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FREIGHTLINER HEAVY HAUL LIMITED

REPORT AND ACCOUNTS

28th MARCH 2004
TO
26th MARCH 2005

Registered No. 3831229

DIRECTORS	Norman Broadhurst (Chairman non-executive) Eddie Fitzsimons (Group Chief Executive) Adam Cunliffe Peter Maybury Russell Mears
SECRETARY	Russell Mears
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 26th March 2005.

The directors present their annual report together with the audited financial statements for the financial period from 28th March 2004 to 26th March 2005. The directors approved these financial statements on 13th June 2005.

ACTIVITIES
From a standing start late in 1999, Freightliner Heavy Haul has quickly developed into a significant force in the market capturing circa 18% of the UK bulk freight rail market in terms of freight lifted. After starting in the infrastructure market the business has diversified into a number of different sectors including coal, aggregates, cement, cars, waste, rail services and petroleum. Its operations have expanded to more than 1,000 trains per week and spread across the country from Liskeard to Inverness.

RESULTS AND DIVIDENDS
The profit and loss account is set out on page 6 and shows a profit after taxation of £9.0million (2004 £7.7million).

The directors do not propose a final dividend. An interim dividend for the accounting period ended 26th March 2005 of £10.0million (2004: £3.1million) was paid to the sole shareholder of the company, Management Consortium Bid Limited.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Re-financing
On 14th January 2005, Management Consortium Bid Limited and its subsidiaries were acquired by Freightliner Acquisitions Limited in a deal that was financed through a combination of debt, cash and equity in the new group holding company Freightliner Group Limited. The exercise was supported by the existing institutional shareholders (3i Nominees Limited and Electra Investment Trust plc) who increased their combined shareholding in the group from 59.7% to 75.8%.

Accounting for Employee Share Trusts Under UITF 38
As part of the refinancing exercise, the company experienced a one off non-recurring payroll cost of £121,000 in relation to the bonus award of surplus shares held in trust for the employees and management of Management Consortium Bid Limited and its subsidiaries.

Cash received from the company's parent company in respect of this cost has been recognised in the financial statements as a capital contribution.

Trading
The Heavy Haul business made a pre tax profit of £11.6million (2004 £10.8million) with turnover increasing from £67.6million to £74.7million. Heavy Haul has continued to expand through the provision of tailored solutions to meet its customer needs.

We continued to make excellent progress in all sections of the market with continued growth in the coal and aggregates market.

Future Developments
Despite having to deal with the significantly increased costs of fuel and fuel duty for the coming year, Heavy Haul is well placed to grow both existing contracts and new contracts in the coming year. The business will continue to focus on service quality as the benchmark for securing this growth.

Pensions
As disclosed in note 19 of the accounts, the Freightliner Group operates a section of the Railways Pension Scheme, which covers all the group employees who are members of the group's defined benefits scheme including Freightliner Heavy Haul. The assets are held in a separate trustee administered fund. The cost of accruing benefits is split between the company and its employees in the ratio 60/40. Current cash contributions are 15% and 10% of pensionable pay respectively.

The scheme is subject to a triennial valuation by independent actuaries, Watson Wyatt Partners. The valuation for 31st December 2004 will be available for the 2005/06 financial statements. In view of the increase in employee numbers, weak performance in equities and falling mortality rates since 31st December 2001, it was deemed prudent to obtain an updated SSAP 24 assessment by independent actuarial consultants, Mercers Human Resource Consulting, of ongoing funding costs for the scheme. For the year ended 26th March 2005, this resulted in an increased charge to profit and loss of £283,000 compared to the 2001 valuation basis.

Mercers Human Resource Consulting have also calculated the overall deficit under FRS17 for the Freightliner section of the fund at group level. The apportionment of the group deficit to Freightliner Heavy Haul Limited was approximately £5.7million as at 26th March 2005 (compared with £4.1million in 2004), of which the company's share net of deferred tax is £2.4million (£2.4million in 2004).

REPORT OF THE DIRECTORS (continued)

Pensions (continued)
Contribution rates will be held at current levels and reviewed in the light of the final Watson Wyatt actuarial valuation due out in September 2005.

DIRECTORS

The directors of the company, who served throughout the year except as noted, are as follows:

Norman Broadhurst	
Adam Cunliffe	
Douglas Downie	(resigned 11/1/2005)
Eddie Fitzsimons	
Alan Galley	(resigned 1/10/2004)
Robert Goundry	(resigned 11/1/2005)
Oliver Hunstman	(resigned 11/1/2005)
Peter Maybury	
Russell Mears	(appointed 11/1/2005)
Hugh Mellor	(resigned 11/1/2005)

None of the directors had any interests in the shares of the company in the period ended 26th March 2005.

The directors' interests in the shares and financial instruments of the other group companies are disclosed in those respective company accounts and in the accounts of the ultimate holding company, Freightliner Group Limited.

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 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.

AUDITORS

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

13th June 2005

Eddie Fitzsimons

13th June 2005

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; 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 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 26th March 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, and the related notes 1 to 21. 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 affairs of the company as at 26th March 2005 and of the profit of the company 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
13th June 2005

PROFIT & LOSS ACCOUNT

For the 52 weeks ended 26th March 2005

	Note	2005 £000's	2004 £000's
TURNOVER	2	**74,688**	67,628
OTHER OPERATING EXPENDITURE	3,4,5	**(62,876)**	(56,897)
OPERATING PROFIT		**11,812**	10,731
BANK INTEREST RECEIVABLE		**134**	199
INTEREST PAYABLE AND SIMILAR CHARGES	7	**(388)**	(149)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	**11,558**	10,781
TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES	8	**(2,584)**	(3,102)
PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION		**8,974**	7,679
DIVIDENDS PAID		**(10,000)**	(3,054)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL PERIOD	18	**(1,026)**	4,625

All results derive from continuing operations in the UK.

BALANCE SHEET
26th March 2005

	Note	2005 £000's	2004 £000's
FIXED ASSETS			
TANGIBLE FIXED ASSETS	9	**6,689**	4,583
CURRENT ASSETS			
STOCKS	10	**226**	220
DEBTORS: due within one year	11	**19,112**	20,189
CASH AT BANK AND IN HAND	12	**-**	109
TOTAL CURRENT ASSETS		**19,338**	20,518
CREDITORS: amounts falling due within one year	13	**(16,654)**	(14,567)
NET CURRENT ASSETS		**2,684**	5,951
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,373**	10,534
CREDITORS: amounts falling due after more than one year	14	**(2,811)**	(3,047)
PROVISIONS FOR LIABILITIES AND CHARGES	16	**(335)**	(355)
NET ASSETS		**6,227**	7,132
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	17	**-**	-
PROFIT AND LOSS ACCOUNT	18	**6,227**	7,132
EQUITY SHAREHOLDERS' FUNDS		**6,227**	7,132

These financial statements were approved by the Board of Directors on 13th June 2005 and signed on its behalf by:

N. N. Broadhurst
Norman Broadhurst

13th June 2005

Eddie Fitzsimons

13th June 2005

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the 52 weeks ended 26th March 2005

	2005	2004
	£000's	£000's
PROFIT FOR THE FINANCIAL PERIOD	8,974	7,679
CAPITAL CONTRIBUTION RECEIVED	121	-
TOTAL RECOGNISED GAINS RELATING TO THE PERIOD	9,095	7,679

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the 52 weeks ended 26th March 2005

	2005	2004
	£000's	£000's
TOTAL RECOGNISED GAINS RELATING TO THE PERIOD	9,095	7,679
DIVIDENDS	(10,000)	(3,054)
NET (REDUCTION FROM)/ADDITION TO SHAREHOLDERS' FUNDS	(905)	4,625
OPENING EQUITY SHAREHOLDERS' FUNDS	7,132	2,507
CLOSING EQUITY SHAREHOLDERS' FUNDS	6,227	7,132

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below.

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.

Statement of cash flows

The company has taken advantage of the exemption from preparing this statement in accordance with FRS1 (Revised 1996), as its parent company prepares a consolidated cash flow statement.

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:

Freehold Buildings and Structures	33 to 40 years
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.

Current tax

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

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 account in equal amounts over the lease term.

Pension costs

The company operates within the Railways Pension Scheme, a defined benefit 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 28th March 2004 to 26th March 2005.

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 constitute the company's principal activity. The turnover all arises in the United Kingdom.

	2005 £000's	2004 £000's
Rail and road haulage income	**74,301**	67,437
Property letting	**387**	191
	74,688	67,628

In the directors' opinion the profit before tax and net assets are derived solely from the company's principal activity.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors

	2005 £000's	2004 £000's
Aggregate amount of emoluments paid or receivable by directors in respect of their qualifying services	**250**	165
	No.	No.
The number of directors to whom retirement benefits are accruing under a defined benefit scheme	**1**	1
Highest paid director	**£000's**	£000's
The total amount of emoluments and amounts receivable	**250**	165
The amount at the end of the accounting period of his accrued pension	**9**	6
The amount at the end of the accounting period of his accrued lump sum	**7**	6

Employees (Including Directors)

Staff costs during the period:

	2005 £000's	2004 £000's
Wages and salaries	**19,811**	16,694
Bonus awards funded by share trusts	**121**	-
Social security costs	**1,832**	1,568
Pension costs	**1,832**	1,416
	23,596	19,678

The average number of employees employed by the company during the period was:

By activity	**2005**	2004
Train operations	**369**	326
Administrative	**84**	79
	453	405

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 an 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

	2005 £000's	2004 £000's
Total staff costs	**23,596**	19,678
Materials, supplies and services	**22,840**	22,588
Track access charges	**10,493**	7,654
Depreciation	**506**	317
General expenses and overheads	**5,441**	6,660
	62,876	56,897

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2005 £000's	2004 £000's
Audit services		
- statutory audit	**11**	14
- other services	**1**	-
Depreciation and amounts written off tangible fixed assets		
- owned	**365**	177
- held under finance leases and hire purchase contracts	**141**	140
Redundancies	**36**	47
Operating lease rentals		
- plant and machinery	**14,595**	13,554
- land and buildings	**330**	105

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £000's	2004 £000's
Loan interest	**248**	-
Finance charges payable under finance leases and hire purchase contracts	**140**	149
	388	149

8. TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge for the period

	2005 £000's	2004 £000's
Corporation tax		
UK Corporation tax charge for the year	**2,669**	3,082
Deferred tax		
Timing differences, origination and reversal	**(85)**	20
Taxation on profit on ordinary activities	**2,584**	3,102

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:

	2005 £000's	2004 £000's
Profit on ordinary activities before tax	**11,558**	10,781
Tax on profit on ordinary activities at standard rate of UK corporation tax (30%)	**3,468**	3,234
Factors affecting charge:		
Disallowable expenses	**12**	11
Depreciation for period in excess of capital allowances	**44**	2
Other short term timing differences	**42**	(80)
Group relief surrendered for nil consideration	**(897)**	(85)
Current tax charge for the year	**2,669**	3,082

9. TANGIBLE FIXED ASSETS

	Land and buildings £000's	Traction and rolling stock £000's	Road fleet £000's	Plant and machinery £000's	Total £000's
Cost or valuation					
Opening balance at 28th March 2004	689	3,704	13	605	**5,011**
Additions during the period	2,300	268	-	91	**2,659**
Disposals during the period	-	-	-	(84)	**(84)**
At 26th March 2005	2,989	3,972	13	612	**7,586**
Depreciation					
Opening balance at 28th March 2004	(48)	(165)	(13)	(202)	**(428)**
Charge for the period	(67)	(164)	-	(275)	**(506)**
Disposals during the period	-	-	-	37	**37**
At 26th March 2005	(115)	(329)	(13)	(440)	**(897)**
Net book value					
At 26th March 2005	2,874	3,643	-	172	**6,689**
At 27th March 2004	641	3,539	-	403	**4,583**
Assets held under finance leases included above					
Net book value					
At 26th March 2005	-	3,229	-	-	**3,229**
At 27th March 2004	-	3,370	-	-	**3,370**

ATIS REAL Weatheralls, Chartered Surveyors professionally valued the company's properties as at 26th March 2005. The basis for valuation was market value for existing use. The valuation has been carried out in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes.

The net book value of land and building comprises:

	2005 £000's	2004 £000's
Long leasehold	**2,341**	66
Short leasehold	**533**	575
	2,874	641

10. STOCKS

	2005 £000's	2004 £000's
Fuel	**22**	15
Consumable spares	**204**	205
	226	220

11. DEBTORS

	2005 £000's	2004 £000's
Trade debtors	10,163	6,734
Amounts owed by group companies	7,431	12,754
Deferred tax asset (note 16)	65	-
Other debtors	345	503
Prepayments and accrued income	1,108	198
	19,112	20,189

12. CASH AT BANK AND IN HAND

	2005 £000's	2004 £000's
Cash at bank and in hand	-	109
	-	109

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £000's	2004 £000's
Obligations under finance leases	237	227
Trade creditors	8,908	9,009
Taxation and social security	3,236	3,204
Accruals and deferred income	4,273	2,127
	16,654	14,567

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

	2005 £000's	2004 £000's
Obligations under finance leases	2,811	3,047
	2,811	3,047

15. FINANCIAL COMMITMENTS

The maturity profile of the financial commitments is as follows:

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 26th March 2005	237	245	804	1,762	3,048
Leasing capital at 27th March 2004	227	236	770	2,041	3,274

15. FINANCIAL COMMITMENTS (continued)

Operating lease commitments for the following year, total equipment lease capital employed and total future operating lease commitments are shown in the following table.

Land and buildings	Land and Buildings 2005 £000's	Land and Buildings 2004 £000's
Leases that expire		
Within one year	14	76
Within two to five years	170	171
Over five years	144	144
	328	391

Other operating leases	Traction and rolling stock £000's	Plant, machinery and equipment £000's	Total Other 2005 £000's	Total Other 2004 £000's
Leases that expire				
Within one year	-	31	31	106
Within two to five years	10,792	138	10,930	7,533
Over five years	2,060	-	2,060	4,957
	12,852	169	13,021	12,596
Group estimate of underlying gross capital values of assets subject to operating lease	133,547	730	134,277	129,611
Total lease payments due over the remaining lease term	50,930	284	51,214	57,365
Number of assets held	No.	No.	No.	No.
Locomotives	66	-	66	72
Wagons	570	-	570	463

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Other £000's	Deferred tax £000's	Total £000's
At 28th March 2004	335	20	355
Arising during the period	-	(85)	
At 26th March 2005 Provisions for liabilities and charges	335		
At 26th March 2005 Deferred tax asset (note 11)		(65)	

16. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred tax

The amounts of deferred taxation provided in the accounts are as follows:

	2005 £000's	2004 £000's
Short term timing differences	(80)	(38)
Accelerated capital allowances	15	58
Deferred tax (asset)/liability	(65)	20

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.

17. CALLED UP SHARE CAPITAL

Authorised	2005 £'s	2004 £'s
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1 ordinary share of £1	1	1

18. RESERVES

	Profit and loss account £000's
At 28th March 2004	7,132
Retained loss for the period	(1,026)
Capital contribution received	121
At 26th March 2005	6,227

19. PENSION COMMITMENTS

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

SSAP 24 disclosures

The company operates a funded defined benefit scheme for all qualifying employees. The assets are held in a separate trustee administered fund operated by Railway Pensions Trustee Company Limited. The cost of accruing benefits is split between the company and the employees in the 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. The valuation currently being carried out for 31st December 2004 will be available for the 2005/06 financial statements.

The figures included in the accounts in respect of the company pension scheme are based on the formal actuarial valuation carried out at 31st December 2001 and updated to the current accounting period by independent actuaries, Mercer Human Resource Consulting. The projected unit method has been applied and the following actuarial assumptions were used:

Rate of salary increase in excess of price inflation	1.5%
Rate of return on investments – Pre retirement	7.2%
Rate of return on investments – Post retirement	5.2%

The market value of the scheme assets for the total group was £114.5million. On this basis the funding level of the scheme was 99%. The regular cost to the group is 60% of the total cost, equivalent to £1.7million for this period for the company.

The pension cost and provision movements for the period are as follows:

	Pension charge £000's	Pension provision £000's
At 28th March 2004 (under accruals and deferred income – note 13)	-	(128)
Cash contributions to pension fund	-	1,691
Regular cost	1,698	(1,698)
Variation from regular cost	134	(134)
NET PENSION COST FOR THE YEAR (see note 3)	1,832	
Pension provision at 26th March 2006 (under accruals and deferred income – note 13)		(269)

FRS17 disclosure

The pension scheme, as described above, is "multi-employer". It is available to all employees of Freightliner Heavy Haul Limited and the employees within the other companies in the group, Freightliner Limited and Management Consortium Bid Limited. The fund is not separately identifiable between the three participating companies and contribution proportion by employer/employee are the same at 60/40. Under the requirements of FRS17 the assets and liabilities have been allocated to each company applying a pragmatic, reasonable estimate for the split (using as a basis the employees' accrued pension liabilities within the scheme at 26th March 2005).

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 26th March 2005. In the disclosures below scheme assets are stated at their market value at 26th March 2005, and have been advised by the scheme administrators as the company's share of the Railways Pension Scheme's total assets.

19. PENSION COMMITMENTS (continued)

FRS17 disclosure (continued)

Disclosure of actuarial assumptions

	2005	2004	2003
Rate of increase in salaries	**4.40%**	4.30%	4.00%
Rate of increase of pensions in payment	**2.90%**	2.80%	2.50%
Discount rate	**5.40%**	5.50%	5.50%
Inflation assumption	**2.90%**	2.80%	2.50%

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

	Long-term *rate of return* expected 26th March 2005	***Value at* 26th March 2005 £000s**	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
Equities/Pooled funds	**7.00%**	**17,527**	7.00%	12,949	6.75%	6,575
Bonds	**5.20%**	**2,264**	5.25%	1,539	5.20%	800
Property	**7.00%**	**1,618**	7.00%	958	6.75%	564
Other funds	**4.75%**	**1,075**		-	4.50%	28
Additional company contributions due		**-**		-	4.50%	117
Total market value of assets		**22,484**		15,446		8,084
Actuarial value of liability		**(28,189)**		(19,532)		(11,762)
Recoverable deficit in the scheme		**(5,705)**		(4,086)		(3,678)
Members' share of deficit		**2,282**		1,634		1,471
Related deferred tax asset		**1,027**		-		-
Net pension liability		**(2,396)**		(2,452)		(2,207)

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

	2005 £000s	2004 £000s
Service cost	**2,079**	1,704
Past service cost	**-**	-
Total operating charge	**2,079**	1,704

Analysis of net return on pension scheme

	2005 £000s	2004 £000s
Expected return on pension scheme assets	**806**	459
Interest on pension liabilities	**(812)**	(553)
Net cost	**(6)**	(94)

19. PENSION COMMITMENTS (continued)

FRS17 disclosure (continued)

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

	2005 £000s	2004 £000s
Actual return less expected return on assets	603	1,676
Experience gains and losses on liabilities	(11)	(4)
Changes in assumptions	(1,169)	(1,511)
Actuarial (loss)/gain recognised in STRGL	(577)	161

Movement of deficit during the period

	2005 £000s	2004 £000s
Deficit in scheme at beginning of year	(2,452)	(2,207)
Movement in year:		
Current service cost	(2,079)	(1,704)
Contributions	1,691	1,392
Net interest cost	(6)	(94)
Actuarial (loss)/gain	(577)	161
Deficit in scheme at end of year	(3,423)	(2,452)

History of experience gains and losses

	2005	2004	2003
Difference between expected and actual return on scheme assets:			
amount (£000's)	603	1,676	(1,975)
percentage of scheme assets	2.7%	10.9%	(24.4)%
Experience gains and losses on scheme liabilities:			
amount (£000's)	(11)	(4)	330
percentage of scheme liabilities	0.0%	0.0%	2.8%
Total amount recognised in statement of total recognised gains and losses:			
amount (£000's)	(577)	161	(2,014)
percentage of scheme liabilities	(2.0)%	0.8%	(17.1)%

Equity shareholders' funds under FRS17

	2005 £000's	2004 £000's
Shareholders' equity funds before application of FRS17	6,227	7,132
Exclude existing SSAP24 pension liability	269	128
FRS17 pension liability net of related deferred tax	(2,396)	(2,452)
Shareholders' equity funds including FRS17 pension liability	4,100	4,808

20. ULTIMATE PARENT COMPANY AND CONTROLLING ENTITY

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

21. 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.