Registered number: 3831229

FREIGHTLINER HEAVY HAUL LIMITED
Report and accounts 2011

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 26 MARCH 2011

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COMPANY INFORMATION

DIRECTORS	Adam Cunliffe Peter Maybury Dom McKenna Russell Mears Tim Shakerley Paul Smart
COMPANY SECRETARY	Russell Mears
COMPANY NUMBER	3831229
REGISTERED OFFICE	The Podium 1 Eversholt Street London NW1 2FL
AUDITOR	Deloitte LLP Chartered Accountants and Statutory Auditor London England
BANKERS	Royal Bank of Canada Europe Limited 71 Queen Victoria Street London EC4V 4DE
SOLICITORS	Addleshaw Goddard Milton Gate 60 Chiswell Street London EC1Y 4AG

CONTENTS

DIRECTORS' REPORT
FOR THE PERIOD ENDED 26 MARCH 2011

The directors present their report and the financial statements for the period ended 26 March 2011.

PRINCIPAL ACTIVITIES

Freightliner Heavy Haul Limited (FHH) was established in 1999 to broaden the market diversity of what had traditionally been a single market operator trading exclusively in deep-sea containers. FHH was launched on the basis of using new equipment and recruiting the best people to set new standards of flexibility and reliability in the bulk freight sector FHH now operates nationwide in the coal, aggregates, cement, waste and specialist minerals sectors as well as moving a large number of trains in support of Network Rail's own programme of track maintenance and renewals

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £7,714,000 *(2010 - £6,046,000)*

The directors do not propose a final dividend for the accounting period (2010 - £NIL) During the period an interim dividend of £19 million (2010: £NIL) was paid to the sole shareholder of the company, Management Consortium Bid Limited.

FUTURE DEVELOPMENTS

We expect the challenging trading environment to continue into the 2012 financial period Freightliner Heavy Haul Limited will continue to focus on its service quality and cost control so as to strongly position itself for an eventual improvement in market conditions.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board manages the principal risks and uncertainties as follows:

Customers
The heavy haul business benefits from a wide and growing customer base under medium and long-term contracts

Credit
The company's credit risk is attributable to its debtors, which are presented in the balance sheet net of any provision for bad debts. The company only enters into material transactions with reputable and established businesses. Credit risk is controlled by the regular review and setting of customer payment terms. Compliance with these limits is monitored daily

Health and safety
Railway operators are required by statute (The Railways and Other Guided Transport Systems [Safety] Regulations, 2006) to hold a current Safety Certificate To secure a Safety Certificate they must submit to the Office of the Rail Regulator a Railway Safety Case (RSC), a document defining the safety management system

Each railway operator holds a duty to comply with its RSC. The Freightliner Group's operating companies, including Freightliner Heavy Haul Limited, have Professional Heads of Safety and Security, with a direct reporting line to their respective Boards Convening every four weeks, the Professional Heads meet with the Group Head of Risk Management and other representatives of pertinent disciplines to review, at all levels of operations, compliance with the RSC. It is the responsibility of the Group Head of Risk to escalate matters of appropriate significance to the Group Executive.

Liquidity and interest rates
Cash flow forecasts are updated on a regular basis to assess the ability to meet future cash commitments and to ensure that loan covenants will be met

Financial risk management
The directors considered the risks attached to the company's financial instruments, which principally comprise operating debtors, operating creditors and external loans. The directors have taken a prudent approach in their consideration of the various risks attached to the financial instruments of the company.

The directors' policy on hedging is to hedge all financial risks where it is feasible and cost effective to do so. At a group level fuel and interest rates have been hedged during the year

ENVIRONMENT

The company recognises the importance of its environmental responsibilities by adopting good industry practice for the control of pollution and the management of environmental risks. A provision has been carried forward within the accounts for anticipated environmental work to be carried out at a number of operational sites and anticipated to be undertaken within the next few years

EMPLOYEES

Details of the number of employees and related costs can be found in note 5 to the financial statements

The company continues its policy and practices to keep employees informed through staff magazines and newsletters. Regular meetings are held between local management and employees to encourage the free flow of information and ideas

Full consideration is given to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job. An employee who becomes disabled is encouraged to remain in the company's employment, in the same job if this is practical. If a change of job is necessary, such an employee is considered for any suitable alternative work, which is available, and the company will provide training if necessary.

The group has been running employee share schemes since privatisation and the scheme is open to all employees except key managers. Key managers and directors have a separate opportunity to purchase "key manager" shares and in doing so are precluded from the general employee share scheme

DIRECTORS

The directors who served throughout the period and subsequently were·

Adam Cunliffe
Peter Maybury
Russell Mears
Paul Smart
Dom McKenna (appointed 12 July 2011)
Tim Shakerley (appointed 12 July 2011)

PENSIONS

As disclosed in note 20 to the financial statements the Freightliner Heavy Haul share of the of the pension deficit, net of deferred tax, on an FRS17 basis is £0.9 million (2010 £7.4 million deficit). The reduction in deficit reflects the statutory change in inflation applied from RPI to CPI. In addition there was a further recovery in the scheme assets

The pension scheme is multi-employer covering several companies within the group. The last actuarial valuation was performed at 31st December 2007 and reported a surplus for the scheme of £11.9 million (the group share after related deferred tax is £5.1 million) This valuation includes a contingency to account for the poor market conditions that have been experienced post valuation date and scheme contribution levels for both employer and member have been set accordingly based on this

To demonstrate its commitment to the scheme the company has paid additional contributions of £4.8 million over the past three years and up to the balance sheet date.

The next triennial valuation, at December 2010, is currently underway and the results of this should be known for the 2012 annual report

DIRECTORS' REPORT
FOR THE PERIOD ENDED 26 MARCH 2011

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's 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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the company'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. 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.

AUDITOR

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board and signed on its behalf.

Peter Maybury	**Russell Mears**
Director	Director
Date 9 August 2011	Date: 9 August 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREIGHTLINER HEAVY HAUL LIMITED

We have audited the financial statements of Freightliner Heavy Haul Limited for the 52 weeks ended 26 March 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet, and the related notes 1 to 23 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement, 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 and express an opinion on 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 annual report 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 THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 26 March 2011 and of its profit for the 52 weeks then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREIGHTLINER HEAVY HAUL LIMITED

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.

Andrew Clark FCA

Andrew Clark (Senior Statutory Auditor)
for and on behalf of
DELOITTE LLP
Chartered Accountants and Statutory Auditor
London
England

Date: 10 August 2011

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 26 MARCH 2011

	Note	2011 £000	2010 £000
TURNOVER	2	**96,711**	*101,906*
Cost of sales		**(77,441)**	*(76,836)*
GROSS PROFIT		**19,270**	*25,070*
Administrative expenses		**(6,866)**	*(15,122)*
OPERATING PROFIT	3	**12,404**	*9,948*
Interest receivable and similar income		**156**	*184*
Interest payable and similar charges	7	**(1,423)**	*(1,487)*
Other finance costs	8	**(238)**	*(821)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**10,899**	*7,824*
Tax on profit on ordinary activities	9	**(3,185)**	*(1,778)*
PROFIT FOR THE FINANCIAL PERIOD		**7,714**	*6,046*

All amounts relate to continuing operations.

The notes on pages 10 to 27 form part of these financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 26 MARCH 2011

	Note	2011 £000	*2010 £000*
PROFIT FOR THE FINANCIAL PERIOD		7,714	*6,046*
Unrealised surplus on revaluation of tangible fixed assets		162	*62*
Actuarial gains/(losses) related to pension scheme	20	9,946	*(1,547)*
Deferred tax attributable to actuarial (gain)/loss	20	(2,685)	*433*
Change in UK corporation tax rate		(112)	*-*
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD		15,025	*4,994*

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE PERIOD ENDED 26 MARCH 2011

	2011 £000	*2010 £000*
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	10,899	*7,824*
Difference between a historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	30	*30*
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	10,929	*7,854*
HISTORICAL PROFIT FOR THE PERIOD AFTER TAXATION	7,744	*6,076*

The notes on pages 10 to 27 form part of these financial statements

FREIGHTLINER HEAVY HAUL LIMITED
REGISTERED NUMBER: 3831229

BALANCE SHEET
AS AT 26 MARCH 2011

	Note	£000	26 March 2011 £000	*£000*	*27 March 2010 £000*
FIXED ASSETS					
Tangible assets	10		23,160		*22,592*
CURRENT ASSETS					
Stocks	11	1,503		*1,454*	
Debtors	12	24,049		*50,265*	
Cash at bank and in hand		30		*11*	
		25,582		*51,730*	
CREDITORS: amounts falling due within one year	13	(22,360)		*(36,997)*	
NET CURRENT ASSETS			3,222		*14,733*
TOTAL ASSETS LESS CURRENT LIABILITIES			26,382		*37,325*
CREDITORS: amounts falling due after more than one year	14		(14,959)		*(15,809)*
PROVISIONS FOR LIABILITIES					
Deferred tax	15		(2,422)		*(2,043)*
NET ASSETS EXCLUDING PENSION SCHEME LIABILITY			9,001		*19,473*
Defined benefit pension scheme liability	20		(952)		*(7,449)*
NET ASSETS INCLUDING PENSION SCHEME LIABILITY			8,049		*12,024*
CAPITAL AND RESERVES					
Called up share capital	16		-		-
Revaluation reserve	17		590		*458*
Profit and loss account	17		7,459		*11,566*
SHAREHOLDERS' FUNDS	18		8,049		*12,024*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Peter Maybury
Director

Date: 9 August 2011

Russell Mears
Director

Date: 9 August 2011

The notes on pages 10 to 27 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 26 MARCH 2011

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable law and United Kingdom Accounting Standards. The particular accounting policies adopted are consistent with those adopted in the prior year and are described below.

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold and leasehold properties and in accordance with applicable accounting standards

Going Concern

The company's business activities, together with the factors likely to affect is future development, performance and position are set out in the Business Review on page 1

The company has long-term contracts with a number of customers and suppliers, is cash generative and is forecast to continue to be As a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

Turnover

Turnover comprises revenue recognised by the company in respect of transport, haulage and other services which fall within the company's ordinary activities after deduction of trade discounts and excluding Value Added Tax, and which in the directors' opinion constitute the company's principal activity. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. The turnover all arises in the United Kingdom.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases·

Freehold property	-	33 to 40 years
Long-term leasehold property	-	Shorter of lease term or 33 years
Plant & machinery	-	3 to 25 years
Road fleet	-	2 to 10 years
Traction and rolling stock	-	20 to 25 years

1. ACCOUNTING POLICIES (continued)

Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at the balance sheet date. A full valuation is obtained from a qualified valuer for each property every year on the basis of existing use values.

The revaluation surplus or deficit on book value is transferred to revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves

Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

Stocks

Stocks represent operational maintenance spares and diesel fuel stored at the outbased sites. The values are based on the weighted average method of purchase price for fuel and the lower of cost and net realisable value for the maintenance spares

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Pensions

The company operates within the Railways Pension Scheme, a defined benefits pension scheme, which provides benefits throughout the railway industry. For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs Past service costs are recognised immediately to the profit and loss account if the benefits have vested The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. The pension charge is based on a full actuarial valuation dated 31 December 2007 updated to 26 March 2011 by the company's actuaries.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Financial periods

The company's accounting reference date is 31st March. As permitted by section 390 of the Companies Act 2006, the financial year is treated as ending on the nearest Saturday on or before 31 March The accounts for the current year cover the 52 week period from 28 March 2010 to 26 March 2011.

2. TURNOVER

Turnover and operating profit is attributable to the haulage of freight by rail and other associated services

All turnover arose within the United Kingdom.

3. OTHER OPERATING EXPENDITURE

The operating profit is stated after charging:

	2011 £000	*2010 £000*
Staff costs (note 5)	32,081	*31,601*
Depreciation of tangible fixed assets		
- owned assets	162	*450*
- held under finance leases and hire purchase contracts	1,675	*838*
Operating lease rentals		
- traction and rolling stock	13,869	*14,598*
- plant and machinery	1	*15*
Property rentals	428	*548*

4. AUDITORS' REMUNERATION

	2011 £000	*2010 £000*
Fees payable to the company's auditor for the audit of the company's annual accounts	22	*29*

5. STAFF COSTS

Staff costs were as follows:

	2011 £000	*2010 £000*
Wages and salaries	26,428	*26,481*
Social security costs	2,184	*2,295*
Other pension costs (Note 20)	3,469	*2,825*
	32,081	*31,601*

The average monthly number of employees, including the directors, during the period was as follows:

	2011 No.	*2010 No.*
Train operations	552	*569*
Administrative	68	*75*
	620	*644*

6. DIRECTORS' REMUNERATION

The directors of the company are also directors of fellow subsidiaries within the group, Management Consortium Bid Ltd, Freightliner Ltd, Freightliner Maintenance Ltd and Freightliner Railports Ltd The directors received total remuneration of £1,278,000 (2010: £1,403,000 for all group companies) from Management Consortium Bid Ltd during the year, but it is not practicable to allocate this between their services as executives of Management Consortium Bid Ltd and their services as directors of the other group subsidiaries.

The highest paid director for the group received remuneration of £408,000 (2010: £292,000)

During the period retirement benefits were accruing to 4 directors (2010: 4) in respect of defined benefit pension schemes At 26 March 2011, the highest paid director had a total accrued pension of £34,000 (2010: £NIL) and an accrued lump sum of £27,000 (2010. £NIL)

7. INTEREST PAYABLE

	2011 £000	*2010 £000*
On finance leases and hire purchase contracts	973	*1,037*
On loans from group undertakings	450	*450*
	1,423	*1,487*

8. OTHER FINANCE COSTS

	2011 £000	*2010* *£000*
Expected return on pension scheme assets	2,644	*1,626*
Interest on pension scheme liabilities	(2,882)	*(2,447)*
	(238)	*(821)*

9. TAXATION

	2011 £000	*2010* *£000*
Analysis of tax charge in the period		
Current tax (see note below)		
UK corporation tax charge on profit for the period	2,858	*1,334*
Adjustments in respect of prior periods	201	-
Total current tax	3,059	*1,334*
Deferred tax		
Origination and reversal of timing differences	90	*179*
Effect of increased tax rate on opening liability	(86)	-
Net pension cost charge in excess of pension contribution relief	122	*265*
Total deferred tax	126	*444*
Tax on profit on ordinary activities	3,185	*1,778*

9. TAXATION (continued)

Factors affecting tax charge for the period

The tax assessed for the period is lower than *(2010 - lower than)* the standard rate of corporation tax in the UK of 28% *(2010 - 28%)*. The differences are explained below

	2011 £000	*2010 £000*
Profit on ordinary activities before tax	10,899	*7,824*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% *(2010 - 28%)*	3,052	*2,191*
Effects of:		
Expenses not deductible for tax purposes	63	*63*
Capital allowances for period in excess of depreciation	(135)	*(410)*
Group relief received for nil consideration	-	*(245)*
Adjustments to tax charge in respect of prior periods	201	-
Pension contribution relief in excess of net pension charge	(122)	*(265)*
Current tax charge for the period (see note above)	3,059	*1,334*

Factors that may affect future tax charges

On 28 June 2010, the Finance Bill 2010-11 was presented to Parliament, proposing four annual reductions in the rate of corporation tax from 28% to 24% by 2014. At the balance sheet date, the reduction to 27% was enacted, as reflected in these financial statements On 23 March 2011, the UK Government announced a reduction in the main rate of corporation tax from 28% to 26% effective from 1 April 2011, the 26% rate was substantively enacted post balance sheet date on 29 March 2011 The Government also indicated that the annual reductions would continue until 23% is reached in 2014

10. TANGIBLE FIXED ASSETS

	Land and Buildings £000	Traction and Rolling Stock £000	Road Fleet £000	Plant and machinery £000	Total £000
Cost or valuation					
At 28 March 2010	3,437	22,748	13	756	26,954
Additions	-	2,231	-	12	2,243
Revaluation	101	-	-	-	101
At 26 March 2011	3,538	24,979	13	768	29,298
Depreciation					
At 28 March 2010	234	3,681	13	434	4,362
Charge for the period	80	1,700	-	57	1,837
Revaluation	(61)	-	-	-	(61)
At 26 March 2011	253	5,381	13	491	6,138
Net book value					
At 26 March 2011	3,285	19,598	-	277	23,160
At 27 March 2010	*3,203*	*19,067*	-	*322*	*22,592*

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	26 March 2011 £000	*27 March 2010 £000*
Traction and rolling stock	16,401	*17,231*

At 26 March 2011, included within the net book values of land and buildings is £2,908,000 (2010 £2,793,000) relating to long term leasehold land and buildings and £377,000 (2010 £411,000) relating to short term leasehold land and buildings

The land and buildings were revalued on 26 March 2011 by BNP Paribas Real Estate, Chartered Surveyors, on an open market existing use basis The valuation has been carried out in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes The surplus arising on revaluation of £162,000 (2010: £62,000) has been taken to revaluation reserve.

10. TANGIBLE FIXED ASSETS (continued)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	26 March 2011 £000	*27 March 2010 £000*
Cost	**3,064**	*3,064*
Accumulated depreciation	**(371)**	*(321)*
Net book value	**2,693**	*2,743*

11. STOCKS

	26 March 2011 £000	*27 March 2010 £000*
Fuel	**234**	*185*
Consumable spares	**1,269**	*1,269*
	1,503	*1,454*

There is no material difference between the balance sheet value of stocks and their replacement cost

12. DEBTORS

	26 March 2011 £000	*27 March 2010 £000*
Trade debtors	**11,593**	*11,023*
Amounts owed by group undertakings	**11,011**	*37,625*
Other debtors	**197**	*194*
Prepayments and accrued income	**1,248**	*1,423*
	24,049	*50,265*

13. CREDITORS:
Amounts falling due within one year

	26 March 2011 £000	*27 March 2010 £000*
Net obligations under finance leases and hire purchase contracts	852	*824*
Trade creditors	7,013	*5,766*
Amounts owed to group undertakings	8,533	*22,731*
Social security and other taxes	2,273	*3,228*
Other creditors	-	*1,340*
Accruals	3,689	*3,108*
	22,360	*36,997*

14. CREDITORS:
Amounts falling due after more than one year

	26 March 2011 £000	*27 March 2010 £000*
Net obligations under finance leases and hire purchase contracts	14,959	*15,809*

Creditors include amounts not wholly repayable within 5 years as follows:

	26 March 2011 £000	*27 March 2010 £000*
Repayable by instalments	11,196	*11,904*

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	26 March 2011 £000	*27 March 2010 £000*
Between one and five years	3,763	*3,905*
After five years	11,196	*11,904*
	14,959	*15,809*

15. DEFERRED TAXATION

	26 March 2011 £000	27 March 2010 £000
At beginning of period	2,043	1,405
Charge for period	4	179
Reclassification of deferred tax asset relating to pension commitments	375	459
At end of period	2,422	2,043

The provision for deferred taxation is made up as follows:

	26 March 2011 £000	27 March 2010 £000
Accelerated capital allowances	2,422	2,418
Deferred tax asset relating to pension commitments	-	(375)
	2,422	2,043

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief The total amount unprovided is £781,000 (2010 - £761,000). These assets are expected to be used in the continuing operations of the business and, therefore no tax is expected to be paid in the foreseeable future.

Deferred tax in respect of the company's defined benefit scheme is disclosed in note 20.

16. SHARE CAPITAL

	26 March 2011 £	27 March 2010 £
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

17. RESERVES

	Revaluation reserve £000	Profit and loss account £000
At 28 March 2010	458	11,566
Profit for the period	-	7,714
Dividends (Note 19)	-	(19,000)
Pension reserve movement	-	7,261
Surplus on revaluation of freehold property	162	-
Realised revaluation surplus	(30)	30
Other movements	-	(112)
At 26 March 2011	590	7,459

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	26 March 2011 £000	*27 March 2010 £000*
Opening shareholders' funds	12,024	*7,030*
Profit for the period	7,714	*6,046*
Dividends (Note 19)	(19,000)	-
Other recognised gains and losses during the period	7,311	*(1,052)*
Closing shareholders' funds	8,049	*12,024*

19. DIVIDENDS

	2011 £000	*2010 £000*
Dividends paid on equity capital	19,000	-

The dividend was paid to the sole shareholder of the company, Management Consortium Bid Limited

20. PENSION COMMITMENTS

The company operates a defined benefit pension scheme for all qualifying employees.

The pension scheme is "multi-employer", available to all employees within several companies participating within the group The fund and liabilities are not separately identifiable between the participating companies Under the requirements of FRS17 the assets and liabilities have been allocated to each company applying a pragmatic and reasonable estimate for the split (using as a basis the employees' accrued pension liabilities within the scheme).

The scheme is subject to triennial valuation by independent actuaries, Towers Watson. The last funding valuation was carried out at 31st December 2007 and the figures included in the accounts in respect of the company pension scheme are based on this latest valuation as updated to the current accounting period by independent actuaries, Punter Southall Transactions Services

The assets and liabilities shown within this disclosure represent the 60% company share. At a gross level the funding obligations and assets can be summarised as follows:

Gross level	2011	2010
	£000	£000
Present value of funded obligations	(72,970)	(81,746)
Fair value of scheme assets	70,797	63,165
Deficit in the scheme	(2,173)	(18,581)
Special contribution payments included under other creditors	-	1,340
Deficit after special contributions	(2,173)	(17,241)
Member share of deficit	869	6,896
Company share	(1,304)	(10,345)
Related deferred tax asset	352	2,896
Net liability	(952)	(7,449)

The amounts recognised in the Balance sheet are as follows:

	2011	2010
	£000	£000
Present value of funded obligations	(43,782)	(49,048)
Fair value of scheme assets	42,478	37,899
Deficit in scheme	(1,304)	(11,149)
Special contribution payments included under creditors	-	804
Deficit	(1,304)	(10,345)
Related deferred tax asset	352	2,896
Net liability	(952)	(7,449)

20. PENSION COMMITMENTS (continued)

The amounts recognised in profit or loss are as follows

	2011 £000	2010 £000
Current service cost	(3,469)	(2,825)
Interest on obligation	(2,882)	(2,447)
Expected return on scheme assets	2,644	1,626
Total	(3,707)	(3,646)
Actuarial gains/(losses) immediately recognised in statement of total recognised gains and losses	9,946	(1,547)

Changes in the present value of the defined benefit obligation are as follows:

	2011 £000	2010 £000
Opening defined benefit obligation	49,048	34,321
Current service cost	3,469	2,825
Interest cost	2,882	2,447
Actuarial (gains)/losses	(10,534)	10,517
Benefits paid	(1,083)	(1,062)
Closing defined benefit obligation	43,782	49,048

Changes in the fair value of scheme assets are as follows

	2011 £000	2010 £000
Opening fair value of scheme assets	37,899	24,429
Expected return	2,644	1,626
Actuarial (losses) and gains	(588)	8,970
Contributions by employer	4,142	4,591
Benefits paid	(1,083)	(1,062)
Members' share of special contributions	(536)	(655)
	42,478	37,899

The company expects to contribute £2 9 million to its defined benefit pension scheme for all qualifying employees in 2012

20. PENSION COMMITMENTS (continued)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2011	*2010*
Equities/Pooled funds	**94.70 %**	*72.30 %*
Bonds	**4.80 %**	*19 60 %*
Property	**- %**	*7.80 %*
Other funds	**0.50 %**	*0 30 %*

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2011	*2010*
Discount rate at 26 March	**5.80 %**	*5 80 %*
Expected return on scheme assets at 26 March	**7.04 %**	*6.82 %*
Future salary increases	**4.25 %**	*5.00 %*
Future pension increases of pensions in payment	**2.65 %**	*3 60 %*
Rate of increase of pensions in deferment	**2.65 %**	*3 60 %*
Inflation assumption (2011: CPI, 2010: RPI)	**2.65 %**	*3.60 %*

To develop the expected long-term rate of return on asset assumption, the company considers the current level of expected return on risk free investments (primarily government bonds), the historical level of risk premium associated with the other class assets in which the portfolio is invested and the expectations for future returns of each asset class. The expected return on asset for each asset class is then weighted by the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio

An indication of the life expectancy for mortality tables used to determine benefit obligations are:

	2011 Years	**2010 Years**
<u>Retiring today age 65</u>		
Males	20 3	20.2
Females	22.0	22 0
<u>Retiring in 20 years time aged 65</u>		
Males	22 7	22.6
Females	23 5	23.4

20. PENSION COMMITMENTS (continued)

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Defined benefit obligation	(43,782)	(49,048)	(34,321)	(26,267)	(29,936)
Scheme assets	42,478	37,899	24,429	28,165	26,574
(Deficit)/surplus	(1,304)	(11,149)	(9,892)	1,898	(3,362)
Experience adjustments on scheme liabilities	-	-	(526)	(66)	(19)
Experience adjustments on scheme assets	(588)	8,970	(8,885)	(2,313)	1,041

21. OPERATING LEASE COMMITMENTS

At 26 March 2011 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	26 March 2011 £000	*27 March 2010 £000*
Expiry date:		
Within one year	14	*36*
Between two and five years	164	*159*
After more than five years	181	*181*
Total	359	*376*

Other operating leases

	Traction and rolling stock £000	Plant and machinery £000	26 March 2011 £000	*27 March 2010 £000*
Leases that expire				
Within one year	505	18	523	*293*
Between two and five years	4,158	34	4,192	*4,297*
After more than five years	9,936	-	9,936	*8,995*
Total	14,599	52	14,651	*13,585*

The total equipment lease capital employed and total future operating lease commitments are shown in the following table

	Traction and rolling stock £000	Plant and machinery £000	26 March 2011 £000	*27 March 2010 £000*
Company estimate of underlying gross capital values	132,794	212	133,006	*121,849*
Total lease payments due over the remaining term	85,044	86	85,130	*85,202*

	2011 No.	*2010 No.*
<u>Number of assets leased</u>		
Locomotives	73	*68*
Wagons	713	*736*

22. RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption in FRS8 not to disclose transactions between entities, 100% of whose voting rights are controlled within the group

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Management Consortium Bid Limited, incorporated in England The ultimate parent company and controlling party is Arcapita Bank B S C.(c), a company incorporated in Bahrain

The smallest and largest group for which consolidated accounts are prepared, is RailInvest Holding Company Limited, incorporated in England Copies of the group accounts may be obtained from The Podium, 1 Eversholt Street, London, NW1 2FL.