Schal International Management Limited

Directors' report and financial statements

Registered number 2646690

For the year ended 31 December 2009

Contents

Directors' report

The directors present their annual report and the audited financial statements forthe year ended 31 December 2009

Principal activity

The company is principally engaged in construction management and project management

Business review

The results of the company are set out in the profit and loss account on page 6

Key performance indicators

Various Key Performance Indicators (KPIs) are used to monitor the company's business - these include

(a) gross margin, staff utilisation, PBIT %,

(b) balance sheet controls (work in progress and debtor day indicators),

(c) secured order book figures - which include a series of numbers relating to probable work and possible work measured against historical figure

Results and dividends

The profit on ordinary activities before taxation was £289,000 *(2008 loss of £3 000)* The directors do not propose the payment of a dividend for the year *(2008 £Nil)*

Principal risks

Secured work going into 2010 was in line with expectations at the end of 2009, however the recent challenging market conditions have caused some shortfalls in certain sectors of the company's business

Directors

The directors who served during the year were

TD Kenny
RH Harris
F Huidobro

Policy for payment of suppliers

Where contracts with clients specify terms of payment to suppliers, it is company policy to pay in accordance with those terms Where no such contractual requirement exists, it is company policy to comply with suppliers' terms and conditions As at 31 December 2009, the number of creditor days outstanding was nil *(2008 nil)*

Employees

It is our policy to communicate with and involve employees on matters affecting their interests at work, and to inform them of the performance of the business Each business adopts such employee consultation as is appropriate in individual circumstances including consultative committees, training and development and communication programmes This information is complemented by the Carillion plc group newspaper Spectrum

It is also our policy to treat all employees and potential employees equally and to give full consideration to suitable applications for employment from disabled persons, where they have the necessary abilities and skills for the position, and wherever possible to retrain or provide equipment to employees who become disabled so that they can continue their employment

Directors' report *(continued)*

Political and charitable donations

The company made no political or charitable donations during the year *(2008 £Nil)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each 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

Auditors

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 31 March 2010 and signed on its behalf by

RH Harris
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 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

KPMG Audit Plc
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

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 2009 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)

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 auditors' 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 3, 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 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 (APB'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 APB's web-site at www frc org uk/apb/scope/UKNP

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 2009 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 matters 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 auditors' 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

MT Hopton

31 March 2010

MT Hopton (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

31 March 2010

Profit and loss account

for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Turnover	1	**3,154**	2,888
Cost of sales		**(2,855)**	(2,564)
Gross profit		**299**	324
Administrative expenses		**(120)**	(460)
Operating profit/(loss)	2	**179**	(136)
Interest receivable and similar income	5	**221**	241
Interest payable and similar charges	6	**(111)**	(108)
Profit/(loss) on ordinary activities before taxation		**289**	(3)
Tax on profit/(loss) on ordinary activities	7	**(81)**	(89)
Profit/(loss) for the financial year	12	**208**	(92)

All amounts relate to continuing operations

The company has no recognised gains or losses in either the current or preceding year, other than those disclosed in the profit and loss account

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

Balance sheet
at 31 December 2009

	Note	2009 £000	£000	2008 £000	£000
Current assets					
Debtors	8	7,621		7,434	
Cash at bank and in hand		453		211	
		8,074		7 645	
Creditors amounts falling due within one year	10	(8,027)		(7 806)	
Net current assets/(liabilities)			47		(161)
Net assets/(liabilities)			47		(161)
Capital and reserves					
Called up share capital	11		100		100
Profit and loss account	12		(53)		(261)
Equity shareholders' funds/(deficit)	13		47		(161)

These financial statements were approved by the Board of directors on 31 March 2010 and signed on its behalf by

RH Harris
Director

Company registered number 2646690

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 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

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Carillion plc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concernbasis of accounting in preparing the annual financial statements

Related party transactions

As 100% of the Company's voting rights are controlled within the group headed by Carillion Plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Carillion Plc within which this Company is included, can be obtained from the address given in note 15

Cash flow statement

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

Profit recognition

Profit on long term contracts is calculated in accordance with applicable accounting standards In determining the attributable profit on contracts to a particular accounting period the company utilises estimation techniques The principal estimation technique used is the preparation of profit and cash flow forecasts on a contract by contract basis which enables an assessment to be made of the final outturn on each contract Profit is then recognised when the outcome of the contract can be foreseen with reasonable certainty and is attributed in line with the degree of completion of each contract

The result for each year includes settlement of claims on contracts completed in prior years In preparing contract forecasts, a prudent and reasonable evaluation of claims is included in the assessment of the final outturn

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

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

Long term contract balances

Amounts recoverable on contracts, which are included in debtors, are stated at cost plus attributable profit, less any foreseeable losses Payments received on account of contracts are deducted 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

Turnover

Turnover represents the net amount receivable, excluding value added tax for goods and services supplied to all customers including fellow subsidiary undertakings

2 Operating profit/(loss)

	2009	2008
	£000	£000
Operating profit/(loss) is stated		
after charging		
Write-off of amount owed by group undertaking	-	271

The audit fee for the year ended 31 December 2009 amounting to £10,000 (*2008 £15,000*) was borne by Carillion Construction Limited a fellow group subsidiary

Fees paid to the company's auditor KPMG Audit Plc. and its associates for 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

Notes *(continued)*

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	
	2009	2008
Administration	**1**	1
Project management	**12**	12
	13	13

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	**374**	326
Social security costs	**38**	37
Other pension costs (note 14)	**45**	40
	457	403

4 Directors' remuneration

Directors do not receive any remuneration for services performed on behalf of the company Directors' remuneration is borne by other group companies

5 Interest receivable and similar income

	2009	2008
	£000	£000
Amounts receivable from group undertakings	**221**	241

6 Interest payable and similar charges

	2009	2008
	£000	£000
Amounts payable to group undertakings	**111**	108

Notes *(continued)*

7 Tax on profit/(loss) on ordinary activities

(a) *Analysis of taxation charge in year*

	2009 £000	2008 £000
UK corporation tax		
Current tax on profit/(loss) for the year	74	76
Adjustment in respect of prior periods	-	13
Total current taxation	74	89
Deferred taxation		
Origination/reversal of timing differences	7	-
Total deferred taxation	7	-
Tax charge on profit/(loss) on ordinary activities	81	89

(b) *Reconciliation of current taxation charge*

The UK standard rate of corporation tax for the year is 28% *(2008 28 5%)* The actual tax rate is lower *(2008 higher)* than the standard rate for the reasons set out below

	2009 £000	2008 £000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	289	(3)
Tax on profit/(loss) on ordinary activities at UK standard rate of corporation tax of 28% *(2008 28 5%)*	81	(1)
Effects of		
Permanent differences	-	77
Capital allowance in excess of depreciation	(7)	-
Adjustment in respect of prior periods	-	13
Current tax charge for the year	74	89

c) *Factors that may affect future tax charges*

The directors are not aware of any significant factors which will affect the company's future tax charge except for utilisation of the deferred tax asset set out on note 9

8 Debtors

	2009 £000	2008 £000
Trade debtors	315	317
Amounts recoverable on contracts	236	50
Amounts owed by group undertakings	7,042	7,032
Deferred tax asset (see note 9)	28	35
	7,621	7,434

Amounts due from group undertakings bear interest at a rate which reflects the cost to the group

Notes *(continued)*

9 Deferred tax

	£000
At beginning of year	35
Charge to profit and loss	(7)
At end of year	**28**

The elements of deferred taxation are as follows

	2009 £000	2008 £000
Difference between accumulated depreciation and capital allowances	**28**	35

10 Creditors: Amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	**1**	-
Amounts owed to group undertakings	**7,519**	7,663
Corporation tax	**74**	76
Other tax and social security	**41**	66
Accruals and deferred income	**392**	1
	8,027	7,806

Included within creditors are certain inter-company loans which bear interest at a rate which reflects the cost of borrowing to the group

11 Share capital

	2009 £000	2008 £000
Authorised:		
148,500 "A" ordinary shares of £1 each	**148**	148
1,500 "B" ordinary shares of £1 each	**2**	2
	150	150
Allotted, called up and fully paid		
99,000 "A" 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

Notes *(continued)*

12 Reserves

	Profit and loss account £000
At beginning of year	(261)
Profit for the financial year	208
At end of year	**(53)**

13 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Profit/(loss) for the financial year	**208**	(92)
Opening shareholders deficit	**(161)**	(69)
Closing shareholders' funds/(deficit)	**47**	(161)

14 Pension contributions

Defined benefit schemes

The company is a member of three larger group pension schemes the Carillion Staff Pension Scheme (Staff), the Carillion "B" scheme ("B") and the Carillion public sector scheme (Public), 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 latest acturial valuation was undertaken as at 31 December 2005 for the Staff and "B" schemes, and as at 31 December 2007 for the Public scheme The schemes were updated for FRS17 purposes to 31 December 2009 and 2008 by a qualified independent actuary The projected unit credit method was used and the key actuarial assumptions were

	% per annum
Discount rate	5 80
Rate of increase in salaries	4 40
Rate of increase in pensions	3 40
Inflation rate	3 40

An actuarial valuation of the Staff and "B" schemes by the Trustees' independent actuaries as at 31 December 2008 is currently being undertaken

The market value of the Staff and 'B' scheme assets at 31 December 2005 were £458 0 million and £106 4 million respectively the value of which represented approximately 90% and 94% of the benefits that had accrued to members at that date on an ongoing basis, after allowing for assumed future increases in salaries

The market value of the Public scheme assets at 31 December 2007 was £105 3 million the value of which represented approximately 89% of the benefit s that had accrued to members at that date on an ongoing basis after allowing for assumed future increases in salaries

Notes *(continued)*

14 Pension contributions *(continued)*

Defined benefit schemes *(continued)*

The company's regular ongoing contribution to the Staff and "B" scheme were £3 000 (*2008 £12,000*) Existing members of the scheme no longer accrue benefits for future service with effect from 5 April 2009, hence no regular contributions to this scheme are anticipated for 2010 The company s regular ongoing contribution to the Public scheme for the year was £22,000 (*2008 £21,000*) A contribution rate of 27 5% of pensionable pay has been agreed for members of the scheme in future years

As at 31 December 2009 the Carillion Staff Pension Scheme, the Carillion "B" Scheme and the Carillion Public Sector Scheme had net deficits on an FRS 17 basis of £28 1 million, £9 3 million and £5 8 million respectively *(2008 £24 8 million surplus, £1 9 million surplus and £Nil)*

Defined contribution schemes

The company is a member of the group's defined contribution schemes During the year contributions of £20,000 *(2008 £7 000)* were made to the schemes Contributions outstanding at 31 December 2009 were nil *(2008 nil)*

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 24 Birch Street, Wolverhampton, WV1 4HY