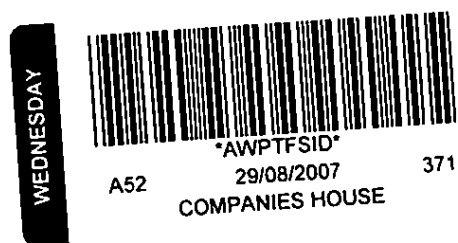


Registered no: 3511197

Jarvis Accommodation Services Limited
Report and financial statements
for period ended 2 April 2007



Jarvis Accommodation Services Limited
Report and financial statements
for period ended 2 April 2007

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Jarvis Accommodation Services Limited
Directors and advisors
for period ended 2 April 2007

Directors

R W Entwistle
K K Karlsen
B L Westbrook

Secretary

Secretariat Services Limited

Auditors

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

Registered office

Meridian House
The Crescent
York
YO24 1AW

Jarvis Accommodation Services Limited

Directors' report

for period ended 2 April 2007

The directors present their report and the audited financial statements for the period ended 2 April 2007

Business review and principal activities

Jarvis Accommodation Services Limited is a 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 principal activity of the company during the period was the operation of a facilities management business on behalf of its parent undertaking, Jarvis plc ("the Group") The business is composed of a number of contracts, most of which were originally entered into in connection with allied construction obligations under a Private Finance Initiative These contracts typically run for 25 years On 4 June 2007 the Group announced the termination of the three major loss-making contracts These contracts, together with a profitable fourth contract in the same area, necessitated a sizeable negative premium, accrued for at the period end Although two loss-making contracts remain, the overall FM business will now be profitable at contract level and will require significantly less management effort going forward The management team in this business has been significantly strengthened and during the period we embarked on a major service improvement programme supported by a consultant specialising in operational effectiveness This has had considerable benefit and the business has stabilised The FM business now consists of 27 contracts of which 24 are PFIs

The loss for the period attributable to shareholders and reported in the financial statements was £11,061,000 (2006 loss of £459,000)

Key performance indicators (KPI's)

The key performance indicators of the Group, including non-financial measures, are disclosed in the Report and Accounts of Jarvis plc

A large company in its own right the principal financial performance indicator used by the management team to measure the performance of Jarvis Accommodation Services Limited is gross margin (before any exceptional cost of sales) The directors aim to achieve a distributable profit for its parent company by maximising the margin available on each of its contracts

| | 2007 £'000 | 2006 £'000 |
|---------------------------------------|---------------|---------------|
| Gross margin before exceptional items | 4,499 | 9,500 |
| Gross margin % | 7.5% | 15.9% |

Jarvis Accommodation Services Limited

Directors' report

for period ended 2 April 2007 (continued)

Principal risks and uncertainties facing the company

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 operate. The Group has recently reviewed its risk management procedures for the identification and monitoring of both strategic and operational risks. The stated intention of the Group's directors is to embed risk identification and evaluation within the operational process and risk reporting is 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's directors and it is possible that contracts will be sold/transferred to third parties. The company remains reliant therefore, on the provision of financial support as necessary from its parent undertaking to enable it to meet its liabilities as they fall due.

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 under the private finance initiative contracts that it has entered with special purpose companies as intermediaries between the company and the ultimate 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. The ultimate customers are mainly public bodies such as local authorities and hospital trusts, paying for services through a third party owned special purpose intermediary under the private finance initiative. 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.

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

Jarvis Accommodation Services Limited

Directors' report

for period ended 2 April 2007 (continued)

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.

Dividends

The directors did not pay a dividend during the period (2006 £Nil)

Directors

The directors holding office during the period ended 2 April 2007 and subsequent to that date are shown below

G K H Mason (resigned 1 June 2007)
R W Entwistle (appointed 1 June 2007)
K K Karlsen (appointed 1 June 2007)
B L Westbrook

Employment policies

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.

The Jarvis Group 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 Group 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, age 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 become disabled, so that they can continue their employment in another position. Jarvis 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.

Jarvis Accommodation Services Limited

Directors' report

for period ended 2 April 2007 (continued)

Creditor payment terms

When entering into commitments for the purchase of services and goods the Company gives due consideration to quality, delivery, price and the terms of payment. Suppliers are made aware of these terms. The Company abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with agreed terms and conditions. In the event of disputes, efforts are made to resolve them quickly.

The Company had 79 days purchases outstanding at 2 April 2007 (2006: 81 days), based on the average daily amount invoiced by suppliers during the period to 2 April 2007.

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 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.

Jarvis Accommodation Services Limited

Directors' report

for period ended 2 April 2007 (continued)

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

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



Secretary

9 August 2007

For and on behalf of
Secretariat Services Ltd

Jarvis Accommodation Services Limited

Independent auditors' report to the shareholders of

Jarvis Accommodation Services Limited

We have audited the financial statements on pages 9 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 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.

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 Accommodation Services Limited
Independent auditors' report to the members of
Jarvis Accommodation Services 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 2 April 2007 and of its loss for the period 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
9 August 2007

Jarvis Accommodation Services Limited
Profit and loss account
for period ended 2 April 2007

| | | Period ended 2 April 2007 £'000 | Year ended 31 March 2006 £'000 |
|--|-------|--|---|
| | Notes | | |
| Turnover | 2 | 60,045 | 59,733 |
| Cost of sales | | (55,546) | (50,233) |
| Exceptional cost of sales | 3 | (6,861) | - |
| Gross (loss)/profit | | (2,362) | 9,500 |
| Other operating expenses | | (10,868) | (15,910) |
| Operating loss | 5 | (13,230) | (6,410) |
| Interest receivable and similar income | 8 | 29 | - |
| Interest payable and similar charges | 9 | (553) | (2) |
| Loss on ordinary activities before taxation | | (13,754) | (6,412) |
| Taxation | 10 | 2,693 | 5,953 |
| Loss on ordinary activities after taxation | 16 | (11,061) | (459) |

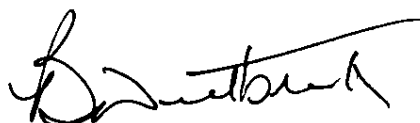
The results reported above reflect the continuing operations of the company

The company has no recognised gains and losses other than the losses for the period ended 2 April 2007 and for the year ended 31 March 2006 and therefore no separate statement of total recognised gains and losses has been presented

Jarvis Accommodation Services Limited
Balance sheet
as at 2 April 2007

| | | 2 April 2007 £'000 | 31 March 2006 £'000 |
|--|-------|-------------------------|-------------------------|
| | Notes | | |
| Fixed assets | | | |
| Tangible fixed assets | 11 | 141 | 197 |
| Investments | 12 | - | - |
| | | <u>141</u> | <u>197</u> |
| Current assets | | | |
| Debtors | 13 | 84,231 | 80,025 |
| Cash at bank and in hand | | <u>6,064</u> | <u>1,749</u> |
| | | 90,295 | 81,774 |
| Creditors amounts falling due within one year | 14 | <u>(247,272)</u> | <u>(222,472)</u> |
| Net current liabilities | | <u>(156,977)</u> | <u>(140,698)</u> |
| Total assets less current liabilities | | <u>(156,836)</u> | <u>(140,501)</u> |
| Creditors amounts falling due after more than one year | 14 | - | (5,274) |
| Net liabilities | | <u><u>(156,836)</u></u> | <u><u>(145,775)</u></u> |
| Capital and reserves | | | |
| Called up share capital | 15 | - | - |
| Profit and loss account | 16 | <u>(156,836)</u> | <u>(145,775)</u> |
| Equity shareholders' deficit | 16 | <u><u>(156,836)</u></u> | <u><u>(145,775)</u></u> |

The financial statements were approved by the board on 9 August 2007 and were signed on its behalf by



B L Westbrook
Director

Jarvis Accommodation Services Limited

Notes to the financial statements

for period ended 2 April 2007

1. Principal accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 1985. The results are presented for the period 1 April 2006 to 2 April 2007. As a parent undertaking of a large group the company has extended its reporting period by two days in line with the reporting period of the Jarvis plc Group. The comparative results are for the financial year 1 April 2005 to 31 March 2006.

The Company is a subsidiary undertaking of Jarvis plc ("the parent" or "Jarvis") and is dependent upon the continued provision of financial support by Jarvis plc and its subsidiary undertakings ("the Group") in order to meet its liabilities as they fall due.

(b) Taxation

(i) Current tax

The tax charge is based on the taxable result for the period. The taxable result differs from the net loss as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet 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 the tax rates enacted at the balance sheet date.

(c) 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 FRS 1 (revised) from publishing a cash flow statement.

(d) 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 FRS 8 not to disclose related party transactions with entities that are part of the group or investees of the group.

Jarvis Accommodation Services Limited

Notes to the financial statements

for period ended 2 April 2007 (continued)

1. Principal accounting policies (continued)

(e) Tangible fixed assets

Tangible fixed assets are stated at purchase costs. Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows

| | |
|--------------------|--------------|
| Computer Equipment | 2 to 4 years |
|--------------------|--------------|

In accordance with FRS 11, any impairment in the value of fixed assets is charged to the profit and loss account in the year it arises

(f) Leases

Costs in respect of operating leases are charged to the profit and losses account on a straight line basis over the lease term

(g) 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

(h) Investments

Investments in subsidiary undertakings are stated at cost, less any provision for impairment

(i) 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. When the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable

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

Where revenue recognised exceeds progress billings, the balance is shown as due from customers on long-term contracts within trade and other receivables. Where progress billings exceed costs incurred, the balance is shown as due to customers on long-term contracts within trade and other payables

Jarvis Accommodation Services Limited

Notes to the financial statements

for period ended 2 April 2007 (continued)

1. Principal accounting policies (continued)

(j) Consolidated accounts

By virtue of section 228 of the Companies Act 1985, the results of the company's subsidiary undertakings have not been consolidated in these financial statements as the company is itself a wholly owned subsidiary of Jarvis Plc, a company incorporated in England & Wales, which is preparing consolidated accounts. The financial statements present information about the company and not its group.

2. Turnover

Turnover, all of which arises from operations within the United Kingdom, excludes value added tax and trade discounts.

| | Period ended 2 April 2007 £'000 | Year ended 31 March 2006 £'000 |
|--|---------------------------------------|--------------------------------------|
| Analysis of turnover | | |
| Amounts attributable to other group undertakings | 5,176 | 5,626 |
| Amounts attributable to third parties | 54,869 | 54,107 |
| | <u>60,045</u> | <u>59,733</u> |

3. Exceptional cost of sales

| | Period ended 2 April 2007 £'000 | Year ended 31 March 2006 £'000 |
|--|---------------------------------------|--------------------------------------|
| Termination costs of Facilities Management contracts | <u>6,861</u> | <u>-</u> |

The termination costs of Facilities Management contracts relate to the costs associated with the exit from the three major loss-making contracts.

4. Directors' remuneration

The remuneration of the directors is paid by the ultimate parent undertaking, Jarvis plc, and their services to this company are of a non-executive nature. Their remuneration is deemed to be wholly attributable to their services to the ultimate parent undertaking.

5. Operating loss

| | Period ended 2 April 2007 £'000 | Year ended 31 March 2006 £'000 |
|---|---------------------------------------|--------------------------------------|
| The operating loss is stated after charging | | |
| Hire of plant and machinery | - | 21 |
| Operating lease rentals - plant and machinery | 21 | 12 |
| Operating lease rentals - land and buildings | - | 88 |
| Depreciation | 104 | 346 |
| Redundancy costs | <u>175</u> | <u>-</u> |

Audit fees for the periods ended 2 April 2007 and 31 March 2006 have been borne by a fellow group undertaking.

Jarvis Accommodation Services Limited **Notes to the financial statements** **for period ended 2 April 2007 (continued)**

6. Employee information

The average monthly number of persons employed by the company including executive directors, during the period was as follows

| | Period ended 2 April 2007 number | Year ended 31 March 2006 number |
|-----------|--|---------------------------------------|
| Full time | 643 | 552 |
| Part time | 1,361 | 1,665 |
| | <u>2,004</u> | <u>2,217</u> |

The employment costs of all employees included above were

| | Period ended 2 April 2007 £'000 | Year ended 31 March 2006 £'000 |
|-----------------------|---------------------------------------|--------------------------------------|
| Wages and salaries | 23,678 | 24,979 |
| Social security costs | 1,667 | 1,721 |
| Other pension costs | 1,253 | 1,367 |
| | <u>26,598</u> | <u>28,067</u> |

7. Pension arrangements

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

The defined benefit schemes are closed to new entrants, other than for new employees who qualify for participation in the RPS and employees transferring from the public sector, where conditions are specified in the terms of their transfer, who are admitted into the SLG. Other eligible new employees are offered participation in the Group's defined contribution scheme.

The Company is unable to identify its share of the RPS and SLG underlying assets and liabilities on a consistent and reasonable basis and is therefore accounting for these as defined contribution schemes, in accordance with FRS 17 - Retirement Benefits. As these are Jarvis plc group defined benefit schemes, full disclosures, under International Accounting Standards, are given in the Jarvis plc financial statements.

The company also contributes to Local Authority defined benefit schemes that are external to the company and the Jarvis group.

Jarvis Accommodation Services Limited

Notes to the financial statements

for period ended 2 April 2007 (continued)

7. Pensions arrangements (continued)

Railways Pension Scheme

Eligible employees participate in three shared cost sections of the RPS, comprising Jarvis Facilities, Fastline and Relayfast sections. The latest triennial actuarial valuation of the RPS was at 31 December 2004, and was undertaken by professionally qualified and independent actuaries. At that date the market value of assets was £270.6m and the average funding level was 102%. For the period ended 2 April 2007, employer contributions to the three Jarvis sections of the RPS were 9.0% 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.

The IAS 19 surplus on the three Jarvis sections of the RPS, as recognised in the Jarvis plc annual report and accounts, was £36,400,000 (2006 £22,000,000). At a group level a valuation on an FRS 17 basis is not performed.

Streamline Local Government Pension Fund

The latest triennial actuarial valuation for the SLG was as at 5 April 2004 and at that date the market value of the assets was £4.7 million and the funding level was 72%. Following this triennial actuarial valuation, the employer contribution rates for the SLG were determined as 20% of pensionable salaries. This increase took effect from 1 September 2005.

The deficit in the SLG, together with the Streamline Pension Fund (together the "Streamline Schemes"), are disclosed in the Jarvis plc annual report and accounts. The IAS 19 deficit on the Streamline Schemes at 2 April 2007 was £17,000,000 (2006 £17,900,000).

Local Authority defined benefit schemes

The contributions made by the company to these schemes are set only in relation to the current service period and are not affected by any surplus or deficit to the schemes relating to the past services of employees. In addition, any increases in contributions advised by trustees of these schemes to fund deficits arising in relation to the current service period are capped at a fixed percentage (typically 2%) of the employees' pensionable salaries. These schemes are multi-employer schemes as defined by FRS 17, and the company therefore accounts for them as defined contribution schemes.

For other eligible employees, contributions are made to defined contribution arrangements based on a pre-determined percentage of individual salaries.

Total employer contributions made by the company during the period were £1,253,000 (2006 £1,367,000). There were no unpaid contributions as at 2 April 2007 relating to defined contribution arrangements (2006 £31,000).

Jarvis Accommodation Services Limited
Notes to the financial statements
for period ended 2 April 2007 (continued)

8. Interest receivable and similar income

| | Period ended 2 April 2007 £'000 | Year ended 31 March 2006 £'000 |
|---------------|---------------------------------------|--------------------------------------|
| Bank interest | <u>29</u> | <u>-</u> |

9. Interest payable and similar charges

| | Period ended 2 April 2007 £'000 | Year ended 31 March 2006 £'000 |
|---|---------------------------------------|--------------------------------------|
| Interest payable - other | 13 | 2 |
| Unwinding of discount on long term loss provision | <u>540</u> | <u>-</u> |
| | <u>553</u> | <u>2</u> |

10. Taxation

| | Period ended 2 April 2007 £'000 | Year ended 31 March 2006 £'000 |
|--|---------------------------------------|--------------------------------------|
|--|---------------------------------------|--------------------------------------|

(a) Analysis of credit for the period

Current tax

| | | |
|---|----------------|----------------|
| Current tax credit on loss for the period | (2,245) | (1,260) |
| Adjustment in respect of previous years | <u>(448)</u> | <u>(4,693)</u> |
| Tax credit on loss on ordinary activities | <u>(2,693)</u> | <u>(5,953)</u> |
| Total tax credit on loss on ordinary activities | <u>(2,693)</u> | <u>(5,953)</u> |

(b) Factors affecting current tax credit

| | Period ended 2 April 2007 £'000 | Year ended 31 March 2006 £'000 |
|--|---------------------------------------|--------------------------------------|
| Loss on ordinary activities before taxation | <u>(13,754)</u> | <u>(6,412)</u> |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%) | (4,126) | (1,924) |
| <i>Effects of</i> | | |
| Expenses not deductible for tax purposes | (136) | 108 |
| Capital allowances in excess of depreciation | 31 | 103 |
| Timing differences | 150 | 135 |
| Utilisation of tax losses | 1,836 | 318 |
| Adjustment to tax charge in respect of previous years | <u>(448)</u> | <u>(4,693)</u> |
| Current tax credit for the period (note 10(a)) | <u>(2,693)</u> | <u>(5,953)</u> |

Jarvis Accommodation Services Limited
Notes to the financial statements
for period ended 2 April 2007 (continued)

11. Tangible fixed assets

| | Computer Equipment £'000 | Total £'000 |
|------------------------|---|------------------------|
| Cost | | |
| At 1 April 2006 | 1,715 | 1,715 |
| Additions | 48 | 48 |
| At 2 April 2007 | 1,763 | 1,763 |
| Depreciation | | |
| At 1 April 2006 | 1,518 | 1,518 |
| Charge for the period | 104 | 104 |
| At 2 April 2007 | 1,622 | 1,622 |
| Net Book Value | | |
| At 2 April 2007 | 141 | 141 |
| At 31 March 2006 | 197 | 197 |

12. Investments

| Cost and Net Book Value | £ |
|--------------------------------|----------|
| At 1 April 2006 | - |
| Additions | 2 |
| At 2 April 2007 | 2 |

During the period the ownership of the entire share capital of PBS 2003 Limited (being 2 ordinary shares of £1 each) was transferred to Jarvis Accommodation Services Limited, from Secretariat Services Limited, a fellow group undertaking. PBS 2003 Limited does not trade and had net assets of £2 as at 2 April 2007. It is incorporated in England and Wales.

13. Debtors

| | 2 April 2007 £'000 | 31 March 2006 £'000 |
|------------------------------------|-------------------------------|--------------------------------|
| Trade debtors | 11,078 | 12,874 |
| Amounts recoverable on contracts | 4,560 | 3,878 |
| Amounts owed by group undertakings | 65,592 | 51,763 |
| Corporation tax | - | 10,356 |
| Other debtors | 1,457 | 255 |
| Prepayments and accrued income | 1,544 | 899 |
| | 84,231 | 80,025 |

Amounts owed by group undertakings are included under current assets as there are no specific terms as to their repayment.

Jarvis Accommodation Services Limited
Notes to the financial statements
for period ended 2 April 2007 (continued)

14. Creditors

| | 2 April 2007 £'000 | 31 March 2006 £'000 |
|---|-----------------------|------------------------|
| Creditors: amounts falling due within one year | | |
| Trade creditors | 8,089 | 5,688 |
| Amounts owed to group undertakings | 217,053 | 199,142 |
| Other taxes and social security costs | 2,786 | 2,442 |
| Other creditors | 800 | 1,018 |
| Accruals and deferred income | 18,544 | 14,182 |
| | <u>247,272</u> | <u>222,472</u> |

Amounts owed to group undertakings are included under amounts falling due within one year as there are no specific terms as to their repayment. While 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

Included in accruals and deferred income is £6,861,000 (2006 £nil) in respect of accruals for losses on the termination of the three major loss-making contracts

Included in accruals and deferred income is £nil (2006 £5,737,000) in respect of provisions for long-term losses on contracts

Creditors: amounts falling due more than one year

| | | |
|------------------------------|----------|--------------|
| Accruals and deferred income | <u>-</u> | <u>5,274</u> |
|------------------------------|----------|--------------|

Included in accruals and deferred income is £nil (2006 £5,274,000) in respect of provisions for long-term losses on contracts

15. Share capital

| | 2 April 2007 £'000 | 31 March 2006 £'000 |
|---|-----------------------|------------------------|
| Authorised | | |
| 1,000 Ordinary shares of £1 each | <u>1</u> | <u>1</u> |
| Allotted, called up and fully paid | | |
| 1 Ordinary share of £1 each | <u>-</u> | <u>-</u> |

16. Reconciliation of shareholders' deficit and movement on reserves

| | Share capital £'000 | Profit & Loss account £'000 | Total shareholders' deficit £'000 |
|---------------------|------------------------|-----------------------------------|--|
| At 31 March 2006 | - | (145,775) | (145,775) |
| Loss for the period | - | (11,061) | (11,061) |
| At 2 April 2007 | <u>-</u> | <u>(156,836)</u> | <u>(156,836)</u> |

Jarvis Accommodation Services Limited

Notes to the financial statements

for period ended 2 April 2007 (continued)

17. Capital and lease commitments

The company had no capital commitments at 2 April 2007 (2006 £Nil) At 2 April 2007 and 31 March 2006, the company has the following obligations under non-cancellable operating leases

| | 2 April 2007 £'000 | 2 April 2007 £'000 | 31 March 2006 £'000 | 31 March 2006 £'000 |
|--------------------------------------|-----------------------|-----------------------|------------------------|------------------------|
| | Land & Buildings | Plant & Machinery | Land & Buildings | Plant & Machinery |
| <i>Operating Leases which expire</i> | | | | |
| Within one year | - | 1 | 3 | 1 |
| In two to five years | - | 59 | 7 | 14 |
| | <u>-</u> | <u>60</u> | <u>10</u> | <u>15</u> |

Amounts contracted for but not provided in the financial statements amounted to £Nil (2006 £Nil)

The Group's operating leases over land and buildings are reported in the financial statements of the fellow group undertaking, Jarvis Rail Limited

18. Contingent Liabilities

Guarantees have been given by the company in the ordinary course of business, without limit, in respect of the banking facilities of its ultimate parent (Jarvis plc) and fellow subsidiary undertakings (together 'the Group'), which amounted to £67m as at 2 April 2007 (2006 £38.5m) The Group completed a refinancing of its banking facilities on 27 July 2006 with a new three-year 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

19. Ultimate parent undertaking and controlling party

The company's immediate and ultimate parent undertaking and 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