

English Welsh & Scottish Railway Holdings Limited

Directors' report and financial statements

For the year ended 31 December 2010

Registered number 03116322

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English Welsh & Scottish Railway Holdings Limited

Directors' report and financial statements

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English Welsh & Scottish Railway Holdings Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2010

Principal activities

The company is a parent holding company for investments in subsidiaries whose principal activities are the haulage of freight by rail and other related services within Great Britain and Europe

Business review and future developments

The company's profit on ordinary activities before taxation for the year ended 31 December 2010 is £1 million (2009 £1 million)

On 2 August 2010 Railway Investments Limited sold its investment in the share capital of Eurocargo Rail SAS to DB France Holding SAS for a total consideration of €85m. On 16 December 2010 Railway Investments Limited also sold its investment in the share capital of Axiom Rail SAS to DB France Holding SAS for a total consideration of €7,382,000

The directors are taking steps to build upon this year's result and develop business opportunities in the company's subsidiaries in order to generate increased profits in future years

Principal risks and uncertainties

The most significant risks to the profitability of English Welsh & Scottish Railway Holdings Limited and all its subsidiary undertakings (the "EWS group") are

- (i) Loss of significant customer contracts,
- (ii) Increased employee costs,
- (iii) Increased foreign exchange losses,
- (iv) Increased track access and diesel fuel costs,
- (v) Loss of access to Network Rail infrastructure, and
- (vi) Increased Government regulation

The directors have strategies to manage and mitigate these risks and remain confident of the continued success of the EWS group

Key performance indicators (KPIs)

Management monitors the performance of the business against budget, forecast and prior year results. The key operating KPIs that the business units are measured against are Revenue, EBITDA and Profit before Tax

Management receive weekly and monthly performance reports that include both financial and non-financial measures. The key non-financial KPIs are Headcount, GTM's and a variety of statistics on safety, and locomotive and wagon utilisation

The development, performance and position of all of the EWS group companies are reported within the consolidated results of Deutsche Bahn AG, the ultimate parent company. The financial statements of Deutsche Bahn AG can be viewed at www.db.de

Results and dividends

The results for the company show a retained profit of £1 million (2009 £1 million)

The directors do not recommend the payment of a dividend (2009 £nil)

English Welsh & Scottish Railway Holdings Limited

Directors' report *(continued)*

Directors

The directors who held office during the year were as follows

K L Heller (Resigned 31 January 2010)
A Thauvette (Appointed 1 February 2010)
M R Lawrence

Management of financial risk

The major financial exposures faced by the company are to exchange rate and interest rate movements

The directors review these risks and approve guidelines covering the use of financial instruments to manage these risks and define the overall risk limits. All the company's financial instruments are held for risk management purposes

Statement of directors' responsibilities

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 the directors have prepared 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, 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

English Welsh & Scottish Railway Holdings Limited

Directors' report (*continued*)

Disclosure of information to auditors

For each person who is a director at the time of approval of this report

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Independent auditors

In accordance with section 487(2) of the Companies Act 2006, the auditors, PricewaterhouseCoopers LLP, will continue in office

On behalf of the board



M R Lawrence

Director

14 April 2011

English Welsh & Scottish Railway Holdings Limited

Independent auditors' report to the members of English Welsh & Scottish Railway Holdings Limited.

We have audited the financial statements of English Welsh & Scottish Railway Holdings Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 2 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

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 2010 and of its profit for the year 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.

English Welsh & Scottish Railway Holdings Limited

Independent auditors' report to the members of English Welsh & Scottish Railway Holdings Limited (*continued*)

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



John Cowling (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield

14 April 2011

English Welsh & Scottish Railway Holdings Limited

Profit and loss account for the year ended 31 December 2010

	<i>Note</i>	Year to 31 December 2010 £ million	Year to 31 December 2009 £ million
Interest receivable and similar income	4	1	1
Profit on ordinary activities before taxation		<u>1</u>	<u>1</u>
Tax on profit on ordinary activities	5	-	-
Profit for the financial year		<u>1</u>	<u>1</u>

There are no recognised gains or losses in the current or prior year other than the profit for the year, and therefore no separate statement of total recognised gains and losses has been presented

All of the company's activities are continuing

There are no material differences between the profit and loss account shown above and that prepared on a historical cost basis

English Welsh & Scottish Railway Holdings Limited

Registered number 03116322

Balance sheet as at 31 December 2010

	Note	2010 £ million	2009 £ million
Fixed assets			
Investments	6	<u>35</u>	<u>35</u>
Current assets			
Debtors	7	165	165
Creditors: amounts falling due within one year	8	<u>(64)</u>	<u>(66)</u>
Net current assets		<u>101</u>	<u>99</u>
Total assets less current liabilities		136	134
Creditors, amounts falling due more than after one year	9	(1)	-
Net assets		<u><u>135</u></u>	<u><u>134</u></u>
Capital and reserves			
Called up share capital	10	44	44
Share premium account	11	1	1
Profit and loss account	11	<u>90</u>	<u>89</u>
Total shareholders' funds		<u><u>135</u></u>	<u><u>134</u></u>

These financial statements on pages 6 to 13 were approved by the board of directors on 14 April 2011 and were signed on its behalf by



M R Lawrence
Director

English Welsh & Scottish Railway Holdings Limited

Reconciliation of movements in shareholders' funds

	Year to 31 December 2010 <i>£ million</i>	Year to 31 December 2009 <i>£ million</i>
Profit for the financial year	1	1
Impact of change in accounting policy	-	-
Net increase in shareholders' funds	<u>1</u>	<u>1</u>
Opening shareholders' funds as previously reported	134	133
Closing shareholders' funds	<u>135</u>	<u>134</u>

English Welsh & Scottish Railway Holdings Limited

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under the historical cost accounting rules

The company is exempt from the requirement of Financial Reporting Standard 1 (revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Deutsche Bahn AG, and its cash flows are included within the consolidated cash flow statement of that company

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose transactions with related parties in the Deutsche Bahn AG group as all of the company's voting rights are controlled within the group

The company is exempt from the requirement of section 400 of the Companies Act 2006 to prepare consolidated group financial statements as it is a wholly owned subsidiary undertaking of Deutsche Bahn AG, incorporated in the Federal Republic of Germany, and its results are included within the consolidated financial statements of that company

Deferred taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision is made for deferred tax assets (to the extent that they are recoverable) and liabilities arising from timing differences on accelerated capital allowances, accruals for pension costs, unrelieved tax losses and other short term timing differences

No provision is made for timing differences on revaluation surpluses on fixed assets unless there is a firm commitment to sell the asset in question, nor is any provision raised on gains rolled over in replacement assets

Investments

Investments are carried at cost less provision for impairment

2 Profit on ordinary activities before taxation

The audit fee for the company is borne by DB Schenker Rail (UK) Limited, a fellow subsidiary undertaking of the EWS group

3 Remuneration of directors

The directors received no (2009 nil) emoluments for the benefits of their services to the company in the current year. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of DB Schenker Rail (UK) Limited. The company had no employees other than the directors

4 Interest receivable and similar income

	Year to 31 December 2010 £ million	Year to 31 December 2009 £ million
Interest receivable from other group companies	1	1

English Welsh & Scottish Railway Holdings Limited

Notes to the financial statements (continued)

5 Tax on profit on ordinary activities

Analysis of charge for the period

	Year to 31 December 2010 £ million	Year to 31 December 2009 £ million
<i>Current tax</i>		
UK corporation tax	-	-
Total current tax charge	-	-

Factors affecting the current tax charge for the period

	Year to 31 December 2010 £ million	Year to 31 December 2009 £ million
Profit on ordinary activities before tax	1	1
Profit on ordinary activities before tax multiplied by the standard rate of UK corporation tax of 28% (2009 28%)	-	-
Total current tax charge	-	-

The tax assessed for the period is equal to (2009 equal to) the standard rate of corporation tax in the UK

Implications of the 'Finance Bill 2010'

The Finance Act (No 2) 2010 was substantively enacted on 20 July 2010 and includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. This change does not impact upon the balance sheet as at 31 December 2010.

Further reductions to the UK corporation tax rate were announced in the June 2010 Budget. These changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 24% by 1 April 2014. The Budget also included measures to reduce the rate of writing-down allowances on the main pool of plant and machinery expenditure to 18% and on the special rate pool to 8%, both with effect from 1 April 2012.

In addition to the changes in rates of Corporation tax disclosed above, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 has reduced the main rate of corporation tax to 26% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014.

None of these expected rate reductions and changes to the capital allowance rate had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The impact of the proposed changes is not expected to be material to the balance sheet.

English Welsh & Scottish Railway Holdings Limited

Notes to the financial statements (continued)

6 Investments

			Value of shares in subsidiaries £ million
<i>Cost</i>			
At 1 January 2010 and 31 December 2010			35
<i>Provisions</i>			
At 1 January 2010 and 31 December 2010			-
<i>Net Book Value</i>			
At 31 December 2009 and 31 December 2010			35
Subsidiary undertakings	Country of registration or incorporation	Principal Activity	Class and percentage of shares held
Railway Investments Ltd	England & Wales	Holding company	100% £1 Ordinary
*Axiom Rail (Cambridge) Ltd	England & Wales	Maintenance & servicing of passenger trains	100% £1 Ordinary
*Euro Cargo Rail S A	Spain	Rail Freight Services	100% €1 Ordinary
*Axiom Rail Components Ltd	England & Wales	Design & supply of advanced rail freight suspension	100% £1 Ordinary
*Marcroft Holdings Ltd	England & Wales	Holding company	100% £1 Ordinary
*Axiom Rail (Stoke) Ltd	England & Wales	Design, refurbishment & maintenance of rail wagons	100% £1 Ordinary
*Rail Terminal Services Ltd	England & Wales	Haulage of freight by rail & other rail related services	100% £1 Ordinary
East & West Railway Ltd	England & Wales	Holding company	100% £1 Ordinary
*English Welsh & Scottish Railway International Ltd	England & Wales	Haulage of freight by rail	100% £1 Ordinary
RES December Ltd	England & Wales	Holding company	100% £1 Ordinary
*Rail Express Systems Ltd	England & Wales	Provision of charter & passenger services	100% £1 Ordinary
Boreal & Austral Railfreight Ltd	England & Wales	Holding company	100% £1 Ordinary
*Loadhaul Ltd	England & Wales	Dormant	100% £1 Ordinary
*Mainline Freight Ltd	England & Wales	Dormant	100% £1 Ordinary
*DB Schenker Rail (UK) Ltd	England & Wales	Haulage of freight	100% £1 Ordinary
Engineering Support Group Ltd	England & Wales	Provision of technical engineering consultancy services to the rail industry	100% £1 Ordinary
Railway Approvals Ltd	England & Wales	Inspection & certification of rolling stock	100% £1 Ordinary
EW&S Trustees Ltd	England & Wales	Non- trading trustee	100% £1 Ordinary
EWS Information Services Ltd	England & Wales	Provision of information systems & services to the rail industry	100% £1 Ordinary

English Welsh & Scottish Railway Holdings Limited

Notes to the financial statements (continued)

6 Fixed asset investments (continued)

New Locomotive Finance Limited	England & Wales	Dormant	100% £1 Ordinary
Locomotive 6667 Limited	England & Wales	Dormant	100% £1 Ordinary

* Held through subsidiary undertaking

On 2 August 2010 Railway Investments Limited sold its investment in the share capital of Eurocargo Rail SAS to DB France Holding SAS for a total consideration of €85m. On 16 December 2010 Railway Investments Limited also sold its investment in the share capital of Axiom Rail SAS to DB France Holding SAS for a total consideration of €7,382,000.

The directors believe that the carrying value of the investments is supported by their underlying assets and the expected future profits.

7 Debtors

	2010 £ million	2009 £ million
Amounts owed by group undertakings	165	165

Amounts owed by group undertakings are unsecured, attract interest at LIBOR+2% and are repayable on demand.

8 Creditors: amounts falling due within one year

	2010 £ million	2009 £ million
Amounts owed to group undertakings	64	65
Corporation tax payable	-	1
	64	66

Amounts owed to group undertakings are unsecured, attract interest at LIBOR+2% and are repayable on demand.

9 Creditors: amounts falling due after more than one year

	2010 £ million	2009 £ million
Loan from DB Mobility Logistics AG	1	-

During the year all loans provided by group undertakings were replaced by group company loans provided by DB Mobility Logistics AG, according to group policy, which attract interest at LIBOR+0.5% and are repayable in accordance with group policy.

English Welsh & Scottish Railway Holdings Limited

Notes to the financial statements (continued)

10 Called up share capital

	2010 £ million	2009 £ million
<i>Authorised</i>		
58,296,543 Ordinary shares of £1 each	<u>58</u>	<u>58</u>
<i>Allotted and fully paid</i>		
43,815,277 Ordinary shares of £1 each	<u>44</u>	<u>44</u>

11 Reserves

	Share premium account £ million	Profit and loss account £ million
At 1 January 2010	1	89
Profit for the financial year	-	1
At 31 December 2010	<u>1</u>	<u>90</u>

12 Commitments and contingent liabilities

The company had no capital commitments or contingent liabilities at the year end (2009 £nil)

13 Ultimate parent company

The immediate parent company is DB UK Holding Limited (formerly DB (UK) Railway Holdings Limited)

The directors consider that the ultimate controlling party and the largest group in which the results of the company are consolidated is that headed by Deutsche Bahn AG, which is incorporated in the Federal Republic of Germany. The financial statements of Deutsche Bahn AG can be viewed at www.db.de