GB RAILFREIGHT LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Company Registered Number 03707899

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DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and audited financial statements for the year ended 31 December 2012

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

GB Railfreight continues to grow its market share with turnover exceeding £90m in 2012, an increase of 23% on the previous year

During the year GB Railfreight received a group loan for the purchase of additional rolling stock to support business growth

Coal volumes remain strong with high gas prices resulting in an increase of 32 3% in generation for coal fired power stations compared to a reduction in generation of 35 1% for gas New business during the year included coal blending movements from Potland Burn to Kellingley and EDF Energy imports from Hull Docks to West Burton In November we commenced a three year contract for EoN to move imported biomass from Liverpool Docks to Ironbridge

During the spring we commenced a new seven year contract with Greenergy, the UK's third largest private company (when measured by turnover), providing movements of petroleum and diesel between Humberside (and Teeside in late 2013) and Cardiff Docks in South Wales This was followed by an additional service for PetroChem Carless from Harwich to Holybourne

Production of steel recommenced in early 2012 at the former TATA steelworks on Teeside which was acquired by Sahavirina Steel Industries in February 2011 GB Railfreight provides on-site logistics and commenced movement of scrap metal, lime and limestone feedstocks during 2012 Movement of railborne coal is also expected to commence in July 2013

Activity in the infrastructure sector has been above expectations with an increase in Network Rail orders towards the year end, particularly in seasonal activities providing trains for leaf clearance and snow and ice treatment It is anticipated that activity in this sector will continue to be strong throughout much of 2013

Despite continuing difficult economic conditions our maritime intermodal business has continued to grow steadily with increased box volumes GB Railfreight now has a total service offering from The Port of Felixstowe of six import and six export trains daily

In late spring 2012 we commenced a two year contract with Bam Ferrovial Kier as part of the Crossrail project, for the removal of spoil by rail from the western portal to a facility at Northfleet where we will also be responsible for materials handling prior to onward movement by barge

Trials have recently commenced with Tarmac moving slag from Port Talbot and Scunthorpe to Acton and granite from Tunstead to Bury St Edmunds for concrete production with the prospect of a long term contract to follow

Principal risks and uncertainties

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 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

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 6 The balance sheet is set out on page 7

No final dividend (31 December 2011 - £nil) was paid in the year No interim dividend 31 December 2011 - £nil) was paid in the year

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

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 2012 were equivalent to 41 days' purchases (31 December 2011 46), based on the average daily amount invoiced by suppliers during the year

Directors

The directors who held office throughout the period are as follows

F Coart
C R Lienard (Resigned 21/09/2012)
E Moulin (Appointed 21/09/2012)
P G A Sainson
D P Simons
J G Smith

DIRECTORS' REPORT

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

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 auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are 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

Auditors

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

David Simons

D P Simons
Director
19th June 2013

15-25 Artillery Lane
London
E1 7HA

Company Registered Number 03707899

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

The directors are responsible for preparing 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 2012 set out on pages 6 to 24 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 4, 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 APB'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 2012 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 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

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

6th August 2013

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2012

	Notes	31 December 2012 £000	31 December 2011 £000
Turnover	2	90,047	73,056
Operating costs		(84,783)	(68,685)
Operating profit	3	5,264	4,371
Finance charges (net)	7	(389)	17
Profit on ordinary activities before taxation		4,875	4,388
Tax charge on profit on ordinary activities	8	(1,879)	(1,165)
Profit for the financial year	16	2,996	3,223

All activities relate to continuing operations

STATEMENT OF RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2012

	Notes	31 December 2012 £000	31 December 2011 £000
Profit for the financial year		2,996	3,223
Actuarial (loss)/gain recognised in the pension scheme(s)	19	(1,949)	132
Deferred tax on actuarial (loss)/gain in the pension scheme		453	(123)
Profit for the year		1,500	3,232

BALANCE SHEET

At 31 December 2012

	Notes	At 31 December 2012 £000	£000	At 31 December 2011 £000	£000
Assets employed:					
Fixed assets					
Tangible assets	9		28,293		17,231
Current assets					
Stocks	10	278		190	
Debtors					
- due within one year	11	19,722		15,221	
- due after one year	11	257		372	
Cash at bank and in hand		5,855		6,436	
		26,112		22,219	
Creditors amounts falling due within one year	12	(32,073)		(23,522)	
Net current liabilities			(5,961)		(1,303)
Total assets less current liabilities			22,332		15,928
Creditors amounts falling due after more than one year	13		(5,024)		(524)
Provision for liabilities	14		(479)		-
Defined benefit pension scheme liability	19		(2,017)		(2,432)
Net assets			14,812		12,972
Financed by:					
Capital and reserves					
Called up share capital	15		5,000		5,000
Profit and loss account			9,812		7,972
Shareholders' funds	16		14,812		12,972

These financial statements of GB Railfreight Limited (company number 03707899) were approved by the Board of Directors on 19th June 2013 and were signed on its behalf by

David Simons

D P Simons
Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 December 2012

	31 December 2012 £000	31 December 2011 £000
Profit for the year	1,500	3,232
FRS 20 share based payment charge	340	162
Net increase in shareholders' funds	1,840	3,394
Opening shareholders' funds	7,972	4,578
Closing shareholders' funds	**9,812**	**7,972**

NOTES TO THE FINANCIAL STATEMENTS

1 **Principal accounting policies**

The following accounting policies have been applied consistently throughout the current year and preceding period 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 2

(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 residual value of tangible fixed assets 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

(e) Stocks

Stocks are valued 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 expected useful lives of the assets concerned 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)

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 2012 £000	31 December 2011 £000
Operating profit on ordinary activities before taxation is stated after charging/(crediting)		
Energy and consumables	19,128	13,951
Staff costs	21,500	20,284
Auditors' remuneration		
- fee payable for the annual audit of the financial statements	33	33
Depreciation and other amounts written off tangible fixed assets		
- owned assets	3,694	2,580
Rentals payable under operating leases		
- locomotives	4,904	5,075
- wagons	7,755	6,358
- other operating leases	913	713
Government grants	(2,302)	(2,368)

Non audit fees have been borne by the Company's intermediate holding company, Europorte SAS, a company incorporated in France

4 Employee numbers and costs

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

	31 December 2012 No	31 December 2011 No
Operations	313	243
Administration	113	102
	426	345

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	21,500	16,985
Social security costs	2,163	1,700
Other pension costs	1,760	1,599
	25,423	20,284

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 2012 £000	31 December 2011 £000
Aggregate emoluments (excluding pension contributions)	492	454
Company pension contributions	50	45
	542	499

During the year, 134,000 (31 December 2011 134,000) options have been granted to certain directors of the Company to acquire shares in GET SA No share options have been exercised during the year

The emoluments of the highest paid director amounted to

	£000	£000
Aggregate emoluments	295	277
Company pension contributions	30	28
	325	305

During the year, 100,000 (31 December 2011 100,000) options have been granted to the highest paid director

At 31 December 2012 there were two directors (2011 – 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 2012	7 11	251,000
Granted during the year	6 33	162,000
Cancelled during the year	–	–
Transferred during the year	–	–
Lapsed during the year	7 52	(39,250)
Exercised during the year	–	–
Expired during the year	–	–
In issue at 31 December 2012	**6.73**	**373,750**
Exercisable at 31 December 2012	**–**	**–**

Of the 373,750 options in issue at 31st December 2012

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,

117,750 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

162,000 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 £162,000 was made to the profit and loss account in "staff costs" in 2012 (31 December 2011 £105,000)

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, GET SA's board of directors decided on 26 April 2012 to make a second grant for a total of 65,600 GET SA Shares (310 shares per employee) 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	**2012**	**2011**
In issue at 1 January	66,000	-
Granted during the year	129,180	67,600
Cancelled during the year	(7,050)	(1,600)
Exercised during the year	–	–
Expired during the year	–	–
In issue at 31 December	**188,130**	**66,000**
Exercisable at 31 December	–	–

A charge of £178,000 was made in the 2012 accounts relating to the free shares (2011 £57,000)

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 (net)

	31 December 2012 £000	31 December 2011 £000
Interest payable to other group undertakings	121	70
Other interest costs	415	-
Interest receivable and similar income	(9)	(4)
Other interest income	(138)	(83)
	389	(17)

8 Tax charge on profit on ordinary activities

	31 December 2012 £000	31 December 2011 £000
UK corporation tax		
- Current tax on income for the period	719	919
Total current tax	719	919
Deferred tax		
- Origination/reversal of timing differences	520	270
Adjustment in respect of defined benefit pensions	640	(24)
Total deferred tax	1,160	246
Tax on profit on ordinary activities	1,879	1,165

Factors affecting current tax charge for the year

The current tax charge for the year is higher than (period ended 31 December 2011 – higher than) the standard rate of corporation tax in the UK of 24% (31 December 2011 – 26%)

The differences are explained below

	31 December 2012 £000	31 December 2011 £000
Profit on ordinary activities before taxation	4,875	4,388
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% to 31 March 2012 and 24% thereafter (31 December 2011 26%)	1,195	1,163
Expenses not deductible for tax purposes	25	123
Capital allowances (in excess of) / less than depreciation for the year/period	(584)	(428)
Other timing differences	83	61
Total current tax charge (see above)	719	919

Deferred tax assets and liabilities are recognised at 23% (31 December 2011 24%) The change in rate reflects the change in corporation tax rate to 23% with effect from 1 April 2013

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly The deferred tax liability at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement

It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly

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 2012	2,998	23,101	26,099
Additions	268	14,488	14,756
Disposals	-	-	-
At 31 December 2012	3,266	37,589	40,855
Depreciation			
At 1 January 2012	1,607	7,261	8,868
Charge for period	311	3,383	3,694
Disposals	-	-	-
At 31 December 2012	1,918	10,644	12,562
Net book value			
At 31 December 2012	1,348	26,945	28,293
At 31 December 2011	1,391	15,840	17,231

Other plant and equipment includes assets held under finance leases at cost of £5,237,000 (2011 nil) As at 31 December 2012 depreciation on these assets is £438,000 (2011 nil)

10 Stocks

	31 December 2012 £000	31 December 2011 £000
Spare parts and consumables	278	190

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Debtors

	31 December 2012 £000	31 December 2011 £000
Amounts falling due within one year:		
Trade debtors	14,460	10,875
Amounts owed by group undertakings	55	81
Other debtors	212	209
Prepayments and accrued income	4,995	3,994
Deferred tax asset (note 14)	-	62
	19,722	15,221

	31 December 2012 £000	31 December 2011 £000
Amounts falling due after more than one year:		
Other debtors	257	372
	257	372

12 Creditors – amounts falling due within one year

	31 December 2012 £000	31 December 2011 £000
Obligations under finance leases and hire purchase contracts	368	-
Trade creditors	6,120	5,753
Amounts owed to parent and group undertakings	14,144	9,058
Corporation Tax	10	135
Other creditors	2,422	1,317
Accruals and deferred income	9,009	7,259
	32,073	23,522

13 Creditors – amounts falling due after more than one year

	31 December 2012 £000	31 December 2011 £000
Obligations under finance leases and hire purchase contracts	4,661	-
Accruals and deferred income	363	524
	5,024	524

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Provision for liabilities

	Deferred tax	Total
	£000	£000
At beginning of year	(62)	(62)
Charged to the profit and loss for the year	541	541
At end of year	479	479

The elements of deferred taxation are as follows	31 December 2012 £000	31 December 2011 £000
Difference between accumulated depreciation and amortisation and capital allowances	609	50
Other timing differences	(130)	(112)
	479	(62)
Deferred tax asset (see note 11)	-	(62)
Deferred tax liability	479	-
	479	(62)

15 Called up share capital

	31 December 2012 £000	31 December 2011 £000
Allotted, called up and fully paid:		
5,000,002 ordinary shares of £1 each	5,000	5,000

16 Reconciliation of movements in shareholders' funds

	Share capital	FRS20	Profit and loss account	Total
	£000	£000	£000	£000
At 1 January 2012	5,000	185	7,787	12,972
Retained profit for the year	-	-	2,996	3,615
Other recognised gains and losses during the year	-	-	(1,496)	(2,115)
FRS20 Share based payment charge	-	340	-	340
At 31 December 2012	5,000	525	9,287	14,812

17 Commitments

The Company had no capital commitments at 31 December 2012 or at 31 December 2011

18 Operating leases

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

	31 December 2012 Land and buildings £000	31 December 2012 Other £000	31 December 2011 Land and buildings £000	31 December 2011 Other £000
Operating leases which expire				
Within one year	4	1,118	63	300
Between two and five years	196	7,792	186	5,896
After five years	135	4,322	118	4,898
	335	13,232	367	11,094

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 2010 and the figures included in the accounts in respect of the Company pension scheme are based on this latest valuation as updated to the current accounting period 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 shared cost in nature, with costs shared by the employer (60%) and the employees (40%)

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 2012 £000	31 December 2011 £000
Present value of funded defined benefit obligations	31,458	26,063
Fair value of plan assets	(27,092)	(20,730)
Present value of unfunded defined benefit obligations	4,366	5,333
Adjustment for the members' share of deficit	(1,747)	(2,133)
Net deficit	2,619	3,200
Related deferred tax asset	(602)	(768)
Net liability	2,017	2,432

NOTES TO THE FINANCIAL STATEMENTS (continued)

Movements in present value of defined benefit obligation

	31 December 2012 £000	31 December 2011 £000
At 1 January 2012	26,063	25,331
Current service cost	2,451	2,435
Interest cost	1,418	1,503
Actuarial losses/(gains)	1,772	(2,372)
Benefits paid	(246)	(834)
At 31 December 2012	31,458	26,063

Movements in fair value of plan assets

	31 December 2012 £000	31 December 2011 £000
At 1 January 2012	20,730	19,777
Expected return on plan assets	1,647	1,642
Actuarial gains/(losses)	189	(2,080)
Contributions by employer	3,882	1,398
Contributions by members	890	827
Benefits paid	(246)	(834)
At 31 December 2012	27,092	20,730

Expense recognised in the profit and loss account

	31 December 2012 £000	31 December 2011 £000
Employer's share of current service cost	1,489	1,481
Employer's share of Interest on defined benefit pension plan obligation	851	902
Employer's share of Expected return on defined benefit pension plan assets	(988)	(985)
Total	1,352	1,398

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

	31 December 2012 £000	31 December 2011 £000
Staff costs	1,489	1,481
Other interest income	(137)	(83)
	1,352	1,398

The total amount recognised in the STRGL in respect of actuarial losses is £1,949,000 (31 December 2011 Gains £132,000) Cumulative actuarial gains/losses reported in the statement of total recognised gains are £1,262,000 (31 December 2011 £3,211,000)

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	31 December 2012 Fair value £000	31 December 2011 Fair value £000
Equities	25,027	20,059
Government debt	940	526
Corporate bonds	939	-
Other	186	145
	27,092	20,730
Actual return on plan assets	1,836	(438)

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 2012 %	31 December 2011 %
Discount rate	4 4	5 0
Expected rate of return on plan assets	6 6	7 2
Future salary increases	3 0	3 3
Increases to deferred pensions and pension increases	2 0	2 3
Price Inflation (CPI)	2 0	2 3
Price Inflation (RPI)	3 0	3 3

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 6 years
- Male pensioner aged 65 with pension £9,300 pa or above or pensionable pay £35,000 pa or above 22 8 years
- Female pensioner aged 65 with pension under £3,300 pa or pensionable pay under £35,000 pa 22 5 years
- Female pensioner aged 65 with pension £3,300 pa or above or pensionable pay £35,000 pa or above 24 9 years
- Male pensioner aged 45 with pension under £9,300 pa or pensionable pay under £35,000 pa 23 years
- Male pensioner aged 45 with pension £9,300 pa or above or pensionable pay £35,000 pa or above 25 years

NOTES TO THE FINANCIAL STATEMENTS (continued)

- Female pensioner aged 45 with pension under £3,300 pa or pensionable pay under £35,000 pa 25 years

- Female pensioner aged 45 with pension £3,300 pa or above or pensionable pay £35,000 pa or above 27 3 years

History of plans

The history of the plans is as follows

Balance sheet

	31 December 2012 £000	31 December 2011 £000
Present value of scheme liabilities	31,458	26,063
Fair value of scheme assets	(27,092)	(20,730)
Deficit/surplus	4,366	5,333
Adjustment for the members' share of surplus/(deficit)	(1,747)	(2,133)
Net Deficit	2,619	3,200

Experience adjustments

	31 December 2012 £000 - % of the liability	31 December 2011 £000 - % of the liability
Experience adjustments on scheme liabilities	1,048 – 3 3%	972 – 3 8%
Experience adjustments on scheme assets	114 – 0 4%	1,248 – 5 8%

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 £247,548 (for the Year ended 31 December 2011 £249,637)

The contributions payable as at 31 December 2012 are £86,190 (31 December 2011 £108,149)

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

The Company's immediate holding company is Europorte SAS

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 Subsequent events

There were no events between the date of the balance sheet and the date on which these financial statements were approved which have a material effect on the Company's 2012 financial statements