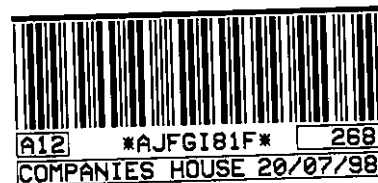


# **Schal International Management Limited**

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

**For the year ended 31 December 1997**

**Registered number 2646690**



Schal International Management Limited

Directors' report and financial statements

For the year ended 31 December 1997

Registered number 2646690

# Schal International Management Limited

## Directors' report and financial statements

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# Schal International Management Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

### Business review

Turnover for the year amounted to £37,018,733 (1996: £32,973,090) and the profit on ordinary activities after taxation totalled £129,005 (1996: £258,943).

### Principal activity

The company is principally engaged in construction and project management.

### Proposed dividend

The directors do not recommend the payment of a dividend for the year (1996: Nil).

### Directors and directors' interests

The directors who served during the year were as follows:

RJT Ewen	(resigned 23 December 1997)
MR Kennard	(resigned 28 February 1997)
DT Simons	(appointed 17 January 1997, resigned 6 March 1998)
M Bairstow	(appointed 21 January 1997)
B Pellard	(appointed 9 March 1998)

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

### Number of shares

	At 31 December 1997		At 1 January 1997 (or later date of appointment)		Share option movements in period		
	Shares	Share options	Shares	Share options	granted	exercised	lapsed
M Bairstow	-	139,166	-	59,166	80,000	-	-

No other director had any beneficial interest in the share or loan capital of any subsidiary of Tarmac PLC.

# Schal International Management Limited

## Directors' report *(continued)*

### **Creditor payment policy**

It is the company's policy to obtain best possible payment terms with its suppliers as part of periodic negotiations. As such there is no uniform payment policy. The company makes every effort to pay suppliers according to the agreed terms and to not knowingly exceed negotiated payment terms. The number of days of purchases outstanding at 31 December was 43 days.

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period 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:

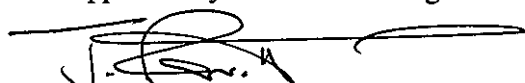
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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 auditors of the company is to be proposed at the forthcoming annual general meeting.

Approved by the board and signed on its behalf by:

  
**J Perrott**  
*Secretary*

Birch Street  
Wolverhampton  
West Midlands  
WV1 4HY

## KPMG Audit Plc

2 Cornwall Street  
Birmingham  
B3 2DL

### Report of the auditors to the members of Schal International Management Limited

We have audited the financial statements on pages 4 to 13.

#### *Respective responsibilities of directors and auditors*

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### *Basis of 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 mis-statement, 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

Chartered Accountants  
Registered Auditor

25<sup>th</sup> March 1998

# Schal International Management Limited

## Profit and loss account

for the year ended 31 December 1997

	<i>Note</i>	<b>1997</b> £	1996 £
<b>Turnover</b>	2	<b>37,018,733</b>	32,973,090
Cost of sales		<b>(30,059,171)</b>	(26,115,085)
<b>Gross profit</b>		<b>6,959,562</b>	6,858,005
Administrative expenses		<b>(6,637,615)</b>	(6,310,404)
<b>Operating profit</b>		<b>321,947</b>	547,601
Interest receivable and similar income	3	-	12,517
Interest payable and similar charges	4	<b>(165,001)</b>	(200,675)
<b>Profit on ordinary activities before taxation</b>	5	<b>156,946</b>	359,443
Tax on profit on ordinary activities	8	<b>(27,941)</b>	(100,500)
<b>Profit for the financial year and retained for the year</b>	15	<b>129,005</b>	258,943

All amounts are derived from continuing operations.

The company has no recognised gains or losses in either the current year or preceding year other than the profits for those years.

# Schal International Management Limited

## Reconciliation of movements in shareholders' funds *for the year ended 31 December 1997*

	1997 £	1996 £
Opening shareholders' funds	358,943	100,000
Retained profit for the financial year	129,005	258,943
Closing shareholders' funds	<u>487,948</u>	<u>358,943</u>



# Schal International Management Limited

## Balance sheet

at 31 December 1997

	Note	1997 £	£	1996 £	£
<b>Fixed assets</b>					
Tangible assets	9		194,445		164,680
<b>Current assets</b>					
Stock	10	558,897		743,894	
Debtors	11	12,299,127		12,456,294	
Cash at bank and in hand		2,805		13,541	
		<u>12,860,829</u>		<u>13,213,729</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(12,567,326)</u>		<u>(13,019,466)</u>	
<b>Net current assets</b>			<u>293,503</u>		<u>194,263</u>
<b>Total assets less current liabilities</b>			<u>487,948</u>		<u>358,943</u>
<b>Net assets</b>			<u>487,948</u>		<u>358,943</u>
<b>Capital and reserves</b>					
Called up share capital	14		100,000		100,000
Profit and loss account	15		387,948		258,943
<b>Shareholders' funds - equity</b>			<u>487,948</u>		<u>358,943</u>

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

25<sup>th</sup> March 1998 and



**B Pellard**  
Director

# Schal International Management Limited

## Notes

*(forming part of the financial statements)*

### 1 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:

#### *Accounting Standards*

The financial statements have been prepared in accordance with applicable accounting standards.

#### *Basis of accounting*

The financial statements of the company are prepared under the historical cost convention.

#### *Related parties*

The company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard 8 (Related Party Disclosures) and has not disclosed details of transactions with entities that are part of the Tarmac PLC Group or with investees of that group qualifying as related parties.

#### *Cash flow statement*

In accordance with Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cashflow statement on the grounds that Tarmac PLC, the company's ultimate parent undertaking includes the company's cashflows in its own published consolidated cashflow statement.

#### *Long term contracts*

Amounts recoverable on contracts, which are included in debtors, are stated at cost plus attributable profit less any foreseeable losses. The profit on each individual contract is the lower of profit earned to date and that forecast at completion. Payments received on account of contracts are deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors.

#### *Stocks*

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

#### *Depreciation*

Depreciation is provided by the company to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives of between 3 and 5 years.

#### *Deferred taxation*

Deferred taxation, calculated using the liability method is included only where the effects of timing differences between results as stated in the financial statements and as computed for taxation purposes are likely to crystallise in the foreseeable future.

# Schal International Management Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### *Leased assets*

All leases are accounted for as operating leases. Rentals are charged to the profit and loss account in equal annual instalments over the life of the lease.

#### *Pensions*

Regular pension costs are established in accordance with the recommendations of independent actuaries and are charged to the profit and loss account based on the expected pension costs over the employees' service lives within the group. Current actuarial surpluses or deficits are spread over the remaining service lives.

### 2 Turnover

Turnover represents the invoiced value of services provided by the company during the year, excluding value added tax. The analysis of sales by geographic market is as follows:

	1997 £	1996 £
UK	35,853,729	32,702,090
Europe	1,200	67,400
Asia	1,160,804	62,100
Other	3,000	141,500
	<u>37,018,733</u>	<u>32,973,090</u>

### 3 Interest receivable and similar income

	1997 £	1996 £
Interest receivable from group undertakings	-	12,517
	<u>-</u>	<u>12,517</u>

### 4 Interest payable and similar charges

	1997 £	1996 £
Interest payable to group undertakings	165,001	200,675
	<u>165,001</u>	<u>200,675</u>

# Schal International Management Limited

## Notes (continued)

### 5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:

	1997 £	1996 £
Depreciation of tangible fixed assets	91,530	76,113
Auditors' remuneration:		
- audit	37,200	23,000
- other	-	3,932
Operating leases:		
- hire of plant and machinery	217,234	275,389
- hire of other assets	30,786	76,036
Charitable donations	-	2,045
	<u>          </u>	<u>          </u>

### 6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1997 Number	1996 Number
Administration	32	25
Project management	488	435
	<u>          </u>	<u>          </u>
	520	460
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	1997 £	1996 £
Wages and salaries	14,441,961	12,682,624
Social security costs	1,227,498	1,102,229
Other pension costs	1,419,524	1,338,981
	<u>          </u>	<u>          </u>
	17,088,983	15,123,834
	<u>          </u>	<u>          </u>

### 7 Directors' emoluments

	1997 £	1996 £
Directors' emoluments	119,179	-
	<u>          </u>	<u>          </u>
		1997 Number
Number of directors who are:-		
Members of defined benefit pension schemes		3
		<u>          </u>

# Schal International Management Limited

## Notes (continued)

### 8 Tax on profit on ordinary activities

	1997 £	1996 £
Taxation based on the profit on ordinary activities for the year:		
Corporation tax	7,891	157,700
Transfer (from)/to deferred tax	20,050	(57,200)
	<u>27,941</u>	<u>100,500</u>

The movement on deferred tax is shown in note 13.

### 9 Tangible fixed assets

	Plant, machinery & vehicles £
<b>Cost</b>	
At beginning of year	473,637
Additions	171,852
Group transfers	(159,075)
Disposals	(2,817)
At end of year	<u>483,597</u>
<b>Depreciation</b>	
At beginning of year	308,957
Charged in period	91,530
Group transfers	(111,285)
Disposals	(50)
At end of year	<u>289,152</u>
<b>Net book value</b>	
At 31 December 1997	<u>194,445</u>
At 31 December 1996	<u>164,680</u>

### 10 Stock

	1997 £	1996 £
Work in progress	<u>558,897</u>	<u>743,894</u>

# Schal International Management Limited

## Notes (continued)

### 11 Debtors

	1997 £	1996 £
<b>Amounts falling due within one year</b>		
Trade debtors	5,475,484	4,538,975
Amounts recoverable on contracts	3,595,367	4,088,991
Amounts owed by group undertakings	2,550,365	3,232,441
Amounts owed by associated undertakings	48,381	162,022
Other debtors	350,239	98,111
Prepayments and accrued income	22,810	50,951
	<u>12,042,646</u>	<u>12,171,491</u>
<b>Amounts falling due after more than one year</b>		
Other debtors	256,481	284,803
Total debtors	<u>12,299,127</u>	<u>12,456,294</u>

### 12 Creditors: amounts falling due within one year

	1997 £	1996 £
Payments received on account - long term contracts	2,573,004	1,344,629
Payments received on account- other	250,198	-
Trade creditors	901,996	1,799,976
Amounts owed to group undertakings	5,763,133	4,916,492
Amounts owed to associated undertakings	-	241,663
Corporation tax payable	6,291	10,163
Group relief	159,940	2,300
Other tax and social security	1,086,284	1,116,400
Other creditors	98,765	6,948
Accruals	1,727,715	3,580,895
	<u>12,567,326</u>	<u>13,019,466</u>

# Schal International Management Limited

## Notes (continued)

### 13 Deferred tax asset

The asset recognised in respect of deferred taxation is set out below:

	1997 £	1996 £
Accelerated capital allowances	88,450	40,000
Other timing differences	151,700	220,200
	<u>240,150</u>	<u>260,200</u>

There is no unprovided deferred tax.

Movements on the deferred tax asset were as follows:

	1997 £	1996 £
At the beginning of year	260,200	-
Transfer to/(from) profit and loss account	(20,050)	57,200
Transfer from group undertaking	-	203,000
At the end of year	<u>240,150</u>	<u>260,200</u>

The deferred tax asset is included within "other debtors" falling due after more than one year.

### 14 Share capital

	1997 £	1996 £
<i>Authorised:</i>		
148,500 'A' ordinary shares of £1 each	148,500	148,500
1,500 'B' ordinary shares of £1 each	1,500	1,500
	<u></u>	<u></u>
<i>Allotted, called up and fully paid:</i>		
99,000 'A' ordinary shares of £1 each	99,000	99,000
1,000 'B' ordinary shares of £1 each	1,000	1,000
	<u></u>	<u></u>

'A' ordinary and 'B' ordinary shares rank equally in respect of voting rights.

# Schal International Management Limited

## Notes (continued)

### 15 Reserves

	Profit and loss account £
At beginning of year	258,943
Retained profit for the year	129,005
At end of year	<u>387,948</u>

### 16 Pension contributions

The pension schemes to which the company contributes are of the defined benefit type and are for the benefit of all relevant employees of Tarmac PLC and its UK subsidiary and associated undertakings ("the group"). The assets of the schemes are held in trustee administered funds separate from those of the group. Details of the latest actuarial valuation of the principal schemes are given in the group's consolidated financial statements. The contributions to the schemes made by the company represent the regular cost of providing the benefits without any recognition of fund surpluses or deficits which are dealt with by Tarmac PLC.

### 17 Commitments

- (a) The company had no capital commitments at 31 December 1997 (1996: nil)
- (b) Amounts payable during the year following the balance sheet date in respect of non-cancellable operating leases are as follows:

	1997		1996	
	Land and buildings £'000	Other assets £'000	Land and buildings £'000	Other assets £'000
On operating leases which expire:				
Within one year	<u>34,500</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 18 Parent undertakings

The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the company is a member is Tarmac PLC. Tarmac PLC is also the ultimate controlling party.

The results of the company are included in the group financial statements of Tarmac PLC.

The immediate controlling party is Tarmac Professional Services Limited.

The financial statements of the ultimate parent company are available from the Secretary, Tarmac PLC, Hilton Hall, Hilton Lane, Essington, Wolverhampton, WV11 2BQ.