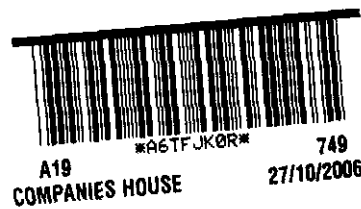


Schal International Management Limited

**Directors' report and financial
statements**

Registered number 2646690

For the year ended 31 December 2005



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activity and business review

The company is principally engaged in construction management and project management.

During the year, the administration of the company was transferred to TPS Consult Limited. The current year administrative costs and interest, therefore, represent a recharge from that company, based on the actual costs incurred in running the business.

The directors anticipate that the company will continue in its present role within the Carillion Group in 2006.

Profits and dividends

The loss on ordinary activities before taxation was £796,000 (2004: profit of £726,000).

The directors do not propose the payment of a dividend for the year (2004: £690,000).

Directors and directors' interests

The directors who served during the year were:

PF Reeder	(resigned 29 April 2005)
T Chapman	(resigned 31 March 2005)
GH Turner	(resigned 1 January 2005)
RS Ross	(appointed 1 January 2005, resigned 21 March 2005)
TD Kenny	(appointed 1 January 2005)
SR Foskett	(appointed 29 April 2005)
RH Harris	(appointed 21 March 2005)

At 31 December 2005 no director had any beneficial interest in the share or loan capital of any subsidiary of Carillion plc.

The directors who held office at the end of the financial year and their families, had the following interests in, and options to subscribe for, ordinary shares of 50p each in Carillion plc:

Number of shares

	At 31 December 2005		At 1 January 2005 or date of appointment if later		Share option movements in the year		
	Shares Number	Share options Number	Shares Number	Share options Number	Granted Number	Exercised Number	Lapsed Number
RH Harris	-	35,203	-	35,203	-	-	-
TD Kenny	-	477,323	-	384,396	92,927	-	-

No director was materially interested during the year in any contract which was significant in relation to the business of the company.

Political and charitable contributions

The company made no political or UK charitable contributions in the year.

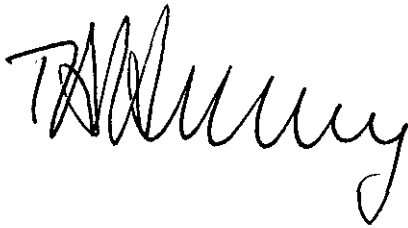
Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution to re-appoint KPMG Audit Plc as auditors of the company will be proposed at the Annual General Meeting.

Approved by the Board and signed on its behalf by:

TD Kenny
Director

A handwritten signature in black ink, appearing to read 'TD Kenny', written over a series of horizontal wavy lines.

Birch Street
Wolverhampton
WV1 4HY

8 March 2006

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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Schal International Management Limited

We have audited the financial statements of Schal International Management Limited for the year ended 31 December 2005 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

As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 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.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Schal International Management Limited *(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 2005 and of its loss 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

8 March 2006

Profit and loss account

for the year ended 31 December 2005

	Note	2005 £000	2004 £000
Turnover	1	4,301	10,043
Cost of sales		(4,056)	(6,946)
Gross profit		245	3,097
Administrative expenses		(977)	(2,411)
Operating (loss)/profit		(732)	686
Interest (payable)/receivable from group undertakings		(64)	40
(Loss)/profit on ordinary activities before taxation	2	(796)	726
Tax on (loss)/profit on ordinary activities	5	238	(210)
Retained (loss)/profit for the financial year	11	(558)	516

All amounts relate to continuing operations.

There were no recognised gains and losses in either the current or preceding financial year other than the profit or loss for those years.

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.

Balance sheet

at 31 December 2005

	<i>Note</i>	2005 £000	£000	2004 £000	£000
Fixed assets					
Tangible assets	6	-	-	-	-
Current assets					
Debtors	7	6,237		7,969	
Cash at bank and in hand		-		1	
		<u>6,237</u>		<u>7,970</u>	
Creditors: amounts falling due within one year	9	<u>(6,633)</u>		<u>(7,808)</u>	
Net current (liabilities)/assets			<u>(396)</u>		<u>162</u>
Net (liabilities)/assets			<u>(396)</u>		<u>162</u>
Capital and reserves					
Called up share capital	10		100		100
Profit and loss account	11		(496)		62
Equity shareholders' (deficit)/funds			<u>(396)</u>		<u>162</u>

These financial statements were approved by the Board of directors on 8 March 2006 and signed on its behalf by:

TD Kenny
 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 convention in accordance with applicable UK Accounting Standards.

The company has net liabilities of £396,000. The financial statements have been prepared on a going concern basis as the ultimate holding company has confirmed that it will continue to provide funds to the company to enable it to meet its debts as they fall due for payment. Therefore, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Cash flow statement

In accordance with Financial Reporting Standard 1 'Cash flow statements' (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.

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 an individual contract is recognised when the outcome of the contract can be foreseen with reasonable certainty and is the lower of profit earned to date and that forecast at completion. The result for each year includes settlement of claims on contracts completed in prior years. Payments received on account on contracts are disclosed separately from amounts recoverable on contracts in debtors or long term contract balances in stock. Where such amounts have been received and exceed amounts recoverable, the net amounts are included in creditors.

Tangible fixed assets

Depreciation is based on historic cost less estimated residual values and the estimated useful economic lives of the assets concerned, which for plant, machinery and vehicles is between 3 and 5 years.

Taxation

The charge for taxation is based on the result for each year and takes into account deferred taxation, calculated in accordance with the requirements of Financial Reporting Standard 19 'Deferred Tax'. 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.

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

The pension schemes to which the company contributes are of both the defined benefit and defined contribution types and are for the benefit of all relevant employees of Carillion plc and its UK subsidiary undertakings, associates and joint ventures ("the group"). Details of the latest actuarial valuation of the principal schemes are given in the Carillion plc consolidated financial statements.

The company participates in the Carillion Staff Pension Scheme, the Carillion "B" scheme and the Carillion public sector scheme, which are funded defined benefit schemes. Details of the latest actuarial valuations, which were performed by a qualified actuary, of these defined benefit schemes are given in the group's consolidated financial statements. Note 15 gives details of how to obtain a copy of the financial statements of Carillion plc.

Turnover

Turnover is stated exclusive of value added tax and represents the value of work executed during the year.

Notes (continued)

2 (Loss)/profit on ordinary activities before taxation

	2005 £000	2004 £000
<i>(Loss)/profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit services	-	8
Operating leases:		
Hire of cars	-	305
	<u>-</u>	<u>313</u>

As explained in the directors' report, the company is now administered by TPS Consult Limited, which bears the company's audit fee.

3 Staff numbers and costs

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

	Number of employees	
	2005	2004
Administration	-	10
Project management	26	73
	<u>26</u>	<u>83</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	859	3,635
Social security costs	88	386
Other pension costs	118	495
	<u>1,065</u>	<u>4,516</u>

4 Directors' remuneration

	2005 £000	2004 £000
Directors' emoluments	-	140
	<u>-</u>	<u>140</u>
	Number	
Number of directors who are:		
Members of defined benefit pension schemes	-	3

During the year £Nil (2004: £Nil) was paid into the defined benefit pension schemes.

Notes (continued)

5 Taxation on profit on ordinary activities

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

The taxation (credit)/charge is based on the (loss)/profit for the year as follows:

	2005 £000	2004 £000
<i>UK corporation tax</i>		
Current tax on (loss)/profit for the year	(254)	187
Total current taxation	(254)	187
<i>Deferred taxation</i>		
Other timing differences	17	23
Adjustment in respect of previous years	(1)	-
Total deferred taxation	16	23
Tax (credit)/charge in year	(238)	210

(b) Reconciliation of current taxation charge

The UK standard rate of corporation tax for the year is 30% (2004: 30%). The actual tax rate differs to the standard rate for the reasons set out below:

	2005 £000	2004 £000
(Loss)/profit on ordinary activities before tax	(796)	726
Tax on (loss)/profit on ordinary activities at UK standard rate of corporation tax of 30% (2004: 30%)	(238)	218
Income not taxable	-	(12)
Permanently disallowable expenses	-	4
Accelerated capital allowances not equalised	(16)	(23)
Current tax (credit)/charge for the year	(254)	187

Notes *(continued)*

6 Tangible fixed assets

	Plant, machinery and vehicles £000
<i>Cost</i>	
At beginning and end of year	718
<i>Depreciation</i>	
At beginning and end of year	718
<i>Net book value</i>	
At 31 December 2005 and 31 December 2004	-

7 Debtors

	2005 £000	2004 £000
Amounts falling due within one year:		
Trade debtors	448	1,015
Amounts recoverable on contracts	760	514
Amounts owed by group undertakings	4,723	6,150
Other debtors	-	69
Prepayments and accrued income	-	153
Deferred tax asset	51	67
Group Tax Relief	255	1
	<hr/> 6,237 <hr/>	<hr/> 7,969 <hr/>
The deferred tax asset comprises:		
Accelerated capital allowances	<hr/> 51 <hr/>	<hr/> 67 <hr/>

8 Deferred tax

	£000
Deferred tax asset at 1 January 2005	67
Charged to profit and loss account during the year	(16)
Deferred tax asset at 31 December 2005	<hr/> 51 <hr/>

The elements of deferred taxation are as follows:

	2005 £000	2004 £000
Difference between accumulated depreciation and capital allowances	51	67

Notes (continued)

9 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Payments received on account - long term contracts	224	734
Trade creditors	7	76
Amounts owed to group undertakings	6,125	4,836
Corporation tax payable	-	187
Other tax and social security	58	137
Accruals	219	1,838
	<u>6,633</u>	<u>7,808</u>

10 Share capital

	2005 £000	2004 £000
<i>Authorised:</i>		
148,500 "A" ordinary shares of £1 each	148	148
1,500 "B" ordinary shares of £1 each	2	2
	<u>150</u>	<u>150</u>
<i>Allotted, called up and fully paid:</i>		
99,000 "A" ordinary shares of £1 each	99	99
1,000 "B" ordinary shares of £1 each	1	1
	<u>100</u>	<u>100</u>

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

11 Reconciliation of movements in shareholders' funds

	Share capital £000	Profit and loss account £000	2005 Total £000	2004 Total £000
At beginning of year	100	62	162	336
Retained loss for the year	-	(558)	(558)	516
Dividend	-	-	-	(690)
	<u>100</u>	<u>(496)</u>	<u>(396)</u>	<u>162</u>

Notes (continued)

12 Pension contributions

As the schemes are run for the Carillion group as a whole, the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. Hence, as permitted by FRS 17: "Retirement benefits" the scheme is accounted for by the company as if the scheme was a defined contribution scheme.

At 31 December 2005, the staff, "B" and public sector schemes had deficits on an FRS 17 basis of £27.2 million (2004: £40.3 million), £0.8 million surplus (2004: £0.1 million surplus) and £9.5 million deficit (2004: £8.8 million deficit) respectively, net of deferred taxation of 30%.

The contributions to the defined benefit 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 Carillion plc. The pension cost for the year was £118,298 (2004: £495,068).

The company also participates in the Carillion Pension Plan, a defined contribution scheme, which commenced on 1 April 2003. The pension cost charge for the period represents contributions payable by the company to the scheme.

The pension charge of the defined contribution schemes was £Nil (2004: £Nil).

Contributions outstanding at 31 December 2005 were £Nil (2004: £Nil).

13 Commitments

Amounts payable during the year following the balance sheet date in respect of non-cancellable operating leases are as follows:

	2005 £000	2004 £000
On operating leases which expire:		
Within one year	-	2
In the second to fifth years inclusive	-	29

14 Related party transactions

As a wholly owned subsidiary of Carillion plc, the company has taken advantage of the exemption under Financial Reporting Standard 8 'Related Party Disclosures' not to provide information on related party transactions with other undertakings within the Carillion group. Note 15 gives details of how to obtain a copy of the published financial statements of Carillion plc.

15 Controlling and parent companies

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

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