HULL TRAINS COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2013

Company Registered
Number 03715410

HULL TRAINS COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

Contents | **Pages**

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 2013

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

First Hull Trains' financial performance in 2012-13 was strong It came against a backdrop of further investment in engineering and maintenance of rolling stock and a sustained period of solid operational performance. The company's commercial and marketing teams also played an important role in communicating and accentuating the benefits of travelling with the company and as a consequence passenger numbers increased during this reporting period

The stronger operational performance came after a multi-million pound investment in the rolling stock completed at the start of the year and was further complemented by the signing of an engineering and maintenance contract with the Class 180 manufacturers, Alstom, at the end of the financial year

Reliability and punctuality were also key factors in our 2012-13 Passenger Focus National Passenger Survey results Named as the best operator in the UK in the Spring 2013 wave of independent research, First Hull Trains cemented its position as being recognised as the best operator in the UK by those who matter most – the customers.

The National Passenger Survey results were exceptional from First Hull Trains' perspective, once again putting the company at the very top of the charts nationally Overall satisfaction was at 95% – the highest in the UK and the same as the autumn 2012 wave of results This demonstrates a continued and sustained level of excellent service with the company achieving 95% for a full year - well above industry average, which was 82% However, the second most pleasing element, and one which remains a testament to the dedication and commitment of the company's employees, was the satisfaction with staff helpfulness First Hull Trains scored 94%, against an industry average of 65%

Another important factor in 2012-13 was a move towards more detailed market analysis and consequent pricing and marketing activity First Hull Trains has shown a great ability to flex and move to meet the needs of expectant customers. Speaking to, and importantly listening to what people want, has given the company the right information to make available ticketing options which are tailored to the markets' needs. Individual station, business commuter, leisure traveller and many other demographically unique options have been made available and customers are taking greater advantage of them

In the coming year, the company has ambitious plans to see through an electrification programme for the Hull to Selby line However there remains, at the time of publication, several aspects to be addressed between numerous statutory and non-statutory bodies The programme would deliver a long-term benefit to passengers, to investors, to the rail network generally and to shareholders

With its licence up for renewal come December 2016, the Board at First Hull Trains is moving towards an unprecedented step in open-access operations by trying to secure a long licence extension

The next 12 months will help shape the future for First Hull Trains, its shareholders, its 107 employees and its 800,000 passengers

Key performance indicators

In order to assist in the management of the business the company produces and notes the following key performance indicators The increase in passenger revenue was 5 2% as compared to the prior year (2011/12 -0 5% decrease) The Performance Punctuality Monitor (PPM) moving annual average was 81 8% (2011/12 81 8%) The National Passenger Survey satisfaction score was 95% during this year (2011/12 95%)

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

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 Executive Group to meet our customers' requirements in this area

Legislation and regulation
The business is subject to numerous laws regulating safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage and other operating issues and considerations These laws and regulations are constantly subject to change The costs associated with complying with the adoption of new legislation, regulations or other laws could adversely impact the results of our operations To help mitigate the risk of legislative or regulatory changes the company and FirstGroup plc regularly lobbies both government and transport bodies

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 107 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

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

Economic and market risks (continued)
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

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

Information technology

The company relies on information technology in all aspects of its business Any significant disruption or failure, caused by external factors, denial of service, computer viruses or human error, could result in a service interruption, accident or misappropriation of confidential information (including credit card data) Process failure, security breach or other operational difficulties may also lead to revenue loss Extensive security controls in place which in conjunction with policy and procedures are designed to enhance the resilience and security of the company's information technology systems and the data they contain

Customer service

The company's revenues are at risk if it does not continue to provide the level of service expected by customers Relevant staff undertake intensive training programmes to ensure they are aware of and abide by the levels of service that are required by our customers On-going engagement with customers and community stakeholders takes place across the company, including through 'Meet the Manager' events, customer panels, consultations and local partnerships

Litigation

The company has three main insurable risks third party claims arising from passenger accidents, employee injuries and property damage The company has a very strong focus on safety - it is one of our core values The size of the company's operations is such that there are a number of low value injury claims which the company self-insures up to certain limits It purchases insurance above these limits from reputable global insurance firms Claims are managed by experienced claims handlers

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

Financial matters
The results for the year are given in the profit and loss account on page 10, which shows an overall profit of £400k for the financial year (2011/12 – loss of £273k) The directors recommended a payment of an interim dividend of £1,000 per share, paid on 4 May 2012 (2011/12 - £5,000) No final dividend was recommended (2011/12 - £nil)

Financial risk management
The company's principal financial assets are bank balances, trade debtors and receivables from group undertakings 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
At 31 March 2013 the company had cash at bank and in hand of £24k and net assets including pension liability of £661k The company is party to a group banking arrangement with its immediate parent company, GB Railways Group Plc, and its bank balance is transferred daily The company has instant access to the balance with GB Railways Group Plc, which was £1,297k at 31 March 2013

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 2013 were equivalent to 43 days' purchases (2012 45), based on the average daily amount invoiced by suppliers during the year

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

C Bellamy (resigned 9 December 2012)
C Burrows
D Gausby
A James
M Jones
J Nelson
K Doughty
V Barker
R Parry (appointed 14 December 2012, resigned 5 July 2013)
W Dunnett (appointed 2 September 2013)

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

W Dunnett
Director
16 December 2013

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

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, subject to any material departures disclosed and explained in the financial statements, 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 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement, the reconciliation of net cash flow to movement in net funds 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 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 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed 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
16 December 2013

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2013

	Notes	2013 £000	2012 £000
Turnover	1, 2	22,762	21,629
Operating costs	3	(22,383)	(21,971)
Operating profit/(loss) on ordinary activities		379	(342)
Net interest receivable and similar income	6	84	56
Profit/(loss) on ordinary activities before taxation	7	463	(286)
Tax (charge) / credit on profit / (loss) on ordinary activities	8	(63)	13
Profit / (loss) for the financial year	15	400	(273)

All activities relate to continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2013

	2013 £'000	2012 £'000
Profit / (loss) for the financial year	400	(273)
Recognition of liability on defined benefit pension scheme at 1 June 2011	-	(300)
Deferred tax on recognition of liability on defined benefit pension scheme	-	72
Actuarial loss relating to the pension scheme	(439)	(146)
UK deferred taxation attributable to actuarial loss	101	35
Effect of change of tax rate on deferred taxation	(4)	-
Total recognised gains and losses for the year	58	(612)

BALANCE SHEET
At 31 March 2013

	Notes	£000	2013 £000	£000	2012 £000
Fixed assets					
Tangible assets	9		515		669
Current assets					
Stocks	10	26		25	
Debtors	11	3,636		3,894	
Cash at bank and in hand		24		22	
		3,686		3,941	
Creditors amounts falling due within one year	12	(2,993)		(3,639)	
Net current assets			693		302
Total assets less current liabilities			1,208		971
Net assets excluding pension liability			1,208		971
Pension liability	21		(547)		(274)
Net assets including pension liability			661		697
Capital and reserves					
Called up share capital	14		-		-
Profit and loss account	15		661		697
Shareholders' funds	17		661		697

These financial statements of Hull Trains Company Limited registered number 03715410 were approved by the Board of Directors on 16 December 2013 and were signed on its behalf by

W Dunnett
Director

CASH FLOW STATEMENT
For the year ended 31 March 2013

	Notes	2013 £000	2012 £000
Net cash inflow from operating activities	22(a)	113	707
Returns on investment and servicing of finance	22(b)	2	4
Capital expenditure and financial investment	22(c)	(13)	(205)
Dividend paid		(100)	(500)
Increase in cash in the year	23	2	6

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
For the year ended 31 March 2013

	Notes	2013 £000	2012 £000
Increase in cash in year		2	6
Movement in net funds in year		2	6
Net funds at beginning of year	23	22	16
Net funds at end of year	23	24	22

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 5

(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

1 Principal accounting policies (continued)

(f) 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

(g) 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 behavioural considerations

(h) Pension costs

Company specific schemes

The company operates a defined benefit scheme which is held in separately administered funds The amounts charged to operating profit regarding the defined benefit scheme are the current service costs and gains and losses on settlements and curtailments They are included as part of staff costs Past service costs are recognised immediately in the profit and loss account if the benefits have vested If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs The interest costs and the expected return on the assets are shown as a net amount of other financial costs or credits within net interest Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities The actuarial valuations are obtained at least triennially and are updated at each balance sheet date The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other assets on the face of the balance sheet

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

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

	2013 £000	2012 £000
Raw materials and consumables	4,143	3,989
Staff costs (note 4)	5,039	5,159
Other external charges	13,034	12,683
Depreciation and other amounts written off tangible fixed assets	167	140
	22,383	21,971

4 Employee numbers and costs

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

	2013 No	2012 No
Operations	90	87
Administration	17	15
	107	102

The aggregate payroll costs of these persons were as follows

	2013 £000	2012 £000
Wages and salaries	4,391	4,157
Social security costs	393	381
Other pension costs	255	233
Additional pension contributions	-	388
	5,039	5,159

The additional pension contributions were made as a condition of setting up a new scheme

5 Directors' remuneration

Four directors received remuneration from other group companies, in the current and prior years, details of which are disclosed in their accounts It is not considered practicable to allocate this between services provided to those companies, and services provided in their capacity as directors to Hull Trains Company Limited
The remuneration of the other directors during the year was as follows

	2013 £000	2012 £000
Aggregate emoluments (excluding pension contributions)	219	197
Company pension contributions	32	13
	251	210

Retirement benefits accrued to three directors (2012 one) under a defined benefit scheme

The remuneration of the highest paid director was £87,021, including employer contributions to a defined benefit pension scheme of £15,749 (2012 £157,679 including employer contributions to a defined benefit pension scheme of £13,351)

6 Net interest receivable and similar income

	2013 £000	2012 £000
Interest receivable and similar income		
Amount received from other group undertakings	2	3
Expected return on pension scheme assets	214	168
Bank interest	-	1
	216	172
Interest payable and similar expense		
Interest on pension scheme liabilities	(132)	(116)
Net interest receivable and similar income	84	56

7 Profit / (loss) on ordinary activities before taxation

	2013 £000	2012 £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	167	140
Rentals payable under operating leases		
- plant and machinery	2,462	2,621
- other operating leases	96	97

No other services were provided by Deloitte LLP in either year

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

	2013 £000	2012 £000
Current taxation		
- Group relief payable / (receivable)	95	(95)
- Adjustment in respect of prior years	25	-
Total current taxation	120	(95)
Deferred taxation		
- Origination and reversal of timing differences	(4)	(1)
- Effect of decrease in tax rate on opening deferred tax balance	1	1
- Adjustment in respect of prior years	(74)	62
Total deferred taxation	(77)	62
Deferred taxation on pension schemes	21	20
Effect of decrease in tax rate on opening deferred tax balance	(1)	-
	20	20
Total tax charge / (credit) on profit / (loss) on ordinary activities	63	(13)

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 24% (2011/12 26%) 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

	2013 %	2012 %
Standard rate of taxation	24 0	26 0
Factors affecting charge		
- Capital allowances in excess of depreciation	8 7	0 1
- Other timing differences	(4 5)	7 1
- Utilisation of tax losses brought forward	(7 7)	-
- Prior years' tax charge	5 4	-
Current taxation rate for the year	25 9	33 2

During the period the UK government enacted legislation to reduce the main rate of UK corporation tax to 23% with effect from 1 April 2013 The impact of this rate reduction has reduced the deferred tax asset on UK timing differences

It was expected that further legislation would be included within Finance Bill 2013 to reduce the rate further to 22% for the financial year commencing 1 April 2014 However, the Government has subsequently announced that the rate will instead be reduced to 21% from 1 April 2014 and then again to 20% from 1 April 2015 None of these expected future rate reductions have been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

The effective tax rate for the period to 31 March 2014 and 31 March 2015 is expected to reduce accordingly

9 Tangible fixed assets

	Other plant and equipment £000
Cost	
At 1 April 2012	1,011
Additions	13
At 31 March 2013	1,024
Depreciation	
At 1 April 2012	342
Charge for year	167
At 31 March 2013	509
Net book value	
At 31 March 2013	515
At 31 March 2012	669

10 Stocks

	2013 £000	2012 £000
Spare parts and consumables	13	12
Goods for resale	13	13
	26	25

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

11 Debtors

	2013 £000	2012 £000
Amounts due within one year		
Trade debtors	1,612	834
Other debtors	330	796
Prepayments and accrued income	290	118
Amounts owed from group undertakings	1,297	2,116
Deferred tax asset (note 13)	107	30
	3,636	3,894

Amounts owed from group undertakings includes £12,000 (2012 £99,000) for group relief receivable from a fellow group undertaking Only amounts owed from GB Railways plc attract interest at a money market rate as determined by the current banking provider

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

12 Creditors

	2013 £000	2012 £000
Amounts falling due within one year		
Trade creditors	871	1,492
Amounts owed to group undertakings	187	302
Other creditors	212	310
Accruals and deferred income	1,723	1,535
	2,993	3,639

Amounts owed to group undertakings do not attract interest

13 Deferred tax

	£000
At 1 April 2012	30
Credit to the profit and loss account	77
At 31 March 2013	107

The deferred tax asset consists of the following amounts -	2013 £000	2012 £000
Depreciation in excess of capital allowances	97	(17)
Other timing differences	10	47
Included in debtors note 11	107	30

14 Called up share capital

	2013 £000	2012 £000
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

15 Profit and loss account

	£000
At 1 April 2012	697
Other recognised losses relating to the year (net)	(342)
Profit for the financial year	400
FRS 20 Share based payment charge	6
Dividends paid	(100)
At 31 March 2013	661

16 Dividends

	2013 £000	2012 £000
Amounts recognised as distributions to equity holders in the period		
Interim dividends for the year ended 31 March 2013 of £1,000 per share (2012 £5,000 per share)	100	500

17 Reconciliation of movements in shareholders' funds

	2013 £000	2012 £000
Profit / (loss) for the financial year	400	(273)
Other recognised losses relating to the year (net)	(342)	(339)
Dividends paid	(100)	(500)
FRS 20 Share based payment charge	6	7
(Reduction) in shareholders' funds	(36)	(1,105)
Opening shareholders' funds	697	1,802
Closing shareholders' funds	661	697

18 Commitments

The company had no capital or any other commitments other than operating leases at 31 March 2013 or at 31 March 2012

19 Operating leases

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

	2013		2012	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Between two and five years	96	1,910	97	2,643
Total	**96**	**1,910**	**97**	**2,643**

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

Defined benefit schemes

As at 31 March 2011 the company was a member of the funded, multi-employer GB Railways Group Plc defined benefit pension scheme along with GB Railfreight Limited, a former fellow subsidiary undertaking of GB Railways Group Plc Consequently, contributions to the scheme were accounted for as if they were to a defined contribution scheme The contributions for the year ended 31 March 2011 were £220,000

A condition of the disposal on 28 May 2010 of GB Railfreight Limited by the company's parent company, GB Railways Group Plc, was for the company to establish its own section within the Railway Pension Scheme The Hull Trains Company Limited shared cost section of the Railway Pension Scheme was established on 1 June 2011 A full actuarial valuation of the section at 31 December 2011 has been completed by independent actuaries

The actuarial assumptions used in determining this valuation were that the rate of return on investments will be 6 55% per annum, the rate of earnings increase will be 4 23% per annum and the rate of inflation (RPI/CPI) will be 3 2%/2 2% per annum The valuation was made using the projected unit method and showed a funding shortfall at that time of £420,000

All eligible employees are offered membership of the Railway Pension Scheme

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

The actuarial valuation was updated at 31 March 2013 At this date, the market value of the scheme's assets totalled £5 0m (31 March 2012 £3 7m) The actuarial value of these assets was sufficient to cover 81% (31 March 2012 86%) of the benefits, which had accrued to the scheme's members

Contributions are paid to the scheme at rates recommended by the actuaries and the assets of the scheme are held in a separately administered trust The scheme's assets are held and managed independently of the company's finances by independent investment managers appointed by the trustees of the scheme The current contribution rate is 11 5% for employees (2012 11 5%) and 17 25% for the employer (2012 17 25%)

The main financial assumptions used in this update were as follows

	31 March 2013	31 March 2012	1 April 2011
Rate of increase in salaries	3 70%	3 75%	4 2%
Rate of increase of pensions in payment	2 15%	1 75%	2 4%
Rate of increase of pensions in deferment	2 15%	1 75%	2 4%
Discount rate	4 50%	4 65%	5 5%
Inflation assumption - RPI	3 20%	2 75%	3 2%
Inflation assumption - CPI	2 15%	1 75%	2 4%

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

21 Pension scheme (continued)

The assets in the scheme and the expected rate of return were

	Expected rate of return			Value		
	31 March 2013	31 March 2012	1 April 2011	31 March 2013 £'000	31 March 2012 £'000	1 April 2011 £'000
Infrastructure	8 00%	8 00%	8 00%	141	127	127
Bonds	3 75%	4 25%	5 20%	115	89	81
Cash Plus	8 00%	8 40%	8 85%	4,088	3,173	2,729
Private Equity	8 00%	8 65%	9 00%	340	291	253
Cash	2 80%	3 10%	7 50%	316	45	10
				5,000	3,725	3,200

"Cash Plus" is a growth fund, which invests in different return seeking assets including equities

The balance sheet position for the company

	31 March 2013 £'000	31 March 2012 £'000	1 April 2011 £'000
Total fair value of assets	5,000	3,725	3,200
Present value of scheme liabilities	(6,183)	(4,327)	(3,700)
Deficit in the scheme	(1,183)	(602)	(500)
Adjustment for employee share of deficit	473	241	200
Liability recognised in balance sheet	(710)	(361)	(300)
Related deferred tax asset	163	87	78
Net pension liability	(547)	(274)	(222)

Analysis of amount charged to operating profit

	2013 £'000	2012 £'000
Current service costs	235	213
Total operating charge	235	213

Amounts credited to net finance income

	2013 £'000	2012 £'000
Expected return on pension scheme assets	214	168
Interest on pension scheme liabilities	(132)	(116)
Net return credited as interest receivable and similar income	82	52

21 Pension scheme (continued)

Amounts recognised in the statement of total recognised gains and losses ("STRGL")

	2013 £'000	2012 £'000
Actual return less expected return on pension scheme assets	(172)	138
Experience losses arising on scheme liabilities	(267)	(284)
Total loss recognised in STRGL	(439)	(146)

Movements in the present value of defined benefit obligations ("DBO") were as follows

	2013 £'000	2012 £'000
Start of year	4,327	3,700
Current service cost	235	213
Interest cost	132	116
Employee share of change in DBO	422	407
Actuarial loss	267	281
Benefit payments	800	(390)
End of year	6,183	4,327

Movements in the fair value of scheme assets were as follows

	2013 £'000	2012 £'000
Start of year	3,725	3,200
Expected return on assets	214	168
Company contributions	243	245
Employee contributions	162	160
Employee share of return on assets	28	204
Actuarial (loss)/gain on assets	(172)	138
Benefits received/(paid) from schemes	800	(390)
End of year	5,000	3,725

History of experience gains and losses

	2013	2012
Experience (loss) / gain on scheme assets		
Amount (£000)	(172)	137
Percentage of scheme assets (%)	(5 7%)	6 2%
Experience loss on scheme liabilities		
Amount (£000)	8	20
Percentage of the present value of scheme liabilities (%)	(0 2%)	0 8%

The company expects to contribute approximately £260,000 to its defined benefit scheme in the next financial year (employee contributions £170,000) The expected benefit payments from the scheme are £70,000

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

21 Pension scheme (continued)

Defined contribution pension scheme

Additionally, the company contributions to the money purchase scheme during the year were £20,507 (2012 £20,179) The contributions payable as at 31 March 2013 were £1,760 (2012 £1,777)

22 Notes to the cash flow statement

(a) Reconciliation of operating profit / (loss) to net cash inflow from operating activities	2013 £000	2012 £000
Operating profit/(loss)	379	(342)
Depreciation and other amounts written off tangible fixed assets	167	140
Pension operating charge less cash contributions	13	(32)
Increase in stock	(1)	(5)
Decrease in debtors	195	1,522
Decrease in creditors	(646)	(583)
FRS 20 Share based payment charge	6	7
Net cash inflow from operating activities	113	707

(b) Returns on investments and servicing of finance	2013 £000	2012 £000
Interest received	2	4
Net cash inflow from returns on investments and servicing of finance	2	4

(c) Capital expenditure and financial investment	2013 £000	2012 £000
Purchase of tangible fixed assets	(13)	(205)
Net cash outflow from capital expenditure and financial investment	(13)	(205)

23 Analysis of net funds

	At 31 March 2012 £000	Cash flow £000	At 31 March 2013 £000
Cash at bank and in hand	22	2	24
Net funds	22	2	24

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	£1,775	(2011/12 – £2,776)

At 31 March 2013 £1,297,094 was payable by GB Railways Group plc to the company (2011/12 – £2,016,596 payable by the company to GB Railways Group plc)

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

Contract for support services	£506,956	(2011/12 - £454,759)

At 31 March 2013 £46,553 (2011/12 - £30,734) 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	£452,505	(2011/12 - £397,098)

At 31 March 2013 £17,003 (2011/12 - £20,437) 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	£153,796	(2011/12 - £180,585)

At 31 March 2013 £4,759 (2011/12 - £23,682) 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	£1,910,517	(2011/12 - £591,197)

At 31 March 2013 £253,744 (2011/12 - £225,259) was payable by the company to First Greater Western Limited

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

Contract for support services	£39,581	(2011/12 - £21,737)

At 31 March 2013 £621 (2011/12 - £1,641) was payable by the company to First Capital Connect Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

25 Share based payments

Equity-settled share option plans
The Group recognised total expenses of £5 6m (2012 £6 0m) related to equity-settled share-based payment transactions

(a) Save as you earn (SAYE)
The Group operates an Inland Revenue approved savings related share option scheme Grants were made as set out below The scheme is based on eligible employees being granted options and their agreement to opening a sharesave account with a nominated savings carrier and to save weekly or monthly over a specified period Sharesave 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

	SAYE Dec 2008 Options Number	SAYE Dec 2009 Options Number	SAYE Dec 2010 Options Number	SAYE Dec 2011 Options Number	SAYE Dec 2012 Options Number
Outstanding at the beginning of the year	1,805,810	2,336,168	2,669,280	2,907,764	-
Awarded during the year	-	-	-	-	2,986,775
Exercised during the year	-	(819)	-	(54)	(11)
Lapsed during the year	(1,805,810)	(242,694)	(384,479)	(377,042)	(29,664)
Outstanding at the end of the year	-	2,092,655	2,284,801	2,530,668	2,957,100
Exercisable at the end of the year	-	2,092,655	-	-	-
Weighted average exercise price (pence)	371 0	310 0	319 0	271 5	143 9
Weighted average share price at date of exercise (pence)	N/A	197 3	N/A	204 9	193 0

(b) Executive share option scheme (ESOS)
Options are exercisable between three and ten years of the date of grant provided that the pre-determined performance criteria are met

	ESOS 2002 Options Number	ESOS 2003 Options Number	ESOS 2004 Options Number
Outstanding at the beginning of the year	75,142	258,183	254,426
Lapsed during the year	(75,142)	-	-
Outstanding at the end of the year	-	258,183	254,426
Exercisable at the end of the year	-	258,183	254,426
Weighted average exercise price (pence)	269 0	287 0	275 1
Weighted average share price at date of exercise (pence)	N/A	N/A	N/A

(c) Deferred bonus shares (DBS)

	DBS 2004 Options Number	DBS 2005 Options Number	DBS 2006 Options Number	DBS 2007 Options Number	DBS 2008 Options Number	DBS 2009 Options Number	DBS 2010 Options Number	DBS 2011 Options Number	DBS 2012 Options Number
Outstanding at the beginning of the year	12,473	39,914	114,080	302,068	102,789	244,267	422 238	520,475	-
Granted during the year	-	-	-	-	-	-	-	-	982,131
Forfeited during the year	-	-	-	-	(1,860)	(2,357)	(8,829)	(16,643)	(45,815)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

Exercised during the year	(6,484)	(6,962)	(27,464)	(131,671)	(25,881)	(160,341)	(13,587)	(10,528)	(17,196)
Outstanding at the end of the year	5,989	32,952	86,616	170,397	75,048	81,569	399,822	493,304	919 120
Exercisable at the end of the year	5,989	32,952	86,616	170,397	75,048	81,569	-	-	-
Weighted average exercise price (pence)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Weighted average share price at date of exercise (pence)	242 8	186 4	240 8	212 9	227 9	218 6	219 3	253 6	253 6

(d) Buy As You Earn (BAYE) scheme
BAYE enables eligible employees to purchase shares from their gross income The Company provides two matching shares for every three shares bought by employees, subject to a maximum Company contribution of shares to the value of £20 per employee per month If the shares are held in trust for five years or more, no income tax and national insurance will be payable The matching shares will be forfeited if the corresponding partnership shares are removed from trust within three years of award

At 31 March 2013 there were 8,306 (2012 8,354, 2011 7,985) participants in the BAYE scheme who have cumulatively purchased 6,159,479 (2012 6,869,043, 2011 5,651,985) shares with the Company contributing 1,936,789 (2012 2,128,810, 2011 1,689,837) matching shares on a cumulative basis

(e) Long Term Incentive Plan (LTIP)
Awards under the LTIP scheme vest over the three year periods to 31 March from year of award with 50% of the award being dependent upon EPS performance over the vesting period and the other 50% being dependent upon total shareholder return over the same period compared to the comparator group of 100 companies

	LTIP 2009 Options Number	LTIP 2010 Options Number	LTIP 2011 Options Number	LTIP 2012 Options Number
Outstanding at the beginning of the year	3,236,461	3,870,081	4,970,578	-
Granted during the year	-	-	-	6,293,066
Forfeited during the year	-	(96,074)	(244,023)	(294,831)
Lapsed during the year	(3,236,461)	-	-	-
Outstanding at the end of the year	-	3,774,007	4,726,555	5,998,235

(f) Tim O'Toole retention award

	2011 Number	2012 Number	2013 Number	Award price (p)
At the end of the year	214,826	214,826	214,826	Nil

These options vest on 1 November 2013 subject to the Executive remaining in office until this date There are no performance conditions attaching to these options
The fair values of the options granted during the last two years were measured using a Black-Scholes model The inputs into the Black-Scholes model were as follows

	2013	2012
Weighted average share price (pence)		
- DBS	**220 1**	351 8
- SAYE December 2011	**-**	319 2
- SAYE December 2012	**188 9**	-
- LTIP	**223 1**	337 8

Weighted average exercise price (pence)		
- DBS	-	-
- SAYE December 2011	-	271 5
- SAYE December 2012	**143 9**	-
- LTIP	-	-
Expected volatility		
- DBS	**43%**	35%
- SAYE December 2011	-	35%
- SAYE December 2012	**35%**	-
- LTIP	**31%**	42 9%
Expected life (years)		
- DBS	**3**	3
- SAYE schemes	**3**	3
- LTIP	**3**	3
Rate of interest		
- DBS	**0 4%**	1 5%
- SAYE December 2010	-	0 6%
- SAYE December 2011	**0 4%**	-
- LTIP	**0 4%**	1 3%
Expected dividend yield		
- DBS	**10 8%**	6 3%
- SAYE December 2011	-	7 0%
- SAYE December 2012	**12 5%**	-
- LTIP	**10 6%**	6 6%

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

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 pre-vesting forfeitures

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

26 Ultimate parent company and controlling party

The directors regard FirstGroup plc, a company incorporated in the United Kingdom 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