

# **English Welsh & Scottish Railway Holdings Limited**

## **Directors' report and financial statements**

**For the year ended 31 December 2011**

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 2011

### Principal activities

The company is an intermediate 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 2011 is £3 million (2010 £1 million)

The directors are taking steps to build upon this years 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) Exposure to foreign exchange rate movements,
- (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)

The directors of the EWS group manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of English Welsh & Scottish Railway Holdings Limited

The key performance indicators monitored by the directors for the EWS group include earnings before interest and taxation (EBIT), total revenue, net tonne kilometres, train path kilometres, tonnage and headcount

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](http://www.db.de)

### Results and dividends

The results for the company show a retained profit of £3 million (2010 £1 million)

The directors do not recommend the payment of a dividend (2010 £nil)

# English Welsh & Scottish Railway Holdings Limited

## Directors' report (*continued*)

### Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows

A Thauvette	
M R Lawrence	(Resigned 1 August 2011)
A Luebs	(Appointed 1 August 2011)

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### 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,
- 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

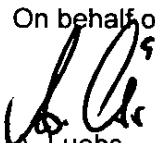
For each person who is a director at the time of approval of this report

- (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



A Luebs

**Director**

10 April 2012

# 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 2011 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. In addition, we read all the financial and non-financial information in the Directors' report and financial statements 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 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 2011 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



Andrew Ward (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Sheffield  
11 April 2012

# English Welsh & Scottish Railway Holdings Limited

## Profit and loss account for the year ended 31 December 2011

	<i>Note</i>	<b>Year to 31 December 2011 £ million</b>	<b>Year to 31 December 2010 £ million</b>
Income from group undertakings	4	3	-
Interest receivable and similar income	5	-	1
<b>Profit on ordinary activities before taxation</b>		<b>3</b>	<b>1</b>
Tax on profit on ordinary activities	6	-	-
<b>Profit for the financial year</b>		<b>3</b>	<b>1</b>

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 2011

	<i>Note</i>	<b>Year to 31 December 2011 £ million</b>	<b>Year to 31 December 2010 £ million</b>
<b>Fixed assets</b>			
Investments	7	<u>35</u>	<u>35</u>
<b>Current assets</b>			
Debtors	8	168	165
Creditors: amounts falling due within one year	9	<u>(65)</u>	<u>(64)</u>
<b>Net current assets</b>		<u>103</u>	<u>101</u>
<b>Total assets less current liabilities</b>		<b>138</b>	<b>136</b>
Creditors: amounts falling due more than after one year	10	-	(1)
<b>Net assets</b>		<u><b>138</b></u>	<u><b>135</b></u>
<b>Capital and reserves</b>			
Called up share capital	11	44	44
Share premium account	12	1	1
Profit and loss account	12	<u>93</u>	<u>90</u>
<b>Total shareholders' funds</b>		<u><b>138</b></u>	<u><b>135</b></u>

These financial statements on pages 6 to 13 were approved by the board of directors on 10 April 2012 and were signed on its behalf by



A Thauvette  
Director



A Luebs  
Director

# English Welsh & Scottish Railway Holdings Limited

## Reconciliation of movements in shareholders' funds

	<b>Year to 31 December 2011 <i>£ million</i></b>	<b>Year to 31 December 2010 <i>£ million</i></b>
Profit for the financial year	<b>3</b>	<b>1</b>
Net change in shareholders' funds	<b>3</b>	<b>1</b>
Opening shareholders' funds	<b>135</b>	<b>134</b>
Closing shareholders' funds	<b>138</b>	<b>135</b>

# English Welsh & Scottish Railway Holdings Limited

## Notes to the financial statements for the year ended 31 December 2011

### 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

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards. The principal accounting policies are set out below.

The company is exempt from the requirement of Financial Reporting Standard 1 'Cash Flow Statements' (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 'Related Parties' paragraph 3(c) 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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

# English Welsh & Scottish Railway Holdings Limited

## Notes to the financial statements for the year ended 31 December 2011 *(continued)*

### 3 Remuneration of directors

The directors received no (2010 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.

### 4 Income from group undertakings

	Year to 31 December 2011 £ million	Year to 31 December 2010 £ million
Dividends received from group undertakings	<u>3</u>	<u>-</u>

### 5 Interest receivable and similar income

	Year to 31 December 2011 £ million	Year to 31 December 2010 £ million
Interest receivable from other group companies	<u>-</u>	<u>1</u>

### 6 Tax on profit on ordinary activities

#### Analysis of charge for the period

	Year to 31 December 2011 £ million	Year to 31 December 2010 £ million
<b>Current tax</b>		
UK corporation tax	<u>-</u>	<u>-</u>
<b>Total current tax charge</b>	<u>-</u>	<u>-</u>

The tax for the period is lower (2010 higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2011 of 26.5% (2010 28%). The differences are explained below:

	Year to 31 December 2011 £ million	Year to 31 December 2010 £ million
<b>Profit on ordinary activities before tax</b>	<u>3</u>	<u>1</u>
Profit on ordinary activities before tax multiplied by the standard rate of UK corporation tax of 26.5% (2010 28%)	1	-
Dividends received	<u>(1)</u>	<u>-</u>
<b>Total current tax charge</b>	<u>-</u>	<u>-</u>

All income is derived from dividends which is non-taxable.

# English Welsh & Scottish Railway Holdings Limited

## Notes to the financial statements for the year ended 31 December 2011 *(continued)*

### 6 Tax on profit on ordinary activities *(continued)*

The standard rate of Corporation Tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 26.5% and following the 'Finance Act 2011' will be taxed at 25.25% for the year ended 31 December 2012.

#### *Implications of the 'Finance Act 2011'*

The Finance Act 2011, which was substantively enacted on 5 July 2011, includes legislation reducing the main rate of corporation tax to 25% from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These proposed reductions in the main rate of corporation tax are expected to be enacted separately each year. The impact of the proposed changes is not expected to be material to the balance sheet.

#### *Further developments*

On 21 March 2012 the Chancellor announced that the UK corporation tax rate from 1 April 2012 would be 24% (as opposed to 25% which was substantively enacted on 5 July 2011) and that the previously announced reduction of 1% per annum would result in the UK corporation tax rate reducing to 22% (as opposed to 23%) with effect from 1 April 2014.

### 7 Investments

	Value of shares in subsidiaries £ million
<b>Cost</b>	
At 1 January 2011 and 31 December 2011	35
<b>Provisions</b>	
At 1 January 2011 and 31 December 2011	-
<b>Net Book Value</b>	
At 31 December 2010 and 31 December 2011	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	Dormant	100% £1 Ordinary
*English Welsh & Scottish Railway International Ltd	England & Wales	Haulage of freight by rail	100% £1 Ordinary

# English Welsh & Scottish Railway Holdings Limited

## Notes to the financial statements for the year ended 31 December 2011 (*continued*)

### 7 Fixed asset investments (*continued*)

RES December Ltd	England & Wales	Dormant	100% £1 Ordinary
*Rail Express Systems Ltd	England & Wales	Provision of charter & passenger services	100% £1 Ordinary
Boreal & Austral Railfreight Ltd	England & Wales	Dormant	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
New Locomotive Finance Limited	England & Wales	Dormant	100% £1 Ordinary
Locomotive 6667 Limited	England & Wales	Dormant	100% £1 Ordinary

\* Held through subsidiary undertaking

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

### 8 Debtors

	2011 £ million	2010 £ million
Amounts owed by group undertakings	168	165

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

### 9 Creditors: amounts falling due within one year

	2011 £ million	2010 £ million
Amounts owed to group undertakings	65	64

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

# English Welsh & Scottish Railway Holdings Limited

## Notes to the financial statements for the year ended 31 December 2011 (*continued*)

### 10 Creditors: amounts falling due after more than one year

	2011 £ million	2010 £ million
Loan from DB Mobility Logistics AG	-	1

Loans from DB Mobility Logistics AG attract interest at a variable rate as determined by the Deutsche Bahn AG group and are granted without a time limitation

### 11 Called up share capital

	2011 £ million	2010 £ million
<b>Authorised</b>		
58,296,543 Ordinary shares of £1 each	58	58
<b>Allotted and fully paid</b>		
43,815,277 Ordinary shares of £1 each	44	44

### 12 Reserves

	Share premium account £ million	Profit and loss account £ million
At 1 January 2011	1	90
Profit for the financial year	-	3
<b>At 31 December 2011</b>	<b>1</b>	<b>93</b>

### 13 Commitments and contingent liabilities

The company had no capital commitments or contingent liabilities at the year end (2010 £nil)

### 14 Ultimate parent company and controlling party

The immediate parent company is DB UK Holding Limited

The directors consider that the ultimate controlling party and the smallest and 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](http://www.db.de)