Schal International Management Limited

Annual report and financial statements

Registered number 2646690

For the year ended 31 December 2015

Contents

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2015.

Principal activities
The company is principally engaged in project management.

Business review
The company recorded turnover of £1,009,000 (2014: £2,432,000) and an operating loss of £1,000 in 2015 (2014: £84,000 profit), which was lower than 2014 due to the contract for the UK government winding down.

It is anticipated that this one remaining contract will fully wind down before the end of 2016 and the business will fall dormant from this point.

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 Lost Time Incident Frequency (LTIFR), which is an internationally recognised measure of safety performance. The company's performance against this measure was satisfactory.

Principal risks
A risk facing the business includes client retention. A further risk relates to 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.

Directors

The directors serving during the year and subsequently were:

F Huidobro (resigned 30 September 2015)
D Fettes (resigned 10 August 2015)
A Green
J Murray (appointed 1 October 2015)

Dividends
The directors do not propose the payment of a dividend for the year (2014: £nil).

Political donations
During the year, the company made no political donations (2014: £nil).

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 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 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 auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 23 September 2016 and signed on its behalf by:

A Green
Director

84 Salop Street
Wolverhampton
WV3 0SR

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), 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 Schal International Management Limited

We have audited the financial statements of Schal International Management Limited for the year ended 31 December 2015 set out on pages 7 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), 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 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 2015 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.

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; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report and in not preparing a Strategic Report.

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

23 September 2016

Profit and loss account
for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover	*1*	**1,009**	2,432
Cost of sales		**(908)**	(2,123)
Gross profit		**101**	309
Administrative expenses		**(102)**	(225)
Operating (loss)/profit		**(1)**	84
Interest receivable and similar income	*5*	**85**	95
Profit on ordinary activities before taxation	*2*	**84**	179
Taxation on ordinary activities	*6*	**(17)**	(38)
Profit for the financial year		**67**	141

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.

The notes on pages 10 to 14 form part of these financial statements.

Balance sheet
at 31 December 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Current assets					
Debtors	*7*	2,450		2,606	
Cash at bank and in hand		579		318	
		3,029		2,924	
Creditors: amounts falling due within one year	*8*	(1,889)		(1,851)	
Net current assets			1,140		1,073
Net assets			1,140		1,073
Capital and reserves					
Called up share capital	*10*		100		100
Profit and loss account			1,040		973
Equity shareholders' funds			1,140		1,073

These financial statements were approved by the Board of Directors on 13 September 2016 and were signed on its behalf by:

A Green
Director

Company registered number 2646690

Statement of changes in equity
for the year ended 31 December 2015

	Called up *share capital* £000	Profit and *loss account* £000	Total £000
Balance at 1 January 2014	100	832	932
Profit for the year	-	141	141
Balance at 31 December 2014	100	973	1,073
Profit for the year	-	67	67
Balance at 31 December 2015	100	1,040	1,140

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 preparation
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.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The transition to FRS 101 has not had an impact on the profit for the year or net assets.

In these financial statements, the company has applied the exemptions under FRS101 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 FRS101 available in respect of the following disclosures:
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS7 Financial Instrument disclosures.

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. 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.

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 in revenue where it is probable that they will be recovered and are capable of being reliably measured.

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
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, in which case it is recognised directly in equity.

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.

Pensions
Pension costs are recognised in the financial statements in accordance with the requirements of IAS 19 "Employee 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 Carillion Staff Pension Scheme, the assets and liabilities of the scheme relating to the company cannot be readily ascertained on a reasonable and consistent basis as the scheme is for the benefit of the Carillion Group as a whole. Consequently, the company accounts for this scheme as if it were a defined contribution scheme.

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 £5,500 (2014: £5,500) 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 average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Administration	-	1
Project management	**1**	5
	1	6

The aggregate payroll costs of these persons were as follows:	**2015**	2014
	£000	£000
Wages and salaries	**115**	346
Social security costs	**13**	38
Other pension costs	**16**	49
	144	433

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

	2015	2014
	£000	£000
Interest receivable from group undertakings	**85**	82
Bank interest receivable	-	13
	85	95

Notes *(continued)*

6. Taxation on ordinary activities

(a) Analysis of taxation charge in the year	2015	2014
	£000	£000
UK corporation tax		
Current tax	15	35
Total current taxation	15	35
Deferred taxation		
Accelerated capital allowances	2	3
Total deferred taxation	2	3
Total taxation on profit on ordinary activities	17	38

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

The tax charge for the year is the same as (2014: the same as) the standard rate of 20.25% (2014: 21.5%) as shown below:

	2015	2014
	£000	£000
Total tax reconciliation		
Profit on ordinary activities before taxation	84	179
Tax on profit on ordinary activities at 20.25% (2014: 21.5%)	17	38
Total tax charge for the year	17	38

(c) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 December 2015 has been calculated based on the rate in the period in which it is expected to unwind.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

Notes *(continued)*

7. Debtors

	2015	2014
	£000	£000
Trade debtors	-	203
Amounts owed by group undertakings	2,439	2,390
Deferred tax asset (note 9)	11	13
	2,450	2,606

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

8. Creditors: amounts falling due within one year	2015	2014
	£000	£000
Trade creditors	1	1
Contract creditors	-	1
Amounts owed to group undertakings	1,870	1,776
Corporation tax	15	35
Other tax and social security costs	-	34
Accruals and deferred income	3	4
	1,889	1,851

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

9. Deferred taxation	2015	2014
	£000	£000
At the beginning of the year	13	16
Transfer to profit and loss account (see note 7)	(2)	(3)
At the end of the year	11	13

The elements of deferred taxation are as follows:

	2015	2014
	£000	£000
Accelerated capital allowances	11	13

The deferred tax asset at 31 December 2015 has been calculated based on the rate substantively enacted at the balance sheet date.

10. Called up share capital	2015	2014
	£'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

Notes *(continued)*

12. Pensions

The company's employees are members of a larger pension scheme, the Carillion Staff Pension Scheme, providing benefits based on final pensionable pay. The principal employer of this scheme is a fellow subsidiary of the Carillion Plc Group, with the scheme accounted for in these financial statements as if it is a defined contribution scheme.

During the year contributions of £16,000(2014: £49,000) were made to the Carillion Staff Scheme. Contributions outstanding at 31 December 2015 were £nil (2014: £nil).

13. 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.