknown” which had not been predicted by industry observers or commentators
- **Political instability.** There was political instability in territories adjacent to those in which the business operated in the Middle East. The political situation in Egypt appeared to be stabilising but the political risk remained. There remained the risk of youth unemployment in Saudi Arabia. It was important to understand the implications of instability – who the client was, whether we would be paid, and what other risks existed.
- **United States.** The Rokstad acquisition had brought with it limited entry into the United States. It was agreed that the US opportunity should be explored in more detail at the June strategy session. The session should cover the size of the opportunity, the resource implications, risks, and the means of addressing both the market and the risks. Mr Mogford noted the difficulty experienced by UK businesses in operating in the United States. RJH
- **Network Rail.** Network Rail was experiencing difficulty in delivering the volume of work it wished to place, and discussions were in hand as to how the issue could be improved.
- **Private Finance.** There were opportunities in countries other than those currently targeted, but the group had a preference for availability-based schemes. The strategy day would cover other countries in which the UK model was used. RJH
- **Defence spending.** UK defence spending continued to represent an opportunity, with tenders for Salisbury Plain, back office outsourcing and Brize Norton anticipated in the coming year. The group had won its first tender for the Canadian defence forces and was targeting the market.

After further and detailed discussion, the Chairman noted that the extent of movement in the markets was encouraging. It was necessary to prioritise and to allocate resources appropriately.

It was also surprising that given the market opportunities, the group did not anticipate greater growth in earnings per share. Mr Adam noted that downward pressure on margins in the markets in which we operated meant that greater revenues were required to maintain earnings. Mr Howson noted that work had started to look at different sectors with higher margins, and that prioritisation was the key.

Mr Rees then covered his presentation on competitor development, covering developments in the year amongst the

group's main competitors.

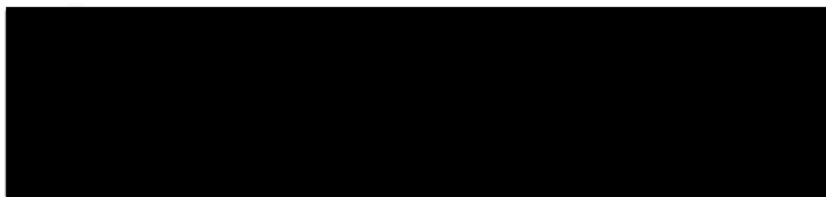
Finally, Mr Howson spoke to a paper on the earnings per share growth amongst the competitor group, which had been circulated. He noted that the key to growth seemed to be acquisition and the exploitation of adjacencies to give higher margin and continual bolt-on additions. Very little growth appeared to be purely organic.

The papers were noted and the Board's thanks were recorded to Mr Rees.

**1749 Chief Executive's Report**

Mr Howson presented his report which had been circulated. He noted that investor meetings following the preliminary announcement had been positive, although some sentiment had been lost following a negative analyst report from UBS.

He covered the recent Leadership Conference, the climate survey and a number of people issues including the appointment of a new Managing Director for Al Futtaim Carillion.



Mr Howson described progress on the Al Jallah, Hardrock, Msheireb, NGECC, Nottingham University Hospitals, Southmead, Union Station, TTC Vaughan, and Alberta roads projects.

**1750 Construction Services Operational Report**

Mr Adam Green spoke to the report which had been circulated. He reported in detail on the position on Army 2020, Midland Metropolitan Hospital and the A14 tender. Further opportunities had presented themselves on HS2, Brent Cross and the HAS. He discussed the position on the Battersea and Openreach contracts.

The report was noted and the Chairman thanked Mr Green for his update.

**Finance Director's Report**

Mr Adam spoke to his report which had been circulated. He reported in detail on the position, noting that the group was on budget for the first two months and that March also appeared to be satisfactory.



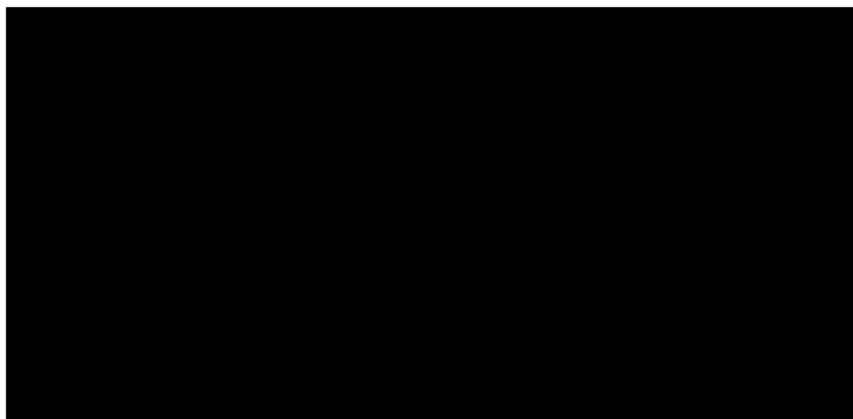
Responding to Mr Mogford, he noted that headroom remained very satisfactory, with total facilities now amounting to some £1.3bn.

The UBS note had been disappointing and challenging, given their target price of 235p. The note had taken average debt, added the pension deficit and the reverse factoring position, but ignored the fact that those issues could apply to any organisation. The Times had enquired whether we were planning a rights issue as Serco, and had been rebutted.

Analyst feedback was positive, but some 9% of the stock remained on loan with some 6% shorted against the macro view that the group and the few competitors in the sector which had not yet had a profit warning would be likely to do so at some point in the future.

The budget remained at £185m with an eps of 34.7p, but the market was moving the sector down and consensus now stood at £178m and 34.2p.

A further tax restructure was planned in Canada and would be brought to the Board in May.



The work-winning report, MPC approvals and management accounts pack were noted.

**1752 RF1**

Mr Adam spoke to his paper which had been circulated. Responding to the Chairman, he noted the Opportunities and Risks schedule, the position on contingencies and the tax rate and the market expectations of the MENA margin.

After further discussion, the forecast was approved.

**1753 Acquisitions and Disposals**

The paper had been circulated and was noted. Mr Howson updated the Board on the progress of Project Cherry 10, Project Cedar and EISL.

**1754 Directors' Dealings**

The acquisition of 3,000 shares at £3.302 per share by Mrs Horner on 24 March was noted.

**1755 Review**

The coverage of issues was felt to be satisfactory.

**1756 Next Meeting**

The next meeting would take place at 8.30 am on Wednesday 6 May 2015 at Austin Court, Birmingham.

**1757 Chairman and Non-Executives' Review**

The executives left the meeting and the Chairman and non-executive directors held a short review meeting.

  
**CHAIRMAN**

Carillion plc

**MINUTES OF A MEETING OF A COMMITTEE OF  
THE BOARD OF DIRECTORS**

Held at 20 Bourdon Street, London W1

on

Tuesday 3 March 2015 at 6 p.m.

**Present:** Mr. P. N. Green Chairman  
Mr. R. J. Adam  
Mr. R. J. Howson  
  
Mr. R. F. Tapp Secretary

**ACTION**

**Minute  
No:**

**1 2014 Report and Accounts**

It was reported that the Annual Report and Accounts, preliminary announcement, and the proposal for the payment of a final dividend of 12.15p had been considered at the meeting of the Board held earlier in the day, and referred for consideration on behalf of the Board to the Committee.

After discussion, it was resolved that the report and announcement be approved, and that the dividend of 12.15p per ordinary share be paid to shareholders on the register at the record date.



**CHAIRMAN**

**CARILLION PLC**  
**("the Company")**

Minutes of a Meeting of the Board of Directors of Carillion plc (the "Company") duly convened and held on 25<sup>th</sup> March 2015 at Carillion House, 84 Salop Street, Wolverhampton WV3 0SR

---

Directors present:     R.J. Howson     in the chair  
                              R.J. Adam        by conference call

---

**1.     PRELIMINARY MATTERS**

**1.1    Formal Requirements**

It was noted that reasonable notice of the meeting had been given to all Directors of the Company, that a quorum of the Board of Directors was present and that the meeting had been convened in accordance with the requirements of the Company's Articles of Association.

**1.2    Chairman**

The Chair was taken by Mr. Howson.

**1.3    Declaration of Interests**

The Chairman reported that pursuant to section 177 of the Companies Act 2006 and the Articles of Association of the Company, each Director present who has an interest (directly or indirectly) in the proposed arrangements referred to below duly declared the nature of their interest.

**2.     PURPOSE OF THE MEETING**

2.1    It was noted that the Company had previously approved by way of Written Resolution in its capacity as sole member of Carillion Construction Limited the granting of a guarantee in favour of the Trustees of the Carillion Group of the Electricity Supply Pension Scheme (the "**Scheme**") of the obligations of the employer companies under the scheme, a guarantee which Carillion Construction Limited had then entered into by a deed dated 23 February 2012 (the "**Original Guarantee**").

2.2    It was noted that the estimated reduction in the PPF levy for the year 2013/2014 as a result of Carillion Construction Limited entering into the Original Guarantee was £400,000. It was noted that achieving this saving would mean that this other claim on the Carillion group's funds would be reduced and thus it would increase the availability of group funds to the Company for investment in the business of the Company and its subsidiaries.

2.3    It was noted that for commercial reasons it had been agreed with the Trustees of the Scheme that Carillion Services Limited should become the new principal employer of the Scheme and other participating employees should cease to be participating



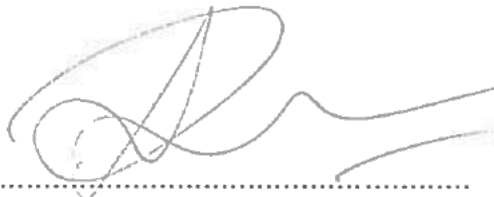
employers in the Scheme. Accordingly it was proposed that a new deed of guarantee (the "Deed of Guarantee") should be entered into by way of replacement of the Original Guarantee to cover the updated list of participating employers.

- 2.4 The Directors confirmed their approval of the Deed of Guarantee and their approval of Carillion Construction Limited entering into the Deed of Guarantee.
- 2.5 Accordingly after careful consideration of the Deed of Guarantee and full discussion it was resolved that the entering into of the Deed of Guarantee and the performance by Carillion Construction Limited of its obligations under the Deed of Guarantee under which it guarantees obligations of the companies listed in Schedule 1 to the Deed of Guarantee to make payments to the Scheme was and hereby is approved since it was being entered into on bona fide commercial terms and would promote the most efficient carrying on of the business of the Carillion Group of Companies in which the Company has a direct and material interest and promotes the success of Carillion Construction Limited for the benefit of its members as a whole and is therefore for the commercial benefit of Carillion Construction Limited.
- 2.6 It was also resolved that this decision should be formally recorded in accordance with section 357 of the Companies Act 2006 and that Mr. Howson be hereby authorised to provide Carillion Construction Limited with written details of that decision.

### 3. FINAL MATTERS

#### 3.1 Close of meeting

There being no further business, the Chairman declared the Meeting closed.



.....  
**Chairman**

Company number: 594581

**COMPANIES ACT 2006**  
**A PRIVATE COMPANY LIMITED BY SHARES**  
**RECORD OF THE DECISIONS OF THE SOLE MEMBER OF**  
**CARILLION CONSTRUCTION LIMITED**  
**(the "Company")**


**PROVIDED PURSUANT TO SECTION 357(2) OF THE COMPANIES ACT 2006**  
**(DECISIONS TAKEN ON 25<sup>TH</sup> MARCH 2015)**

Pursuant to section 357(2) of the Companies Act 2006, this is a record of details of the following decision taken by the sole member of the Company on 25<sup>th</sup> March 2015, being decisions which may be taken by the Company in general meeting and which have effect as if agreed by the Company in general meeting as an ordinary resolution of the Company.

**Ordinary resolutions**

1. That the entry into by the Company of the guarantee (the **Guarantee**) in favour of the trustees of the Carillion Group of the Electricity Supply Pension Scheme (the **Scheme**) and the performance by the Company of its obligations under the Guarantee under which the Company guarantees obligations of the companies listed in Schedule 1 to the Guarantee to make payments to the Scheme, is hereby approved.
2. That the Company's entry into and performance of the Guarantee promotes its success for the benefit of its members as a whole and is therefore for the commercial benefit of the Company.

Signed: \_\_\_\_\_



Date: 25<sup>th</sup> March 2015

R.J. Howson  
For and on behalf of  
Carillion plc