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**Dean & Dyball Rail Limited**

**Directors' report and financial  
statements**

**30 September 2006**

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## Company details

<b>Directors</b>	PJ Andrews PA Holliday PV Malins SJ Parrett MW Parker
<b>Secretary</b>	HL Flint
<b>Auditors</b>	KPMG LLP Dukes Keep Marsh Lane Southampton SO14 3EX
<b>Registered number</b>	5503947
<b>Registered office</b>	Endeavour House Crow Arch Lane Ringwood Hampshire BH24 1PN

## Directors' report

The directors present their first annual report and the audited financial statements for the period from the date of incorporation, 8 July 2005 to 30 September 2006.

The company changed its name from Avenue Shelfco 11 Limited to Dean & Dyball Rail Limited on 15 July 2005.

## Principal activities

The principal activity of the company is civil engineering, building and maintenance for the rail industry.

## Business review

The company commenced trading on 1 October 2005 to undertake civil engineering, building and rail maintenance services in a rail environment. The company had a successful first years trading. It achieved a turnover of £11.5m and generated a modest profit. At the year end the company had a healthy order book. Rail work is also undertaken by the company's immediate parent company, Dean & Dyball Construction Ltd but in time all Rail activity will be undertaken by the company.

The performance of the company during the period and its position at the period end are reflected in the trading results set out below and in greater detail in the attached financial statements.

	<b>2006</b>
	<b>£000</b>
Turnover	<b>11,508</b>
Profit on ordinary activities before taxation	<b>91</b>
Taxation	<b>(27)</b>
Profit on ordinary activities after taxation	<b>64</b>

## **Directors' report** *(continued)*

### **Risks and uncertainties**

The management of risk is integral to our business and we have risk assessment and control procedures across the company to identify, evaluate and manage risk. The principal risks facing the company are:

Estimating risk: contractual commitments to project cost and duration.

Performance risk: productivity commitments.

Credit risk: financial exposure to a bad debt.

Commercial risk: Network Rail is a major client to the company and the industry.

### **Key performance indicators**

	2006
Turnover (£'000)	11,508
Pre-tax profit/ Turnover	0.79%
Current assets/ Current liabilities	1.0

### **Directors and directors' interests**

The directors of the company at the date of this report are as follows:

PJ Andrews (appointed 14 July 2005)  
PA Holliday (appointed 3 October 2005)  
PV Malins (appointed 14 July 2005)  
SJ Parrett (appointed 14 July 2005)  
MW Parker (appointed 1 October 2006)

M&B Nominees were appointed a director of the company on 8 July 2005, and resigned as a director on 14 July 2005. Mr ASB Dyball was appointed a director of the company on 14 July 2005, and resigned as a director on 30 September 2006.

None of the directors has any interest in the shares of the company.

PV Malins and SJ Parrett have an interest in the shares of ultimate holding company, Dean & Dyball Limited, which are disclosed in the financial statements of Dean & Dyball Construction Limited.

## **Directors' report** *(continued)*

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information 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 to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

KPMG LLP were appointed as the first auditors of the company on 21 November 2006 and a resolution for their re-appointment is to be proposed at the forthcoming Annual General Meeting.

This report was approved by the board of directors on 14 December 2006 and signed on its behalf by:



**H L Flint**  
*Secretary*

Endeavour House  
Crow Arch Lane  
Ringwood  
Hampshire  
BH24 1PN

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG LLP

Dukes Keep  
Marsh Lane  
Southampton  
SO14 3EX  
United Kingdom

### **Independent auditors' report to the members of Dean & Dyball Rail Limited**

We have audited the financial statements of Dean & Dyball Rail Limited for the period ended 30 September 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As described in the Statement of Directors' Responsibilities on page 5, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 judgments 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.



**Independent auditors' report to the members of Dean & Dyball Rail Limited**  
*(continued)*

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.

**Opinion**

In our opinion the financial statements:

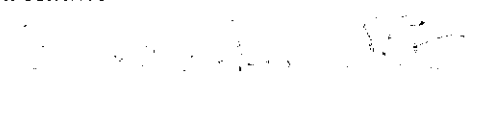
- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its profit for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



**KPMG LLP**

*Chartered Accountants*

*Registered Auditor*



**Profit and loss account**

*for the period ended 30 September 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>
<b>Turnover</b>	<i>1,2</i>	<b>11,508</b>
Cost of sales		<b>(11,363)</b>
		<hr/>
<b>Gross profit</b>		<b>145</b>
Administrative expenses		<b>(54)</b>
		<hr/>
<b>Profit on ordinary activities before taxation</b>	<i>3-5</i>	<b>91</b>
Tax on profit on ordinary activities	<i>6</i>	<b>(27)</b>
		<hr/>
<b>Profit on ordinary activities after taxation</b>	<i>11</i>	<b>64</b>
		<hr/>

The company has no recognised gains and losses in the period other than those passing through the profit and loss account.

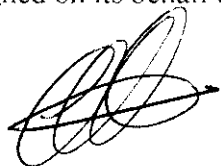
The company made no acquisitions and had no discontinued operations.

There is no difference between the profit for the financial period and its historical cost equivalent.

**Balance sheet**  
*at 30 September 2006*

	<i>Note</i>	<b>2006</b>	
		<b>£000</b>	<b>£000</b>
<b>Current assets</b>			
Stocks	7	-	
Debtors	8	5,297	
Cash		64	
		<hr/>	
		5,361	
<b>Creditors:</b> amounts falling due within one year	9	(5,297)	
		<hr/>	
<b>Net current assets</b>			<b>64</b>
			<hr/>
<b>Net assets</b>			<b>64</b>
			<hr/>
<b>Capital and reserves</b>			
Called up share capital	10	-	
Profit and loss account		64	
		<hr/>	
<b>Equity shareholders' funds</b>	11		<b>64</b>
			<hr/>

These financial statements were approved by the board of directors on 14 December 2006 and were signed on its behalf by:



**SJ Parrett**  
*Director*

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

#### ***Basis of preparation***

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

#### ***Turnover***

Turnover represents the amounts receivable for goods and services provided and the value of work undertaken during the year on long term contracts.

#### ***Taxation***

The charge for taxation is based on the profit for the period. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard No 19.

#### ***Stocks and work in progress***

Stocks and work in progress are stated at the lower of cost and net realisable value less progress payments received and receivable. Cost represents direct expenditure and an appropriate proportion of fixed and variable overheads.

Long-term contracts usually have a duration in excess of 12 months. Long-term contract work in progress is stated at cost (as defined above) plus attributable profits estimated to be earned to date, less provision for foreseeable losses, less progress payments received and receivable.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Cash flow statement*

The company is exempt from the requirement of Financial Reporting Standard No 1 (Revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary of Dean & Dyball Limited and its results are consolidated in that company's financial statements.

#### *Related party transactions*

Advantage has been taken of the exemption available under Financial Reporting Standard No 8 not to disclose details of transactions with Dean & Dyball Limited or other group undertakings as the consolidated financial statements of Dean & Dyball Limited, in which the company is included, are publicly available.

### 2 Turnover

The turnover and profit on ordinary activities before taxation is attributable to the principal activities of the company which were carried out within the United Kingdom.

	2006 £000
Turnover represents:	
Gross value of contracts completed in the period	917
Add: Valuation of work in progress at the end of the period	10,591
	<hr/> 11,508
Less: Valuation of work in progress at the beginning of the period	-
	<hr/> 11,508 <hr/>

### 3 Profit on ordinary activities before taxation

	2006 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>	
Auditors' remuneration – audit	3
Hire of plant and machinery	738
	<hr/>

**Notes** *(continued)*

**4 Remuneration of directors**

	<b>2006</b>
	<b>£000</b>
Directors' emoluments in respect of services provided	90
Company contributions to money purchase pension schemes	4

The aggregate emoluments of the highest paid director were £79,190 and company contributions of £4,142 were made to a money pension scheme on their behalf which is administered by another group company. Retirement benefits are accruing to 1 director under money purchase schemes.

**5 Staff numbers and costs**

The average number of persons employed by the company, including directors during the period was 2.

The aggregate payroll costs of these persons were as follows:

	<b>2006</b>
	<b>£000</b>
Wages and salaries	90
Social security costs	9
Other pension costs	4
	<hr/>
	<b>103</b>

Other group companies provide the services of employees to this company at market rates and these amounts are included within cost of sales.

**Notes (continued)**

**6 Tax on profit on ordinary activities**

**a) Analysis of charge in period**

	<b>2006</b>	
	<b>£000</b>	<b>£000</b>
<b>Current tax</b>		
UK corporation tax on profit of the period	<b>27</b>	
	<hr/>	
<b>Tax on profit on ordinary activities (note 6b)</b>		<b>27</b>
		<hr/> <hr/>

**b) Factors affecting tax charge for period**

The tax assessed for the period is the same as the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<b>2006</b>
	<b>£000</b>
Profit on ordinary activities before tax	<b>91</b>
	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	<b>27</b>
<i>Effects of:</i>	
Small companies' rate	<b>(1)</b>
Expenses not deductible for tax purposes	<b>1</b>
	<hr/>
<b>UK corporation tax on profit for the period</b>	<b>27</b>
	<hr/> <hr/>

**Notes** *(continued)*

**7 Stocks and work in progress**

	2006 £000
Long term contracts	6,525
Less: progress payments receivable	(6,525)
	<hr/> -
Other work in progress	4,067
Less: progress payments receivable	(4,067)
	<hr/> - <hr/>

**8 Debtors**

	2006 £000
Trade debtors	5,294
Other debtors	3
	<hr/> 5,297 <hr/>

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

	2006 £000
Payments received on account	25
Trade creditors	2,724
Amounts owed to group undertakings	2,511
Corporation tax	27
Other tax and social security	10
	<hr/> 5,297 <hr/>



**Notes** *(continued)*

**10 Called up share capital**

	<b>2006</b>
	<b>£</b>
<i>Authorised</i>	
Ordinary shares of £1 each	1,000
	<hr/>
<i>Allocated, called up and fully paid</i>	
Ordinary shares of £1 each	100
	<hr/>

2 ordinary £1 shares were issued by the company on 8 July 2005 and a further 98 ordinary £1 shares were issued on 14 July 2005.

**11 Reconciliation of movements in shareholders' funds**

	<b>2006</b>
	<b>£000</b>
<b>Profit for the financial period</b>	<b>64</b>
Issue of shares	-
	<hr/>
<b>Net addition to shareholders' funds</b>	<b>64</b>
Opening shareholders' funds	-
	<hr/>
<b>Closing shareholders' funds</b>	<b>64</b>
	<hr/>

**12 Related Party Transactions**

Mr PJ Andrews, a director, is a partner in Church Farm Management, a partnership who provided services during the period to the immediate parent company for a consideration of £13,193.

### 13 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2006 £000
<b>Land and buildings</b>	
Operating leases which expire	
Within one year	13
	<hr/> 13 <hr/>

There were no capital commitments at 30 September 2006.

### 14 Contingent liabilities

The company is party to a group cross guarantee with Lloyds TSB Bank plc.

### 15 Parent undertakings

The immediate parent company is Dean & Dyball Construction Limited, a company registered in England and Wales.

The ultimate holding company and the parent undertaking of the largest and smallest group which includes the company and for which group accounts are prepared is Dean & Dyball Ltd, a company registered in England and Wales. Copies of the group financial statements of Dean & Dyball Ltd are available from Companies House, Crown Way, Cardiff, CF14 3UZ.