Registered number: 3831229

FREIGHTLINER HEAVY HAUL LIMITED
Report and accounts 2014

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 29 MARCH 2014

COMPANY INFORMATION

DIRECTORS	Adam Cunliffe Peter Maybury Russell Mears Paul Smart Dom McKenna Tim Shakerley Kevin Utting Darren Leigh (appointed 28 February 2014)
COMPANY SECRETARY	Kevin Utting
REGISTERED NUMBER	3831229
REGISTERED OFFICE	The Podium 1 Eversholt Street London NW1 2FL
INDEPENDENT AUDITOR	Deloitte LLP Chartered Accountants and Statutory Auditor London England
BANKERS	RBC Europe Limited Riverbank House 2 Swan Lane London EC4R 3BF
SOLICITORS	Addleshaw Goddard Milton Gate 60 Chiswell Street London EC1Y 4AG

FREIGHTLINER HEAVY HAUL LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE PERIOD ENDED 29 MARCH 2014

The directors present their report and the audited financial statements for the period ended 29 March 2014.

PRINCIPAL ACTIVITIES

The principal activity of Freightliner Heavy Haul Limited is the provision of bulk rail haulage services within the UK.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £11,635,000 *(2013 - £10,287,000)*. Turnover increased from £117,350,000 to £129,479,000. Net assets have increased to £30,309,000 arising mainly from the profit for the period.

Due to the nature of the business, the directors do not believe further key performance indicators are required for an understanding of the performance of the company.

The directors do not propose a final dividend for the accounting period (2013 - £NIL).

FUTURE DEVELOPMENTS

Freightliner Heavy Haul Limited continues to focus on the quality of its service offering and management of its cost base in order to maintain its strong position in what remains a competitive market place.

GOING CONCERN

The directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

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' REPORT
FOR THE PERIOD ENDED 29 MARCH 2014

DIRECTORS

The directors who served throughout the period, and subsequently, were:

Adam Cunliffe
Peter Maybury
Russell Mears
Paul Smart
Dom McKenna
Tim Shakerley
Kevin Utting
Darren Leigh (appointed 28 February 2014)

PENSIONS

As disclosed in note 19 to the financial statements the company's share of the pension deficit, net of deferred tax, on an FRS17 basis is £9.7 million (2013: £9.6 million deficit). The increase in deficit has been predominately driven by a reduction in the discount rate as a result of the fall in bond yields.

The pension scheme is multi-employer covering several companies within the group. The last actuarial valuation was performed at 31 December 2010 and reported a deficit for the scheme as a whole of £0.7 million on assets of £235.6 million (the group share of deficit after related deferred tax is £0.3 million). Scheme contribution levels for both employer and members were set accordingly from 1 July 2012 to repair this relatively small deficit.

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.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited 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 audited 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 audited 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; and
- prepare the audited 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 to enable them to ensure that the audited 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.

Russell Mears

Russell Mears
Director
Date: 11 August 2014

Darren Leigh
Director
Date: 11 August 2014

STRATEGIC REPORT
FOR THE PERIOD ENDED 29 MARCH 2014

BUSINESS REVIEW

The profit for the period, after taxation, amounted to £11,635,000 (2013 - £10,287,000). Turnover increased from £117,350,000 to £129,479,000. Net assets have increased to £30,309,000 arising mainly from the profit for the period.

Due to the nature of the business, the directors do not believe further key performance indicators are required for an understanding of the performance of the company.

PRINCIPAL RISKS AND UNCERTAINTIES

Customers
The heavy haul business benefits from a wide customer base with 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, each have a Professional Head of Operational 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.

This report was approved by the board on 11 August 2014 and signed on its behalf.

Russell Mears

....
Russell Mears
Director

....
Darren Leigh
Director

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 29 March 2014 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 22. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 29 March 2014 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 Strategic Report and the Directors' Report for the financial period 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 FCA (Senior Statutory Auditor)
for and on behalf of
DELOITTE LLP
Chartered Accountants and Statutory Auditor
London
England

11 August 2014

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 29 MARCH 2014

	Note	2014 £000	*2013* *£000*
TURNOVER	2	**129,479**	*117,350*
Cost of sales		**(99,199)**	*(91,219)*
GROSS PROFIT		**30,280**	*26,131*
Other operating expenditure		**(15,101)**	*(12,849)*
OPERATING PROFIT	3	**15,179**	*13,282*
Interest receivable		**70**	*53*
Interest payable	7	**(838)**	*(915)*
Other finance income	8	**532**	*423*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**14,943**	*12,843*
Tax on profit on ordinary activities	9	**(3,308)**	*(2,556)*
PROFIT FOR THE FINANCIAL PERIOD		**11,635**	*10,287*

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 29 MARCH 2014

	Note	2014 £000	*2013 £000*
PROFIT FOR THE FINANCIAL PERIOD		**11,635**	*10,287*
Unrealised surplus on revaluation of tangible fixed assets		62	*62*
Actuarial gain/(loss) related to pension scheme	19	125	*(6,933)*
Deferred tax attributable to actuarial (gain) / loss	19	(25)	*1,595*
Change in UK corporation tax rate		(368)	*(56)*
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD		**11,429**	*4,955*

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE PERIOD ENDED 29 MARCH 2014

	2014 £000	*2013 £000*
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**14,943**	*12,843*
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	**14,973**	*12,873*
HISTORICAL PROFIT FOR THE PERIOD AFTER TAXATION	**11,665**	*10,317*

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

FREIGHTLINER HEAVY HAUL LIMITED
REGISTERED NUMBER: 3831229

BALANCE SHEET
AS AT 29 MARCH 2014

	Note	£000	29 March 2014 £000	*£000*	*30 March 2013 £000*
FIXED ASSETS					
Tangible assets	10		34,124		*28,378*
CURRENT ASSETS					
Stocks	11	1,099		*1,508*	
Debtors	12	38,724		*36,241*	
Cash at bank and in hand		19,300		*10,478*	
		59,123		*48,227*	
CREDITORS: amounts falling due within one year	13	(38,795)		*(32,556)*	
NET CURRENT ASSETS			20,328		*15,671*
TOTAL ASSETS LESS CURRENT LIABILITIES			54,452		*44,049*
CREDITORS: amounts falling due after more than one year	14		(12,505)		*(13,319)*
PROVISIONS FOR LIABILITIES					
Deferred tax	15		(1,919)		*(2,213)*
NET ASSETS EXCLUDING PENSION SCHEME LIABILITY			40,028		*28,517*
Defined benefit pension scheme liability	19		(9,719)		*(9,637)*
NET ASSETS INCLUDING PENSION SCHEME LIABILITY			30,309		*18,880*
CAPITAL AND RESERVES					
Called up share capital	16		-		-
Revaluation reserve	17		686		*654*
Profit and loss account	17		29,623		*18,226*
SHAREHOLDERS' FUNDS	18		30,309		*18,880*

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

Russell Mears

....

Russell Mears
Director

Date: 11 August 2014

....

Darren Leigh
Director

Date: 11 August 2014

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

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 period 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 its future development, performance and position are set out in the Director's Report on pages 1-3.

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.

After making enquiries, 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 and 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)

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.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period.

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 2010 updated to 29 March 2014 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 31 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 31 March 2013 to 29 March 2014.

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. OPERATING PROFIT

The operating profit is stated after charging:

	2014 £000	*2013* *£000*
Staff costs (note 5)	**41,455**	*37,845*
Depreciation of tangible fixed assets		
- owned assets	**3,887**	*3,222*
- held under finance leases and hire purchase contracts	**877**	*829*
Operating lease rentals		
- traction and rolling stock	**14,872**	*15,129*
- plant and machinery	**1**	*1*
Property rentals	**517**	*436*

4. AUDITOR'S REMUNERATION

	2014 £000	*2013* *£000*
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	**24**	*23*

5. STAFF COSTS

Staff costs were as follows:

	2014 £000	*2013 £000*
Wages and salaries	34,375	*31,633*
Social security costs	3,393	*3,144*
Defined benefit scheme pension costs (Note 19)	3,660	*3,059*
Defined contribution scheme pension costs	27	*9*
	41,455	*37,845*

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

	2014 No.	*2013 No.*
Train operations	592	*558*
Administrative	82	*74*
	674	*632*

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 £2,027,000 (2013: £1,691,000 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 £440,000 (2013: £383,000) from Management Consortium Bid Ltd.

During the period retirement benefits were accruing to 7 directors (2013: 6) in respect of defined benefit pension schemes. At 29 March 2014, the highest paid director had a total accrued pension of £NIL (2013: £NIL) and an accrued lump sum of £NIL (2013: £NIL).

7. INTEREST PAYABLE

	2014 £000	*2013 £000*
On finance leases and hire purchase contracts	838	*915*

8. OTHER FINANCE INCOME

	2014 £000	*2013 £000*
Expected return on pension scheme assets	3,997	*3,622*
Interest on pension scheme liabilities	(3,465)	*(3,199)*
	532	*423*

9. TAXATION

	2014 £000	*2013 £000*
Analysis of tax charge in the period		
Current tax (see note below)		
UK corporation tax charge on profit for the period	3,401	*2,446*
Adjustments in respect of prior periods	146	*29*
Total current tax	3,547	*2,475*
Deferred tax		
Origination and reversal of timing differences	(5)	*59*
Effect of increased tax rate on opening liability	(289)	*(94)*
Net pension cost charge in excess of pension contribution relief	55	*116*
Total deferred tax	(239)	*81*
Tax on profit on ordinary activities	3,308	*2,556*

9. TAXATION (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than *(2013 - lower than)* the standard rate of corporation tax in the UK of 23% *(2013 - 24%)*. The differences are explained below:

	2014 £000	*2013 £000*
Profit on ordinary activities before tax	14,943	*12,843*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% *(2013 - 24%)*	3,437	*3,082*
Effects of:		
Expenses not deductible for tax purposes	3	*(99)*
Capital allowances for period in excess of depreciation	16	*(42)*
Group relief received for nil consideration	-	*(379)*
Adjustments to tax charge in respect of prior periods	146	*29*
Pension contribution relief in excess of net pension charge	(55)	*(116)*
Current tax charge for the period (see note above)	3,547	*2,475*

Factors that may affect future tax charges

Following previous reductions in the main rate of UK corporation tax, during the current period additional reductions from 23% to 21% (effective from 1 April 2014) and from 21% to 20% (effective from 1 April 2015) were substantively enacted, the rate of 20% has therefore been applied to current period deferred tax balances.

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 31 March 2013	3,538	35,847	13	1,126	40,524
Additions	-	10,457	-	20	10,477
Disposals	-	-	-	(38)	(38)
At 29 March 2014	3,538	46,304	13	1,108	50,963
Depreciation					
At 31 March 2013	289	11,220	13	624	12,146
Charge for the period	80	4,595	-	89	4,764
On disposals	-	-	-	(9)	(9)
Revaluation	(62)	-	-	-	(62)
At 29 March 2014	307	15,815	13	704	16,839
Net book value					
At 29 March 2014	3,231	30,489	-	404	34,124
At 30 March 2013	*3,249*	*24,627*	-	*502*	*28,378*

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

	29 March 2014 £000	*30 March 2013 £000*
Traction and rolling stock	14,939	*15,923*

At 29 March 2014, included within the net book values of land and buildings is £2,951,000 (2013: £2,940,000) relating to long term leasehold land and buildings and £279,000 (2013: £309,000) relating to short term leasehold land and buildings.

The land and buildings were revalued on 29 March 2014 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 £62,000 (2013: £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:

	29 March 2014 £000	*30 March 2013 £000*
Cost	3,064	*3,064*
Accumulated depreciation	(521)	*(471)*
Net book value	2,543	*2,593*

11. STOCKS

	29 March 2014 £000	*30 March 2013 £000*
Fuel	300	*328*
Consumable spares	799	*1,180*
	1,099	*1,508*

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

12. DEBTORS

	29 March 2014 £000	*30 March 2013 £000*
Trade debtors	13,316	*20,798*
Amounts owed by group undertakings	24,466	*14,466*
Other debtors	103	*95*
Prepayments and accrued income	839	*882*
	38,724	*36,241*

13. CREDITORS:
Amounts falling due within one year

	29 March 2014 £000	*30 March 2013 £000*
Net obligations under finance leases and hire purchase contracts	858	*1,695*
Trade creditors	9,683	*8,253*
Amounts owed to group undertakings	15,310	*12,149*
Social security and other taxes	5,938	*4,759*
Other creditors and accruals	7,006	*5,700*
	38,795	*32,556*

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

	29 March 2014 £000	*30 March 2013 £000*
Net obligations under finance leases and hire purchase contracts	12,505	*13,319*

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

	29 March 2014 £000	*30 March 2013 £000*
Repayable by instalments	8,854	*9,663*

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

	29 March 2014 £000	*30 March 2013 £000*
Between one and five years	3,651	*3,656*
After five years	8,854	*9,663*
	12,505	*13,319*

15. DEFERRED TAXATION

	29 March 2014 £000	*30 March 2013 £000*
At beginning of period	2,213	*2,248*
Released during period	(294)	*(35)*
At end of period	1,919	*2,213*

The provision for deferred taxation is made up as follows:

	29 March 2014 £000	*30 March 2013 £000*
Accelerated capital allowances	1,919	*2,213*

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 £598,000 (2013 - £680,000). 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 pension scheme is disclosed in note 19.

16. SHARE CAPITAL

	29 March 2014 £	*30 March 2013 £*
Allotted, called up and fully paid		
1 Ordinary share of £1	**1**	*1*

17. RESERVES

	Revaluation reserve £000	Profit and loss account £000
At 31 March 2013	654	18,226
Profit for the period	-	11,635
Pension reserve movement	-	100
Surplus on revaluation of freehold property	62	-
Transfer amount equivalent to reduced depreciation on revalued assets	(30)	30
Change in UK corporation tax rate	-	(368)
At 29 March 2014	686	29,623

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	29 March 2014 £000	*30 March 2013 £000*
Opening shareholders' funds	**18,880**	*13,925*
Profit for the period	**11,635**	*10,287*
Other recognised gains and losses during the period	**(206)**	*(5,332)*
Closing shareholders' funds	**30,309**	*18,880*

19. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for some of its employees. Contributions paid into the scheme, in the year amount to £27,000 (2013 - £9,000).

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

The pension scheme is "multi-employer", available to all employees, with several companies participating within the group. The fund assets 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 assets are held in a separate trustee administered fund operated by Railways Pension Trustee Company Limited. The cost of accruing benefits is shared between the group and the employees in a ratio of 60/40.

The scheme is subject to triennial valuation by independent actuaries, Towers Watson. The last funding valuation was carried out at 31 December 2010 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	2014 £000	*2013* *£000*
Present value of funded obligations	(127,635)	*(121,877)*
Fair value of scheme assets	107,386	*101,018*
Deficit in the scheme	(20,249)	*(20,859)*
Member share of deficit	8,100	*8,344*
Company share	(12,149)	*(12,515)*
Related deferred tax asset	2,430	*2,878*
Net liability	(9,719)	*(9,637)*

The amounts recognised in the balance sheet are as follows:

	2014 £000	*2013* *£000*
Present value of funded obligations	(76,581)	*(73,126)*
Fair value of scheme assets	64,432	*60,611*
Deficit in scheme	(12,149)	*(12,515)*
Related deferred tax asset	2,430	*2,878*
Net liability	(9,719)	*(9,637)*

19. PENSION COMMITMENTS (continued)

The amounts recognised in profit or loss are as follows:

	2014 £000	*2013 £000*
Current service cost	(3,660)	*(3,059)*
Interest on obligation	(3,465)	*(3,199)*
Expected return on scheme assets	3,997	*3,622*
Total	(3,128)	*(2,636)*
Actuarial gains / (losses) immediately recognised in statement of total recognised gains and losses	125	*(6,933)*

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

	2014 £000	*2013 £000*
Opening defined benefit obligation	73,126	*61,171*
Current service cost	3,660	*3,059*
Interest cost	3,465	*3,199*
Actuarial (gains) / losses	(1,763)	*8,767*
Benefits paid	(1,907)	*(3,070)*
Closing defined benefit obligation	76,581	*73,126*

Changes in the fair value of scheme assets are as follows:

	2014 £000	*2013 £000*
Opening fair value of scheme assets	60,611	*55,107*
Expected return	3,997	*3,622*
Actuarial (losses) / gains	(1,638)	*1,834*
Contributions by employer	3,369	*3,118*
Benefits paid	(1,907)	*(3,070)*
	64,432	*60,611*

The actual return on scheme assets was £2,359,000 (2013 - £5,456,000). Of the charge for the year, £3,660,000 (2013 - £3,059,000), £3,318,000 (2013 - £2,766,000) has been included in cost of sales and £342,000 (2013 - £293,000) has been included within other operating expenditure.
The company expects to contribute £3.5 million to its defined benefit pension scheme for all qualifying employees in 2015.

19. PENSION COMMITMENTS (continued)

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

	2014	*2013*
Equities/Pooled funds	**86.12 %**	*86.02 %*
Bonds	**13.63 %**	*13.55 %*
Property	**0.25 %**	*0.43 %*

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

	2014	*2013*
Discount rate	**4.50 %**	*4.70 %*
Expected return on scheme assets	**6.57 %**	*6.54 %*
Future salary increases	**3.70 %**	*3.70 %*
Future pension increases of pensions in payment	**2.00 %**	*2.30 %*
Rate of increase of pensions in deferment	**2.00 %**	*2.30 %*
Inflation assumption (CPI)	**2.00 %**	*2.30 %*
Inflation assumption (RPI)	**3.30 %**	*3.30 %*

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:

	2014 Years	2013 Years
<u>Retiring today age 65</u>		
Males	**22.3**	21.3
Females	**23.6**	22.6
<u>Retiring in 20 years time aged 65</u>		
Males	**24.5**	23.6
Females	**26.0**	25.1

19. PENSION COMMITMENTS (continued)

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

Defined benefit pension schemes

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Defined benefit obligation	(76,581)	(73,126)	(61,171)	(43,782)	(49,048)
Scheme assets	64,432	60,611	55,107	42,478	37,899
Deficit	(12,149)	(12,515)	(6,064)	(1,304)	(11,149)
Experience adjustments on scheme liabilities	1,652	-	(11,458)	-	-
Experience adjustments on scheme assets	(1,638)	1,834	8,065	(588)	8,970

20. OPERATING LEASE COMMITMENTS

At 29 March 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	29 March 2014 £000	*30 March 2013 £000*
Expiry date:		
Within one year	51	*44*
Between two and five years	43	*138*
After more than five years	306	*230*
Total	400	*412*

Other operating leases

	Traction and rolling stock £000	Plant and machinery £000	29 March 2014 £000	*30 March 2013 £000*
Leases that expire				
Within one year	11	89	100	*287*
Between two and five years	9,612	142	9,754	*6,480*
After more than five years	7,838	-	7,838	*11,602*
Total	17,461	231	17,692	*18,369*

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	29 March 2014 £000	*30 March 2013 £000*
Company estimate of underlying gross capital values	143,341	1,608	144,949	*161,088*
Total lease payments due over the remaining term	89,591	301	89,892	*114,555*

<u>Number of assets leased</u>	2014 No.	*2013 No.*
Locomotives	90	*87*
Wagons	678	*889*

21. 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.

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Management Consortium Bid Limited, incorporated in the United Kingdom and registered in England and Wales. The ultimate parent company and controlling party is RailInvest Funding Limited, a company incorporated and registered in the Cayman Islands.

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