FREIGHTLINER
HEAVY HAUL
LIMITED

REPORT AND ACCOUNTS

1st APRIL 2001
TO
30th MARCH 2002

Registered No. 3831229

DIRECTORS	Norman Broadhurst (Chairman non-executive) Alan Galley (Managing Director) Douglas Downie Eddie Fitzsimons Robert Goundry Peter Maybury Neil McLean Oliver Huntsman (Non-executive) Hugh Mellor (Non-executive)
SECRETARY	Douglas Downie
REGISTERED OFFICE	The Podium 1 Eversholt Street London NW1 2FL
BANKERS	The Royal Bank of Scotland plc 24 Grosvenor Place London SW1X 7HP
SOLICITORS	Theodore Goddard 150 Aldersgate Street London EC1A 4EJ
AUDITORS	Deloitte & Touche Chartered Accountants Hill House 1 Little New Street London EC4A 3TR

REPORT OF THE DIRECTORS

for the 52 weeks ended 30th March 2002.

The directors present their first annual report together with the audited financial statements for the financial period from 1st April 2001 to 30th March 2002. The directors approved these on 17th July 2002.

ACTIVITIES

Freightliner Heavy Haul was formed in 1999 as a separate division of Freightliner Limited. In April 2001 Freightliner Heavy Haul began operating as a separate limited company with its own equipment and staff dedicated to serving the bulk freight markets.

Operating nearly 300 trains per week Freightliner Heavy Haul serves the cement, coal, car, waste, petroleum and gas markets and undertakes rail infrastructure work for Railtrack. Unusually it dedicates resources (staff and equipment) to its customers to ensure certainty and security of supply of its innovative and bespoke transport solutions.

RESULTS AND DIVIDENDS

The profit and loss account is set out on page 6 and shows a profit after taxation of £3.9million.

The directors do not propose a dividend for the accounting period.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Heavy Haul business made a pre tax profit of £5.5million. Turnover increased from £10.0million to £37.7million. Heavy Haul has continued to seek to serve its existing customers with an excellent quality of service in the year, and also to gain new customers on the basis of that service quality. Our Heavy Haul fleet, at the end of the financial year, comprised 42 Class 66 locomotives, with a further 6 delivered post year-end.

From commencing our first coal shipment at the very end of the calendar year 2000, in this financial year we carried 4.4million tonnes of coal, serving a broad base of customers in the coal market. Other notable achievements have been commencing contracts for Conoco and the construction of the Channel Tunnel Rail Link, and continuing expansion of our work for Railtrack and for the waste market.

If the current trend of good results and cash generation continues into the next financial year, then the board will consider the payment of an interim dividend in the autumn of 2002 for the financial period ending 29th March 2003.

DIRECTORS

The present membership of the board, who were directors throughout the financial period, is set out below together with their share interests in the parent company, Management Consortium Bid Limited. The directors had no interests in the company or any other group companies.

	At 30th March 2002 Ordinary shares at 1p each	At 30th March 2002 Founder Ordinary shares at 1p each	At 30th March 2002 Ordinary Plus shares at 1p each	At 31st March 2001 Ordinary shares at 10p each	At 31st March 2001 Founder Ordinary shares at 10p each	At 31st March 2001 Ordinary Plus shares at 10p each	Share Options At 30th March 2002 Ordinary Plus shares at 1p each
Norman Broadhurst	-	-	125,000	-	-	-	125,000
Alan Galley	2,000	1,012,500	-	200	101,250	-	-
Douglas Downie	2,000	1,012,500	-	200	101,250	-	-
Eddie Fitzsimons	2,000	131,600	60,000	200	13,160	6,000	340,000
Robert Goundry	2,850	-	60,000	285	-	6,000	140,000
Oliver Huntsman	-	-	-	-	-	-	-
Peter Maybury	-	-	125,000	-	-	12,500	75,000
Neil McLean	250	-	60,000	-	-	6,000	140,000
Hugh Mellor	-	-	25,000	-	-	-	25,000

During the period all classes of ordinary shares were converted from 10p shares to 1p shares. The share options were granted during the year and can be exercised within 10 years of the grant date. This is the first year that options were granted. None of these options lapsed or were exercised during the year. Eddie Fitzsimons had an interest bearing staff loan of £12,000, which was fully repaid on the 8th June 2001.

DISABLED EMPLOYEES
The company gives full consideration 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.

EMPLOYEE INVOLVEMENT
During the financial period, the policy of providing employees with information has been continued through the staff magazine and through management and staff bulletins. Regular meetings are held between local management and employees to allow the free flow of information and ideas.

Freightliner Heavy Haul employees participate directly in the business through the holding company's employee 'Shares For All' share scheme by which employees can hold and trade shares in Management Consortium Bid Limited.

AUDITORS
Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

N. N. Broadhurst

Norman Broadhurst

17th July 2002

Eddie Fitzsimmons

17th July 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss of the company for that period. In preparing those 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 accounting standards have been followed;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, and for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FREIGHTLINER HEAVY HAUL LIMITED

We have audited the financial statements of Freightliner Heavy Haul Limited set out on pages 6 to 15 which have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 March 2002 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR
17th July 2002

PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 30th March 2002

	Notes	2002 52 weeks ended 30th March 2002 £000's	2001 52 weeks ended 31st March 2001 £000's
TURNOVER	2	37,715	-
OTHER OPERATING EXPENDITURE	3,4,5,6	(32,375)	-
OPERATING PROFIT		5,340	-
BANK INTEREST RECEIVABLE		156	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,496	-
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	7	(1,586)	-
PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION	15	3,910	-

ALL RESULTS RELATE TO CONTINUING ACTIVITIES

BALANCE SHEET
as at 30th March 2002

	Notes	30th March 2002		31st March 2001	
		£000's	£000's	£000's	£000's
FIXED ASSETS					
TANGIBLE FIXED ASSETS	8		239		-
CURRENT ASSETS					
DEBTORS	9	14,623		-	
CASH AT BANK AND IN HAND	10	378		-	
TOTAL CURRENT ASSETS		15,001		-	
CREDITORS : amounts falling due within one year	11	(11,330)		-	
NET CURRENT ASSETS			3,671		-
TOTAL ASSETS LESS CURRENT LIABILITIES			3,910		-
NET ASSETS			3,910		-
CAPITAL AND RESERVES					
CALLED UP SHARE CAPITAL	14		-		-
PROFIT AND LOSS ACCOUNT	15		3,910		-
EQUITY SHAREHOLDERS' FUNDS			3,910		-

These financial statements were approved by the Board of Directors on 17th July 2002.

Signed on behalf of the Board of Directors.

N. N. Broadhurst

Norman Broadhurst

17th July 2002

Eddie Fitzsimmons

17th July 2002

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 weeks ended 30th March 2002

	Notes	2002 £000's	2001 £000's
PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION		3,910	-
TOTAL RECOGNISED GAINS RELATING TO THE PERIOD		3,910	-

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
for the 52 weeks ended 30th March 2002

	2002 £000's	2001 £000's
TOTAL RECOGNISED PROFITS RELATING TO THE PERIOD	3,910	-
SHAREHOLDERS' FUNDS BROUGHT FORWARD	-	
SHAREHOLDERS' FUNDS AT END OF PERIOD	3,910	-

1. ACCOUNTING POLICIES

Basis of Preparation
The financial statements are prepared under the historical cost convention, as modified by the revaluation of freehold and leasehold properties, and in accordance with the Companies Act 1985, as amended by the Companies Act 1989, and the Accounting Standards issued by the Accounting Standards Board. The particular accounting policies adopted are described below.

Statement of Cash Flows
The Company has taken advantage of the exemption from preparing this statement in accordance with Financial Reporting Standard 1 (Revised 1996). Advantage has been taken of this exemption, as it is the opinion of the directors that the management and performance of solvency and liquidity are managed at group rather than at subsidiary level.

Depreciation
Depreciation is provided for in equal instalments over the expected useful lives of the assets. The lives used for major categories are as follows:

Road Fleet	2 years
Other Equipment, Plant and Machinery	3 to 10 years

Deferred Taxation
Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and legislation. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax 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.

Leases
Assets obtained under finance leases are capitalised at their fair value on acquisition and depreciated over their expected useful lives in the same way as owned assets. The capital elements of future obligations under leases are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the profit and loss account with interest payable over the period of the lease in proportion to the capital amount outstanding.

Rentals payable under operating leases are charged in the profit and loss in equal amounts over the lease term.

Pension Costs
The Company operates within the Railway Pensions Scheme which provides pension benefits throughout the railway industry. Contributions to the funds are paid in accordance to their rules and the charge to the profit and loss account reflects the regular service costs of such obligations less a proportion of any realisable actuarial surpluses.

Financial Periods
The company's accounting reference date is 31st March. As permitted by section 223 of the Companies Act 1985, the financial year is treated as ending on the nearest Saturday to 31st March. The accounts for the current year cover the 52 week period from 1st April 2001 to 30th March 2002.

2. TURNOVER

Turnover represents amounts derived from transport, haulage and other services which fall within Freightliner Heavy Haul's ordinary activities after deduction of trade discounts and excluding value added tax. The turnover arises in the United Kingdom, and which in the directors' opinion constitutes the Company's principal activity.

In the directors' opinion the profit before tax and net assets are derived from the company's principal activity and all arises in the United Kingdom.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

3a DIRECTORS

	2002	2001
	£000's	£000's
Aggregate amount of emoluments paid or receivable by directors in respect of their qualifying services	138	-
	No.	No.
The number of directors to whom retirement benefits are accruing under a defined benefit scheme	1	-

3b EMPLOYEES (Including Directors)

Staff costs during the period

	2002	2001
	£000's	£000's
Wages and Salaries	7,839	-
Social security costs	586	-
Pension costs	434	-
	8,859	-

The average number of employees during the period was made up as follows:

	2002 Average Number	2001 Average Number
Train Operations	135	-
Administrative	*47*	-
	182	-

4. COMPANIES ACT PROFIT AND LOSS FORMAT

In the opinion of the directors the nature of the Company's business is such that in order to facilitate understanding of the Company's results, the Companies Act 1985 (Schedule 4) headings and sub-headings in respect of cost of sales, gross profit or loss, distribution costs and administrative expenses, have been adapted to show operating expenditure as in note 5 to the accounts.

5. ANALYSIS OF OPERATING EXPENDITURE

	2002	2001
	£000's	£000's
Total staff costs	8,859	-
Materials, supplies and services	12,873	-
Track access charges	4,744	-
Depreciation	37	-
General expenses and overheads	5,862	-
	32,375	-

6. OPERATING RESULTS – OTHER INFORMATION

Operating profit is after charging:

	2002 £000's	2001 £000's
Auditors' fees	10	-
Depreciation on owned assets	37	-
Rentals under operating leases		
Hire of plant and machinery	8,006	-
Land and buildings	81	-

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

7a) Analysis of charge

	2002 £000's	2001 £000'S
Corporation tax		
UK Corporation tax charge for the year (see note 7b)	1,586	-
Deferred tax		
Timing differences, origination and reversal	-	-
Taxation on profit/(loss) on ordinary activities	1,586	-

7b) Factors affecting the tax charge for the year

The difference between the current tax charge and the amount calculated by applying UK corporation tax rate are as follows:

	2002 £000's	2001 £000's
Profit on ordinary activities before tax	5,496	-
Tax on profit on ordinary activities at standard rate of UK corporation tax (30%)	1,649	-
Factors affecting change:		
Disallowable expenses	100	-
Capital allowances for period in excess of depreciation	(10)	-
Group relief claimed for nil consideration	(153)	-
Current tax charge for the year (see note 7a)	1,586	-

8. TANGIBLE FIXED ASSETS

	Road Fleet	Plant, machinery and equipment	Total
	£000's	£000's	£000's
COST			
Opening balance at 1st April 2001	-	-	-
Vested transfers from fellow group companies	-	156	156
Additions during the period	13	107	120
At 30th March 2002	13	263	276
ACCUMULATED DEPRECIATION			
Opening balance at 1st April 2001	-	-	-
Vested transfers from fellow group companies	-	-	-
Charge for the period	(2)	(35)	(37)
At 30th March 2002	(2)	(35)	(37)
NET BOOK VALUES			
At 30th March 2002	11	228	239
At 31st March 2001	-	-	-

There were no leased assets throughout the period.

9. DEBTORS

	2002	2001
	£000's	£000's
Trade debtors	5,250	-
Amounts owed by group undertakings	9,129	-
Other debtors	208	-
Prepayments and accrued income	36	-
	14,623	-

10. CASH AT BANK AND IN HAND

	2002	2001
	£000's	£000's
Cash at bank and in hand	378	-

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£000's	£000's
Trade creditors	4,972	-
Amounts owed to group undertakings	2,106	-
Taxation and social security	2,473	-
Accruals	1,779	-
	11,330	-

12. FINANCIAL COMMITMENTS

At 30th March 2002 the company was committed to making the following payments during the next period in respect of operating leases.

	2002 Land and buildings £000's	2002 Plant and machinery £000's	2001 Land and buildings £000's	2001 Plant and machinery £000's
Leases that expire				
Within one year	26	-	-	-
Within two to five years	8	1,722	-	-
Over five years	98	4,560	-	-
	132	6,282	-	-

13. PROVISIONS FOR LIABILITIES AND CHARGES

The amounts of deferred taxation provided and not provided in the accounts are as follows:

	Provided 2002 £000's	Provided 2001 £000's	Not Provided 2002 £000's	Not Provided 2001 £000's
Short term timing differences	(10)	-	(19)	-
Accelerated capital allowances	10	-	-	-
	-	-	(19)	-

14. CALLED UP SHARE CAPITAL

	2002 Number of shares	2002 £'s	2001 Number of shares	2001 £'s
Authorised Ordinary Shares Capital at £1 each	1,000	1,000	1,000	1,000
Allotted, called up and fully paid	1	1	1	1

15. RESERVES

	Profit and loss account £000's
At 1st April 2001	-
Profit for the year	3,910
At 30th March 2002	3,910

16. PENSION COMMITMENTS

The pension costs figures used in these accounts comply with the current pension cost standard SSAP24. Under transitional arrangements for FRS 17 the company is required to disclose the information, set out in note 16b, about the scheme and the figures that would have been shown in the current balance sheet.

16a) SSAP 24 disclosures

The company participates within the Freightliner Section of the Railway Pension Scheme. This is a funded, contributory, defined benefit scheme available to all employees within the group including Freightliner Heavy Haul Limited. The assets and liabilities attributable to the group members are held as an identifiable sub-fund within the Trust and are not subdivided to the individual companies within the group. Actuarial valuations are based on the total scheme assets/liabilities and the cost of accruing benefits are applied uniformly to all the companies and employees in the ratio 60% company and 40% employee.

On the advice of the pensions management current cash contributions of pensionable pay were increased on 1st January 2002 to 9% from the company and 6% from the employee (previously 7.5% and 5% respectively). On 1st July 2002 there was a further increase to 12% (employer) and 8% (employee).

The scheme is subject to triennial valuation by independent actuaries, Watson Wyatt Partners. The last valuation was carried out at 31st December 1998 using the projected unit method. The following actuarial assumptions were applied:

Rate of salary increase in excess of price inflation	1.50%
Rate of return on investments	6.75%

The market value of the scheme assets was £73.2million. Assets were taken into account at an assessed value which equated to 84% of the market value. On this basis, the funding level in the scheme was 123%. The regular cost to the company of benefit accrual is 60% of the total cost, equivalent to £0.6m for this period. The actuarial surplus attributable to the company has been amortised in equal amounts *over an 11 year period, representing the average working lifetime of employees. The net pension expense resulting is £0.4million.* Therefore the company has recognised a provision within the accounts of £0.1million representing the difference between the actual expense and actual pensions contributions made of £0.3million.

16b) FRS 17 disclosure

The scheme as described under 16a above is "multi-employer". It is available to all employees in Freightliner Heavy Haul and the employees within the other group companies, Freightliner Limited and Management Consortium Bid Limited. The fund is not separately identifiable between the three participating companies and contributions by employer/employee are the same. Under the requirements of FRS 17 the assets and liabilities have been allocated to each company applying a reasonable basis for the split (employees' accrued pension liabilities within the scheme).

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31st December 1998 and updated by independent actuaries, Mercer Human Resource Consulting to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30th March 2002. Scheme assets are stated at their market value at 30th March 2002, and have been advised by the scheme administrators as the Group's share of the Railway Pension Scheme total assets.

Disclosure of actuarial assumptions

	At 30/3/02
Rate of increases in salaries	4.25%
Rate of increase in Pension in payment	2.75%
Discount rate	6.00%
Inflation assumption	2.75%

16b) FRS 17 disclosure (continued)

The fair value of assets in the company's section and the expected rate of return were:

	Long-term rate of return expected at 30/3/02	Value at 30/3/02 £000's
Equities/Pooled funds	7.50%	4,797
Bonds	5.75%	537
Property	7.50%	301
Total market value of assets		5,635
Present value of scheme liabilities		(5,728)
Deficit in the scheme		(93)
Related deferred tax		-
Net Pension liability		(93)

17. ULTIMATE PARENT COMPANY AND CONTROLLING ENTITY

The ultimate parent company and controlling entity is Management Consortium Bid Limited, incorporated in Great Britain. Copies of the group accounts may be obtained from The Podium, 1 Eversholt Street, London, NW1 2FL.

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 paragraph (c) not to disclose transactions with other group companies that qualify as related parties.