HULL TRAINS COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2011

Company Registered Number: 03715410

HULL TRAINS COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

Contents **Pages**

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 2011

Principal activities
Hull Trains Company Limited is a non-franchised, open access intercity train company, which operates direct services between Hull and London Kings Cross

Business review and future prospects
The company continued to be affected by a combination of difficult economic trading conditions and occasional poor performance of the 180 train sets during the year This was also exacerbated during the severe weather conditions experienced in winter 2010 Passenger revenues had shown good signs of growth during the start of the financial year however this declined as the year progressed resulting in 3% overall turnover growth for the full year

However the company did manage to complete its £2m refurbishment of its train sets with the final train completed for February 2011 This refurbishment has drastically improved the look and feel of the interiors along with offering improved services such as free Wifi on board

The company also managed to achieve more than 750,000 annual passengers for the first time, in this its 10th anniversary year since beginning in September 2000 During that first year passenger numbers were around 80,000

This financial year also saw the company's first entry in the National Passenger Survey During a trial run in spring 2010 it achieved an overall score of 91% however as part of the full survey in autumn 2010 this had increased to 93% The next survey conducted at the start of 2011 but published spring 2011 saw this rise yet again to 95% which was the highest percentage achieved for the spring survey

Key performance indicators
In order to assist in the management of the business the company produces and notes the following key performance indicators The rise in passenger revenue was 3% as compared to the prior year (2009/10 -4%) The Performance Punctuality Monitor (PPM) moving annual average was 82 3% (2009/10 81 42%) The National Passenger Survey satisfaction score was 93% during this year (2009/10 did not take part)

Principal risks and uncertainties
To fully consider both opportunities and risks, the management team consult regularly Risk is an inherent part of doing business The management of the risks is based on a balance of risk and reward determined through careful consideration of both the potential likelihood and impact The principal risks identified by the Board and the corresponding mitigating controls are set out below in no order of priority

Business continuity and acts of terrorism
A major incident or act of terrorism could impact on the company's ability to trade In the event of a potentially disruptive incident, detailed plans are in place to maintain business continuity

Business strategy
If the company adopts the wrong business strategy or does not implement its strategies effectively, the business may be negatively impacted Strategic risk needs to be properly understood and managed to deliver long-term growth for the benefit of all stakeholders A clear strategy is in place for fares and train vehicle maintenance, which is regularly monitored

Colleague engagement, retention and capability
The company employs around 99 colleagues who are critical to the success of our business Maintaining good relations with colleagues and investing in their training and development is essential to the efficiency and sustainability of the company's operations

Colleague engagement, retention and capability (continued)
The company's employment policies and remuneration and benefits packages are regularly reviewed and designed to be competitive with other companies, as well as providing colleagues with fulfilling career opportunities Colleague surveys, performance reviews, communications with trade unions and regular communication of business activities are some of the methods the company uses to understand and respond to colleagues' needs Processes are also in place to identify talent and actively manage succession planning throughout the business

Economic and market risks
The unprecedented economic slowdown and reducing job security is resulting in an increasing demand for value from customers Challenges to household/business disposable income and competitor pricing positions can affect the performance of the company in terms of both sales and costs Focus continues on delivering a punctual service with excellent customer service standards, at a range of fares ensuring value for all our customers This is achieved through the continuous review of our active management of fare prices, development of sales channels propositions and increased promotion and marketing activity While external cost pressures affect our business, the company continues to work hard to mitigate the impact of these cost pressures on customers and on our overall profitability through the delivery of cost savings

Environment and sustainability
The key risk facing the company in this area relates to reducing the environmental impact of the business with a focus on reducing waste and energy usage across its trains and office A number of initiatives are in place, which are being led by the Safety and Environmental Executive Group to meet our customers' requirements in this area

Financial matters
The results for the year are given in the profit and loss account on page 7, which shows an overall profit of £1,233k for the financial year (2009/10 – loss of £1,296k) The directors recommended payments of interim dividends of £5,000 per share, paid 9 August 2010 and paid 14 December 2010 (2009/10 - £nil) No final dividend was recommended (2009/10 - £nil) An interim dividend of £5,000 per share was paid on 29 July 2011 for the financial year ended 31 March 2012

Financial instruments
The company's principal financial assets are bank balances and trade debtors The company's credit risk is primarily attributable to its trade debtors The amounts presented in the balance sheet are net of provisions for doubtful debts The company has no significant credit risk, with exposure mainly on Rail Industry partners The credit risk on liquid funds is limited because the counterparties are banks The company does not directly enter into any derivative financial instruments

Going concern
The directors have considered the going concern assumption given the current economic climate and have reviewed the company forecasts for the foreseeable future

After making enquiries and considering the above facts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Supplier payment policy
The company agrees terms and conditions for its business transactions with suppliers Payment is made on those terms subject to the terms and conditions being met by the supplier Trade creditors of the company at 31 March 2011 were equivalent to 39 days' purchases (2010 47), based on the average daily amount invoiced by suppliers during the year

Directors
The directors who held office throughout the year, except as noted, were as follows

J Adeshiyan (resigned 2 February 2011)
C Bellamy (appointed 2 February 2011)
C Burrows
D Gausby
M A Grant (resigned 31 March 2011)
A James
M Jones
J Nelson

Employee involvement
Communication with employees is effected mainly through regular briefing and negotiating meetings between the directors, the senior management and employee representatives on the central and depot negotiating committees The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests

Disabled persons
The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirement, which have to be met for certain grades of staff Wherever reasonable and practicable, the company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people

Audit information
Each of the persons who are a director at the date of approval of this report confirms that

- as far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and

- the director 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006

Auditor
The company has passed an elective resolution dispensing with the requirement to appoint an auditor annually, Deloitte LLP have indicated their willingness to continue as auditor of the company and are therefore deemed to be reappointed for a further term

Approved by the Board of Directors
And signed by order of the Board

4th Floor
Europa House
184 Ferensway
Hull, HU1 3UT

C Bellamy
Director
15 December 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements The directors have chosen to prepare the financial statements for the company in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accountancy 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 those financial statements, the directors are required to

(a) select suitable accounting policies and then apply them consistently,

(b) make judgements and estimates that are reasonable and prudent,

(c) state whether applicable UK Accounting Standards have been followed, and

(d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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

Independent auditor's report to the members of Hull Trains Company Limited

We have audited the financial statements of Hull Trains Company Limited for the year ended 31 March 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement, the reconciliation of net cash flow to movement in net funds and losses and the related notes 1 to 26 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)

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 auditor's 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 auditor
As more fully explained in the Directors' Responsibilities Statements, 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 Practice Board's (APB's) Ethical Standards for Auditors

Scope of the audit of financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on matters prescribed in the Companies Act 2006
In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Hull Trains Company Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mark Tolley (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
15 December 2011

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Turnover	1, 2	21,743	21,160
Operating costs	3	(20,008)	(23,034)
Operating profit /(loss) on ordinary activities		1,735	(1,874)
Net interest receivable and similar charges	6	4	4
Profit / (loss) on ordinary activities before taxation	7	1,739	(1,870)
Tax (charge) / credit on profit / (loss) on ordinary activities	8	(506)	574
Profit / (loss) for the financial year	15	1,233	(1,296)

All activities relate to continuing operations

No separate statement of total recognised gains and losses is presented as all gains or losses for the current and preceding year passed through the profit and loss account

BALANCE SHEET

At 31 March 2011

	Notes	£000	2011 £000	£000	2010 £000
Fixed assets					
Tangible assets	9		604		238
Current assets					
Stocks	10	20		19	
Debtors	11	5,384		3,803	
Cash at bank and in hand		16		7	
		5,420		3,829	
Creditors amounts falling due within one year	12	(4,222)		(2,505)	
Net current assets			1,198		1,324
Total assets less current liabilities			1,802		1,562
Net assets			1,802		1,562
Capital and reserves					
Called up share capital	14		-		-
Profit and loss account	15		1,802		1,562
Shareholders' funds	16		1,802		1,562

These financial statements of Hull Trains Company Limited registered number 03715410 were approved by the Board of Directors on 15th December, 2011 and were signed on its behalf by

C Bellamy
Director

CASH FLOW STATEMENT

For the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Net cash inflow from operating activities	22(a)	1,423	104
Returns on investment and servicing of finance	22(b)	4	4
Capital expenditure and financial investment	22(c)	(418)	-
Dividend paid		(1,000)	-
Increase in cash in year	23	9	108

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

For the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Increase in cash in year		9	108
Movement in net debt in year		9	108
Net funds / (debt) at beginning of year	23	7	(101)
Net funds at end of year	23	16	7

1 Principal accounting policies

The following accounting policies have been applied consistently throughout the current and preceding year

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis and in accordance with United Kingdom Generally Accepted Accounting Practice They have been prepared on a going concern basis as described in the going concern statement in the Directors' Report on page 2

(b) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation is provided to write off the cost less residual value of tangible fixed assets over their estimated useful economic lives as follows

Other plant and equipment - 3 to 8 years straight line

(c) Leases and hire purchase

All leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease

(d) Stocks

Stocks are valued at the lower of cost and net realisable value Provision is made for obsolete and slow moving or defective items where appropriate

(e) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date

The taxation liability is reduced wholly or in part by the surrender of losses by group undertakings The tax benefits arising from group relief are recognised in the financial statements of the surrendering undertaking

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

(f) Pension costs

Group scheme

The company is unable to separately identify its share of the scheme assets and liabilities It therefore accounts for the scheme as if it were a defined contribution scheme and includes certain disclosures in the financial statements in respect of the Group scheme Contributions are charged to the profit and loss account as they become payable

1 **Principal accounting policies (continued)**

(g) Turnover

Turnover includes amounts attributable to the train operating companies ("TOCs"), predominantly based on models of route usage, by the Railway Settlement Plan in respect of passenger receipts Where season tickets are issued in excess of one week's duration, the attributable share of income is deferred within creditors and is recognised in the profit and loss account over the period covered by the season ticket

(h) Share-based payment

The company's parent issues equity-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the group's estimate of share that will eventually vest and is adjusted for the effects of non-market based vesting conditions
Fair value is measured by use of a Black-Scholes model The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations

2 **Turnover and profit / (loss) on ordinary activities before taxation**

Turnover represents the amounts receivable for services supplied to customers during the year

The whole of the turnover and profit/(loss) on ordinary activities before taxation derives from the company's principal activities within the United Kingdom The company has one principal class of business, namely, the provision of passenger transport services

3 **Operating costs**

	2011 £000	2010 £000
Raw materials and consumables	3,557	5,245
Staff costs (note 4)	4,538	4,128
Other external charges	11,861	13,570
Depreciation and other amounts written off tangible fixed assets	52	91
	20,008	23,034

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Employee numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows

	2011 No	2010 No
Operations	82	81
Administration	17	16
	99	97

The aggregate payroll costs of these persons were as follows

	2011 £000	2010 £000
Wages and salaries	3,955	3,661
Social security costs	338	325
Other pension costs	245	142
	4,538	4,128

5 Directors' remuneration

The remuneration of the directors during the year was as follows

	2011 £000	2010 £000
Aggregate emoluments (excluding pension contributions)	178	208
Compensation for loss of office	-	30
Company pension contributions	12	8
	190	246

Retirement benefits accrued to one director (2010 one) under a defined benefit scheme

The remuneration of the highest paid director was £122,760, including £11,485 defined benefit pension scheme (2010 £145,245 including £29,905 compensation for loss of office and £8,030 defined benefit pension scheme)

6 Net interest receivable and similar charges

	2011 £000	2010 £000
Interest receivable		
Amount received from other group undertakings	3	2
Bank interest	1	2
	4	4

7 Profit / (loss) on ordinary activities before taxation

	2011 £000	2010 £000
Profit / (loss) on ordinary activities before taxation is stated after charging		
Auditor's remuneration		
- For audit of the annual accounts	5	5
Depreciation and other amounts written off tangible fixed assets		
- owned assets	52	91
Rentals payable under operating leases		
- plant and machinery	1,934	1,713
- other operating leases	97	97

No other services were provided by Deloitte LLP in either year

8 Tax charge / (credit) on profit / (loss) on ordinary activities

	2011 £000	2010 £000
Current taxation		
- Group relief payable / (receivable)	1	(515)
- Adjustment in respect of prior years	514	10
Total current taxation	515	(505)
Deferred taxation		
- Origination and reversal of timing differences	451	(9)
- Effect of decrease in tax rate on opening deferred tax balance	42	-
- Adjustment in respect of prior years	(502)	(60)
Total deferred taxation	(9)	(69)
Total tax charge / (credit) on profit / (loss) on ordinary activities	506	(574)

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 28% (2009/10 28%) The actual current tax charge for the current and previous year differed from the standard rate for the reasons set out in the following reconciliation

	2011 %	2010 %
Standard rate of taxation	28 0	28 0
Factors affecting charge		
- Capital allowances in excess of depreciation	(1 2)	(0 4)
- Other timing differences	0 1	(0 1)
- Utilisation of tax losses brought forward	(26 9)	-
- Prior years' tax charge	29 6	(0 5)
Current taxation rate for the year	29 6	27 0

8 Tax charge / (credit) on profit / (loss) on ordinary activities (continued)

The corporation tax rate reduced from 28% to 26% with effect from 1 April 2011 As the rate change was substantively enacted by the balance sheet date, the effect of the reduction in the UK corporation tax rate was to reduce the deferred tax balance on UK timing differences

The UK Government has also announced their intention to subsequently reduce the UK corporation tax rate by 1% per annum to 23% with effect from 1 April 2014 This is likely to have the effect of reducing the effective tax rate in future years

9 Tangible fixed assets

	Other plant and equipment £000
Cost	
At 1 April 2010	388
Additions	418
At 31 March 2011	806
Depreciation	
At 1 April 2010	150
Charge for year	52
At 31 March 2011	202
Net book value	
At 31 March 2011	604
At 31 March 2010	238

10 Stocks

	2011 £000	2010 £000
Spare parts and consumables	12	10
Goods for resale	8	9
	20	19

There is no material difference between the balance sheet value of the stocks and their replacement cost

11 Debtors

	2011 £000	2010 £000
Amounts due within one year		
Trade debtors	1,030	872
Other debtors	2,586	1,583
Prepayments and accrued income	393	1,265
Amounts owed from group undertakings	1,283	-
Deferred tax asset (note 13)	92	83
	5,384	3,803

12 Creditors

	2011 £000	2010 £000
Amounts falling due within one year		
Trade creditors	1,106	756
Amounts owed to group undertakings	1,128	474
Other creditors	378	1
Accruals and deferred income	1,610	1,274
	4,222	2,505

13 Deferred tax

	£000
At 1 April 2010	83
Credited to the profit and loss account	9
At 31 March 2011	92

The deferred tax asset consists of the following amounts -	2011 £000	2010 £000
Depreciation in excess of capital allowances	43	74
Other timing differences	49	9
Included in debtors note 11	92	83

14 Called up share capital

	2011 £000	2010 £000
Authorised		
1,000 ordinary shares of £1 each	1	1
Allotted, called up and fully paid		
100 ordinary shares of £1 each	-	-

15 Profit and loss account

	£000
At 1 April 2010	1,562
Profit for the financial year	1,233
FRS 20 Share based payment charge	7
Dividends paid	(1,000)
At 31 March 2011	1,802

16 Dividends

	2011 £000	2010 £000
Amounts recognised as distributions to equity holders in the period		
Interim dividends for the year ended 31 March 2011 of £10,000 per share (2010 £nil per share)	1,000	-

17 Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Profit / (loss) for the financial year	1,233	(1,296)
Dividends paid	(1,000)	-
FRS 20 Share based payment charge	7	8
Net increase / (reduction) in shareholders' funds	240	(1,288)
Opening shareholders' funds	1,562	2,850
Closing shareholders' funds	1,802	1,562

18 Commitments

The company had no capital or any other commitments other than operating leases at 31 March 2011 or at 31 March 2010

19 Operating leases

Commitments for payments in the next year under operating leases are as follows

	2011		2010	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Between two and five years	98	1,934	97	1,934
	98	1,934	97	1,934

20 Contingent liabilities

The company is a member of a Value Added Tax ("VAT") group covering a number of subsidiary undertakings All members of the VAT group are jointly and severally liable in respect of any VAT owed to H M Revenue & Customs

21 Pension scheme

All eligible employees are offered membership of the Railway Pension Scheme As at 31 March 2011 the company was a member of the GB Railways Group Plc defined benefit pension scheme, which is funded Following the disposal of GB Railfreight Limited by the company's parent company GB Railways Group Plc in May 2010, a Hull Trains Company Limited shared cost section of the Railway Pension scheme was established on 1 June 2011 at which time all Hull trains employee's transferred The terms remained the same as for the GB Railways section and a full actuarial valuation of the section at 31 December 2011 is planned

As at 31 March 2011, the GB Railways Group Plc defined benefit pension scheme was still a multi-employer scheme The assets and liabilities of the scheme cannot be separately identified to Hull Trains Company Limited Consequently, contributions to the scheme were accounted for as if they were to a defined contribution scheme

Under the terms of the scheme, any fund deficit or surplus is shared by the employer (60%) and the employees (40%)

The employer share of the GB Railways Group Plc scheme showed a deficit of £0 3m at 31 March 2011 (2009/10 deficit £4 6m)

Any surplus or deficits in the scheme may affect the company through periodic adjustments to the company's contribution rate as determined by the actuary

The valuation of the GB Railways Group Plc scheme was carried out by independent actuaries as at 31 December 2007 in respect of the costs used in these financial statements The actuarial valuation was updated at 31 March 2011, at this date market value of the scheme's assets totalled £3 2m (2009/10 £20 2m) The actuarial value of these assets was sufficient to cover 89% (2009/10 72%) of the benefits, which had accrued to the scheme's members

Contributions were paid to the scheme at rates recommended by the actuaries and the assets of the scheme are held in a separately administered trust The valuation was made using the projected unit method The scheme's assets were held and managed independently of the company's finances by independent investment managers appointed by the trustees of the scheme

The actuarial assumptions used in determining the actuarial valuation were that the rate of return on investments will be 6 9% per annum, the rate of earnings increase will be 4 2% per annum and the rate of inflation will be 3 2% per annum

The total pension cost in the year was £244,733 (2009/10 £142,000), of which £219,824 (2009/10 £110,000) relates to defined benefit schemes and £24,909 (2009/10 £32,000) relates to money purchase schemes

22 Notes to the cash flow statement

(a) Reconciliation of operating profit / (loss) to net cash inflow from operating activities	2011 £000	2010 £000
Operating profit /(loss)	1,735	(1,874)
Depreciation and other amounts written off tangible fixed assets	52	91
Increase in stock	(1)	(8)
(Increase) / decrease in debtors	(1,581)	2,358
Increase / (decrease) in creditors	1,211	(471)
FRS 20 Share based payment charge	7	8
Net cash inflow from operating activities	1,423	104

(b) Returns on investments and servicing of finance	2011 £000	2010 £000
Interest received	4	4
Net cash inflow from returns on investments and servicing of finance	4	4

(c) Capital expenditure and financial investment	2011 £000	2010 £000
Purchase of tangible fixed assets	(418)	-
Net cash outflow from capital expenditure and financial investment	(418)	-

23 Analysis of net funds

	At 31 March 2010 £000	Cash flow £000	At 31 March 2011 £000
Cash at bank and in hand	7	9	16
Net funds	7	9	16

24 Related party transactions

During the year the company entered into the following arrangements with related parties

GB Railways Group plc
(Immediate parent company)

Group interest received	£2,841	(2009/10 – £1,646)

At 31 March 2011 £1,282,773 was payable by GB Railways Group plc to the company (2009/10 – £74,496 payable by the company to GB Railways Group plc)

24 Related party transactions (continued)

First Rail Holdings Limited
(100% subsidiary of the ultimate parent company)

Contract for support services £572,650 (2009/10 - £476,079)

At 31 March 2011 £105,624 (2009/10 - £20,588) was payable by the company to First Rail Holdings Limited

First/Keolis Transpennine Limited
(55% subsidiary of the ultimate parent company)

Contract for support services £327,885 (2009/10 - £361,960)

At 31 March 2011 £51,023 (2009/10 - £nil) was payable by the company to First/Keolis Transpennine Limited

First Rail Support Limited
(100% subsidiary of the ultimate parent company)

Contract for support services £66,380 (2009/10 - £59,775)

At 31 March 2011 £23,521 (2009/10 - £3,359) was payable by the company to First Rail Support Limited

First Greater Western Limited
(100% subsidiary of the ultimate parent company)

Contract for support services £1,689,093 (2009/10 - £400,804)

At 31 March 2011 £446,916 (2009/10 - £373,502) was payable by the company to First Greater Western Limited

First ScotRail Limited
(100% subsidiary of the ultimate parent company)

Contract for support services £nil (2009/10 - £6,359)

At 31 March 2011 £nil (2009/10 - £nil) was payable by the Company to First ScotRail Limited

First Capital Connect Limited
(100% subsidiary of the ultimate parent company)

Contract for support services £58,837 (2009/10 - £62,214)

At 31 March 2011 £3,503 (2009/10 - £2,130) was payable by the company to First Capital Connect Limited

25 Share based payments

Save as you earn (SAYE)
The company's ultimate parent company operates an Inland Revenue approved savings related share option scheme Grants were made in December 2002, December 2003, December 2004, April 2006, December 2006, December 2007, December 2008, December 2009 and December 2010 The scheme is based on eligible employees being granted options and their agreement to opening a share save account with a nominated savings carrier and to save weekly or monthly over a specified period Share save accounts are held with Yorkshire Building Society The right to exercise the option is at the employee's discretion at the end of the period previously chosen for a period of six months

Details of the share options outstanding during the year are as follows

	SAYE April 2006 Options No.	SAYE Dec 2006 Options No.	SAYE Dec 2007 Options No	SAYE Dec 2008 Options No.	SAYE Dec 2009 Options No.	SAYE Dec 2010 Options No.
Outstanding at beginning of the year	1,265	1,789,363	1,514,616	2,224,615	2,900,694	-
Awarded during the year	-	-	-	-	-	2,999,495
Exercised during the year	-	-	(1,595)	(2,878)	(3,093)	-
Lapsed during the year	(1,265)	(1,789,363)	(1,389,721)	(272,935)	(271,508)	(33,882)
Outstanding at the end of the year	**-**	**-**	**123,300**	**1,948,802**	**2,626,093**	**2,965,613**
Exercisable at the end of the year	**-**	**-**	**123,300**	**-**	**-**	**-**
Weighted average exercise price (pence)	325 0	444 0	583 0	371 0	310 0	319 0
Weighted average share price at date of exercise (pence)	N/A	N/A	376 8	382 1	369 3	N/A

The inputs into the Black-Scholes model are as follows

	SAYE 2011 Dec 2010	SAYE 2010 Dec 2009
Weighted average share price (pence)	387 0	395 0
Weighted average exercise price (pence)	319 0	310 0
Expected volatility	35%	35%
Expected life	3 Years	3 Years
Risk-free rate	1 4%	2 0%
Expected dividend yield	4 8%	4 8%

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous five years The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

25 Share based payments (continued)

Allowances have been made for the SAYE schemes for the fact that, amongst a group of recipients some are expected to leave before an entitlement vests The accounting charge is then adjusted over the vesting period to take account of actual forfeitures, so although the total charge is unaffected by the pre-vesting forfeiture assumption, the timing of the recognition of the expense will be sensitive to it Fair values for the SAYE include a 10% p a pre-vesting leaver assumption whereas the Executive, LTIP and deferred share plans exclude any allowance for the pre-vesting forfeitures

The group used the inputs noted above to measure the fair value of the new share options

The group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme

The company has recognised a total expense of £7,000 (2009/10 £8,000) relating to equity-settled share-based payment transactions

26 Ultimate parent company and controlling party

The directors regard FirstGroup plc, a company incorporated in Great Britain and registered in Scotland, as the ultimate parent and controlling company, which is the smallest and largest group that includes the company's results and for which group financial statements are prepared

The company's immediate controlling party is GB Railways Group plc

Copies of the accounts of FirstGroup plc can be obtained on request from Ground Floor, 50 Eastbourne Terrace, Paddington, London, W2 6LG