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**FREIGHTLINER LIMITED**  
**Report and accounts 2011**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 26 MARCH 2011**

TUESDAY



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13/12/2011  
COMPANIES HOUSE

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**FREIGHTLINER LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	Adam Cunliffe Peter Maybury Dom McKenna Russell Mears Tim Shakerley Paul Smart
<b>COMPANY SECRETARY</b>	Russell Mears
<b>COMPANY NUMBER</b>	3118392
<b>REGISTERED OFFICE</b>	The Podium 1 Eversholt Street London London NW1 2FL NW1 2FL
<b>AUDITOR</b>	Deloitte LLP Chartered Accountants and Statutory Auditor London United Kingdom
<b>BANKERS</b>	Royal Bank of Canada Europe Limited 71 Queen Victoria Street London EC4V 4DE
<b>SOLICITORS</b>	Addleshaw Goddard Milton Gate 60 Chiswell Street London EC1Y 4AG

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**FREIGHTLINER LIMITED**

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**FREIGHTLINER LIMITED**

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**DIRECTORS' REPORT**  
**FOR THE PERIOD ENDED 26 MARCH 2011**

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The directors present their report and the financial statements for the period ended 26 March 2011.

**PRINCIPAL ACTIVITIES**

Freightliner is the UK's largest haulier of maritime containers, accounting for 20% of the total market share and 80% of the rail-fed market. Its businesses are concentrated through four key deep-sea ports: Felixstowe, Southampton, Thamesport and Tilbury. The company provides trunk rail services between these ports and inland freight interchanges (terminals), moving customers' containers on the first or last leg of a worldwide voyage. The company transports up to 3,000 boxes per day. In addition, Freightliner provides local road haulage and storage for containers at its inland terminals and Freightliner's own fleet of road vehicles offer delivery of the final road leg of the journey.

**RESULTS AND DIVIDENDS**

The profit for the period, after taxation, amounted to £4,153,000 (2010 - loss £2,710,000)

The directors do not propose a dividend for the accounting period (2010: £nil). During the period an interim dividend of £5 million (2010: £nil) was paid to the sole shareholder of the company, Management Consortium Bid Limited.

**FUTURE DEVELOPMENTS**

We expect to see the improvement in deep-sea container volumes, experienced in 2011, continue into the 2012 financial period as economic conditions return to levels seen before the global recession.

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## FREIGHTLINER LIMITED

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### DIRECTORS' REPORT FOR THE PERIOD ENDED 26 MARCH 2011

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#### PRINCIPAL RISKS AND UNCERTAINTIES

The Board manages the principal risks and uncertainties as follows

##### Customers

The deep-sea business benefits from a wide and growing customer base under medium and long-term contracts and supplemented by a number of spot contracts

##### Credit

The company's credit risk is attributable to its debtors, which are presented in the balance sheet net of any provision for bad debts. The company only enters into material transactions with reputable and established businesses. Credit risk is controlled by the regular review and setting of customer payment terms. Compliance with these limits is monitored daily.

##### Health and safety

Railway operators are required by statute (The Railways and Other Guided Transport Systems [Safety] Regulations, 2006) to hold a current Safety Certificate. To secure a Safety Certificate they must submit to the Office of the Rail Regulator a Railway Safety Case (RSC), a document defining the safety management system.

Each railway operator holds a duty to comply with its RSC. The Freightliner Group's operating companies, including Freightliner Limited, have Professional Heads of Safety and Security, with a reporting line to their respective Boards. Convening every four weeks, the Professional Heads meet with the Group Head of Risk Management and other representatives of pertinent disciplines to review, at all levels of operations, compliance with the RSC. It is the responsibility of the Group Head of Risk Management to escalate matters of appropriate significance to the Group Executive.

##### Liquidity and interest rates

Cash flow forecasts are updated on a regular basis to assess the ability to meet future cash commitments and to ensure that the group loan covenants will be met.

##### Financial risk management

The directors considered the risks attached to the company's financial instruments, which principally comprise operating debtors, operating creditors and external loans. The directors have taken a prudent approach in their consideration of the various risks attached to the financial instruments of the company.

The directors' policy on hedging is to hedge all financial risks where it is feasible and cost effective to do so. At a group level fuel and interest rates have been hedged during the year.

#### ENVIRONMENT

The company recognises the importance of its environmental responsibilities by adopting good industry practice for the control of pollution and the management of environmental risks. A provision has been carried forward within the accounts for anticipated environmental work to be carried out at a number of operational sites and anticipated to be undertaken within the next few years.

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## FREIGHTLINER LIMITED

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### DIRECTORS' REPORT FOR THE PERIOD ENDED 26 MARCH 2011

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#### EMPLOYEES

Details of the number of employees and related costs can be found in note 5 to the financial statements.

The company continues its policy and practices to keep employees informed through staff magazines and newsletters. Regular meetings are held between local management and employees to encourage the free flow of information and ideas.

Full consideration is given 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.

The group has been running employee share schemes since privatisation and the schemes are open to all employees except key managers. Key managers and directors have a separate opportunity to purchase "key manager" shares and in doing so are precluded from the general employee share scheme.

#### DIRECTORS

The directors who served throughout the period, and subsequently were:

Adam Cuntiffe  
Peter Maybury  
Russell Mears  
Paul Smart  
Dom McKenna (appointed 12 July 2011)  
Tim Shakerley (appointed 12 July 2011)

#### PENSIONS

As disclosed in note 22 to the financial statements the Freightliner share of the of the pension deficit, net of deferred tax, on an FRS17 basis is £1.9 million (2010 £14.6 million deficit). The reduction in deficit reflects the statutory change in inflation applied from RPI to CPI. In addition there was a further recovery in the scheme assets.

The pension scheme is multi-employer covering several companies within the group. The last actuarial valuation was performed at 31 December 2007 and reported a surplus for the scheme as a whole of £11.9 million (the group share after related deferred tax is £5.1 million). This valuation includes a contingency to account for the poor market conditions that have been experienced post valuation date and scheme contribution levels for both employer and member have been set accordingly based on this.

To demonstrate its commitment to the scheme the company has paid additional contributions of £10.3 million up for the previous three years up to the balance sheet date.

The next triennial valuation, at December 2010, is currently underway and the results of this should be known for the 2012 annual report.

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**FREIGHTLINER LIMITED**

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**DIRECTORS' REPORT**  
FOR THE PERIOD ENDED 26 MARCH 2011

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**PROVISION OF INFORMATION TO AUDITOR**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 period. In preparing these financial statements, the directors are required to:

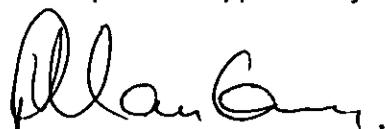
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITOR**

Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board and signed on its behalf



**Peter Maybury**  
Director  
Date: 9 August 2011



**Russell Mears**  
Director  
Date: 9 August 2011

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**FREIGHTLINER LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREIGHTLINER LIMITED**

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We have audited the financial statements of Freightliner Limited for the 52 weeks ended 26 March 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet, and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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, 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 Practices Board's Ethical Standards for Auditors.

**SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**OPINION ON THE FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 26 March 2011 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom 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.

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FREIGHTLINER LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREIGHTLINER LIMITED

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**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 Clark FCA*

Andrew Clark (Senior Statutory Auditor)  
for and on behalf of  
**DELOITTE LLP**  
Chartered Accountants and Statutory Auditor  
London  
United Kingdom

Date: *10 August 2011*

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**FREIGHTLINER LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 26 MARCH 2011**

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	Note	2011 £000	2010 £000
<b>TURNOVER</b>	2	163,504	148,333
Cost of sales		<u>(130,538)</u>	<u>(121,251)</u>
<b>GROSS PROFIT</b>		32,966	27,082
Other operating expenditure		<u>(24,457)</u>	<u>(23,012)</u>
<b>OPERATING PROFIT</b>	3	8,509	4,070
Interest receivable		86	30
Interest payable	7	(2,492)	(3,606)
Other finance costs	8	<u>(471)</u>	<u>(1,622)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		5,632	(1,128)
Tax on profit/(loss) on ordinary activities	9	<u>(1,479)</u>	<u>(1,582)</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL PERIOD</b>		<u><u>4,153</u></u>	<u><u>(2,710)</u></u>

All amounts relate to continuing operations.

The notes on pages 10 to 29 form part of these financial statements

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**FREIGHTLINER LIMITED**

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE PERIOD ENDED 26 MARCH 2011**

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	Note	2011 £000	2010 £000
<b>PROFIT/(LOSS) FOR THE FINANCIAL PERIOD</b>		<b>4,153</b>	<b>(2,710)</b>
Unrealised surplus/(deficit) on revaluation of tangible fixed assets	10	2,015	(886)
Actuarial gain/(loss) related to pension scheme	22	18,680	(1,354)
Deferred tax attributable to actuarial gain/(loss)	22	(5,044)	379
Change in UK corporation tax rate		(214)	-
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD</b>		<b>19,590</b>	<b>(4,571)</b>

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**NOTE OF HISTORICAL COST PROFITS AND LOSSES  
FOR THE PERIOD ENDED 26 MARCH 2011**

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	2011 £000	2010 £000
<b>REPORTED PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>5,632</b>	<b>(1,128)</b>
Realisation of valuation gains of previous periods and difference between a historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	15	193
<b>HISTORICAL COST PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>5,647</b>	<b>(935)</b>
<b>HISTORICAL COST PROFIT/(LOSS) FOR THE PERIOD AFTER TAXATION</b>	<b>4,168</b>	<b>(2,517)</b>

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The notes on pages 10 to 29 form part of these financial statements

**FREIGHTLINER LIMITED**  
**REGISTERED NUMBER: 3118392**

**BALANCE SHEET**  
**AS AT 26 MARCH 2011**

	Note	£000	26 March 2011 £000	£000	27 March 2010 £000
<b>FIXED ASSETS</b>					
Tangible assets	10		82,021		81,251
<b>CURRENT ASSETS</b>					
Stocks	11	2,367		2,260	
Debtors	12	81,421		95,537	
		<u>83,788</u>		<u>97,797</u>	
<b>CREDITORS: amounts falling due within one year</b>					
	13	<u>(44,526)</u>		<u>(53,584)</u>	
<b>NET CURRENT ASSETS</b>			<u>39,262</u>		<u>44,213</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>121,283</u>		<u>125,464</u>
<b>CREDITORS: amounts falling due after more than one year</b>					
	14		<u>(50,497)</u>		<u>(57,352)</u>
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred tax	15	(3,558)		(2,664)	
Other provisions	16	<u>(550)</u>		<u>(550)</u>	
			<u>(4,108)</u>		<u>(3,214)</u>
<b>DEFERRED INCOME</b>			<u>(1,094)</u>		<u>(1,161)</u>
<b>NET ASSETS EXCLUDING PENSION SCHEME LIABILITY</b>			<u>65,584</u>		<u>63,737</u>
Defined benefit pension scheme liability	22		<u>(1,882)</u>		<u>(14,625)</u>
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITY</b>			<u>63,702</u>		<u>49,112</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		20		20
Revaluation reserve	19		28,789		26,789
Other reserves	19		26,573		43,553
Profit and loss account	19		8,320		(21,250)
<b>SHAREHOLDERS' FUNDS</b>			<u>63,702</u>		<u>49,112</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**Peter Maybury**  
 Director  
 Date. 9 August 2011



**Russell Mears**  
 Director  
 Date 9 August 2011

The notes on pages 10 to 29 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 26 MARCH 2011**

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**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable law and United Kingdom Accounting Standards. The particular accounting policies adopted are consistent with those adopted in the prior year and are described below.

**Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold and leasehold properties and in accordance with applicable accounting standards.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

**Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 1.

The company has long-term contracts with a number of customers and suppliers, is cash generative and is forecast to continue to be. As a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, 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 annual report and accounts.

**Cash flow**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

**Turnover**

Turnover comprises revenue recognised by the company in respect of 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. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. The turnover all arises in the United Kingdom.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 26 MARCH 2011**

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**1. ACCOUNTING POLICIES (continued)**

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	33 to 40 years
Long term leasehold property	-	Shorter of lease term or 33 years
Plant & machinery	-	3 to 25 years
Road fleet	-	2 to 10 years
Traction and rolling stock	-	20 to 25 years

**Revaluation of tangible fixed assets**

Individual freehold and leasehold properties are carried at current year value at the balance sheet date. A full valuation is obtained from a qualified valuer for each property every year on the basis of existing use values.

The revaluation surplus or deficit on book value is transferred to revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

**Leasing and hire purchase**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**Operating leases**

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 26 MARCH 2011**

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**1. ACCOUNTING POLICIES (continued)**

**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 the lower of cost and net realisable value for the maintenance spares.

**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

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements where there is no commitment to sell the asset

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

**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 turnover

**Pensions**

The company operates within the Railways Pension Scheme, a defined benefits pension scheme, which provides benefits throughout the railway industry. For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately to the profit and loss account if the benefits have vested. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. The pension charge is based on a full actuarial valuation dated 31 December 2007 updated to 26 March 2011 by the company's actuaries.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

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**FREIGHTLINER LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE PERIOD ENDED 26 MARCH 2011

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**1. ACCOUNTING POLICIES (continued)**

**Financial periods**

The company's accounting reference date is 31 March. As permitted by section 390 of the Companies Act 2006, the financial year is treated as ending on the nearest Saturday on or before 31 March. The accounts for the current year cover the 52 week period from 28 March 2010 to 26 March 2011.

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**FREIGHTLINER LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 26 MARCH 2011**

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**2. TURNOVER**

Turnover and operating profit is attributable to the haulage of freight by rail and other associated services

All turnover arose within the United Kingdom.

**3. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2011 £000	2010 £000
Staff costs (note 5)	43,772	41,687
Depreciation of tangible fixed assets		
- owned assets	2,125	2,527
- held under finance leases and hire purchase contracts	4,445	4,615
Amortisation of deferred income	(67)	(401)
Government grants	(11,656)	(12,093)
Operating lease rentals		
- traction and rolling stock	9,361	9,368
- plant and machinery	1,261	1,198
- road fleet	2,533	1,834
Property rentals	2,002	1,763

**4. AUDITOR'S REMUNERATION**

	2011 £000	2010 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	37	49
Fees payable to the company's auditor and its associates in respect of:		
Regulatory services	3	3

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**FREIGHTLINER LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 26 MARCH 2011**

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**5. STAFF COSTS**

Staff costs were as follows

	2011 £000	2010 £000
Wages and salaries	36,912	35,745
Social security costs	3,170	3,059
Other pension costs (Note 22)	3,690	2,883
	<u>43,772</u>	<u>41,687</u>

The average monthly number of employees, including the directors, during the period was as follows

	2011 No.	2010 No
Train operations	351	361
Terminals	632	626
Administrative	120	117
	<u>1,103</u>	<u>1,104</u>

**6. DIRECTORS' REMUNERATION**

The directors of the company are also directors of fellow subsidiaries within the group, Management Consortium Bid Ltd, Freightliner Heavy Haul Ltd, Freightliner Maintenance Ltd and Freightliner Railports Ltd. The directors received total remuneration of £1,278,000 (2010: £1,403,000 for all group companies) from Management Consortium Bid Ltd during the year, but it is not practicable to allocate this between their services as executives of Management Consortium Bid Ltd and their services as directors of the other group subsidiaries.

The highest paid director for the group received remuneration of £408,000 (2010: £292,000) from Management Consortium Bid Ltd

During the period retirement benefits were accruing to 4 directors (2010: 4) in respect of defined benefit pension schemes. At 26 March 2011, the highest paid director had a total accrued pension of £34,000 (2010: £NIL) and an accrued lump sum of £27,000 (2010: £NIL)

**7. INTEREST PAYABLE**

	2011 £000	2010 £000
On finance leases and hire purchase contracts	2,042	2,548
On loans from group undertakings	450	1,058
	<u>2,492</u>	<u>3,606</u>

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**FREIGHTLINER LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 26 MARCH 2011**

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**8. OTHER FINANCE COSTS**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Expected return on pension scheme assets	<b>5,231</b>	<b>3,218</b>
Interest on pension scheme liabilities	<b>(5,702)</b>	<b>(4,840)</b>
	<u><b>(471)</b></u>	<u><b>(1,622)</b></u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 26 MARCH 2011

9. TAXATION

	2011 £000	2010 £000
<b>Analysis of tax charge in the period</b>		
<b>Current tax (see note below)</b>		
UK corporation tax charge on profit/loss for the period	810	-
Adjustments in respect of prior periods	41	-
<b>Total current tax</b>	<u>851</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	204	978
Effect of decreased tax rate on opening liability	(124)	-
Net pension relief in excess of pension contribution charge	548	604
<b>Total deferred tax</b>	<u>628</u>	<u>1,582</u>
<b>Tax on profit/loss on ordinary activities</b>	<u>1,479</u>	<u>1,582</u>

**Factors affecting tax charge for the period**

The tax assessed for the period is lower than (2010 - higher than) the standard rate of corporation tax in the UK (28%) The differences are explained below:

	2011 £000	2010 £000
Profit/loss on ordinary activities before tax	<u>5,632</u>	<u>(1,128)</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 - 28%)	1,577	(316)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	76	77
Capital allowances for period in excess of depreciation	(295)	(520)
Adjustments to tax charge in respect of prior periods	41	-
Net pension relief in excess of pension contribution charge	(548)	(604)
Group relief surrendered for nil consideration	-	1,363
<b>Current tax charge for the period (see note above)</b>	<u>851</u>	<u>-</u>

**Factors that may affect future tax charges**

On 28 June 2010, the Finance Bill 2010-11 was presented to Parliament, proposing four annual reductions in the rate of corporation tax from 28% to 24% by 2014. At the balance sheet date, the reduction to 27% was enacted, as reflected in these financial statements. On 23 March 2011, the UK Government announced a reduction in the main rate of corporation tax from 28% to 26% effective from 1 April 2011; the 26% rate was substantively enacted post balance sheet date on 29 March 2011. The Government also indicated that the annual reductions would continue until 23% is reached in 2014.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 26 MARCH 2011

10. TANGIBLE FIXED ASSETS

	Land and buildings £000	Traction and rolling stock £000	Road fleet £000	Plant and machinery £000	Total £000
<b>Cost or valuation</b>					
At 28 March 2010	37,195	91,553	294	19,573	148,615
Additions	-	4,174	-	1,151	5,325
Disposals	-	-	(28)	(349)	(377)
Revaluation	1,551	-	-	-	1,551
<b>At 26 March 2011</b>	<b>38,746</b>	<b>95,727</b>	<b>266</b>	<b>20,375</b>	<b>155,114</b>
<b>Depreciation</b>					
At 28 March 2010	1,732	56,755	294	8,583	67,364
Charge for the period	591	5,166	-	813	6,570
On disposals	-	-	(28)	(349)	(377)
Revaluation	(464)	-	-	-	(464)
<b>At 26 March 2011</b>	<b>1,859</b>	<b>61,921</b>	<b>266</b>	<b>9,047</b>	<b>73,093</b>
<b>Net book value</b>					
At 26 March 2011	36,887	33,806	-	11,328	82,021
At 27 March 2010	35,463	34,798	-	10,990	81,251

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	26 March 2011 £000	27 March 2010 £000
Traction and rolling stock	28,662	32,295
Plant and machinery	6,761	7,149
	<b>35,423</b>	<b>39,444</b>

At 26 March 2011, included within the net book value of land and buildings is £26,935,000 (2010 - £25,523,000) relating to freehold land and buildings, £9,952,000 (2010 - £9,940,000) relating to long term leasehold land and buildings and £NIL (2010 - £NIL) relating to short term leasehold land and buildings.

The land and buildings were revalued on 26 March 2011 by BNP Paribas Real Estate, Chartered Surveyors, on an open market existing use basis. The valuation has been carried out in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. The surplus arising on revaluation of £2,015,000 (2010: £886,000 deficit) has been taken to revaluation reserve.

The freehold properties are secured under a bank loan held by another company within the group, RailInvest Acquisitions Limited.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 26 MARCH 2011**

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**10. TANGIBLE FIXED ASSETS (continued)**

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows.

	26 March 2011 £000	27 March 2010 £000
Cost	22,288	23,244
Accumulated depreciation	(14,210)	(14,575)
Net book value	<u>8,078</u>	<u>8,669</u>

**11. STOCKS**

	26 March 2011 £000	27 March 2010 £000
Fuel	403	402
Operational spares	803	837
Consumable spares	1,161	1,021
	<u>2,367</u>	<u>2,260</u>

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

**12. DEBTORS**

	26 March 2011 £000	27 March 2010 £000
Trade debtors	14,887	13,707
Amounts owed by group undertakings	65,747	80,527
Other debtors	229	67
Prepayments and accrued income	244	328
Grants receivable	314	908
	<u>81,421</u>	<u>95,537</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**13. CREDITORS:**

Amounts falling due within one year

	26 March 2011 £000	27 March 2010 £000
Bank overdrafts	914	637
Net obligations under finance leases and hire purchase contracts	5,763	5,105
Trade creditors	18,861	15,784
Amounts owed to group undertakings	13,442	22,982
Taxation and social security	2,205	2,836
Other creditors	-	2,905
Accruals	3,341	3,335
	<u>44,526</u>	<u>53,584</u>

**14. CREDITORS:**

Amounts falling due after more than one year

	26 March 2011 £000	27 March 2010 £000
Net obligations under finance leases and hire purchase contracts	<u>50,497</u>	<u>57,352</u>

Creditors include amounts not wholly repayable within 5 years as follows

	26 March 2011 £000	27 March 2010 £000
Repayable by instalments	<u>18,902</u>	<u>30,863</u>

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	26 March 2011 £000	27 March 2010 £000
Between one and five years	31,595	26,489
After five years	18,902	30,863
	<u>50,497</u>	<u>57,352</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 26 MARCH 2011**

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**15. DEFERRED TAXATION**

	26 March 2011 £000	27 March 2010 £000
At beginning of period	2,664	692
Charge for period	80	978
Reclassification of deferred tax asset relating to pension commitments	814	994
At end of period	<u>3,558</u>	<u>2,664</u>

The provision for deferred taxation is made up as follows.

	26 March 2011 £000	27 March 2010 £000
Accelerated capital allowances	3,558	3,478
Deferred tax asset relating to pension commitments	-	(814)
	<u>3,558</u>	<u>2,664</u>

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £5,597,000 (2010 - £5,294,000). These assets are expected to be used in the continuing operations of the business and, therefore no tax is expected to be paid in the foreseeable future.

Deferred tax in respect of the company's defined benefit pension scheme is disclosed in note 22.

**16. OTHER PROVISIONS**

	Other £000
At 28 March 2010 and 26 March 2011	<u>550</u>

**Other**

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

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**17. DEFERRED INCOME**

	26 March 2011 £000	27 March 2010 £000
Grants	1,094	1,161

This represents cash received from the European Regional Development Fund and the Department of the Environment, Transport and the Regions (now the DfT) in respect of fixed asset investments within the United Kingdom. The grants are of a capital nature and are accordingly amortised over the life of the related asset.

**18. SHARE CAPITAL**

	26 March 2011 £000	27 March 2010 £000
Allotted, called up and fully paid 20,000 Ordinary shares of £1 each	20	20

**19. RESERVES**

	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
At 28 March 2010	26,789	43,553	(21,250)
Profit for the period	-	-	4,153
Dividends: Equity capital	-	-	(5,000)
Pension reserve movement	-	-	13,636
Revaluation of freehold property	2,015	-	-
Transfer between revaluation reserve and P/L account	(15)	-	15
Other movements	-	-	(214)
Transfer between reserves	-	(16,980)	16,980
At 26 March 2011	28,789	26,573	8,320

The other reserves relate to £24,451,000 (2010: £41,431,000) created at vesting and a capital contribution of £2,122,000 (2010: £2,122,000).

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**20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	26 March 2011 £000	27 March 2010 £000
Opening shareholders' funds	49,112	53,683
Profit/(loss) for the period	4,153	(2,710)
Dividends (Note 21)	(5,000)	-
Other recognised gains and losses during the period	15,437	(1,861)
	<u>63,702</u>	<u>49,112</u>
Closing shareholders' funds	<u>63,702</u>	<u>49,112</u>

**21. DIVIDENDS**

	2011 £000	2010 £000
Dividends paid on equity capital	<u>5,000</u>	<u>-</u>

The dividend was paid to the sole shareholder of the company, Management Consortium Bid Limited

NOTES TO THE FINANCIAL STATEMENTS  
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22. PENSION COMMITMENTS

The company operates a defined benefit pension scheme for all qualifying employees.

The pension scheme is "multi-employer", available to all employees within several companies participating within the group. The fund and liabilities are not separately identifiable between the participating companies. Under the requirements of FRS17 the assets and liabilities have been allocated to each company applying a pragmatic and reasonable estimate for the split (using as a basis the employees' accrued pension liabilities within the scheme).

The scheme is subject to triennial valuation by independent actuaries, Towers Watson (formerly Watson Wyatt Partners) The last funding valuation was carried out at 31 December 2007 and the figures include in the accounts in respect of the company pension scheme are based on this latest valuation as updated to the current accounting period by independent actuaries, Punter Southall Transactions Services.

The assets and liabilities shown within the balance sheet and this disclosure represent the 60% company share. At a gross level the funding obligations and assets can be summarised as follows:

<u>Gross level</u>	2011 £000	2010 £000
Present value of funded obligations	(144,358)	(161,722)
Fair value of scheme assets	140,061	124,962
Deficit in the scheme	(4,297)	(36,760)
Special contribution payments included under other creditors	-	2,905
Deficit after special contributions	(4,297)	(33,855)
Member share of deficit	1,719	13,542
Company share	(2,578)	(20,313)
Related deferred tax asset	696	5,688
Net liability	(1,882)	(14,625)

The amounts recognised in the Balance sheet are as follows:

	2011 £000	2010 £000
Present value of funded obligations	(86,615)	(97,033)
Fair value of scheme assets	84,037	74,977
Deficit in scheme	(2,578)	(22,056)
Special contribution payments included under other creditors	-	1,743
Deficit	(2,578)	(20,313)
Related deferred tax asset	696	5,688
Net liability	(1,882)	(14,625)

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 26 MARCH 2011**

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**22. PENSION COMMITMENTS (continued)**

The amounts recognised in profit or loss are as follows.

	2011 £000	2010 £000
Current service cost	(3,690)	(2,883)
Interest on obligation	(5,702)	(4,840)
Expected return on scheme assets	5,231	3,218
<b>Total</b>	<b>(4,161)</b>	<b>(4,505)</b>
Actuarial gains/(losses) immediately recognised in statement of total recognised gains and losses	<b>18,680</b>	<b>(1,354)</b>

Changes in the present value of the defined benefit obligation are as follows

	2011 £000	2010 £000
Opening defined benefit obligation	97,033	74,393
Current service cost	3,690	2,883
Interest cost	5,702	4,840
Actuarial (gains)/losses	(17,666)	17,019
Benefits paid	(2,144)	(2,102)
<b>Closing defined benefit obligation</b>	<b>86,615</b>	<b>97,033</b>

Changes in the fair value of scheme assets are as follows

	2011 £000	2010 £000
Opening fair value of scheme assets	74,977	52,951
Expected return	5,231	3,218
Actuarial gains	1,014	15,665
Contributions by employer	6,121	6,665
Benefits paid	(2,144)	(2,102)
Members' share of special contributions	(1,162)	(1,420)
<b>Total</b>	<b>84,037</b>	<b>74,977</b>

The company expects to contribute £3.3 Million to its defined benefit pension scheme for all qualifying employees in 2012.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**22. PENSION COMMITMENTS (continued)**

The major categories of scheme assets as a percentage of total scheme assets are as follows.

	2011	2010
Equities/Pooled funds	94.70 %	72.30 %
Bonds	4.80 %	19.60 %
Property	- %	7.80 %
Other funds	0.50 %	0.30 %

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages)

	2011	2010
Discount rate at 26 March	5.80 %	5.80 %
Expected return on scheme assets at 26 March	7.04 %	6.82 %
Future salary increases	4.25 %	5.00 %
Future pension increases of pensions in payment	2.65 %	3.60 %
Rate of increase of pensions in deferment	2.65 %	3.60 %
Inflation assumption (2011: CPI, 2010: RPI)	2.65 %	3.60 %

To develop the expected long-term rate of return on asset assumption, the company considers the current level of expected return on risk-free investments (primarily government bonds), the historical level of risk premium associated with the other class assets in which the portfolio is invested and the expectations for future returns of each asset class. The expected return on asset for each asset class is then weighted by the actual asset allocation to develop the expected long-term rate of return on assets assumption in the portfolio.

An indication of the life expectancy for mortality tables used to determine benefit obligations are

	2011 Years	2010 Years
<u>Retiring today aged 65</u>		
Males	20.3	20.2
Females	22.0	22.0
<u>Retiring in 20 years time aged 65</u>		
Males	22.7	22.6
Females	23.5	23.4

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**NOTES TO THE FINANCIAL STATEMENTS  
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**22. PENSION COMMITMENTS (continued)**

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Defined benefit obligation	(86,615)	(97,033)	(74,393)	(65,576)	(82,491)
Scheme assets	84,037	74,977	52,951	70,312	73,228
(Deficit)/surplus	(2,578)	(22,056)	(21,442)	4,736	(9,263)
Experience adjustments on scheme liabilities	-	-	(1,141)	(165)	(52)
Experience adjustments on scheme assets	1,014	15,665	(25,245)	(9,038)	2,869

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**NOTES TO THE FINANCIAL STATEMENTS  
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**23. OPERATING LEASE COMMITMENTS**

At 26 March 2011 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	26 March 2011 £000	27 March 2010 £000
<b>Expiry date:</b>		
Within one year	16	93
Between two and five years	163	157
After more than five years	1,477	1,477
<b>Total</b>	<b>1,656</b>	<b>1,727</b>

**Other operating leases**

	Traction and rolling stock £000	Road fleet £000	Plant and machinery £000	26 March 2011 £000	27 March 2010 £000
<b>Leases that expire</b>					
Within one year	1,475	859	111	2,445	1,127
Between two and five years	3,857	295	510	4,662	8,281
After more than five years	2,923	-	485	3,408	3,425
<b>Total</b>	<b>8,255</b>	<b>1,154</b>	<b>1,106</b>	<b>10,515</b>	<b>12,833</b>

The total equipment lease capital employed and total future operating lease commitments are shown in the following table:

	Traction and rolling stock £000	Road fleet £000	Plant and machinery £000	26 March 2011 £000	27 March 2010 £000
Company estimate of underlying gross capital values	65,648	5,173	5,756	76,577	85,221
Total lease payments due over the remaining term	36,936	1,718	4,970	43,624	52,039
<b>Number of assets leased</b>				<b>2011 No.</b>	<b>2010 No.</b>
Locomotives				40	46
Wagons				764	764
Road vehicles				290	290

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 26 MARCH 2011**

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**24. RELATED PARTY TRANSACTIONS**

Advantage has been taken of the exemption in FRS8 not to disclose transactions between entities, 100% of whose voting rights are controlled within the group.

**25. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent company is Management Consortium Bid Limited, incorporated in England. The ultimate parent company and controlling party is Arcapita Bank B.S.C (c), a company incorporated in Bahrain.

The smallest and largest group for which consolidated accounts are prepared, is RailInvest Holding Company Limited, incorporated in England. Copies of the group accounts may be obtained from The Podium, 1 Eversholt Street, London, NW1 2FL.

**26. PRINCIPAL SUBSIDIARIES**

<b>Company name</b>	<b>Country</b>	<b>Percentage Shareholding</b>	<b>Business</b>
Freightliner Railports Limited	England	100	Terminal handling