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FREIGHTLINER HEAVY HAUL LIMITED

REPORT AND ACCOUNTS

30th MARCH 2003
TO
27th MARCH 2004

Registered No. 3831229

DIRECTORS	Norman Broadhurst (Chairman non-executive) Alan Galley (Group Chief Executive) Adam Cunliffe Douglas Downie Eddie Fitzsimons Robert Goundry Peter Maybury Oliver Huntsman (Non-executive) Hugh Mellor (Non-executive)
SECRETARY	Robert Goundry
REGISTERED OFFICE	The Podium 1 Eversholt Street London NW1 2FL
BANKERS	Barclays Bank PLC 50 Pall Mall London SW1Y 5AX
SOLICITORS	Addleshaw Goddard 150 Aldersgate Street London EC1A 4EJ
AUDITORS	Deloitte & Touche LLP Chartered Accountants London

REPORT OF THE DIRECTORS

for the 52 weeks ended 27th March 2004.

The directors present their annual report together with the audited financial statements for the financial period from 30th March 2003 to 27th March 2004. The directors approved these financial statements on 21st May 2004.

ACTIVITIES

The Freightliner Heavy Haul business was established in late 1999 following numerous demands for alternative suppliers to the bulk freight market. It was quickly developed into a significant force in the market capturing circa 14% of the UK bulk freight rail market in terms of freight lifted. While Freightliner Heavy Haul started with a "hook-and-haul" operation its philosophy of tailoring solutions to customers needs has resulted in a varied product offering including coal, cement, car, waste and petroleum. The business began operating as a limited company in April 2001. Its key operations are spread across the country reflecting the geographical diversity of these activities.

RESULTS AND DIVIDENDS

The profit and loss account is set out on page 6 and shows a profit after taxation of £7.7million (2003 £5.5million profit).

The directors do not propose a final dividend. An interim dividend for the accounting period ended 27th March 2004 of £3.1million (2003: £6.9million) was paid to the sole shareholder of the company, Management Consortium Bid Limited.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Heavy Haul business made a pre tax profit of £10.8million (2003 £7.9million). Turnover increased from £56.9million to £67.6million. Heavy Haul has continued to seek to give an excellent quality of service to its customers. From a standing start in 1999 Heavy Haul is now a larger rail operator than our intermodal business, with more traincrew and more locomotive capacity. Our Heavy Haul locomotive fleet comprised sixty-six Class 66 and six class 47 locomotives at the year-end.

We continued to make excellent progress in all sections of the market with continued growth in the coal market. Also notable has been the expansion in the cement, automotive and waste markets. In the year Heavy Haul received £1.4million rebate for track access costs incurred in prior years as a result of the reduction in track access costs determined by the Rail Regulator.

Pensions

As disclosed in note 20 of the accounts, the Freightliner section of the Railways Pension Scheme, which covers all the Group employees including Freightliner Heavy Haul, who are members of the Group's defined benefits scheme, has been heavily affected by the downturn in the equity market. The investment strategies of the Freightliner section of the Fund are determined independently of the Board by the Trustees of the Railways Pension Scheme. As the section has relatively few pensioners (most of the members are either current or ex-employees rather than pensioners), the Freightliner section investment strategy has been weighted towards equities. This is because equities are expected, in the long term, to produce higher returns and therefore provide pension benefits more cheaply than other investment strategies. In the short term, however, equity values can be very volatile. The Group's pension advisers, Mercers Human Resource Consulting, have calculated the overall deficit for the Freightliner section of the fund at Group level. The apportionment of the Group deficit to Freightliner Heavy Haul was approximately £4.1million as at 27th March 2004 (compared with £3.7million in 2003), of which the Company's share is £2.5million (£2.2million in 2003).

To ensure the pension position is maintained, pension contributions for the employer and employees rose to 15% and 10% respectively on 1st July 2003, which is a level that is anticipated to fully fund the ongoing costs of the scheme. In addition the Group made a one-off payment to the pension fund of £1,050,000 on 24th June 2003.

Future Development

After experiencing rapid revenue and profit growth in the Heavy Haul business it is anticipated that 2004/05 will be a year of consolidation.

Environmental work

The group has had investigatory (so called "phase II") environmental work carried out at a number of operational sites. Following receipt of the results for that work the directors have decided to provide £0.3million (2003 £nil) in the accounts of Freightliner Heavy Haul Limited.

DIRECTORS

The present members of the board, who were directors throughout the financial period, are set out below together with their share interests in Management Consortium Bid Limited. The directors had no other interests in any other Group companies.

	At 27th March 2004			At 29th March 2003			Share Options	
	Ordinary shares at 1p each	Founder Ordinary shares at 1p each	Ordinary Plus shares at 1p each	Ordinary shares at 1p each	Founder Ordinary shares at 1p each	Ordinary Plus shares at 1p each	At 27th March 2004 Ordinary Plus Shares at 1p each	At 29th March 2003 Ordinary Plus Shares at 1p each
Norman Broadhurst	-	-	125,000	-	-	125,000	226,800	175,000
Alan Galley	2,000	1,012,500	-	2,000	1,012,500	-	174,700	-
Douglas Downie	2,000	1,012,500	-	2,000	1,012,500	-	174,700	-
Eddie Fitzsimons	2,000	131,600	60,000	2,000	131,600	60,000	431,700	340,000
Robert Goundry	2,850	-	60,000	2,850	-	60,000	174,500	140,000
Oliver Huntsman	-	-	-	-	-	-	-	-
Peter Maybury	-	-	125,000	-	-	125,000	109,500	75,000
Adam Cunliffe	7,850	-	-	7,850	-	-	284,500	170,000
Hugh Mellor	-	-	76,200	-	-	25,000	-	40,000

Share options were granted to the Directors during the year. All options can be exercised within 10 years of the grant date. Hugh Mellor was granted 11,200 options on 11th June 2003 and exercised all his options in full (51,200 shares) on 18th December 2003. No other share options were exercised or lapsed during the year

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.

The Group's 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

On 1st August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1st September 2003 under the provisions of Section 26 (5) of the Companies Act 1989.

Deloitte & Touche LLP 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

21st May 2004

Alan Galley

21st May 2004

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, 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 for the 52 weeks ended 27 March 2004 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 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 period 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 circumstances of the company, 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 27th March 2004 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
21st May 2004

PROFIT AND LOSS ACCOUNT
52 weeks ended 27th March 2004

		2004 52 weeks ended 27th March 2004	2003 52 weeks ended 29th March 2003
		£000's	£000's
TURNOVER	2	67,628	56,848
OTHER OPERATING EXPENDITURE	3,4,5,6	(56,897)	(49,171)
OPERATING PROFIT		10,731	7,677
BANK INTEREST RECEIVABLE		199	219
INTEREST PAYABLE AND SIMILAR CHARGES	7	(149)	(4)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10,781	7,892
TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES	8	(3,102)	(2,395)
PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION		7,679	5,497
DIVIDENDS PAID	9	(3,054)	(6,900)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	19	4,625	(1,403)

ALL RESULTS DERIVE FROM CONTINUING ACTIVITIES.

BALANCE SHEET
as at 27th March 2004

	Note	27th March 2004 £000's	27th March 2004 £000's	29th March 2003 £000's	29th March 2003 £000's
FIXED ASSETS					
TANGIBLE FIXED ASSETS	10		**4,583**		3,992
CURRENT ASSETS					
STOCKS	11	**220**		14	
DEBTORS	12	**20,189**		14,181	
CASH AT BANK AND IN HAND	13	**109**		578	
TOTAL CURRENT ASSETS		**20,518**		14,773	
CREDITORS : amounts falling due within one year	14	**(14,567)**		(12,965)	
NET CURRENT ASSETS			**5,951**		1,808
TOTAL ASSETS LESS CURRENT LIABILITIES			**10,534**		5,800
CREDITORS : amounts falling due after more than one year	15		**(3,047)**		(3,293)
PROVISIONS FOR LIABILITIES AND CHARGES	17		**(355)**		-
NET ASSETS			**7,132**		2,507
CAPITAL AND RESERVES					
CALLED UP SHARE CAPITAL	18		-		-
PROFIT AND LOSS ACCOUNT	19		**7,132**		2,507
EQUITY SHAREHOLDERS' FUNDS			**7,132**		2,507

These financial statements were approved by the Board of Directors on 21st May 2004.

Signed on behalf of the Board of Directors

N. N. Broadhurst
Norman Broadhurst

21st May 2004

Alan Galley

21st May 2004

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the 52 weeks ended 27th March 2004

	2004 £000's	2003 £000's
TOTAL RECOGNISED GAINS RELATING TO THE PERIOD	**7,679**	5,497
DIVIDENDS PAID AND PROPOSED	**(3,054)**	(6,900)
NET ADDITION/(REDUCTION) TO SHAREHOLDERS' FUNDS	**4,625**	(1,403)
OPENING SHAREHOLDERS' FUNDS	**2,507**	3,910
CLOSING SHAREHOLDERS' FUNDS	**7,132**	2,507

1. ACCOUNTING POLICIES

Basis of preparation
The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985, as amended by the Companies Act 1989, and relevant 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 in the opinion of the directors that the management and performance of solvency and liquidity are managed at Group rather than 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:

Leasehold buildings and structures	Shorter of lease term or 33 years
Traction and Rolling Stock	20 to 25 years
Road Fleet	2 to 10 years
Other Equipment, Plant and Machinery	3 to 30 years

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 at the lower of cost and net realisable value for the maintenance spares

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 Railways Pension 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.

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 30th March 2003 to 27th March 2004.

2. TURNOVER

Turnover represents amounts derived from 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 constitutes the company's principal activity. The turnover wholly arises in the United Kingdom.

	2004 £000's	2003 £000's
Rail and road haulage income	67,437	56,632
Property letting	191	216
	67,628	56,848

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

	2004 £000's	2003 £000's
Aggregate amount of emoluments paid or receivable by directors in respect of their qualifying services	165	60
	No.	No.
The number of directors to whom retirement benefits are accruing under a defined benefit scheme	1	1

3b. EMPLOYEES (Including Directors)

Staff costs during the period:

	2004 £000's	2003 £000's
Wages and Salaries	16,694	13,615
Social Security costs	1,568	1,064
Pension costs	1,416	1,127
	19,678	15,806

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

	2004 Average Number	2003 Average Number
Train Operations	326	250
Administrative	79	68
	405	318

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

	2004 £000's	2003 £000's
Total staff costs	**19,678**	15,806
Materials, supplies and services	**22,588**	19,493
Track access charges	**7,654**	6,243
Depreciation	**317**	74
General expenses and overheads	**6,660**	7,555
	56,897	49,171

6. OPERATING RESULTS – OTHER INFORMATION

Operating profit is after charging:

	2004 £000's	2003 £000's
Auditors remuneration		
Auditors' fees	**14**	10
Depreciation		
On owned assets	**177**	74
On leased assets	**140**	-
Other Expenditures		
Redundancies	**47**	-
Rentals under operating leases		
Hire of plant and machinery	**13,554**	12,008
Land and buildings	**105**	207

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £000's	2003 £000's
Finance charges payable under finance leases	**149**	4

8. TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES

8a) Analysis of charge

	2004 £000's	2003 £000's
Corporation tax		
UK Corporation tax charge for the period	**3,082**	2,395
Deferred tax		
Timing differences, origination and reversal	**20**	-
Taxation on profit on ordinary activities	**3,102**	2,395

8b) Factors affecting the tax charge for the period

The differences between the current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2004 £000's	2003 £000's
Profit on ordinary activities before tax	10,781	7,892
Tax on profit on ordinary activities at standard rate of UK corporation tax (30%)	3,234	2,368
Factors affecting change:		
Disallowable expenses	11	28
Capital allowances for period in excess of depreciation	2	(14)
Other short term timing differences	(80)	91
Group relief claimed for nil consideration	(85)	(78)
Current tax charge for the period	3,082	2,395

9. DIVIDENDS

During the financial period interim dividends of £3.1million (2003 £6.9million) were paid to the parent company (the sole shareholder) Management Consortium Bid Limited. No final dividend was proposed (2003 £nil).

10. TANGIBLE FIXED ASSETS

	Land and buildings £000's	Traction and rolling stock £000's	Road Fleet £000's	Plant, machinery and equipment £000's	Total £000's
COST					
Opening balance at 30th March 2003	-	3,510	13	580	4,103
Additions during the period	689	194	-	25	908
At 27th March 2004	689	3,704	13	605	5,011
ACCUMULATED DEPRECIATION					
Opening balance at 30th March 2003	-	-	(9)	(102)	(111)
Charge for the period	(48)	(165)	(4)	(100)	(317)
At 27th March 2004	(48)	(165)	(13)	(202)	(428)
NET BOOK VALUES					
At 27th March 2004	641	3,539	-	403	4,583
At 29th March 2003	-	3,510	4	478	3,992

The net book value of tangible fixed assets includes an amount of £3,370,000 (2003 - £3,510,000) in respect of assets held under finance leases.

The net book value of land and building comprises:

	Total £000's	Freehold £000's	Long leasehold £000's	Short leasehold £000's
At 27th March 2004	641	-	66	575
At 29th March 2003	-	-	-	-

11. STOCKS

	2004 £000's	2003 £000's
Fuel	15	14
Consumable Spares	205	-
	220	14

12. DEBTORS

	2004 £000's	2003 £000's
Trade debtors	6,734	7,042
Amounts owed by group companies	12,754	6,850
Other debtors	503	238
Prepayments and accrued income	198	51
	20,189	14,181

13. CASH AT BANK AND IN HAND

	2004 £000's	2003 £000's
Cash at bank and in hand	109	578

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £000's	2003 £000's
Obligations under finance leases	227	199
Trade creditors	9,009	7,746
Amounts owed to group undertakings	-	278
Taxation and social security	3,204	2,988
Accruals and deferred income	2,127	1,754
	14,567	12,965

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 £000's	2003 £000's
Obligations under finance leases	3,047	3,293

16. FINANCIAL COMMITMENTS

Amounts payable	Within one year £000's	Between one and two years £000's	In two to five years £000's	Over five years £000's	Total £000's
Leasing capital at 27th March 2004	227	236	770	2,041	3,274
Leasing capital at 29th March 2003	199	227	739	2,327	3,492

16. FINANCIAL COMMITMENTS (continued)

At 27th March 2004 the company was committed to making the following payments during the next period in respect of operating leases.

Land and buildings	2004 £000's	2003 £000's
Leases that Expire		
Within one year	76	46
Within two to five years	171	29
Over five years	144	135
	391	210

Other operating lease assets	Traction and rolling stock £000's	Plant, machinery and equipment £000's	Total 2004 £000's	Total 2003 £000's
Leases that Expire				
Within one year	88	18	106	423
Within two to five years	7,441	92	7,533	7,054
Over five years	4,957	-	4,957	3,707
	12,486	110	12,596	11,184

The prior period figures for other operating lease payments have been restated from £9,830,000 to £11,184,000 to incorporate the "maintenance reserve" rental payments due. These form part of the overall lease commitments and have been incorporated into the 2004 figures shown above.

The following tables set out the equipment lease capital employed and their respective future lease payments that the Company has committed to over the lease term.

	Traction and rolling stock	Plant, machinery and equipment	Total 2004	Total 2003
Company estimate of underlying gross capital values of assets subject to operating lease £000's	129,067	544	129,611	115,479
Total lease payments due over the remaining lease term £000's	57,180	185	57,365	55,796
Number of Assets held under operating lease				
Locomotives	72	-	72	60
Wagons	463	-	463	357

The prior period total lease payments due over the remaining lease term have been restated from £45,768,000 to £55,796,000 to include the "maintenance reserve" committed liability. In the directors opinion this forms part of the total committed liability and is incorporated in the 2004 figures shown in the above table.

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £000's	Other £000's	Total £000's
Balance at 30th March 2003	-	-	-
Arising during the period	20	335	355
Balance at 27th March 2004	20	335	355

17a. Deferred Taxation

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

	Provided		Not Provided	
	2004	2003	**2004**	2003
	£000's	£000's	**£000's**	£000's
Short term timing differences	**(38)**	(37)	-	(83)
Accelerated capital allowances	**58**	37	-	-
Deferred tax liability	**20**	-	-	(83)

17b. Other

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

18. CALLED UP SHARE CAPITAL

		2004		2003
	Number of shares	**£'s**	Number of shares	£'s
Authorised Ordinary Shares of £1 each	**1,000**	**1,000**	1,000	1,000
Allotted, called up and fully paid	**1**	**1**	1	1

19. RESERVES

	Profit and loss account £000's
At 30th March 2003	2,507
Profit for the period	4,625
At 27th March 2004	7,132

20. PENSION COMMITMENTS

The pension costs figures used in these accounts comply with the current pension cost standard SSAP24 and are disclosed under note 20a below. Under transitional arrangements for FRS 17 the company is required to disclose the information, set out in note 20b, about the scheme and the figures that would have been shown in the current balance sheet and charged to profit and loss account, and recognised in the statement of total recognised gains and losses had this accounting standard been applied in full.

20a) SSAP 24 disclosures

The Company participates in the Railways Pension Scheme. This is a funded, contributory, defined benefit scheme providing pensions related to pay at retirement. The assets attributable to the Company members are held separately from the Company as an identifiable sub-fund within the Trust. The cost of accruing benefits is split between the Company and the employees in a ratio 60/40. Current cash contributions of pensionable pay are 15% from the Company and 10% from the employee.

The scheme is subject to triennial valuation by independent actuaries, Watson Wyatt Partners. The last valuation was carried out at 31st December 2001 using the projected unit method. The following actuarial assumptions were applied:

Rate of salary increase in excess of price inflation	1.5%
Rate of return on investments	*5.6%*

The market value of the scheme assets was £86.3million. On this basis, the funding level in the scheme was 99.5%. The regular cost to the company of benefit accrual is 60% of the total cost, equivalent to £1.4million for this period. The actuarial deficit 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 £1.4million shown under note 3.

As required by SSAP24, the figures included in the accounts in respect of the company pension scheme are based on the actuarial valuation carried out at 31st December 2001. This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next SSAP24 triennial valuation as at 31st December 2004 based upon which subsequent pension costs will be determined until the adoption of FRS17.

20b) FRS17 disclosure

The scheme, as described under 20a above, is "multi-employer". It is available to all employees in Freightliner Heavy Haul Limited 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 FRS17 the assets and liabilities have been allocated to each company applying a pragmatic, reasonable estimate 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 2001 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 27th March 2004. Scheme assets are stated at their market value at 27th March 2004, and have been advised by the scheme administrators as the Group's share of the Railways Pension Scheme's total assets.

Disclosure of actuarial assumptions

	2004	2003	2002
Rate of increase in salaries	**4.30%**	4.00%	4.25%
Rate of increase of pensions in payment	**2.80%**	2.50%	2.75%
Discount rate	**5.50%**	5.50%	6.00%
Inflation assumption	**2.80%**	2.50%	2.75%

20b) FRS17 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 27th March 2004	Value at 27th March 2004 £000s	Long-term rate of return expected 29th March 2003	Value at 29th March 2003 £000s	Long-term rate of return expected 30th March 2002	Value at 30th March 2002 £000s
Equities/Pooled funds	7.00%	12,949	6.75%	6,575	7.50%	4,797
Bonds	5.25%	1,539	5.20%	800	5.75%	537
Property	7.00%	958	6.75%	564	7.50%	301
Cash/Net Current Assets		-	4.50%	28		-
Additional Company contributions due		-	4.50%	117		-
Total market value of assets		15,446		8,084		5,635
Actuarial value of liability		(19,532)		(11,762)		(5,790)
Recoverable (deficit) in the scheme		(4,086)		(3,678)		(155)
Members' share of deficit		1,634		1,471		62
Related deferred tax asset/(liability)		-		-		-
Net pension liability		(2,452)		(2,207)		(93)

Analysis of the amount that would have been charged to the operating profit under FRS17

	2004 £000s	2003 £000s
Service cost	1,704	1,290
Past service cost	-	-
Total operating charge	1,704	1,290

Analysis of net return on pension scheme

	2004 £000s	2003 £000s
Expected return on pension scheme assets	459	428
Interest on pension liabilities	(553)	(361)
Net (interest cost)/return	(94)	67

Analysis of amount that would have been recognised in statement of total recognised gains and losses under FRS17

	2004 £000s	2003 £000s
Actual return less expected return on assets	1,676	(1,975)
Experience gains and losses on liabilities	(4)	330
Changes in assumptions	(1,511)	(369)
Actuarial gain/(loss) recognised in STRGL	161	(2,014)

20b) FRS17 disclosure (continued)

Movement in deficit during the period

	2004 £000s	2003 £000s
Deficit in scheme at beginning of year	(2,207)	(93)
Movement in year:		
Current service cost	(1,704)	(1,290)
Contributions	1,392	1,123
Net (interest cost)/return on assets	(94)	67
Actuarial gain/(loss)	161	(2,014)
Deficit in scheme at end of year	(2,452)	(2,207)

History of experience gains and losses

	2004	2003
Difference between expected and actual return on scheme assets:		
amount (£000's)	1,676	(1,975)
percentage of scheme assets	10.9%	(24.4)%
Experience gains and losses on scheme liabilities:		
amount (£000's)	(4)	330
percentage of scheme liabilities	0.0%	2.8%
Total amount recognised in statement of total recognised gains and losses:		
amount (£000's)	161	(2,014)
percentage of scheme liabilities	(0.8)%	17.5%

Shareholders' funds under FRS17

	2004 £000's	2003 £000's
Shareholders' funds before application of FRS17	7,132	2,507
Exclude existing SSAP24 pension net liability	128	104
FRS17 net pension liability net of related deferred tax	(2,452)	(2,207)
Shareholders' funds including FRS17 pension liability	4,808	404

21. ULTIMATE PARENT COMPANY AND CONTROLLING ENTITY

The ultimate parent company and controlling entity is Management Consortium Bid Limited, incorporated in Great Britain. Management Consortium Bid Limited is the largest and smallest Group of which the Company is a member and for which Group accounts are prepared. Copies of the Group accounts may be obtained from The Podium, 1 Eversholt Street, London NW1 2FL.

22. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS8 paragraph (c) not to disclose transactions with other Group companies that qualify as related parties.