

**Registered number: 06641019**

**British American Railway Services Limited**

**Annual report and financial statements**

**For the year ended 31 December 2015**



**British American Railway Services Limited**

**Company Information**

<b>Directors</b>	K Busath E Ellis S Gregory C Roper G J Hanson
<b>Company secretary</b>	K Busath
<b>Registered number</b>	06641019
<b>Registered office</b>	Stanhope Station Station Road Stanhope Bishop Auckland County Durham DL13 2YS
<b>Independent auditors</b>	Kreston Reeves LLP Chartered Accountants & Statutory Auditor Third Floor 24 Chiswell Street London EC1Y 4YX

**British American Railway Services Limited**

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## **British American Railway Services Limited**

### **Group strategic report For the year ended 31 December 2015**

#### **Business review**

2015 was a disappointing year for British American Railway Services (BARS). Consolidated group turnover declined by £3.6 million, or 40%, from 2014, and the loss for the year jumped to £(1.6) million, from £(0.1) million in 2014.

The performance largely reflects sharply lower results from the company's rail freight operator, Devon & Cornwall Railways Limited (DCR). As mentioned in last year's business review, DCR lost its single largest customer contract at the end of 2014, and was unable to replace this revenue stream in 2015. Accordingly, DCR's revenue declined 64% to £1.9 million from £5.2 million in 2014, and DCR's net income went from £1.2 million in 2014 to a loss of £(0.9) million in 2015.

BARS' other business units had mixed results:

#### *Dartmoor Railway CIC*

- Dartmoor's turnover increased by a healthy 17% in 2015, from £0.6 million to £0.7 million. This was the result of increased revenue related to another successful "Polar Express" event in November and December.
- Unfortunately, increased expenses more than offset the increase in turnover, such that the loss for the year increased to £(138,045) from £(96,069) in the prior year.

#### *Rail Management Services Limited*

- RMS also had a significant drop in turnover, to £1.7 million from £2.5 million in the prior year, a 32% decline. This reflects discontinuance of the track construction business unit £(0.6) million, as well as relatively modest declines in the locomotive hire unit of £(0.2) million and the track maintenance operations of £(0.1) million.
- On the plus side, RMS's net loss improved sharply from 2014's £(0.9) million to £(0.2) million. This reflects (1) elimination of the track construction unit; (2) cost reductions at both the locomotive hire and track maintenance operations; (3) a gain from the sale of surplus rolling stock; and (4) a one-time insurance gain.
- It should also be noted that RMS provides administrative services (e.g., accounting, insurance) for all of BARS' business units, which are not charged for such services. Total administrative expense declined by £0.2 million in 2015.

#### *Weardale Railway CIC*

- Like Dartmoor, Weardale had a healthy increase (19%) in turnover in 2015 to £1.5 million, as the result of another successful "Polar Express" event in November/December.
- The increase in turnover was reflected in a reduced loss of £(0.15) million, down from £(0.32) million in 2014.

There were no significant changes in management in 2015. Edwin Ellis remains president, Garcia Hanson retains responsibility for DCR, Howard Clark III has RMS, Dartmoor and Weardale, and Kevin Busath remains finance director.

As at the year-end, the group had net liabilities of £8,428,095 compared with £6,836,908 in 2014.

#### **2016 Outlook**

DCR has a memorandum of understanding to develop a new truck-to-rail transload facility in central London, which is expected to become operational in Q4. The facility will be leased to a major road hauler, which will generate significant rental income. In addition, DCR will have right of first refusal on all rail traffic originating or terminating at the new facility. This should expand DCR's total traffic flow substantially.

Dartmoor and Weardale railways should both see increased turnover and improved profitability as the result of increased "Polar Express" capacity and improved pricing for the annual November/December events.

No significant changes are forecast for the track maintenance or locomotive hire units.

#### **Principal Risks and Uncertainties**

Cash flow will remain an issue for BARS until such time as DCR ramps up operations at the new transload facility mentioned above, and/or develops other revenue sources. BARS' ability to meet its obligations in the interim will be dependent to some degree on the ability of BARS' ultimate parent, Iowa Pacific Holdings LLC, to continue to provide funding.

**British American Railway Services Limited**

**Strategic report (continued)**

On 23 June 2016, the United Kingdom held a referendum on its membership to the European Union, the result of which was to leave. This adds a significant element of uncertainty to the economic outlook for the UK, other economies, and BARS. However, at this point the directors are unable to identify any specific turnover risk to any of BARS' business units as a result of the vote.

This report was approved by the board on *28 June 2016* and signed on its behalf.



**K Busath**  
Director

## **British American Railway Services Limited**

### **Directors' report**

**For the year ended 31 December 2015**

The directors present their report and the financial statements for the year ended 31 December 2015.

### **Results and dividends**

The loss for the year, after taxation and non-controlling interest, amounted to £1,591,187 (2014: £103,493).

No dividend is recommended for the year.

### **Directors**

The directors who served during the year were:

K Busath  
E Ellis  
S Gregory  
C Roper  
G J Hanson

### **Directors' responsibilities statement**

The directors are responsible for preparing the Group strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless 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 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 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.

### **Matters covered in the strategic report**

Items required under Schedule 7 to be disclosed in the directors' report are set out in strategic report in accordance with s.414C(11) CA 2006.

**British American Railway Services Limited**

**Directors' report**

**For the year ended 31 December 2015**

**Disclosure of information to auditors**

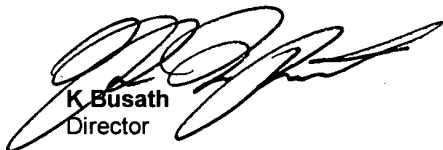
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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 relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

**Auditors**

The auditors, Kreston Reeves LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *28 June 2016* and signed on its behalf.

  
K. Busath  
Director

## **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 2015, which comprise the Group Statement of comprehensive income, the Group and Company Balance sheets, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council'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. In addition, we read all the financial and non-financial information in the Group strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Group's and the parent Company's affairs as at 31 December 2015 and of the Group's loss 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.

#### **Emphasis of matter**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1.3 to the financial statements concerning the group's capability to continue as a going concern.

The group has incurred a loss after taxation and non-controlling interest of £1,530,467 (2014: £22,374) during the year ended 31 December 2015, the group is showing a total net liability position of £8,428,095 (2014: £6,836,908) as at 31 December 2015. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

**British American Railway Services Limited**

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

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Stephen Tanner BSc(Econ) FCA (Senior Statutory Auditor)  
for and on behalf of  
**Kreston Reeves LLP**  
Chartered Accountants  
Statutory Auditor  
Third Floor  
24 Chiswell Street  
London  
EC1Y 4YX

Date: 28<sup>th</sup> Jun. 2016

**British American Railway Services Limited**

**Consolidated statement of comprehensive income  
For the year ended 31 December 2015**

	<b>Note</b>	<b>2015 £</b>	<b>Restated 2014 £</b>
Turnover	3	5,477,940	9,108,136
Cost of sales		(4,786,636)	(6,060,728)
<b>Gross profit</b>		<b>691,304</b>	<b>3,047,408</b>
Administrative expenses		(2,238,870)	(2,713,049)
Exceptional other operating income		300,000	-
<b>Operating (loss)/profit</b>	5	<b>(1,247,566)</b>	<b>334,359</b>
Interest receivable and similar income	8	657	-
Interest payable and expenses	9	(344,278)	(437,852)
<b>Loss before taxation</b>		<b>(1,591,187)</b>	<b>(103,493)</b>
Tax on loss	10	-	-
<b>Loss for the year</b>		<b>(1,591,187)</b>	<b>(103,493)</b>
 <b>Total comprehensive income for the year</b>		 <b>(1,591,187)</b>	 <b>(103,493)</b>
 <b>Total comprehensive income attributed to:</b>			
Non-controlling interests		(60,720)	(81,119)
Owners of the parent Company		(1,530,467)	(22,374)
		<b>(1,591,187)</b>	<b>(103,493)</b>

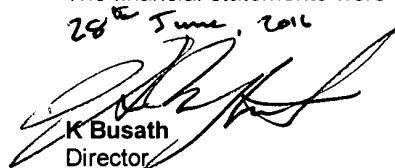
The notes on pages 12 to 25 form part of these financial statements.

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

**Consolidated balance sheet**  
**As at 31 December 2015**

	Note	2015 £	Restated 2014 £
<b>Fixed assets</b>			
Goodwill		161,615	192,415
Negative goodwill		(434,193)	(499,211)
		<u>(272,578)</u>	<u>(306,796)</u>
Tangible Fixed Assets	13	5,563,952	5,965,688
		<u>5,291,374</u>	<u>5,658,892</u>
<b>Current assets</b>			
Stocks	15	135,107	175,986
Debtors: amounts falling due within one year	16	1,182,681	1,575,026
Cash at bank and in hand	17	101,029	173,804
		<u>1,418,817</u>	<u>1,924,816</u>
Creditors: amounts falling due within one year	18	(14,715,543)	(14,034,229)
<b>Net current liabilities</b>		<u>(13,296,726)</u>	<u>(12,109,413)</u>
<b>Total assets less current liabilities</b>		<u>(8,005,352)</u>	<u>(6,450,521)</u>
Creditors: amounts falling due after more than one year	19	(422,743)	(386,387)
<b>Net liabilities</b>		<u><u>(8,428,095)</u></u>	<u><u>(6,836,908)</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	1,000	1,000
Other reserves	21	571,247	571,247
Profit and loss account	21	(9,076,548)	(7,546,081)
<b>Equity attributable to owners of the parent Company</b>		<u>(8,504,301)</u>	<u>(6,973,834)</u>
Non-controlling interests		<u>76,206</u>	<u>136,926</u>
		<u><u>(8,428,095)</u></u>	<u><u>(6,836,908)</u></u>

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

28<sup>th</sup> June, 2016  
  
**K Busath**  
 Director

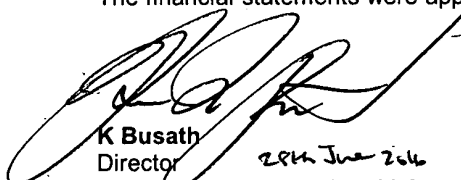
The notes on pages 13 to 28 form part of these financial statements.

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

**Company balance sheet**  
**As at 31 December 2015**

	Note	2015 £	Restated 2014 £
<b>Fixed assets</b>			
Investments	14	<u>2,652,070</u>	<u>2,652,070</u>
		<b>2,652,070</b>	<b>2,652,070</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	16	2,845,818	3,244,125
Cash at bank and in hand	17	<u>75</u>	<u>-</u>
		<b>2,845,893</b>	<b>3,244,125</b>
Creditors: amounts falling due within one year	18	<u>(6,639,872)</u>	<u>(6,816,142)</u>
<b>Net current liabilities</b>		<b>(3,793,979)</b>	<b>(3,572,017)</b>
<b>Total assets less current liabilities</b>		<b>(1,141,909)</b>	<b>(919,947)</b>
Creditors: amounts falling due after more than one year	19	<u>(113,000)</u>	<u>(51,152)</u>
<b>Net assets</b>		<b><u>(1,254,909)</u></b>	<b><u>(971,099)</u></b>
<b>Capital and reserves</b>			
Called up share capital	22	1,000	1,000
Other reserves	21	571,247	571,247
Profit and loss account	21	<u>(1,827,156)</u>	<u>(1,543,346)</u>
		<b><u>(1,254,909)</u></b>	<b><u>(971,099)</u></b>

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

  
**K Busath**  
 Director

28th June 2016

The notes on pages 13 to 28 form part of these financial statements.

**British American Railway Services Limited**

**Consolidated statement of changes in equity  
As at 31 December 2015**

	Share capital £	Other reserves £	Retained earnings £	Equity attributable to owners of parent Company £	Non- controlling interests £	Total equity £
At 1 January 2015 (as previously stated)	1,000	571,247	(7,703,413)	(7,131,166)	136,926	(6,994,240)
Prior year adjustment	-	-	157,332	157,332	-	157,332
At 1 January 2015 (as restated)	1,000	571,247	(7,546,081)	(6,973,834)	136,926	(6,836,908)
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	(1,530,467)	(1,530,467)	(60,720)	(1,591,187)
<b>Total comprehensive income for the year</b>	-	-	(1,530,467)	(1,530,467)	(60,720)	(1,591,187)
<b>At 31 December 2015</b>	<b>1,000</b>	<b>571,247</b>	<b>(9,076,548)</b>	<b>(8,504,301)</b>	<b>76,206</b>	<b>(8,428,095)</b>

**Consolidated statement of changes in equity  
As at 31 December 2014**

	Share capital £	Other reserves £	Retained earnings £	Equity attributable to owners of parent Company £	Non- controlling interests £	Total equity £
At 1 January 2014 (as previously stated)	1,000	571,247	(7,879,928)	(7,307,681)	218,045	(7,089,636)
Prior year adjustment	-	-	356,221	356,221	-	356,221
At 1 January 2014 (as restated)	1,000	571,247	(7,523,707)	(6,951,460)	218,045	(6,733,415)
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	(22,374)	(22,374)	(81,119)	(103,493)
<b>Total comprehensive income for the year</b>	-	-	(22,374)	(22,374)	(81,119)	(103,493)
<b>At 31 December 2014</b>	<b>1,000</b>	<b>571,247</b>	<b>(7,546,081)</b>	<b>(6,973,834)</b>	<b>136,926</b>	<b>(6,836,908)</b>

The notes on pages 13 to 28 form part of these financial statements.

**British American Railway Services Limited**

**Company statement of changes in equity  
As at 31 December 2015**

	Share capital £	Other reserves £	Retained earnings £	Total equity £
At 1 January 2015 (as previously stated)	1,000	571,247	(1,700,678)	(1,128,431)
Prior year adjustment	-	-	157,332	157,332
At 1 January 2015	1,000	571,247	(1,543,346)	(971,099)
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(283,810)	(283,810)
<b>Total comprehensive income for the year</b>	-	-	(283,810)	(283,810)
<b>At 31 December 2015</b>	<b>1,000</b>	<b>571,247</b>	<b>(1,827,156)</b>	<b>(1,254,909)</b>

**Company statement of changes in equity  
As at 31 December 2014**

	Share capital £	Other reserves £	Retained earnings £	Total equity £
At 1 January 2014 (as previously stated)	1,000	571,247	(1,621,354)	(1,049,107)
Prior year adjustment	-	-	246,068	246,068
At 1 January 2014 (as restated)	1,000	571,247	(1,375,286)	(803,039)
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(168,060)	(168,060)
<b>Total comprehensive income for the year</b>	-	-	(168,060)	(168,060)
<b>At 31 December 2014</b>	<b>1,000</b>	<b>571,247</b>	<b>(1,543,346)</b>	<b>(971,099)</b>

The notes on pages 13 to 28 form part of these financial statements.

**British American Railway Services Limited**

**Consolidated statement of cash flows  
For the year ended 31 December 2015**

	2015 £	Restated 2014 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	(1,591,187)	(103,493)
<b>Adjustments for:</b>		
Amortisation of intangible assets	(34,218)	(31,418)
Depreciation of tangible assets	382,685	425,449
(Profit) / Loss on disposal of tangible assets	(172,200)	16,790
Decrease / (Increase) in stocks	40,879	(3,026)
Interest paid	344,278	437,852
Interest received	(657)	-
Decrease / (Increase) in debtors	392,345	(227,717)
Increase / (Decrease) in creditors	314,089	(261,696)
Increase in amounts owed to groups	807,987	493,248
<b>Net cash generated from operating activities</b>	<u>484,001</u>	<u>745,989</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(18,949)	-
Sale of tangible fixed assets	210,200	1,199
Interest received	657	-
HP interest paid	(17,294)	(16,749)
<b>Net cash from investing activities</b>	<u>174,614</u>	<u>(15,550)</u>
<b>Cash flows from financing activities</b>		
Repayment of other loans	(312,192)	(232,832)
Repayment of finance leases	(18,255)	(23,213)
Interest paid	(326,984)	(421,103)
<b>Net cash used in financing activities</b>	<u>(657,431)</u>	<u>(677,148)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>1,184</u>	<u>53,291</u>
Cash and cash equivalents at beginning of year	<u>63,303</u>	<u>10,012</u>
<b>Cash and cash equivalents at the end of year</b>	<u><u>64,487</u></u>	<u><u>63,303</u></u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	101,029	173,804
Bank overdrafts	(36,542)	(110,501)
	<u><u>64,487</u></u>	<u><u>63,303</u></u>

## **British American Railway Services Limited**

### **Notes to the financial statements For the year ended 31 December 2015**

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

##### **1.1 Legal form**

British American Railways Services Limited (the Company) is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business are disclosed on the company information page. The principal activity of the group is that of providing services in the fields of railway track maintenance, locomotive hire and maintenance and statutory railway operation including associated leisure and freight services.

##### **1.2 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 28.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

##### **1.3 Going concern**

Notwithstanding that the group has net liabilities of £8,428,095 (2014: £6,836,908) at the balance sheet date and has made a loss after tax and non-controlling interest for the year of £1,530,467 (2014: £22,374), the financial statements have been prepared on a going concern basis. The directors believe that a combination of commercial initiatives now underway and continued financial support from its ultimate parent undertaking, Iowa Pacific Holdings LLC, will ensure that adequate funding and investment is available to the group to enable it to meet its financial obligations as they fall due.

The directors, having assessed the responses of the directors of Iowa Pacific Holdings LLC to their enquiries, believe that the group of companies will continue as a going concern for the foreseeable future.

##### **1.4 Basis of consolidation**

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

## **British American Railway Services Limited**

### **Notes to the financial statements For the year ended 31 December 2015**

#### **1. Accounting policies (continued)**

##### **1.5 Turnover**

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

##### **1.6 Intangible assets**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and loss account over its useful economic life.

Amortisation is provided at the following rates:

Negative goodwill	- over 14 years
Goodwill	- over 10 years

The company has taken advantage of the exemption available under FRS 102 Section 35.10(a) not to restate the carrying value of goodwill.

##### **1.7 Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives.

The estimated useful lives range as follows:

Freehold property	-	2% & 4% straight line
Leasehold improvements	-	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

##### **1.8 Operating leases: Lessee**

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

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

The company has taken advantage of the exemption available under FRS 102 Section 35.10(p) not to restate the lease incentive term as the lease commenced before the date of transition.

##### **1.9 Investments**

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

## **British American Railway Services Limited**

### **Notes to the financial statements For the year ended 31 December 2015**

#### **1. Accounting policies (continued)**

##### **1.10 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.

##### **1.11 Debtors**

Short term debtors are measured at transaction price, less any impairment.

##### **1.12 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

##### **1.13 Financial instruments**

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

##### **1.14 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### **1.15 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the statement of comprehensive income.

##### **1.16 Finance costs**

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

## **British American Railway Services Limited**

### **Notes to the financial statements For the year ended 31 December 2015**

#### **1. Accounting policies (continued)**

##### **1.17 Pensions**

###### **Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

##### **1.18 Interest income**

Interest income is recognised in the Profit and loss account using the effective interest method.

##### **1.19 Borrowing costs**

All borrowing costs are recognised in the Profit and loss account in the year in which they are incurred.

##### **1.20 Pensions**

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

##### **1.21 Invoice discounting**

The group has an agreement whereby the majority of its trade debtors are invoice discounted, with recourse after 75 days. On the basis that the benefit and risks attaching to the debts remain with the company, a separate presentation has been adopted, in accordance with the Financial Reporting Standard 102. On this basis the gross debts are included as an asset within trade debtors and the proceeds received are included within other creditors as a liability.

##### **1.22 Taxation**

Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

##### **1.23 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

## British American Railway Services Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 2. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### (a) Critical judgements in applying the entity's accounting policies

###### *(i) Going concern*

The directors consider the company to be a going concern, for the reasons as detailed in Note 1.3 to these financial statements.

###### *(ii) Deferred tax*

Assessing whether the company will have sufficient available profits in the future to utilise taxable trade losses against requires judgement. For the reasons detailed in Note 10 the directors have decided not to recognise a deferred tax asset in these financial statements.

##### (b) Key accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

###### *(i) Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 13 for the carrying amount of the property, plant and equipment, and Note 1.7 for the useful economic lives of each class of assets.

###### *(ii) Useful economic lives of goodwill*

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on economic utilisation of the assets. See Note 12 for the carrying amount of the goodwill, and Note 1.6 for the useful economic life.

#### 3. Analysis of turnover

The whole of the turnover is attributable to related railway services. These services comprise of railway track maintenance, locomotive hire and maintenance, a short-line railway operation and a licensed freight operation.

	2015 £	2014 £
Turnover	5,477,940	9,108,136
	<u>5,477,940</u>	<u>9,108,136</u>

All turnover arose within the United Kingdom.

**British American Railway Services Limited**

**Notes to the financial statements  
For the year ended 31 December 2015**

**4. Other income**

	2015 £	2014 £
Insurance claim	300,000	-
	<u>300,000</u>	<u>-</u>

**5. Operating (loss)/profit**

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

	2015 £	2014 £
Depreciation of tangible fixed assets	382,685	425,449
Amortisation of intangible assets, including goodwill	(34,218)	(31,418)
Fees payable to the Group's auditor and its associates for the audit of the company's annual accounts	14,980	13,770
Exchange differences	-	92
Operating lease rental income	(896,069)	(779,499)
Defined contribution pension cost	9,256	2,013
	<u>9,256</u>	<u>2,013</u>

During the year, one director received emoluments of £67,568 (2014: £69,000).

**6. Employees**

Staff costs, including directors' remuneration, were as follows:

	2015 £	2014 £
Wages and salaries	2,453,175	2,802,996
Social security costs	215,783	263,024
Cost of defined contribution scheme	9,256	2,013
	<u>2,678,214</u>	<u>3,068,033</u>

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

	2015 No.	2014 No.
Employees	<u>84</u>	<u>88</u>

**7. Directors' remuneration**

	2015 £	2014 £
Directors' emoluments	67,568	69,000
	<u>67,568</u>	<u>69,000</u>

**British American Railway Services Limited**

**Notes to the financial statements  
For the year ended 31 December 2015**

**8. Interest receivable**

	2015 £	2014 £
Other interest receivable	657	-
	<u>657</u>	<u>-</u>

**9. Interest payable and similar charges**

	2015 £	Restated 2014 £
Other loan interest payable	326,984	421,103
Finance leases and hire purchase contracts	17,294	16,749
	<u>344,278</u>	<u>437,852</u>

# British American Railway Services Limited

## Notes to the financial statements For the year ended 31 December 2015

### 10. Taxation

	2015 £	2014 £
<b>Total current tax</b>	-	-

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 -higher than) the standard rate of corporation tax in the UK of 20% (2014 - 21%). The differences are explained below:

	2015 £	2014 £
Loss on ordinary activities before tax	(1,591,187)	(103,493)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014 -21%)	(318,237)	(21,734)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,894	12,649
Depreciation for year in excess of capital allowances	40,066	36,691
Utilisation of tax losses	-	(86,948)
Non-taxable income	(37,314)	-
Carried forward losses	311,591	59,342
<b>Total tax charge for the year</b>	-	-

#### 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.

The company has unutilised trading losses of £684,323 (2014: £411,578) available to carry forward against future trading profits.

### 11. Parent Company Profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the year was £283,810 (2014 -loss £168,060).

**British American Railway Services Limited**

**Notes to the financial statements  
For the year ended 31 December 2015**

**12. Intangible assets**

**Group**

	<b>Goodwill</b>	<b>Negative goodwill</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2015	<b>335,988</b>	<b>(910,247)</b>	<b>(574,259)</b>
<b>At 31 December 2015</b>	<b>335,988</b>	<b>(910,247)</b>	<b>(574,259)</b>
<b>Amortisation</b>			
At 1 January 2015	<b>143,573</b>	<b>(411,036)</b>	<b>(267,463)</b>
Charge for the year	<b>30,800</b>	<b>(65,018)</b>	<b>(34,218)</b>
<b>At 31 December 2015</b>	<b>174,373</b>	<b>(476,054)</b>	<b>(301,681)</b>
<b>Net book value</b>			
<b>At 31 December 2015</b>	<b>161,615</b>	<b>(434,193)</b>	<b>(272,578)</b>
At 31 December 2014	<b>192,415</b>	<b>(499,211)</b>	<b>(306,796)</b>

**British American Railway Services Limited**

**Notes to the financial statements  
For the year ended 31 December 2015**

**13. Tangible fixed assets**

**Group**

	Land and buildings £	Plant and machinery £	Vehicles and rolling stock £	Furniture, fittings and equipment £	Total £
<b>Cost or valuation</b>					
At 1 January 2015	5,334,312	410,402	2,789,127	206,858	8,740,699
Additions	-	900	13,423	4,626	18,949
Disposals	-	-	(66,844)	-	(66,844)
<b>At 31 December 2015</b>	<b>5,334,312</b>	<b>411,302</b>	<b>2,735,706</b>	<b>211,484</b>	<b>8,692,804</b>
<b>Depreciation</b>					
At 1 January 2015	501,334	364,681	1,762,932	146,064	2,775,011
Charge owned for the period	103,209	18,877	225,976	34,623	382,685
Disposals	-	-	(28,844)	-	(28,844)
<b>At 31 December 2015</b>	<b>604,543</b>	<b>383,558</b>	<b>1,960,064</b>	<b>180,687</b>	<b>3,128,852</b>
<b>At 31 December 2015</b>	<b>4,729,769</b>	<b>27,744</b>	<b>775,642</b>	<b>30,797</b>	<b>5,563,952</b>
At 31 December 2014	4,832,978	45,721	1,026,195	60,794	5,965,688

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

	2015 £	2014 £
<b>Group</b>		
Vehicles and rolling stock	116,578	173,089
	<b>116,578</b>	<b>173,089</b>

Included in land and buildings is freehold land carried at cost of £1,844,956 (2014: £1,844,956) which is not depreciated.

Included within vehicles and rolling stock are assets at cost of £2,153,028 (2014: £2,199,605) with accumulated depreciation of £1,454,534 (2014: £1,274,853) held for use in operating leases.

**British American Railway Services Limited**

**Notes to the financial statements  
For the year ended 31 December 2015**

**14. Fixed asset investments**

**Company**

	<b>Investments in subsidiary companies £</b>
<b>Cost or valuation</b>	
At 1 January 2015	<b>2,652,070</b>
<b>At 31 December 2015</b>	<b>2,652,070</b>
<b>Net book value</b>	
<b>At 31 December 2015</b>	<b>2,652,070</b>
At 31 December 2014	<b>2,652,070</b>

Details of the principal subsidiaries can be found in note 25 below.

**15. Stocks**

	<b>Group 2015 £</b>	<b>Group 2014 £</b>	<b>Company 2015 £</b>	<b>Company 2014 £</b>
Raw materials	<b>135,107</b>	175,986	-	-
	<b>135,107</b>	175,986	-	-

**British American Railway Services Limited**

**Notes to the financial statements  
For the year ended 31 December 2015**

**16. Debtors**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2015</b>	<b>Restated</b>	<b>2015</b>	<b>Restated</b>
	<b>£</b>	<b>2014</b>	<b>£</b>	<b>2014</b>
		<b>£</b>		<b>£</b>
<b>Due within one year</b>				
Trade debtors	<b>710,992</b>	1,061,532	-	-
Amounts owed by group undertakings	-	-	<b>2,845,622</b>	3,099,385
Other debtors	<b>150,637</b>	329,376	<b>196</b>	144,740
Prepayments and accrued income	<b>321,052</b>	184,118	-	-
	<b>1,182,681</b>	1,575,026	<b>2,845,818</b>	3,244,125

The directors have considered "Amounts owed by group undertakings" and have concluded that the balance should be classified as repayable on demand in the current and prior years. The comparative figure has been restated as 'Debtors: Amounts owed within one year'.

**17. Cash and cash equivalents**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	<b>101,029</b>	173,804	<b>75</b>	-
Less: bank overdrafts	<b>(36,542)</b>	(110,501)	-	(56,178)
	<b>64,487</b>	63,303	<b>75</b>	(56,178)

**British American Railway Services Limited**

**Notes to the financial statements  
For the year ended 31 December 2015**

**18. Creditors: Amounts falling due within one year**

	<b>Group</b>	<b>Group Restated</b>	<b>Company</b>	<b>Company Restated</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank overdrafts	<b>36,542</b>	110,501	-	56,178
Other loans	<b>1,799,766</b>	2,173,806	<b>1,799,766</b>	2,173,806
Trade creditors	<b>1,105,757</b>	983,845	<b>11,002</b>	6,482
Amounts owed to group undertakings	<b>10,637,936</b>	9,829,949	<b>4,764,126</b>	4,579,676
Taxation and social security	<b>120,150</b>	80,024	-	-
Obligations under finance lease and hire purchase contracts	<b>24,099</b>	16,862	-	-
Other creditors	<b>577,879</b>	505,475	-	-
Accruals and deferred income	<b>413,414</b>	333,767	<b>64,978</b>	-
	<b>14,715,543</b>	14,034,229	<b>6,639,872</b>	6,816,142

The invoice discounting facilities, included in other creditors, are secured by a fixed and floating charge over the assets of the group.

The directors have considered "Amounts owed to group undertakings" and have concluded that the balance should be classified as repayable on demand in the current and prior years. The comparative figure has been restated as 'Creditors: Amounts falling due within one year'.

**19. Creditors: Amounts falling due after more than one year**

	<b>Group</b>	<b>Group Restated</b>	<b>Company</b>	<b>Company Restated</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other loans	<b>413,000</b>	351,152	<b>113,000</b>	51,152
Net obligations under finance leases and hire purchase contracts	<b>9,743</b>	35,235	-	-
	<b>422,743</b>	386,387	<b>113,000</b>	51,152

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 £2,070,870 (2014: £2,251,180) relating to loan notes issued.

**British American Railway Services Limited**

**Notes to the financial statements  
For the year ended 31 December 2015**

**20. Financial instruments**

	<b>Group 2015 £</b>	<b>Group 2014 £</b>	<b>Company 2015 £</b>	<b>Company 2014 £</b>
Financial assets that are debt instruments measured at amortised cost	<b>861,629</b>	1,390,908	<b>2,845,818</b>	3,244,125
	<b>861,629</b>	1,390,908	<b>2,845,818</b>	3,244,125
Financial liabilities measured at amortised cost	<b>(14,789,452)</b>	(14,257,876)	<b>(6,702,872)</b>	(6,867,294)
	<b>(14,789,452)</b>	(14,257,876)	<b>(6,702,872)</b>	(6,867,294)

Financial assets measured at amortised cost comprise trade and other debtors and amounts owed by group undertakings.

Financial Liabilities measured at amortised cost comprise trade and other creditors, amounts due to group undertakings and other creditors.

**21. Reserves**

**Other reserves**

This represents the capital contribution upon the purchase of Hanson Traction Limited by Rail Management Services Limited.

**Profit & loss account**

This reserve comprises all current and prior period retained profits and losses after deducting any distributions made to the company's shareholders.

**Share Capital**

This represents the nominal value of shares that have been issued by the company.

**22. Share capital**

	<b>2015 £</b>	<b>2014 £</b>
<b>Allotted, called up and fully paid</b>		
1,000 Ordinary shares of £1 each	<b>1,000</b>	1,000

## British American Railway Services Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 23. Prior year adjustment

The financial statements include a prior year adjustment of £4,579,676 to reclassify the 'Amounts owed to group undertakings' from 'Creditors: Amounts falling due after more than one year' to 'Creditors: Amounts falling within one year', and for £3,099,385 to reclassify the 'Amounts owed from group undertakings' from 'Debtors: due after more than one year' to 'Debtors: due within one year'. The adjustment was deemed necessary to reflect the fact that the amounts owed to and from group undertakings are considered to be repayable on demand. There is no effect on the profit and loss account for this prior period adjustment, nor is there any effect on the net assets of the company.

Additionally, a prior year adjustment to the group accounts for £513,553 (to the company £403,400) to remove interest incorrect accrued, which were recognised in 'Accruals and deferred income' within 'Creditors: Amounts falling within one year'. The effect of this adjustment on the profit and loss account for the group for the year ended 31 December 2014 was £157,332 (2013: £356,221) and for the company for the year ended 31 December 2014 was £157,332 (2013: £246,068). The effect on the net assets of the group was an increase in opening reserves as at 1 January 2015 of £157,332 (1 January 2014: £356,221) and the effect on the net assets of the company was an increase in opening reserves as at 1 January 2015 of £157,332 (1 January 2014: £246,068).

#### 24. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £9,253 (2014: £2,013).

#### 25. Related party transactions

The group has taken advantage of the exemption provided by Section 33 Related Party Disclosures paragraph 33.1A of Financial Reporting Standard 102 from disclosing related party transactions entered into between the company and other group companies, where the subsidiary undertaking is wholly owned by a member of the group.

Group related party transactions undertaken during the period where the group undertakings party to the transaction with the company are not wholly owned by a member of the group consist of the following:

	2015	2014
	£	£
Creditors amounts due to group undertakings	<u>10,748,091</u>	<u>9,829,949</u>

During the year, the group made net payments of £15,513 (2014: 253,084) to Weardale Railway CIC, a subsidiary of British American Railway Services Limited. As at the balance sheet date, the company was owed £346,896 (2014: £331,383) which is included within 'Debtors: Amounts owed by group undertakings'. No interest is accrued on this balance.

26. Controlling party

The directors consider that the ultimate parent undertaking and controlling party of this company as at the balance sheet date is Iowa Pacific Holdings LLC, a company incorporated in the United States of America. The largest and smallest group of undertakings for which group accounts have been produced is that headed by Iowa Pacific Holdings LLC.

Copies of the Iowa Pacific Holdings LLC financial statements may be obtained from 118 South Clinton Street, Suite 400, Chicago, IL 60661.

27. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Holding Principal activity
Rail Management Services Limited	100 % Maintenance, refurbishment and operation of industrial rail track and the hire of shunting locomotives
Weardale Railways CIC	75 % Statutory railway and associated leisure activities
Dartmoor Railway CIC	100 % Statutory railway and associated leisure activities
Devon and Cornwall Railways Limited	100 % Provision of freight rail under licence
Hanson Traction Limited	100 % Dormant
R T Rail Limited	100 % Dormant
RMS Locotec (IOM) Limited	100 % Dormant

28. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

**Registered number:**

**British American Railway Services Limited**

**Detailed accounts**

**For the year ended 31 December 2015**

**British American Railway Services Limited**

**Company detailed profit and loss account  
For the year ended 31 December 2015**

	2015 £	2014 £
Turnover	-	2,982
<b>Gross profit</b>	<u>-</u>	<u>2,982</u>
<b>Less: overheads</b>		
Administration expenses	(128,315)	(59,908)
<b>Operating loss</b>	<u>(128,315)</u>	<u>(56,926)</u>
Interest payable	(155,495)	(151,727)
<b>Loss for the year</b>	<u>(283,810)</u>	<u>(208,653)</u>

**British American Railway Services Limited**

**Schedule to the detailed accounts  
For the year ended 31 December 2015**

**Turnover**

	2015 £	2014 £
Other income	-	2,982
	<u>-</u>	<u>2,982</u>

**Administration expenses**

	2015 £	2014 £
Entertainment	1,050	2,422
Trade subscriptions	-	3,336
Legal and professional fees	73,044	10,553
Auditors' remuneration	14,980	13,770
Bank charges	2,414	1,776
Sundry expenses	-	2,324
Insurances	(464)	325
Penalties and surcharges	11,907	22,617
VAT write off	25,384	2,785
	<u>128,315</u>	<u>59,908</u>

**Interest payable**

	2015 £	2014 £
Other loan interest payable	155,495	151,727
	<u>155,495</u>	<u>151,727</u>