

**Churchward plc**

**Directors' report and financial statements**

Year ended 31 December 1999

Registered number 2489314



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## **Directors' report and financial statements**

### **Contents**

Directors' report	1
Report of the auditors to the members of Churchward PLC	4
Profit and loss account	5
Balance sheet	6
Notes	7



## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

### Principal activity

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

### Business review

Turnover for the year amounted to £Nil (1998: £2,815,842) and profit on ordinary activities before taxation was £3,398 (1998: £3,576).

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 2000.

### Demerger from Tarmac

On 29 July 1999 Tarmac Construction Services was demerged from Tarmac plc. This resulted in the listing of Carillion plc on the London Stock Exchange on 30 July 1999.

### European Economic and Monetary Union

The Group recognises the importance of the Euro, particularly for its businesses operating in France and Ireland which introduced the Euro on 1 January 1999. The introduction of the Euro has had little impact on the Group's internal systems and procedures. The related financial costs are not material to the Group.

### Proposed dividend

The directors do not recommend the payment of a dividend (1998: £Nil).

### Creditor payment policy

The company does not adopt any specific code or standard, however it is the company's policy to pay its suppliers in accordance with the terms and conditions agreed prior to the commencement of trading provided that the supplier has met its contractual obligations.

### Directors and directors' interests

The directors serving during the year were:

GA Cooper  
BJ Sharples  
SP Eastwood  
E McEwan  
B Pellard (resigned 1 July 1999)

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

## Directors' report (continued)

### Directors and directors' interests (continued)

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, and Tarmac plc up to the date of demerger at which date all Tarmac plc share options lapsed:

	At 31 December 1999		At 1 January 1999		Share option movements in year		
	Shares	Share options	Shares	Share options	Granted	Exercised	Lapsed
	Number	Number	Number	Number	Number	Number	Number
<b>GA Cooper</b>							
Carillion plc	6,943	-	n/a	n/a	-	-	-
Tarmac plc	n/a	n/a	24,766	117,684	-	52,758	19,051
<b>SP Eastwood</b>							
Carillion plc	17,104	55,835	n/a	n/a	55,835	-	-
Tarmac plc	n/a	n/a	9,245	110,454	-	103,580	6,874

### Year 2000

The Group undertook a comprehensive internal programme to ensure that all computer dependant systems continued to operate with the Y2K date change. Initial indications are that no major systems problems arose and that the Group's operations were unaffected as a result. Although the risk of problems now arising is low, vigilance is maintained and processes and procedures are in place to detect and rectify quickly any issues which may arise. The Group estimates that the total cost of modifying hardware and systems was approximately £3.6 million of which just over £1million was incurred in 1999.

### 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.

## Directors' report *(continued)*

### Auditors

A resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming annual general meeting.

Approved by order of the Board of directors and signed on its behalf by:



**DO FitzHugh**  
*Secretary*

Birch Street  
Wolverhampton  
WV1 4HY

14 March 2000



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 5 to 11.

### *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 1999 and of the profit 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 2000

**Profit and loss account**  
*for the year ended 31 December 1999*

	<i>Note</i>	1999 £	1998 £
<b>Turnover</b>	2	-	2,815,842
Cost of sales		-	(2,809,819)
		<hr/>	<hr/>
<b>Gross profit</b>		-	6,023
Administrative expenses		478	(2,447)
		<hr/>	<hr/>
<b>Operating profit on ordinary activities</b>	4	478	3,576
Interest receivable	5	2,920	-
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		3,398	3,576
Tax on operating profit	6	(826)	(501,286)
		<hr/>	<hr/>
<b>Profit/(loss) on ordinary activities after taxation</b>		2,572	(497,710)
Accumulated losses brought forward		(16,174,375)	(15,676,665)
		<hr/>	<hr/>
<b>Accumulated losses carried forward</b>		(16,171,803)	(16,174,375)
		<hr/> <hr/>	<hr/> <hr/>

The above results are all derived from continuing operations.

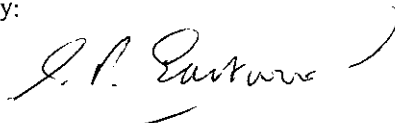
The company has no recognised gains and losses in either the current or preceding year other than those disclosed in the profit and loss account.



**Balance sheet**  
*at 31 December 1999*

	Note	1999 £	1998 £
<b>Current assets</b>			
Stocks	7	2,897,384	2,774,668
Debtors: amounts falling due within one year		1,015,514	1,454,114
Debtors: amounts falling due after more than one year		-	1,009,869
Total debtors	8	1,015,514	2,463,983
Cash at bank		82,146	3,070,653
		<u>3,995,044</u>	<u>8,309,304</u>
<b>Creditors: Amounts falling due within one year</b>	9	(19,785,225)	(24,008,386)
<b>Net current liabilities</b>		<u>(15,790,181)</u>	<u>(15,699,082)</u>
<b>Creditors: Amounts falling due after more than one year</b>	10	(280,984)	(374,655)
<b>Net liabilities</b>		<u>(16,071,165)</u>	<u>(16,073,737)</u>
<b>Capital and reserves</b>			
Called up share capital	12	100,638	100,638
Profit and loss account		(16,171,803)	(16,174,375)
<b>Shareholders' funds</b>	13	<u>(16,071,165)</u>	<u>(16,073,737)</u>
<b>Analysis of shareholders' funds</b>			
Equity shareholders' funds		(16,161,165)	(16,163,737)
Non-equity shareholders' funds		90,000	90,000
		<u>(16,071,165)</u>	<u>(16,073,737)</u>

These financial statements were approved by the Board of directors on 14 March 2000 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 preparation*

The financial statements have been prepared in accordance with applicable Accounting Standards, under the historical cost accounting rules and 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. The directors consider it appropriate to prepare the financial statements on a going concern basis.

#### *Development work in progress*

Development work in progress is stated at the lower of cost and net realisable value. Cost includes appropriate overheads.

#### *Deferred taxation*

Deferred taxation, calculated using the liability method, is included only where the effects of timing differences between results as stated in the accounts and as completed for taxation purposes are 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.

### 2 Turnover

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

### 3 Directors' emoluments

The directors have neither received nor waived any emoluments during the year (1998: £Nil). The company has no employees other than the directors.

### 4 Operating profit

	1999 £	1998 £
<i>Operating profit is stated after charging</i>		
Auditors' remuneration	2,415	2,340

**Notes (continued)**

**5 Interest receivable**

	1999 £	1998 £
Bank interest receivable	2,920	-
	<u>2,920</u>	<u>-</u>

**6 Tax on operating profit**

	1999 £	1998 £
Corporation tax at 30.25% (1998: 31%)	900	-
Adjustment in respect of previous years	(74)	(314)
Deferred taxation	-	501,600
	<u>826</u>	<u>501,286</u>

The corporation tax credit of £Nil (1998: £314) relates to group relief paid by fellow group companies during the year. No credit was taken for this group relief in the year the losses arose.

**7 Stocks**

	1999 £	1998 £
Development work in progress	2,897,384	2,774,668
	<u>2,897,384</u>	<u>2,774,668</u>

**8 Debtors**

	1999 £	1998 £
<b>Amounts falling due within one year:</b>		
Trade debtors	1,009,869	1,000,000
Group relief receivable	-	454,114
Other tax and social security	5,645	-
	<u>1,015,514</u>	<u>1,454,114</u>
<b>Amounts falling due after more than one year:</b>		
Trade debtors	-	1,009,869
	<u>1,015,514</u>	<u>2,463,983</u>

## Notes (continued)

### 9 Creditors: Amounts falling due within one year

	1999 £	1998 £
Trade creditors	23,994	-
Amounts owed to group undertakings	19,711,106	23,672,821
Corporation tax	900	74
Other taxation and social security	-	325,337
Accruals and deferred income	49,225	10,154
	<hr/> 19,785,225 <hr/>	<hr/> 24,008,386 <hr/>

### 10 Creditors: Amounts falling due after more than one year

	1999 £	1998 £
Subordinated loan	280,984	374,655
	<hr/>	<hr/>

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 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.

## Notes (continued)

### 11 Deferred taxation

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

	1999		1998	
	Amounts recognised £	Amounts not recognised £	Amounts recognised £	Amounts not recognised £
Other timing differences	-	1,494,700	-	2,797,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 12 Share capital

	1999 £	1998 £
<b>Authorised:</b>		
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
	<u>205,000</u>	<u>205,000</u>
<b>Allotted:</b>		
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
	<u>100,638</u>	<u>100,638</u>
<b>Called up and partly paid:</b>		
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
	<u>25,066</u>	<u>25,066</u>
<b>Called up and fully paid:</b>		
3,724 "A" ordinary shares of 10p each	372	372
	<u>372</u>	<u>372</u>

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

## Notes (continued)

### 13 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit/(loss) for the financial year	2,572	(497,710)
Shareholders' funds at beginning of year	(16,073,737)	(15,576,027)
	<hr/>	<hr/>
Shareholders' funds at end of year	(16,071,165)	(16,073,737)
	<hr/>	<hr/>

### 14 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.

### 15 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 16 gives details of how to obtain a copy of the published financial statements of Carillion plc.

### 16 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 incorporated in Great Britain.

Copies of the group financial statements for Carillion plc are available from 24 Birch Street, Wolverhampton, WV1 4HY.