GB RAILFREIGHT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Company Registered Number: 03707899

GB RAILFREIGHT LIMITED

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STRATEGIC REPORT

Principal activities

The principal activity of GB Railfreight Limited ("GBRf") is the provision of rail freight services in Britain. The directors do not expect a significant change in the principal activity of the business in the foreseeable future.

Review of the business and future developments including key performance indicators

GB Railfreight continues to grow its market share with turnover exceeding £108m in 2013, an increase of 21% on the previous year. Profit for the financial year rose 204% year on year, with a net profit margin of 8.4% (2012: 3.3%).

Coal volumes remain strong with high gas prices resulting in an increase of 1.7% in generation for coal fired power stations compared to a reduction in generation of 5.2% for gas. New business during the year included coal moving in box wagons from Hull and Hatfield to West Burton. During the year contracts have been extended by between two and three years with four of our coal customers.

Problems in commissioning Liverpool bulk terminal delayed the commencement of a three year contract to move imported biomass to Ironbridge. In September we commenced a 'Hook & Haul' contract for eight years moving biomass for Drax Power in their wagons from the Port of Tyne. Another success was the commencement of a one year contract to convey containerised biomass from Seaforth to Ironbridge.

Successful trials commenced in late 2012 with Lafarge Tarmac, a contract was awarded in early 2013 for two services per day until June 2015 hauling aggregates from Tunstead to Brentford and various locations in the south.

In the infrastructure sector there has been significant growth following the Network Rail tender, increasing the hours contracted per annum by over 100%. The additional business commenced implementation in April 2013 and will be phased in over an 18 month period as further locomotives are being built by EMD in Chicago to support the new business.

Despite sustained periods of inclement weather and other operational issues the maritime intermodal business has continued to grow steadily with increased box volumes particularly on our Manchester service.

A new contract with Sibelco for the movement of Silica from East Anglia to three glass making works in Yorkshire commenced in January 2014 for a period of five years.

In October 2013 an additional flow commenced for one year as part of the Crossrail project moving tunnel spoil from Willesden Euro terminal to Northfleet for onward movement by barge to Wallasey bird sanctuary.

During the year contracts were also extended with British Gypsum and PetroChem Carless.

Principal risks and uncertainties

Loss of existing revenue/traffic/clients
Several key contracts were renewed during 2013. However, there are some significant contracts which will fall due for renewal between 2015/2016. This is a potential risk for loss of revenue and reduction in sales margins. The Company mitigates this risk by the negotiation of contract extensions and the tendering for new business, both existing in the current market and those which are new to rail.

UK government grants
The Company receives short term contracting of British government grant money to subsidise the movement of container traffic by rail, generating environmental and wider social benefits from reduced lorry journeys on Britain's roads. The risk of reduction or termination of this scheme would affect turnover and competitive structure in the market.

STRATEGIC REPORT

The UK Government has a limited amount of grant aid money for converting coal fired power stations into 100% biomass fuel stations, using sustainably-sourced renewable wood pellets. Without this funding, coal fired power stations may take the decision not to convert. The diminishing coal markets may not then be replaced by a biomass fuel product.

Shortage of critical equipment in the market
The purchase of 21 new class 66 locomotives will absorb the growth of the business in the short term. If there is a delay in delivery there is a risk that GBRf will be unable to deliver on existing contracts.

Customer credit risk

The Company's credit risk exposure on trade receivables is principally in the intermodal market.

The Company applies a credit policy which requires that every new customer is subject to a credit check before being able to benefit from the Company's standard credit terms. The Company's credit risk exposure to account customers is managed by means of continuous monitoring of their financial situation and of their outstanding debt in regard to their credit limits and payment terms.

Risks related to retirement benefits
The Company operates a defined benefit pension scheme which is funded. An independent qualified actuary values the scheme's assets and liabilities on a Projected Unit Credit basis. The present value of the scheme's assets which are not intended to be realised in the short term may be subject to significant change. The present value of the scheme's liabilities calculated by discounting long-term cash flow projections is inherently uncertain.
The risks related to the pension scheme are managed by a regular review process and meetings with the trustees of the fund, the actuaries and other professional advisors.

A combination of or any one of these risks or other risks not yet identified or currently considered significant, could have an adverse effect on the activities, financial situation or results of the Company.

Financial Instruments

The Company's principal financial assets are bank balances and trade debtors. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The Company has no significant concentration of credit risk, with exposure spread over a large number of customers. The credit risk on liquid funds is limited because the counterparties are considered to be high quality banks, whose credit ratings are regularly reviewed by the three main ratings agencies, Moody's, Standard & Poor's and Fitch.

Approved by the Board of Directors
and signed by order of the Board

Karl Goulding-Davis
Director
23 July 2014

15-25 Artillery Lane
London
E1 7HA

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and audited financial statements for the year ended 31 December 2013.

Going concern

The Directors have considered the going concern assumption given the current economic climate and have reviewed the Company forecasts for the foreseeable future.

After making enquiries and considering the above facts, 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 financial statements.

Financial matters

The results for the period are given in the profit and loss account on page 7. The balance sheet is set out on page 8.

No final dividend (31 December 2012 - £nil) was paid in the year. No interim dividend (31 December 2012 - £nil) was paid in the year.

Supplier payment policy

The Company agrees terms and conditions for its business transactions with suppliers. Payment is made on those terms subject to the terms and conditions being met by the supplier. Trade creditors of the Company at 31 December 2013 were equivalent to 38 days' purchases (31 December 2012: 41days), based on the average daily amount invoiced by suppliers during the year.

Directors

The directors who held office during the year were as follows:

F Coart
E Moulin
K Goulding-Davis (appointed 31/3/2014)
P G A Sainson
D P Simons (resigned 31/03/2014)
J G Smith

Political Donations

It is the policy of the company not to make political donations or incur political expenditure.

Employee involvement

Communication with employees is effected mainly through regular briefing and negotiating meetings between the directors, the senior management and employee representatives on the central and depot negotiating committees. The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests.

DIRECTORS' REPORT

Disabled persons

The Company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirement which have to be met for certain grades of staff. Wherever reasonable and practicable, the Company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

Audit information

Each of the persons who are a director at the date of approval of this report confirms that:

- as far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information 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 and will therefore continue in office.

Auditor

KPMG LLP are deemed to be reappointed as statutory auditors under section 487(2) of the Companies Act 2006.

Approved by the Board of Directors
and signed by order of the Board

Karl Goulding-Davis
Director
23 July 2014

15-25 Artillery Lane
London
E1 7HA

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT AND THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report and 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 year. 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; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GB RAILFREIGHT LIMITED

We have audited the financial statements of GB Railfreight Limited for the year ended 31 December 2013 set out on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, 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 Practice Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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 year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

R. Broadbelt

Richard Broadbelt (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

23 July 2014

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2013

	Notes	31 December 2013 £000	31 December 2012 £000
Turnover	2	108,765	90,047
Operating costs		(96,475)	(84,783)
Operating profit	3	12,290	5,264
Finance charges (net)	7	(377)	(389)
Profit on ordinary activities before taxation	2-7	11,913	4,875
Tax charge on profit on ordinary activities	8	(2,810)	(1,879)
Profit for the financial year	16	9,103	2,996

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2013

	Notes	31 December 2013 £000	31 December 2012 £000
Profit for the financial year		9,103	2,996
Actuarial (loss)/gain recognised in the pension scheme(s)	19	(1,922)	(1,949)
Deferred tax on actuarial (loss)/gain in the pension scheme		384	453
Total recognised gains and losses relating to the financial year		7,565	1,500

Notes on pages 10 to 25 form part of these financial statements

BALANCE SHEET

At 31 December 2013

	Notes	At 31 December 2013 £000	£000	At 31 December 2012 £000	£000
Assets employed:					
Fixed assets					
Tangible assets	9		26,096		28,293
Current assets					
Stocks	10	294		278	
Debtors					
- due within one year	11	24,276		19,722	
- due after more than one year	11	143		257	
Cash at bank and in hand		5,741		5,855	
		30,454		26,112	
Creditors: amounts falling due within one year	12	(25,577)		(32,073)	
Net current assets / (liabilities)			4,877		(5,961)
Total assets less current liabilities			30,973		22,332
Creditors: amounts falling due after more than one year	13		(4,318)		(5,024)
Provision for liabilities	14		(210)		(479)
Net assets excluding defined benefit pension liability			**26,445**		**16,829**
Defined benefit pension scheme liability	19		(3,640)		(2,017)
Net assets			22,805		14,812
Financed by:					
Capital and reserves					
Called up share capital	15		5,000		5,000
Profit and loss account	16		17,805		9,812
Shareholders' funds			22,805		14,812

Notes on pages 10 to 25 form part of these financial statements

These financial statements of GB Railfreight Limited (company number 03707899) were approved by the Board of Directors on 23 July 2014 and were signed on its behalf by:

K Goulding-Davis
Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 December 2013

	31 December 2013 £000	31 December 2012 £000
Profit for the year	9,103	2,996
FRS 20 share based payment charge	428	340
Other recognised gains and losses relating to the year (net)	(1,538)	(1,496)
Net increase in shareholders' funds	**7,993**	**1,840**
Opening shareholders' funds	14,812	12,972
Closing shareholders' funds	**22,805**	**14,812**

NOTES TO THE FINANCIAL STATEMENTS

1 Principal accounting policies

The following accounting policies have been applied consistently throughout the current year and preceding year in dealing with items which are considered material in relation to the Company's financial statements.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

(b) Going concern

The accounts have been prepared on a going concern basis as described in the directors' report on page 3.

(c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.
Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold properties	-	period of lease
Other plant and equipment	-	three to eight years straight line

(d) Leases and hire purchase

The rental charges for operating leases are taken to the profit and loss account on a straight line basis over the life of the lease.
Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

(e) Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete and slow moving or defective items where appropriate.

(f) 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.

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(g) Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the estimated useful economic lives of the assets to which they relate. Other grants are credited to the profit and loss account as the related expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Principal accounting policies (continued)

(h) Pension costs

Certain of the Company's employees are members of an industry-wide defined benefit pension plan. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

(i) Cash flow statement

The Company is a wholly-owned subsidiary of Groupe Eurotunnel SA ('GET SA'), a company registered in France. Accordingly, the Company has taken advantage of the exemption offered by Financial Reporting Standard 1, enabling it not to produce a cash flow statement as the parent company has included a consolidated cash flow statement within its group financial statements available on the group's website www.eurotunnelgroup.com.

(j) Bid costs

Bid costs are expensed as they are incurred.

(k) Pre-contract expenditure

Pre-contract expenditure is expensed as incurred except where it is virtually certain that a contract will be awarded. In such circumstances, pre-contract expenditure is recognised as an asset and is expensed to the profit and loss account on a straight-line basis over the term of the contract.

(l) Share-based payment

The Company's ultimate parent issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period with a corresponding increase in equity, based on the group's estimate of shares that will eventually vest and is adjusted for the effects of non-market based vesting conditions.

The fair value of the options granted is measured using an option pricing model (binomial model), taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(m) Foreign exchange

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

2 Turnover and profit on ordinary activities before taxation

Turnover represents the amounts receivable for services supplied to customers during the year and is net of value added tax. Turnover is recognised when the risks and rewards of ownership transfer to the buyer.

The whole of the turnover and profit on ordinary activities before taxation derives from the Company's principal activities within the United Kingdom. The Company has one principal class of business, namely the provision of rail freight services.

3 Operating profit on ordinary activities before taxation

	31 December 2013 £000	31 December 2012 £000
Operating profit on ordinary activities before taxation is stated after charging/(crediting):		
Energy and consumables	21,918	19,128
Staff costs	25,720	21,500
Auditors' remuneration		
- audit of these financial statements	41	33
Depreciation and other amounts written off tangible fixed assets		
- owned assets	3,496	3,694
Gain on disposal of fixed assets	1,325	-
Rentals payable under operating leases		
- locomotives	4,915	4,904
- wagons	9,433	7,755
- other operating leases	1,199	913
Government grants	(2,274)	(2,302)

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Employee numbers and costs

The average number of persons employed by the Company (including directors) during the year was as follows:

	31 December 2013 No.	31 December 2012 No.
Operations	372	313
Administration	128	113
	500	426

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	25,720	21,500
Social security costs	2,621	2,163
Other pension costs (see note 19)	1,866	1,760
Share based payments (see note 6)	428	340
	30,635	25,763

5 Directors' remuneration

Two directors are remunerated by the Company. The other directors are remunerated by other group companies for their services to the Group. Remuneration by the Company during the period was as follows:

	31 December 2013 £000	31 December 2012 £000
Aggregate emoluments (excluding pension contributions)	1,200	492
Company pension contributions	39	50
	1,239	542

No options have been granted to directors of the Company to acquire shares in GET SA during the year (31 December 2012: 134,000). No share options have been exercised during the year.

The emoluments of the highest paid director amounted to:

	£000	£000
Aggregate emoluments	781	295
Company pension contributions	32	30
	813	325

No options have been granted to the highest paid director (31 December 2012:100,000) during the year.

At 31 December 2013 there were two directors (2012 : two) accruing retirement benefits in respect of qualifying services in respect of defined benefit schemes.

6 Share-based payments

GET SA share option plan (treated as an equity instrument)

On 26 May 2010, the general meeting of shareholders of GET SA authorised the board of directors of GET SA to grant, in one or several allocations, options over shares in GET SA to executives and senior staff of group companies, during a period the duration of which is fixed at 38 months from 26 May 2010. Under this scheme, the board of directors of GET SA has approved three grants of share options: on 16 July 2010, 21 July 2011 and 20 July 2012.

Characteristics and conditions of the GET SA share option plan

The characteristics and conditions attached to the attribution of the share options are as follows:

Date of grant/main staff concerned	Number of options in respect of Company employees	Conditions for acquiring rights	Contractual duration of options
Options granted to key executives on 16 July 2010	128,000	Staff must remain as employees of the Group until the exercise of options. Performance conditions: 50% of options are subject to conditions based on the financial performance of the Group (distribution of a dividend, consolidated EBITDA in 2010 and 2011 above a predetermined level). Market performance condition: 50% of options are conditional on the GET SA share price performing better than the SBF120 index.	4 years
Options granted to key executives on 21 July 2011	157,000	Staff must remain as employees of the Group until the exercise of options. Performance conditions: 50% of options are subject to conditions based on the financial performance of the Group (distribution of a dividend, consolidated EBITDA in 2011 and 2012 above a predetermined level). Market performance condition: 50% of options are conditional on the GET SA share price performing better than the SBF120 index.	4 years
Options granted to key executives on 20 July 2012	162,000	Staff must remain as employees of the Group until the exercise of options. Performance conditions: 50% of options are subject to conditions based on the financial performance of the Group (distribution of a dividend, consolidated EBITDA in 2012 and 2013 above a predetermined level). Market performance condition: 50% of options are conditional on the GET SA share price performing better than the SBF120 index.	4 years

NOTES TO THE FINANCIAL STATEMENTS (continued)

Information on the GET SA share option plan and on the rights of replacement

The number and the average weighted exercise price of the share options are as follows:

	Average weighted exercise price (in euros)	Number of options in respect of Company employees
In issue at 1 January 2013	6.73	373,750
Granted during the year	–	–
Cancelled during the year	–	–
Transferred during the year	–	–
Lapsed during the year	6.92	(79,750)
Exercised during the year	–	–
Expired during the year	–	–
In issue at 31 December 2013	**6.68**	**294,000**
Exercisable at 31 December 2013	–	–

Of the 294,000 options in issue at 31st December 2013:

94,000 will be exercisable, subject to staff remaining as employees of the Group, at a price of €6.42 between July 2014 and July 2020,

78,500 will be exercisable at a price of €7.52 between July 2015 and July 2021 subject to meeting the performance conditions and to staff remaining as employees of the Group.

121,500 will be exercisable at a price of €6.33 between July 2016 and July 2022 subject to meeting the performance conditions and to staff remaining as employees of the Group.

Assumptions used for the fair value measurement on the grant date

The fair value of the rights granted to staff as part of the share option plan on the grant date was calculated by applying the binomial Black & Scholes model and the Monte-Carlo approach. The assumptions used to measure the fair value of the share option plan on the grant date were as follows:

Fair value of options and assumptions	2012 plan	2011 plan	2010 plan
Fair value of an options on grant date (€)	2.13	2.69	2.02
Share price on grant date (€)	6.28	7.629	6.046
Exercise price of an option (€)	6.33	7.52	6.42
Expected volatility	39%	36%	40%
Contractual duration of options	7 years	7 years	7 years
Number of beneficiaries	5	5	3
Risk-free interest rate (based on French government bonds)	1.53%	3.0%	2.40%

A charge of £205,000 was made to the profit and loss account in "staff costs" in 2013 (31 December 2012: £162,000)

Grant of free GET SA shares

Following the approval by the general meeting of shareholders on 28 April 2011 of the plan to issue existing free shares, to all employees of GET SA and companies which are related to it with the exception of executive and corporate officers, the definitive acquisition of these shares by the employees is subject to their remaining in employment with the Group for a minimum period of 4 years.

The number of free GET SA shares is as follows:

Number of shares	**2013**	**2012**
In issue at 1 January	188,130	66,000
Granted during the year	–	129,180
Cancelled during the year	(5,520)	(7,050)
Exercised during the year	–	–
Expired during the year	–	–
In issue at 31 December	**182,610**	**188,130**
Exercisable at 31 December	–	–

A charge of £223,000 was made in the 2013 accounts relating to the free shares (2012: £178,000).

The assumptions used to measure the fair value of the free shares were as follows:

Fair value of free shares and assumptions	**2012**	**2011**
Fair value of free shares on grant date (€)	5.89	6.62
Share price on grant date (€)	6.26	7.232
Number of beneficiaries	418	330
Risk-free interest rate (based on French government bonds)	1.05%	2.25%

7 Finance (income)/charges

	31 December 2013 £000	31 December 2012 £000
Interest payable to other group undertakings	127	121
Interest payable on finance leases	480	415
Interest receivable and similar income	(8)	(9)
Other interest income	(222)	(138)
Net finance charge	377	389

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Tax charge on profit on ordinary activities

	31 December 2013 £000	31 December 2012 £000
UK corporation tax		
Adjustments in respect of prior period	(110)	-
Current tax on income for the period	3,113	719
Total current tax	3,003	719
Deferred tax		
Origination/reversal of timing differences	(269)	520
Adjustment in respect of defined benefit pensions	76	640
Total deferred tax	(193)	1,160
Tax on profit on ordinary activities	2,810	1,879

Factors affecting current tax charge for the year

The current tax charge for the year is higher than (period ended 31 December 2012 – lower than) the standard rate of corporation tax in the UK of 23% (31 December 2012 – 24%)

The differences are explained below:

	31 December 2013 £000	31 December 2012 £000
Profit on ordinary activities before taxation	11,913	4,875
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% to 31 March 2013 and 23% thereafter (31 December 2012: 26% to 31 March 2012 and 24% thereafter)	2,770	1,195
Expenses not deductible for tax purposes	99	25
Capital allowances less than / (in excess of) depreciation for the year	145	(584)
Other timing differences	99	83
Adjustments in respect of prior periods	(110)	-
Total current tax charge (see above)	3,003	719

Deferred tax assets and liabilities are recognised at 20% (31 December 2012: 23%). The change in rate reflects the change in corporation tax rate to 20% with effect from 1 April 2014.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

-The deferred tax liability at 31 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Tangible fixed assets

	Short leasehold properties £000	Other plant and equipment £000	Total £000
Cost			
At 1 January 2013	3,266	37,589	40,855
Additions	234	12,241	12,475
Disposals	-	(12,308)	(12,308)
At 31 December 2013	3,500	37,522	41,022
Depreciation			
At 1 January 2013	1,918	10,644	12,562
Charge for period	379	3,117	3,496
Disposals	-	(1,132)	(1,132)
At 31 December 2013	2,297	12,629	14,926
Net book value			
At 31 December 2013	1,203	24,893	26,096
At 31 December 2012	1,348	26,945	28,293

Other plant and equipment includes assets held under finance leases with a net book value of £4,358,000 (2012: £4,889,000). Depreciation for the year on these assets was £531,000 (2012: £438,000).

10 Stocks

	31 December 2013 £000	31 December 2012 £000
Spare parts and consumables	294	278

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Debtors

	31 December 2013 £000	31 December 2012 £000
Amounts falling due within one year:		
Trade debtors	13,905	14,460
Amounts owed by group undertakings	40	55
Other debtors	497	212
Prepayments and accrued income	9,834	4,995
	24,276	19,722

	31 December 2013 £000	31 December 2012 £000
Amounts falling due after more than one year:		
Other debtors	143	257
	143	257

12 *Creditors – amounts falling due within one year*

	31 December 2013 £000	31 December 2012 £000
Obligations under finance leases and hire purchase contracts	403	368
Trade creditors	6,315	6,120
Amounts owed to parent and group undertakings	5,892	14,144
Corporation Tax	-	10
Other creditors	2,402	2,422
Accruals and deferred income	10,565	9,009
	25,577	32,073

13 Creditors – amounts falling due after more than one year

	31 December 2013 £000	31 December 2012 £000
Obligations under finance leases and hire purchase contracts	4,116	4,661
Accruals and deferred income	202	363
	4,318	5,024

NOTES TO THE FINANCIAL STATEMENTS (continued)

The maturity of the obligations under finance leases is as follows:

	31 December 2013 £000	31 December 2012 £000
Within one year	848	848
In the second to fifth years	3,393	3,393
Over five years	2,708	3,555
	6,949	7,796
Less future finance charges	(2,430)	(2,767)
	4,519	5,029

14 Provision for liabilities

	Deferred tax £000
At beginning of year	479
Charged to the profit and loss for the year	(269)
At end of year	210

The elements of deferred taxation are as follows:	31 December 2013 £000	31 December 2012 £000
Difference between accumulated depreciation and amortisation and capital allowances	348	609
Other timing differences	(138)	(130)
	210	479

15 Called up share capital

	31 December 2013 £000	31 December 2012 £000
Allotted, called up and fully paid:		
5,000,002 ordinary shares of £1 each	5,000	5,000

16 Reserves

	Profit and loss account
	£000
At 1 January 2013	9,812
Retained profit for the year	9,103
Other recognised gains and losses during the year	(1,538)
FRS20 Share based payment charge	428
At 31 December 2013	17,805

17 Commitments

The Company had a capital commitment for which no provision has been made amounting to £44,000,000 at 31 December 2013 (2012 - £nil) in relation to an agreement that was signed during the year to acquire twenty one new Class 66 locomotives.

18 Operating leases

Commitments for payments in the next year under operating leases are as follows:

	31 December 2013		31 December 2012	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	146	2,105	4	1,118
Between two and five years	147	2,923	196	7,792
After five years	52	4,082	135	4,322
	345	9,110	335	13,232

19 Pension schemes

Defined benefit scheme

The Company operates a defined benefit pension scheme for qualifying employees.

The scheme is subject to triennial valuation by independent actuaries, Towers Watson. The last funding valuation was carried out at 31 December 2013 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. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

The Scheme is shared cost in nature, with costs shared by the employer (60%) and the employees (40%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

Any surplus or deficits in the scheme may affect the Company through periodic adjustments to the Company's contribution rate as determined by the actuary.

	31 December 2013 £000	31 December 2012 £000
Present value of funded defined benefit obligations	39,965	31,458
Fair value of plan assets	(32,381)	(27,092)
Present value of unfunded defined benefit obligations	7,584	4,366
Adjustment for the members' share of deficit	(3,034)	(1,747)
Net deficit	4,550	2,619
Related deferred tax asset	(910)	(602)
Net liability	3,640	2,017

Movements in present value of defined benefit obligation

	31 December 2013 £000	31 December 2012 £000
At 1 January 2013	31,458	26,063
Current service cost	2,964	2,451
Interest cost	1,525	1,418
Actuarial losses/(gains)	3,505	1,772
Benefits received/(paid)	513	(246)
At 31 December 2013	39,965	31,458

Movements in fair value of plan assets

	31 December 2013 £000	31 December 2012 £000
At 1 January 2013	27,092	20,730
Expected return on plan assets	1,878	1,647
Actuarial gains/(losses)	303	189
Contributions by employer	1,575	3,882
Contributions by members	1,020	890
Benefits received/(paid)	513	(246)
At 31 December 2013	32,381	27,092

Expense recognised in the profit and loss account

	31 December 2013 £000	31 December 2012 £000
Current service cost	1,796	1,489
Interest on defined benefit pension plan obligation	915	851
Expected return on defined benefit pension plan assets	(1,127)	(988)
Total	1,584	1,352

NOTES TO THE FINANCIAL STATEMENTS (continued)

The expense is recognised in the following line items in the profit and loss account:

	31 December 2013 £000	31 December 2012 £000
Operating costs	1,796	1,489
Finance charges (net)	(212)	(137)
	1,584	1,352

The total amount recognised in the Statement of total recognised gains and losses in respect of actuarial losses is £1,922,000 (31 December 2012: Losses £1,949,000). Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses since 31 December 2010 are £660,000 losses (31 December 2012: Gains £1,262,000).

The fair value of the plan assets and the return on those assets were as follows:

	31 December 2013 Fair value £000	31 December 2012 Fair value £000
Equities	29,527	25,027
Government debt	674	940
Corporate bonds	1,574	939
Other	606	186
	32,381	27,092
Actual return on plan assets	2,181	1,836

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	31 December 2013 %	31 December 2012 %
Discount rate	4.5	4.4
Expected rate of return on plan assets	6.3	6.6
Future salary increases	3.5	3.0
Increases to deferred pensions and pension increases	2.5	2.0
Price Inflation (CPI)	2.5	2.0
Price Inflation (RPI)	3.5	3.0

In valuing the liabilities of the pension fund, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Male pensioner aged 65 with pension under £9,300 pa or pensionable pay under £35,000 pa : 20.7 years

- Male pensioner aged 65 with pension £9,300 pa or above or pensionable pay £35,000 pa or above : 22.9 years
- Female pensioner aged 65 with pension under £3,300 pa or pensionable pay under £35,000 pa : 22.6 years
- Female pensioner aged 65 with pension £3,300 pa or above or pensionable pay £35,000 pa or above : 25 years
- Male pensioner aged 45 with pension under £9,300 pa or pensionable pay under £35,000 pa : 23.1 years
- Male pensioner aged 45 with pension £9,300 pa or above or pensionable pay £35,000 pa or above : 25.1 years
- Female pensioner aged 45 with pension under £3,300 pa or pensionable pay under £35,000 pa : 25.1 years
- Female pensioner aged 45 with pension £3,300 pa or above or pensionable pay £35,000 pa or above : 27.4 years

History of plans

The history of the plans is as follows:

Balance sheet

	31 December 2013 £000	31 December 2012 £000
Present value of scheme liabilities	39,965	31,458
Fair value of scheme assets	(32,381)	(27,092)
Deficit/surplus	7,584	4,366
Adjustment for the members' share of surplus/(deficit)	(3,034)	(1,747)
Net Deficit	4,550	2,619

Experience adjustments

	31 December 2013 £000 - % of the liability	31 December 2012 £000 - % of the liability
Experience adjustments on scheme liabilities	324 – 0.8%	1,048 – 3.3%
Experience adjustments on scheme assets	182 – 0.6%	114 – 0.4%

The Company expects to contribute approximately £1,537,000 to its defined benefit plans in the next financial year

Defined contribution pension scheme

Additionally, the Company contributions to money purchase schemes during the year were £297,787 (for the Year ended 31 December 2012: £247,548).

The contributions payable as at 31 December 2013 are £65,429 (31 December 2012: £86,190).

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Related party transactions

The Company is taking advantage of the exemption under FRS 8 not to disclose transactions with group companies that are related parties.

The Company is wholly-owned and controlled by Groupe Eurotunnel SA, a *société anonyme à conseil d'administration* registered in France.

The results of the Company are consolidated in Groupe Eurotunnel SA's consolidated financial statements, which are available on the Eurotunnel Group's website www.eurotunnelgroup.com. No other group financial statements include the results of the company.

The Company's immediate holding company is Europorte SAS.