Registered No: 2995419

Jarvis Rail Limited

(formerly Jarvis Facilities Limited)

Annual report and accounts

for the year ended 31 March 2005

LD3 *LXASWDA3* 169
COMPANIES HOUSE 27/02/2006

Jarvis Rail Limited

Annual report and accounts for the year ended 31 March 2005

Directors and advisors

Directors	N Broadbent R W Entwistle G K H Mason P A McHale R M Thornton B L Westbrook
Secretary	Secretariat Services Limited
Registered office	Meridian House The Crescent York YO24 1AW
Auditors	RSM Robson Rhodes LLP St George House 40 Great George Street Leeds LS1 3DQ
Bankers	Barclays Bank PLC 54 Lombard Street London EC3V 9EX Royal Bank of Scotland 135 Bishopsgate London EC2M 3UR

Directors' report
for the year ended 31 March 2005

The directors present their report and the audited accounts for the year ended 31 March 2005.

Principal activities and review of the business

On 28 October 2004 the Company changed its name from Jarvis Facilities Limited to Jarvis Rail Limited.

Jarvis Rail Limited is one of the two companies operating within the Jarvis Group's Rail activities.

The Rail activities of Jarvis Rail Limited embrace specialist Track Renewal services to the rail industry, Rail Projects including signalling and professional services and Major Project activity , and it is anticipated these activities will continue.

Jarvis Rail Limited, a wholly owned subsidiary undertaking of Jarvis plc, is a guarantor of the majority of Jarvis plc Group's various financing facilities. During the year ended 31 March 2005 the Company, with certain other Group companies, signed an Override Agreement, which was terminated in August 2005 along with certain other financing facilities as part of the Group's financial restructuring. However, the Company remains a guarantor to the Group's remaining financing facilities, details of which are disclosed in Note 1(a) and Note 22 of the accounts.

There is third party indemnity insurance in place for the directors of the Company.

Results and Dividends for the year

The loss for the financial year reported in the accounts was £24,787,000 (2004: £38,453,000 loss).

The directors recommend that no final dividend be paid in respect of the year. (2004:£nil).

Directors

The directors holding office during the year ended 31 March 2005 and resigned or appointed subsequent to that date are shown below:

M Brazier	(resigned 28 May 2004)
N Broadbent	
A Cunningham	(resigned 2 April 2004)
W R Davies	(resigned 21 September 2004)
R J Doyle	(resigned 16 June 2004)
R W Entwistle	(appointed 21 October 2005)
K O Hyde	(resigned 28 September 2004)
C E Ives	(resigned 28 January 2005)
R N Johnson	(resigned 15 June 2004)
R W Kendall	(resigned 15 April 2004)
A P Lezala	(resigned 17 June 2005)

G K H Mason	
P A McHale	(appointed 16 June 2004)
M S McKeever	(resigned 27 August 2004)
M W Northard	(resigned and appointed alternate director to B L Westbrook 16 June 2004, resigned 31 March 2005)
A K Rae	(appointed 20 April 2004 and resigned 9 March 2005)
G Ray	(appointed 16 June 2004 and resigned 29 April 2005)
R M Thornton	(appointed 16 June 2004)
B L Westbrook	

Directors' interests

At 31 March 2005 none of the directors had any interests in the shares of the Company.

Other directors' interests were as follows:

Interests in Jarvis plc shares of 5p each:		
	At 1 April 2004 or subsequent date of appointment	**At 31 March 2005**
N Broadbent	4,367	4,367
G K H Mason	500	500
P A McHale	1,000	1,000
G Ray	416	3,539
R M Thornton	3,546	3,546
B L Westbrook	38,218	43,801

Interests in options over Jarvis plc shares of 5p each:						
Director	**Scheme**	**Grant date**	**Exercise price (p)**	**Options at 31/3/2005**	**Dates exercisable**	
					From	**To**
P A McHale	Executive	Dec 2001	530.00	6,000	Dec 2004	Dec 2011

On 31 March 2005 options over 4,000 shares in Jarvis plc, granted to Mr N Broadbent on 28 July 2000, were surrendered.

On 31 March 2005 options over 25,000 shares in Jarvis plc, granted to Mr G K H Mason on 28 July 2000, were surrendered.

On 31 March 2005 options over 19,000 shares in Jarvis plc, granted to Mr G K H Mason on 24 January 2001, were surrendered.

On 3 June 2005 options over 4,000 shares in Jarvis plc, granted to Mr R M Thornton on 18 January 1999, were surrendered.

On 3 June 2005 options over 3,500 shares in Jarvis plc, granted to Mr R M Thornton on 02 August 1999, were surrendered.

On 31 March 2005 options over 20,000 shares in Jarvis plc, granted to Mr B L Westbrook on 24 January 2001, were surrendered.

Employment policies

The Company is an equal opportunity employer. The directors attach the greatest importance to the development of employee involvement throughout the Company based on good communication and working relationships. Consultation takes place through normal regular management contacts and in meetings with all levels of employees to assist the employees in developing their awareness of the financial and economic factors which affect the business and performance of the Company.

The Company's policy is to ensure the health, safety and welfare of everyone engaged in or affected by its activities and to comply with current legislation.

The Company's policy on the recruitment of disabled persons during the financial year has continued to be as sympathetic and positive as possible, having regard to the particular aptitudes and abilities of applicants and the constraints of the Company's operations.

With regard to existing disabled employees and those who become disabled during the year, ways and means have continued to be examined of providing continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

Creditor payment policy

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.

During the year ended 31 March 2005 the Company on average paid its creditors within 126 days (2004: 125 days) of receipt of the invoice.

Political and charitable donations

The Company made charitable donations during the year of £1,000 (2004: £4,100), and made no political donations (2004: £nil).

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period. In preparing those accounts, the directors are required:

- To select suitable accounting policies and then apply them consistently;
- To make judgements and estimates that are reasonable and prudent;
- To state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts, and
- To prepare accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the accounts comply with these requirements.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts 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.

Auditors

Since the year end Ernst & Young LLP have resigned as auditors to the Company and as the Company is in the elective regime, RSM Robson Rhodes LLP have been appointed by the Directors in their place.

By order of the Board

Secretariat Services Limited
Secretary
24 February **2006**

Independent auditors' report to the shareholders of Jarvis Rail Limited

We have audited the financial statements for the year ended 31 March 2005 which comprise the profit and loss account, balance sheet, statement of total recognised gains and losses, note of historical cost profits and losses and the related notes.

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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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 transactions with the company 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 United Kingdom Auditing Standards 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1(a) of the financial statements concerning the company being able to continue trading within its agreed working capital facilities for at least the next 12 months. In view of the significance of the matters outlined therein, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors

Leeds, England
24 February 2006

Profit and loss account for the year ended 31 March 2005

	Notes	Continuing Year ended 31 March 2005 £'000	Discontinued Year ended 31 March 2005 £'000	Total Year ended 31 March 2005 £'000	Continuing Year ended 31 March 2004 £'000	Discontinued Year ended 31 March 2004 £'000	Total Year ended 31 March 2004 £'000
Turnover	2, 4	**197,705**	**10,059**	**207,764**	248,229	185,899	434,128
Cost of sales	4	**(203,138)**	**(1,730)**	**(204,868)**	(241,392)	(180,010)	(421,402)
Gross (loss)/profit		**(5,433)**	**8,329**	**2,896**	6,837	5,889	12,726
Administration expenses		**(21,342)**	**(25)**	**(21,367)**	(22,792)	(1,211)	(24,003)
Operating (loss)/profit	3	**(26,775)**	**8,304**	**(18,471)**	(15,955)	4,678	(11,277)
Non-operating exceptional items	4	**2,246**	**(2,097)**	**149**	-	(36,656)	(36,656)
(Loss)/profit on ordinary activities before interest		**(24,529)**	**6,207**	**(18,322)**	(15,955)	(31,978)	(47,933)
Interest payable and similar charges	8			**(3,795)**			(3,838)
Loss on ordinary activities before taxation				**(22,117)**			(51,771)
Tax on loss on ordinary activities	9			**(2,670)**			13,318
Retained loss for the year	19			**(24,787)**			(38,453)

Statement of total recognised gains and losses

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Loss for the year after tax	**(24,787)**	(38,453)
Revaluation of properties	**-**	152
Total gains and losses recognised since last annual report	**(24,787)**	(38,301)

Note of historical cost profits and losses

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Reported loss on ordinary activities before taxation	**(22,117)**	(51,771)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the re-valued amount	**-**	(13)
Historical cost loss on ordinary activities before taxation	**(22,117)**	(51,784)
Historical cost loss for the year retained after taxation and dividends	**(24,787)**	(38,466)

The notes on pages 11 to 30 form part of these financial statements.

Balance sheet
at 31 March 2005

	Notes	31 March 2005 £'000	31 March 2004 £'000
Fixed assets			
Tangible assets	10	**828**	4,440
Current assets			
Stocks and work in progress	11	**2,903**	4,352
Debtors due in less than one year	12	**69,237**	168,073
Pension scheme prepayment falling due after more than one year	12	**13,901**	14,811
Cash at bank and in hand		**213**	2,340
		86,254	189,576
Creditors: amounts falling due within one year	13	**(135,632)**	(213,633)
Net current liabilities		**(49,378)**	(24,057)
Total assets less current liabilities		**(48,550)**	(19,617)
Creditors: amounts falling due after more than one year	14	**(117)**	(877)
Provisions for liabilities and charges	16	**(1,349)**	(4,735)
Net liabilities		**(50,016)**	(25,229)
Capital and reserves			
Called up share capital	18	**5,000**	5,000
Revaluation reserve	19	**-**	442
Profit and loss account	19	**(55,016)**	(30,671)
Equity shareholders' deficit	20	**(50,016)**	(25,229)

The notes on pages 11 to 30 form part of these financial statements.

The accounts on pages 8 to 30 were approved by the Board on 24 February 2006 and were signed on its behalf by:

G K H Mason
Director

Notes to the financial statements for the year ended 31 March 2005

1. Principal accounting policies

(a) Basis of preparation

The Company is a subsidiary undertaking of Jarvis plc ("the Parent" or "Jarvis"), and a guarantor of the various financing facilities of the Parent's group of companies (the "Group"). In addition, the Company is dependent upon the continued provision of finance by the Group to enable it to meet its liabilities as they fall due.

Although the Group has incurred significant trading losses and cash outflows during the last two years, the directors believe that the effects of internal restructuring and corporate disposals undertaken will bring about improved operating results as indicated in the detailed profit and cash flow forecasts. These forecasts indicate that, following the impact of the financial restructuring which was finalised on 29 September 2005, the Group will be able to trade within its agreed working capital facility of £38.5 million for at least the next 12 months from the date of this report.

Given the financial situation of the Group described above, the Company's directors consider that the Company will be able to trade and meet its liabilities as they fall due for at least the 12 months following the date of approval of these financial statements. Accordingly, these financial statements are prepared on the going concern basis.

(b) Accounting convention

The accounts have been prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets, with applicable accounting standards and the Companies Act 1985.

(c) Fixed assets and depreciation

Tangible fixed assets other than freehold properties are stated at cost to the Company, being their purchase cost including fair value adjustments, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less any residual value, on a straight line basis over the expected useful economic lives of the assets concerned.

The principal rates of depreciation used for this purpose are:

Leasehold land and buildings	Over period of lease
Leasehold improvements	5% - 20% pa, or over period of lease if shorter
Plant and machinery	$6^2/_3$ % - $33^1/_3$% per annum
Fixtures and fittings	10% - 25% per annum
Office equipment	25% - 50% per annum

In accordance with Financial Reporting Standard 11, any impairment of fixed assets will be charged to the profit and loss account in the year it arises.

(d) Freehold and leasehold properties

All operational properties are carried at valuation in accordance with Financial Reporting Standard 15, with a full valuation every five years and a valuation on an interim basis in year three of each five year cycle, or more frequently if it is likely that there has been a material change in value. Deficits below historical cost are taken to the profit and loss account unless, and to the extent that, the value in use can be demonstrated to be higher. The rate of depreciation for owner occupied freehold and leasehold properties over 50 years is 2% per annum.

(e) Stocks

Stocks and manufacturing work-in-progress are stated at the lower of cost, including attributable overheads, and net realisable value.

(f) Long term contracts

Amounts recoverable on contracts represent the cost of work carried out to date, including uncertified amounts where the directors have satisfied themselves that entitlement has been established, together with any attributable profit, less any foreseeable losses and progress payments received and receivable.

Attributable profit represents that part of the contract profit that is currently estimated to arise which fairly reflects the work completed by the accounting date. Such profits are recognised only when the outturn of the contract can be foreseen with reasonable certainty. Provision is made for losses as soon as they are foreseen.

(g) Pre-contract costs

All costs incurred in advance of a contract being awarded are written off to the profit and loss account, until the date that, in the opinion of the directors, it is virtually certain that the contract has been secured. Where the directors consider virtual certainty has been achieved but the contract has not been awarded, costs are carried as work in progress, to the extent that the contract is expected to result in future net cash inflows (i.e. future revenues less attributable costs).

Where guarantees have been given by a prospective client in respect of the reimbursement of pre-contract costs should the Company's bid be unsuccessful, then relevant costs will be included as an asset to the extent that they are considered recoverable.

(h) Taxation

The charge or credit for taxation is based on the result for the year as adjusted for disallowable items.

(i) Deferred taxation

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 date except that:

- Provision is made for gains on disposals 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 that are expected to apply in the periods in which timing differences reverse, based on tax rates enacted at the balance sheet date.

(j) Leases

Costs in respect of operating leases are charged against operating profit on a straight line basis over the lease term.

Leasing agreements which transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Finance charges are allocated to the profit and loss account so as to produce a constant periodic rate of charge on the remaining balance of the obligation. Depreciation on such assets is charged to the profit and loss account over the shorter of the lease term and their useful life.

(k) Pensions

The Company contributes to a defined benefit pension scheme and to personal pension plans according to the arrangements agreed with employees. For the defined benefit scheme the fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

FRS 17 *Retirement Benefits* was published in November 2000 and its provisions will in due course be adopted instead of the SSAP 24 approach set out above. In the meantime the Company has complied with the transitional disclosure requirements of FRS 17. Further details of pension arrangements and required disclosures under the transitional provisions of FRS 17 are given in note 7.

Contributions to employees' personal pension arrangements during the period are charged to the profit and loss account as incurred.

(l) 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 Financial Reporting Standard 1 (revised) from publishing a cash flow statement.

(m) Related party transactions

The Company is a wholly owned subsidiary of Jarvis plc and as such the Company has taken advantage under the terms of Financial Reporting Standard 8 not to disclose related party transactions which are eliminated on consolidation.

2. Turnover

Turnover, all of which arises from operations within the United Kingdom, excludes value added tax, and represents the value of contract work carried out during the year.

3. Operating Loss

	31 March 2005 £'000	31 March 2004 £'000
This is stated after charging:		
Hire of plant and machinery	**47,548**	68,192
Auditors' remuneration - audit services	**-**	150
Auditors' remuneration - non-audit services	**-**	60
Operating lease rentals - land and buildings	**5,523**	4,449
- plant and machinery	**9,943**	23,647
Depreciation charge for the year:		
- Tangible owned fixed assets	**616**	1,195
- Tangible fixed assets held under finance leases	**89**	107
Waiver of obligation owed by other group undertaking	**-**	10,121
Operating exceptional items (note 4)	**14,162**	27,700

The Auditors remuneration for Jarvis Rail Ltd was borne by Jarvis plc for the year ended 31 March 2005.

4. Exceptional items

	31 March 2005 £'000	31 March 2004 £'000
Recognised in arriving at operating profit:		
Adjustment to turnover on rail contracts	**12,800**	24,150
Provision for costs in association with the Potters Bar rail incident	**-**	3,550
Redundancy Costs	**1,362**	-
Operating exceptional items	**14,162**	27,700
Recognised below operating profit:		
Costs of terminating the UK railway infrastructure maintenance business	**-**	36,656
Profit on Disposal of Wagon Repair Depot, York	**(599)**	-
Profit on Sale of Jarvis House, York	**(1,647)**	-
Pension credit adjustment in relation to infrastructure maintenance exit	**2,097**	-
	(149)	36,656
Net exceptional losses	**14,013**	64,356

The £12.8m reflects the lower than anticipated amount earned in respect of certain claims and entitlements on rail renewal contracts. In 2004 there was a counter claim against the Group for £16.0m in respect of certain work for Network Rail.

The redundancy costs are associated with reducing headcount in order to implement the strategic reorganisation of the continuing core business within the group.

On 23 December 2004 Jarvis Rail Ltd disposed of the Wagon Repair Depot Leaseholding as part of a portfolio of five York Railway depots that Group sold to Network Rail for £4.5m. The sale proceeds for the Wagon Repair depot netted £1.8m and the profit on disposal was £0.6m after all associated costs were attributed.

On 23 December 2004 Jarvis Rail Ltd disposed of the Jarvis House leaseholding, the Railway Head Quarters occupied by Jarvis since the Year 2000. This was part of the Group restructuring process and the proceeds of £3.4m on sale of the property to Network Rail generated a profit on disposal of £1.6m after all associated costs were attributed.

On 10 October 2003, the Group announced that it was terminating its UK railway infrastructure maintenance activities and would seek the orderly wind-down of its remaining contracts. Following the final calculation of benefits to be transferred, deferred or taken, a further reduction of £2.1m in the SSAP 24 prepayment has been made to the amount of excess contributions over accumulated pension costs included within prepayments at 31 March 2005.

5. Directors' emoluments

	31 March 2005 £'000	31 March 2004 £'000
Aggregate emoluments	**793**	1,519
Contributions to defined contribution pension arrangements	**11**	69
	804	1,588

Retirement benefits were accruing to two directors during the year (2004: eight) under defined contribution pension arrangements.

Highest paid director:

	31 March 2005 £'000	31 March 2004 £'000
Directors' emoluments	**324**	243
Pension contributions	**-**	17
	324	260

The above details do not include the emoluments of certain directors which were paid by the parent and fellow subsidiary undertakings. The directors do not believe it is practicable to apportion these amounts between their services as directors of the Company and their services as directors of the parent and fellow subsidiary undertakings.

The emoluments of Mr C E Ives were paid by Fastline Limited and his emoluments are included in the aggregate of directors' emoluments disclosed in the accounts of that Company. The emoluments of Mr R J Doyle were paid by Prismo Limited and his emoluments are included in the aggregate of directors' emoluments disclosed in the accounts of that Company.

The emoluments of Messrs A Cunningham, K O Hyde, R N Johnson, R W Kendall, A P Lezala, A K Rae were paid by Jarvis plc and their emoluments are included in the aggregate of directors' emoluments disclosed in the accounts of that Company.

The emoluments of Messrs N Broadbent, G K H Mason, M W Northard, G Ray and B L Westbrook were paid by Jarvis plc and are included in the employment costs of that Company. It is not considered practicable to apportion their remuneration between their services as an employee of Jarvis plc and as directors of the Company.

6. Employee information

The average number of persons employed by the Company, including executive directors, during the year, analysed by operating division was, as follows:

	31 March 2005 Number	31 March 2004 Number
Maintenance	**11**	3,107
Rail projects	**327**	425
Major projects	**551**	697
Corporate	**239**	576
Renewals	**408**	-
	1,536	4,805

The employment costs of all employees included above were:

	31 March 2005 £'000	31 March 2004 £'000
Wages and salaries	**52,907**	141,668
Social security costs	**5,622**	13,986
Other pension costs	**760**	(1,012)
	59,289	154,642

Other pension costs in the year ended 31 March 2005 comprise the ongoing annual contributions of £1,947,000 (2004: £4,746,000) less a credit of £1,187,000 (2004: credit of £5,758,000) relating to the amortisation of surpluses in pension schemes on a prospective basis over the average expected service lives of scheme members.

Excess contributions over the accumulated pension costs to the Company's schemes totalling £13.9 million (2004: £14.8 million) are included in prepayments.

7. Pension arrangements

(i) Overview, valuations and accounting under SSAP24

The Company operates a number of pension arrangements comprising both defined benefit and defined contribution schemes. The defined benefit schemes are closed to new entrants, other than for new employees who qualify for participation in the Railways Pension Scheme ("RPS"). Other eligible new employees are offered participation in the Group's defined contribution scheme.

Eligible employees of the Company participate in three shared cost sections of the RPS, a funded UK defined benefit scheme, the assets of which are held in trustee administered funds separate from the Company and the Jarvis plc Group. At the date of signature of these accounts the triennial actuarial valuation of the RPS as at 31 December 2004 is being prepared. The approved valuation is expected to be issued during March 2006. Consequently, for the purposes of making any disclosure in respect of SSAP 24 in the Company's Annual Report and Accounts for the year ended 31 March 2005, the latest available actuarial valuations were those as at 31 December 2001. At that date all three Jarvis sections were in surplus. As at 31 December 2001 the combined market value of the assets of the three sections was £371 million, and the average funding level was 157%.

Whilst there had been no official indications about the funding position of the RPS as at 31 December 2004, from an awareness of the assumptions to be used by the Actuary in his valuation it seems likely that the previous surpluses will be reduced, or possibly even reversed. As a consequence, the Directors of the Company believe that to continue to build-up an accounting surplus by the roll-forward of an actuarial valuation which is now over three years old would no longer present accounts showing a true and fair view. Using information prepared by the Scheme Actuaries as at 31 March 2004 as part of the calculations necessary for the compulsory transfer of RPS members at 1 April 2004 (see below), the Company's Actuaries, PricewaterhouseCoopers, have approximated a SSAP24 position as at 31 March 2004. This exercise indicates that as at 31 March 2004 the combined market value of the assets of the three sections was £275 million, and the average funding level on the three Jarvis sections of the RPS had reduced to 123%.

For the year ended 31 March 2005, employer contributions to the three Jarvis sections of the RPS were 7.5% of pensionable pay. The employer contribution rates remain unchanged until 30 September 2005, after which date they increase to 9% for all three sections. There are further increases to the employer contribution rate on 17 June 2006, when the rates will become 16.74%, 16.56% and 16.2% for the Relayfast, Fastline, and Jarvis Facilities sections respectively. Based on the changes to employer contribution rates determined following the 31 December 2001 valuation, it is anticipated that total employer contributions to the RPS will increase to £2.3 million in the year ending 31 March 2006, and to £4.3 million in the year ending 31 March 2007.

There may be further changes necessary to the employer contribution rates for the three Jarvis sections, together with the determination of any special employer's contributions necessary, following the finalisation of the actuarial valuation as at 31 December 2004. It is anticipated that any changes will be determined during the year ending 31 March 2006.

Total employer contributions paid by the Company in respect of the RPS sections for the year ended 31 March 2005 were £1.30 million (2004: £3.13 million). For other eligible employees, contributions are made to defined contribution arrangements based on a pre-determined percentage of individual salaries. The cost of contributions to defined contribution arrangements, and other non-material defined benefit schemes accounted for as defined contribution schemes, for the year ended 31 March 2005 was £0.59 million (2004: £1.72 million). Unpaid contributions as at 31 March 2005 relating to defined contribution arrangements were £0.09 million (2004: £0.33 million).

The RPS sections are the only material schemes for the purpose of calculating defined benefit costs, and pension scheme assets and liabilities in accordance with FRS 17 - Retirement Benefits, and they are discussed in more detail below.

For accounting purposes, a common approach has been adopted for all the UK funded defined benefit schemes. The assumptions that have the most significant effect on the valuations are those relating to the rates of return on investments and the rates of increase in both salaries and pensions. At the dates of the respective actuarial valuations it was assumed that the rates of return on investments would be between 7.5% and 7.7% per annum, that increases in salaries would be between 4.0% and 4.25% per annum, and that increases to present and future pensions would be between 2.75% and 2.9% per annum. The assets of the schemes were shown at their market values as at the date of the valuation.

The valuations, carried out by an independent qualified actuary, used the projected unit method. For all defined benefit schemes, the surplus is spread on a straight-line basis. Under the projected unit method of valuation the current service cost will increase as members approach retirement.

Excess contributions over the accumulated pension costs to the Group's UK defined benefit schemes totalling £13.90 million (2004: £14.81 million) are included in the balance sheet within prepayments.

On 1 April 2004, as part of the terms of the withdrawal of Jarvis from the railway infrastructure maintenance business, 3,222 staff were transferred under TUPE regulations to new employers. Of the transferred employees, 1,889 were members of the three Jarvis sections of the RPS and following the required consultation period 1,533 members transferred into the Network Rail section of the RPS, 115 elected to defer their benefits and remain within the Jarvis sections of the RPS and 241, being eligible to do so, took their pension entitlement.

The excess contributions over accumulated pension costs included within prepayments at 31 March 2004 were reduced by an amount of £14 million representing a best estimate of the effect on the recognised accounting surplus of the reduction in membership of the three Jarvis sections. Following the final calculation of benefits to be transferred, deferred or taken, a further reduction of £2.10 million has been made to the amount of excess contributions over accumulated pension costs included within prepayments at 31 March 2005. This additional write off is disclosed in the profit and loss account within non-operating exceptional items.

(ii) Pensions: FRS17 transitional disclosures of assumptions, assets and net liability

The additional transitional disclosures required by FRS 17 *Retirement Benefits* are set out below:

Major assumptions:	31 March 2005 %	31 March 2004 %	31 March 2003 %
Rate of increase in salaries*	**4.00**	4.25	4.00
Rate of increase to pensions in payment	**2.90**	2.75	2.50
Rate of increase to deferred pensions	**2.90**	2.75	2.50
Discount rate for scheme liabilities	**5.40**	5.6	5.50
Retail price inflation	**2.90**	2.75	2.50

* plus promotional increases of 0.75% per annum

The expected long term rates of return and the total market values of the assets of the schemes at 31 March 2005 were as follows:

Rates of return and market values of assets	31 March 2005 Expected long term rate of return %	31 March 2005 Market value £ million
Equities	**7.70**	**136.89**
Bonds (including gilts)	**5.05**	**46.22**
Property	**6.50**	**20.14**
Hedge Funds	**6.80**	**10.53**
Cash	**4.75**	**(0.68)**
Total market value of assets		**213.10**
Less: Present value of scheme liabilities *		**(222.56)**
Liability in the scheme		**(9.46)**
Add: Liability attributable to employees		**3.78**
Liability attributable to employer before deferred taxation		**(5.68)**
Related deferred taxation asset**		**-**
Net pension liability		**(5.68)**

* The present value of scheme liabilities has been estimated by a qualified independent actuary by updating the assumptions used at the time of the last triennial actuarial valuation.
** No deferred taxation asset has been shown as at 31 March 2005 as the Jarvis Group has incurred substantial losses for tax purposes during the year.

The comparative figures as at 31 March 2004 were as follows:

Rates of return and market values of assets	31 March 2004 Expected long term rate of return %	31 March 2004 Market value £ million
Equities	7.50	244.87
Bonds (including gilts)	5.20	32.02
Property	7.50	22.22
Cash	4.00	(0.33)
Total market value of assets		298.78
Less: Present value of scheme liabilities*		(331.19)
Liability in the scheme		(32.41)
Add: Liability attributable to employees		12.84
Liability attributable to employer before deferred taxation		(19.57)
Related deferred taxation asset**		-
Net pension liability		(19.57)

* The present value of scheme liabilities has been estimated by a qualified independent actuary by updating the assumptions used at the time of the last triennial actuarial valuation.
** No deferred taxation asset has been shown as at 31 March 2004 as the Jarvis Group has incurred substantial losses for tax purposes during the year.

The comparative figures as at 31 March 2003 were as follows:

Rates of return and market values of assets	31 March 2003 Expected long term rate of return %	31 March 2003 Market value £ million
Equities	7.50	196.20
Bonds (including gilts)	5.00	17.28
Property	7.25	18.93
Cash	3.75	(0.72)
Total market value of assets		231.69
Less: Present value of scheme liabilities*		(296.28)
Liability in the scheme		(64.59)
Add: Liability attributable to employees		25.84
Liability attributable to employer before deferred taxation		(38.75)
Related deferred taxation asset		11.60
Net pension liability		(27.15)

* The present value of scheme liabilities has been estimated by a qualified independent actuary by updating the assumptions used at the time of the last triennial actuarial valuation.

(iii) Pensions: FRS 17 transitional disclosures of profit and loss and other recognised gains and losses

An analysis of the defined benefit cost for the RPS sections calculated under FRS17 for the year ended 31 March 2005, as if FRS17 had been fully adopted is, as follows:

	31 March 2005 £ million	31 March 2004 £ million
The following amounts have been (charged)/credited against operating profit:		
Current service cost	**(4.73)**	(11.61)
Amortisation of gain arising on members transferring into the scheme in prior period	**2.10**	1.15
Curtailment gains	**32.14**	-
Settlement losses	**(7.84)**	-
Total operating charge	**21.67**	(10.46)

	31 March 2005 £ million	31 March 2004 £ million
The following amounts have been (charged)/credited against financing provisions:		
Expected return on the assets of the pension scheme	**17.12**	16.22
Interest cost on liabilities attributable to employer	**(15.77)**	(16.38)
Interest cost on liabilities attributable to employees	**0.30**	1.40
Net other finance income	**1.65**	1.24

The service costs for the RPS are expected to rise over time as entry to all the schemes is closed except to employees with protected, or indefeasible rights, to entry.

	31 March 2005 £ million	31 March 2004 £ million
The following amounts have been recognised in the statement of total recognized gains and losses:		
Actual return less expected return on pension scheme assets	**22.75**	55.64
Experience (losses) and gains arising on scheme liabilities	**(3.08)**	0.41
Loss arising from changes in the assumptions underlying the present value of scheme liabilities	**(19.14)**	(15.23)
Change in the deficit attributable to employees	**(9.06)**	(13.00)
Interest cost on liabilities attributable to employees	**(0.30)**	(1.40)
Net actuarial (loss)/gain recognised in the total statement of recognised gains and losses	**(8.83)**	26.42

	31 March 2005 £ million	31 March 2004 £ million
Analysis of movements in the pension liability before deferred taxation during the year:		
Pension liability attributable to employer before deferred taxation brought forward	**(19.57)**	(38.75)
Current service cost	**(4.73)**	(11.61)
Curtailment gains	**32.14**	-
Settlement losses	**(7.84)**	-
Net other finance income	**1.65**	1.24
Net actuarial (loss)/gain recognised in the total statement of recognised gains and losses	**(8.83)**	26.42
Contributions paid by the employer	**1.50**	3.13
Pension liability attributable to employer before deferred taxation carried forward	**(5.68)**	(19.57)

	31 March 2005	31 March 2004	31 March 2003
History of experience gains and losses:			
Difference between the expected and actual return on scheme assets:			
Amount (£ million)	**22.75**	55.64	(100.98)
Percentage of scheme assets	**11%**	19%	44%
Experience gains and (losses) on scheme liabilities:			
Amount (£ million)	**(3.08)**	0.41	6.80
Percentage of the present value of scheme liabilities	**(1)%**	0%	2%
Total amount recognised in STRGL:			
Amount (£ million)	**(8.83)**	26.42	(67.90)
Percentage of the present value of scheme liabilities	**(4)%**	8%	23%

(iv) Pensions: summary of differences between FRS 17 and SSAP 24 presentations

The full adoption of FRS 17 at 31 March 2005 would have had the following impact upon the Company's profit and loss account for the year:

	31 March 2005 £ million	31 March 2004 £ million
Increase in operating income	**24.11**	1.00
Increase in finance income	**1.65**	1.24
Increase in profit before tax	**25.76**	2.24
Related deferred taxation	**-**	-
Net increase in profit after tax	**25.76**	2.24

Total Company net assets, profit and loss reserve and shareholders' funds would have to be adjusted at 31 March 2005 as follows:

	31 March 2005 £ million	31 March 2004 £ million
Increase in profit after taxation	**25.76**	2.24
Recognised through the statement of total recognised gains and losses:		
Net actuarial (loss)/gain	**(8.83)**	26.42
Related deferred taxation	**-**	(8.01)
Adjustment in current year in respect of brought forward deferred taxation balance	**(0.70)**	(6.52)
Movement in the year	**16.23**	14.13
Movement from prior years	**(31.64)**	(45.77)
Cumulative effect on net assets and profit and loss reserve	**(15.41)**	(31.64)

	31 March 2005 £ million	31 March 2004 £ million
Reconciliation between SSAP 24 and FRS 17 presentations:		
SSAP 24 prepayment	**(13.90)**	(14.81)
Related deferred taxation	**4.17**	4.44
Net SSAP 24 prepayment	**(9.73)**	(10.37)
FRS 17 liability net of deferred taxation	**(5.68)**	(19.57)
Deferred gain on members transferring into the scheme in prior years net of taxation	**-**	(1.70)
Reduction in net assets and profit and loss reserve	**(15.41)**	(31.64)

	31 March 2005 £ million	31 March 2004 £ million
Net liabilities as stated in the balance sheet	**(50.02)**	(25.22)
Less: SSAP 24 prepayment	**(13.90)**	(14.81)
Add: Related deferred taxation	**4.17**	4.44
Net liabilities excluding defined benefit assets under SSAP 24	**(59.75)**	(35.59)
Less: FRS 17 defined benefit liabilities net of deferred taxation (Note 7(ii))	**(5.68)**	(19.57)
Deferred gain on members transferring into the scheme in prior years net of taxation	**-**	(1.70)
Net liabilities including defined benefit liabilities under FRS 17	**(65.43)**	(56.86)

	31 March 2005 £ million	31 March 2004 £ million
Company profit and loss reserve as stated in the balance sheet	**(55.02)**	(30.67)
Less: SSAP 24 prepayment	**(13.90)**	(14.81)
Add: Related deferred taxation	**4.17**	4.44
Profit and loss reserve excluding amounts relating to defined benefit assets under SSAP 24	**(64.75)**	(41.04)
Less: FRS 17 defined benefit liabilities net of deferred taxation	**(5.68)**	(19.57)
Deferred gain on members transferring into the scheme in prior years net of taxation	**-**	(1.70)
Profit and loss reserve including amounts relating to defined benefit liabilities under FRS 17	**(70.43)**	(62.31)

8. Interest payable and similar charges

	31 March 2005 £'000	31 March 2004 £'000
Other interest	**621**	570
On loans from parent undertaking	**3,151**	3,238
On finance leases	**23**	30
	3,795	3,838

9. Taxation

9(a) Analysis of tax charge/(credit) in the year

	31 March 2005 £'000	31 March 2004 £'000
The tax charge/(credit) for the year comprises:		
United Kingdom corporation tax at 30% (2004: 30%):		
Current year	**-**	
Prior year	**5,266**	(8,676)
Total current tax	**5,266**	(8,676)
Deferred Tax:		
Current year	**(2,328)**	(4,136)
Prior year	**(268)**	(506)
Total deferred tax	**(2,596)**	(4,642)
	2,670	(13,318)

9(b) Factors affecting tax charge/(credit) for year

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

	31 March 2005 £'000	31 March 2004 £'000
Loss on ordinary activities before tax	**(22,117)**	(51,771)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004:30%)	**(6,635)**	(15,531)
Effects of:		
Expenses not deductible for tax purposes	**35**	3,326
Chargeable gains	**278**	
Utilisation of tax losses		7,044
Tax losses not utilised	**8,139**	1,025
Short–term timing differences	**(1,817)**	4,136
Adjustments to tax charge in respect of previous years	**5,266**	(8,676)
Current tax charge/(credit) for year (note 9(a))	**5,266**	(8,676)

10. Tangible fixed assets

	Leasehold land and buildings	Leasehold improvements	Plant, vehicles & office equipment	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 April 2004	1,075	4,652	1,761	7,488
Additions	-	86	-	86
Disposals	(1,075)	(2,735)	(1,534)	(5,344)
At 31 March 2005	**-**	**2,003**	**227**	**2,230**
Depreciation:				
At 1 April 2004	-	2,544	504	3,048
Charge for the period	8	540	157	705
Disposals	(8)	(1,837)	(506)	(2,351)
At 31 March 2005	**-**	**1,247**	**155**	**1,402**
Net book value:				
At 31 March 2005	**-**	**756**	**72**	**828**
At 31 March 2004	1,075	2,108	1,257	4,440

The net book value of tangible fixed assets held under finance leases is £nil (2004: £410,877).

Properties were valued on an open market basis by qualified Group employees as at March 2003.

If freehold and leasehold properties had not been re-valued, they would have been included as follows:

	31 March 2005 £'000	31 March 2004 £'000
Cost	**1,075**	936
Aggregate depreciation based on cost	**(8)**	(13)
Disposal	**(1,067)**	-
Net book value based on cost	**-**	923

11. Stocks and work in progress

	31 March 2005 £'000	31 March 2004 £'000
Raw materials and consumables	**2,534**	3,992
Work in progress	**369**	360
	2,903	4,352

12. Debtors

	31 March 2005 £'000	31 March 2004 £'000
Amounts falling due within one year:		
Amounts recoverable on contracts	**35,394**	70,879
Amounts owed by group undertakings	**32,999**	81,356
Prepayments and accrued income	**844**	1,367
Corporation tax	**-**	14,471
	69,237	168,073
Amounts falling due after more than one year:		
Pension scheme prepayment	**13,901**	**14,811**

13. Creditors: amounts falling due within one year

	31 March 2005 £'000	31 March 2004 £'000
Trade creditors	**12,739**	35,116
Payments on account	***12,766***	-
Amounts owed to group undertakings	**52,862**	90,019
Obligations under finance leases	**310**	115
Corporation tax	**4,313**	-
Other taxation and social security	**14,712**	20,176
Other creditors	**4,308**	7,684
Bank loans	**449**	417
Accruals and deferred income	**33,173**	59,845
Trade balances with JV's and associates	**-**	261
	135,632	213,633

Amounts owed to group undertakings are included under amounts falling due within one year as the dates of their repayment are not fixed. Whilst 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 required.

14. Creditors: amounts falling due after more than one year

	31 March 2005 £'000	31 March 2004 £'000
Bank loans, amounts falling due:		
In more than one year but not more than two years	**117**	448
In more than two years but not more than five years	**-**	118
Obligations under finance leases	**-**	311
	117	877

15. Obligations under finance leases

The net finance lease obligations to which the Company is committed are:

	31 March 2005 £'000	31 March 2004 £'000
In one year or less	**310**	115
Between one and two years	**-**	107
Between two and five years	**-**	204
	310	426

The total value of leases repayable by instalments, any part of which falls due after more than five years, is £nil (2004: £nil).

16. Provisions for liabilities and charges

	Deferred taxation £'000	Other provisions £'000	Total £'000
At 1 April 2004	2,596	2,139	4,735
Charged /(credited) to the profit and loss account	(2,596)	(790)	(3,386)
At 31 March 2005	-	1,349	1,349

Other provisions principally relate to potential liabilities in respect of railway claims.

17. Deferred taxation

	31 March 2005 £'000	31 March 2004 £'000
Tax effect of timing differences:		
Capital allowances in advance of depreciation	**110**	(9)
Other timing differences	**4,035**	2,605
Losses available for offset	**(4,145)**	-
	-	2,596

There is an unrecorded net deferred tax asset of £4,633,000 in respect of losses.

18. Called up share capital

	31 March 2005 No '000	31 March 2005 £'000	31 March 2004 No'000	31 March 2004 £'000
Authorised				
Ordinary shares of £1 each	**15,000**	**15,000**	15,000	15,000

	31 March 2005 No '000	31 March 2005 £'000	31 March 2004 No'000	31 March 2004 £'000
Allotted, called up and fully paid				
Ordinary shares of £1 each	**5,000**	**5,000**	5,000	5,000

19. Reserves

	Revaluation Reserve £'000	Profit & Loss Account £'000
At 1 April 2004	442	(30,671)
Loss for the year after taxation	-	(24,787)
Transfer of realised profits	(442)	442
At 31 March 2005	-	(55,016)

20. Reconciliation of movement on shareholders' (deficit)/funds

	31 March 2005 £'000	31 March 2004 £'000
Opening shareholders' deficit/funds:	**(25,229)**	13,072
Loss for the year after taxation	**(24,787)**	(38,453)
Other recognised gains and losses relating to the year	**-**	152
Closing shareholders' deficit	**(50,016)**	(25,229)

21. Capital commitments

The Company had capital commitments of £nil at 31 March 2005 (2004: £8,515).

22. Contingent liabilities

Guarantees have been given by the Company in the ordinary course of business, without limit, in respect of loans and overdrafts of its ultimate parent (Jarvis plc) and fellow subsidiary undertakings (together 'the Group'), which amounted to £300m as at 31 March 2005 (2004: £179m). Subsequent to the balance sheet date, the Company issued guarantees in respect of a number of additional facilities secured by the Group which, along with the guarantees outlined above, were released as a result of the debt for equity conversion completed on 31 August 2005. Consequently, as at date of signing accounts, the Company is a guarantor of the Group's working capital facilities of £38.5m.

A termination of the Group's working capital 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.

The Company has also guaranteed performance bonds in respect of contracts entered into by fellow subsidiary undertakings in the normal course of business.

23. Financial commitments

The Company had the following annual obligations under operating leases:

		31 March 2005		31 March 2004
	Land and buildings	**Vehicles, plant and machinery**	Land and buildings	Vehicles, plant and machinery
	£'000	**£'000**	£'000	£'000
Expiring within one year	**208**	**2,602**	547	2,192
Expiring between two and five years inclusive	**674**	**13,267**	334	14,620
Expiring in over five years	**1,554**	**37**	793	789
	2,436	**15,906**	1,674	17,601

24. Immediate and ultimate parent company

The Company's immediate and ultimate parent undertaking and ultimate controlling party is Jarvis plc, a company registered in England and Wales whose accounts may be obtained from the Secretary, Jarvis plc, Meridian House, The Crescent, York, YO24 1AW.