4356933

Merseyrail Electrics 2002 Limited

Report and Financial Statements

5th January 2013

Directors
A Heath
D Booth
J Bowen
D Temple
J Edwards
J Brown
J Roberts
M Spaargaren
J Chaudhry

Secretary
Serco Corporate Services Limited

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Ernst & Young LLP
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Registered No 4356933

Directors' report

The directors present their report and financial statements for the 52 weeks ended 5 January 2013

Results and dividends

The profit for the period after taxation was £10,770,000 (52 weeks ended 7 January 2012 – profit of £8,917,000)

The directors recommend a final dividend £13,037,000 (52 weeks ended 7 January 2012 – £8,769,000)

Principal activities and review of the business

In 2003 Merseyrail were awarded a 25-year concession to provide rail services on behalf of Merseytravel, the Merseyside PTE This singled out Merseyrail amongst other Train Operating Companies (TOCs), where average length contracts are between 7-10 years For this reason, Merseyrail are now in the enviable position of being able to take a long-term perspective on the investment and development of rail passenger services We strive to exceed the expectations of not only the people of Merseyside, but also the wider public transport community This is in line with the philosophy of its two 50% shareholders Serco Group plc and Abellio

Merseyrail is an urban network of vital importance to the transport infrastructure of Liverpool and Merseyside and is one of the most intensively used networks in the UK, with over 800 train services daily (Monday to Saturday), with a reduced service of 350 train services on Sundays There are approximately 110,000 passenger journeys each weekday, with 37 million passenger journeys per annum Around 50% of passengers are daily users

The business operates 75 route miles in the Merseyside area bisected by the river Mersey The network has 67 stations, 66 of which are managed by Merseyrail, with terminal stations at Southport, Ormskirk, Kirkby and Hunts Cross to the North and New Brighton, West Kirby, Chester, and Ellesmere Port on the Wirral side of the river The network also includes 6 5 miles of underground track and 5 underground stations

The business operates with a fleet of 59 class 507/508 electric trains which underwent an extensive refurbishment in 2004 This included improved seating, advanced passenger information systems and on board CCTV security cameras

The directors are satisfied with the performance of the company during the period Turnover was £135,224,000 which was an increase of 2 7% on the previous period (52 weeks ended 7 January 2012 – £131,649,000)

2012 was a challenging year with the closure of our main underground station at Liverpool Central for 26 weeks for extensive refurbishment A combination of Network Rail, ERDF and Merseytravel funding, totalling 20 million pounds has seen significant improvements at Liverpool Central Network Rail have replaced all non-sub-surface compliant materials on the platforms and passageways along with the renewal of four escalators to the Northern line platforms whilst Merseytravel transformed the concourse area, creating a passenger friendly environment resulting in a lighter, brighter concourse with improved access to the lift, passenger toilets and waiting facilities 2013 will see James Street and Lime Street stations undergo a similar renewals process by Network Rail

The Liverpool Central concourse scheme was successfully project managed by Merseyrail, which resulted in the Project Engineer achieving Highly Commended in the Rail Engineer category at the Rail Staff Awards and the scheme has been nominated in the Station Excellence category in the Rail Business Awards to be held on 27th February

Directors' report

Principal activities and review of the business (continued)

The station was officially opened as planned by Maria Eagle MP, Shadow Transport Secretary of State and Louise Ellman Chair of the Transport Select Committee on the 26th of October

We ended the year 2012 on a Public Performance Measure (PPM) of 95 33%, a slight improvement on 2011 (95 28%) Whilst still an excellent score that is in the top 3 of the national PPM league, we hoped we would be able to end even higher Unfortunately, performance was impacted by an extremely bad autumn weather, flooding in September, and severe infrastructure disruptions We were also impacted by some exceptional infrastructure failures that affected our power supplies We are currently discussing a bespoke 'Alliancing Agreement' with Network Rail to formalise and enhance the collaboration between the two organisations A robust governance structure will be established (based on similar agreements between the sister companies and Network Rail) and a partnership approached will be developed to improve joint performance

In the most recent National Passenger Survey (Autumn 2012), Merseyrail scored 92% which was joint third of all franchised TOCs behind c2c and LOROL who scored 93% Merseyrail scored the highest scores of any TOC in several areas relating to the provision of ticket buying facilities, availability and attitude of staff, frequency of service, overall station environment and value for money These have all been areas of focus in the business and it is pleasing to see this reflected in the scores

During 2012 Merseyrail opened its 9th MtoGo stores at Moorfields Station, replacing traditional railway booking offices with a more customer friendly retail environment

During the year Merseyrail retained its 100% Secure Station and Car Park accreditation from the Department of Transport (DfT) that we gained in 2010

Merseyrail value their staff and actively invest in schemes to promote learning opportunities and to improve the health and wellbeing of staff We have been asked by the Office of the Rail Regulator (ORR) to work with them on producing a case study of the 'Heart on Track' initiative, this is an initiative in which staff are given the opportunity to have professional and personalised health and fitness advice They will use this as a best practice example within the rail industry on their website

We have also worked in partnership with Merseytravel to establish a mobile Learning Centre for exclusive use by Merseyrail Union learners Initially the Learning Centre will be used to support current learners, but once established, will be marketed to attract new learners

The Merseyrail's got Talent scheme, which involves staff pitching ideas in a "dragons den" style format to members of the Senior Team, has been awarded a divisional pulse award under the Serco Pulse Award scheme, in the innovation category The team will receive this award at a ceremony in London on 25th April 2013

We are serious about our role in the community and we have a very active programme of community engagement

2012 was a successful year for Merseyrail in regards to fundraising and Community Engagement

As part of our commitment to our community Merseyrail also support a local charity each year This year's charity was the Bone Marrow Transplant Unit at the Royal Liverpool Hospital and we were delighted to be able to raise £58,000 through the involvement of staff and stakeholders in fundraising events throughout the year Some of the highlights of the year involved staff participating in a Comic Stand Up evening, a Hadrian's Wall Grand Challenge Walk, abseiling and skydiving

Over the last 7 years we have donated over £350,000 to our chosen charities

Directors' report

Principal activities and review of the business (continued)

Our station adoption programme continues to flourish with four more schemes starting at Rice Lane, Hunts Cross, Bootle Oriel Rd and Meols bringing the total to number of stations in the programme to 33 Our Volunteers at Little Sutton and Ellesmere Port were delighted when their stations were awarded Most Improved Station and The Community Award in the Cheshire Best kept Stations 2012 Ellesmere Port was also recognised at the Community Rail Awards with a highly commended for the station gardens

Merseyrail continue to engage with local community groups and schools across the region Notably the Business Class Partnership with Archbishop Beck High School which was once again shortlisted for an award at the Regional BITC Excellence Awards This project includes Enterprise & Enrichment days and Employability Interviews

During 2012 we began a two year stadium sponsorship deal with Southport FC We are both organisations that are socially responsible for the areas around us The Merseyrail Community Stadium highlights to everyone our focus on contributing to the needs of our area for all ages

Southport FC have been leaders of the Football Conference Community Schemes and it is through these programmes that Merseyrail have come on board to boost the club's community delivery and strengthen it as the partnership develops

To round off the year our annual Polar Express for our staff and their families has been a fantastic success again, with 1,607 passengers having a marvellous time with Santa and his helpers Over 800 children received gifts, danced and had a ball on our themed train We also raised over £1,500 worth of donations towards our charity of the year

We continue to work with the British Quality Foundation to improve our processes In 2012 we were awarded the "EFQM Recognised for Excellence 5 Star Accreditation" We also made application to the North of England Excellence for the Sustainability Award and following a written submission and assessment by a panel of judges we were given finalist status for the Sustainability Award

In the period ended 5 January 2013 the company has invested £1,589,000 in capital improvements across the network to enhance our station and staff facilities

At the period end the cash balance stood at over £9,309,000 (52 weeks ended 7 January 2012 – £13,080,000) with a further £2,500,000 (52 weeks ended 7 January 2012 – £2,000,000) on short term investment The liquidity position has remained strong through the period

Future developments

Throughout the coming months Merseyrail will continue, in partnership with Merseytravel, and others, to make improvements to the network and service, to enable the challenges of the coming year to be met In particular we were advised on the 17th January 2013 that the extension to the current lease agreement between Merseytravel and Angel trains has been approved by the Merseytravel Finance Committee so now only relevant signatures are required This will allow the release of funds of £5 5m to carry out the fleet refurbishment works The agreement will extend the lease on the current fleet of 507/508 units to December 2019

Looking further forward Merseytravel are investigating new fleet options and we will be working in partnership with them in this area

Directors' report

Principal risks and uncertainties

The 25 year concession means that the business has certainty and is therefore able to take a long-term view on investment There are no rail competitors running over the same routes In common with most train operators the main competitor to the business is the car, taxis and bus operators To mitigate the risks from these pressures, Merseyrail are working with local and national bodies to ensure that services are provided that meet or exceed the requirements of our stakeholders The long term nature of the contract means that Merseyrail are able to invest in improvements to the network that are beneficial and attractive to stakeholders

The economic climate in the region has impacted on Merseyrail There is a higher degree of uncertainty around patronage, and the leadership team within Merseyrail are focused on close monitoring of all relevant KPIs to ensure any required remedial action in response to the emerging conditions is taken

Going concern

The nature of the Merseyrail Concession Agreement with Merseytravel provides a significant subsidy payment Given the frequency of contract payments, combined with a network where Merseyrail are the sole operator and having reviewed the budgets and forecasts for a 12 month period from the date of signing the financial statements, the directors are confident that the business will continue to be cash generative The directors believe this will be achieved without the need for third party funding in the foreseeable future, despite the current economic uncertainty Thorough cash management processes are followed Accordingly, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for its foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Directors

The directors who served the company during the year were as follows

A Heath	
D Booth	
M Wieman	(resigned 22 March 2012)
J Edwards	
J Curley	(resigned 4 October 2012)
J Bowen	
D Temple	(appointed 1 November 2012)
J Roberts	(appointed 17 May 2012)
J Chaudhry	(appointed 22 March 2012)
J Brown	(appointed 19 April 2012)
M Spaargaren	
J Weimar	(resigned 26 March 2012)

Charitable contributions

During the period, the company made charitable donations and sponsorship payments of £41,659 (52 weeks ended 7 January 2012 – £83,772) principally to local charities and groups serving the communities in which the company operates

Employee involvement and disabled employees

The company gives full and fair consideration to applications for employment from disabled people having regards to their particular aptitudes and abilities Efforts are made to continue the employment of those who become disabled during their employment, and training, career development and promotion is, as far as possible, identical for all employees in accordance with their skills and abilities

Directors' report

The company also has a policy of communicating and consulting with its managers and employees to ensure their active involvement

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

On behalf of the Board

Jeremy Bowen
Director
8 March 2013

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 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 auditors' report

to the members of Merseyrail Electrics 2002 Limited

We have audited the financial statements of Merseyrail Electrics 2002 Limited for the 52 weeks ended 5 January 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 25 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 explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the 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 Directors' 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 on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 5 January 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 by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the members of Merseyrail Electrics 2002 Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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

Ernst & Young LLP

Gary Harding (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Manchester
15 March 2013

Profit and loss account

for the period ended 5 January 2013

	Notes	52 weeks ended 5 January 2013 £000	52 weeks ended 7 January 2012 £000
Turnover	2	135,224	131,649
Cost of sales		(121,400)	(119,403)
Operating profit	3	13,824	12,246
Interest receivable and similar income	6	199	142
Interest payable and similar charges	7	(161)	(239)
Other finance income		670	210
Profit on ordinary activities before taxation		14,532	12,359
Tax	8	(3,762)	(3,442)
Profit for the financial period	19	10,770	8,917

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the period ended 5 January 2013

	Notes	52 weeks ended 5 January 2013 £000	52 weeks ended 7 January 2012 £000
Profit for the financial period		10,770	8,917
Actuarial profit relating to pension scheme	22	1,615	3,874
Deferred tax attributable to actuarial profit		(404)	(1,046)
Adjustment due to change in deferred tax rate		(54)	(82)
Total recognised gains for the period		11,927	11,663

Balance sheet

at 5 January 2013

	Notes	5 January 2013 £000	7 January 2012 £000
Fixed assets			
Intangible assets	10	2,438	2,594
Tangible assets	11	9,025	8,691
Investments	12	–	–
		11,463	11,285
Current assets			
Stocks	14	1,695	1,561
Debtors	15	9,294	7,374
Investments	13	2,500	2,000
Cash at bank and in hand		9,309	13,080
		22,798	24,015
Creditors amounts falling due within one year	16	(26,499)	(25,135)
Net current liabilities		(3,701)	(1,120)
Total assets less current liabilities		7,762	10,165
Creditors amounts falling due after more than one year	17	(1,746)	(2,051)
Net assets before pension liability		6,016	8,114
Pension liability	22	(2,088)	(3,076)
Net assets after pension liability		3,928	5,038
Capital and reserves			
Called-up share capital	18	–	–
Profit and loss account	19	3,928	5,038
Total shareholders' funds	20	3,928	5,038

The financial statements of Merseyrail Electrics 2002 Ltd were approved by the Board of Directors on 8 March 2013

Jeremy Bowen

Director

Notes to the financial statements

at 5 January 2013

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards The principal accounting policies have been applied consistently throughout the current and previous period

Going concern

The Merseyrail Concession Agreement with Merseyside Passenger Transport Executive (MPTE) provides a significant subsidy payment Given the frequency of contract payments, combined with a network where Merseyrail are the sole operator and having reviewed the budgets and forecasts for a 12 month period from the date of signing the financial statements, the directors are confident that the business will continue to be cash generative The directors believe this will be achieved without the need for third party funding in the foreseeable future Accordingly, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for its foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Statement of cash flows

The company is exempt under FRS 1 from including a statement of cash flows in its financial statements as it is a wholly owned subsidiary of Merseyrail Services Holding Company Limited, a company incorporated in the United Kingdom, which has included a group statement of cash flows in its financial statements

Goodwill and intangible fixed assets

For acquisition of a business, purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life of 25 years The directors regard 25 years as a reasonable maximum for the estimated useful life of goodwill since it coincides with the life of the rail concession (25 years) and also it is difficult to make projections exceeding this period

Other intangible fixed assets are capitalised in the year they are incurred and amortised over their useful economic lives The concession costs incurred in the period ended 3 January 2004 (shown in note 10) are amortised over the life of the concession (25 years)

Tangible fixed assets

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

Depreciation is provided at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life at the following annual rate

Leasehold land and buildings	2% – 10% per annum
Plant and machinery, motor vehicles and fixtures and fittings	4% – 33% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Turnover

Passenger income is included in turnover

Concession payments relate to amounts received from Merseyside Passenger Transport Executive (MPTE) under the Concession Agreement to operate Merseyrail trains Other turnover arises from the provision of ancillary services to external parties

All turnover is recognised at the point at which the service is provided

1. Accounting policies (continued)

Stocks

Stock is stated at the lower of cost and net realisable value Cost includes materials and consumable goods Provision is made for obsolete, slow-moving and defective items where appropriate

Notes to the financial statements

at 5 January 2013

Current asset investments

Investments held as current assets are stated at the lower of cost and market value at the balance sheet date

Grants

Capital grants and other contributions received towards the cost of tangible fixed assets are included as deferred income in the balance sheet and credited to the profit and loss account over the life of the asset Revenue grants are credited to the profit and loss account to match off with the expenditure to which they relate

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to profit and loss account on a straight-line basis over the lease term

Notes to the financial statements

at 5 January 2013

1. Accounting policies (continued)

Pensions

Pension costs are accounted for in accordance with Financial Reporting Standard 17 'Retirement Benefits' For the defined benefit pension scheme, the amounts charged to operating profit 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 cost and the expected return on assets are shown as a net amount of other financial costs or credits adjacent to interest Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

The deficit reflected in the balance sheet reflects only that portion of the deficit that is expected to be funded over the franchise term, net of deferred tax A 'franchise adjustment' is made to the deficit on this basis The franchise adjustment is the projected deficit at the end of the franchise term, which the company will not be required to fund, discounted back to present value

The defined benefit pension scheme is funded, with the assets held separately from those of the company, in separate trustee administered funds Pension scheme assets are measured at bid value 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 the related deferred tax, is presented separately after other net assets on the face of the balance sheet

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

2. Turnover

All turnover originates in the United Kingdom and derives from passenger income and other services

Notes to the financial statements

at 5 January 2013

3. Operating Profit

This is stated after charging/(crediting)

		52 weeks ended 5 January 2013 £000	52 weeks ended 7 January 2012 £000
The analysis of auditors' remuneration is as follows			
Fees payable to the company's auditors for the audit of the company's annual financial statements		41	40
Fees payable to the company's auditors and their associates for other services to the group			
	– the tax services of the company's subsidiaries	9	7
	– other services	7	–
		57	47
Operating Profit is stated after charging			
Loss on disposal of fixed asset		1	47
Depreciation and amortisation	– intangible fixed assets	156	155
	– tangible fixed assets	1,254	1,203
Access charges payable to Network Rail		11,281	10,847
Operating lease rentals	– plant and machinery	12,218	12,126
	– land and buildings	6,160	5,911

4. Directors' remuneration

	52 weeks ended 5 January 2013 £000	52 weeks ended 7 January 2012 £000
Remuneration	510	576
Pension contributions	31	47
	541	623
Remuneration of the highest paid director	267	221

The company contributed £4,515 (52 weeks ended 7 January 2012 – £3,030) to the pension scheme of the highest paid director

The number of directors who were members of the defined benefit pension scheme at the period end was 1 (52 weeks ended 7 January 2012 – 1)

Notes to the financial statements

at 5 January 2013

5. Staff costs

	52 weeks ended 5 January 2013	*52 weeks ended 7 January 2012*
	£000	*£000*
Wages and salaries	41,401	39,178
Social security costs	3,079	2,848
Pension costs – defined benefit scheme (note 22)	4,658	4,262
Pension costs – personal pension schemes	17	35
	49,155	46,323

The average monthly number of employees during the period was made up as follows

	52 weeks ended 5 January 2013	*52 weeks ended 7 January 2012*
	No	*No*
Operational	907	901
Engineering and maintenance	178	171
Administration and support	149	145
	1,234	1,217

6. Interest receivable and similar income

	52 weeks ended 5 January 2013	*52 weeks ended 7 January 2012*
	£000	*£000*
Bank interest	179	139
Other interest	20	3
	199	142

Notes to the financial statements

at 5 January 2013

7. Interest payable and similar charges

	52 weeks ended 5 January 2013 £000	52 weeks ended 7 January 2012 £000
Loan interest	90	90
Finance lease interest	71	149
	161	239

8. Tax

(a) Tax on Profit on ordinary activities

The tax charge is made up as follows

	52 weeks ended 5 January 2013 £000	52 weeks ended 7 January 2012 £000
Current tax:		
UK corporation tax on the profit for the period	(3,803)	(3,626)
Adjustment in respect of prior periods	(14)	(4)
Total current tax (note 8(b))	(3,817)	(3,630)
Deferred tax		
Origination and reversal of timing differences	54	24
Adjustment in respect of prior periods	(46)	5
Impact on deferred tax of change in tax rate	(9)	(7)
Pension cost charge in excess of pension relief	56	166
Tax on profit on ordinary activities	(3,762)	(3,442)

Notes to the financial statements

at 5 January 2013

8. Tax (continued)

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24 5% (52 weeks ended 7 January 2012 – 26 5%) The differences are explained below

	52 weeks ended 5 January 2013 *£000*	*52 weeks ended 7 January 2012* *£000*
Profit on ordinary activities before tax	14,532	12,359
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (52 weeks ended 7 January 2012 – 26 5%)	(3,560)	(3,275)
Effects of		
Expenses not deductible for tax purposes	(11)	(166)
Short term timing differences	(68)	(240)
Depreciation in excess of capital allowances	(164)	55
Adjustments in respect of prior periods	(14)	(4)
Current tax for the period (note 8(a))	(3,817)	(3,630)

(c) Deferred tax

	52 weeks ended 5 January 2013 *£000*	*52 weeks ended 7 January 2012* *£000*
Opening asset	1,131	2,071
Deferred tax credit in profit and loss account	55	188
Debited to statement of total recognised gains and losses	(458)	(1,128)
Closing asset	728	1,131
Included in debtors (note 15)	105	106
Included in defined benefit pension liability (note 22)	623	1,025
	728	1,131

Notes to the financial statements

at 5 January 2013

8. Tax (continued)

(c) Deferred tax (continued)

Analysis of deferred tax balance

	5 January 2013 £000	*7 January 2012 £000*
Capital allowances in excess of depreciation	(25)	42
Short term timing difference	130	64
Pension costs	623	1,025
Deferred tax asset	728	1,131

The underlying trade of the Company is profitable and profit forecasts support that it is more likely than not that there will be sufficient future trading profits against which the timing differences giving rise to the deferred tax asset will reverse

(d) Factors that may affect future tax charges

In the 2012/13 Finance Bill the corporation tax rate was reduced to 23% from 1 April 2013 As at the balance sheet date, this reduction in rate to 23% has been 'substantively enacted' and this has been incorporated into the closing deferred tax balances

In his Autumn Statement on 5 December 2012 the Chancellor of the Exchequer proposed a further reduction in the corporation tax rate from 23% to 21% from 1 April 2014 which has not been substantively enacted and therefore is not included in the calculation of closing deferred tax The impact of this reduction on the deferred tax balances is not expected to be significant

The rate change would also impact the amount of future cash tax payments to be made by the Company The effect of the proposed changes to the UK tax system will be reflected in the financial statements of the Company in future years, as appropriate, once the proposals have been 'substantively enacted '

9. Dividends

	52 weeks ended 5 January 2013 £000	*52 weeks ended 7 January 2012 £000*
Equity dividends paid of £6,518,500 per share (52 weeks ended 7 January 2012 – £4,384,500)	13,037	8,769

Notes to the financial statements

at 5 January 2013

10. Intangible fixed assets

Group	*Concession costs £000*	*Goodwill £000*	*Total £000*
Cost			
At 8 January 2012 and 5 January 2013	726	3,190	3,916
Amortisation			
At 8 January 2012	245	1,077	1,322
Charge for the year	29	127	156
At 5 January 2013	274	1,204	1,478
Net book value			
At 5 January 2013	452	1,986	2,438
At 8 January 2012	481	2,113	2,594

11. Tangible fixed assets

	Leasehold land and buildings £000	*Assets in the course of construction £000*	*Plant and machinery £000*	*Fixtures and fittings £000*	*Total £000*
Cost					
At 8 January 2012	3,149	739	6,501	4,661	15,050
Additions	3	1,361	169	56	1,589
Disposals	(2)	–	(166)	(71)	(239)
Transfers	–	(844)	537	307	–
At 5 January 2013	3,150	1,256	7,041	4,953	16,400
Accumulated depreciation					
At 8 January 2012	576	–	3,702	2,081	6,359
Charge for the year	107	–	691	456	1,254
Disposals	(1)	–	(166)	(71)	(238)
At 5 January 2013	682	–	4,227	2,466	7,375
Net book value					
At 5 January 2013	2,468	1,256	2,814	2,487	9,025
At 8 January 2012	2,573	739	2,799	2,580	8,691

The cost of assets held by the company under finance leases at 5 January 2013 was £1,863,000 (52 weeks ended 7 January 2012 – £1,863,000) The accumulated depreciation provided for on those assets at 5 January 2013 was £1,124,000 (52 weeks ended 7 January 2012– £968,000)

The cost of assets held by the company financed by a government grant at 5 January 2013 was £1,003,000 (52 weeks ended 7 January 2012– £1,003,000) The accumulated depreciation provided for on those assets at 5 January 2013 was £130,000 (52 weeks ended 7 January 2012– £63,000)

Notes to the financial statements

at 5 January 2013

12. Investments held as Fixed Assets

Shares in each of the following companies are held by Merseyrail Electrics 2002 Limited

Company Name	*Capital*	*Proportion Held*	*Activities*
ATOC Limited	£0 04	5 00%	Contracting arm of ATOC
Rail Staff Travel Limited	£0 04	5 26%	Manages staff travel in the industry on behalf of ATOC
Rail Settlement Plan Limited	£0 04	5 26%	Operates the income allocation and settlement routines on behalf of ATOC
NRES Limited	£1 00	5 26%	Provides rail related information to the public
Train information Services Limited	£1 00	5 26%	Provides the national rail enquiry services
Nisa-Today's (Holdings) Limited	£25 00	0 01%	Buying group of independent retailers

13. Investments held as Current Assets

	5 January 2013	*7 January 2012*
	£000	*£000*
Short term deposits and investments	2,500	2,000

Short term investments comprise of fixed term deposits with maturity of not less than six months from the date of the original deposit

14. Stocks

	5 January 2013	*7 January 2012*
	£000	*£000*
Raw materials and consumables	1,492	1,237
Work in progress	203	324
	1,695	1,561

Notes to the financial statements

at 5 January 2013

15. Debtors

	5 January 2013 £000	7 January 2012 £000
Trade debtors	4,863	2,702
VAT	2,102	2,068
Other debtors	160	206
Prepayments and accrued income	2,064	2,292
Deferred tax asset (note 8(c))	105	106
	9,294	7,374

16. Creditors: amounts falling due within one year

	5 January 2013 £000	7 January 2012 £000
Trade creditors	7,050	9,650
Amounts owed to parent undertaking	856	891
Corporation tax payable	1,948	1,989
Other creditors	9,794	6,805
Other taxation and social security costs	1,850	1,094
Accruals and deferred income	4,694	4,399
Obligations under finance leases	156	156
Bank loans	151	151
	26,499	25,135

17. Creditors: amounts falling due after more than one year

	5 January 2013 £000	7 January 2012 £000
Obligations under finance leases	547	700
Bank loans	1,199	1,351
	1,746	2,051
Obligations under finance leases		
Within one year	156	156
Within two to five years	547	625
After five years	–	75
	703	856
Loans are repayable as follows		
Within one year	151	151
Within two to five years	606	606
After five years	593	745
	1,350	1,502

Notes to the financial statements

at 5 January 2013

17. Creditors: amounts falling due after more than one year (continued)

Bank loans are secured on the assets to which they relate

The bank loans bear interest at a fixed rate of 6 6945% and are repayable with a quarterly instalment of £60,324 since 11 January 2007

18. Issued share capital

	5 January 2013		7 January 2012	
Allotted, called up and fully paid	*No*	*£*	*No*	*£*
Ordinary shares of £1 each	2	2	2	2

19. Movements on reserves

	Profit and loss account *£000*
At 8 January 2012	5,038
Profit for the financial period	10,770
Dividends paid (note 9)	(13,037)
Actuarial gains and losses (net of deferred tax)	1,157
At 5 January 2013	3,928

20. Reconciliation of shareholders' funds

	5 January 2013 *£000*	*7 January 2012* *£000*
Profit for the financial period	10,770	8,917
Dividends paid (note 9)	(13,037)	(8,769)
Other recognised gains and losses relating to the period (net of deferred tax)	1,157	2,746
Net (decrease)/increase in shareholders' funds	(1,110)	2,894
Opening shareholders' funds	5,038	2,144
Closing shareholders' funds	3,928	5,038

Notes to the financial statements

at 5 January 2013

21. Capital commitments

	5 January 2013	*7 January 2012*
	£000	*£000*
Contracted for but not provided in the financial statements	100	112

22. Pensions

Pension commitments

The company operates a section of the Railways Pension Scheme ("the section") This provides benefits for employees based on final pensionable pay The members are expected to meet 40% of the cost of the emerging benefits The employer made contributions of £3,555,000 in the period (52 weeks ended 7 January 2012– £3,194,000) The expected employer contributions for the next financial period are estimated at £3,900,000

On 8 July 2010, the UK Minister for Pensions announced the Government's intention to move to using the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) as the inflation measure for determining the pension increases to be applied to the statutory index-linked features of retirement benefits The Rules of the section refer directly to the relevant legislation, rather than RPI inflation, in respect of increases to deferred pensions and pensions in payment The Company has therefore allowed for increases to pensions in payment and deferment in line CPI inflation

A CPI inflation of 2 3% p a has been assumed at 5 January 2013 This has been set by making a deduction of 0 7% p a to the RPI inflation assumption

Actuarial assumptions

The full actuarial valuation at 31 December 2007 was updated to 5 January 2013 and 7 January 2012 by a qualified actuary, using the following assumptions in relation to future experience

	5 January 2013	*7 January 2012*	*8 January 2011*
Discount rate	4 60%	4 70%	5 30%
Rate of increase in salaries	3 40%	3 50%	3 90%
Rate of increase in deferred pensions	2 20%	2 30%	2 90%
Rate of increase in pensions in payment	2 20%	2 30%	2 90%
Inflation assumption	2 90%	3 00%	3 40%
Long term rate of return expected	5 70%	6 15%	6 36%

In addition to the above rates of increase in salaries, a scale of promotional salary increases is assumed

Notes to the financial statements

at 5 January 2013

22. Pensions (continued)

The main mortality assumptions used to determine benefit obligations were

		5 January 2013 Table	*5 January 2013* Multiplier	*7 January 2012* Table	*7 January 2012* Multiplier
Male pensioners	Pension under £9,500 pa or pensionable pay under £35,000 pa	S1 normal males heavy	98%	S1 normal males heavy	98%
	Others	S1 normal males	99%	S1 normal males	99%

Male members are segmented into three postcode groups and an adjustment is made to the multipliers accordingly

Allowance for future improvements in mortality has been made in line with the "core projection" model published by the CMI on 19 June 2009, assuming a long-term improvement rate for the period to 5 January 2013 of 1 25% p a (52 weeks ended 7 January 2012– 1 50% p a)

The net liability of the company is summarised as follows

	5 January 2013 Value £000	*7 January 2012 Value £000*	*8 January 2011 Value £000*	*9 January 2010 Value £000*	*3 January 2009 Value £000*
Total market value of assets	106,208	95,596	92,916	81,766	69,802
Present value of scheme liabilities	(147,391)	(143,050)	(128,774)	(120,155)	(79,146)
Members' share of deficit	16,473	18,982	14,343	15,356	3,738
Franchise adjustment	21,999	24,371	14,156	16,487	–
Deficit in scheme	(2,711)	(4,101)	(7,359)	(6,546)	(5,606)
Related deferred tax asset	623	1,025	1,987	1,833	1,570
Net pension liability	(2,088)	(3,076)	(5,372)	(4,713)	(4,036)

Fair value of assets

The assets in the scheme were

	5 January 2013 %	*5 January 2013 Value £000*	*7 January 2012 %*	*7 January 2012 Value £000*
Equities	53 9	57,286	61 9	59,207
Bonds/Gilts	14 7	15,539	14 3	13,612
Property	9 3	9,846	9 1	8,732
Cash and other	22 1	23,537	14 7	14,045
	100%	106,208	100%	95,596

Notes to the financial statements

at 5 January 2013

22. Pensions (continued)

	52 weeks ended 5 January 2013 £000	*52 weeks ended 7 January 2012 £000*
Amounts included within operating profit		
Current service cost	4,440	4,020
Past service cost	10	-
Brass contributions	208	242
Total included within operating profit	4,658	4,262
Amounts included as other finance (income)/costs		
Expected return on scheme assets	(3,600)	(3,600)
Interest cost on scheme liabilities	4,080	4,140
Interest on franchise adjustment	(1,150)	(750)
Net finance return	(670)	(210)

History of experience gains and losses

	52 weeks ended 5 January 2013 £000	*52 weeks ended 7 January 2012 £000*	*52 weeks ended 8 January 2011 £000*	*53 weeks ended 9 January 2010 £000*	*52 weeks ended 3 January 2009 £000*
Difference between actual and expected return on scheme assets	841	(3,550)	1,823	2,974	(16,954)
Experience gains arising on scheme liabilities	995	(1,599)	1,067	(700)	(400)
Total pension cost recognised in the statement of total recognised gains and losses	1,615	3,874	(389)	(874)	(1,372)

The cumulative amount of actuarial gains and losses recognised since 2003 in the statement of total recognised gains and losses is a net gain of £4,531,000 (52 weeks ended 7 January 2012 – gain of £2,916,000)

Notes to the financial statements

at 5 January 2013

22. Pensions (continued)

	52 weeks ended 5 January 2013 £000	*52 weeks ended 7 January 2012 £000*
Analysis of the change in benefit obligation during the period		
Benefit obligation at beginning of the period	143,050	128,774
Current service cost – Employer (including Brass)	4,648	4,262
Current service cost – Employee	2,960	2,680
Interest cost – Employer	4,080	4,140
Interest cost – Employee	2,720	2,760
Past service costs	10	-
Actuarial (gains)/ losses	(7,161)	3,410
Benefits paid (including Brass)	(2,916)	(2,976)
Benefit obligation at end of period	147,391	143,050

	52 weeks ended 5 January 2013 £000	*52 weeks ended 7 January 2012 £000*
Analysis of the change in plan assets during the period		
Fair value of plan assets at beginning of the period	95,596	92,916
Expected return on plan assets – Employer	3,600	3,600
Expected return on plan assets – Employee	2,400	2,400
Actuarial gains/(losses)	1,402	(5,917)
Employer contribution	3,555	3,194
Employer Brass matching contributions	208	242
Member contributions	2,363	2,137
Benefits paid (including Brass)	(2,916)	(2,976)
Fair value of plan assets at end of period	106,208	95,596

Notes to the financial statements

at 5 January 2013

23. Other financial commitments

At 5 January 2013 the company had annual commitments under non-cancellable operating leases as set out below

	5 January 2013 Land and buildings £000	*5 January 2013 Other £000*	*7 January 2012 Land and buildings £000*	*7 January 2012 Other £000*
Operating leases which expire				
Within one year	–	58	–	28
Within two to five years	5,630	8,678	5,623	8,716
After five years	430	11,887	455	11,885
	6,060	20,623	6,078	20,629

24. Related party transactions

The group's related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the effect of the transactions with them are summarised below

Serco Group plc

	52 weeks ended 5 January 2013 £000	*52 weeks ended 7 January 2012 £000*
Other trading transaction income including salary recharges	(31)	–
Executive salaries and expense recharges (including non directors)	131	350
Dividends paid and proposed	6,518	4,384
Other trading transaction costs	159	125

All of the above expenses/(income) were payable to/(receivable from) Serco Group plc and its subsidiaries which are related parties by virtue of Serco Group plc owning 50% of the issued share capital of the company At the period end, the company owed Serco Group plc £37,115 (52 weeks ended 7 January 2012 – £167,815) At the period end, the company was owed £nil by Serco Group plc (52 weeks ended 7 January 2012 – £nil)

Notes to the financial statements

at 5 January 2013

24. Related party transactions (continued)

NV Nederlandse Spoorwegen

	52 weeks ended 5 January 2013	*52 weeks ended 7 January 2012*
	£000	*£000*
Other trading transaction income including salary recharges	(19)	(6)
Executive salaries and expense recharges (including non directors)	204	154
Dividends paid and proposed	6,518	4,384
Other trading transaction costs	647	323

All of the above expenses were payable to NV Nederlandse Spoorwegen and its subsidiaries which are related parties by virtue of NV Nederlandse Spoorwegen owning 50% of the issued share capital of the company At the period end, the company owed NV Nederlandse Spoorwegen £17,750 (52 weeks ended 7 January 2012 – £nil with £nil of this balance relating to consortium tax relief which is held within Corporation tax on the balance sheet) At the period end, the company was owed £nil by NV Nederlandse Spoorwegen (52 weeks ended 7 January 2012 – £nil)

25. Ultimate parent undertaking and controlling parties

The immediate parent undertaking of Merseyrail Electrics 2002 Limited is Merseyrail Services Holding Company Limited Copies of the financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ

The ultimate and controlling parties of Merseyrail Electrics 2002 Limited are NV Nederlandse Spoorwegen and Serco Group plc Copies of the financial statements of NV Nederlandse Spoorwegen are available from Laan Van Puntenburg 100, 3511 ER, Utrecht, Netherlands Copies of the financial statements of Serco Group plc are available from Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire RG27 9UY The parent undertaking of the smallest group, which includes the company and for which group financial statements are prepared is Merseyrail Services Parent undertaking Limited, a company incorporated in the UK Copies of the financial statement of Merseyrail Services Holding Company Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ