

GrantRail Limited

**Directors' report and financial
statements**

Registered number 03184313

31 December 2007

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Directors' report

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

Business review and principal activities

The company is a wholly owned subsidiary of GrantRail Group Limited

The company's principal activities are track laying and maintenance for railways, tramlines and similar tracks operated by Network Rail, London Underground, local authorities and industrial and freight companies in the UK and Eire. There have not been any significant changes in the company's principal activities during the year under review. The directors are not, at the date of this report, aware of any major changes in the company's activities in the next year.

The directors believe that innovation and investment hold the key to the safe and cost effective provision of renewal and maintenance of the railway infrastructure and the group is at the forefront of innovative cost effective engineering solutions to deliver lifetime value to its customers. Through its ultimate parent companies, the company is leveraging its strong links with technological success stories on continental railways, identifying a technological edge as a means of improving safety and quality, reducing possession times and delivering cost savings. For example, in 2007 approval was obtained for the use of Harmelen Level Crossings on the national infrastructure. This was developed in Holland to cope with heavy and sustained road and rail use, and its innovative wear resistant surface and modular nature addresses many of the problems that exist with the level crossing types currently used in the UK. The crossings are designed to have an average life span of over 25 years, which in practice means that maintenance is virtually non-existent. The first UK installations will take place in 2008. 2007 also saw the successful commissioning of the Gauge Corner Restoration welding process. This allows areas of rail wear on light rail systems to be rebuilt with weld material, thus enabling the effective reconstruction of even severely worn areas of the rail profile, leaving a rail that is almost as good as new. This process will reduce the maintenance costs and disruption for light rail systems, with a reduction in the need for rail and road closures.

Network Rail is the company's principal customer and supply partner. During a six month review in the first half of 2007 Network Rail measured the performance of its track renewals contractors across a number of areas with the aim of reducing the number of main contractors from six to four. At the end of the assessment period Network Rail decided that GrantRail would not be one of the four, and the work was successfully transferred to the new contractors in January 2008, along with the TUPE transfer of 250 employees. Whilst the directors were very disappointed to lose this contract, the decision does not affect the company's strategy to be a prime railway contractor across the UK and Ireland, and Network Rail remain the company's principal UK customer. Work on the West Coast Main Line, on the design and implementation of the Nuneaton Area Remodelling, has been delivered highly successfully throughout the year, and the company was awarded the Hull Docks Branch Enhancement project.

The company's joint venture with Trackwork Limited to replace track on the Jubilee, Northern and Piccadilly Lines for Tube Lines on the London Underground has continued to progress, helping deliver innovative solutions and constant refinement of process.

The company's Projects business has had a successful year, winning a second multi-million pound contract with its joint venture partner Skanska UK for an extension to the Docklands Light Railway, which will play a key role in London's transport plans for the 2012 Games. In early 2008 the company's M-PACT joint venture with Laing O'Rourke was awarded a contract to build an extension to the Dublin LUAS Metro.

As shown in the profit and loss account on page 6, the company's turnover has increased by 13% over the previous year. This growth has come from the Projects business, with a full year of work on Nuneaton Area Remodelling for Network Rail and the start of the two Docklands Light Railway contracts. Profit after tax is 73% higher than that achieved the previous year, reflecting both the additional volumes achieved and the good commercial performance of a number of contracts. The directors believe that the company is well positioned in the marketplace, and that its focus on high quality, innovative and cost effective services to the rail industry will lead to future growth.

Directors' report *(continued)*

Business review and principal activities *(continued)*

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end is consistent with the prior year after taking account of the dividend payment made during the year

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements

Principal risks and uncertainties

The directors were disappointed that GrantRail was not appointed as one of Network Rail's four main track renewals contractors. However, the general market for railway works in the UK remains very positive, with significant pledges of replacements, upgrades and new works planned. Network Rail continue to publish extensive plans for development of the network of inter city, regional and inner urban routes, but these projects have been slow to come to market.

The company's metro and light rail skills and technology are dependent on government and local authority funding for city trams and similar projects. The directors remain convinced that the company's innovative products and predominance in the building of light rail passenger transport systems in the UK can be a major benefit to other cities, and will continue to bid for work in this area.

The risk of the company losing key railway engineering staff is significant, as approaches continue to be made from competitors for all levels of scarce resources on a regular basis. The company pays close attention to the demands of the market place, and is committed to sustained investment in the safety and development of its employees. As part of a wider GrantRail Group initiative, the company has implemented a major training initiative to further raise project management standards, and continues to recruit graduates to its engineering and management disciplines. These initiatives will help the company succeed in recruiting and retaining the best people in a highly competitive market.

The company is financed by share capital and appropriate banking facilities. It has limited interest rate exposure due to the small amount of debt carried and the positive cash balances held.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. As part of its ISO14001 2004 fully certificated Environmental Management System, the company has formal business procedures to control operations with potential environmental impacts, which include standards for waste management, pollution prevention and noise management. All company employees are provided with general environmental awareness training whether at initial induction or at continuing intervals throughout their careers. Certain company employees are also provided with specific environmental training dependent on their roles and responsibilities, which include spill response and duty of care for employees involved with waste management. To monitor the impact of the company's activities on the environment a number of environmental performance indicators have been implemented which are monitored on a monthly basis and further strengthens the company's environmental policies. The company also pays due regard to the ecology during the planning stages of all its site activities including the identification of sensitive receptors such as watercourses and wildlife, and the implementation of mitigation methods which include the erection of barriers to protect protected species such as great crested newts, bats, and badgers.

Dividend

During the year, dividends of £1,259,000 were paid (2006 £795,000). No dividends have been proposed.

Directors' report *(continued)*

Directors and their interests

The directors who held office during the year were as follows

JG Edwards	
KA Eaton	- Resigned 20 March 2008
SA Mitchell	- Appointed 20 March 2008
RJ Taylor	- Appointed 20 March 2008

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Employees

Details of the number of employees and related costs can be found in note 3 to the financial statements

Where appropriate, employees are consulted about matters which affect the progress of the company and which are of interest and concern to them as employees. Emphasis is placed on developing greater awareness of the financial and economic factors which affect the performance of the company

The company recognises its responsibilities towards disabled persons and does not discriminate against them in terms of job offers, training or career development and prospects. If existing staff become disabled during the course of their employment every practical effort is made to retain their services with whatever training is necessary

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



RJ Taylor
Secretary

Registered Office

1 Carolina Court
Lakeside
Doncaster
DN4 5RA

11 June 2008

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 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 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

St Nicholas House
Park Row
NOTTINGHAM NG1 6FQ

Report of the independent auditors to the members of GrantRail Limited

We have audited the financial statements of GrantRail Limited for the year ended 31 December 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 the 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 4.

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.

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 December 2007 and of its profit 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 LLP

11 June 2008

Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Turnover	2	100,259	88,551
Cost of sales		(88,199)	(78,763)
Gross profit		12,060	9,788
Administrative expenses		(8,364)	(7,746)
Operating profit		3,696	2,042
Other interest receivable and similar income	4	717	708
Interest payable and similar charges	5	(117)	(264)
Profit on ordinary activities before taxation	6	4,296	2,486
Tax on profit on ordinary activities	7	(1,326)	(772)
Profit for the financial year	15	2,970	1,714

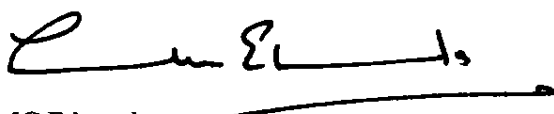
There were no recognised gains or losses in either the current or preceding years other than those disclosed in the profit and loss account

The results reported above all derive from continuing operations

Balance sheet
as at 31 December 2007

	Note	2007 £000	2006 £000
Fixed assets			
Tangible assets	9	349	435
Current assets			
Stocks	11	238	17
Debtors - due in less than one year	12	31,251	24,144
- due in more than one year	12	1,045	34
		32,296	24,178
Cash at bank and in hand		16,196	16,092
		48,730	40,287
Creditors amounts falling due within one year	13	(34,262)	(27,616)
Net current assets		14,468	12,671
Net assets		14,817	13,106
Capital and reserves			
Called up share capital	14	4,000	4,000
Share premium account	15	1,400	1,400
Profit and loss account	15	9,417	7,706
Shareholders' funds	16	14,817	13,106

These financial statements were approved by the board of directors on 11 June 2008 and were signed on its behalf by



JG Edwards
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

Cash flow statement

Under Financial Reporting Standard 1 *Cash flow statements (revised)*, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking

Joint arrangements

Where a group company is a party to a joint arrangement which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Fixed assets and depreciation

No depreciation is provided on freehold land. All other assets are depreciated on a straight line basis so as to write-off their cost by equal instalments over their estimated useful economic lives as follows:

Plant and equipment	between 10% and 33%
Office furniture	between 20% and 33%
Freehold buildings	2%

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 FRS 19.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Stocks and long term contracts

Stocks are stated at the lower of cost and net realisable value

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

Pensions

The company participates in a number of pension arrangements comprising both defined benefit and defined contribution schemes. The assets of the defined benefit schemes are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year. For more details of the schemes refer to Note 19.

Related party transactions

As the company is a wholly owned subsidiary of GrantRail Group Limited the company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of GrantRail Group Limited, the ultimate parent company, within which this company is included can be obtained from the registered office.

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Notes (continued)

1 Accounting policies (continued)

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Turnover

Turnover represents the amounts, excluding value added tax, derived from the provision of goods and services to customers. The geographical split between turnover in the United Kingdom and elsewhere is not disclosed as the directors believe it would be seriously prejudicial to the interests of the company.

Turnover and cost of sales include, for a contract, the essential cost of materials and services provided directly by part of 'the client company' to service that contract. The exclusion of such costs would have served to distort the substance of the transaction.

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 by reference to the value of work performed to date as a proportion of the total contract value.

3 Directors and employees

The average number of persons (including directors) employed by the company during the year were

	2007 Number	2006 Number
Administration	116	140
Contract and site staff	544	610
	<hr/> 660	<hr/> 750
	<hr/> £000	<hr/> £000
<i>The aggregate payroll costs of these persons were as follows</i>		
Wages and salaries	25,890	28,434
Social security costs	2,356	2,543
Pension costs	1,212	978
	<hr/> 29,458	<hr/> 31,955
	<hr/> <hr/>	<hr/> <hr/>

The company makes pension contributions to an investor's scheme and to railway industry pension schemes on behalf of certain employees.

The directors received no remuneration through their employment by the company (2006 £nil)

Notes (continued)

4 Other interest receivable and similar income

	2007 £000	2006 £000
Bank interest receivable	31	104
Group interest receivable	686	604
	<hr/> 717	<hr/> 708
	<hr/> <hr/>	<hr/> <hr/>

5 Interest payable and similar charges

	2007 £000	2006 £000
Bank interest payable	106	33
Other interest payable	11	230
Finance charges payable in respect of finance leases and hire purchase contracts	-	1
	<hr/> 117	<hr/> 264
	<hr/> <hr/>	<hr/> <hr/>

6 Profit on ordinary activities before taxation

	2007 £000	2006 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation - owned assets	209	205
Loss on disposal of fixed assets	11	-
Amounts paid under operating leases - other	1,684	1,817
<i>Auditors' remuneration</i>		
- audit	42	39
- non-audit services	178	79
	<hr/> 420	<hr/> 127
	<hr/> <hr/>	<hr/> <hr/>

7 Tax on profit on ordinary activities

(a) Current tax

	2007 £000	2006 £000
UK corporation tax at 30% (2006 30%) - current year	1,402	824
- prior year	18	20
	<hr/> 1,420	<hr/> 844
Total current tax charge	1,420	844
Deferred tax - current year	(72)	(45)
- prior year	(22)	(27)
	<hr/> (94)	<hr/> (72)
	<hr/> <hr/> 1,326	<hr/> <hr/> 772
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

7 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2006 higher) than the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below

	2007 £000	2006 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	4,296	2,486
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	1,289	746
<i>Effects of</i>		
Depreciation for the year in excess of capital allowances	42	21
Expenses not deductible	31	57
Other timing differences	40	-
Adjustments to tax charge in respect of previous years	18	20
	<hr/>	<hr/>
Total current tax charge	1,420	844
	<hr/>	<hr/>

(b) *Deferred taxation*

	2007 £000	2006 £000
<i>Tax effect of timing differences because of</i>		
Difference between accumulated depreciation and capital allowances	155	101
Other timing differences	88	48
	<hr/>	<hr/>
	243	149
	<hr/>	<hr/>

	2007 £000	2006 £000
Opening balance	149	77
Over provision in prior years	22	27
Credited to the profit and loss account	72	45
	<hr/>	<hr/>
Closing asset (see note 12)	243	149
	<hr/>	<hr/>

Notes (continued)

8 Dividends

	2007 £000	2006 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	1,259	395

9 Tangible fixed assets

	Land and buildings £000	Plant and equipment £000	Office furniture £000	Total £000
<i>Cost</i>				
At 1 January 2007	83	602	1,617	2,302
Additions	-	-	134	134
Disposals	-	(36)	-	(36)
At 31 December 2007	83	566	1,751	2,400
<i>Accumulated depreciation</i>				
At 1 January 2007	3	529	1,335	1,867
Charge for the year	11	101	97	209
On disposals	-	(25)	-	(25)
Depreciation on transfers	69	(69)	-	-
At 31 December 2007	83	536	1,432	2,051
<i>Net book value</i>				
At 31 December 2007	-	30	319	349
At 31 December 2006	80	73	282	435

10 Fixed asset investments

Joint arrangements

During the year the company participated in the following joint arrangements,

Joint Venture participants	GrantRail Limited's Interest	Principal Activity
1 Trackwork Limited	50%	} Track Maintenance & Renewal
2 Skanska Construction UK Limited	50%	
3 Skanska Construction UK Limited	40%	

The results of the arrangements are included in these financial statements according to the contractual agreements

Notes (continued)

11 Stocks

	2007 £000	2006 £000
Raw materials and consumables	238	17

12 Debtors

	2007 £000	2006 £000
<i>Amounts falling due within one year</i>		
Trade debtors	20,852	16,806
Amounts recoverable on contracts	5,877	2,489
Amounts owed by group undertakings	3,151	3,287
Other debtors	681	237
Deferred tax (<i>see note 7</i>)	243	149
Prepayments and accrued income	447	1,176
	31,251	24,144
<i>Amounts falling due after more than one year</i>		
Trade debtors	1,045	34
	32,296	24,178

13 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	5,593	5,290
Payments received on account	238	-
Amounts due to group undertakings	9,675	3,271
Corporation tax	2,121	1,397
Taxation and social security	3,108	1,067
Other creditors	1,577	3,654
Accruals and deferred income	11,950	12,937
	34,262	27,616

Notes (continued)

14 Called up share capital

	2007 £000	2006 £000
<i>Authorised</i>		
4,000,000 ordinary shares of £1 each	4,000	4,000
<i>Issued and fully paid</i>		
2,000,000 'A' ordinary shares of £1 each	2,000	2,000
2,000,000 'B' ordinary shares of £1 each	2,000	2,000
	4,000	4,000

The 'A' and 'B' ordinary shares rank pari passu but must be issued in equal numbers

15 Reserves

	Share premium £000	Profit and loss account £000
Balance as at 1 January 2007	1,400	7,706
Profit for the year	-	2,970
Dividends on shares classified in shareholders' funds	-	(1,259)
Balance as at 31 December 2007	1,400	9,417

16 Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
Profit for the year	2,970	1,714
Dividends on shares classified in shareholders' funds	(1,259)	(795)
Net addition to shareholders' funds	1,711	919
Opening shareholders' funds	13,106	12,187
Closing shareholders' funds	14,817	13,106

Notes (continued)

17 Capital commitments

Annual commitments under non-cancellable operating leases, relating to plant, equipment, land and buildings are as follows

	Land and buildings		Other	
	2007	2006	2007	2006
	£000	£000	£000	£000
<i>Operating leases which expire</i>				
Within one year	111	158	133	160
In the second to fifth years inclusive	378	453	506	568
In over five years	245	243	-	-
	<u>734</u>	<u>854</u>	<u>639</u>	<u>728</u>

18 Contingent liabilities

The company has provided an unlimited guarantee on behalf of other subsidiary companies to its bankers in respect of overdraft facilities and leases

19 Pensions

The company participates in a number of pension arrangements comprising both defined benefit and defined contribution schemes

The British Steel Pension Scheme provides benefits based on the final pensionable earnings of employees of Corus UK Limited and associated employees. 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 is accounted for by the company as if it was a defined contribution scheme.

Further details of the British Steel Pension Scheme can be obtained from the trustees

Certain employees, previously transferred into the company under TUPE regulations, participate in the Omnibus Section of the Railways Pension Scheme, a funded UK defined benefit scheme, the assets of which are held in trustee administered funds separate from the company. The company is unable to identify its share of the Section's assets and liabilities on a consistent and reasonable basis, and consequently it is accounted for as if it were a defined contribution scheme.

Further details of the Railways Pension Scheme can be obtained from the trustees

Notes (continued)

20 Ultimate parent company and related party transactions

The company is a subsidiary of GrantRail Group Limited which is controlled and owned equally by Corus plc, whose ultimate parent company is Tata Steel Limited, and Koninklijke Volker Wessels Stevin NV

The company entered into the following aggregated transactions with the controlling parties. All transactions were undertaken on normal trading terms

	Income £000	Expenditure £000	Net creditor balance at 31 Dec 07 £000
Tata Steel Limited	3,706	4,019	98
Koninklijke Volker Wessels Stevin NV	5,831	499	89
	Income £000	Expenditure £000	Net debtor balance at 31 Dec 06 £000
Tata Steel Limited	5,035	3,678	1,600
Koninklijke Volker Wessels Stevin NV	4,682	408	868

The company had the following transactions in the year with GrantRail Group Limited's joint ventures

	Income £000	Expenditure £000	Net (creditor) / debtor balance at 31 Dec 07 £000
ALH (Rail Coatings) Limited	-	15	(54)
VCV (Modular) Limited	552	-	602
	Income £000	Expenditure £000	Net creditor balance at 31 Dec 06 £000
ALH (Rail Coatings) Limited	-	15	(39)
VCV (Modular) Limited	-	-	-