

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

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

**For the year ended 31 December 2009**

Registered number 3116322



# 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 2009

### 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 2009 is £1 million (2008 £3 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) 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](http://www.db.de)

### Results and dividends

The results for the company show a retained profit of £1 million (2008 £2 million)

The directors do not recommend the payment of a dividend (2008 £nil)

### 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 Lawrence

### Post balance sheet events

On 31 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

# English Welsh & Scottish Railway Holdings Limited

## Directors' report (continued)

### 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

### Going concern

After making enquiries, the directors confirm that they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis continues to be adopted in preparing these financial statements

### 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 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

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

### Disclosure of relevant 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

### Auditors

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

By order of the board



M Lawrence  
Director

17 September 2010

# 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 2009 which comprise the Profit and loss account, the Balance sheet, the Reconciliation of movement 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 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 2009 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 *(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 S. Cowling (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Sheffield

23 September 2010

# English Welsh & Scottish Railway Holdings Limited

## Profit and loss account

	<i>Note</i>	<b>Year to 31 December 2009 £ million</b>	<b>Year to 31 December 2008 £ million</b>
Net interest receivable	4	1	3
<b>Profit on ordinary activities before taxation</b>		<u>1</u>	<u>3</u>
Tax charge on profit on ordinary activities	5	-	(1)
<b>Retained profit for the financial period</b>		<u>1</u>	<u>2</u>

There are no recognised gains or losses in the current or prior year other than the profit for the year

All of the company's activities are continuing

There are no 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 3116322

## Balance sheet

As at 31 December 2009

	<i>Note</i>	<b>2009</b> <i>£ million</i>	<b>2008</b> <i>£ million</i>
<b>Fixed assets</b>			
Investments	6	<u>35</u>	<u>45</u>
<b>Current assets</b>			
Debtors due within one year	7	165	153
<b>Creditors: amounts falling due within one year</b>	8	(66)	(65)
<b>Net current assets</b>		<u>99</u>	<u>88</u>
<b>Net assets</b>		<u>134</u>	<u>133</u>
<b>Capital and reserves</b>			
Called up share capital	9	44	44
Share premium account	10	1	1
Profit and loss account	10	<u>89</u>	<u>88</u>
<b>Total shareholders' funds</b>		<u>134</u>	<u>133</u>

These financial statements on pages 5 to 12 were approved by the board of directors on 17 September 2010 and were signed on its behalf by



M Lawrence  
Director



# English Welsh & Scottish Railway Holdings Limited

## Reconciliation of movements in shareholders' funds

	Year to 31 December 2009 <i>£ million</i>	Year to 31 December 2008 <i>£ million</i>
<b>Profit for the year</b>	1	2
Impact of change in accounting policy	-	(63)
<b>Net increase/(decrease) in shareholders' funds</b>	<u>1</u>	<u>(61)</u>
<b>Opening shareholders' funds as previously reported</b>	133	194
<b>Closing shareholders' funds</b>	<u>134</u>	<u>133</u>

# English Welsh & Scottish Railway Holdings Limited

## Notes to the financial statements for the year ended 31 December 2009

### 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, except for the change in accounting policy for investments as detailed below

#### Basis of preparation

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

The company is exempt from the requirement of Financial Reporting Standard 1 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

#### 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 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 Net interest receivable

	Year to 31 December 2009 £ million	Year to 31 December 2008 £ million
Interest receivable from other group companies	<u>1</u>	<u>3</u>

# English Welsh & Scottish Railway Holdings Limited

## Notes to the financial statements (continued)

### 5 Taxation

Analysis of charge for the period

	Year to 31 December 2009 £ million	Year to 31 December 2008 £ million
<i>Current tax</i>		
UK corporation tax	-	(1)
Total current tax charge	<u>-</u>	<u>(1)</u>

*Factors affecting the current tax charge for the period*

	Year to 31 December 2009 £ million	Year to 31 December 2008 £ million
Profit on ordinary activities before tax	<u>1</u>	<u>3</u>
Profit on ordinary activities before tax multiplied by the standard rate of UK corporation tax of 28% (2008 28.5%)	-	1
Total current tax charge	<u>-</u>	<u>1</u>

The tax assessed for the period is equal to (2008 equal to) the standard rate of corporation tax in the UK

*Implications of the 'Finance Bill 2010'*

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance Act (No 2) 2010 was substantively enacted in July 2010 and includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

Whilst these changes will have no effect on current tax assets and liabilities which arise prior to the effective date of change, there are implications for deferred tax accounting. The reduction in tax rate will not impact deferred tax that is expected to reverse prior to 1st April 2011. Subject to the bill being enacted, for deferred tax that is expected to reverse after this date, the group will be required to determine the impact of the above changes, although such impact is not expected to be material.

### 6 Fixed asset investments

	Value of shares in subsidiaries £ million
<i>Cost</i>	
At 1 January 2009	45
Reclassification of investment value within the EWS group	(10)
At 31 December 2009	<u>35</u>

# English Welsh & Scottish Railway Holdings Limited

## Notes to the financial statements (continued)

### Provisions

At 1 January 2009 and 31 December 2009

-  
-

### Net Book Value

At 31 December 2009

35

At 31 December 2008

45

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

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

### 7 Debtors

	2009 £ million	2008 £ million
Amounts owed by group undertakings	<u>165</u>	<u>153</u>

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

	2009 £ million	2008 £ million
Amounts owed to group undertakings	65	65
Corporation tax payable	<u>1</u>	<u>-</u>
	<u>66</u>	<u>65</u>

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

### 9 Called up share capital

	2009 £ million	2008 £ million
<i>Authorised</i>		
58,296,543 Ordinary shares of £1 each	<u>58</u>	<u>58</u>
<i>Allotted, called up and fully paid</i>		
43,815,277 Ordinary shares of £1 each	<u>44</u>	<u>44</u>

### 10 Reserves

	Share premium account £ million	Profit and loss account £ million
At 1 January 2009	1	88
Retained profit for the period	-	1
At 31 December 2009	<u>1</u>	<u>89</u>

# English Welsh & Scottish Railway Holdings Limited

## Notes to the financial statements *(continued)*

### **11 Commitments and contingent liabilities**

The company had no capital commitments or contingent liabilities at the year end (2008 £nil)

### **12 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](http://www.db.de)

### **13 Post balance sheet events**

#### **Sale of investment in Eurocargo Rail SAS**

On 31 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