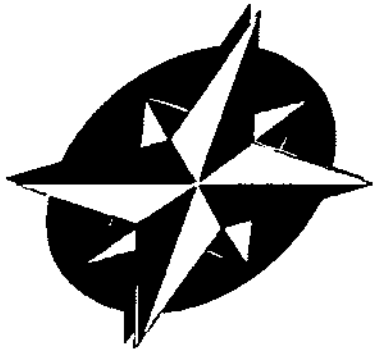


Direct Rail Services Limited

Registered No. 3020822



Direct Rail Services Limited
Safe Secure Reliable



Annual Report and Accounts

2011/2012

DIRECTORS

A Moore (Chairman)
S Johnston (Non Executive Director)
M Liefeth (Non Executive Director)
J McLaughlin (Non Executive Director)
J Bamforth (Finance and Resources Director)
C Connelly (Commercial Director)
N McNicholas (Managing Director)

SECRETARY

H E Hodgson

AUDITORS

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

National Westminster Bank Plc
P O Box 305
Spring Gardens
Manchester
M60 2DB

REGISTERED OFFICE

Herdus House
Westlakes Science & Technology Park
Moor Row
Cumbria
CA24 3HU

Directors' report

The Directors present their report and the audited financial statements of the company for the year ended 31 March 2012

Principal activities

The Company's principal activities during the year continued to be the haulage of freight by rail within the UK. The main areas of business continue to be -

- providing specialist transport services to the nuclear industry, in particular the rail element of the transport of spent nuclear fuel from power stations, the return of reprocessed nuclear fuel to its country of origin and the transport of waste to licensed sites,
- providing intermodal transport generally between domestic rail hubs in partnership with logistics providers who service the retail sectors within the UK and,
- providing support for the UK rail network by undertaking track conditioning and logistics support to engineering work, condition monitoring, and supporting other train operating companies

Business review

The business results relating to the current year are described below

	2012 £000	2011 £000
Revenue	50,243	43,311
Operating Profit	2,683	1,677
Profit Before Tax	3,120	1,890
Net Return on Sales	6.2%	4.4%

The level of business has increased over the previous year and the Company has continued to expand its customer base. The Company has also expanded into new business sectors, despite the challenging market conditions and has exceeded the target profitability through the enormous efforts of all staff who have contributed in terms of reducing costs and increasing revenues. During the year the workforce has maintained industry-leading levels of operational performance.

Attention is drawn to the financial impact of the section of the GPS Pension Scheme that the Company participates in. The surplus in the defined benefit pension scheme has decreased from £5,524,000 to £2,422,000 during the year largely as a result of a number of actuarial factors. The Company does not have an unconditional right to recover the surplus referred to above and consequently the surplus is not recognised as an asset. The Directors take a long-term view of the pension scheme and intend to continue to invest in the provision of this important staff reward. Further details of pension contributions can be found in the notes to the financial statements.

The Company maintains a strong balanced set of cross-business Key Performance Indicators (KPIs). These KPIs contain amongst others, Safety, Security, Environmental, Operational and Customer performance targets which are benchmarked to ensure well above average performance against industry norms. Through structured management reviews combined with independent audit, the Directors have satisfied themselves that an excellent level of performance has been achieved throughout the year. The Directors expect the Company's operations to expand in the foreseeable future.

Directors' report (continued)

Financial risk management

In addition to the effects of the continuing general economic downturn, the major financial risks faced by the Company continue to relate to pension costs and to the price of diesel fuel. All business risks are managed through the maintenance of a comprehensive risk register, which is reviewed on a regular basis by senior management and the Board of Directors. In particular, the company has managed its risk to pension costs by closing the defined benefit structure of the scheme to new entrants on 1 April 2008 and making available a defined contribution structure for all new employees from that date. As regards increases in fuel costs, where practicable, the Company has indexation agreements with its customers.

Other than foreign exchange forward contracts the Company does not use derivatives or other financial instruments in managing the risk associated with its business and the Company does not engage in speculative treasury arrangements. All treasury activities are carried out under policies approved by the Board. Further information on financial risk management is provided in note 22 to the financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £3,120,000 (2011: £1,890,000). The Directors do not recommend a final dividend.

Directors

The directors who held office during the year are given below -

A Moore	(Chairman)	
S Balmer	(Non Executive Director)	(Resigned 24 th November 2011)
S Johnston	(Non Executive Director)	(Appointed 26 th January 2012)
M Liefeyth	(Non Executive Director)	
J McLaughlin	(Non Executive Director)	
J Bamforth	(Finance and Resources Director)	(Appointed 26 th January 2012)
C Connelly	(Commercial Director)	(Appointed 26 th January 2012)
N McNicholas	(Managing Director)	

Employees

The Company has an active Joint Business Council that meets quarterly to consult and negotiate on many employee relations issues. In addition to other local employee forums, the Joint Business Council has operated successfully for several years and the Company formally recognises two unions to give every employee the option of union representation.

Following the general economic downturn and changes to the business portfolio, the discussions surrounding the cost of living increase and terms and conditions were onerous and the Company has had a significant restructure during the year. Working relationships with employees and their unions, however, have continued to develop this year in a constructive and forward-thinking manner. The Company attaches importance to the involvement of its employees in the Company's development and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company through the use of newsletters and briefs in person to all staff at all locations by the Company directors. The Company has a bonus arrangement in place to incentivise its employees in achieving a suite of performance targets.

The Company is committed to a policy of equal opportunities for all employees. Great care is exercised in our human resource procedures to ensure that there is no discrimination and that training is given to meet individual needs. Applications by people with disabilities are given full and fair consideration and, wherever practical, provision is made for their special needs. The same criteria for training and promotion apply to people with disabilities as to any other employee. If employees become disabled, every effort is made to ensure their continued employment.

Directors' report (continued)

Charitable donations

As part of the Company's commitment to the community in which it operates, contributions totalling £5,240 (2011 £5,816) were made during the year. In particular, contributions totalling £1,766 (2011 £3,022) were made to Eden Valley Hospice (registered charity 1008796).

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Under Company Law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that period. In preparing the financial statements the directors are required to

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

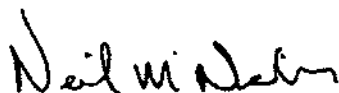
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. 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 and disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Annual general meeting and auditors

In accordance with the requirements of the Companies Act 2006 the Company is not required to hold an Annual General Meeting or to re-appoint the auditors on an annual basis.



On behalf of the Board
N McNicholas, Managing Director

Date 6/8/12.

Auditors' report

Independent auditors' report to the members of Direct Rail Services Limited

We have audited the Annual Reports and Accounts of Direct Rail Services Limited for the year ended 31 March 2012 which comprise the Statement of comprehensive income, Statement of financial position, Statement of cash flows, Statement of changes in equity and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

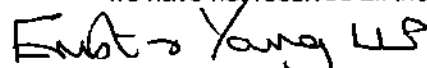
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Julian Yates (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

Date 10 August 2012

**Statement of comprehensive income
for the year ended 31 March 2012**

	Notes	2012 £000	2011 £000
Revenue	5	50,243	43,311
Net operating costs and expenses	6	(47,560)	(41,634)
Operating profit		2,683	1,677
Finance income	9	659	467
Finance costs	10	(222)	(254)
Profit before tax		3,120	1,890
Tax	11	-	-
Profit for the financial year		3,120	1,890
Other comprehensive income			
Loss on defined benefit pension scheme		(989)	(810)
Total comprehensive income for the year		2,131	1,080

All amounts derive from continuing operations

**Statement of financial position
as at 31 March 2012**

	Notes	2012 £000	2011 £000
Non-current assets			
Property, plant and equipment	12	20,688	17,201
Defined benefit pension scheme surplus	26	-	-
Financial assets	15	73	-
		<u>20,761</u>	<u>17,201</u>
Current assets			
Inventories	13	2,323	2,262
Trade and other receivables	16	6,495	6,274
Cash and cash equivalents	18	6,907	7,880
		<u>15,725</u>	<u>16,416</u>
Receivables greater than one year	17	1,856	-
		<u>17,581</u>	<u>16,416</u>
Total assets		38,342	33,617
Current liabilities			
Obligations under finance leases	19	(379)	(379)
Trade and other payables	20	(9,129)	(6,131)
		<u>(9,508)</u>	<u>(6,510)</u>
Non-current assets plus net current assets		28,834	27,107
Non-current liabilities			
Other payables	20	-	(118)
Obligations under finance leases	19	(362)	(648)
Borrowings	21	(7,000)	(7,000)
		<u>(7,362)</u>	<u>(7,766)</u>
Net assets		21,472	19,341
Equity			
Share capital	22	-	-
Retained earnings		21,472	19,341
		<u>21,472</u>	<u>19,341</u>
Total equity		21,472	19,341

The financial statements on pages 7 to 29 were approved by the board of directors on and were signed on its behalf by -

N McNicholas,
Managing Director
Date

Nail McNicholas

6/8/12

Company Registered Number 3020822

Statement of cash flows as at 31 March 2012

	Notes	2012 £000	2011 £000
Cash flows from operating activities			
Profit for the year		3,120	1,890
Net finance income	9,10	(437)	(213)
Depreciation and impairment of property, plant and equipment	6	3,387	3,126
Profit on disposal of property, plant and equipment		(3)	(196)
Difference between pension contributions paid and amounts recognised in the statement of comprehensive income		(343)	(347)
(Increase)/ Decrease in inventories		(61)	185
(Increase) in trade and other receivables		(2,077)	(528)
Increase / (Decrease) in trade and other payables		2,880	(443)
		<hr/>	<hr/>
Net cash generated from operating activities		6,466	3,474
Cash flows from investing activities			
Interest received		13	4
Purchase of property, plant and equipment		(6,928)	(1,696)
Proceeds on disposal of property, plant and equipment		57	750
Purchase of financial instruments		(73)	-
		<hr/>	<hr/>
Net cash flows used in investing activities		(6,931)	(942)
Cash flows from financing activities			
Interest paid		(222)	(254)
Decrease in obligations under finance leases		(286)	(250)
Decrease in borrowings		-	(675)
		<hr/>	<hr/>
Net cash flows used in financing activities		(508)	(1,179)
		<hr/>	<hr/>
Net (decrease)/ increase in cash and cash equivalents		(973)	1,353
Cash and cash equivalents at beginning of year		7,880	6,527
		<hr/>	<hr/>
Cash and cash equivalents at end of year		6,907	7,880

Statement of changes in equity for the year ended 31 March 2012

	Share capital £000	Retained earnings £000	Total £000
Balance at 31 March 2010	-	18,261	18,261
Total comprehensive income for the year	-	1,080	1,080
		<hr/>	<hr/>
Balance at 31 March 2011	-	19,341	19,341
Total comprehensive income for the year	-	2,131	2,131
		<hr/>	<hr/>
Balance at 31 March 2012	-	21,472	21,472

Retained earnings are used to record the profit or loss arising from the statement of comprehensive income

Notes to the financial statements for the year ended 31 March 2012

1 Authorisation of financial statements and statement of compliance with IFRS

The financial statements of Direct Rail Services Limited for the year ended 31 March 2012 were authorised for issue by the Board of directors on 6th August 2012 and the statement of financial position was signed on the Board's behalf by N McNicholas

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 March 2012

2 General information

The Company is a limited company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the Directors' report on pages 3 to 5.

The immediate parent undertaking is the Nuclear Decommissioning Authority ('NDA'). The consolidated financial statements of the NDA are available to the public and may be obtained from its headquarters at Herdus House, Westlakes Science & Technology Park, Moor Row, Cumbria, CA24 3HU. In the Directors' opinion, the Company's ultimate controlling party is Her Majesty's Government.

These financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

3 Statement of accounting policies

Basis of preparation

These financial statements have been prepared under the historical cost convention.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 March 2012 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year end 31 March 2012.

Changes in accounting policies

The accounting policies adopted are consistent with those of previous years except as described below. The following new and amended IFRS and IFRIC interpretations are mandatory as of 1 April 2010 unless otherwise stated.

- Amendment to IFRS 2 Group Cash-settled Share-based Payment Arrangements
- IFRS 3 (revised) Business Combinations
- IAS 27 (amended) Consolidated and Separate Financial Statements
- IAS 32 Financial Instruments Presentation – Classification of Rights Issues (Amendment)
- Amendment to IAS 39 Financial Instrument Recognition and Measurement – Eligible hedged items
- IFRIC 17 Distributions of Non-cash Assets to owners
- IFRIC 18 Transfers of Assets from Customers

The new or amended IFRS and IFRIC interpretations adopted in the period are not considered to have had a significant impact on the financial statements or performance of the Company.

3. Statement of accounting policies (continued)

Adoption of new and revised Standards (continued)

At the date of authorisation of these financial statements, the following IFRS and IFRIC Interpretations, which have not been applied in these financial statements, were in issue but not effective (and in some cases have not yet been adopted by the EU)

International Accounting Standards (IAS/IFRSs)	Effective date
IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 12 Income Taxes (Amendment) – Deferred Taxes Recovery of Underlying Assets	1 January 2012
IAS 19 Employee Benefits (revised)	1 January 2013
IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 7 Financial Instruments Disclosures (amendment)	1 July 2011
IFRS 7 Disclosures Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9 Financial Instruments Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosures of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to considerations in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, or other sales taxes or duty. Income received in advance of work performed is held on the statement of financial position (under trade and other payables as payments received on account) and released to the statement of comprehensive net expenditure when the work is completed and the liability extinguished.

Where the outcome of a contract can be estimated reliably, income and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

Government grants

Grants of a revenue nature are credited to revenue so as to match them with the expenditure to which they relate.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a creditor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

3 Statement of accounting policies (continued)

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are re-translated at the rates of exchange prevailing on the reporting date. Exchange differences are recognised in profit or loss in the period in which they arise.

Retirement benefit costs

The Company participates in the GPS Pension Scheme (formerly the BNFL Group Pension Scheme) and provides the scheme for the benefit of all of its employees. The scheme is a defined benefit pension scheme that is funded by contributions partly from the employees and partly from the Company. The Scheme requires contributions to be made to a separately administered fund.

The contributions to the fund are based on independent actuarial valuations designed to secure the benefits as set out in the rules. The assets are measured using market values whilst the liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in operating costs to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The interest cost and the expected return on assets are shown as a net amount of finance costs.

Pension scheme assets are recognised to the extent that they are recoverable and pension scheme liabilities are recognised to the extent that they reflect a constructive or legal obligation.

The Company also participates in the defined contribution structure of the GPS Pension Scheme. The Scheme requires contributions to be made to a separately administered fund.

Long-Term Incentive Plan

DRS executive directors participate in a Long-Term Incentive Plan (LTIP), which allows participants to receive a bonus, payment of which will take place over a period of two to four years from the end of the relevant accounting period, providing the participant remains in employment. The LTIP is accounted for in accordance with IAS19 with the cost of the bonus being charged to the income statement over the vesting period.

Taxation

The tax expense, if any, represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3 Statement of accounting policies (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost of the assets, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land and buildings	-	2% - 10% straight line
Plant & machinery	-	7% - 10% straight line
Fixtures, fittings, tools and equipment	-	20% - 33% straight line

Assets in the course of construction are not depreciated until complete and brought into use by the Company. Residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and all costs to be incurred in marketing, selling and distribution. Where necessary, provision is made for obsolete, slow moving and defective inventory.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3 Statement of accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument

Financial assets

Financial assets are classified as either financial assets 'at fair value through profit or loss' (FVTPL) or loans and receivables. Financial assets are initially recognised at fair value plus transaction costs, except for those assets classified as at fair value through profit or loss, which are initially recognised at fair value (transaction costs are expensed in operating costs)

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future or it is a derivative that is not designated and effective as a hedging instrument. A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Trade and other receivables, and cash and cash equivalents, that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest revenue is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest revenue over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying value of the financial asset.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 Statement of accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' (FVTPL) or other financial liabilities

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if it is a derivative that is not designated and effective as a hedging instrument. A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability

Other financial liabilities

Other financial liabilities, including trade and other payables and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying value of the financial liability

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled or they expire

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value, with changes in fair value recognised in profit or loss

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the company's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the Company's accounting policies and that would have a significant effect on the amounts recognised in the financial statements

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below

Estimated useful lives and impairment of property, plant and equipment

Property, plant and equipment is depreciated over the estimated useful lives of the underlying assets. Estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date. Impairment is measured by comparing the carrying value of the asset or cash-generating unit with its recoverable amount. All assets are reviewed for evidence of impairment. Given the age of the assets this calculation has a degree of uncertainty within it. The carrying amount of property, plant and equipment at the reporting date was £20,688,000

Retirement benefit obligations

The nature of the process for valuing retirement benefit obligations for defined benefit schemes means that the calculations and the resulting surplus or deficit are estimates only. The defined benefit pension scheme surplus at the reporting date was £2,422,000. The Company does not have an unconditional right to recover this surplus and consequently the surplus is not recognised as an asset.

5. Revenue

Revenue, which is stated net of value added tax, represents amounts receivable for services supplied to third parties. Revenue is attributable to one continuing activity, the provision of UK rail services.

Grant revenue is included within revenue and relates to grants received from the Department for Transport and the Scottish Government, which provide an incentive for the movement of traffic from road to rail. The revenue is accrued on the basis of tonnes and distance of commodity transported by rail.

	2012 £000	2011 £000
Sales revenue - all UK based		
Railway services	45,077	38,791
Non-railway services	4,464	3,517
	<hr/> 49,541	<hr/> 42,308
Government grant revenue - all UK based	702	1,003
	<hr/> 50,243	<hr/> 43,311

6 Net operating costs and expenses

	2012 £000	2011 £000
Net operating costs and expenses include		
Employee costs (see note 7)	16,961	16,084
Augmentation payment	-	585
Depreciation of property, plant and equipment (see note 12)	3,422	3,091
Impairment of property, plant and equipment (see note 12)	-	35
Reversal of impairment of property, plant and equipment (see note 12)	(35)	-
Profit on disposal of property, plant and equipment	(3)	(196)
Auditors' remuneration		
- in respect of statutory audit of the Company	24	18
- in respect of the audit of grant claims	4	4
Operating lease rentals		
- land and buildings	244	202
- plant and machinery	5,477	5,502
- motor vehicles	251	248
Cost of inventories recognised as an expense	8,411	6,211
Write down of inventories recognised as an expense	-	73
Other external and operating charges	12,804	9,777
	47,560	41,634

7. Employee information (including Executive Directors)

	2012 Number	2011 Number
The average weekly number of employees during the year was as follows		
Operations	184	185
Administration	106	107
	290	292
	£000	£000
Employee costs during the year were as follows		
Wages and salaries	13,262	12,515
Social security costs	1,210	1,061
Pension costs	2,489	2,508
	16,961	16,084

Included within pension costs are £2,370,000 (2011 £2,508,000) in respect of the defined benefit pension scheme

8. Directors' emoluments

	2012 £000	2011 £000
Aggregate emoluments	447	277
Aggregate amounts receivable under long term incentive plans	34	33
Other emoluments (including pensions)	296	145
	777	455

8. Directors' emoluments (continued)

Retirement benefits are accruing to 3 Directors (2011 2) under a defined benefit scheme
The aggregate emoluments for the highest paid director are £196,317 (2011 £178,647 re-stated)
The accrued pension for the highest paid director is £173,044 (2011 £147,764)

With effect from 1 April 2009, DRS executive directors participate in a Long-Term Incentive Plan (LTIP), which allows participants to receive a bonus, payment of which will take place over a period of two to four years from the end of the relevant accounting period, providing the participant remains in employment. The amount of LTIP that is deferred to future accounting periods is £65,441 (2011 £23,408)

9. Finance income

	2012 £000	2011 £000
Net finance income on defined benefit pension scheme (note 26)	646	463
Bank interest	13	4
	<u>659</u>	<u>467</u>

10 Finance costs

	2012 £000	2011 £000
Interest on loan due to immediate parent undertaking	113	123
Interest on obligations under finance leases	94	129
Other interest charges	5	2
	<u>212</u>	<u>254</u>
Net loss on financial assets and financial liabilities measured at fair value through profit and loss	10	-
Total finance costs	<u>222</u>	<u>254</u>

11. Taxation

	2012 £000	2011 £000
The explanation for the tax charge in the year is set out below		
Profit before tax	3,120	1,890
Profit before tax at UK standard rate of 26% (2011 28%)	811	529
Effects of		
Expenses not (allowable)/ deductible for tax purposes	(244)	(140)
Depreciation for period in excess of capital allowances	889	850
Other short term timing differences	(7)	(51)
Group relief received for nil payment	(1,449)	(1,188)
Actual tax for the year	<u>-</u>	<u>-</u>

It is anticipated that any taxable profits in Direct Rail Services Limited in the foreseeable future will be offset using NDA group losses. There is no current or deferred tax charge or credit for the year. The Company has an unrecognised deferred tax asset in the amount of £5,284,000 (2011 £4,325,000)

11. Taxation (continued)

However, if Group relief was not made available to the Company in subsequent periods, the following would apply

At the balance sheet date, legislation had been substantively enacted which would reduce the main rate of UK corporation tax from 26% to 24% with effect from 1 April 2012. Further reductions to the main rate of corporation tax were also announced in the March 2012 UK Budget Statement to reduce the rate to 22% by 1 April 2014. The reductions to 23% and then to 22% are expected to be enacted separately, in the Finance Bill for each of the years 2012 and 2013 respectively.

As at 31 March 2012, the reduction in the rate to 24% had been 'substantively enacted'. The effect of the proposed changes to the UK tax system will be reflected in the financial statements of the company in future years as appropriate, once the proposals have been substantively enacted.

12 Property, plant and equipment

	Leasehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets in the course of construction £000	Total £000
Cost					
At 1 April 2010	4,714	32,205	1,390	1,331	39,640
Additions	-	-	-	2,149	2,149
Transfers	51	1,880	51	(1,982)	-
Disposal	-	(1,437)	(307)	-	(1,744)
At 1 April 2011	4,765	32,648	1,134	1,498	40,045
Additions	-	-	-	6,928	6,928
Transfers	(5)	4,865	70	(4,930)	-
Disposal	(60)	(6)	(2)	(21)	(89)
At 31 March 2012	4,700	37,507	1,202	3,475	46,884
Depreciation and impairment					
At 1 April 2010	2,176	17,603	1,230	-	21,009
Charge for the year	252	2,730	109	-	3,091
Impairment loss	35	-	-	-	35
Disposals	-	(984)	(307)	-	(1,291)
At 1 April 2011	2,463	19,349	1,032	-	22,844
Charge for the year	235	3,112	75	-	3,422
Reversal of impairment	(35)	-	-	-	(35)
Disposals	(30)	(3)	(2)	-	(35)
At 31 March 2012	2,633	22,458	1,105	-	26,196
Carrying amount					
At 31 March 2012	2,067	15,049	97	3,475	20,688
At 31 March 2011	2,302	13,299	102	1,498	17,201
At 1 April 2010	2,538	14,602	160	1,331	18,631

12. Property, plant and equipment (continued)

The Company's obligations under finance leases are secured by the lessor's title to the leased assets. Assets held under finance leases and capitalised in plant & machinery have a carrying amount as follows

	2012	2011
	£000	£000
Cost	1,732	1,732
Aggregate depreciation	(894)	(703)
Carrying amount	<u>838</u>	<u>1,029</u>

13. Inventories

	2012	2011
	£000	£000
Raw materials, spares & consumables	<u>2,323</u>	<u>2,262</u>

14. Financial instruments by category

The accounting classification of each category of financial instruments, and their carrying values, is set out below

	2012	2011
	£000	£000
Financial assets – loans and receivables		
Trade and other receivables excluding prepayments (a)	7,708	5,236
Cash and cash equivalents	6,907	7,880
	<u>14,615</u>	<u>13,116</u>
Trade and other receivables excluding prepayments is summarised as follows		
Trade receivables excluding prepayments due within one year (note 16)	5,852	5,236
Trade receivables excluding prepayments due greater than one year (note 17)	1,856	-
	<u>7,708</u>	<u>5,236</u>
Financial liabilities – other financial liabilities.		
Current obligations under finance leases	379	379
Current trade and other payables excluding payments received on account and other taxes and social security costs (b)	7,930	5,206
Non-current obligations under finance leases	362	648
Non-current borrowings	7,000	7,000
	<u>15,671</u>	<u>13,233</u>

14. Financial instruments by category (continued)

- (a) Prepayments are excluded as this analysis is required only for financial instruments
- (b) Payments received on account and other taxes and social security costs are excluded as this analysis is required only for financial instruments

Generally, financial assets and financial liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Company in undertaking its activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which profit and losses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3. The fair value of financial instruments represents the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The directors consider that the carrying amount of loans and receivables and other financial liabilities approximates their fair value.

The Company is exposed to foreign currency risk through its operations as certain transactions are denominated in foreign currencies, primarily the Euro. The Company manages the exposure by implementing a policy of purchasing forward foreign currency. A forward foreign exchange contract is held in relation to purchases of various components. As at the reporting date, the fair value of derivative financial instruments was £73,141 (2011: £nil).

15. Financial assets

	2012 £000	2011 £000
Non-current:		
Forward currency derivative contracts	73	-

16 Trade and other receivables

	2012 £000	2011 £000
Current:		
Trade receivables	4,444	4,418
Provision for Bad Debts	-	(7)
	4,444	4,411
Accrued income	1,261	648
Other receivables	147	177
	5,852	5,236
Prepayments	643	1,038
	6,495	6,274

Trade receivables are non-interest-bearing and are generally on 30-60 day terms. As at 31 March 2012, the directors made no provision for bad debts (2011: £7,000) but considered the risk of non-payment of other receivables to be remote and accordingly no other trade receivables were impaired or provided for. As at 31 March, the ageing of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
	£000	£000	£000	£000	£000	£000	£000
2012	4,444	3,371	805	248	20	-	-
2011	4,411	3,593	751	12	1	-	54

17 Receivables greater than one year

	2012	2011
	£000	£000
Other debtors	1,856	-

Other debtors represent amounts paid as a refundable deposit to a supplier and is due to be repaid to the company in October 2014

18. Cash and cash equivalents

	2012	2011
	£000	£000
Cash and cash equivalents	6,907	7,880

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The Company has an undrawn borrowing facility of £1,000,000 (2011 £1,000,000)

19 Obligations under finance leases

Minimum lease payments

	2012	2011
	£000	£000
Amounts payable under finance leases		
Not later than one year	379	379
Later than one year and not later than five years	442	822
	<u>821</u>	<u>1,201</u>
Less future finance charges	(80)	(174)
Present value of lease obligations	<u>741</u>	<u>1,027</u>
Less amount due for settlement within twelve months (shown under current liabilities)	(379)	(379)
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>362</u>	<u>648</u>

For the year ended 31 March 2012, the average effective borrowing rate was 7.5% (2011 7.5%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

20 Trade and other payables

	2012 £000	2011 £000
Current.		
Trade payables	4,052	2,020
General accruals	2,565	2,178
Other payables	1,313	890
	<hr/>	<hr/>
	7,930	5,088
Payments received on account	-	-
Other taxes and social security costs	1,199	1,043
	<hr/>	<hr/>
	9,129	6,131
	<hr/>	<hr/>
Non Current:		
Other payables	-	118
	<hr/>	<hr/>
	9,129	6,249
	<hr/>	<hr/>

Trade payables and general accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases during the year is 56 days (2011 33 days). For most suppliers no interest is charged on the trade payables for the first 45 days from the date of invoice. Thereafter interest is charged on the outstanding balances at various interest rates. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

21. Borrowings

	2012 £000	2011 £000
Loan due to immediate parent undertaking repayable		
Not later than one year	-	-
Later than one year and not later than five years	7,000	7,000
	<hr/>	<hr/>
	7,000	7,000
Less amount due for repayment within twelve months (shown under current liabilities)	-	-
	<hr/>	<hr/>
Amount due for repayment after 12 months (shown under non-current liabilities)	7,000	7,000
	<hr/>	<hr/>

The loan is interest bearing at a fixed percentage amount above the Bank of England base rate, and is repayable on or after 19th December 2013.

22. Share capital

	2012 £	2011 £
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid 1 ordinary share of £1	1	1

23 Financial risk management

Capital risk

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from the previous year. The capital structure of the Company consists of debt, which includes borrowings disclosed in note 21, cash and cash equivalents and equity attributable to the immediate parent, comprising issued capital and reserves.

Gearing ratio

The Company does not have a target gearing ratio (the proportion of net debt to equity). The Company and its immediate parent undertake to review the capital structure of the Company on a regular basis.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is primarily exposed to foreign currency risk and interest rate risk although the directors do not consider these risk exposures to be material.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are £1,856,000 (2011: £Nil).

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to borrowings disclosed in note 21.

Borrowings relate entirely to a loan due to the Company's immediate parent undertaking. If Bank of England base rate had been 0.5% higher/lower and all other variables were held constant, the Company's

- * profit for the financial year ended 31 March 2012 would decrease by £35,000 (2011: £38,000), and
- * total equity would decrease by £35,000 (2011: £38,000)

Liquidity risk

Liquidity risk (also referred to as funding risk) is the risk that an entity will encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. The Company is primarily financed through its commercial revenue although it always has the option to apply for increased funding from its immediate parent.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The directors consider the risk of contractual default to be remote and accordingly the Company's exposure to credit risk is low.

24. Capital expenditure authorised

	2012 £000	2011 £000
Contracted for but not provided for	1,477	3,715

25 Operating lease commitments

The total minimum future commitments under non-cancellable operating leases are as follows -

Operating leases which expire	Land & Buildings		Other	
	2012 £000	2011 £000	2012 £000	2011 £000
Not later than one year	219	146	3,894	4,928
Later than one year and not later than five years	75	118	3,345	4,379
Later than five years	30	34	-	-
	<u>324</u>	<u>298</u>	<u>7,239</u>	<u>9,307</u>

Operating lease payments represent rentals payable by the Company for certain parts of its office and other operating equipment. The majority of leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years with an option to extend for a further 2 years at the then prevailing market rate.

26. Retirement benefit schemes

The Company participates in the GPS Pension Scheme (formerly called the BNFL Group Pension Scheme). The GPS Pension Scheme is a funded defined benefit scheme that was formally sectionalised with effect from 31 March 2007. The scheme was available to all employees until 31 March 2008. The defined benefit structure of the scheme was closed to new entrants on 1 April 2008 and a defined contribution structure made available for all new employees from that date.

From 1st April 2012 the assets and liabilities of the GPS Pension Scheme have been transferred to the Civil Nuclear Pension Plan.

The last triennial actuarial valuation of the GPS Pension Scheme was 31 March 2007. The Company contributes to the scheme, in respect of defined benefit members, at a rate of 24.1% of pensionable salaries, as recommended by the scheme's independent actuaries. On 1 April 2008 the Nuclear Decommissioning Authority took over from British Nuclear Fuels plc as principal employer to the GPS Pension Scheme.

A full actuarial valuation was carried out at 31 March 2007 using the projected unit method and updated approximately to 31 March 2009, 31 March 2010 and 31 March 2011 by a qualified independent actuary. A valuation of the Scheme as at 31st March 2012 has been calculated by a qualified actuary under the revised (2011) IAS 19.

The assumptions have been set by the directors of the parent company, Nuclear Decommissioning Authority.

26 Retirement benefit schemes (continued)

The major assumptions used were

	31 March 2012	31 March 2011
Rate of increase in salaries	3.75%	4.00%
Rate of increase in pensions in payment	3.25%	3.50%
Discount rate	4.8%	5.5%
Inflation assumption (RPI)	3.25%	3.50%
Mortality	SAPS CMI 10 projection, 1.0% trend (males) 0.5% trend (females)	SAPS CMI 10 projection, 0.5% trend (males) 0.25% trend (females)
Post-retirement mortality (in years)		
Current pensioner at 65 – male	22.1	21.6
Future pensioner at 65 (now 45) – male	23.5	22.7

Other assumptions are the same as those used in the latest actuarial valuation for the DRS section

The bid value of the assets in the Scheme, the present value of the liabilities in the Scheme and the expected rate of return at the balance sheet date were

	31 March 2012	31 March 2012	31 March 2011	31 March 2011
	%pa	£000	%pa	£000
Equities	7.1	14,880	8.20	16,292
Property	6.1	2,272	n/a	-
Fixed Interest Gilts	n/a	-	4.20	3,688
Index Linked Gilts	3.10	9,745	4.20	5,311
Corporate Bonds	4.80	9,802	5.50	6,104
Other	2.00	153	2.00	133
Total fair value of the assets	5.35	36,852	6.51	31,528
Present value of Scheme liabilities		34,430		26,004
Surplus (deficit) in the Scheme		2,422		5,524
Unrecognised surplus		(2,422)		(5,524)
Net pension surplus		-		-

26 Retirement benefit schemes (continued)

The Company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return of each asset class over the actual asset allocation at the start of the year.

	31 March 2012	31 March 2011
	£000	£000
Actual return on Scheme Assets	2,673	1,178
Reconciliation of liabilities (£000)	31 March 2012	31 March 2011
Liability at start of period	26,004	21,817
Current service cost	2,036	2,153
Employee contributions	510	568
Interest cost	1,493	1,334
Actuarial loss/(gain)	4,625	(238)
Past service cost	-	585
Benefits paid	(238)	(215)
Liability at end of period	34,430	26,004
Reconciliation of Assets (£000):	31 March 2012	31 March 2011
Assets at start of period	31,528	26,312
Expected return on assets	2,139	1,797
Contributions paid by employer	2,379	3,085
Employee contributions	510	568
Actuarial gain/(loss)	534	(19)
Benefits paid	(238)	(215)
Assets at the end of the period	36,852	31,528
Analysis of profit and loss charge.	31 March 2012	31 March 2011
	£000	£000
Current service cost	2,036	2,153
Past service cost	-	585
Expected return on Scheme assets	(2,139)	(1,797)
Interest on Scheme liabilities	1,493	1,334
Total profit and loss charge	1,390	2,275

26 Retirement benefit schemes (continued)

Analysis of amount recognised in Statement of Comprehensive Income (SOI)

	31 March 2012 £000	31 March 2011 £000
Total actuarial gains/(losses)	(4,091)	219
Cumulative amount of gains/(losses) recognised	(233)	3,858

A 0.5% increase or decrease in the assumptions stated below would have the following effects on the defined benefit obligation

	Increase	Decrease
Discount rate	(13%)	16%
Rate of salary increase	8%	(8%)
Rate of price inflation	16%	(14%)
Rate of mortality (increase by one year)	2%	-

	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000	31 March 2008 £000
Experience gains and (losses) on Scheme Assets	534	(19)	4,818	(3,133)	(606)
Experience gains and (losses) on Scheme Liabilities	(212)	994	-	-	(2)

Contributions are also made by some employees to a group defined contribution scheme amounting to £119,000 (2011 £56,000). The total Company pension costs for the year were £2,449,000 (2011 2,508,000). The balance of pension scheme contributions outstanding at the year end was £231,446 (2011 £242,344). The total contributions to the defined benefit scheme in 2011/2012 are expected to be £2,370,000 for the company.

27. Related party transactions

In the course of its normal business the Company enters into transactions with Government owned banks, Government Departments and other central Government bodies on an arms' length basis

Trading transactions

Transactions between the Company and the NDA and other NDA group companies were as follows

	Sale of goods & services		Purchase of goods & services		Amounts owed by related parties		Amounts owed to related parties	
	2012	2011	2012	2011	2012	2011	2012	2011
	£000	£000	£000	£000	£000	£000	£000	£000
NDA	-	-	-	182	-	-	7,000	7,000
International Nuclear Services Limited	90,804	13,918	-	-	49	136	-	-
NDA Properties Limited	-	-	71	57	-	-	1	1

Key management compensation

Key management includes directors (executive and non-executive), and other senior executives. The compensation paid or payable to key management for employee services is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual directors is provided in note 8

	2012 £000	2011 £000
Short term employee benefits	758	1,000
Post-employment benefits	124	151
Other long-term benefits	57	145
	<u>939</u>	<u>1,296</u>

With effect from 1 April 2009, DRS key management participate in a Long-Term Incentive Plan (LTIP), which allows participants to receive a bonus, payment of which will take place over a period of two to four years from the end of the relevant accounting period, providing the participant remains in employment. The amount of LTIP that is deferred to future accounting periods is £103,500 (2011 £89,521)