

**Faiveley Transport (Birkenhead) Limited**

Report and Financial Statements

Year Ended

31 March 2006

1841352



**IBDO**

BDO Stoy Hayward  
Chartered Accountants

**Faiveley Transport (Birkenhead) Limited**

**Annual report and financial statements for the year ended 31 March 2006**

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**Directors**

U Giesen  
E Haumont  
R Joyeux  
P Sainfort  
N Wilkinson  
R Lundahl

**Secretary and registered office**

C Jones, Morpeth Wharf, Twelve Quays, Birkenhead, Wirral, CH41 1LW

**Company number**

1841352

**Auditors**

BDO Stoy Hayward LLP, Commercial Buildings, 11-15 Cross Street, Manchester, M2 1WE

## **Faiveley Transport (Birkenhead) Limited**

### **Report of the directors for the year ended 31 March 2006**

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The directors present their report together with the audited financial statements for the year ended 31 March 2006.

#### **Results and dividends**

The profit and loss account is set out on page 6 and shows the loss for the year.

#### **Principal activities, review of business and future developments**

The company's principal activity is the distribution, sale and overhaul of braking equipment for railway vehicles.

The results for the year ended 31 March 2006 show a turnover of £16,845,000 with loss before interest and other income of £554,000. This result is after (charging)/crediting some significant one-off / non recurring items to the accounts in the financial year:

Restructuring costs	£(1,606,000)
Profit on Sales of Leek facility	£ 386,000
Warranty provision	£( 976,000)
Write down of investment in group company	£(1,800,000)
Adjustments in pension benefits costs	£ 2,785,000

A comparative profit before interest and other income, taking these adjustments into account would be £657,000 (3.9% of sales)

The majority of the reduction in turnover in the year has come from the loss of significant Original Equipment (O.E.) contracts with one major customer. This has led to the major reorganisation of the business in the year ended March 2006 and a refocus of strategy towards Customer Services (Overhauling, Repairs and spares) sales.

The company has improved gross margins (before charge of warranty provision) to 5.4% (2005 - 2.9%). The improvement in gross margins is primarily as a result of refocusing the resources within the business to Customer Services, improving operating efficiency and introducing a more cost and improvement focussed business culture.

The company has successfully managed a reduction in turnover in the financial year ended 31 March 2006 and via a major restructuring programme has repositioned itself for a year of enhanced performance in 2007.

Significant changes are apparent on the company's balance sheet with the inclusion of the deficit on the SabWabco Pension scheme as a liability and the adjustment of prior year figures for comparative purposes.

Pre pension liability the net assets of the company have reduced year on year principally due to the write down of the investment in sister companies of £1,800,000 and the disposal of the leek facility as part of the business restructuring.

## Faiveley Transport (Birkenhead) Limited

### Report of the directors for the year ended 31 March 2006 (*Continued*)

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#### *Competition*

The year ended March 2006 was a challenging year. Due to external factors our Original Equipment (OE) sales fell compared to the previous year. Our priority therefore was to ensure we would minimise this impact and develop improved profitable Customer Service (CS) business. Such a significant change in our business brought about the need for restructuring and through the integration of our smaller facility in Staffordshire, and the introduction of a voluntary redundancy programme in the Wirral, we managed to sufficiently prepare the company for this unfortunate event. Even during this difficult time we accomplished sales successes within certain sectors and despite the competitive environment we achieved a net 24% growth in overhaul business, which included the first managed contract for London Underground.

Although the trading environment continues to be challenging, the Company maintains its plan for sustained growth from organic development of existing business sectors. We have started to implement the actions to sustain our growth objectives in the coming year and, following the business reorganisation, we are well placed to effectively manage the planned development of the Company and to benefit from opportunities as they arise.

#### **Directors**

The directors of the company during the year were:

U Giesen	(resigned 31 August 2005)
E Haumont	
R Joyeux	
P Sainfort	
N Wilkinson	
R Lundahl	(resigned 26 May 2005)

No director had any beneficial interest in the share capital of the company nor in the shares of any other group companies.

## **Faiveley Transport (Birkenhead) Limited**

### **Report of the directors for the year ended 31 March 2006 (*Continued*)**

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#### **Directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

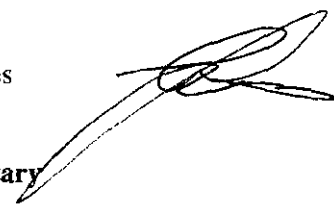
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP were appointed as auditors during the year and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

#### **By order of the board**

C Jones

Secretary



30 November 2006

# **Faiveley Transport (Birkenhead) Limited**

## **Independent auditor's report**

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### **To the shareholders of Faiveley Transport (Birkenhead) Limited**

We have audited the financial statements of Faiveley Transport (Birkenhead) Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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.

**Faiveley Transport (Birkenhead) Limited**

**Independent auditor's report (*Continued*)**

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*Opinion*

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors  
Manchester*

30 November 2006

# Faiveley Transport (Birkenhead) Limited

## Profit and loss account for the year ended 31 March 2006

	Note	Year ended 31 March 2006 £'000	15 months ended 31 March 2005 As restated £'000
<b>Turnover</b>	2	16,845	34,576
Cost of sales		16,833	33,565
<b>Gross profit</b>		12	1,011
Distribution costs		252	436
Administrative expenses - excluding exceptional items		(1,700)	3,498
Administrative expenses - exceptional item	5	1,800	-
Administrative expenses		100	3,498
		(340)	(2,923)
Other operating income		1,006	7,023
<b>Operating profit</b>	3	666	4,100
Costs of a fundamental reorganisation		(1,606)	-
Profit on disposal of fixed assets		386	-
<b>(Loss)/profit on ordinary activities before interest and other income</b>		(554)	4,100
Other interest receivable and similar income		167	247
Interest payable and similar charges	7	(24)	(202)
Other finance charges	8	(655)	(539)
<b>(Loss)/profit on ordinary activities before and after taxation for the financial year/period</b>		(1,066)	3,606

All amounts relate to continuing activities.

The notes on pages 10 to 23 form part of these financial statements.



**Faiveley Transport (Birkenhead) Limited**

**Statement of total recognised gains and losses for the year ended 31 March 2006**

	Note	Year ended 31 March 2006 £'000	15 months ended 31 March 2005 As restated £'000
(Loss)/profit for the financial year/period		(1,066)	3,606
Actuarial loss on pension scheme	20	(3,034)	(2,891)
Deferred tax on pension scheme liability		272	1,024
		<hr/>	<hr/>
<b>Total recognised gains and losses for the financial year/period</b>		<b>(3,828)</b>	<b>1,739</b>
			<hr/>
Prior year adjustment - pension scheme	23	(8,343)	
		<hr/>	
<b>Total losses recognised since last financial statements</b>		<b>(12,171)</b>	
		<hr/>	

The notes on pages 10 to 23 form part of these financial statements.

**Faiveley Transport (Birkenhead) Limited**

**Balance sheet at 31 March 2006**

	Note	31 March 2006 £'000	31 March 2006 £'000	31 March 2005 As restated £'000	31 March 2005 As restated £'000
<b>Fixed assets</b>					
Tangible assets	10		1,218		1,522
Fixed asset investments	11		4,000		5,800
			<u>5,218</u>		<u>7,322</u>
<b>Current assets</b>					
Stocks	12	2,431		2,256	
Debtors	13	6,549		5,469	
Cash at bank and in hand		4,257		1,851	
		<u>13,237</u>		<u>9,576</u>	
<b>Creditors: amounts falling due within one year</b>	14	17,211		13,302	
		<u></u>		<u></u>	
<b>Net current liabilities</b>			(3,974)		(3,726)
			<u></u>		<u></u>
<b>Total assets less current liabilities</b>			1,244		3,596
<b>Creditors: amounts falling due after more than one year</b>	15	-		1	
<b>Provision for liabilities and charges</b>	16	1,118		273	
		<u></u>		<u></u>	
			1,118		274
			<u></u>		<u></u>
<b>Net assets excluding pension liability</b>			126		3,322
<b>Pension liability</b>	20		(8,975)		(8,343)
			<u></u>		<u></u>
<b>Net liabilities including pension liability</b>			(8,849)		(5,021)
			<u></u>		<u></u>

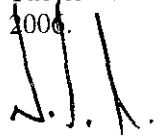
The notes on pages 10 to 23 form part of these financial statements.

**Faiveley Transport (Birkenhead) Limited**

**Balance sheet at 31 March 2006 (Continued)**

	Note	31 March 2006 £'000	31 March 2006 £'000	31 March 2005 As restated £'000	31 March 2005 As restated £'000
<b>Capital and reserves</b>					
Called up share capital	17		1		1
Profit and loss account	18		(8,850)		(5,022)
			<hr/>		<hr/>
<b>Shareholders' funds</b>	19		(8,849)		(5,021)
			<hr/>		<hr/>

The financial statements were approved by the board of directors and authorised for issue on 30 November 2006.



N Wilkinson  
**Director**

The notes on pages 10 to 23 form part of these financial statements.

## **1 Accounting policies**

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

### *Consolidated financial statements*

The company is exempt from the requirement to prepare consolidated financial statements by virtue of section 228 of the Companies Act 1985 as it is a wholly owned subsidiary of Faiveley SA, incorporated in France, which prepares consolidated accounts that are publicly available.

### *Cash flow statement*

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Faiveley SA, incorporated in France, and the company is included in consolidated financial statements.

### *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties, freehold land and certain buildings, evenly over their expected useful lives. It is calculated at the following rates:

Leasehold property	- over 15 years
Plant & machinery	- over 3 to 20 years (according to type and use)

### *Valuation of investments*

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

### *Foreign currency*

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

**1 Accounting policies (continued)**

*Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

*Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

*Pension costs*

The difference between the fair value of the assets held in the company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the company's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Charges in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the company are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with FRS17 'Retirement benefits'.

# Faiveley Transport (Birkenhead) Limited

Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)

## 1 Accounting policies (continued)

### Related party disclosure

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related party disclosures', not to disclose transactions with members or investees of the group headed by Faiveley SA, incorporated in France, on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

## 2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

## 3 Operating profit

	Year ended 31 March 2006 £'000	15 months ended 31 March 2005 As restated £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	178	(193)
Hire of plant and machinery - operating leases	50	77
Hire of other assets - operating leases	212	-
Audit services	25	23
Non-audit services	4	7
Exchange differences	17	171
Defined benefit pension cost (see below)	(1,693)	880
	<u>          </u>	<u>          </u>
Defined benefit pension costs charged in arriving at the operating profit comprise the following:		
	2006 £'000	2005 £'000
Current service cost	316	641
Past service cost	329	239
Curtailement credit	(2,338)	-
	<u>          </u>	<u>          </u>
	(1,693)	880
	<u>          </u>	<u>          </u>

# Faiveley Transport (Birkenhead) Limited

Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)

## 4 Employees

Staff costs (including directors) consist of:

	Year ended 31 March 2006 £'000	15 months ended 31 March 2005 £'000
Wages and salaries	3,524	5,166
Social security costs	360	507
Other pension costs	676	815
	<u>4,560</u>	<u>6,488</u>

The average number of employees (including directors) during the year was as follows:

	Year ended 31 March 2006 Number	15 months ended 31 March 2005 Number
General and administrative	17	13
Sales and marketing	13	17
Engineering	26	31
Manufacturing	63	82
	<u>119</u>	<u>143</u>

## 5 Exceptional item

The exceptional administrative expense of £1,800,000 relates to an impairment in the carrying value of the investment in group undertakings (note 11).

## 6 Directors' remuneration

	Year ended 31 March 2006 £'000	15 months ended 31 March 2005 £'000
Directors' emoluments	114	147
Company contributions to money purchase pension schemes	12	24
	<u>126</u>	<u>171</u>

**Faiveley Transport (Birkenhead) Limited****Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)**

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**6 Directors' remuneration (continued)**

There was 1 director in the company's defined benefit pension scheme during the year (2005 - 1).

**7 Interest payable and similar charges**

	Year ended 31 March 2006 £'000	15 months ended 31 March 2005 £'000
Bank loans and overdrafts	24	202
	<u>      </u>	<u>      </u>

**8 Other finance charges**

	Year ended 31 March 2006 £'000	15 months ended 31 March 2005 £'000
Expected return on pension scheme assets	(1,288)	(1,611)
Interest on pension scheme liabilities	1,943	2,150
	<u>      </u>	<u>      </u>
	655	539
	<u>      </u>	<u>      </u>



**Faiveley Transport (Birkenhead) Limited****Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)****9 Taxation on (loss)/profit on ordinary activities**

There is no current taxation charge for the year (2005 £nil).

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 March 2006 £'000	15 months ended 31 March 2005 £'000
(Loss)/profit on ordinary activities before tax	(1,066)	3,606
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 - 30%)	(320)	1,239
Effect of:		
Expenses not deductible for tax purposes	4	12
Capital allowances for period in excess of depreciation	(248)	(246)
Utilisation of tax losses	-	272
Adjustment to tax charge in respect of previous periods	-	335
Sale of intellectual property taxed in 2003	-	(1,735)
Movements in short term timing differences	(567)	123
Permanent differences	(99)	-
Losses not utilised	1,230	-
Current tax charge for period	-	-

A deferred tax asset in relation to trading losses has not been recognised as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £3,998,860 (2005 £4,311,000).

**Faiveley Transport (Birkenhead) Limited**

Notes forming part of the financial statements for the year ended 31 March 2006 (*Continued*)

**10 Tangible fixed assets**

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
<i>Cost</i>				
At 1 April 2005	342	1,013	3,982	5,337
Additions	-	16	62	78
Disposals	(342)	-	-	(342)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	-	1,029	4,044	5,073
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 April 2005	138	-	3,677	3,815
Provided for the year	-	71	107	178
Disposals	(138)	-	-	(138)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	-	71	3,784	3,855
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2006	-	958	260	1,218
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	204	1,013	305	1,522
	<hr/>	<hr/>	<hr/>	<hr/>

**11 Fixed asset investments**

	Group undertakings £'000
<i>Cost or valuation</i>	
At 1 April 2005	5,800
Impairment charge	(1,800)
	<hr/>
At 31 March 2006	4,000
	<hr/>

# Faiveley Transport (Birkenhead) Limited

Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)

## 11 Fixed asset investments (continued)

*Subsidiary undertakings, associated undertakings and other investments*

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

	Proportion of voting rights and ordinary share capital held	Nature of business
<i>Associated undertakings</i>		
Sab Wabco (Investments) Limited	28%	The company does not trade but does hold intercompany loans with other group undertakings

## 12 Stocks

	31 March 2006 £'000	31 March 2005 £'000
Raw materials and consumables	2,322	2,165
Work in progress	109	91
	<u>2,431</u>	<u>2,256</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

## 13 Debtors

	31 March 2006 £'000	31 March 2005 £'000
Trade debtors	2,577	4,958
Amounts owed by group undertakings	1,128	-
Corporation tax recoverable	23	-
Other debtors	4	-
Prepayments and accrued income	2,817	511
	<u>6,549</u>	<u>5,469</u>

All amounts shown under debtors fall due for payment within one year.

# Faiveley Transport (Birkenhead) Limited

Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)

## 14 Creditors: amounts falling due within one year

	31 March 2006 £'000	31 March 2005 £'000
Trade creditors	1,481	1,103
Amounts owed to group undertakings	12,321	11,416
Taxation and social security	108	269
Obligations under finance lease and hire purchase contracts	-	5
Other creditors	34	-
Accruals and deferred income	3,267	509
	<u>17,211</u>	<u>13,302</u>

## 15 Creditors: amounts falling due after more than one year

	31 March 2006 £'000	31 March 2005 £'000
Obligations under finance lease and hire purchase contracts	-	1
	<u>-</u>	<u>1</u>

Maturity of debt:

	Finance leases 31 March 2006 £'000	Finance leases 31 March 2005 £'000
In one year or less, or on demand	-	5
	<u>-</u>	<u>5</u>
In more than one year but not more than two years	-	1
	<u>-</u>	<u>1</u>

## 16 Provision for liabilities and charges

	Warranty provision £'000
At 1 April 2005	273
Charged to profit and loss account	976
Utilised in year	(131)
	<u>1,118</u>
At 31 March 2006	<u>1,118</u>

# Faiveley Transport (Birkenhead) Limited

Notes forming part of the financial statements for the year ended 31 March 2006 (*Continued*)

## 17 Share capital

	31 March 2006 £'000	Authorised 31 March 2005 £'000	Allotted, called up and fully paid 31 March 2006 £'000	31 March 2005 £'000
<i>Equity share capital</i>				
1,000 ordinary shares of £1 each	1,000	1,000	1	1

## 18 Reserves

	Profit and loss account £'000
At 1 April 2005 as previously stated	3,321
Prior year adjustment	(8,343)
	<hr/>
At 1 April 2005 as restated	(5,022)
Loss for the year	(1,066)
Actuarial loss in pension scheme liability net of related taxation	(2,762)
	<hr/>
At 31 March 2006	(8,850)
	<hr/>

19 Reconciliation of movements in shareholders' funds

	Year ended 31 March 2006 £'000	15 months ended 31 March 2005 £'000
(Loss)/profit for the year	(1,066)	3,606
Other net recognised gains and losses relating to the year	(2,762)	(1,867)
	<hr/>	<hr/>
Net (deductions from)/additions to shareholders' funds	(3,828)	1,739
	<hr/>	<hr/>
Opening shareholders' funds as previously stated	3,322	(809)
Prior year adjustment - pension scheme	(8,343)	(5,951)
	<hr/>	<hr/>
Opening shareholders' funds as restated	(5,021)	(6,760)
	<hr/>	<hr/>
Closing shareholders' funds	(8,849)	(5,021)
	<hr/>	<hr/>

20 Pensions

The company participates in the SAB WABCO Pension Scheme, the Davies & Metcalfe Limited (1977) Retirements Benefits Scheme and the Davies & Metcalfe plc Retirement Benefits Scheme. These schemes provide benefits based on final pensionable pay. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

Full actuarial valuation of the defined benefit schemes were carried out at 6 April 2004 and updated to 31 March 2006, 31 March 2005 and 31 December 2003 by a qualified independent actuary on a FRS17 basis. The major assumptions at 31 March 2006 used by the actuary were:

	31 March 2006	31 March 2005	31 December 2003
Rate of increase in salaries	4.40%	4.40%	4.30%
Discount rate	4.90%	5.40%	5.40%
Inflation assumption:			
SAB WABCO Pension Scheme	2.90%	2.90%	2.80%
Davies & Metcalfe Limited (1977) Retirement Benefits Scheme	2.90%	2.90%	2.80%
Davies & Metcalfe plc Retirement Benefits Scheme	5.00%	5.00%	5.00%

**Faiveley Transport (Birkenhead) Limited**

**Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)**

**20 Pensions (continued)**

The assets in the scheme and the expected rate of return at 31 March 2006 were:

	Long-term rate of return expected at 2006	Value at 2006 £'000	Long-term rate of return expected at 2005	Value at 2005 £'000	Long-term rate of return expected at 2003	Value at 2003 £'000
Equities	6.40%	12,457	6.80%	10,442	6.90%	10,823
Bonds	4.40%	7,372	4.90%	6,370	4.90%	4,764
Gilts	3.80%	4,461	4.20%	4,088	4.30%	3,724
Cash	3.50%	299	3.50%	119	3.50%	39
Insured assets	3.00%	3,789	3.00%	3,625	3.00%	4,808
		<hr/>		<hr/>		<hr/>
Total market value of assets		28,378		24,644		24,158
Present value of scheme liabilities		(41,200)		(36,562)		(32,660)
		<hr/>		<hr/>		<hr/>
Deficit in scheme		(12,822)		(11,918)		(8,502)
Related deferred tax asset		3,847		3,575		2,551
		<hr/>		<hr/>		<hr/>
Net pension liability on a FRS17 basis		(8,975)		(8,343)		(5,951)
		<hr/>		<hr/>		<hr/>

Contributions of £1,092,000 were made in the period to 31 March 2006. It has been agreed with the trustees that contributions for the next three years will remain at that level.

<i>Movement in surplus during the year</i>	2006 £'000	2005 £'000
Deficit in scheme at beginning of year	(11,918)	(8,502)
Operating credit/(cost)	1,693	(880)
Other finance costs/income	(655)	(539)
Actuarial gains and losses	(3,034)	(2,891)
Contributions paid	1,092	894
	<hr/>	<hr/>
Deficit in scheme at end of year	(12,822)	(11,918)
	<hr/>	<hr/>

# Faiveley Transport (Birkenhead) Limited

Notes forming part of the financial statements for the year ended 31 March 2006 (*Continued*)

## 20 Pensions (*continued*)

*Analysis of amount recognised in statement of total recognised gains and losses*

	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	2,489	570
Experience gains and losses arising on the scheme liabilities	205	(1,823)
Changes in assumptions underlying the present value of the scheme liabilities	(5,728)	(1,638)
	<hr/>	<hr/>
Actuarial loss recognised in statement of total recognised gains and losses	(3,034)	(2,891)
	<hr/>	<hr/>

<i>History of experience gains and losses</i>	2006	2005	2003	2002
Difference between the expected and actual return on scheme assets				
Amount £'000	2,489	570	1,350	(3,903)
Percentage of scheme assets	10.00%	3.00%	7.00%	-23.00%
Experience gains and losses on scheme liabilities				
Amount £'000	205	(2,530)	41	(226)
Percentage of the present value of the scheme liabilities	0.50%	-6.90%	0.12%	1.00%
Total amount recognised in statement of total recognised gains and losses:				
Amount £'000	(3,034)	(2,891)	(2,792)	(1,296)
Percentage of the present value of the scheme liabilities	7.40%	7.90%	9.00%	5.00%



## Faiveley Transport (Birkenhead) Limited

Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)

### 21 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	31 March 2006 Land and buildings £'000	31 March 2006 Other £'000	31 March 2005 Land and buildings £'000	31 March 2005 Other £'000
Operating leases which expire:				
In two to five years	-	67	-	-
After five years	213	-	-	-
	<u>213</u>	<u>67</u>	<u>-</u>	<u>-</u>

### 22 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of Faiveley SA which is the ultimate parent company incorporated in France.

The largest and smallest group in which the results of the company are consolidated is that headed by Faiveley SA. The consolidated accounts of this company are available to the public and may be obtained from Faiveley SA, Carrefour Pleyel, 143 Boulevard Anatole France, FR-93285 Saint-Denis Cedex, France.

### 23 Prior year adjustment

The company has adopted FRS 17 'Retirement benefits', which replaces SSAP 24 'Accounting for pensions'. Contributions to the company's defined benefit pension schemes were charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives with the group. FRS 17 requires that the pension scheme surplus or deficit is recognised in full.

The effect of this accounting policy change on the comparatives is that net assets have been reduced by £8,343,000 and operating profit has been increased by £14,000. Had this accounting policy not changed, current year net assets would have been £8,975,000 higher and operating profit would have been £2,785,000 lower.