Churchward plc

Directors' report and financial statements

Registered number 2489314

Year ended 31 December 2008

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activities and business review

The company is 97.5% owned by Carillion Construction Limited and is principally engaged in the development of land and property at Churchward Village in Swindon. There are some remaining plots of serviced land which are to be sold to third party developers. The directors anticipate that the company will continue in its present role within the Carillion group during the next financial year.

Carillion plc manages its operations on a diverse basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of each of the divisions of Carillion plc is discussed in Carillion's Annual Report, which does not form part of this report.

Principal risks and uncertainties

The group risks to which Churchward plc is exposed are discussed in Carillion's Annual Report, which does not form part of this report.

Environment

Churchward plc recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to mitigate any adverse impact which might be caused by its activities. The company operates in accordance with Group policies, as noted in Carillion's Annual Report, which does not form part of this report.

Employees

Directors are the only employees of the company.

The company participates in Carillion's policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

Profits and dividends

The company's loss on ordinary activities before taxation for the year was £558,329 *(2007: £388,587)*.

The directors do not recommend the payment of a dividend for the year *(2007: £Nil)*.

Directors

The directors who served during the year and up to the date of this report were:

J Baker
SP Eastwood
J McDonough
RW Robinson (resigned 30 July 2009)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will, therefore, continue in office.

Approved by the Board on and signed on its behalf by:

J McDonough
Director

24 Birch Street
Wolverhampton
WV1 4HY

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

KPMG

KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Churchward plc

We have audited the financial statements of Churchward plc for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of Churchward plc *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2008

	Note	2008 £	2007 £
Turnover	2	-	6,500,000
Cost of sales		250,000	(5,410,820)
Gross profit		250,000	1,089,180
Administrative expenses		(29,855)	(130,056)
Operating profit	4	220,145	959,124
Interest payable	5	(778,474)	(1,347,711)
Loss on ordinary activities before taxation		(558,329)	(388,587)
Tax on loss on ordinary activities	6	159,124	118,233
Loss for the financial year	11	(399,205)	(270,354)

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 loss for those years. All amounts relate to continuing operations.

Balance sheet
at 31 December 2008

	Note	2008	2007
		£	£
Current assets			
Stocks	7	**155,000**	155,000
Debtors	8	**1,063,168**	7,660,131
Cash at bank and in hand		**3,744,718**	-
		4,962,886	7,815,131
Creditors: Amounts falling due within one year	9	**(21,686,079)**	(24,139,119)
Net liabilities		**(16,723,193)**	(16,323,988)
Capital and reserves			
Called up share capital	10	**100,638**	100,638
Profit and loss account	11	**(16,823,831)**	(16,424,626)
Shareholders' deficit	12	**(16,723,193)**	(16,323,988)
Analysis of shareholders' deficit			
Equity shareholders' deficit		**(16,813,193)**	(16,413,988)
Non-equity shareholders' funds		**90,000**	90,000
	12	**(16,723,193)**	(16,323,988)

These financial statements were approved by the directors on and were signed on its behalf by:

J McDonough

J McDonough
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 plc 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 credit for taxation is based on the result for each year and takes into account deferred taxation, calculated in accordance with the requirements of FRS19 "Deferred taxation". Deferred tax assets or liabilities, which arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation, are calculated on a non-discounted full provision basis. Assets are calculated on the same basis but are recognised only to the extent that it is probable that they will be recovered.

Cash flow statement

Under Financial Reporting Standard 1 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.

Classification of financial instruments issued by the Group

Following the adoption of FRS 25, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Notes *(continued)*

2 Turnover

Turnover represents the sale of completed projects and is all derived from the UK.

3 Directors' emoluments

The directors, being the only employees of the company, have neither received nor waived any emoluments during the year *(2007: £Nil)*.

4 Operating profit on ordinary activities

	2008	2007
	£	£
Operating profit on ordinary activities is stated		
after charging		
Auditors' remuneration – audit of these financial statements	**2,000**	2,000

Fees paid to the company's auditor, KPMG Audit Plc, and its associates for services other than the statutory audit of the company are not disclosed in these accounts as the company's parent, Carillion plc, is required to disclose non audit fees on a consolidated basis.

5 Interest payable

	2008	2007
	£	£
Group interest	**778,474**	1,347,711

From 1 January 2007 interest has been charged on amounts due to group undertakings at 6.5%.

6 Tax on loss on ordinary activities

(a) *Analysis of tax credit in year*

	2008	2007
	£	£
UK corporation tax		
Group relief	**(159,124)**	(793,614)
Prior year adjustment	-	-
Total current tax	-	(793,614)
Deferred tax		
Reversal of timing differences	-	670,205
Adjustment due to change in tax rate	-	5,176
Total deferred tax	-	675,381
Tax on loss on ordinary activities	**(159,124)**	(118,233)

Notes *(continued)*

6 Tax on loss on ordinary activities *(continued)*

(b) Factors affecting the tax credit for the current year

The UK standard rate of corporation tax for the year is 28.5% *(2007: 30%)*. The actual tax rate is the same as *(2007: higher than)* the standard rate for the reasons set out below:

	2008	2007
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	**(558,329)**	(388,587)
Tax on loss on ordinary activities at UK standard rate of corporation tax of 28.5% *(2007: 30%)*	**(159,124)**	(116,576)
Permanent differences	**-**	(6,833)
Other timing differences	**-**	(670,205)
Current tax credit for the year	**(159,124)**	(793,614)

(c) Factors that may affect future tax charges

The company has tax losses of £2,290,630 *(2007: £2,290,630)* carried forward as agreed with the Inland Revenue. However, no deferred tax asset has been recognised on these losses due to warranty over-timing of the use of such losses. As a result, the future tax charge paid by the companymay be reduced.

The company has a deferred tax asset of £23,619 (*2007: £23,619*) see Note 8, resulting from other timing differences, in relation to a general provision.

The UK corporation tax rate changed from 30% to 28% with effect from 1 April 2008.

7 Stocks

	2008	2007
	£	£
Development work in progress	**155,000**	155,000

8 Debtors

	2008	2007
	£	£
Other tax and social security	**4,847**	29,992
Amounts owed by group undertakings	**860,547**	960,547
Group tax relief	**159,124**	793,614
Other debtors	**15,031**	5,852,359
Deferred tax asset	**23,619**	23,619
	1,063,168	7,660,131

Debtors include deferred tax of £23,619 *(2007: £23,619)* due after more than one year:

Deferred tax asset comprises:		
Other timing differences	**23,619**	23,619

Notes *(continued)*

9 Creditors: Amounts falling due within one year

	2008 £	2007 £
Trade creditors	**4,735**	19,707
Amounts owed to group undertakings	**20,821,325**	22,737,212
Accruals and deferred income	**579,035**	1,101,600
Subordinated loan	**280,984**	280,600
	21,686,079	24,139,119

The terms of the subordinated loan are such that it can only be utlised 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 Share capital

	2008 £	2007 £
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
Issued:		
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)*

10 Share capital *(continued)*

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.

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.

11 Profit and loss account

	£
At beginning of the financial year	(16,424,626)
Loss for the financial year	(399,205)
At end of the financial year	**(16,823,831)**

12 Reconciliation of movements in shareholders' deficit

	2008 £	2007 £
Loss for the financial year	(399,205)	(270,354)
Opening shareholders' deficit	(16,323,988)	(16,053,634)
Closing shareholders' deficit	**(16,723,193)**	(16,323,988)

13 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 14 gives details of how to obtain a copy of the published financial statements of Carillion plc.

14 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 24 Birch Street, Wolverhampton, WV1 4HY.