

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2005
FOR
SRS RAIL SYSTEM (HOLDINGS) LIMITED**



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SRS RAIL SYSTEM (HOLDINGS) LIMITED

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for the Year Ended 30 April 2005

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SRS RAIL SYSTEM (HOLDINGS) LIMITED

COMPANY INFORMATION
for the Year Ended 30 April 2005

DIRECTORS:

Major N J Whatley
Mr J B Awford
Mr R M Whatley
Mr S J Whatley
Miss A Knott
Mr J D N Rooke
Mr A E Stacey

SECRETARY:

Mr R M Whatley

REGISTERED OFFICE:

Beacon House
Pyrford Road
West Byfleet
Surrey
KT14 6LD

REGISTERED NUMBER:

3046824 (England and Wales)

AUDITORS:

Pesters
Chartered Certified Accountants
& Registered Auditor
Beacon House
Pyrford Road
West Byfleet, Surrey
KT14 6LD

SRS RAIL SYSTEM (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS for the Year Ended 30 April 2005

The directors present their report with the financial statements of the company for the year ended 30 April 2005.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a holding company.

DIRECTORS

The directors during the year under review were:

Major N J Whatley
Mr J B Awford
Mr R M Whatley
Mr S J Whatley
Miss A Knott
Mr J D N Rooke
Mr A E Stacey

- appointed 1.3.05

The beneficial interests of the directors holding office on 30 April 2005 in the issued share capital of the company were as follows:

	30.4.05	1.5.04 or date of appointment if later
Ordinary £1 shares		
Major N J Whatley	50,250	50,249
Mr J B Awford	3,000	4,300
Mr R M Whatley	17,725	14,580
Mr S J Whatley	17,725	14,580
Miss A Knott	-	-
Mr J D N Rooke	1,300	-
Mr A E Stacey	-	-

PURCHASE OF OWN SHARES

During the financial period the company purchased 10,000 Ordinary £1 shares for a consideration of £12,000. The shares were purchased for commercial reasons and represented 10% of the issued share capital.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

AUDITORS

The auditors, Pestors, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

SRS RAIL SYSTEM (HOLDINGS) LIMITED

**REPORT OF THE DIRECTORS
for the Year Ended 30 April 2005**

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:



.....
Major N J Whatley - Director

Date: 14/09/2005

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF SRS RAIL SYSTEM (HOLDINGS) LIMITED

We have audited the financial statements of SRS Rail System (Holdings) Limited for the year ended 30 April 2005 on pages five to nine. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

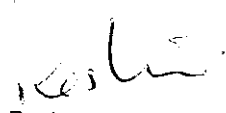
Basis of audit opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Pesters
Chartered Certified Accountants
& Registered Auditor
Beacon House
Pyrford Road
West Byfleet, Surrey
KT14 6LD

Date: 14/9/05

SRS RAIL SYSTEM (HOLDINGS) LIMITED**PROFIT AND LOSS ACCOUNT
for the Year Ended 30 April 2005**

	Notes	30.4.05 £	30.4.04 £
TURNOVER	2	-	10,000
Administrative expenses		(3,257)	(2,263)
OPERATING (LOSS)/PROFIT	3	(3,257)	7,737
Interest receivable and similar income		12	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,245)	7,737
Tax on (loss)/profit on ordinary activities	4	771	(986)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		(2,474)	6,751
(DEFICIT)/RETAINED PROFIT FOR THE YEAR		(2,474)	6,751

The notes form part of these financial statements

SRS RAIL SYSTEM (HOLDINGS) LIMITED

BALANCE SHEET

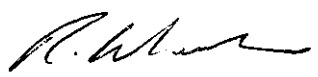
30 April 2005

	Notes	30.4.05 £	30.4.04 £
FIXED ASSETS			
Investments	5	81,002	81,002
CURRENT ASSETS			
Debtors	6	24,391	38,273
Cash at bank		533	519
		<u>24,924</u>	<u>38,792</u>
CREDITORS			
Amounts falling due within one year	7	(3,792)	(3,186)
NET CURRENT ASSETS		<u>21,132</u>	<u>35,606</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>102,134</u>	<u>116,608</u>
CAPITAL AND RESERVES			
Called up share capital	8	90,000	100,000
Share premium	9	6,333	6,333
Capital redemption reserve	9	10,000	-
Profit and loss account	9	(4,199)	10,275
SHAREHOLDERS' FUNDS		<u>102,134</u>	<u>116,608</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:


Major N J Whatley - Director


Mr R J Whatley - Director

Approved by the Board on 14/9/2005

The notes form part of these financial statements

SRS RAIL SYSTEM (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 April 2005

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Preparation of Group Accounts

The group of companies qualifies as a small group and exemption has been taken from preparing group accounts. The accounts therefore present information about the company as an individual undertaking only.

2. TURNOVER

The turnover and loss (2004 - profit) before taxation are attributable to the one principal activity of the company.

Turnover is derived from management fees charged to subsidiary companies.

3. OPERATING (LOSS)/PROFIT

The operating loss (2004 - operating profit) is stated after charging:

	30.4.05	30.4.04
	£	£
Auditors remuneration	3,000	2,200
	<u> </u>	<u> </u>
Directors' emoluments and other benefits etc	-	-
	<u> </u>	<u> </u>

4. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss on ordinary activities for the year was as follows:

	30.4.05	30.4.04
	£	£
Current tax:		
UK corporation tax	-	986
Tax Overprovided	(771)	-
	<u> </u>	<u> </u>
Tax on (loss)/profit on ordinary activities	(771)	986
	<u> </u>	<u> </u>

5. FIXED ASSET INVESTMENTS

	Unlisted investments £
COST	
At 1 May 2004	
and 30 April 2005	81,002
	<u> </u>
NET BOOK VALUE	
At 30 April 2005	81,002
	<u> </u>
At 30 April 2004	81,002
	<u> </u>

SRS RAIL SYSTEM (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 30 April 2005

5. FIXED ASSET INVESTMENTS - continued

The company's investments at the balance sheet date in the share capital of companies include the following:

Strail (UK) Limited

Nature of business: Supply of railway equipment & services

Class of shares:	% holding		
Ordinary	100.00		
		30.4.05	30.4.04
		£	£
Aggregate capital and reserves		621,171	437,596
Profit for the year		179,987	80,807

SRS Rail System Limited

Nature of business: Providing specialist rail services

Class of shares:	% holding		
Ordinary	100.00		
		30.4.05	30.4.04
		£	£
Aggregate capital and reserves		854,882	881,398
(Loss)/Profit for the year		(36,846)	272,119

Hydro-Brade Marketing Limited

Nature of business: Providing Specialist Services

Class of shares:	% holding		
Ordinary	100.00		
		30.4.05	30.4.04
		£	£
Aggregate capital and reserves		(11,175)	(10,879)
Loss for the year		(294)	(67)

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.4.05	30.4.04
	£	£
Other debtors	24,391	38,273

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.4.05	30.4.04
	£	£
Taxation and social security	-	986
Other creditors	3,792	2,200
	3,792	3,186

SRS RAIL SYSTEM (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 30 April 2005

8. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	30.4.05	30.4.04
			£	£
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	30.4.05	30.4.04
			£	£
90,000	Ordinary	£1	<u>90,000</u>	<u>100,000</u>
(30.4.04 - 100,000)				

9. RESERVES

	Profit and loss account	Share premium	Capital redemption reserve	Totals
	£	£	£	£
At 1 May 2004	10,275	6,333	-	16,608
Deficit for the year	(2,474)	-	-	(2,474)
Purchase of own shares	(12,000)	-	10,000	(2,000)
At 30 April 2005	<u>(4,199)</u>	<u>6,333</u>	<u>10,000</u>	<u>12,134</u>

10. RELATED PARTY DISCLOSURES

At 30 April 2005 the following amounts were due from group companies. Strail (UK) Limited £23,620 (2004 - £25,820 and SRS Rail System Limited £0 (2004 - £12,453).

At 30 April 2005 the amount of £792 was due to SRS Rail System Limited.

11. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Mr N.J. Whatley who holds 55.83% of the issued share capital (2004 - 50.249%).

SRS RAIL SYSTEM (HOLDINGS) LIMITED

PROFIT AND LOSS ACCOUNT
for the Year Ended 30 April 2005

	30.4.05		30.4.04	
	£	£	£	£
Turnover				
Management Charges		-		10,000
Other income				
Deposit account interest		12		-
		<u>12</u>		<u>10,000</u>
Expenditure				
Sundry expenses	158		1	
Auditors remuneration	<u>3,000</u>		<u>2,200</u>	
		<u>3,158</u>		<u>2,201</u>
		(3,146)		7,799
Finance costs				
Bank charges		99		62
NET (LOSS)/PROFIT		<u>(3,245)</u>		<u>7,737</u>

This page does not form part of the statutory financial statements