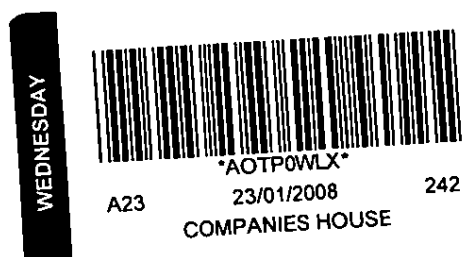


**Faiveley Transport (Birkenhead) Limited**

Report and Financial Statements

Year Ended

31 March 2007



# **Faiveley Transport (Birkenhead) Limited**

**Annual report and financial statements for the year ended 31 March 2007**

---

## **Contents**

### **Page:**

1	Report of the directors
4	Independent auditor's report
6	Profit and loss account
7	Statement of total recognised gains and losses
8	Balance sheet
10	Notes forming part of the financial statements

---

## **Directors**

E Haumont  
R Joyeux  
P Sainfort  
L Leroux  
E Descamps  
M Svensson  
C Jones  
X Delavellade  
J Guy

## **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 2007**

---

The directors present their report together with the audited financial statements for the year ended 31 March 2007

#### **Results and dividends**

The profit and loss account is set out on page 6 and shows the profit 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 2007 show a turnover of £17,546,000 (4% increase) with a profit before interest and other income of £1,353,000. This result demonstrates a significant improvement over the previous year's performance.

The majority of the increase in turnover in the year has come from an increase in Original Equipment (O E ) sales particularly to Hitachi for the new Channel Tunnel Rail Link Contract. Customer Services sales (Overhauls and Spares) have been maintained at prior year levels even with the completion of a one off managed contract for London Underground at the end of the previous financial year.

The company has improved its gross profit margin to 13% (2006 – 0.07%). This improvement continues to be achieved by refocusing the resources within the business to Customer Services, improving operating efficiency and consolidating our cost and improvement focussed strategies begun in the financial year 2005/2006.

#### *Competition*

The year ended March 2007 was a challenging year. Despite aggressive competition we have continued to recover market share and further develop our Customer Service (CS) business. In parallel we have built an extremely healthy orderbook for the following financial years.

Our industrial performances have improved in all areas and if not yet at a fully satisfactory level, the trend demonstrates that our strategy is adequate.

The Company is maintaining its plan for sustained substantial growth from organic development of existing business sectors and will also be open to external growth opportunities as they arise.

The consolidation of our sales and engineering teams with the other Faiveley entity in the UK (Faiveley Transport Tamworth Ltd) will provide an improved coverage of our market place and increased synergy. The benefit of that new organisation will be visible by the next financial year. It will also clearly differentiate our offer from our present competitors whilst providing a better service to our customers.

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

### **Report of the directors for the year ended 31 March 2007 (*Continued*)**

---

#### **Directors**

The directors of the company during the year were

E Haumont	
R Joyeux	
P Sainfort	
N Wilkinson	(resigned 30 November 2006)
L Leroux	(appointed 1 December 2006)
E Descamps	(appointed 19 March 2007)
M Svensson	(appointed 19 March 2007)
C Jones	(appointed 19 March 2007)
X Delavellade	(appointed 19 March 2007)

Since the year end, J Guy has also been appointed as a director of the company

#### **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.

**Faiveley Transport (Birkenhead) Limited**

**Report of the directors for the year ended 31 March 2007 (*Continued*)**

---

**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 have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**By order of the board**

C Jones

Secretary



Date

20/12/07

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

### **Independent auditor's report**

---

#### **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 2007 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*)**

---

*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 2007 and of its profit 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

Date *21 December 2007*

**Faiveley Transport (Birkenhead) Limited**

**Profit and loss account for the year ended 31 March 2007**

	Note	2007 £'000	2006 £'000
<b>Turnover</b>	2	17,546	16,845
Cost of sales		15,186	16,833
		<u>          </u>	<u>          </u>
<b>Gross profit</b>		2,360	12
Distribution costs		262	252
Administrative expenses - excluding exceptional items		1,604	(1,700)
Administrative expenses - exceptional item	5	-	1,800
Administrative expenses		1,604	100
		<u>          </u>	<u>          </u>
		494	(340)
Other operating income		859	1,006
		<u>          </u>	<u>          </u>
<b>Operating profit</b>	3	1,353	666
Costs of a fundamental reorganisation		-	(1,606)
Profit on disposal of fixed assets		-	386
		<u>          </u>	<u>          </u>
<b>Profit/(loss) on ordinary activities before interest and other income</b>		1,353	(554)
Other interest receivable and similar income		250	167
Interest payable and similar charges	7	(73)	(24)
Other finance charges	8	(588)	(655)
		<u>          </u>	<u>          </u>
<b>Profit/(loss) on ordinary activities before taxation</b>		942	(1,066)
Taxation on profit/(loss) on ordinary activities	9	(92)	-
		<u>          </u>	<u>          </u>
<b>Profit/(loss) on ordinary activities after taxation</b>		850	(1,066)
		<u>          </u>	<u>          </u>

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 2007**

	<b>Note</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
Profit/(loss) for the financial year		850	(1,066)
Actuarial gain/(loss) on pension scheme		1,623	(3,034)
Deferred tax on pension scheme liability		(486)	272
		<hr/>	<hr/>
<b>Total recognised gains and losses for the financial year</b>		<b>1,987</b>	<b>(3,828)</b>
		<hr/>	<hr/>

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

**Faiveley Transport (Birkenhead) Limited**

**Balance sheet at 31 March 2007**

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
<b>Fixed assets</b>					
Tangible assets	10		1,159		1,218
Fixed asset investments	11		4,000		4,000
			<u>5,159</u>		<u>5,218</u>
<b>Current assets</b>					
Stocks	12	2,917		2,431	
Debtors	13	5,072		6,549	
Cash at bank and in hand		6,539		4,257	
		<u>14,528</u>		<u>13,237</u>	
<b>Creditors' amounts falling due within one year</b>	14	6,310		17,211	
		<u>6,310</u>		<u>17,211</u>	
<b>Net current assets/(liabilities)</b>			<u>8,218</u>		<u>(3,974)</u>
<b>Total assets less current liabilities</b>			<u>13,377</u>		<u>1,244</u>
<b>Creditors: amounts falling due after more than one year</b>	15	11,530		-	
<b>Provisions for liabilities</b>	16	866		1,118	
		<u>866</u>		<u>1,118</u>	
			<u>12,396</u>		<u>1,118</u>
<b>Net assets excluding pension liability</b>			<u>981</u>		<u>126</u>
<b>Pension liability</b>	20		<u>(7,843)</u>		<u>(8,975)</u>
<b>Net liabilities including pension liability</b>			<u>(6,862)</u>		<u>(8,849)</u>

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

**Faiveley Transport (Birkenhead) Limited**

**Balance sheet at 31 March 2007 (Continued)**

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
<b>Capital and reserves</b>					
Called up share capital	17		1		1
Profit and loss account	18		(6,863)		(8,850)
			<hr/>		<hr/>
<b>Shareholders' funds</b>	19		(6,862)		(8,849)
			<hr/>		<hr/>

The financial statements were approved by the board of directors and authorised for issue on

20/12/07

  
L Leroux  
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 248 of the Companies Act 1985 as the group it heads qualifies as a medium group. These financial statements therefore present information about the company as an individual undertaking and not about its group.

*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, with the recognition of any deferred tax asset following the principles described in the deferred tax accounting policy above.

Changes 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 2007 (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

	2007 £'000	2006 £'000
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	158	178
Hire of plant and machinery - operating leases	50	50
Hire of other assets - operating leases	215	212
Audit services	26	25
Non-audit services	5	4
Defined contribution pension cost	120	(1,693)
	<u>          </u>	<u>          </u>
Defined benefit pension costs charged in arriving at the operating profit comprise the following		
	2007 £'000	2006 £'000
Current service cost	120	316
Past service cost	-	329
Curtailment credit	-	(2,338)
	<u>          </u>	<u>          </u>
	120	(1,693)
	<u>          </u>	<u>          </u>

**Faiveley Transport (Birkenhead) Limited****Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)****4 Employees**

Staff costs (including directors) consist of

	2007 £'000	2006 £'000
Wages and salaries	3,078	5,166
Social security costs	329	360
Other pension costs	285	676
	<u>3,692</u>	<u>6,202</u>

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

	2007 Number	2006 Number
General and administrative	12	17
Sales and marketing	13	13
Engineering	18	26
Manufacturing	60	63
	<u>103</u>	<u>119</u>

**5 Exceptional item**

The exceptional administrative expense during the year to 31 March 2006 of £1,800,000 related to an impairment in the carrying value of the investment in group undertakings

**6 Directors' remuneration**

	2007 £'000	2006 £'000
Directors' emoluments	100	114
Company contributions to money purchase pension schemes	-	12
Compensation for loss of office	226	-
	<u>326</u>	<u>126</u>

There was 1 director in the company's defined benefit pension scheme during the year (2006 - 1)

**Faiveley Transport (Birkenhead) Limited**

**Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)**

**7 Interest payable and similar charges**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	<b>73</b>	<b>24</b>
	<b>—</b>	<b>—</b>

**8 Other finance charges**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Expected return on pension scheme assets	<b>(115)</b>	<b>(1,288)</b>
Interest on pension scheme liabilities	<b>703</b>	<b>1,943</b>
	<b>—</b>	<b>—</b>
	<b>588</b>	<b>655</b>
	<b>—</b>	<b>—</b>



**Faiveley Transport (Birkenhead) Limited**

**Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)**

**9 Taxation on profit/(loss) on ordinary activities**

	2007 £'000	2007 £'000	2006 £'000	2006 £'000
<i>UK Corporation tax</i>				
Current tax on profits of the year	62		-	
Adjustment in respect of previous periods	23		-	
Overseas tax	7		-	
	<u>          </u>		<u>          </u>	
Total current tax		92		-
		<u>          </u>		<u>          </u>

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

	2007 £'000	2006 £'000
Profit/(loss) on ordinary activities before tax	942	(1,066)
	<u>          </u>	<u>          </u>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 - 30%)	283	(320)
Effect of		
Expenses not deductible for tax purposes	11	4
Capital allowances for period in excess of depreciation	(178)	(248)
Adjustment to tax charge in respect of previous periods	23	-
Movements in short term timing differences	-	(567)
Permanent differences	-	(99)
Losses not utilised	-	1,230
Overseas tax suffered	7	-
Movements on provisions	(54)	-
	<u>          </u>	<u>          </u>
Current tax charge for period	92	-
	<u>          </u>	<u>          </u>

A deferred tax asset in relation to trading losses has not been recognised. The amount of the asset not recognised is £3,768,988 (2005 £4,311,000). In addition, a deferred tax asset of £339,279 in relation to short term timing differences has also not been recognised. The total deferred tax asset not recognised is £4,108,267. This has not been recognised as the company does not foresee the reversal of the underlying timing differences with reasonable certainty.

**Faiveley Transport (Birkenhead) Limited**

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

**10 Tangible fixed assets**

	<b>Leasehold land and buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Total £'000</b>
<i>Cost</i>			
At 1 April 2006	1,029	4,044	5,073
Additions	-	99	99
	<hr/>	<hr/>	<hr/>
At 31 March 2007	<b>1,029</b>	<b>4,143</b>	<b>5,172</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2006	71	3,784	3,855
Provided for the year	75	83	158
	<hr/>	<hr/>	<hr/>
At 31 March 2007	<b>146</b>	<b>3,867</b>	<b>4,013</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2007	<b>883</b>	<b>276</b>	<b>1,159</b>
	<hr/>	<hr/>	<hr/>
At 31 March 2006	958	260	1,218
	<hr/>	<hr/>	<hr/>

**11 Fixed asset investments**

	<b>Group undertakings £'000</b>
<i>Cost or valuation</i>	
At 1 April 2006 and 31 March 2007	4,000
	<hr/>

# Faiveley Transport (Birkenhead) Limited

## Notes forming part of the financial statements for the year ended 31 March 2007 (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

	2007 £'000	2006 £'000
Raw materials and consumables	2,827	2,322
Work in progress	90	109
	<u>2,917</u>	<u>2,431</u>

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

### 13 Debtors

	2007 £'000	2006 £'000
Trade debtors	3,853	2,577
Amounts owed by group undertakings	874	1,128
Corporation tax recoverable	-	23
Other debtors	-	4
Prepayments and accrued income	345	2,817
	<u>5,072</u>	<u>6,549</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 2007 (Continued)**

**14 Creditors: amounts falling due within one year**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	1,223	1,481
Amounts owed to group undertakings	2,076	12,321
Corporation tax	62	-
Other taxation and social security	489	108
Other creditors	7	34
Accruals and deferred income	2,453	3,267
	<u>6,310</u>	<u>17,211</u>

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

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertakings	11,530	-
	<u>11,530</u>	<u>-</u>

**16 Provisions for liabilities**

	<b>Warranty provision £'000</b>
At 1 April 2006	1,118
Utilised in year	(252)
	<u>866</u>
At 31 March 2007	<u>866</u>

**17 Share capital**

	<b>2007</b>	<b>Authorised 2006</b>	<b>Allotted, called up and fully paid</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>2007</b>	<b>2006</b>
			<b>£'000</b>	<b>£'000</b>
1,000 ordinary shares of £1 each	1,000	1,000	1	1
	<u>1,000</u>	<u>1,000</u>	<u>1</u>	<u>1</u>

## Faiveley Transport (Birkenhead) Limited

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

### 18 Reserves

	Profit and loss account £'000
At 1 April 2006	(8,850)
Profit for the year	850
Actuarial gain in pension scheme liability net of related taxation	1,137
	<hr/>
At 31 March 2007	(6,863)
	<hr/>

### 19 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit/(loss) for the year	850	(1,066)
Other net recognised gains and losses relating to the year	1,137	(2,762)
	<hr/>	<hr/>
Net additions to/(deductions from) shareholders' funds	1,987	(3,828)
Opening shareholders' funds	(8,849)	3,322
Prior year adjustment - pension scheme	-	(8,343)
	<hr/>	<hr/>
Opening shareholders' funds as restated	(8,849)	(5,021)
	<hr/>	<hr/>
Closing shareholders' funds	(6,862)	(8,849)
	<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.

# Faiveley Transport (Birkenhead) Limited

## Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

### 20 Pensions (continued)

Full actuarial valuation of the defined benefit schemes were carried out at 6 April 2004 and updated to 31 March 2007, 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 2007 used by the actuary were

	2007	2006	2005
Rate of increase in salaries	4.65%	4.40%	4.40%
Rate of increase in pensions in payment	3.70%	3.60%	3.60%
Discount rate	5.25%	4.90%	5.40%
Inflation assumption			
SAB WABCO Pension Scheme	3.50%	2.90%	2.90%
Davies & Metcalfe Limited (1977) Retirement Benefits Scheme	3.15%	2.90%	2.90%
Davies & Metcalfe plc Retirement Benefits Scheme	3.15%	2.90%	2.90%

The assets in the scheme and the expected rate of return at 31 March 2007 were

	Long-term rate of return expected at 2007	Value at 2007 £'000	Long-term rate of return expected at 2006	Value at 2006 £'000	Long-term rate of return expected at 2005	Value at 2005 £'000
Equities	6.90%	12,612	6.40%	12,457	6.80%	10,442
Bonds	4.75%	7,429	4.40%	7,372	4.90%	6,370
Gilts	4.30%	4,567	3.80%	4,461	4.20%	4,088
Cash	4.75%	64	3.50%	299	3.50%	119
Insured assets	3.00%	3,933	3.00%	3,789	3.00%	3,625
Total market value of assets		28,605		28,378		24,644
Present value of scheme liabilities		(39,809)		(41,200)		(36,562)
Deficit in scheme		(11,204)		(12,822)		(11,918)
Related deferred tax asset		3,361		3,847		3,575
Net pension liability on a FRS17 basis		(7,843)		(8,975)		(8,343)

Contributions of £703,000 were made in the period to 31 March 2007. A new deficit funding proposal has been agreed between the company and the trustees of the SAB WABCO pension scheme. This has now been submitted to the pensions regulator for approval.

**Faiveley Transport (Birkenhead) Limited**

**Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)**

**20 Pensions (continued)**

<i>Movement in surplus during the year</i>	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Deficit in scheme at beginning of year	(12,822)	(11,918)
Operating credit/(cost)	(120)	1,693
Other finance costs/income	(588)	(655)
Actuarial gains and losses	1,623	(3,034)
Contributions paid	703	1,092
	<hr/>	<hr/>
Deficit in scheme at end of year	(11,204)	(12,822)
	<hr/>	<hr/>
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Actual return less expected return on pension scheme assets	(478)	2,489
Experience gains and losses arising on the scheme liabilities	(199)	205
Changes in assumptions underlying the present value of the scheme liabilities	2,300	(5,728)
	<hr/>	<hr/>
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	1,623	(3,034)
	<hr/>	<hr/>

# Faiveley Transport (Birkenhead) Limited

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

## 20 Pensions (*continued*)

<i>History of experience gains and losses</i>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2003</b>	<b>2002</b>
Difference between the expected and actual return on scheme assets					
Amount £'000	<b>(478)</b>	2,489	570	1,350	(3,903)
Percentage of scheme assets	<b>-2.00%</b>	10.00%	3.00%	7.00%	-23.00%
Experience gains and losses on scheme liabilities					
Amount £'000	<b>(199)</b>	205	(2,530)	41	(226)
Percentage of the present value of the scheme liabilities	<b>-0.50%</b>	0.50%	-6.90%	0.12%	1.00%
Total amount recognised in statement of total recognised gains and losses					
Amount £'000	<b>1,623</b>	(3,034)	(2,891)	(2,792)	(1,296)
Percentage of the present value of the scheme liabilities	<b>4.00%</b>	7.40%	7.90%	9.00%	5.00%

## 21 Commitments under operating leases

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

	<b>2007 Land and buildings £'000</b>	<b>2007 Other £'000</b>	<b>2006 Land and buildings £'000</b>	<b>2006 Other £'000</b>
Operating leases which expire				
Within one year	-	<b>11</b>	-	-
In two to five years	-	<b>18</b>	-	67
After five years	<b>213</b>	-	213	-
	<b>213</b>	<b>29</b>	213	67



**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