Registered number: 3118392

FREIGHTLINER LIMITED
Report and accounts 2012

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2012

FREIGHTLINER LIMITED

COMPANY INFORMATION

DIRECTORS	Adam Cunliffe Peter Maybury Dom McKenna Russell Mears Tim Shakerley Paul Smart Kevin Utting
COMPANY SECRETARY	Russell Mears
COMPANY NUMBER	3118392
REGISTERED OFFICE	The Podium 1 Eversholt Street London NW1 2FL
AUDITOR	Deloitte LLP Chartered Accountants and Statutory Auditor London United Kingdom
BANKERS	RBC Europe Limited Riverbank House 2 Swan Lane London
SOLICITORS	Addleshaw Goddard Milton Gate 60 Chiswell Street London EC1Y 4AG

FREIGHTLINER LIMITED

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DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 MARCH 2012

The directors present their report and the audited financial statements for the period ended 31 March 2012

PRINCIPAL ACTIVITIES

Freightliner is the UK's largest haulier of maritime containers, accounting for 23% of the total market share and 79% of the rail-fed market Its businesses are concentrated through four key deep-sea ports: Felixstowe, Southampton, Thamesport and Tilbury. The company provides trunk rail services between these ports and a network of inland rail freight interchanges (terminals), moving customers' containers on the first or last leg of a worldwide transit The company transports up to 3,000 boxes daily with over 90 rail services per day, utilising a fleet of over 75 locomotives and 1,600 wagons. Freightliner operates a fleet of road vehicles that complement the rail service by offering local road haulage to and from the inland terminals In addition, Freightliner provides storage for containers at its nine owned inland freight terminals.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £6,027,000 *(2011 - £4,153,000)*. Turnover increased from £163,504,000 to £177,503,000. Net assets have increased to £65,230,000 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 dividend for the accounting period (2011 £5 million)

FUTURE DEVELOPMENTS

We expect to see the improvement in deep-sea container volumes, experienced in 2012, continue into the 2013 financial period as economic conditions return to levels seen before the global recession.

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Board manages the principal risks and uncertainties as follows:

Customers
The deep-sea business benefits from a wide and growing customer base under medium and long-term contracts and supplemented by a number of spot 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 Limited, each have a Professional Head of Operational Safety and Security, with a 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 Management 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 the group 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 and operating creditors. 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.

ENVIRONMENTAL MATTERS

The group recognises the importance of its environmental responsibilities by adopting good industry practice for the control of pollution and the management of environmental risks, and reviews annually its environmentally related expenditure and related resources. That review is grounded on the expert opinion of the group's in-house environmental manager and periodic external reports Though it is difficult to predict with absolute certainty the level of future cash out-flows in relation to risks created in prior years, 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 schemes are 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, except as noted, were

Adam Cunliffe
Peter Maybury
Russell Mears
Paul Smart
Dom McKenna (appointed 12 July 2011)
Tim Shakerley (appointed 12 July 2011)
Kevin Utting (appointed 23 August 2011)

PENSIONS

As disclosed in note 23 to the financial statements the Freightliner share of the pension deficit, net of deferred tax, on an FRS17 basis is £6.3 million (2011: £1 9 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 have been 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, 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 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.

Peter Maybury	**Russell Mears**
Director	Director
Date. 17 December 2012	Date: 17 December 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREIGHTLINER LIMITED

We have audited the financial statements of Freightliner Limited for the 53 weeks ended 31 March 2012 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 27 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 31 March 2012 and of its profit for the 53 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 period for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREIGHTLINER 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
United Kingdom

Date. 17 December 2012

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2012

	Note	2012 £000	*2011 £000*
TURNOVER	2	177,503	*163,504*
Cost of sales		(142,162)	*(130,538)*
GROSS PROFIT		35,341	*32,966*
Other operating expenditure		(26,359)	*(24,457)*
OPERATING PROFIT	3	8,982	*8,509*
Interest receivable	7	74	*86*
Interest payable	8	(1,969)	*(2,492)*
Other finance income/(costs)	9	789	*(471)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,876	*5,632*
Tax on profit on ordinary activities	10	(1,849)	*(1,479)*
PROFIT FOR THE FINANCIAL PERIOD		6,027	*4,153*

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 31 MARCH 2012

	Note	2012 £000	2011 £000
PROFIT FOR THE FINANCIAL PERIOD		**6,027**	*4,153*
Unrealised surplus on revaluation of tangible fixed assets	11	**716**	*2,015*
Actuarial (loss)/gain related to pension scheme	23	**(6,786)**	*18,680*
Deferred tax attributable to actuarial loss/(gain)	23	**1,629**	*(5,044)*
Change in UK corporation tax rate		**(58)**	*(214)*
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD		**1,528**	*19,590*

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE PERIOD ENDED 31 MARCH 2012

	2012 £000	2011 £000
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**7,876**	*5,632*
Realisation of valuation gains of previous periods and difference between a historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	**29**	*15*
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**7,905**	*5,647*
HISTORICAL COST PROFIT FOR THE PERIOD AFTER TAXATION	**6,056**	*4,168*

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

FREIGHTLINER LIMITED
REGISTERED NUMBER: 3118392

BALANCE SHEET
AS AT 31 MARCH 2012

	Note	£000	31 March 2012 £000	£000	26 March 2011 £000
FIXED ASSETS					
Tangible assets	11		83,827		82,021
CURRENT ASSETS					
Stocks	12	2,600		2,367	
Debtors	13	79,024		81,421	
Cash at bank and in hand		7,038		-	
		88,662		83,788	
CREDITORS: amounts falling due within one year	14	(47,174)		(44,526)	
NET CURRENT ASSETS			41,488		39,262
TOTAL ASSETS LESS CURRENT LIABILITIES			125,315		121,283
CREDITORS: amounts falling due after more than one year	15		(48,636)		(50,497)
PROVISIONS FOR LIABILITIES					
Deferred tax	16	(3,531)		(3,558)	
Other provisions	17	(550)		(550)	
			(4,081)		(4,108)
DEFERRED INCOME	18		(1,027)		(1,094)
NET ASSETS EXCLUDING PENSION SCHEME LIABILITY			71,571		65,584
Defined benefit pension scheme liability	23		(6,341)		(1,882)
NET ASSETS INCLUDING PENSION SCHEME LIABILITY			65,230		63,702
CAPITAL AND RESERVES					
Called up share capital	19		20		20
Revaluation reserve	20		29,476		28,789
Other reserves	20		26,573		26,573
Profit and loss account	20		9,161		8,320
SHAREHOLDERS' FUNDS	21		65,230		63,702

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

Peter Maybury
Director
Date: 17 December 2012

Russell Mears
Director
Date: 17 December 2012

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 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.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

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 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 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

1. ACCOUNTING POLICIES (continued)

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

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 payable 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

1. ACCOUNTING POLICIES (continued)

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

Taxation

Current 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.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements where there is no commitment to sell the asset

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.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as turnover

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 2010 updated to 31 March 2012 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

1. ACCOUNTING POLICIES (continued)

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 53 week period from 27 March 2011 to 31 March 2012.

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/(crediting):

	2012	*2011*
	£000	*£000*
Staff costs (note 5)	46,917	*43,772*
Depreciation of tangible fixed assets		
- owned assets	3,002	*2,125*
- held under finance leases and hire purchase contracts	3,991	*4,445*
Amortisation of deferred income	(67)	*(67)*
Government grants	(9,341)	*(11,656)*
Operating lease rentals		
- traction and rolling stock	9,038	*9,361*
- plant and machinery	1,509	*1,261*
- road fleet	3,307	*2,533*
Property rentals	1,831	*2,002*

4. AUDITOR'S REMUNERATION

	2012	*2011*
	£000	*£000*
Fees payable to the company's auditor for the audit of the company's annual accounts	40	*37*
Fees payable to the company's auditor and its associates for:		
Other services - assurance	3	*3*

5. STAFF COSTS

Staff costs were as follows:

	2012 £000	*2011 £000*
Wages and salaries	40,311	*36,912*
Social security costs	3,639	*3,170*
Other pension costs (Note 23)	2,967	*3,690*
	46,917	*43,772*

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

	2012 No.	*2011 No.*
Train operations	357	*351*
Terminals	641	*632*
Administrative	121	*120*
	1,119	*1,103*

6. DIRECTORS' REMUNERATION

The directors of the company are also directors of fellow subsidiaries within the group, Management Consortium Bid Ltd, Freightliner Heavy Haul Ltd, Freightliner Maintenance Ltd and Freightliner Railports Ltd. The directors received total remuneration of £1,556,000 (2011: £1,278,000) 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 £385,000 (2011 £408,000) from Management Consortium Bid Ltd

During the period retirement benefits were accruing to 7 directors (2011. 4) in respect of defined benefit pension schemes. At 31 March 2012, the highest paid director had a total accrued pension of £37,000 (2011. £34,000) and an accrued lump sum of £30,000 (2011: £27,000).

7. INTEREST RECEIVABLE

	2012 £000	*2011 £000*
Interest receivable from group companies	44	-
Other interest receivable	30	*86*
	74	*86*

8. INTEREST PAYABLE

	2012 £000	*2011 £000*
On finance leases and hire purchase contracts	1,854	*2,042*
On loans from group undertakings	115	*450*
	1,969	*2,492*

9. OTHER FINANCE INCOME/(COSTS)

	2012 £000	*2011 £000*
Expected return on pension scheme assets	5,208	*5,231*
Interest on pension scheme liabilities	(4,419)	*(5,702)*
	789	*(471)*

10. TAXATION

	2012 £000	*2011 £000*
Analysis of tax charge in the period		
Current tax (see note below)		
UK corporation tax charge on profit for the period	1,701	*810*
Adjustments in respect of prior periods	(89)	*41*
Total current tax	1,612	*851*
Deferred tax		
Origination and reversal of timing differences	368	*204*
Effect of decreased tax rate on opening liability	(395)	*(124)*
Net pension relief in excess of pension contribution charge	264	*548*
Total deferred tax	237	*628*
Tax on profit on ordinary activities	1,849	*1,479*

Factors affecting tax charge for the period

The tax assessed for the period is lower than *(2011 - lower than)* the standard rate of corporation tax in the UK (26%) The differences are explained below:

	2012 £000	*2011 £000*
Profit on ordinary activities before tax	7,876	*5,632*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% *(2011 - 28%)*	2,048	*1,577*
Effects of:		
Expenses not deductible for tax purposes	70	*76*
Capital allowances for period in excess of depreciation	(153)	*(295)*
Adjustments to tax charge in respect of prior periods	(89)	*41*
Net pension relief in excess of pension contribution charge	(264)	*(548)*
Current tax charge for the period (see note above)	1,612	*851*

10. TAXATION (continued)

Factors that may affect future tax charges

On 29 March 2011, the Finance (No. 3) Bill 2011 was introduced into the House of Commons which substantively enacted the change in the corporate tax rate in the UK to 26% from 1 April 2011. On 19 July 2011, Finance Act 2011 received Royal Assent which enacted the change in the corporate tax rate in the UK to 25% from 1 April 2012 Further, on 21 March 2012, the UK Government announced an additional reduction in the main rate of corporation tax from 26% to 24% effective from 1 April 2012 This change to 24% was substantively enacted on 26 March 2012 via the Provisional Collection of Taxes Act 1968, and on this basis the rate reduction to 24% has been applied to the current period deferred tax balances The Government has also indicated that it intends to enact future reductions in the main tax rate of 1% each year down to 22% by 1 April 2014

11. 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 27 March 2011	38,746	95,727	266	20,375	155,114
Additions	-	2,989	-	5,113	8,102
Disposals	-	(332)	(22)	(687)	(1,041)
Transfer between classes	5	-	-	(5)	-
Revaluation	251	-	-	-	251
At 31 March 2012	39,002	98,384	244	24,796	162,426
Depreciation					
At 27 March 2011	1,859	61,921	266	9,047	73,093
Charge for the period	592	5,464	-	937	6,993
On disposals	-	(313)	(22)	(687)	(1,022)
Transfer between classes	5	-	-	(5)	-
Revaluation	(465)	-	-	-	(465)
At 31 March 2012	1,991	67,072	244	9,292	78,599
Net book value					
At 31 March 2012	37,011	31,312	-	15,504	83,827
At 26 March 2011	*36,887*	*33,806*	-	*11,328*	*82,021*

11. TANGIBLE FIXED ASSETS (continued)

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

	31 March 2012 £000	*26 March 2011 £000*
Traction and rolling stock	25,336	*28,662*
Plant and machinery	9,302	*6,761*
	34,638	*35,423*

At 31 March 2012, included within the net book value of land and buildings is £26,930,000 *(2011 - £26,935,000)* relating to freehold land and buildings, £10,081,000 *(2011 - £9,952,000)* relating to long term leasehold land and buildings and £NIL *(2011 - £NIL)* relating to short term leasehold land and buildings

The land and buildings were revalued on 31 March 2012 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 £716,000 (2011 £2,015,000) has been taken to revaluation reserve.

The freehold properties are secured under a bank loan held by another company within the group, RailInvest Acquisitions Limited

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

	31 March 2012 £000	*26 March 2011 £000*
Cost	22,288	*22,288*
Accumulated depreciation	(14,774)	*(14,210)*
Net book value	7,514	*8,078*

12. STOCKS

	31 March 2012 £000	*26 March 2011 £000*
Fuel	564	*403*
Operational spares	728	*803*
Consumable spares	1,308	*1,161*
	2,600	*2,367*

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

13. DEBTORS

	31 March 2012 £000	*26 March 2011 £000*
Trade debtors	16,563	*14,887*
Amounts owed by group undertakings	61,313	*65,747*
Other debtors	296	*229*
Prepayments and accrued income	341	*244*
Grants receivable	511	*314*
	79,024	*81,421*

14. CREDITORS:
Amounts falling due within one year

	31 March 2012 £000	*26 March 2011 £000*
Bank overdrafts	-	*914*
Net obligations under finance leases and hire purchase contracts	6,621	*5,763*
Trade creditors	21,472	*18,861*
Amounts owed to group undertakings	15,007	*13,442*
Taxation and social security	2,686	*2,205*
Accruals	1,388	*3,341*
	47,174	*44,526*

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

	31 March 2012 £000	26 March 2011 £000
Net obligations under finance leases and hire purchase contracts	**48,636**	*50,497*

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

	31 March 2012 £000	26 March 2011 £000
Repayable by instalments	**16,071**	*18,902*

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

	31 March 2012 £000	26 March 2011 £000
Between one and five years	**32,565**	*31,595*
After five years	**16,071**	*18,902*
	48,636	*50,497*

16. DEFERRED TAXATION

	31 March 2012 £000	26 March 2011 £000
At beginning of period	**3,558**	*2,664*
(Released during)/charge for period	**(27)**	*80*
Reclassification of deferred tax asset relating to pension commitments	**-**	*814*
At end of period	**3,531**	*3,558*

The provision for deferred taxation is made up as follows

	31 March 2012 £000	26 March 2011 £000
Accelerated capital allowances	**3,531**	*3,558*

16. DEFERRED TAXATION (continued)

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 £5,276,000 (2011 - £5,597,000). 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 23

17. OTHER PROVISIONS

	Other £000
At 27 March 2011 and 31 March 2012	550

Other

The other provisions relate to environmental work at operational sites The expected timing of the use of this provision is currently one to five years.

18. DEFERRED INCOME

	31 March 2012 £000	*26 March 2011 £000*
Grants	1,027	*1,094*

This represents cash received from the European Regional Development Fund and the Department of the Environment, Transport and the Regions (now the DfT) in respect of fixed asset investments within the United Kingdom. The grants are of a capital nature and are accordingly amortised over the life of the related asset

19. SHARE CAPITAL

	31 March 2012 £000	*26 March 2011 £000*
Allotted, called up and fully paid		
20,000 Ordinary shares of £1 each	20	*20*

20. RESERVES

	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
At 27 March 2011	28,789	26,573	8,320
Profit for the period	-	-	6,027
Pension reserve movement	-	-	(5,157)
Revaluation of freehold property	716	-	-
Transfer between revaluation reserve and P/L account	(29)	-	29
Change in UK corporation tax rate	-	-	(58)
At 31 March 2012	29,476	26,573	9,161

The other reserves relate to £24,451,000 created at vesting and a capital contribution of £2,122,000

21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	31 March 2012 £000	*26 March 2011 £000*
Opening shareholders' funds	63,702	*49,112*
Profit for the period	6,027	*4,153*
Dividends (Note 22)	-	*(5,000)*
Other recognised gains and losses during the period	(4,499)	*15,437*
Closing shareholders' funds	65,230	*63,702*

22. DIVIDENDS

	2012 £000	*2011 £000*
Dividends paid on equity capital	-	*5,000*

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

23. 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 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 the balance sheet and this disclosure represents the 60% company share. At a gross level the funding obligations and assets can be summarised as follows:

Gross level	2012 £000	*2011* *£000*
Present value of funded obligations	(140,269)	*(144,358)*
Fair value of scheme assets	126,363	*140,061*
Deficit in scheme	(13,906)	*(4,297)*
Member share of deficit	5,562	*1,719*
Company share of deficit	(8,344)	*(2,578)*
Related deferred tax asset	2,003	*696*
Net liability	(6,341)	*(1,882)*

The amounts recognised in the balance sheet are as follows:

	2012 £000	*2011* *£000*
Present value of funded obligations	(84,162)	*(86,615)*
Fair value of scheme assets	75,818	*84,037*
Deficit in scheme	(8,344)	*(2,578)*
Related deferred tax asset	2,003	*696*
Net liability	(6,341)	*(1,882)*

23. PENSION COMMITMENTS (continued)

The amounts recognised in profit or loss are as follows

	2012 £000	2011 £000
Current service cost	(2,967)	(3,690)
Interest on obligation	(4,419)	(5,702)
Expected return on scheme assets	5,208	5,231
Total	(2,178)	(4,161)
Actuarial (losses)/gains immediately recognised in statement of total recognised gains and losses	(6,786)	18,680

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

	2012 £000	2011 £000
Opening defined benefit obligation	86,615	97,033
Current service cost	2,967	3,690
Interest cost	4,419	5,702
Actuarial gains	(6,949)	(17,666)
Benefits paid	(2,890)	(2,144)
Closing defined benefit obligation	84,162	86,615

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

	2012 £000	2011 £000
Opening fair value of scheme assets	84,037	74,977
Expected return	5,208	5,231
Actuarial (losses) and gains	(13,735)	1,014
Contributions by employer	3,198	6,121
Benefits paid	(2,890)	(2,144)
Members' share of special contributions	-	(1,162)
	75,818	84,037

The company expects to contribute £3 5 million to its defined benefit pension scheme for all qualifying employees in 2013.

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

	2012	2011
Equities/Pooled funds	85.91 %	94 70 %
Bonds	11.00 %	4 80 %
Other funds	3.09 %	0 50 %

23. PENSION COMMITMENTS (continued)

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

	2012	2011
Discount rate at 31 March	5.20 %	5 80 %
Expected return on scheme assets at 31 March	6.52 %	7 04 %
Future salary increases	3.80 %	4 25 %
Future pension increases of pensions in payment	2.20 %	2 65 %
Rate of increase of pensions in deferment	2.20 %	2 65 %
Inflation assumption (CPI)	2.20 %	2.65 %
Inflation Assumption (RPI)	3.20 %	3 45 %

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 in the portfolio.

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

	2012 Years	2011 Years
Retiring today aged 65		
Males	21.3	20.3
Females	22.7	22.0
Retiring in 20 years time aged 65		
Males	23.7	22 7
Females	25.2	23 5

Amounts for the current and previous four periods are as follows

Defined benefit pension schemes

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Defined benefit obligation	(84,162)	(86,615)	(97,033)	(74,393)	(65,576)
Scheme assets	75,818	84,037	74,977	52,951	70,312
(Deficit)/surplus	(8,344)	(2,578)	(22,056)	(21,442)	4,736
Experience adjustments on scheme liabilities	9,548	-	-	(1,141)	(165)
Experience adjustments on scheme assets	(13,735)	1,014	15,665	(25,245)	(9,038)

24. OPERATING LEASE COMMITMENTS

At 31 March 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	31 March 2012 £000	*26 March 2011 £000*
Expiry date:		
Within one year	16	*16*
Between two and five years	204	*163*
After more than five years	1,690	*1,477*
Total	1,910	*1,656*

Other operating leases

	Traction and rolling stock £000	Road fleet £000	Plant and machinery £000	31 March 2012 £000	*26 March 2011 £000*
Leases that expire					
Within one year	128	178	22	328	*2,445*
Between two and five years	3,307	295	2,125	5,727	*4,662*
After more than five years	5,686	955	-	6,641	*3,408*
Total	9,121	1,428	2,147	12,696	*10,515*

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

	Traction and rolling stock £000	Road fleet £000	Plant and machinery £000	31 March 2012 £000	*26 March 2011 £000*
Company estimate of underlying gross capital values	61,713	8,477	5,859	76,049	*76,577*
Total lease payments due over the remaining term	55,568	7,094	8,232	70,894	*43,624*

	2012 No.	*2011 No*
<u>Number of assets leased</u>		
Locomotives	39	*40*
Wagons	787	*764*
Road vehicles	357	*290*

25. 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

26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Management Consortium Bid Limited, incorporated in Great Britain 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 Great Britain and registered in England and Wales Copies of the group accounts may be obtained from The Podium, 1 Eversholt Street, London, NW1 2FL

27. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Business
Freightliner Railports Limited	England	100	Terminal handling