Churchward plc

Directors' report and financial statements

Registered number 2489314

Year ended 31 December 2000

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities and business review

The company is principally engaged in the retention of land and property for development purposes.

Development of the land and property continues to progress satisfactorily.

The directors anticipate that the company will continue in its present role within the Carillion Group in 2001.

Profits and dividends

The loss on ordinary activities before taxation was £2,409 *(1999: profit £3,398)*.

The directors do not recommend the payment of a dividend *(1999: £Nil)*.

Directors and directors' interests

The directors who served during the year were:

GA Cooper
BJ Sharples
SP Eastwood
E McEwan

No directors had any beneficial interest in the share or loan capital of any subsidiary of Carillion plc.

The directors who held office at the end of the financial year and their families, other than those whose interests are disclosed in the financial statements of the immediate or ultimate holding company, had the following interests in, and options to subscribe for, ordinary shares of 50p each in Carillion plc:

	At 31 December 2000		At 1 January 2000		Share option movements in year		
	Shares	Share options	Shares	Share Options	Granted	Exercised	Lapsed
	Number	Number	Number	Number	Number	Number	Number
GA Cooper	**7,049**	-	6,943	-	-	-	-
SP Eastwood	**17,501**	**86,726**	17,104	55,835	30,891	-	-

No director was materially interested during the year in any contract which was significant in relation to the business of the company.

Directors' report *(continued)*

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution for the re-appointment of KPMG Audit Plc as auditor of the company will be proposed at the Annual General Meeting.

Approved by the Board on 14 March 2001 and signed on its behalf by:

DO FitzHugh
Secretary

Birch Street
Wolverhampton
WV1 4HY

KPMG

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of Churchward PLC

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

14 March 2001

Profit and loss account
for the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover	*1*	**420,000**	-
Cost of sales		**(420,000)**	-
Gross profit		-	-
Administrative expenses		**(2,555)**	478
Operating (loss)/profit on ordinary activities	*3*	**(2,555)**	478
Interest receivable	*4*	**146**	2,920
(Loss)/profit on ordinary activities before taxation		**(2,409)**	3,398
Tax on operating (loss)/profit	*5*	**720**	(826)
(Loss)/profit on ordinary activities after taxation		**(1,689)**	2,572
Accumulated losses brought forward		**(16,171,803)**	(16,174,375)
Accumulated losses carried forward		**(16,173,492)**	(16,171,803)

There is no difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis in either the current or preceding financial year.

There were no recognised gains and losses in either the current or preceding financial year other than the profit or loss for those years. All amounts relate to continuing operations.

Balance sheet
at 31 December 2000

	Note	2000 £	1999 £
Current assets			
Stocks	6	**2,754,224**	2,897,384
Debtors	7	**491,490**	1,015,514
Cash at bank		**1,020,007**	82,146
		4,265,721	3,995,044
Creditors: Amounts falling due within one year	8	**(20,057,591)**	(19,785,225)
Net current liabilities		**(15,791,870)**	(15,790,181)
Creditors: Amounts falling due after more than one year	9	**(280,984)**	(280,984)
Net liabilities		**(16,072,854)**	(16,071,165)
Capital and reserves			
Called up share capital	11	**100,638**	100,638
Profit and loss account		**(16,173,492)**	(16,171,803)
Shareholders' funds	12	**(16,072,854)**	(16,071,165)
Analysis of shareholders' funds			
Equity shareholders' funds		**(16,162,854)**	(16,161,165)
Non-equity shareholders' funds		**90,000**	90,000
		(16,072,854)	(16,071,165)

These financial statements were approved by the Board of directors on 14 March 2001 and were signed on its behalf by:

SP Eastwood
Director

Notes

(forming part of the financial statements)

1 Principal 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 accounting

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable UK Accounting Standards.

Basis of preparation

The financial statements have been prepared on a going concern basis. The going concern basis assumes that the company will continue to trade, since Carillion Construction Limited has indicated that it will provide or procure such funds as are necessary to enable the company to continue its development activities for a period of at least twelve months and enable the company to continue to pay its debts on this basis. Therefore, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes appropriate overheads.

Taxation

The charge for taxation is based on the result for the year and takes into account deferred taxation, calculated using the liability method, which is included only where the effects of timing differences between results as stated in the accounts and as computed for taxation purposes are, in the opinion of the directors, likely to crystallise in the foreseeable future.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that Carillion plc, the company's ultimate parent undertaking, includes the company's cash flows in its own published consolidated cash flow statement.

Turnover

Turnover represents the sale of completed projects and rents receivable in the United Kingdom.

2 Directors' emoluments

The directors have neither received nor waived any emoluments during the year *(1999: £Nil)*. The company has no employees other than the directors.

3 Operating (loss)/profit

	2000	1999
Operating (loss)/profit is stated after charging:	**£**	£
Auditors' remuneration	**2,535**	2,415

4 Interest receivable

	2000	1999
	£	£
Bank interest receivable	**146**	2,920

Notes *(continued)*

5 Tax on operating (loss)/profit

	2000 £	1999 £
Corporation tax at 30% *(1999: 30.25%)*	-	900
Adjustment in respect of previous years	-	(74)
Group tax relief receivable	(720)	-
	(720)	826

6 Stocks

	2000 £	1999 £
Development work in progress	2,754,224	2,897,384

7 Debtors

	2000 £	1999 £
Amounts falling due within one year:		
Trade debtors	459,869	1,009,869
Other tax and social security	31,621	5,645
	491,490	1,015,514

8 Creditors: Amounts falling due within one year

	2000 £	1999 £
Trade creditors	12,131	23,994
Amounts owed to group undertakings	19,886,395	19,711,106
Corporation tax	-	900
Group taxation payable	180	-
Accruals and deferred income	4,950	49,225
Other creditors	153,935	-
	20,057,591	19,785,225

9 Creditors: Amounts falling due after more than one year

	2000 £	1999 £
Subordinated loan	280,984	280,984

The terms of the allotment of "A" ordinary shares is governed by a shareholders' agreement which requires applicants for the "A" ordinary shares to apply for a percentage of shares in nominal value (the relevant percentage) and to state the amount in cash they are prepared to subscribe for such relevant percentage.

On acceptance by the board, the relevant percentage of "A" ordinary shares is allotted and issued to the applicant against receipt of the par value of such shares in cash and the balance of the amount to be subscribed in cash as an interest free subordinated loan.

Notes *(continued)*

9 Creditors: Amounts falling due after more than one year *(continued)*

The terms of the subordinated loan are such that it can only be utilised either to:

- capitalise such amount of subordinated loan as is required to issue and allot as fully paid such further "A" ordinary shares as are necessary to retain the shareholders' relevant percentage following the allotment of any new shares; or
- pay up any premium on the "A" ordinary shares held by the shareholder on the earliest of the termination of the shareholders' agreement; a winding up of the company; or the date when the board resolves that no further shareholders are invited to subscribe, such premium being the balance of the subordinated loan at that time.

10 Deferred taxation

The amounts recognised and unrecognised for deferred taxation are set out below:

	2000		1999	
	Amounts recognised £	**Amounts not recognised £**	Amounts recognised £	Amounts not recognised £
Other timing differences	-	**1,494,700**	-	1,494,700

11 Share capital

	2000 £	1999 £
Authorised:		
250,000 "A" ordinary shares of 10p each	**25,000**	25,000
180,000 "B" 1% non-cumulative preference shares of £1 each	**180,000**	180,000
	205,000	205,000
Allotted:		
106,384 "A" ordinary shares of 10p each	**10,638**	10,638
90,000 "B" 1% non-cumulative preference shares of £1 each	**90,000**	90,000
	100,638	100,638
Called up and partly paid:		
102,660 "A" ordinary shares (2.5p paid)	**2,566**	2,566
90,000 "B" 1% non-cumulative preference shares of £1 each (25p paid)	**22,500**	22,500
	25,066	25,066
Called up and fully paid:		
3,724 "A" ordinary shares of 10p each	**372**	372

The company's principal shareholder is Carillion Construction Limited (holding 97.5% of "A" ordinary shares), which is incorporated in Great Britain.

Notes *(continued)*

12 Reconciliation of movements in shareholders' funds

	2000	1999
	£	£
(Loss)/profit for the financial year	**(1,689)**	2,572
Shareholders' funds at beginning of year	**(16,071,165)**	(16,073,737)
Shareholders' funds at end of year	**(16,072,854)**	(16,071,165)

13 Shareholders' funds

The "B" 1% non-cumulative preference shares of £1 each have the right to a fixed non-cumulative preferential dividend payable on 30 June and 31 December at the rate of 1% per annum in respect of the six month period ending on those dates. The company has not declared a dividend during the year.

The "B" 1% non-cumulative preference shares do not carry any voting rights. Proceeds available on the winding up of the company are to be utilised to repay the nominal value of the "B" shares together with any arrears deficiency or accruals of the preferential dividends on the "B" shares up to the date of liquidation. Thereafter the assets of the company belong to the holders of the equity share capital.

14 Related party disclosures

As a greater than 90% subsidiary of Carillion plc the company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the Carillion plc group. Note 15 gives details of how to obtain a copy of the published financial statements of Carillion plc.

15 Controlling and parent companies

The company's immediate controlling company is Carillion Construction Limited, its immediate parent company, whilst the company's ultimate controlling company is Carillion plc, its ultimate parent company, both of which are registered in England and Wales.

Copies of the group financial statements for Carillion plc are available from Birch Street, Wolverhampton, WV1 4HY.