

**WAGON SERVICES LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2007**

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COMPANIES HOUSE

Registration Number 1957932

# WAGON SERVICES LIMITED

## DIRECTORS REPORT

### FOR THE YEAR ENDED 31 MARCH 2007

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

#### Principal activities and business review

The Company was principally engaged in the provision of management services to fellow group companies. Turnover in the period was £2,399,000 (2006 £4,823,000) and the Company made a loss after taxation of £3,080,000 (2006 loss £272,000)

Group risks and uncertainties are discussed in the financial statements of the Company's ultimate holding company, Wagon plc

#### Dividends

The directors recommend that no dividend be paid (2006 £nil)

#### Directors and Directors' interests

The directors who served during the year were -

D L Manson (resigned 31 July 2006)

J D Jowett

R J Cotton

A M J Fitchford (appointed 31 July 2006, resigned 13 July 2007)

K Kandhola (appointed 13 July 2007)

The directors who held office at the end of the financial year, had no beneficial interest in the share capital of the Company or of Wagon plc, the Company's ultimate holding company, except as noted below

	31 March 2007	31 March 2006
	Wagon Plc	Wagon Plc
	ordinary shares	ordinary shares
R Cotton	8,877	-
J Jowett	7,229	-

According to the register of directors' interests no rights to subscribe for shares in Wagon plc, the parent company, were granted to any of the directors or their immediate families, or exercised by them, during the financial year, except as indicated below

#### Options granted under the Wagon 2000 Long Term Incentive Plan

	31 March	Granted	Lapsed	Exercised	31 March
	2007	during	during	during the	2006
		the year	the year	year	
R J Cotton	215,554	110,132	-	-	105,422

**WAGON SERVICES LIMITED**  
**DIRECTORS REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**Options granted under the Wagon 2004 Executive Share Option Scheme**

	31 March 2007	Granted during the year	Lapsed during the year	Exercised during the year	31 March 2006
A M J Fitchford	-	17,610	(17,610)	-	-
J D Jowett	83,244	41,075	-	-	42,169

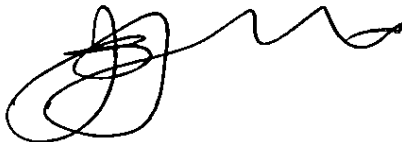
**Disclosure of information to auditors**

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**

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meeting and the appointment of auditors annually are currently in force. The auditors, KPMG Audit Plc, will therefore be deemed to have been re-appointed unless a resolution is passed under Section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end

By Order of the Board



J D Jowett  
 Director  
 18 January 2008

## **WAGON SERVICES LIMITED**

### **Statement of directors' responsibilities**

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 and applicable law (UK Generally Accepted Accounting Practice)

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 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 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 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.

**WAGON SERVICES LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**WAGON SERVICES LIMITED**

We have audited the financial statements of Wagon Services Limited for the year ended 31 March 2007 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***

The directors' responsibilities for preparing financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities on page 3.

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 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.

**WAGON SERVICES LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**WAGON SERVICES LIMITED**

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 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



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

18 January 2008

**WAGON SERVICES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2007**

	Notes	2007 £'000	2006 £'000
<b>Turnover – continuing operations</b>		2,399	4,823
Administrative expenses – (including exceptional costs of £3,055,000, 2006 £nil)	2	<u>(6,602)</u>	<u>(4,894)</u>
<b>Loss on ordinary activities before taxation</b>	5	(4,203)	(71)
Taxation on loss on ordinary activities	6	<u>1,123</u>	<u>(201)</u>
<b>Retained loss for the year</b>	12	<u>(3,080)</u>	<u>(272)</u>

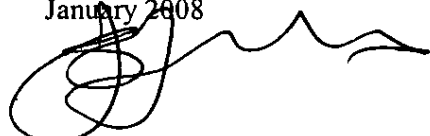
The movement on reserves is set out in note 12

There were no recognised gains and losses for the period other than the result shown above

**WAGON SERVICES LIMITED**  
**BALANCE SHEET AS AT 31 MARCH 2007**

	Notes	2007 £'000	2006 £'000
<b>CURRENT ASSETS</b>			
Debtors	7	3,793	2,785
Cash		<u>182</u>	<u>182</u>
		3,975	2,967
<b>Creditors: Amounts falling due within one year</b>	8	<u>(2,531)</u>	<u>(1,033)</u>
<b>NET CURRENT ASSETS</b>		1,444	1,934
Provisions for liabilities and charges	10	<u>(3,574)</u>	<u>(984)</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u>(2,130)</u>	<u>950</u>
<b>CAPITAL AND RESERVES:</b>			
Called up share capital	11	-	-
Profit and loss account	12	<u>(2,130)</u>	<u>950</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>(2,130)</u>	<u>950</u>

The financial statements on pages 6 to 12 were approved by the Board of Directors on 18 January 2008

  
J D Jowett  
Director



**WAGON SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**1. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

The financial statements set out on pages 6 to 12 comply with applicable UK Accounting Standards and are prepared under the historical cost convention

Whilst there is a deficit on equity shareholders' funds at the year end, the accounts have been drawn up on a going concern basis on the grounds that support has been received from the company's ultimate parent, Wagon Plc

**Cash flow statement**

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

**Pension costs**

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

**Leases**

Costs in respect of operating leases are charged in arriving at the operating profit

**2. Administrative expenses**

	2007 £'000	2007 £'000	2007 £'000	2006 £'000
	Before exceptional items	Exceptional items	Total	Total
Administrative expenses	(3,547)	(3,055)	(6,602)	(4,894)

The exceptional items relate to surplus property and restructuring costs

**WAGON SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**3. Staff numbers and costs**

The average number of persons employed by the Company during the year was as follows -	<b>2007</b>	<b>2006</b>
Sales, administration and management	<b>Number</b>	<b>Number</b>
	<u>17</u>	<u>35</u>
The aggregate payroll costs of these persons were as follows	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	1,556	2,468
Social security costs	156	250
Other pension costs (see note 12)	<u>127</u>	<u>163</u>
	<u>1,839</u>	<u>2,881</u>

**4. Directors emoluments**

The emoluments of the directors are disclosed below

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments (excluding pension contributions)	<u>555</u>	<u>593</u>

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £272,339 (2006 £247,000). They are a member of a defined contribution scheme, under which the company made a contribution of £62,500 (2006 £41,786). No retirement benefits are accruing to directors (2006 none) under a defined benefit scheme. Retirement benefits are accruing to three (2006 three) directors under a defined contribution scheme.

**5. Loss on ordinary activities before taxation**

Loss on ordinary activities before taxation is stated after charging the following	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Operating lease payments – other	<u>35</u>	<u>35</u>

Auditors remuneration is borne by another group company

**6. Taxation**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>UK Corporation tax</b>		
Current tax on loss for the period	(1,126)	116
Adjustments in respect of prior periods	<u>3</u>	<u>85</u>
<b>Total current tax</b>	<u>(1,123)</u>	<u>201</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2006 30%). The actual charge for the current year is higher than (2006 is higher than) the standard rate for the reasons set out in the following reconciliation

**WAGON SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**6. Taxation (continued)**

	2007	2006
	£'000	£'000
Loss on ordinary activities before tax	(4,203)	(71)
Tax on ordinary activities at standard rate (30%)	(1,261)	(21)
<b>Factors affecting the charge for the period</b>		
Expenses not deductible for tax purposes	-	137
Deferred tax not recognised	135	-
Prior year adjustment	<u>3</u>	<u>85</u>
Total actual amount of current tax	<u>(1,123)</u>	<u>201</u>

There is an unrecognised deferred tax asset of £135k relating to short term timing differences which have not been recognised due to uncertainty over their utilisation in the next twelve months

**7. Debtors**

	2007	2006
	£'000	£'000
Amounts owed by group undertakings	3,302	2,326
Prepayments and accrued income	<u>491</u>	<u>459</u>
	<u>3,793</u>	<u>2,785</u>

**8. Creditors: amounts falling due within one year**

	2007	2006
	£'000	£'000
Trade creditors	825	328
Amounts owed to group undertakings	1,685	670
Accruals and deferred income	<u>21</u>	<u>35</u>
	<u>2,531</u>	<u>1,033</u>

**9. Obligations under non-cancellable operating leases**

	2007	2006
	Land and buildings £'000	Land and buildings £'000
Operating leases which expire		
Within one year	-	-
Between two and five years	321	321
After five years	<u>397</u>	<u>397</u>
	<u>718</u>	<u>718</u>

**WAGON SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**10. Provision for liabilities and charges**

	2007	2006
	£'000	£'000
Surplus property provision	<u>3,574</u>	<u>984</u>

**11. Called up share capital**

	2007	2006
	No	No
<b>Authorised:</b>		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

	2007	2006
	No	No
<b>Allotted, called up and fully paid:</b>		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

**12. Reserves**

	Profit and loss account £'000
At 1 April 2006	950
Retained loss for the year	<u>(3,080)</u>
At 31 March 2007	<u>(2,130)</u>

**13. Related party disclosures**

The company has taken advantage of the exemption given in Financial reporting Standard No 8 Related Party Disclosures, with respect to inter-group transactions as the company is a wholly owned subsidiary undertaking of a company producing consolidated financial statements

**14. Pensions**

The Company is a member of a pension scheme providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

The Company is a member of a defined benefit pension scheme in the UK operated by Wagon plc. The assets are held in separate trustee administered funds and pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. Following a further review of the changes in legislation and the effect these have on pension provisions, employees who joined company service on or after 13 February 2002 are not eligible to join the Wagon Plan for pension purposes.

**WAGON SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**14. Pensions (continued)**

The latest full actuarial assessment was 5 April 2005, and an independent qualified actuary has updated this to March 2007. Particulars of the actuarial assessment of the group scheme are contained in the financial statements of Wagon plc. The deficit before the recognition of the related deferred tax asset was £15.4m (2006 £21.8m).

The pension cost of the period is £127,000 (2006 £163,000). No amortisation benefit has been taken during the year (2006 £nil). At 31 March 2007 the amount due to the pension scheme amounted to £nil (2006 £nil).

The Company is also a member of a defined contribution pension scheme operated by Wagon plc. The pension cost charge for the period includes contributions payable by the Group to the scheme of £28,000 (2006 £27,000).

**15. Ultimate parent undertaking**

The Company's ultimate parent undertaking is Wagon plc, a company incorporated in England and Wales. The financial statements of Wagon plc can be obtained from 1<sup>st</sup> Floor 3500 Parkside, Birmingham Business Park, Birmingham, B37 7YG.