Schal International Management Limited

Directors' report and financial statements

Registered number 2646690

For the year ended 31 December 2012

Contents

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2012

Principal activities
The company is principally engaged in project management

Business review
Trading is largely based on one project for the UK government Profits are expected to remain consistent into the foreseeable future The results of the company are set out in the profit and loss account on page 8 There have been no significant events since the balance sheet date which should be considered for a proper understanding of these statements

Key performance indicators
The directors monitor the performance of the company through the use of Key Performance Indicators which are related to financial performance health & safety and client KPI's

The company is committed to providing a safe environment for its employees The company monitors performance using the Accident Frequency Rate (AFR) as defined by RIDDOR 1995 on the number of reportable injuries that have occurred per 100,000 man hours worked, calculated over a rolling 12 month period The company's performance against this measure was satisfactory

Results and dividend
The profit on ordinary activities before taxation was £298,000 (2011 £275,000) The directors do not propose the payment of a dividend for the year (2011 nil)

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

Client retention - The single contract will be coming to an end over the next 2-3 years The company is seeking to retain this client by instigating client retention strategies

Attracting and retaining skilled people for delivery and work winning In order to attract, develop and retain excellent people and become an employer of choice, the company has a wide range of policies and programmes in place

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
The directors serving during the year and subsequently were

F Huidobro	
D Fettes	
MJ Stallard	(resigned 18 February 2013)
A Green	(appointed 18 February 2013)

Employees

The majority of employees are based at site on contracts Communication and consultation within the working teams takes place as appropriate as part of the normal pattern of everyday operations Employees receive regular publications, such as ' Spectrum", which provides information on activities throughout the Carillion Group and is published several times a year

The establishment and maintenance of safe working practices at all work places are of greatest importance to the company and special training in health and safety is provided for all employees The company is an active and enthusiastic supporter of training schemes of all types and is providing valuable training and experience to a large number of younger people as well as increasing its own training commitment to full time employees

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

Disclosure of information to 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 auditors will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office

Approved by the Board on 20 September 2013 and signed on its behalf by

A Green
Director

24 Birch Street
Wolverhampton
WV1 4HY

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)

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 Audit Plc
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's 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 2012 set out on pages 8 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)

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 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 2012 and of its profit 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Schal International Management Limited (continued)

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

Darren Turner
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
20 september 2013

Profit and loss account
for the year ended 31 December 2012

	Note	2012 £000	2011 £000
Turnover	1	**2,522**	2,811
Cost of sales		**(2,045)**	(2,303)
Gross profit		**477**	508
Administrative expenses		**(232)**	(281)
Operating profit		**245**	227
Interest receivable and similar income	5	**121**	138
Interest payable and similar charges	6	**(68)**	(90)
Profit on ordinary activities before taxation	2	**298**	275
Tax on profit on ordinary activities	7	**(75)**	-
Profit for the financial year	12	**223**	275

All amounts relate to continuing operations

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

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

Balance sheet
at 31 December 2012

	Note	£000	2012 £000	£000	2011 £000
Current assets					
Debtors	*8*	**4,671**		4 863	
Cash at bank and in hand		**333**		180	
		5,004		5,043	
Creditors amounts falling due within one year	*9*	**(4,244)**		(4,506)	
Net current assets			**760**		537
Net assets			**760**		537
Capital and reserves					
Called up share capital	*11*		**100**		100
Profit and loss account	*12*		**660**		437
Equity shareholders' funds	*13*		**760**		537

These financial statements were approved by the Board of Directors on 20 September 2013 and were signed on its behalf by

A Green
Director

Company registered number 2646690

Schal International Management Limited
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
The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards

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 Directors' report

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 The Group renegotiated the banking facilities in February 2011 to continue to cover this requirement 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

Cash flow statement
Under FRS 1 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
When the outcome of a long-term contract can be assessed with reasonable certainty, contract turnover and costs are recognised by reference to the degree of completion of each contract as measured by the proportion of total costs at the balance sheet date to the estimated total cost of the contract

Insurance claims, incentive payments and variations arising from long-term contracts are included where they have been agreed with the client

The principal estimation technique used by the Group in attributing profit on long-term contracts to a particular period is the preparation of forecasts on a contract by contract basis These focus on revenues and costs to complete and enable an assessment to be made of the final out-turn of each contract Consistent contract review procedures are in place in respect of contract forecasting

When it is probable that total contract costs will exceed total contract turnover the expected loss is recognised immediately Contract costs are recognised as expenses in the period in which they are incurred

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as amounts recoverable on contracts within debtors Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as payments received on account within creditors

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

All turnover relates to support services and arises in the United Kingdom

Taxation
The charge for taxation is based on the result for each year and takes into account deferred taxation Deferred tax assets or liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 Liabilities are calculated on a non-discounted full provision basis Assets are calculated on the same basis, but are recognised only to the extent that it is probable that they will be recovered

Pensions
Pension costs are recognised in the financial statements in accordance with the requirements of FRS 17 Retirement benefits Carillion plc, the company's ultimate parent undertaking, administers and takes advice on the group s pension schemes Regular pension costs in respect of the group s defined benefit pension schemes are established in accordance with the recommendations of independent actuaries and are charged to the profit and loss account based on the current service cost to the group

In respect of the 'Staff', 'B and 'Public Sector' pension schemes, the assets and liabilities of the schemes relating to the company cannot be readily ascertained on a reasonable and consistent basis as the schemes are for the benefit of the Carillion Group as a whole Consequently, the company accounts for these schemes as if they were defined contribution schemes

Contributions in respect of defined contribution schemes are charged to the profit and loss account as incurred

Notes *(continued)*

2 Profit on ordinary activities before taxation

The audit fee for the year amounting to £7,000 (2011 £6,000) was borne by Carillion Construction Limited, a fellow group subsidiary

Fees paid to the company's auditor, KPMG Audit Plc 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 average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2012	2011
Administration	**1**	1
Project management	**7**	7
	8	8

The aggregate payroll costs of these persons were as follows	**2012**	2011
	£000	£000
Wages and salaries	**269**	399
Social security costs	**30**	45
Other pension costs	**42**	56
	341	500

4 Directors' remuneration

The directors are employees of Carillion Construction Limited and are remunerated from that company No recharge is made to this company in respect of these emoluments

5 Interest receivable and similar income

	2012	2011
	£000	£000
Interest receivable from group undertakings	**117**	135
Bank interest receivable	**4**	3
	121	138

Notes *(continued)*

6 Interest payable and similar charges

	2012 £000	2011 £000
Interest payable to group undertakings	68	90
	68	90

7 Tax on profit on ordinary activities

(a) Analysis of taxation charge in the year

	2012 £000	2011 £000
UK corporation tax		
Current tax	69	68
Adjustment in respect of prior periods	5	(74)
Total current taxation	74	(6)
Deferred taxation		
Accelerated capital allowances	4	4
Adjustment in respect of prior periods	(4)	-
Adjustment in respect of change in rate	1	2
Total deferred taxation	1	6
Total taxation on profit on ordinary activities	75	-

(b) Factors affecting the tax charge/(credit) for the current year

The current year tax charge for the year is higher (2011 lower) than the standard rate of 24 5% (2011 26 5%) The difference is explained below

	2012 £000	2011 £000
Current tax reconciliation		
Profit on ordinary activities before taxation	298	275
Tax on profit on ordinary activities at 24 5% (2011 26 5%)	73	73
Effects of		
Capital allowances in excess of depreciation	(4)	(4)
Other timing differences	-	(1)
Adjustment in respect of previous periods	5	(74)
Current tax charge/(credit) for the year	74	(6)

(c) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction although this will further reduce the company's future current tax charge accordingly

Notes *(continued)*

8 Debtors

	2012 £000	2011 £000
Trade debtors	224	189
Amount recoverable on contracts	50	60
Amounts owed by group undertakings	4,382	4 593
Other debtors	-	5
Deferred tax asset (note 10)	15	16
	4,671	4,863

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

9 Creditors amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	1	1
Contract creditors	123	83
Amounts owed to group undertakings	3,905	4,133
Corporation tax	69	73
Other tax and social security costs	2	32
Accruals and deferred income	144	184
	4,244	4,506

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

10 Deferred taxation (see note 8)

	£000
At the beginning of the year	16
Transfer to profit and loss account	(1)
At the end of the year	15

The elements of deferred taxation are as follows

	2012 £000	2011 £000
Accelerated capital allowances	15	16

The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's deferred tax asset accordingly

Notes *(continued)*

11 Called up share capital

	2012	2011
	£'000	£'000
Allotted called up and fully paid		
99 000 ordinary shares of £1 each	99	99
1 000 'B' ordinary shares of £1 each	1	1
	100	100

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

12 Reserves

	Profit and loss account £000
At beginning of year	437
Profit for the financial year	223
At the end of the year	660

13 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Profit for the financial year	223	275
Net increase in equity shareholders' funds	223	275
Equity shareholders' funds at the beginning of the year	537	262
Equity shareholders' funds at the end of the year	760	537

Notes *(continued)*

14 Pensions

The company is a member of three larger group pension schemes, the Carillion Staff Scheme, the Carillion "B" scheme and the Carillion Public Sector Scheme, providing benefits based on final pensionable pay Details of the schemes' assets and liabilities relating to the company cannot be identified on a consistent and reasonable basis and therefore, as permitted by FRS17 "Retirement Benefits", the schemes have been accounted for, in these financial statements, as if they were defined contribution schemes

The principal assumptions used by the independent qualified actuary in providing the FRS 17 position were

	% Per annum	
	2012	2011
Discount Rate	4 55	4 8
Rate of increase in salaries	3 4	3 5
Rate of increase in pensions	2 9	3
Inflation rate (RPI)	2 9	3
Inflation rate (CPI)	2 05	1 9

An actuarial valuation of the Staff and 'B' schemes was undertaken by the Trustees' independent actuaries as at 31 December 2008 using the projected unit credit method The market value of the schemes' assets at that date were £507 0 million and £98 9 million respectively, which represented approximately 97 per cent and 76 per cent of the benefits that had accrued to members at that date on an ongoing basis, after allowing for future increases in salaries The next actuarial valuation of the schemes by the Trustees independent actuaries, as at 31 December 2011, is currently underway

An actuarial valuation of the Carillion Public Sector Scheme was undertaken by the Trustees' independent actuaries as at 31 December 2010 using the attained age method The market value of the schemes' assets at that date was £131 8 million, which represented approximately 82 per cent of the benefits that had accrued to members at that date on an ongoing basis, after allowing for future increases in salaries The next actuarial valuation of the scheme by the Trustees' independent actuaries, due as at 31 December 2010, is currently underway The company's regular on-going contribution to the Carillion Public Sector Scheme was £22,500 (2011 £29,706)

Regular ongoing contributions are no longer payable following the closure of the Staff and 'B schemes to future accrual on 5 April 2009 Payments representing 33 8 per cent of pensionable salaries will be paid into the Carillion Public Sector Scheme in 2012

At the 31 December 2011 the Carillion Staff, the Carillion "B" and the Carillion Public Sector Scheme had net deficits on an FRS 17 basis of £26 9 million, £10 4 million and £16 9 million respectively (2011 £17 5 million, £12 6 million and £20 0 million) net of deferred taxation

The company is a member of one of the group's defined contribution schemes During the year contributions of £19 500 (2011 £26 343) were made to the scheme Contributions outstanding at 31 December 2012 were nil (2011 £nil)

15 Related party transactions

As a wholly-owned subsidiary of Carillion plc, the company has taken advantage of the exemption under FRS 8 Related party disclosures not to provide information on related party transactions with other undertakings within the Carillion 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 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 24 Birch Street Wolverhampton, WV1 4HY