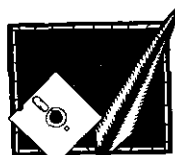


**DESQUENNE ET GIRAL UK LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**



**HOWARD LEE, FELLOWS & CO**  
CHARTERED ACCOUNTANTS

# DESQUENNE ET GIRAL UK LIMITED

## CONTENTS

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	Page
Directors' report	1 - 2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 12

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# DESQUENNE ET GIRAL UK LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

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The directors present their report and financial statements for the year ended 31 December 1998.

### Principal activities and review of the business

The principal activity of the company is that of railway maintenance.

During the year the company was a partner in a joint venture with Amey Railways Limited, which was created for the performance of a contract for railway maintenance.

### Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

### Year 2000 and the Euro

The directors have considered the implication of the year 2000 issues and are satisfied that adequate procedures are in place to deal with any matters that may arise. The directors are also currently assessing the impact of the introduction of the Euro.

### Directors

The following directors have held office since 1 January 1998:

C A Giral  
J L P A Giral  
J C Guede

### Directors' interests

The directors' recorded interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 December 1998	1 January 1998
C A Giral	-	-
J L P A Giral	-	-
J C Guede	-	-

### Auditors

Howard Lee Fellows & Co were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

# DESQUENNE ET GIRAL UK LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

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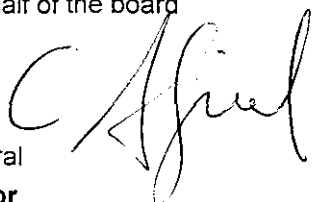
### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



C A Giral

**Director**

21 October 1999

# DESQUENNE ET GIRAL UK LIMITED

## AUDITORS' REPORT TO THE SHAREHOLDERS OF DESQUENNE ET GIRAL UK LIMITED

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We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

### Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below. 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. However, the evidence available to us was limited because audited statutory financial statements have not been prepared for the company's joint venture, as reported in note 8 to these accounts, and there were no other satisfactory audit procedures that we could adopt to confirm the disclosures made.

In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements .

### Qualified opinion arising from limitation in audit scope

Except for the absence of audited statutory financial statements for the joint venture and except for any adjustments that might have been found to be necessary had we been able to obtain sufficient audit evidence relating to the joint venture, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the company's joint venture we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

  
Howard Lee Fellows & Co

Chartered Accountants  
Registered Auditor

28 October 1999  
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2 Clockhouse Road  
Farnborough  
Hants  
GU14 7QY

# DESQUENNE ET GIRAL UK LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

		1998 £	1997 £
	Notes		
Turnover	2	859,444	-
Cost of sales		(755,391)	-
<b>Gross profit</b>		104,053	-
Administrative expenses		(130,147)	(3,242)
<b>Operating loss</b>	3	(26,094)	(3,242)
Other interest receivable and similar income	4	2,636	-
Interest payable and similar charges	5	(14,501)	-
<b>Loss on ordinary activities before taxation</b>		(37,959)	(3,242)
Tax on loss on ordinary activities	6	-	-
<b>Loss on ordinary activities after taxation</b>	15	(37,959)	(3,242)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

# DESQUENNE ET GIRAL UK LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 1998

	Notes	1998 £	£	1997 £	£
<b>Fixed assets</b>					
Tangible assets	7		3,266		-
<b>Current assets</b>					
Stocks	9	127,176		-	
Debtors	10	800,995		1,190	
Cash at bank and in hand		76,158		310	
		<u>1,004,329</u>		<u>1,500</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(734,002)</u>		<u>(13,378)</u>	
<b>Net current assets/(liabilities)</b>			<u>270,327</u>		<u>(11,878)</u>
<b>Total assets less current liabilities</b>			<u>273,593</u>		<u>(11,878)</u>
<b>Creditors: amounts falling due after more than one year</b>	12		<u>(323,430)</u>		<u>-</u>
			<u>(49,837)</u>		<u>(11,878)</u>
<b>Capital and reserves</b>					
Called up share capital	14		100		100
Profit and loss account	15		<u>(49,937)</u>		<u>(11,978)</u>
<b>Shareholders' funds - equity interests</b>	16		<u>(49,837)</u>		<u>(11,878)</u>

The financial statements were approved by the Board on 21 October 1999

C A Giral  
Director



# DESQUENNE ET GIRAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The accounts have been prepared on a going concern basis by reason of a letter of support given by the ultimate parent company.

#### 1.2 Turnover and profits

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract.

#### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25% straight line
--------------------------------	-------------------

#### 1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.5 Stock

Work in progress is valued at the lower of cost and net realisable value.

#### 1.6 Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

#### 1.7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

#### 1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

#### 1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.



# DESQUENNE ET GIRAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss	1998	1997
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	1,088	-
Operating lease rentals	14,111	-
Auditors' remuneration	4,000	3,000
Remuneration of auditors for non-audit work	3,930	1,405

4 Other interest receivable and similar income	1998	1997
	£	£
Bank interest	2,636	-

5 Interest payable	1998	1997
	£	£
On amounts payable to group companies	2,918	-
On bank loans and overdrafts	11,583	-
	14,501	-

### 6 Taxation

No tax charge arises on the loss for the year (1997 £nil)

# DESQUENNE ET GIRAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

### 7 Tangible fixed assets

	Fixtures, fittings & equipment £
<b>Cost</b>	
At 1 January 1998	-
Additions	4,354
	<hr/>
At 31 December 1998	4,354
	<hr/>
<b>Depreciation</b>	
At 1 January 1998	-
Charge for the year	1,088
	<hr/>
At 31 December 1998	1,088
	<hr/>
<b>Net book value</b>	
At 31 December 1998	3,266
	<hr/> <hr/>

### 8 Joint venture

The company and Amey Railways Limited each have a 50% interest in a joint venture which carries out railway maintenance contracts under the name Amey-Seco, whose head office is at Brunel Towers, Swindon, Wilts. No statutory accounts have been produced for the joint venture.

The company's share of items in the joint venture's unaudited 31 December 1998 accounts is as follows:

	£
Fixed assets	-
Current assets	3,435,000
Liabilities due within one year	3,435,000
Liabilities due after one year or more	-
Turnover	5,604,000
Profit before tax	-
Taxation	-
Profit after tax	-

9 Stocks	1998 £	1997 £
Long term contract balances:		
- Net cost less foreseeable losses	127,176	-
	<hr/> <hr/>	<hr/> <hr/>

# DESQUENNE ET GIRAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

10 Debtors	1998 £	1997 £
Trade debtors	39,067	-
Amounts recoverable on long term contracts	349,348	-
Other debtors	-	1,190
Prepayments and accrued income	412,580	-
	<u>800,995</u>	<u>1,190</u>
11 Creditors: amounts falling due within one year	1998 £	1997 £
Bank loans and overdrafts	232,977	-
Trade creditors	17,476	-
Amounts owed to parent and fellow subsidiary undertakings	301,986	8,973
Taxes and social security costs	28,071	-
Other creditors	625	-
Accruals and deferred income	152,867	4,405
	<u>734,002</u>	<u>13,378</u>
12 Creditors: amounts falling due after more than one year	1998 £	1997 £
Bank loans	<u>323,430</u>	<u>-</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	<u>456,763</u>	<u>-</u>
	456,763	-
Included in current liabilities	<u>(133,333)</u>	<u>-</u>
	<u>323,430</u>	<u>-</u>
<b>Loan maturity analysis</b>		
Between one and two years	266,666	-
Between two and five years	<u>56,764</u>	<u>-</u>

The bank loan is secured on £399,570 of advance payments included within prepayments and accrued income and on £57,193 of cash in bank balances.

# DESQUENNE ET GIRAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

### 13 Pension costs

The company commenced operation of a defined contribution pension scheme on 1 December 1998. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £325 (1997 - £0). Contributions totalling £562 (1997 - £0) were payable to the fund at the year end and are included in creditors.

14 Share capital	1998 £	1997 £
<b>Authorised</b>		
100,000 Ordinary shares of £1 each	100,000	100,000
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each	100	100

### 15 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 1998	(11,978)
Retained loss for the year	(37,959)
Balance at 31 December 1998	(49,937)

16 Reconciliation of movements in shareholders' funds	1998 £	1997 £
Loss for the financial year	(37,959)	(3,242)
Opening shareholders' funds	(11,878)	(8,636)
Closing shareholders' funds	(49,837)	(11,878)

# DESQUENNE ET GIRAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

### 17 Financial commitments

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1998 £	1997 £
Expiry date:		
Within one year	8,233	-

### 18 Capital commitments

At 31 December 1998 the company had capital commitments as follows:

	1998 £	1997 £
Contracted for but not provided in the financial statements	599,355	-

### 19 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

1998 Number	1997 Number
13	-

#### Employment costs

	£	£
Wages and salaries	181,503	-
Social security costs	17,188	-
Other pension costs	325	-
	199,016	-

### 20 Control

The directors consider the ultimate parent company to be Desquenne et Giral S. A., a company incorporated in France.

Copies of the ultimate parent company's consolidated financial statements may be obtained from Desquenne et Giral S. A., Le Secrétaire Général, 13 Rue Le Sueur, B.P. 321-16, 75767 Paris Cedex 16.

# DESQUENNE ET GIRAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 31 DECEMBER 1998*

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### **21 Related party transactions**

The company has taken advantage of the exemptions under Financial Reporting Standard 8 (Related Party Disclosures) and is not required to disclose transactions occurring within the group.