

Registered no: 2995419

Jarvis Rail Limited

Annual report and financial statements

for the year ended 31 March 2007



Jarvis Rail Limited
Annual report and financial statements
for the year ended 31 March 2007

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Jarvis Rail Limited

Directors and advisors

Directors

M A A Akinlade
R W Entwistle
M D Houghton
P A McHale
R M Thornton
B L Westbrook

Secretary

Secretariat Services Limited

Registered office

Meridian House
The Crescent
York
YO24 1AW

Auditors

Grant Thornton UK LLP
St George House
40 Great George Street
Leeds
LS1 3DQ

Bankers

Barclays Bank plc
54 Lombard Street
London
EC3V 9EX

Royal Bank of Scotland
135 Bishopgate
London
EC2M 3UR

Jarvis Rail Limited

Directors' report

for the year ended 31 March 2007

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

Business review and principal activities

Jarvis Rail Limited (the "Company") is a wholly owned subsidiary undertaking of Jarvis plc (the "Parent" or "Jarvis") and a guarantor of the financing facilities of the Parent's group of companies (the "Group"), details of which are given in note 18 to the financial statements. The activities of the Company embrace specialist Track Renewal services to the rail industry, Rail Projects including signalling and professional services and Major Project activity. It is anticipated these activities will continue.

Expenditure in the UK rail market in the year was at lower levels than anticipated in our areas of activity. This was due to the completion of the West Coast Route Modernisation Project and delays in the award of new projects which did not start coming through until late in the year. This impacted activity levels which were significantly down on previous years and resulted in a difficult trading period. The volumes of work have picked up since the year-end and it is anticipated that this increased workload will be maintained throughout 2008.

Network Rail has stated during the period that they plan to reduce the number of track renewals contractors operating in the Integrated Management Teams ("IMTs") from the current six to four. Although neither the major enhancement projects on which we are engaged nor the electrical and signalling services we provide are within the scope of this review, we do nonetheless regard this as a significant opportunity to demonstrate our "best in class" credentials. Whilst we would have a perfectly viable future outside the successful quartet, we are ensuring that we rise to the challenge of proving our commitment to deliver the best possible service to our key client. At the time of this report we are performing well in respect of both safety and volume - two critical performance indicators. The announcement of the successful four contractors is expected to be made later this year and we are focusing our efforts on being one of them.

The Company continues to work with Network Rail and Fastline, its sister plant business, to develop innovative ways of delivering projects and renewals work that improve productivity and safety and increase efficiency.

Results and Dividends for the year

The loss for the financial year reported in the accounts was £382,000 (2006 Profit £12,878,000). No dividends have been paid in the year (2006 £nil) and the directors do not recommend the payment of a final dividend (2006 £nil).

Key performance indicators (KPI's)

The KPI's of the Group, including non-financial measures, are disclosed in the Report and Accounts of Jarvis plc. As a large company in its own right, the principal financial performance indicators used by the management team to measure the performance of Jarvis Rail Limited are revenue, operating profit/(loss) before non-recurring costs, operating margin and operating cashflow, being operating profit adjusted for non recurring cost and depreciation.

Jarvis Rail Limited

Directors' report

for the year ended 31 March 2007 (continued)

Key performance indicators (continued)

Key performance indicator	2007	2006
	£'000	£'000
Revenue	142,338	188,511
Operating profit before non-recurring costs	5,127	11,574
Operating margin (%)	3.6%	6.1%
Operating cashflow adjusted for non recurring costs	5,356	11,830

Risks and Uncertainties

In order to manage the business effectively the directors have to identify and respond both to the risks inherent in the business environment and those particular to the fields in which the Company operates. Business risk continues to be a formal consideration in the Monthly Operating Review meeting for the division's operational management. Key issues are escalated within the Group management hierarchy.

The Company's directors continue to evaluate the future prospects of the business, in conjunction with the Group directors. The management team recognise that Network Rail accounts for the majority of the Company's turnover. The business is addressing this by the development of business with Transport for Scotland and other UK customers, and through selective international expansion.

Financial risk management

The Company's operations expose it to a variety of financial risks but the principal financial risk is funding and liquidity due to the contractual nature of the business and its commercial arrangements with clients. The treasury department of the Group implements appropriate risk management strategies to ensure adequate cost effective funding whilst limiting the adverse effects of liquidity, credit and interest rate risks on the Company. The treasury team ensures that financial risks are identified by means of formalised reporting, a regular review of operational results and involvement in the planning and forecasting processes.

Credit risk

The Company's credit risk is primarily attributable to the structure of its customer base with certain customers, who operate through measured contracts. The Group's main working capital funding facility is syndicated with highly credit rated banks and institutions, with surplus cash being invested with highly credit rated banks.

Jarvis Rail Limited

Directors' report

for the year ended 31 March 2007 (continued)

Financial risk management (continued)

Interest rate risk

The company benefits from loan facilities negotiated by the Group. The Group facilities are predominantly subject to floating interest rates due to the type of facility in place.

Funding and liquidity risk

A key function of the Group's Treasury department is to ensure that the Company has sufficient cost effective facilities to meet its obligations in the short, medium and long terms with regard to the Company's underlying cash generation and usage. In order to establish the funding requirement the Group's treasury department monitors

- Regular cash flow forecasts prepared by the company's finance team,
- Budgets and forecasts,
- Actual trading results and resultant debt and balance sheet positions, and
- Capital expenditure requests

Directors

The directors holding office during the year ended 31 March 2007 and subsequent to that date, together with dates of resignation and appointment, are shown below

M A A Akinlade	(Appointed 31 May 2007)
N Broadbent	(Resigned 30 November 2006)
R W Entwistle	
M D Houghton	(Appointed 20 March 2007)
G K H Mason	(Resigned 31 May 2007)
P A McHale	
R M Thornton	
B L Westbrook	

There is third party indemnity insurance in place for the directors of the Company

Employee involvement

The directors recognise the need for communication with employees at every level. All employees have access to a copy of the Jarvis plc Annual Report and Accounts, which together with staff briefings, internal noticeboard statements and newsletters, keeps them informed of the Group's progress.

Jarvis Rail Limited

Directors' report

for the year ended 31 March 2007 (continued)

Employee involvement (continued)

The Company continues to be committed to the health, safety and welfare of its employees and to observe the terms of the Health & Safety at Work Act 1974 and all other relevant regulatory and legislative requirements. It is the policy of the Company that there shall be no discrimination or less favourable treatment of employees, workers or job applicants in respect of race, colour, ethnic or national origins, religious beliefs, sex, sexual orientation, disability, political beliefs or marital status. Full consideration will be given to suitable applications for employment from disabled persons, where they have the necessary abilities and skills for that position, and, wherever possible, to re-train employees who have become disabled so that they can continue their employment in another position. The Group and its subsidiaries engage, promote and train staff on the basis of their capabilities, qualifications and experience, without discrimination, giving all employees an equal opportunity to progress within the Group.

Creditor payment policy

When entering into commitments for the purchase of services and goods the Company seeks to give due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. During the company's recent financial difficulties however, it has become necessary to extend terms of payment in certain circumstances with key sub-contractors and other suppliers. The company abides by whatever is agreed, where it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, every effort is made to resolve these quickly.

During the year ended 31 March 2007 the Company on average paid its creditors within 87 days (2006 73 days) of receipt of the invoice.

Environment

The Company's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the period covered by this report the Company has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

Political and charitable donations

The Company made no charitable donations during the year (2006 £2,450) and made no political donations (2006 £nil).

Jarvis Rail Limited

Directors' report

for the year ended 31 March 2007 (continued)

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing 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 as at the end of the financial year 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare 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 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.

Disclosure of information to auditors

At the date of making this report each of the Company's directors, as set out on page 1, confirm the following

- so far as each director is aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information

Jarvis Rail Limited

Directors' report

for the year ended 31 March 2007 (continued)

Auditors

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 2 July 2007, creating a casual vacancy which the directors have filled by appointing Grant Thornton.

By order of the board



On behalf of For and on behalf of
Secretariat Services Limited Secretariat Services Ltd
Secretary

10 August 2007

Jarvis Rail Limited

Independent Auditors' Report to the Shareholders of Jarvis Rail Limited

We have audited the financial statements on pages 10 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we 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 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.

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.

Jarvis Rail Limited

Independent Auditors' Report to the Shareholders of Jarvis Rail Limited (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 affairs of the company as at 31 March 2007 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

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors

Leeds, England
10 August 2007

Jarvis Rail Limited
Profit and loss account
for the year ended 31 March 2007

		Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
	Notes		
Turnover	2	142,338	188,511
Cost of sales		(128,905)	(161,828)
Gross profit		13,433	26,683
Administration expenses		(10,072)	(15,453)
Operating profit	3	3,361	11,230
Interest receivable	7	20	-
Interest payable and similar charges	8	(2,904)	(3,262)
Profit on ordinary activities before taxation		477	7,968
Taxation	9	(859)	4,910
(Loss)/profit on ordinary activities after taxation	16	(382)	12,878

The results reported above reflect the continuing operations of the Company

The company has no recognised gains and losses other than the losses for the year ended 31 March 2007 and the profits for the year ended 31 March 2006 and therefore no separate statement of total recognised gains and losses has been presented

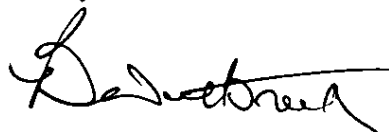
The notes on pages 12 to 19 form part of these financial statements

Jarvis Rail Limited
Balance sheet
as at 31 March 2007

		31 March 2007	31 March 2006
		£'000	£'000
	Notes		
Fixed assets			
Tangible fixed assets	10	259	429
Current assets			
Stocks and work in progress	11	1,626	999
Debtors	12	31,263	41,064
Cash at bank and in hand		-	91
		<u>32,889</u>	<u>42,154</u>
Creditors: amounts falling due within one year	13	<u>(84,854)</u>	<u>(93,785)</u>
Net current liabilities		<u>(51,965)</u>	<u>(51,631)</u>
Total assets less current liabilities		<u>(51,706)</u>	<u>(51,202)</u>
Creditors: amounts falling due after more than one year			-
Provisions for liabilities and charges	14	<u>(1,347)</u>	<u>(1,469)</u>
Net liabilities		<u><u>(53,053)</u></u>	<u><u>(52,671)</u></u>
Capital and reserves			
Called up share capital	15	5,000	5,000
Profit and loss account	16	<u>(58,053)</u>	<u>(57,671)</u>
Equity shareholders' deficit	16	<u><u>(53,053)</u></u>	<u><u>(52,671)</u></u>

The notes on pages 12 to 19 form part of these financial statements

The financial statements were approved by the board on 10 August 2007 and were signed on its behalf by



B L Westbrook
Director

Jarvis Rail Limited

Notes to the financial statements

for the year ended 31 March 2007

1. Principal accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 1985. The Company is dependent upon the continued provision of finance by the Group to enable it to meet its liabilities as they fall due.

(b) Tangible fixed assets

Tangible fixed assets other than freehold and leasehold properties are stated at cost to the company, being their purchase cost together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less any residual value, on a straight line basis over the expected useful lives of the assets concerned.

The principal rates of depreciation used for this purpose are

Leasehold improvements	5% - 20% pa, or over period of lease if shorter
Plant	6 2/3% - 33 1/3% per annum
Fixtures and fittings	10% - 25% per annum
Office equipment	25% - 50% per annum

In accordance with Financial Reporting Standard 11, any impairment of fixed assets will be charged to the profit and loss account in the year it arises.

(c) Stocks

Stocks and manufacturing work-in-progress are stated at the lower of cost, including attributable overheads, and net realisable value.

(d) Long-term contracts

When the outcome of a long-term contract can be estimated reliably, contract revenue is recognised by reference to the degree of completion of each contract, based on the amounts certified and to be certified by the customer.

Incentive payments and insurance claims arising from long-term contracts are included where they have been agreed with the client. Variations and other claims are included where it is probable that the amount will be settled based on agreements in principle with the customer.

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

(e) Pre-contract costs

All costs incurred in advance of a contract being awarded are written off to the profit and loss account until the date that, in the opinion of the directors, it is virtually certain that the contract has been secured. Where the directors consider virtual certainty has been achieved but the contract has not yet been awarded, costs are carried as work in progress to the extent that the contract is expected to result in future net cash inflows (i.e. future revenues less attributable costs).

Jarvis Rail Limited

Notes to the financial statements

for the year ended 31 March 2007 (continued)

1. Principal accounting policies (continued)

(f) Taxation

The charge or credit for taxation is based on the result for the year as adjusted for disallowable items

(g) Deferred taxation

Full provision has been made for deferred taxation in respect of timing differences that have originated but not reversed at the balance sheet date as the result of an event which results in an obligation to pay more or less tax in the future, except that

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only where there is a commitment to dispose of the replacement assets
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on a non-discounted basis at the tax rates expected to apply in the period in which the timing differences reverse, based on tax rates enacted at the balance sheet date

(h) Leases

Costs in respect of operating leases are charged against operating profit on a straight line basis over the lease term

(i) Pensions

The Company contributes to defined contribution pension schemes and to personal pension plans according to the arrangements agreed with employees. Contributions paid by the Company are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The Company contributes to defined benefit pension schemes according to the arrangements agreed with employees. These schemes are valued every three years by a qualified actuary, the rates of contribution payable being determined by the actuary. In the intervening years, the appropriateness of the last valuation is reviewed annually. The Company is unable to identify its share of the underlying assets and liabilities of these defined benefit schemes on a consistent and reasonable basis and is therefore accounting for these as defined contribution schemes, in accordance with FRS 17 - Retirement Benefits.

(j) Cash flow statement

The company is a wholly owned subsidiary of Jarvis plc and the cash flows of the Company are included in the consolidated cash flow statement of Jarvis plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 (revised) from publishing a cash flow statement.

Jarvis Rail Limited

Notes to the financial statements

for the year ended 31 March 2007 (continued)

1. Principal accounting policies (continued)

(k) Related party transactions

The Company is a wholly owned subsidiary of Jarvis plc and as such the Company has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose related party transactions which are eliminated on consolidation

2. Turnover

Turnover, all of which arises from operations within the United Kingdom, excludes value added tax and represents the value of contract work carried out during the year

3. Operating profit

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
This is stated after charging		
Hire of plant and machinery	31,608	51,916
Operating lease rentals - land and buildings	4,253	5,044
- plant and machinery	233	262
Depreciation charge for the year	229	256
Loss on disposal of fixed assets	73	-
Redundancy costs	1,766	344

The redundancy costs arise from the Group's ongoing overhead reduction and rationalisation programme

The audit fees for the years ended 31 March 2007 and 31 March 2006 were borne by a fellow group undertaking

4. Directors' emoluments

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Aggregate emoluments	277	282
Contributions to defined contribution pension arrangements	36	14
	313	296

Retirement benefits were accruing to two directors during the year (2006 two) under defined contribution pension arrangements

Highest Paid Director

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Aggregate emoluments	176	175
Contributions to defined contribution pension arrangements	24	8
	200	183

The emoluments of Messrs N Broadbent, R W Entwistle, G K H Mason and B L Westbrook were paid by Jarvis plc and are included in the employment costs of that company. It is not practical to apportion their remuneration between their services as an employee of Jarvis plc and as directors of the Company

Jarvis Rail Limited

Notes to the financial statements

for the year ended 31 March 2007 (continued)

5. Employee information

The average monthly number of persons employed by the company including executive directors, analysed by operating division was as follows

	Year ended 31 March 2007 Number	Year ended 31 March 2006 Number
Rail projects	357	334
Major projects	365	393
Corporate	136	58
Renewals	364	387
	<u>1,222</u>	<u>1,172</u>

The employment costs of all employees included above were

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Wages and salaries	46,596	42,358
Social security costs	4,888	4,493
Pension costs	2,202	1,421
	<u>53,686</u>	<u>48,272</u>

6. Retirement benefits

The Company operates a number of pension arrangements comprising both defined benefit and defined contribution schemes. The Railway Pension Scheme (RPS) is the only material scheme for the purpose of calculating defined benefit costs and pension scheme assets and liabilities, in accordance with FRS17 – Retirement Benefits. The RPS is a funded UK defined benefit scheme, the assets of which are held in trustee administered funds separate from the Company and the Group.

The defined benefit schemes are closed to new entrants, other than for new employees who qualify for participation in the RPS. Other eligible new employees are offered participation in the Group's defined contribution scheme.

Eligible employees participate in three shared cost sections of the RPS, comprising Jarvis Facilities, Fastline and Relayfast sections. The Company is unable to identify its share of the RPS underlying assets and liabilities on a consistent and reasonable basis and is therefore accounting for it as a defined contribution scheme, in accordance with FRS 17.

The IAS19 surplus on the three Jarvis sections of the RPS, as recognised in the Jarvis plc annual report and accounts, was £36.4 million (2006 £22.0 million). At a group level a valuation on an FRS 17 basis is not performed.

For the year ended 31 March 2007, employer contributions to the three Jarvis sections of the RPS were 9% of pensionable pay until 17 June 2006, after which date they increased to 16.74%, 16.56% and 16.2% for the Relayfast, Fastline, and Jarvis Facilities sections respectively. Total employer contributions paid by the Company in respect of the three RPS sections for the year ended 31 March 2007 were £1.7 million (2006 £0.8 million).

For other eligible employees, contributions are made to defined contribution arrangements based on a pre-determined percentage of individual salaries. The cost of contributions to defined contribution arrangements, and other non-material defined benefit schemes accounted for as defined contribution schemes, for the year ended 31 March 2007 was £0.5 million (2006 £0.5 million).

Jarvis Rail Limited
Notes to the financial statements
for the year ended 31 March 2007 (continued)

7. Interest receivable

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Other interest	<u>20</u>	<u>-</u>

8. Interest payable and similar charges

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Other interest	39	887
On loans from fellow subsidiary undertakings	279	-
On loans from ultimate parent undertaking	<u>2,586</u>	<u>2,375</u>
	<u>2,904</u>	<u>3,262</u>

9. Taxation

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
--	--------------------------------------	--------------------------------------

(a) Analysis of tax charge/(credit) in the year

Current tax

United Kingdom corporation tax	500	-
Adjustment in respect of previous years	359	(4,910)
Total tax charge/(credit)	<u>859</u>	<u>(4,910)</u>

(b) Factors affecting current tax charge/(credit)

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Profit on ordinary activities before taxation	<u>477</u>	<u>7,968</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	143	2,390
<i>Effects of</i>		
Expenses not deductible for tax purposes	11	112
Capital allowances for the year in excess of depreciation	(22)	77
Utilisation of tax losses	(132)	(2,614)
Short-term timing differences	-	35
Provision re insurance claim	500	-
Adjustment to tax charge in respect of previous years	359	(4,910)
Current tax charge/(credit) for the year (note 9(a))	<u>859</u>	<u>(4,910)</u>

Jarvis Rail Limited
Notes to the financial statements
for the year ended 31 March 2007 (continued)

10. Tangible fixed assets

	Leasehold improvements £'000	Plant, fixtures and fittings & office equipment £'000	Total £'000
Cost			
At 1 April 2006	1,813	227	2,040
Additions	113	19	132
Disposals	(124)	-	(124)
At 31 March 2007	1,802	246	2,048
Depreciation			
At 1 April 2006	1,437	174	1,611
Charge for the year	204	25	229
Disposals	(51)	-	(51)
At 31 March 2007	1,590	199	1,789
Net Book Value			
At 31 March 2007	212	47	259
At 31 March 2006	376	53	429

11. Stocks and work in progress

	31 March 2007 £'000	31 March 2006 £'000
Raw materials and consumables	1,626	635
Work in progress	-	364
	1,626	999

12. Debtors

	31 March 2007 £'000	31 March 2006 £'000
Amounts falling due within one year:		
Amounts recoverable on contracts	29,786	29,153
Amounts owed by group undertakings	-	5,297
Prepayments and accrued income	1,477	1,565
Corporation tax	-	5,049
	31,263	41,064

Jarvis Rail Limited

Notes to the financial statements

for the year ended 31 March 2007 (continued)

13. Creditors: amounts falling due within one year

	31 March 2007 £'000	31 March 2006 £'000
Bank loans	-	117
Trade creditors	14,620	14,336
Payments on account	-	270
Amounts owed to group undertakings	40,792	48,484
Other taxation and social security	11,599	6,405
Other creditors	2,560	2,904
Accruals and deferred income	15,283	21,269
	<u>84,854</u>	<u>93,785</u>

Amounts owed to group undertakings are included under amounts falling due within one year as the dates of their repayment are not fixed. Whilst the amounts are technically repayable on demand, and hence are included in creditors falling due within one year, the directors are of the opinion that, in the ordinary course of business, repayment within such a time scale would not be required.

14. Provisions for liabilities and charges

	Other provisions £'000
At 1 April 2006	1,469
Released to the profit and loss account	(122)
At 31 March 2007	<u>1,347</u>

Other provisions principally relate to potential liabilities in respect of railway claims.

15. Share capital

	31 March 2007 No '000	31 March 2006 No '000
Authorised		
Ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>
	31 March 2007 £'000	31 March 2006 £'000
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

16. Reconciliation of movements in shareholders' deficit

	Share capital £'000	Profit & loss account £'000	Total shareholders' deficit £'000
At 1 April 2006	5,000	(57,671)	(52,671)
Loss for the year	-	(382)	(382)
At 31 March 2007	<u>5,000</u>	<u>(58,053)</u>	<u>(53,053)</u>

17. Capital and lease commitments

The Company had no capital commitments at 31 March 2007 (2006: £Nil).

Jarvis Rail Limited

Notes to the financial statements

for the year ended 31 March 2007 (continued)

18. Contingent Liabilities

Guarantees have been given by the Company in the ordinary course of business, without limit, in respect of loans and overdrafts of its ultimate parent (Jarvis plc) and fellow subsidiary undertakings (together 'the Group'), which amounted to £67m as at 31 March 2007 (2005 £38.5m)

The Group completed a refinancing of its exiting banking facilities on 27 July 2006 with a new committed facility of £67m arranged by Burdale Financial Limited, the secured asset-based lending subsidiary of the Bank of Ireland, secured by way of a fixed and floating charge on the Group's assets, in particular its plant, machinery and receivables under its rail renewal and plant hire contracts. These facilities will expire on 26 July 2009. A termination of the Group's banking facilities would crystallise the Company's guarantee, both in respect of the repayment of these facilities and in respect of other costs associated with early redemption.

The Company has also guaranteed performance bonds in respect of contracts entered into by fellow subsidiary undertakings in the normal course of business.

19. Financial commitments

The Company has the following obligations under non-cancellable operating leases:

	31 March 2007	31 March 2006
	Land and buildings	Land and buildings
	£'000	£'000
Expiring within one year	3,466	2,846
Expiring between two and five years	10,270	8,922
Expiring in over five years	16,313	17,668
	30,049	29,436

The Group's operating leases over plant and machinery are reported in the financial statements of Fastline Limited.

20. Ultimate parent undertaking and controlling party

The Company's immediate and ultimate parent undertaking and ultimate controlling party is Jarvis plc, a company registered and incorporated in England and Wales, whose annual report and financial statements may be obtained from the Secretary, Jarvis plc, Meridian House, The Crescent, York, YO24 1AW.