

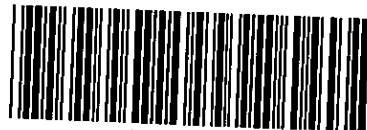
Registered number 06641019

## British American Railway Services Limited

Directors' report and financial statements

For the year ended 31 December 2010

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COMPANIES HOUSE

## **British American Railway Services Limited**

### **Company Information**

#### **Directors**

K Busath  
E Ellis  
S Gregory  
C Roper  
G J Hanson (appointed 1 January 2010)

#### **Company secretary**

K Busath

#### **Company number**

06641019

#### **Registered office**

Stanhope Station  
Stanhope  
Durham  
DL13 2YS

#### **Auditors**

Reeves & Co LLP  
Statutory Auditor & Chartered Accountants  
Third Floor  
24 Chiswell Street  
London  
EC1Y 4YX

# **British American Railway Services Limited**

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## **British American Railway Services Limited**

### **Directors' report**

**For the year ended 31 December 2010**

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

### **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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Principal activities**

Through subsidiaries, the company provides services in the fields of railway track construction, locomotive hire and maintenance, railway track maintenance, and operates two short-line railways, Dartmoor Railway, CIC and Weardale Railways, CIC. In addition, another subsidiary, Devon and Cornwall Railways Ltd, acquired a license to operate rail freight services throughout the U.K. at the end of 2010.

The company's 2010 efforts continued to be concentrated on building a foundation for future growth. This manifested itself in several ways:

- The railway track construction unit was largely dedicated to two projects, both on the Weardale Railway. Reopening the railway, much of which had been closed for a number of years. Community passenger service was implemented between Stanhope and Bishop Auckland in May, 2010, but physical improvements in the railway line continued after that date.
- Construction of a coal transload facility at Wolsingham (and related facilities), which is to be utilized by UK Coal to ship coal to customers by rail from Wolsingham to Bishop Auckland (and beyond via Network Rail). Weardale Railway will provide UK Coal with terminal services at Wolsingham, as well as access to its track infrastructure to UK Coal's freight carrier. In addition, another subsidiary, Rail Management Services, will provide a shunter and related personnel.
- These projects adversely impacted 2010 results through the loss of third party construction revenue, but will provide long term benefits to the company through increased revenue at the Weardale Railway and RMS units.
- With the anticipated completion of the Weardale Railway project, the company resumed active marketing of its track construction services to third parties.
- Significant costs were incurred as part of the application process to the Office of Rail Regulation for train- and freight-operating company licenses for Devon and Cornwall Railways (DCR). These costs increased reported 2010 expenses, but will have substantial long-term benefits. The freight license was granted in December, 2010, and DCR began operations in May, 2011.

## **British American Railway Services Limited**

### **Directors' report**

**For the year ended 31 December 2010**

- The company continued working to secure bank financing, which came to fruition in May, 2010, when it (through subsidiaries) acquired a £1.8 million term loan and a £1.5 million overdraft facility through J P Morgan Chase. Additional financing – a term loan of £850,000 – was subsequently obtained, also from J P Morgan Chase, in early 2011.
- In October, 2010, the company completed the acquisition of Hanson Traction, Ltd. This transaction broadens the company's locomotive hire operations into the mainline locomotive market and provides a locomotive repair facility near Birmingham. Garcia Hanson, majority owner of Hanson Traction, joined the company as commercial director.

### **Directors**

The directors who served during the year were

K Busath  
E Ellis  
S Gregory  
C Roper  
G J Hanson (appointed 1 January 2010)

### **Provision of information to auditors**

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

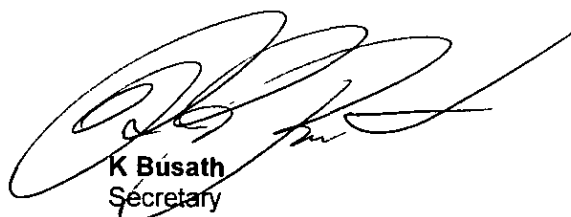
- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors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

### **Auditors**

Under section 487(2) of the Companies Act 2006, Reeves & Co LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 12 September 2011 and signed on its behalf



**K Busath**  
Secretary

## **British American Railway Services Limited**

### **Independent auditors' report to the shareholders of British American Railway Services Limited**

We have audited the financial statements of British American Railway Services Limited for the year ended 31 December 2010, set out on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 Auditors' 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 auditors**

As explained more fully in the Statement of directors' responsibilities, 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 group's and the parent 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 group's and the parent company's affairs as at 31 December 2010 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, 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.

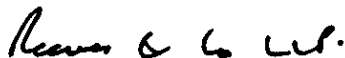
## **British American Railway Services Limited**

### **Independent auditors' report to the shareholders of British American Railway Services Limited**

#### **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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' report



Stephen Tanner BSc(Econ) FCA (Senior statutory auditor)

for and on behalf of

**Reeves & Co LLP**

Statutory Auditor

Chartered Accountants

Third Floor  
24 Chiswell Street  
London  
EC1Y 4YX

12 September 2011

**British American Railway Services Limited**

**Consolidated profit and loss account  
For the year ended 31 December 2010**

	<b>Note</b>	<b>2010 £</b>	<b>2009 £</b>
<b>Turnover</b>	<b>1</b>	<b>1,831,552</b>	3,035,190
Cost of sales		<u>(1,726,835)</u>	<u>(2,058,746)</u>
<b>Gross profit</b>	<b>2</b>	<b>104,717</b>	976,444
Administrative expenses		<u>(1,331,245)</u>	<u>(1,567,019)</u>
Other operating income		<u>1,440</u>	<u>18,739</u>
<b>Operating loss</b>	<b>2</b>	<b>(1,225,088)</b>	(571,836)
Interest payable and similar charges		<u>(323,762)</u>	<u>(309,400)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(1,548,850)</b>	(881,236)
Tax on loss on ordinary activities	<b>3</b>	<u>-</u>	<u>-</u>
<b>Loss on ordinary activities after taxation</b>		<b>(1,548,850)</b>	(881,236)
Minority interests		<u>71,635</u>	<u>36,539</u>
<b>Loss for the financial year</b>	<b>11</b>	<b><u>(1,477,215)</u></b>	<b><u>(844,697)</u></b>

The notes on pages 9 to 16 form part of these financial statements



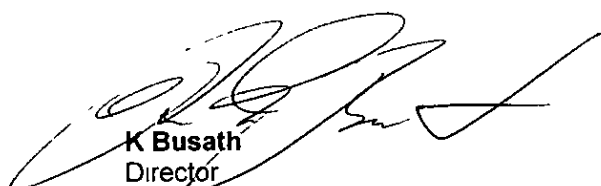
**British American Railway Services Limited**  
**Registered number: 06641019**

**Consolidated balance sheet**  
**As at 31 December 2010**

	Note	£	2010 £	£	2009 £
<b>Fixed assets</b>					
Intangible assets	4		(401,440)		(824,300)
Tangible assets	5		6,678,776		6,048,434
			<u>6,277,336</u>		<u>5,224,134</u>
<b>Current assets</b>					
Stocks		32,032		7,196	
Debtors	7	452,825		635,005	
Cash at bank and in hand		17,376		13,479	
			<u>502,233</u>	<u>655,680</u>	
<b>Creditors*</b> amounts falling due within one year	8	(5,018,615)		(3,270,927)	
<b>Net current liabilities</b>			<u>(4,516,382)</u>		<u>(2,615,247)</u>
<b>Total assets less current liabilities</b>			<u>1,760,954</u>		<u>2,608,887</u>
<b>Creditors:</b> amounts falling due after more than one year	9		(3,515,327)		(3,385,657)
<b>Net liabilities</b>			<u>(1,754,373)</u>		<u>(776,770)</u>
<b>Capital and reserves</b>					
Called up share capital	10		1,000		1,000
Other reserves	11		571,247		-
Profit and loss account	11		(2,779,418)		(1,302,203)
<b>Shareholders' deficit</b>			<u>(2,207,171)</u>		<u>(1,301,203)</u>
<b>Minority interests</b>			<u>452,798</u>		<u>524,433</u>
			<u>(1,754,373)</u>		<u>(776,770)</u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 September 2011



**K Busath**  
Director

The notes on pages 9 to 16 form part of these financial statements

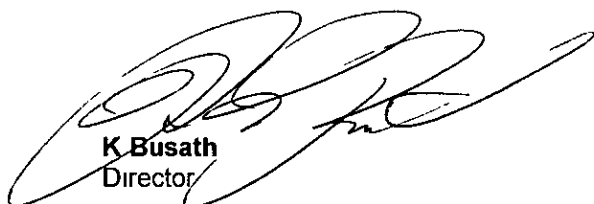
**British American Railway Services Limited**  
**Registered number 06641019**

**Company balance sheet**  
**As at 31 December 2010**

	Note	£	2010 £	£	2009 £
<b>Fixed assets</b>					
Investments	6		2,652,070		2,080,822
<b>Current assets</b>					
Debtors	7	494,789		1,259,366	
Cash at bank		13,099		7,997	
		<u>507,888</u>		<u>1,267,363</u>	
<b>Creditors: amounts falling due within one year</b>	8	<u>(1,156,741)</u>		<u>(1,089,175)</u>	
<b>Net current (liabilities)/assets</b>			<u>(648,853)</u>		<u>178,188</u>
<b>Total assets less current liabilities</b>			<u>2,003,217</u>		<u>2,259,010</u>
<b>Creditors: amounts falling due after more than one year</b>	9		<u>(1,940,730)</u>		<u>(2,514,831)</u>
<b>Net assets/(liabilities)</b>			<u><u>62,487</u></u>		<u><u>(255,821)</u></u>
<b>Capital and Reserves</b>					
Called up share capital	10		1,000		1,000
Other reserves	11		571,247		-
Profit and loss account	11		<u>(509,760)</u>		<u>(256,821)</u>
<b>Shareholders' funds/(deficit)</b>			<u><u>62,487</u></u>		<u><u>(255,821)</u></u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 September 2011



**K. Busath**  
 Director

The notes on pages 9 to 16 form part of these financial statements

**British American Railway Services Limited**

**Consolidated cash flow statement  
For the year ended 31 December 2010**

	2010	2009
£	£	£
<b>Cash generated from operations</b>		
<b>Operating loss</b>	(1,225,088)	(571,836)
Depreciation of tangible fixed assets	447,288	436,719
Amortisation of intangible fixed assets	(55,842)	(65,017)
Loss on disposal of tangible fixed assets	24,924	9,376
Decrease/(increase) in stocks	7,196	(2,196)
Decrease in trade debtors	121,782	535,222
Decrease/(increase) in other debtors	73,314	(66,887)
Decrease in trade creditors	(136,387)	(130,596)
(Decrease)/increase in other creditors	(549,266)	1,472,620
	<b>(1,292,079)</b>	<b>1,617,405</b>
<b>Cash from other sources</b>		
New secured loans	1,800,000	-
Sale of tangible fixed assets	27,035	72,604
	<b>1,827,035</b>	<b>72,604</b>
<b>Application of cash</b>		
Interest paid	(261,657)	(16,728)
Hire purchase interest	(62,105)	(83,817)
Tax paid	(1,153)	-
Repayment of loans	(611,240)	(25,470)
Overdraft on acquisition	(107,258)	(418,254)
Principal payment under finance lease	(256,275)	(353,356)
Purchase of tangible fixed assets	(542,624)	(894,283)
	<b>(1,842,312)</b>	<b>(1,791,908)</b>
<b>Net increase in cash</b>	<b>(1,307,356)</b>	<b>(101,899)</b>
Cash at bank and in hand less overdrafts at beginning of the year	(7,031)	94,868
<b>Cash at bank and in hand less overdrafts at end of the year</b>	<b>(1,314,387)</b>	<b>(7,031)</b>
Consisting of		
Cash at bank and in hand	17,376	13,479
Overdrafts included in "bank loans and overdrafts falling due within one year"	(1,331,763)	(20,510)
	<b>(1,314,387)</b>	<b>(7,031)</b>

The notes on pages 9 to 16 form part of these financial statements

## **British American Railway Services Limited**

### **Notes to the financial statements**

**For the year ended 31 December 2010**

#### **1. Accounting policies**

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

##### **1.2 Going concern**

Notwithstanding that the group has net current liabilities of £4,516,382 at the balance sheet date, the financial statements have been prepared on a going concern basis. The directors believe that adequate funding and investment to ensure the group can meet its financial obligations as they fall due will be available to the group for the foreseeable future from continued financial support from the Iowa Pacific Holdings LLC Group of Companies

The directors, having assessed the responses of the directors of Iowa Pacific Holdings LLC to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the group to continue as a going concern

##### **1.3 Basis of consolidation**

The financial statements consolidate the accounts of British American Railway Services Limited and all of its subsidiary undertakings ('subsidiaries')

The results of subsidiaries acquired during the year are included from the effective date of acquisition

The company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own profit and loss account

The loss for the year dealt with in the accounts of the company was £252,939 (2009 - £241,306)

##### **1.4 Turnover**

Turnover comprises revenue recognised by the group in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts. Turnover is recognised when earned and in accordance with obligations delivered

Income from the hire of rolling stock is credited to the profit and loss account on a straight line basis over the period of the lease

##### **1.5 Intangible fixed assets and amortisation**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss Account over its estimated economic life

Amortisation is provided at the following rates

Negative goodwill	-	over 14 years
Goodwill	-	over 10 years

**Notes to the financial statements  
For the year ended 31 December 2010**

**1. Accounting policies (continued)**

**1.6 Tangible fixed assets and depreciation**

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

Freehold property	-	2% straight line
L/Term Leasehold Property	-	over the term to expiry of lease
Plant and machinery	-	25% straight line
Vehicles and rolling stock	-	10 - 20% straight line
Furniture, fittings and equipment	-	25% straight line

**1.7 Investments**

Investments in subsidiaries are valued at cost less provision for impairment.

**1.8 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.

**1.9 Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**1.10 Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

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.

**1.11 Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

# British American Railway Services Limited

## Notes to the financial statements For the year ended 31 December 2010

### 2. Operating loss

The operating loss is stated after charging/(crediting)

	2010 £	2009 £
Amortisation - intangible fixed assets	(55,842)	(65,017)
Depreciation of tangible fixed assets		
- owned by the group	298,128	251,043
- held under finance leases	149,160	185,675
Auditors' remuneration	42,500	37,500
Auditors' remuneration - other services and relating to prior period	22,446	24,268
Pension costs	-	18,526
Operating lease rental income	(925,136)	(938,850)

During the year, no director received any emoluments (2009 - £NIL)

Auditors fees for the company were £11,495 (2009 - £13,754)

### 3. Taxation

	2010 £	2009 £
UK corporation tax charge on loss for the year	-	-

#### Factors that may affect future tax charges

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses, accelerated capital allowances and short term timing differences as there is insufficient evidence that the asset will be recovered in the foreseeable future

At the year end the company has trading losses of £509,760 (31 12 2009 £256,821) to carry forward and offset against future trading profits

**British American Railway Services Limited**

**Notes to the financial statements  
For the year ended 31 December 2010**

**4. Intangible fixed assets**

<b>Group</b>	<b>Goodwill £</b>	<b>Negative goodwill £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2010	-	(910,247)	(910,247)
Additions	367,018	-	367,018
At 31 December 2010	367,018	(910,247)	(543,229)
<b>Amortisation</b>			
At 1 January 2010	-	(85,947)	(85,947)
Charge for the year	9,175	(65,017)	(55,842)
At 31 December 2010	9,175	(150,964)	(141,789)
<b>Net book value</b>			
At 31 December 2010	357,843	(759,283)	(401,440)
At 31 December 2009	-	(824,300)	(824,300)

**5 Tangible fixed assets**

<b>Group</b>	<b>Land and buildings £</b>	<b>Plant and machinery £</b>	<b>Vehicles and rolling stock £</b>	<b>Furniture, fittings and equipment £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 January 2010	4,251,756	364,606	1,953,932	77,990	6,648,284
Additions	472,345	7,342	633,559	16,343	1,129,589
Disposals	-	-	(65,451)	(1,285)	(66,736)
At 31 December 2010	4,724,101	371,948	2,522,040	93,048	7,711,137
<b>Depreciation</b>					
At 1 January 2010	77,381	115,763	376,873	29,833	599,850
Charge for the year	29,404	96,447	303,723	17,714	447,288
On disposals	-	-	(14,777)	-	(14,777)
At 31 December 2010	106,785	212,210	665,819	47,547	1,032,361
<b>Net book value</b>					
At 31 December 2010	4,617,316	159,738	1,856,221	45,501	6,678,776
At 31 December 2009	4,174,375	248,843	1,577,059	48,157	6,048,434

# British American Railway Services Limited

## Notes to the financial statements For the year ended 31 December 2010

### 5. Tangible fixed assets (continued)

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

Group	2010 £	2009 £
Plant and machinery	104,954	167,004
Vehicles and rolling stock	712,995	701,216
	<u>817,949</u>	<u>868,220</u>

### 6. Fixed asset investments

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2010	2,080,822
Additions	571,248
At 31 December 2010	<u>2,652,070</u>

Details of the principal subsidiaries can be found under note number 15

### 7. Debtors

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
<b>Due after more than one year</b>				
Amounts owed by group undertakings	-	-	493,904	-
<b>Due within one year</b>				
Trade debtors	342,954	452,973	-	-
Amounts owed by group undertakings	-	-	-	1,251,138
Other debtors	109,871	182,032	885	8,228
	<u>452,825</u>	<u>635,005</u>	<u>494,789</u>	<u>1,259,366</u>



# British American Railway Services Limited

## Notes to the financial statements For the year ended 31 December 2010

### 8 Creditors: Amounts falling due within one year

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	1,781,763	144,263	-	-
Other loans	836,511	836,511	836,511	836,511
Net obligations under finance leases and hire purchase contracts	227,574	260,638	-	-
Trade creditors	396,912	393,192	5,710	26,828
Social security and other taxes	243,705	237,578	-	-
Other creditors	1,532,150	1,398,745	314,520	225,836
	<b>5,018,615</b>	<b>3,270,927</b>	<b>1,156,741</b>	<b>1,089,175</b>

The bank loans and overdraft are secured by a fixed and floating charge over the assets of the company

### 9. Creditors: Amounts falling due after more than one year

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans	1,170,000	354,983	-	-
Other loans	1,466,510	1,136,514	1,166,510	836,514
Net obligations under finance leases and hire purchase contracts	104,597	215,843	-	-
Amounts owed to related parties	774,220	1,678,317	774,220	1,678,317
	<b>3,515,327</b>	<b>3,385,657</b>	<b>1,940,730</b>	<b>2,514,831</b>

The bank loan is secured by a fixed and floating charge over the assets of the company

Other loans are secured by a fixed and floating charge over all of the assets of the group. E Ellis, a director of the company, has personally guaranteed £2,055,208 relating to the loan notes issued as part of the acquisition of the subsidiaries

### 10 Share capital

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
1,000 Ordinary shares of £1 each	<b>1,000</b>	<b>1,000</b>

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

11. Reserves

	Other reserves £	Profit and loss account £
<b>Group</b>		
At 1 January 2010		(1,302,203)
Loss for the year		(1,477,215)
Capital contribution	571,247	
	<u>571,247</u>	<u>(2,779,418)</u>
At 31 December 2010		
	<u>571,247</u>	<u>(2,779,418)</u>
	Other reserves £	Profit and loss account £
<b>Company</b>		
At 1 January 2010		(256,821)
Loss for the year		(252,939)
Capital contribution	571,247	
	<u>571,247</u>	<u>(509,760)</u>
At 31 December 2010		
	<u>571,247</u>	<u>(509,760)</u>

12. Acquisitions and Disposals

Acquisitions

	Vendors' book value £	Fair value adjustments £	Fair value to the group £
<b>Assets and liabilities acquired</b>			
Tangible fixed assets	195,768	279,232	475,000
Stocks	32,032	-	32,032
Debtors	11,763	-	11,763
Bank overdrafts	(107,258)	-	(107,258)
Loans and finance leases	(111,965)	-	(111,965)
Other creditors and provisions	(666,589)	-	(666,589)
Net assets acquired	<u>(646,249)</u>	<u>279,232</u>	<u>(367,017)</u>
<b>Satisfied by</b>			
Consideration			
Cash			1
			<u>367,018</u>
Goodwill arising on consolidation (see note 4)			

# British American Railway Services Limited

## Notes to the financial statements For the year ended 31 December 2010

### 13. Operating lease commitments

At 31 December 2010 the Group had annual commitments under non-cancellable operating leases as follows

	2010 £	2009 £
<b>Group</b>		
<b>Expiry date.</b>		
After more than 5 years	<u>15,000</u>	<u>15,000</u>

### 14. Related party transactions

During the year the company repaid £904,097 to Iowa Pacific Holdings LLC group of companies, a related party due to common directors. At the balance sheet date £774,220 (31 12 2009 £1,678,317) was owed to these companies.

No interest is accruing or payable on these outstanding balances.

### 15. Principal subsidiaries

Company name	Percentage Shareholding	Description
Rail Management Services Limited	100	Maintenance, refurbishment and operation of industrial rail track and the hire of shunting locomotives
Weardale Railways CIC (limited by guarantee)	75	Statutory railway and associated leisure activities
Dartmoor Railway CIC	100	Statutory railway and associated leisure activities
Devon and Cornwall Railways Limited	100	Application pending with Office of Rail Regulation for licensing as a passenger and freight carrier
Hanson Traction Limited	100	Dormant
R T Rail Limited	100	Dormant
Community Rail Limited	100	Dormant
RMS Locotec (IOM) Limited	100	Dormant