Churchward plc

Annual report and financial statements

Registered number 2489314

For the year ended 31 December 2015

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Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2015.

Principal activities

The company is 99.5% owned by Carillion Construction Ltd 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.

Business review

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.

Profits and dividends

The company's loss on ordinary activities before taxation for the year was £644,452 (2014: £752,517). The Directors do not recommend the payment of a dividend for the year (2014: £Nil). During the year the company paid no political donations (2014: £Nil).

Directors

The Directors serving during the year and subsequently were:

SP Eastwood
MW Orriss
JA Lewis (resigned 30 November 2015)

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 28 July 2016 and signed on its behalf by:

SP Eastwood
Director

84 Salop Street
Wolverhampton
WV3 0SR

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), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Churchward plc

We have audited the financial statements of Churchward plc for the year ended 31 December 2015 set out on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:
• give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
• have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
• the financial statements are not in agreement with the accounting records and returns; or
• certain disclosures of directors' remuneration specified by law are not made; or
• we have not received all the information and explanations we require for our audit.
• the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

Peter Meehan
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

28 July 2016

Profit and loss account
for the year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	*1*	**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Administrative expenses		**(50,030)**	(99,876)
Other operating income		**79,535**	-
Operating profit / (loss)		**29,505**	(99,876)
Interest receivable and similar income	*4*	**119,543**	119,659
Interest payable and similar charges	*5*	**(793,500)**	(772,300)
Loss on ordinary activities before taxation	*2*	**(644,452)**	(752,517)
Tax on loss on ordinary activities	*6*	**(31,365)**	111,795
Loss for the financial year		**(675,817)**	(640,722)

All activities relate to continuing operations.

There is no difference between the results 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 or losses in either the current or preceding financial year other than the loss for those years.

The notes on pages 9 to 14 form part of the financial statements.

Balance sheet
at 31 December 2015

	Note	2015 £	2015 £	2014 £	2014 £
Current assets					
Stocks	*7*	**14,000**		14,000	
Debtors	*8*	**3,558,903**		2,865,813	
Cash at bank and in hand		**101,096**		51,968	
		3,673,999		2,931,781	
Creditors: amounts falling due within one year	*9*	**(23,524,371)**		(22,106,336)	
Net current liabilities			**(19,850,372)**		(19,174,555)
Net liabilities			**(19,850,372)**		(19,174,555)
Capital and reserves					
Called up share capital	*11*		**100,638**		100,638
Profit and loss account			**(19,951,010)**		(19,275,193)
Equity shareholders' deficit			**(19,850,372)**		(19,174,555)

These financial statements were approved by the Board of Directors on 28 July 2016 and were signed on its behalf by :

SP Eastwood
Director

Company registered number 2489314

Statement of changes in equity
for the year ended 31 December 2015

	Called up share capital £	Profit and loss account £	Total £
Balance at 1 January 2014	100,638	(18,634,471)	(18,533,833)
Loss for the year	-	(640,722)	(640,722)
Balance at 31 December 2014	100,638	(19,275,193)	(19,174,555)
Loss for the year	-	(675,817)	(675,817)
Balance at 31 December 2015	100,638	(19,951,010)	(19,850,372)

Churchward plc
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 information.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The transition to FRS 101 has not had an impact on the loss for the year or net liabilities.

In these financial statements, the company has applied the exemptions under FRS101 in respect of the following disclosures:
- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effect of new but not yet effective IFRSs;
- an additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- disclosures in respect of compensation of key management personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Carillion plc include the equivalent disclosures, the company has also taken the exemptions under FRS101 available in respect of the following disclosures:
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS7 Financial Instrument disclosures.

Going concern
The company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' report.

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £19,850,296, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Carillion plc, the company's ultimate parent undertaking. Carillion plc has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The company participates in the Carillion plc group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's ultimate parent Carillion plc to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Carillion group to continue as a going concern or its ability to continue with the current banking arrangements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate.

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

Turnover
Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to all customers including fellow subsidiary undertakings. In respect of long term contracting activities, turnover reflects the value of work executed during the year. It also includes the company's proportion of work carried out by joint arrangements during the year.

Taxation
Income tax comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes *(continued)*

2. Loss on ordinary activities before taxation

The audit fee for the year ended 31 December 2015 amounting to £1,700 (2014: £1,700) was bome by Carillion Construction Limited, a fellow Group subsidiary.

Fees paid to the company's auditor, KPMG LLP and its associates, for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of the company's parent, Carillion plc, are required to disclose non-audit fees on a consolidated basis.

3. Directors' remuneration

The Directors are paid through a fellow Group company and no recharge is made to Churchward plc in respect of these emoluments.

The directors, who are the only employees of the company, neither received nor waived any remuneration during the year (2014: £Nil).

4. Interest receivable and similar income

	2015	2014
	£	£
Interest receivable from Group undertakings	119,543	118,283
Bank interest receivable	-	1,376
	119,543	119,659

Notes *(continued)*

5. Interest payable and similar charges

	2015	2014
	£	£
Interest payable to Group undertakings	793,500	772,300
	793,500	772,300

6. Tax on loss on ordinary activities

(a) Analysis of taxation charge/(credit) in the year

	2015	2014
	£	£
UK corporation tax		
Current tax	(130,502)	(161,791)
Adjustment in respect of prior periods	161,791	49,996
Total current taxation	31,289	(111,795)
Deferred taxation		
Adjustment in respect of change in rate	76	-
Total deferred taxation	76	-
Total taxation on loss on ordinary activities	31,365	(111,795)

(b) Factors affecting the total tax charge/(credit) in the year

The tax charge (2014: credit) for the year is higher than (2014: lower than) the standard rate of 20.25% (2014: 21.5%). The difference is explained below:

	2015	2014
	£	£
Total tax reconciliation		
Loss on ordinary activities before taxation	(644,452)	(752,517)
Tax on loss on ordinary activities at 20.25% (2014: 21.5%)	(130,502)	(161,791)
Effects of:		
Adjustment in respect of previous periods	161,791	49,996
Adjustment in respect of change in rate	76	-
Total tax charge/(credit) for the year	31,365	(111,795)

(c) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 December 2015 has been calculated based on the rate in the period in which it is expected to unwind.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

The company has tax losses of £1,865,306 (2014: £1,865,306) carried forward as agreed with HM Revenue & Customs. However, no deferred tax asset has been recognised on these losses due to uncertainty over timing of the use of such losses. As a result, the future tax charge paid by the company may be reduced.

Notes *(continued)*

7. Stocks	**2015**	2014
	£	£
Development work in progress	**14,000**	14,000

8. Debtors

	2015	2014
	£	£
Amounts owed by Group undertakings	**3,487,473**	2,695,630
Corporation tax	**-**	111,795
Other debtors	**69,982**	56,864
Deferred tax asset (note 10)	**1,448**	1,524
	3,558,903	2,865,813

Amounts owed by Group undertakings are repayable on demand and have therefore been classified as due within one year. The amounts owed attract interest at a rate which reflects the cost of borrowing to the Group.

Notes *(continued)*

9. Creditors: Amounts falling due within one year

	2015	2014
	£	£
Corporation tax	**31,289**	-
Amounts owed to Group undertakings	**23,490,264**	22,021,063
Other tax and social security costs	**1,314**	5,738
Other creditors	**1,500**	-
Accruals and deferred income	**4**	79,535
	23,524,371	22,106,336

Amounts owed to Group undertakings are repayable on demand and have therefore been classified as due within one year. The amounts owed bear interest at a rate that reflects the cost of borrowing to the Group.

10. Deferred taxation

	£
At the beginning of the year	**1,524**
Transfer to profit and loss account	**(76)**
At the end of the year	**1,448**

The elements of deferred taxation are as follows:

	2015	2014
	£	£
Other timing differences	**1,448**	1,524
	1,448	1,524

The deferred tax asset is disclosed in debtors (note 8).

11. Share capital	2015	2014
	£	£
Issued:		
106,384 "A" ordinary shares of £0.1 each	**10,638**	10,638
90,000 "B" 1% non-cumulative preference shares of £1.00 each	**90,000**	90,000
	100,638	100,638
Called up and fully paid		
3,724 "A" ordinary shares of £0.1 each	**372**	372

The company's principal shareholder is Carillion Construction Limited (holding 99.5% of "A" ordinary shares), which is incorporated in Great Britain.

The terms of the allotment of "A" ordinary shares is governed by a shareholder' 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 (2014: £nil).

The "B" 1% non-cumulative preference shares do no 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 of 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.

Notes *(continued)*

12. Controlling and parent companies

The company's controlling company is Carillion plc, its ultimate parent company, which is incorporated in Great Britain and registered in England and Wales.

Copies of the Group financial statements of Carillion plc are available from 84 Salop Street, Wolverhampton, WV3 0SR.