

Postworth Limited (Trading as "SkyBlue")

Annual report and financial statements

Registered number 02508579

For the year ended 31 December 2016

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Strategic report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2016.

Principal activities

The company is a wholly-owned subsidiary of Carillion plc. The company's principal activity is the supply of contract operatives to the industries which Carillion operates within. There have not been any significant changes in the company's principal activities in the year under review. The directors are not, at the date of this report, aware of any likely major changes in the company's activities in the next year.

Business review

As shown in the company's profit and loss account on page 7, the company's turnover has increased by 8% over the prior year, following a change to a direct delivery model by the company's client on certain of its contracts. Strong cost management and efficiencies enabled the company to increase its operating profit to £663,000 (2015: £431,000). The company's prospects in its key construction and rail industry markets remain strong as activity in these areas continues to increase.

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

Carillion manages its operations on a divisional 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.

Key performance indicators

In order to build on the substantial progress made in 2016, we have set the following key objectives for 2017:

- to develop and attract excellent people to create a vibrant, diverse and flexible workforce
- to be a recognised leader in Health & Safety and in Sustainability
- to improve customer satisfaction
- to reduce costs and improve efficiency to support margins
- to deliver cash-backed profit

Principal risks

The principal risks facing the business, and the controls in place to mitigate these, are as follows:

- the ability to win new contracts consistent with our target margins in markets that are competitive. In response, the company continually seeks to differentiate its offering by reviewing its competitive strategy and target markets, listens to customers in order to develop services that meet their needs and focus on efficiency and cost reduction to remain competitive.
- attracting and retaining skilled people in order to attract, develop and retain excellent people and become an employer of choice. Carillion has a wide range of policies and programmes in place. Further details are given in Carillion's Annual Report which does not form part of this report.
- health and safety performance - Carillion has a clear aim to reduce accidents to zero by taking a zero-tolerance approach to Health and Safety risks at work. The company's safety record is reviewed every month by the Senior Management Team and all branch managers are required to undertake periodic Safety Tours.
- Impacts arising from a potential lack of access to the pool of European labour and financing provided by the European investment bank as a result of the UK leaving the European Union.

Approved by the Board on

7 September 2017

and signed on its behalf by:



Zafar Khan
Director

84 Salop Street
Wolverhampton
WV3 0SR

Directors' report

Directors

The directors serving during the year and subsequently were:

RJ Adam (Resigned 31 October 2016)

Z Khan (Appointed 31 October 2016)

LJ Mills

NP Taylor

A Hayward

Equal opportunities

The company is an equal opportunities employer. It is the policy of the company to give the fullest consideration to the employment needs of all prospective and existing employees. Carillion continually strives to eliminate all bias and unlawful discrimination in relation to job applicants, employees, business partners and members of the public. Full consideration is given to suitable applications for employment from disabled persons where they have the necessary abilities and skills for the position and wherever possible to re-train employees who become disabled, so that they can continue in their employment in another position.

Special attention is given to interviewing, selection, recruitment and training to ensure that there is effective implementation of company policy. Promotion is based upon ability, merit and performance taking into account the future needs of the company. Where necessary, training is carried out to assist employees to develop their full potential. All aspects of employment are regularly reviewed by management to ensure this policy is achieved.

Dividends

The directors do not recommend the payment of a final dividend (2015: £nil).

Political donations

The company made no political donations of £nil during the year (2015: £nil).

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 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.

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

7 September 2017

and signed on its behalf by:



Zafar Khan
Director

84 Salop Street
Wolverhampton
WV3 0SR

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

The directors are responsible for preparing the strategic report, 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 judgements 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 Postworth Limited

We have audited the financial statements of Postworth Limited for the year ended 31 December 2016 set out on pages 7 to 15. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 2016 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with 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.

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

7 September 2017

Profit and loss account
for the year ended 31 December 2016

		2016	2015
		£000	£000
Turnover	<i>Note 1</i>	27,244	25,336
Cost of sales		<u>(24,217)</u>	<u>(21,258)</u>
Gross profit		3,027	4,078
Administrative expenses		<u>(2,364)</u>	<u>(3,647)</u>
Operating profit		663	431
Interest receivable and similar income	<i>6</i>	1,086	423
Interest payable and similar charges	<i>7</i>	<u>(2,940)</u>	<u>(2,492)</u>
Loss on ordinary activities before taxation	<i>2</i>	(1,191)	(1,638)
Tax on loss on ordinary activities	<i>8</i>	<u>(45)</u>	<u>(46)</u>
Loss for the financial year		<u>(1,236)</u>	<u>(1,684)</u>

All amounts 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 profit or loss for those years.

The notes on pages 10 to 15 form part of these financial statements.

Balance sheet
at 31 December 2016

	Note	£000	2016 £000	2015 £000
Fixed assets				
Intangible assets	9		-	-
Tangible assets	10		-	-
			<u>-</u>	<u>-</u>
Current assets				
Debtors	11	34,578		41,333
Cash at bank and in hand		-		3,693
		<u>34,578</u>		<u>45,026</u>
Creditors: amounts falling due within one year	12	(79,170)		(88,382)
Net current liabilities, being total assets less current liabilities			(44,592)	(43,356)
Net liabilities			<u>(44,592)</u>	<u>(43,356)</u>
Capital and reserves				
Called up share capital	14		-	-
Profit and loss account			(44,592)	(43,356)
Equity shareholder's deficit			<u>(44,592)</u>	<u>(43,356)</u>

The notes on pages 10 to 15 form part of these financial statements.

These financial statements were approved by the Board of Directors on
signed on its behalf by:

7 September 2017

and were



Zafar Khan
Director

Company registered number 02508579

Statement of changes in equity
for the year ended 31 December 2016

	Called up share capital £000	Profit and loss account £000	Total £000
Balance at 1 January 2015	-	(41,672)	(41,672)
Loss for the year	-	(1,684)	(1,684)
Balance at 31 December 2015	<u>-</u>	<u>(43,356)</u>	<u>(43,356)</u>
Loss for the year	-	(1,236)	(1,236)
Balance at 31 December 2016	<u>-</u>	<u>(44,592)</u>	<u>(44,592)</u>

Postworth Limited (Trading as "SkyBlue")

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 accounting

Postworth Limited (the "Company") is a company incorporated and domiciled in the UK.

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.

The Company's ultimate parent undertaking, Carillion PLC includes the Company in its consolidated financial statements. The consolidated financial statements of Carillion PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 84 Salop Street, Wolverhampton, WV3 0SR.

In these financial statements, the company has applied the exemptions under FRS 101 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 FRS 101 available in respect of the following disclosures:

- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

No judgements have been made by the directors, in the application of these accounting policies that have significant effect on the financial statements and there are no estimates with a significant risk of material adjustment in the next year.

The financial statements are presented in pounds sterling. They are prepared on the historical cost basis except where specified certain assets and liabilities are stated at their fair value noted below.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic report.

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £44.6 million, 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.

Tangible fixed assets

Depreciation is based on historical cost or revaluation, less the estimated residual values, and the estimated economic lives of the assets concerned. Freehold land is not depreciated. Other tangible assets are depreciated in equal annual instalments over the period of their estimated economic lives, which are principally as follows:

Freehold buildings	40-50 years
Leasehold buildings and improvements	Period of lease
Plant, machinery and vehicles	3-10 years

Assets held under finance leases are depreciated over the shorter of the term of the lease or the expected useful life of the asset.

Turnover

Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to all customers including fellow subsidiary undertakings. Turnover reflects the value of work performed 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 2016 amounting to £7,200 (2015: £7,200) was borne 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. Staff numbers and costs

The company had no employees in either period. Staff are employed by Carillion Construction Limited but their costs are borne by Postworth Limited.

4. Segmental analysis

The company operates within one segment only, being the supply of contract operatives to the construction industry and as such no analysis by activity has been provided.

The company's markets are all in the United Kingdom and as such no segmental analysis by origin or destination has been provided.

5. Directors' remuneration

The directors have neither received nor waived any remuneration during the year (2015: £nil) for their services to this company. The directors are directors or employees of Carillion Construction Limited and are remunerated from that company.

6. Interest receivable and similar income

	2016 £000	2015 £000
Interest receivable from group undertakings	<u>1,086</u>	<u>423</u>

7. Interest payable and similar charges

	2016 £000	2015 £000
Interest payable to group undertakings	<u>2,940</u>	<u>2,492</u>

Notes (continued)

8. Tax on loss on ordinary activities

(a) Analysis of taxation charge in the year

	2016 £000	2015 £000
UK corporation tax		
Current tax	(66)	(106)
Adjustment in respect of prior periods	106	147
Total current taxation	40	41
Deferred taxation		
Accelerated capital allowances	4	5
Adjustment in respect of prior periods	1	-
Total deferred taxation	5	5
Total taxation on loss on ordinary activities	45	46

(b) Factors affecting the total tax charge for the year

The total tax charge for the year is higher (2015: higher) than the standard rate of 20% (2015: 20.25%). The differences are explained below:

	2016 £000	2015 £000
Total tax reconciliation		
Loss on ordinary activities before taxation	(1,191)	(1,638)
Tax on loss on ordinary activities at 20% (2015: 20.25%)	(238)	(332)
Effects of:		
Permanent differences	176	231
Adjustment in respect of previous periods	107	147
Total tax charge for the year	45	46

(c) Factors that may affect future tax charges

The UK corporation tax rate reduced from 21% to 20% with effect from 1 April 2015. Further reductions to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the company's future tax charge accordingly.

The deferred tax asset at 31 December 2016 has been calculated based on these rates.

Notes (continued)

9. Intangible assets

	Software and licences £000
Cost	
At beginning and end of year	<u>115</u>
Amortisation	
At beginning and end of year	<u>(115)</u>
Net book value	
At 31 December 2016	-
At 1 January 2016	-

10. Tangible fixed assets

	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
Cost			
At beginning and end of year	<u>193</u>	<u>168</u>	<u>361</u>
Depreciation			
At beginning and end of year	<u>193</u>	<u>168</u>	<u>361</u>
Net book value			
At 31 December 2016	-	-	-
At 1 January 2016	-	-	-

11. Debtors

	2016 £000	2015 £000
Trade debtors	82	125
Amounts owed by group undertakings	33,853	40,524
Amounts owed by jointly controlled operations	263	-
Corporation tax - group relief	-	106
Other debtors	34	-
Prepayments and accrued income	327	554
Deferred tax asset (note 13)	19	24
	<u>34,578</u>	<u>41,333</u>

Amounts owed by fellow group undertakings attract interest at a rate which reflects the cost of borrowing to the group.

Notes (continued)

12. Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Bank overdraft	4,972	-
Trade creditors	21	5
Amounts owed to group undertakings	71,227	84,046
Corporation tax	47	-
Other tax and social security costs	622	990
Other creditors	-	10
Accruals and deferred income	2,281	3,331
	<u>79,170</u>	<u>88,382</u>

Amounts owed to fellow group undertakings bear interest at a rate which reflects the cost of borrowing to the group.

13. Deferred taxation

	£000
At the beginning of the year	24
Transfer to profit and loss account	(5)
At the end of the year	<u>19</u>

The elements of deferred taxation are as follows:

	2016	2015
	£000	£000
Accelerated capital allowances	<u>19</u>	<u>24</u>

14. Called up share capital

	2016	2015
	£	£
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

15. 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.