Registered no: 2995468

Fastline Limited

(formerly Jarvis Fastline Limited)

Annual report and accounts

for the year ended 31 March 2004

Meridian House
The Crescent
York YO24 1AW

Fastline Limited

Report and accounts for the year ended 31 March 2004

Fastline Limited

Directors and advisors

Directors	N Broadbent M D Houghton G K H Mason B L Westbrook
Secretary	Secretariat Services Limited
Registered office	Meridian House The Crescent York YO24 1AW
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Bankers	Barclays Bank PLC Richmond and Twickenham Business Centre P O Box 13 8 George Street Richmond Surrey
	National Westminster Bank Plc 180 Shoreditch High Street London E1 6HN
Solicitors	Nabarro Nathanson Lacon House Theobolds Road London W1X 8RW

Fastline Limited

Directors' report
for the year ended 31 March 2004

The directors present their report and the audited accounts for the year ended 31 March 2004.

Principal activities and review of the business

On 8 November 2004 the Company changed its name from Jarvis Fastline Limited to Fastline Limited.

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

Fastline Limited provides specialist track renewal services to the rail industry.

Fastline Limited, being a subsidiary was a borrower and guarantor of the majority of the Jarvis plc'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. The company however remains a guarantor to the majority of the Group's remaining financing facilities. The details of these arrangements are disclosed in Note 1(a) to the accounts.

Results for the year

The loss for the financial year reported in the accounts was £11,505,000 (2003: profit of £2,608,000).

Dividends

A final ordinary dividend of £nil (2003: £2,000,000) was proposed for the year leaving a retained loss of £11,505,000 (2003 retained profit of £608,000) to be met from reserves.

Directors

The directors holding office during the year ended 31 March 2004 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 16 June 2004)
R J Doyle	(resigned 16 June 2004)
M D Houghton	(appointed 16 June 2004)
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 2 April 2004)
A P Lezala	(appointed 24 November 2003 and resigned 17 June 2005)
G K H Mason	
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)
B L Westbrook	

Directors' interests

At 31 March 2004 none of the directors had any interests in the shares of the Company. The interests of Messrs K O Hyde, R N Johnson and R W Kendall in the shares of the ultimate parent undertaking, Jarvis plc, are disclosed in the report and financial statements of that company.

Other directors' interests were as follows:

Interests in Jarvis plc shares of 5p each:	At 1 April 2003 or subsequent date of appointment	At 31 March 2004
M Brazier	0	498
N Broadbent	4,367	4,367
A Cunningham	39,000	39,000
W R Davies	2,592	2,592
C E Ives	5,227	2,164
G K H Mason	500	500
B L Westbrook	37,720	38,218

Interests in options over Jarvis plc shares of 5p each:

Director	Scheme	Grant date	Exercise price (p)	Options at 31/3/2004	Dates exercisable	
					From	To
M Brazier	Executive	Jul 2000	199.50	10,000	Jul 2003	Jul 2010
M Brazier	Executive	Dec 2001	530.00	20,000	Dec 2004	Dec 2011
M Brazier	Executive	Jul 2002	290.00	20,000	Jul 2005	Jul 2009
N Broadbent	Executive	Jul 2000	199.50	4,000	Jul 2003	Jul 2010
A Cunningham	Executive	Oct 1998	487.00	30,000	Oct 2001	Oct 2008
A Cunningham	Executive	Aug 1999	271.00	23,000	Aug 2002	Aug 2009
A Cunningham	Executive	Jul 2000	199.50	30,000	Jul 2003	Jul 2010
A Cunningham	Executive	Jan 2001	264.00	25,000	Jan 2004	Jan 2011
W R Davies	Executive	Jul 2000	199.50	4,000	Jul 2003	Jul 2010
W R Davies	Executive	Dec 2001	530.00	20,000	Dec 2004	Dec 2011

Interests in options over Jarvis plc shares of 5p each (continued)						
Director	**Scheme**	**Grant date**	**Exercise price (p)**	**Options at 31/3/2004**	**Dates exercisable**	
					From	**To**
W R Davies	Executive	Jul 2002	290.00	20,000	Jul 2005	Jul 2009
R J Doyle	Executive	Jan 1999	587.00	20,000	Jan 2002	Jan 2009
R J Doyle	Executive	Aug 1999	271.00	15,000	Aug 2002	Aug 2009
R J Doyle	Executive	Jul 2000	199.50	15,000	Jul 2003	Jul 2010
R J Doyle	Executive	Jan 2001	264.00	20,000	Jan 2004	Jan 2011
R J Doyle	Executive	Dec 2001	530.00	24,000	Dec 2004	Dec 2011
R J Doyle	Executive	Jul 2002	290.00	20,000	Jul 2005	Jul 2009
C E Ives	Executive	Oct 1998	487.00	10,000	Oct 2001	Oct 2008
C E Ives	Executive	Aug 1999	271.00	9,000	Aug 2002	Aug 2009
C E Ives	Executive	Jul 2000	199.50	4,000	Jul 2003	Jul 2010
C E Ives	Executive	Dec 2001	530.00	15,000	Dec 2004	Dec 2011
C E Ives	Executive	Jul 2002	290.00	15,000	Jul 2005	Jul 2009
G K H Mason	Executive	Jul 2000	199.50	25,000	Jul 2003	Jul 2010
G K H Mason	Executive	Jan 2001	264.00	19,000	Jan 2004	Jan 2011
M S McKeever	Executive	Jan 1999	587.00	4,000	Jan 2002	Jan 2009
M S McKeever	Executive	Aug 1999	271.00	15,000	Aug 2002	Aug 2009
M S McKeever	Executive	Jul 2000	199.50	15,000	Jul 2003	Jul 2010
M S McKeever	Executive	Jan 2001	264.00	20,000	Jan 2004	Jan 2011
M S McKeever	Executive	Dec 2001	530.00	24,000	Dec 2004	Dec 2011
M S McKeever	Executive	Jul 2002	290.00	20,000	Jul 2005	Jul 2009
M W Northard	Executive	Nov 2001	264.00	8,000	Jan 2004	Jan 2011
M W Northard	Executive	Dec 2001	530.00	15,000	Dec 2004	Dec 2011
M W Northard	Executive	Jul 2002	290.00	10,000	Jul 2005	Jul 2009
B L Westbrook	Executive	Jan 2001	264.00	20,000	Jan 2004	Jan 2011

On 31 March 2004 options over 937 shares in Jarvis plc, granted to Messrs A Cunningham, C E Ives and G K H Mason on 3 August 2000, lapsed, as they were not exercised within the designated period.
During the year, B L Westbrook acquired 498 shares under the Group Buy as You Earn Share Scheme.

On 13 April 2004 Mr A Cunningham sold 39,000 shares in Jarvis plc at a price of 180p per share.

The Company's employees

The Company is an equal opportunity employer. It recognises the importance of employee communications and participation and information concerning the Company is provided to employees through the usual management channels.

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.

Its policy on the recruitment of disabled persons during the financial period 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 period, 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 to 31 March 2004, the Company, on average, paid its creditors within 125 days (2003: 110 days) after receipt of the invoice.

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. 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

Having passed elective resolutions of the shareholders the company is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. At the meeting of the Board of Directors where these accounts were approved, it was resolved that the resignation of Ernst & Young LLP as auditors of the company be accepted and that RSM Robson Rhodes LLP be appointed.

By order of the Board

For and on behalf of
Secretariat Services Ltd

Secretariat Services Limited

Secretary

9 September **2005**

Independent auditors' report to the members of Fastline Limited

We have audited the company's financial statements for the year ended 31 March 2004 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profit and Loss, Balance Sheet and the related notes 1 to 23. These financial statements have been prepared on the basis of 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Directors Report - Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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.

Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of disclosures made in the financial statements concerning the sufficiency of the forecast working capital of the Jarvis plc group ("the Group") of which the company is a member. Further details concerning this matter are set out in Note 1(a) to the financial statements.

The company's financial statements have been prepared on the going concern basis, the validity of which depends on the Group:

- trading and managing its working capital in line with the latest profit and cash flow forecasts prepared by the directors of Jarvis plc;
- operating within existing finance facilities; and
- completing the proposed restructuring arrangements by 21 September 2005 on terms satisfactory to the Group.

The financial statements do not include any adjustments which would result from the failure of the Group (and hence the company) ceasing to be a going concern.

Our opinion is not qualified in respect of the fundamental uncertainty described above.

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 2004 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst + Young LLP

Ernst & Young LLP
Registered Auditor
London

9 September 2005

Profit and loss account
for the year ended 31 March 2004

	Notes	**Year ended 31 March 2004 £'000**	Year ended 31 March 2003 £'000
Turnover	2, 4	**176,186**	171,358
Cost of sales	4	**(196,685)**	(160,769)
Gross (loss)/profit		**(20,499)**	10,589
Administration expenses		**4,802**	(289)
Operating (loss)/profit	3	**(15,697)**	10,300
Loss on sale of fixed assets		**-**	(1,595)
Interest payable and similar charges	8	**(3,242)**	(2,390)
(Loss)/Profit on ordinary activities before taxation		**(18,939)**	6,315
Tax on (loss)/profit on ordinary activities	9	**7,434**	(3,707)
(Loss)/Profit for the year		**(11,505)**	2,608
Dividends proposed	10	**-**	(2,000)
Retained (loss)/profit for the year	19	**(11,505)**	608

All operations are continuing operations.

Statement of total recognised gains and losses

The Company has no recognised gains and losses other than the (loss)/profit above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 12 to 34 form part of these financial statements.

Note of historical cost profits and losses

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Reported (loss)/profit on ordinary activities before taxation	**(18,939)**	6,315
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**8**	1
Historical cost (loss)/profit on ordinary activities before taxation	**(18,931)**	6,316
Historical cost (loss)/profit for the year retained after taxation and dividends	**(11,497)**	609

The notes on pages 12 to 34 form part of these financial statements.

Fastline Limited

Balance sheet at 31 March 2004

	Notes	31 March 2004 £'000	31 March 2003 £'000
Fixed assets			
Tangible assets	11	**365**	2,456
Current assets			
Stocks and work in progress	12	-	74
Debtors	13	**55,879**	75,368
Pension scheme prepayment falling due after more than one year	13	**6,933**	5,695
Cash at bank and in hand		**502**	502
		63,314	81,639
Creditors: amounts falling due within one year	14	**(68,240)**	(75,456)
Net current (liabilities)/assets		**(4,926)**	6,183
Total assets less current liabilities		**(4,561)**	8,639
Creditors: amounts falling due in more than one year		-	-
Provision for liabilities and charges	15	-	(1,695)
Net (liabilities)/assets		**(4,561)**	6,944
Capital and reserves			
Called up share capital	17	**5,000**	5,000
Revaluation reserve	18	-	8
Profit and loss account	18	**(9,561)**	1,936
Equity shareholders' (deficit)/funds	19	**(4,561)**	6,944

The notes on pages 12 to 34 form part of these financial statements.

The accounts on pages 9 to 34 were approved by the Board on 9 September 2005 and were signed on its behalf by:

G K H Mason
Director

Notes to the accounts for the year ended 31 March 2004

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 has net liabilities at 31 March 2004 and is dependent upon the continued provision of finance by the Group to enable it to meet its liabilities as they fall due.

Following a breach by the Group of certain terms of its debt facilities on 2 July 2004 the company, as guarantor of the majority of the Group's various financing facilities signed an Override Agreement under which breaches of facilities were waived. On 29 January 2005, an amendment to the Override Agreement extended the waiver of the facilities breaches until 27 March 2006.

Subsequently, the Directors of Jarvis have completed a strategic review, prepared forecasts of the Group's activities and planned a disposal programme, all culminating in the production of a Business Plan which the Directors believe will provide for the restructuring of the Group and its finances by way of creating a smaller, leaner, cash-generative business designed to service the Group's debt following restructuring and to ensure the continued operations of the Group in the foreseeable future.

Although the Group has incurred significant trading losses and cash outflows during the last two years and had a deficit on consolidated net assets as at 31 March 2005 of £361.6m, the Directors of Jarvis believe that the effects of internal restructuring and corporate disposals undertaken as a result of their strategic review will bring about improved operating results as indicated in the Business Plan and associated cash flow forecast. Consequently, the Directors of Jarvis believe that, on the assumption that the financial restructuring explained below is completed as currently envisaged, the Group will be able to trade within its available working capital facilities for at least the next 12 months following the date of approval of these financial statements.

As part of the financial restructuring, agreement has been reached with the Group's shareholders and core lenders in respect of a number of arrangements, including a debt for equity conversion and an underwritten equity issue of approximately £50m through a Share Placing and Open Offer. The debt for equity conversion, completed on 31 August 2005, resulted in approximately £378m of financing facilities and related obligations, certain contingent obligations and obligations owed to certain other creditors being exchanged into new ordinary shares in Jarvis, ranking pari passu with its existing ordinary shares. These new ordinary shares represented 95% of the enlarged ordinary share capital of Jarvis plc with 4.75% of the enlarged ordinary share capital being retained by existing shareholders and 0.25% allotted to existing warrant holders for cancellation of existing warrants and rights to subscribe further warrants. Also on 31 August 2005, immediately following and in conjunction with the debt for equity conversion, Jarvis received approximately £30m from the firm Share Placing of new ordinary shares and secured new working capital facilities (guaranteed by the company) of £38.5m, the principal terms of this facility are set out in note 21 to the financial statements. In addition, the Override Agreement was terminated.

With the completion of the debt for equity conversion and the firm Share Placing, the final phase of the restructuring is dependent on the satisfaction of outstanding conditions relating to the underwritten Open Offer, expected on 29 September 2005. The Open Offer, upon satisfaction of these outstanding conditions, is likely to raise additional funds of approximately £20m through the issue of more ordinary shares.

Given the financial situation of the Group described above, the company's Directors consider that there is a reasonable prospect 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. Should the underwritten Open Offer not be completed and in the event of the Group failing to secure alternative sources of finance, the going concern basis may prove to be inappropriate. In such circumstances, adjustments are likely to have to be made to the net assets shown in these financial statements to reduce assets to their more immediately recoverable amounts, to reclassify fixed assets and creditors due after more than one year to current assets and current liabilities and to provide for further liabilities that may arise.

Details of the principal Group facilities guaranteed by the company are included in Note 21 to the financial statements.

(b) Accounting convention

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

(c) Tangible fixed assets

Tangible fixed assets other than freehold and leasehold 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:

Plant and machinery	$6^2/_3$ % - $33^1/_3$% per annum
Motor vehicles	25% per annum
Fixtures and fittings	10% - 25% per annum
Office equipment	25% - 100% 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.

Certain items of plant and equipment were revalued in 1996, and computer equipment was revalued in 1997. In accordance with the transitional provisions of FRS15, the valuations have not been updated.

(d) Stocks

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

(e) 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.

(f) 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.

(g) Taxation

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

(h) 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

(i) 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.

(j) 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.

(k) 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.

(l) 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)/profit

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
This is stated after charging:		
Hire of plant and machinery	**11,269**	11,083
Auditors' remuneration – audit services	**150**	131
Auditors' remuneration – non-audit services	**60**	17
Depreciation charge for the year:		
- Tangible owned fixed assets	**987**	748
- Tangible fixed assets held under finance leases	**63**	105
Operating lease rentals - plant and machinery	**1,743**	-
Waiver of debenture loan owed to other group undertaking	**(5,750)**	-
Operating exceptional items (note 4)	**30,100**	122

4 Exceptional items

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Recognised in arriving at operating profit:		
Redundancy costs	-	122
Adjustment to turnover on rail contracts	**14,100**	-
Adjustment to cost of sales on rail contracts	**16,000**	-
	30,100	122

These adjustments reflect the lower than anticipated amount earned and received in respect of claims and entitlements on rail renewal contracts and an amount of £16.0m in respect of the settlement of a recently lodged counter-claim against the group in respect of certain work for Network Rail which has been included in cost of sales.

5 Directors' emoluments

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Directors' emoluments	**Nil**	Nil

There were no amounts paid to directors in respect of defined contribution pension arrangements (2003: £nil). None of the directors accrued retirement benefits during the year under a defined benefit scheme, in respect of qualifying service (2003: none).
The above details do not include the emoluments of certain directors which were paid by the parent undertaking and certain fellow subsidiary undertakings. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of the parent and fellow subsidiary undertakings.

The emoluments of Messrs M Brazier, N Broadbent, W R Davies, R J Doyle, C E Ives, A P Lezala and M S McKeever were paid by Jarvis Rail Limited and their 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 and R W Kendall 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 G K H Mason and M W Northard were paid by Jarvis plc and are included in the employment costs of that company. It is not considered practical to apportion their remuneration between their services as employees of Jarvis plc and as directors of the Company.

6 Employee information

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

	Year ended 31 March 2004 Number	Year ended 31 March 2003 Number
Renewals	**1,033**	975

The employment costs of all employees included above were:

	£'000	£'000
Wages and salaries	**33,981**	30,020
Social security costs	**3,328**	2,551
Pension costs	**(247)**	(342)
	37,062	32,229

Other pension costs in the year ended 31 March 2004 comprise the ongoing annual contributions of £991,000 (2003: £896,000) less a credit of £1,238,000 (2003: £1,238,000) 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 £6.9 million (2003: £5.7 million) are included in prepayments.

7 Pensions

The Company participates in 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 Company's defined contribution scheme.
Eligible employees of the Company participate in three shared cost sections of the RPS, a UK funded defined benefit scheme, the assets of which are held in trustee administered funds separate from the Company and the Jarvis plc group. The latest actuarial valuations of all three sections were as at 31 December 2001. All three sections were in surplus as at the actuarial valuation date. 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%. The next triennial valuation of the three sections will be undertaken as at 31 December 2004.

The RPS sections are the only material schemes for the purpose of defined benefit costs and asset/liabilities calculations under FRS 17 – *Retirement Benefits*, and they are discussed in more detail below.

Total employer contributions paid in respect of the RPS sections for the year ended 31 March 2004 were £0.67 million (2003: £0.69 million). For other eligible Group 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 2004 was £0.37 million (2003: £0.23 million). The unpaid contributions at 31 March 2004 relating to defined contribution arrangements were £0.07 million (2003: £0.03 million).

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 date of the respective actuarial valuations it was assumed that the rates of return on investments would be between 7.25% and 7.5% per annum, that increases in salaries would be between 4.0% and 4.5% per annum, and that increases to present and future pensions would be between 2.5% and 3% 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 a qualified independent actuary, used the projected unit method. For all defined benefit schemes, any surplus or deficit 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 in respect of the RPS are £6.94 million (2003: £5.70 million) and are included in the balance sheet within prepayments.

(ii) Pensions: FRS 17 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 2004 %**	**31 March 2003 %**
Rate of increase in salaries*	**4.25**	4.00
Rate of increase to pensions in payment	**2.75**	2.50
Rate of increase to deferred pensions	**2.75**	2.50
Discount rate for scheme liabilities	**5.60**	5.50
Retail price inflation	**2.75**	2.50

* plus promotional increases of 0.75% per annum

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The expected long term rate of returns and market value of the assets of the schemes 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	52.63
Bonds (including gilts)	5.20	6.88
Property	7.50	4.78
Cash	4.00	(0.07)
Total market value of assets		64.22
Less: Present value of scheme liabilities*		(71.11)
Liability in the scheme		(6.89)
Add: Liability attributable to employees		2.76
Liability attributable to employer before deferred taxation		(4.13)
Related deferred taxation asset**		-
Net pension liability		(4.13)

*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 full 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	42.20
Bonds (including gilts)	5.00	3.72
Property	7.25	4.07
Cash	3.75	(0.08)
Total market value of assets		49.91
Less: Present value of scheme liabilities*		(63.72)
Liability in the scheme		(13.81)
Add: Liability attributable to employees		5.56
Liability attributable to employer before deferred taxation		(8.25)
Related deferred taxation asset		2.60
Net pension liability		(5.65)

* 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 full 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 FRS 17 for the year ended 31 March 2004 is as follows:

	31 March 2004 £ million	31 March 2003 £ million
The following amounts have been (charged)/credited against operating profit:		
Current service cost	**(2.49)**	(1.60)
Amortisation of gain arising on members transferring into the scheme in prior period	**0.25**	0.23
Total operating charge	**(2.24)**	(1.37)
The following amounts have been (charged)/credited against financing provisions:		
Expected return on the assets of the pension scheme	**3.48**	5.29
Interest cost on liabilities attributable to employer	**(3.52)**	(3.73)
Interest cost on liabilities attributable to employees	**0.30**	-
Net other finance income	**0.26**	1.56

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

	31 March 2004 £ million	31 March 2003 £ million
The following amounts have been recognised in the statement of total recognised gains and losses:		
Actual return less expected return on pension scheme assets	**11.96**	(21.72)
Experience gains arising on scheme liabilities	**0.09**	0.80
Loss arising from changes in the assumptions underlying the present values of scheme liabilities	**(3.27)**	(3.68)
Change in the deficit attributable to employees	**(2.80)**	9.30
Interest cost on liabilities attributable to employees	**(0.30)**	-
Net actuarial gain/(loss) recognised in the statement of total recognised gains and losses	**5.68**	(15.30)

	31 March 2004 £ million	31 March 2003 £ million
Analysis of movements in the pension (liability)/asset before deferred taxation during the year:		
Pension (liability)/asset attributable to employer before deferred taxation brought forward	**(8.25)**	6.40
Current service cost	**(2.49)**	(1.60)
Net other finance income	**0.26**	1.56
Net actuarial gain/(loss) recognised in the statement of total recognised gains and losses	**5.68**	(15.30)
Contributions paid by the employer	**0.67**	0.69
Pension liability attributable to employer before deferred taxation carried forward	**(4.13)**	(8.25)

	31 March 2004	31 March 2003
History of experience gains and losses		
Difference between the expected and actual return on scheme assets:		
Amount (£ million)	**11.96**	(21.72)
Percentage of scheme assets	**19%**	44%
Experience gains and (losses) on scheme liabilities:		
Amount (£ million)	**(0.09)**	0.80
Percentage of the present value of scheme liabilities	**0%**	1%
Total amount recognised in STRGL:		
Amount (£ million)	**5.68**	(15.30)
Percentage of the present value of scheme liabilities	**8%**	24%

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

The full adoption of FRS 17 at 31 March 2004 would have had the following impact upon the Company's profit and loss account for the year:

	31 March 2004 £ million	31 March 2003 £ million
Reduction in operating income	**(2.90)**	(1.90)
Increase in finance income	**0.26**	1.56
Decrease in profit before taxation	**(2.64)**	(0.34)
Related deferred taxation	**-**	0.11
Net decrease in profit after taxation	**(2.64)**	(0.23)

Total net assets, profit and loss reserve and shareholder's funds would have been adjusted at 31 March 2004 as follows:

	31 March 2004 £ million	31 March 2003 £ million
Decrease in profit after taxation	**(2.64)**	(0.23)
Recognised through the statement of total recognised gains and losses:		
Net actuarial gain/(loss)	**5.68**	(15.30)
Related deferred taxation	**(1.72)**	4.59
Adjustment in current year in respect of brought forward deferred taxation balance	**(0.47)**	-
Movement in the year	**0.85**	(10.94)
Movement from prior years	**(10.13)**	0.81
Cumulative effect on net assets and profit and loss reserve	**(9.28)**	(10.13)

	31 March 2004 £ million	31 March 2003 £ million
Reconciliation between SSAP 24 and FRS 17 presentations:		
SSAP 24 prepayment	**(6.94)**	(5.70)
Related deferred taxation	**2.09**	1.72
Net SSAP 24 prepayment	**(4.85)**	(3.98)
FRS 17 liability net of deferred taxation	**(4.13)**	(5.65)
Deferred gain on members transferring into the scheme in prior years net of taxation	**(0.30)**	(0.50)
Reduction in net assets and profit and loss reserve	**(9.28)**	(10.13)

	31 March 2004 £ million	31 March 2003 £ million
Net (liabilities)/assets as stated in the balance sheet	**(4.56)**	6.94
Less: SSAP 24 prepayment	**(6.94)**	(5.70)
Add: Related deferred taxation	**2.09**	1.72
Net (liabilities)/assets excluding defined benefit assets under SSAP 24	**(9.41)**	2.96
Less: FRS17 defined benefit liabilities net of deferred taxation (Note 6(ii))	**(4.13)**	(5.65)
Deferred gain on members transferring into the scheme in prior years net of taxation	**(0.30)**	(0.50)
Net (liabilities)/assets including defined benefit liabilities under FRS 17	**(13.84)**	(3.19)

	31 March 2004 £ million	31 March 2003 £ million
Company profit and loss reserve as stated in the balance sheet	**(9.56)**	1.94
Less: SSAP 24 prepayment	**(6.94)**	(5.70)
Add: Related deferred taxation	**2.09**	1.72
Profit and loss reserve excluding amounts relating to defined benefit assets under SSAP 24	**(14.41)**	(2.04)
Less: FRS 17 defined benefit liabilities net of deferred taxation	**(4.13)**	(5.65)
Deferred gain on members transferring into the scheme in prior years net of taxation	**(0.30)**	(0.50)
Profit and loss reserve including amounts relating to defined benefit liabilities under FRS 17	**(18.84)**	(8.19)

(v) Effect of the compulsory transfer of employees following the termination of the UK railway infrastructure maintenance business

On 1 April 2004, 1,889 members of the Jarvis sections of the RPS were compulsorily transferred to new employers' sections of the RPS as a consequence of Jarvis' withdrawal from the UK railway maintenance business, and the hand back of its maintenance contracts to Network Rail. Those members affected have until 30 September 2004 to decide whether or not to transfer their accrued benefits out of the Jarvis sections of the RPS to the new employers' sections of the RPS. The following tables indicate the position which would exist if, immediately following the hand back of the maintenance contracts, all 1,889 members had transferred their benefits out of the Jarvis sections of the RPS.

The expected long term rates of return and the total market values of the assets of the schemes at 31 March 2004 were as follows:

	31 March 2004 Expected long term rate of return %	31 March 2004 Market value £ million
Market values of assets		
Equity	7.50	114.98
Property	7.50	10.44
Bonds (including gilts)	5.20	15.03
Cash	4.00	(0.15)
Total market value of assets		140.30
Less: Present value of scheme liabilities*		(143.97)
Liability in the scheme		(3.67)
Add: Liability attributable to employees		1.93
Liability attributable to employer before deferred taxation		(1.74)
Related deferred taxation asset**		-
Net pension liability		(1.74)

* 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.

(vi) 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 FRS 17 for the year ended 31 March 2004 is as follows:

	31 March 2004 £ million
The following amounts have been (charged)/credited against operating profit:	
Current service cost	(2.49)
Amortisation of gain arising on members transferring into the scheme in prior period	0.76
Curtailment gains	4.29
Settlement losses	(0.68)
Total operating charge	1.88
The following amounts have been (charged)/credited against financing provisions:	
Expected return on the assets of the pension scheme	3.48
Interest cost on liabilities attributable to employer	(3.52)
Interest cost on liabilities attributable to employees	0.30
Net other finance income	0.26

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

	31 March 2004 £ million
The following amounts have been recognised in the statement of total recognised gains and losses:	
Actual return less expected return on pension scheme assets	11.96
Experience gains arising on scheme liabilities	(0.30)
Loss arising from changes in the assumptions underlying the present value of scheme liabilities	(3.27)
Change in the deficit attributable to employees	(3.63)
Interest cost on liabilities attributable to employees	(0.30)
Net actuarial gain recognised in the total statement of recognised gains and losses	4.46

	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	(8.25)
Current service cost	(2.49)
Curtailment gains	4.29
Settlement losses	(0.68)
Net other finance income	0.26
Net actuarial gain recognised in the total statement of recognised gains and losses	4.46
Contributions paid by the employer	0.67
Pension liability attributable to employer before deferred taxation carried forward	(1.74)

	31 March 2004
History of experience gains and losses	
Difference between the expected and actual return on scheme assets:	
Amount (£ million)	11.96
Percentage of scheme assets	9%
Experience gains and (losses) on scheme liabilities:	
Amount (£ million)	(0.30)
Percentage of the present value of scheme liabilities	0%
Total amount recognised in STRGL:	
Amount (£ million)	4.46
Percentage of the present value of scheme liabilities	3%

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

The full adoption of FRS 17 at 31 March 2004 would have had the following impact on the Company's profit and loss account for the year:

	31 March 2004 £ million
Increase in operating income	1.31
Increase in finance income	0.26
Increase in profit before tax	1.57
Related deferred taxation	-
Net increase in profit after tax	1.57

Total Company net assets, profit and loss reserve and shareholder's funds would have been adjusted at 31 March 2004 as follows:

	31 March 2004 £ million
Increase in profit after tax	1.57
Recognised through the statement of total recognised gains and losses:	
Net actuarial gain	4.46
Related deferred taxation	(1.47)
Adjustment in current year in respect of brought forward deferred taxation balance	(1.02)
Movement in the year	3.54
Movement from prior years	(10.13)
Cumulative effect on net assets and profit and loss reserve	(6.59)

	31 March 2004 £ million
Reconciliation between SSAP 24 and FRS 17 presentations:	
SSAP 24 prepayment	(6.94)
Related deferred taxation	2.09
Net SSAP 24 prepayment	(4.85)
FRS 17 liability net of deferred taxation	(1.74)
Reduction in net assets and profit and loss reserve	(6.59)

	31 March 2004 £ million
Company net (liabilities)/assets as stated in the balance sheet	(4.56)
Less: SSAP 24 prepayment	(6.94)
Add: Related deferred taxation	2.09
Net (liabilities)/assets excluding defined benefit assets under SSAP 24	(9.41)
Less: FRS 17 defined benefit liabilities net of deferred taxation (Note 6(v))	(1.74)
Reduction in net assets and profit and loss reserve	(11.15)

	31 March 2004 £ million
Company profit and loss reserve as stated in the balance sheet	(9.56)
Less: SSAP 24 prepayment	(6.94)
Add: Related deferred taxation	2.09
Profit and loss reserve excluding amounts relating to defined benefit assets under SSAP 24	(14.41)
Less: FRS 17 defined benefit liabilities net of deferred taxation	(1.74)
Profit and loss reserve including amounts relating to defined benefit liabilities under FRS 17	(16.15)

8 Interest payable and similar charges

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
On loans from ultimate parent undertaking	3,238	2,384
On corporation tax	4	-
On finance leases	-	6
	3,242	2,390

9 Taxation

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

The tax (credit)/charge for the year comprises:	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
United Kingdom corporation tax at 30% (2003: 30%):		
Current year	-	2,002
Prior years	(2,335)	1,758
Total current tax	(2,335)	3,760
Deferred Tax :		
Current year	(5,415)	(277)
Prior years	316	224
Total deferred tax	(5,099)	(53)
	(7,434)	3,707

9(b) Factors affecting tax (credit)/charge for the period

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

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
(Loss)/Profit on ordinary activities before tax	**(18,939)**	6,315
(Loss)/Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003:30%)	**(5,682)**	1,895
Effects of:		
Expenses not deductible for tax purposes	**(1,631)**	(170)
Depreciation for the year in excess of capital allowances		277
Utilisation of tax losses	**1,863**	-
Short-term timing differences	**5,450**	-
Adjustments to tax charge in respect of previous periods	**(2,335)**	1,758
Current tax (credit)/charge for year (note 9(a))	**(2,335)**	3,760

10 Dividends

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Dividends on ordinary shares:		
Final proposed of nil p per share (2003: 40p)	-	2,000

11 Tangible fixed assets

	Plant & equipment £'000	Total £'000
Cost or valuation:		
At 1 April 2003	5,176	5,176
Additions	539	539
Disposals	(1,580)	(1,580)
At 31 March 2004	**4,135**	**4,135**
Depreciation:		
At 1 April 2003	2,720	2,720
Charge in the year	1,050	1,050
At 31 March 2004	**3,770**	**3,770**
Net book value:		
At 31 March 2004	**365**	**365**
At 31 March 2003	2,456	2,456

The net book value of tangible fixed assets includes an amount of £256,027 (2003: £141,522) in respect of assets held under finance leases.

Certain items of plant and equipment were valued independently as at 1 July 1996 on the basis of existing use in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors in the United Kingdom by Weatherall, Green and Smith, a firm of chartered surveyors. The surplus on revaluation, net of taxation, was taken to the revaluation reserve. Computer equipment was valued internally as at 20 October 1997. The surplus on revaluation, net of taxation, was taken to the revaluation reserve.

12 Stocks and work in progress

	31 March 2004 £'000	31 March 2003 £'000
Work in progress	-	74

13 Debtors

	31 March 2004 £'000	31 March 2003 £'000
Amounts falling due within one year:		
Amounts recoverable on contracts	**44,698**	67,426
Prepayments and accrued income	**2,859**	4,582
Amounts owed by group undertakings	**2,451**	3,360
Corporation tax	**2,467**	-
Deferred tax	**3,404**	-
	55,879	75,368
Amounts falling due after more than one year:		
Pension scheme prepayment	**6,933**	5,695

14 Creditors: amounts falling due within one year

	31 March 2004 £'000	31 March 2003 £'000
Trade creditors	**17,340**	19,527
Amounts owed to group undertakings	**35,246**	20,865
Corporation tax	**-**	2,076
Other taxation and social security	**3,544**	2,416
Other creditors	**3,672**	2,591
Accruals and deferred income	**8,236**	19,692
Dividend payable	**-**	2,000
Bank loans	**-**	539
Trade balance with JV's and associates	**202**	-
Debentures	**0**	5,750
	68,240	75,456

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.

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15 Provisions for liabilities and charges

	Deferred Taxation £'000
At 1 April 2003	1,695
Credit to the profit and loss account	(5,099)
Transfer to debtors (note 13)	3,404
At 31 March 2004	-

16 Deferred taxation

	31 March 2004 £'000	31 March 2003 £'000
Tax effect of timing differences because of:		
Fixed asset timing differences	**83**	1,316
Other	**(3,487)**	379
	(3,404)	1,695

17 Called up share capital

	31 March 2004 No '000	**31 March 2004 £'000**	31 March 2003 No'000	31 March 2003 £'000
Authorised				
Ordinary shares of £1 each	**10,000**	**10,000**	10,000	10,000

	31 March 2004 No '000	**31 March 2004 £'000**	31 March 2003 No'000	31 March 2003 £'000
Allotted, called up and fully paid				
Ordinary shares of £1 each	**5,000**	**5,000**	5,000	5,000

18 Reserves

	Revaluation reserve £'000	Profit & loss account £'000
At 1 April 2003	8	1,936
Transfer from revaluation reserve to profit and loss account	(8)	8
Retained (loss) for the year	-	(11,505)
At 31 March 2004	-	(9,561)

19 Reconciliation of movement on shareholders' funds

	31 March 2004 £'000	31 March 2003 £'000
Opening shareholders' funds	**6,944**	6,336
(Loss)/Profit for the year after taxation	**(11,505)**	2,608
Dividends payable	**-**	(2,000)
Closing shareholders' (deficit)/funds	**(4,561)**	6,944

20 Capital commitments

The Company had no capital commitments at 31 March 2004 (2003: £2,992,000).

21 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 £179m as at 31 March 2004 (2003: £134m). 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 agreed on 31 August 2005 and described in note 1a to these financial statements. Consequently, as at 9 September 2005, the company is a guarantor of working capital facilities of £38.5m made available to the Group as a result of the financial restructuring described in note 1a.

As explained in note 1a, the final phase of the Group's financial restructuring is dependent on the satisfaction of outstanding conditions relating to the underwritten Open Offer, which is expected to be achieved by 29 September 2005. If the Open Offer does not proceed, this may cause a termination of the working capital facilities. The other principal terms of the working capital facilities are as follows:

(a) currently £23.0m of the facility is available, and thereafter the available facility increases to £32.0m from 1 February 2006 and to £38.5m from 1 April 2006, subject to any mandatory repayments of the facility from disposal proceeds;

(b) currently the margin above LIBOR on this facility is 9% to 31 January 2006 and thereafter the margin increases to 12% from 1 February 2006, 15% from 1 April 2006 and 18% from 1 July 2006;

(c) the prohibiting of certain actions of the company and/or other members of the Group without the prior written consent of a majority of the lenders or, in some cases, unanimous consent;

(d) partial repayment of the facilities from the proceeds of certain disposals;

(e) penalties if the Group does not achieve certain cash flow targets; and

(f) financial covenants in relation to the levels of cashflow, net bank debt, EBITDA and revenues.

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.

22 Financial commitments

The Company had the following annual obligations under operating leases:

	31 March 2004 Vehicles, plant and machinery £'000	31 March 2003 Vehicles, plant and machinery £,000
Expiring between two and five years	**920**	-
Expiring in over five years	**1,555**	-
	2,475	-

23 Parent undertakings

The Company's immediate parent undertaking is Jarvis Fastline Group Limited, a company registered in England and Wales. The Company's 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.