HULL TRAINS COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2012

Company Registered
Number: 03715410

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HULL TRAINS COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 2012

Principal activities

Hull Trains Company Limited ("Hull Trains" or "company") is a non-franchised, open access intercity train company, which operates direct services between Hull and London King's Cross

Business review and future prospects

The company's financial performance in 2011-12 was disappointing

Turnover was £114k down from the prior year, which was satisfactory given the economic environment affecting the markets served by the company

Operating loss was £342k (2010-11 profit £1,735k) The main reasons for the fall in profitability were higher costs for rolling stock maintenance, fuel, payroll and consultancy

Net assets were £697k (2010-11 £1,802k) with the decrease caused by the loss for the financial year, the payment of a dividend to shareholders of £500k and the recognition of the defined benefit pension scheme liability as detailed in note 21

While the external environment remained uncertain and periodic performance blips caused some anxiety in the media and amongst regular customers, the company largely maintained an equilibrium position in many aspects of what was achieved

Customers welcomed the £2 4m internal refresh of our train fleet, which is funded through an operating lease with the owner, Angel Trains Limited Feedback via the company's own market testing and the independent research undertaken by independent rail watchdog, Passenger Focus, remained strong with the company maintaining its position amongst the top train companies in the UK for customer service

In 2012-13, the company plans to

- Build on the work done in 2011-12 by continuing to operate safe and reliable services for a growing customer base of more than three quarters of a million people each year,
- Extend its long-distance competitive advantage and operational lead on the East Coast Main Line by delivering even better customer service,
- Encourage repeat purchase amongst existing customers whilst raising the profile and benefits of the company's services in under developed and competitive markets to drive sales,
- Offer value for money tickets for customers with a yield that is acceptable to shareholders,
- To remain the trusted brand for rail travel between Yorkshire and London King's Cross, and
- To build further relationships with stakeholders and support charitable concerns along the 210 mile route between Hull and London King's Cross

The owner of the company's Class 180 fleet, Angel Trains Limited, has undertaken a £4 5m mechanical and electrical overhaul The overhaul commenced in the latter part of 2011-12 and was completed during the summer of 2012, it will help to improve operating performance The company is now positioned to drive organic growth Solid execution of its engineering, operational and commercial strategies will add value in future years

DIRECTORS' REPORT

Key performance indicators

In order to assist in the management of the business the company monitors the following key performance indicators The decline in passenger revenue was 0 5% (2010-11 3% increase) The Public Performance Measure ("PPM") moving annual average was 81 8% (2010-11 82 3%) The National Passenger Survey satisfaction score was 95% during this year (2010-11 93%)

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 and Environmental 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 102 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 economic slowdown and reducing job security is resulting in an increasing demand for value from customers Challenges to household/business disposable income and competitor pricing positions can affect the performance of the company in terms of both sales and costs Focus continues on delivering a punctual service with excellent customer service standards, at a range of fares ensuring value for all our customers This is achieved through the continuous review of our active management of fare prices, development of sales channels propositions and increased promotion and marketing activity While external cost pressures affect our business, the company continues to work hard to mitigate the impact of these cost pressures on customers and on our overall profitability through the delivery of cost savings

DIRECTORS' REPORT

Principal risks and uncertainties (continued)

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

Financial matters

The results for the year are given in the profit and loss account on page 8, which shows an overall loss of £273k for the financial year (2010-11 profit of £1,233k) The directors recommended the payment of an interim dividend of £5,000 per share, which was paid on 29 July 2011 (2010-11 £10,000 per share) No final dividend was recommended (2010-11 £nil) An interim dividend of £1,000 per share was paid on 4 May 2012 for the financial year ending 31 March 2013

Financial instruments

The company's principal financial assets are bank balances, trade debtors and amounts owed 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 2012 the company had cash at bank and in hand of £22k and net assets, including pension liability, of £697k 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 £2,017k at 31 March 2012

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 company's forecast, 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 2012 were equivalent to 45 days' purchases (2010-11 39 days), based on the average daily amount invoiced by suppliers during the year

Directors

The directors who held office throughout the year, and to the date of signing these financial statements, except as noted, were as follows

C Bellamy (resigned 9 December 2012)
C Burrows
D Gausby
A James
M Jones
J Nelson
K Doughty (appointed 28 November 2011)
V Barker (appointed 13 October 2011)

DIRECTORS' REPORT

Employee involvement

Communication with employees is effected mainly through regular briefing and negotiating meetings between the directors, the senior management and employee representatives 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 is 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 / she ought to have taken as a director in order to make himself / herself 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 section 418 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

D Gausby
Director
12 December 2012

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 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 judgements 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 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 2012 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 (APB's) Ethical Standards for Auditors

Scope of the audit of financial statements

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

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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
12 December 2012

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2012

	Notes	2012 £000	2011 £000
Turnover	1, 2	21,629	21,743
Operating costs	3	(21,971)	(20,008)
Operating (loss) / profit on ordinary activities		(342)	1,735
Net interest receivable and similar charges	6	56	4
(Loss) / profit on ordinary activities before taxation	7	(286)	1,739
Tax credit / (charge) on (loss) / profit on ordinary activities	8	13	(506)
(Loss) / profit for the financial year	15	(273)	1,233

All activities relate to continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2012

	2012 £'000	2011 £'000
(Loss) / profit for the financial year	(273)	1,233
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	(146)	-
UK deferred taxation attributable to actuarial loss	35	-
Total recognised (losses) / gains for the year	(612)	1,233

BALANCE SHEET

At 31 March 2012

	Notes	£000	2012 £000	£000	2011 £000
Fixed assets					
Tangible assets	9		669		604
Current assets					
Stocks	10	25		20	
Debtors	11	3,894		5,384	
Cash at bank and in hand		22		16	
		3,941		5,420	
Creditors amounts falling due within one year	12	(3,639)		(4,222)	
Net current assets			302		1,198
Total assets less current liabilities			971		1,802
Net assets excluding pension liability			971		1,802
Pension liability	21		(274)		-
Net assets including pension liability			697		1,802
Capital and reserves					
Called up share capital	14		-		-
Profit and loss account	15		697		1,802
Shareholders' funds	17		697		1,802

These financial statements of Hull Trains Company Limited registered number 03715410 were approved by the Board of Directors on 12 December 2012 and were signed on its behalf by

D Gausby
Director

CASH FLOW STATEMENT

For the year ended 31 March 2012

	Notes	2012 £000	2011 £000
Net cash inflow from operating activities	22(a)	707	1,423
Returns on investment and servicing of finance	22(b)	4	4
Capital expenditure and financial investment	22(c)	(205)	(418)
Dividend paid	16	(500)	(1,000)
Increase in cash in year	23	6	9

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

For the year ended 31 March 2012

	Notes	2012 £000	2011 £000
Increase in cash in year		6	9
Movement in net funds in year		6	9
Net funds at beginning of year	23	16	7
Net funds at end of year	23	22	16

NOTES TO THE FINANCIAL STATEMENTS

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 the going concern basis At 31 March 2012 the company had cash at bank and in hand of £22k and net assets, including pension liability, of £697k 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 £2,017k at 31 March 2012

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 company's forecast, 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

(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

1 **Principal accounting policies (continued)**

(e) Taxation (continued)

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

(f) 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 behavioral 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

1 **Principal accounting policies (continued)**

(h) Pension costs (continued)

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 (loss) / profit on ordinary activities before taxation**

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

The whole of the turnover and (loss) / profit 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**

	2012 £000	2011 £000
Raw materials and consumables	3,989	3,557
Staff costs (note 4)	5,159	4,538
Other external charges	12,683	11,861
Depreciation and other amounts written off tangible fixed assets	140	52
	21,971	20,008

4 **Employee numbers and costs**

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

	2012 No	2011 No
Operations	87	82
Administration	15	17
	102	99

The aggregate payroll costs of these persons were as follows

	2012 £000	2011 £000
Wages and salaries	4,157	3,955
Social security costs	381	338
Other pension costs	233	245
Additional pension contributions	388	-
	5,159	4,538

The additional pension contributions were made as a condition of setting up a new scheme as detailed in note 21

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 directors during the year was as follows

	2012	2011
	£000	£000
Aggregate emoluments (excluding pension contributions)	197	178
Company pension contributions	13	12
	210	190

Retirement benefits accrued to one director (2011 one) under a defined benefit scheme

The remuneration of the highest paid director was £157,679, including employer contributions to a defined benefit scheme of £13,351 (2011 £122,760 including employer contributions to a defined benefit scheme of £11,485)

6 Net interest receivable and similar charges

	2012	2011
	£000	£000
Interest receivable		
Amount received from other group undertakings	3	3
Expected return on pension scheme assets	168	-
Bank interest	1	1
Interest on pension scheme liabilities	(116)	-
	56	4

7 (Loss) / profit on ordinary activities before taxation

(Loss) / profit on ordinary activities before taxation is stated after charging	2012 £000	2011 £000
Auditor's remuneration for audit of the annual accounts	5	5
Depreciation and other amounts written off tangible fixed assets – owned assets	140	52
Rentals payable under operating leases		
- plant and machinery	2,621	1,934
- other operating leases	97	97

No other services were provided by Deloitte LLP in either year

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

	2012 £000	2011 £000
Current taxation		
- Group relief (receivable) / payable	(95)	1
- Adjustment in respect of prior years	-	514
Total current taxation	(95)	515
Deferred taxation		
- Origination and reversal of timing differences	(1)	451
- Effect of decrease in tax rate on opening deferred tax balance	1	42
- Adjustment in respect of prior years	62	(502)
	62	(9)
Deferred taxation on pension schemes	20	-
Total tax (credit) / charge on (loss) / profit on ordinary activities	(13)	506

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 26% (2011 28%) The actual current tax charge for the current and previous year differed from the standard rate for the reasons set out in the following reconciliation

	2012 %	2011 %
Standard rate of taxation	26 0	28 0
Factors affecting charge		
- Capital allowances in excess of depreciation	0 1	(1 2)
- Other timing differences	7 1	0 1
- Utilisation of tax losses brought forward	-	(26 9)
- Prior years' tax charge	-	29 6
Current taxation rate for the year	33 2	29 6

During the period the UK government enacted legislation to reduce the main rate of UK corporation tax to 26% with effect from 1 April 2011

Subsequently a resolution passed by Parliament on 26 March 2012 has reduced the main rate of UK corporation tax to 24% from 1 April 2012 The impact of this rate reduction has reduced the deferred tax liability on UK timing differences

Legislation to reduce the main rate of UK corporation tax from 24% to 23% from 1 April 2013 has been included in Finance Bill 2012 Further reductions to the main rate of UK corporation tax are proposed to reduce the rate to 22% from 1 April 2014 None of these expected future rate reductions had 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 2013 and 31 March 2014 is expected to reduce accordingly

9 Tangible fixed assets

	Other plant and equipment £000
Cost	
At 1 April 2011	806
Additions	205
At 31 March 2012	1,011
Depreciation	
At 1 April 2011	202
Charge for year	140
At 31 March 2012	342
Net book value	
At 31 March 2012	669
At 31 March 2011	604

10 Stocks

	2012 £000	2011 £000
Spare parts and consumables	12	12
Goods for resale	13	8
	25	20

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

11 Debtors

	2012 £000	2011 £000
Amounts due within one year		
Trade debtors	834	1,030
Other debtors	796	2,586
Prepayments and accrued income	118	393
Amounts owed from group undertakings	2,116	1,283
Deferred tax asset (note 13)	30	92
	3,894	5,384

Amounts owed from group undertakings includes £99,000 for group relief receivable from a fellow group undertaking

NOTES TO THE FINANCIAL STATEMENTS

12 Creditors

	2012 £000	2011 £000
Amounts falling due within one year		
Trade creditors	1,492	1,106
Amounts owed to group undertakings	302	1,128
Other creditors	310	378
Accruals and deferred income	1,535	1,610
	3,639	4,222

13 Deferred tax

	£000
At 1 April 2011	92
Charged to the profit and loss account	(62)
At 31 March 2012	30

The deferred tax asset consists of the following amounts -	2012 £000	2011 £000
Depreciation in excess of capital allowances	(17)	43
Other timing differences	47	49
Included in debtors note 11	30	92

14 Called up share capital

	2012 £	2011 £
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 2011	1,802
Other recognised losses relating to the year (net)	(339)
Loss for the financial year	(273)
FRS 20 Share based payment charge	7
Dividends paid	(500)
At 31 March 2012	697

NOTES TO THE FINANCIAL STATEMENTS

16 Dividends

	2012 £000	2011 £000
Amounts recognised as distributions to equity holders in the period		
Interim dividends for the year ended 31 March 2012 of £5,000 per share (2011 £10,000 per share)	500	1,000

17 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
(Loss) / profit for the financial year	(273)	1,233
Other recognised losses relating to the year (net)	(339)	-
Dividends paid	(500)	(1,000)
FRS 20 Share based payment charge	7	7
Net (reduction) / increase in shareholders' funds	(1,105)	240
Opening shareholders' funds	1,802	1,562
Closing shareholders' funds	697	1,802

18 Commitments

The company had no capital or any other commitments other than operating leases at 31 March 2012 or at 31 March 2011

19 Operating leases

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

	2012		2011	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Between two and five years	97	2,643	97	1,934

Other operating leases are in respect of the company's fleet of trains

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 schemes

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 The benefits provided remained the same as for the GB Railways Group Plc section and a full actuarial valuation of the section at 31 December 2011 is underway At inception, the company was required to make payments of £388,000 in total to the GB Railways and Hull Trains sections of the Railway Pension Scheme These payments have been expensed in the year, as shown in note 4

Independent actuarial valuations have been obtained for the Hull Trains Company Limited shared cost section of the Railway Pension Scheme giving sufficient information to account for the scheme on a defined benefit basis in the current year

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%)

At 31 March 2012, the market value of the scheme's assets totalled £3 7m (At inception £3 2m) The actuarial value of these assets was sufficient to cover 86% (At inception 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 and 17 25% for the employer

The actuarial assumptions used in determining the last full actuarial valuation of the GB Railways Group Plc section were that the rate of return on investments will be 7 5% 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 4% per annum The valuation was made using the projected unit method

The main financial assumptions used in this update were as follows

	31 March 2012 £'000
Rate of increase in salaries	3 75%
Rate of increase of pensions in payment	1 75%
Rate of increase of pensions in deferment	1 75%
Discount rate	4 65%
Inflation assumption - RPI	2 75%
Inflation assumption - CPI	1 75%

21 Pension schemes (continued)

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

	Expected rate of return 31 March 2012	Value 31 March 2012 £'000
Infrastructure	8 00%	127
Bonds	4 25%	89
Cash Plus	8 40%	3,173
Private Equity	8 65%	291
Cash	3 10%	45
		3,725

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

The balance sheet position for the company

	31 March 2012 £'000
Total fair value of assets	3,725
Present value of scheme liabilities	(4,327)
Deficit in the scheme	(602)
Adjustment for employee share of deficit	241
Liability recognised in balance sheet	(361)
Related deferred tax asset	87
Net pension liability	(274)

Analysis of amount charged to operating profit

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

Amounts credited to net finance income

	2012 £'000
Expected return on pension scheme assets	168
Interest on pension scheme liabilities	(116)
Net return credited as finance income	52

21 Pension schemes (continued)

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

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

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

	2012 £'000
At inception	3,700
Current service cost	213
Interest cost	116
Employee share of change in DBO	407
Actuarial loss	281
Benefit payments	(390)
End of year	4,327

Movements in the fair value of scheme assets were as follows

	2012 £'000
At inception	3,200
Expected return on assets	168
Company contributions	245
Employee contributions	160
Employee share of return on assets	204
Actuarial gain on assets	138
Benefits paid from schemes	(390)
End of year	3,725

History of experience gains and losses

	2012
Experience gain on scheme assets	
Amount (£000)	137
Percentage of scheme assets (%)	6 2%
Experience loss on scheme liabilities	
Amount (£000)	20
Percentage of the present value of scheme liabilities (%)	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 £400,000

Defined contribution pension scheme

Additionally, the company contributions to the money purchase scheme during the year were £20,179 (2011 £24,909), The contributions payable as at 31 March 2012 were £1,777 (2011 £1,555)

22 Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities	2012 £000	2011 £000
Operating (loss) / profit	(342)	1,735
Depreciation and other amounts written off tangible fixed assets	140	52
Pension operating charge less than cash contributions	(32)	-
Increase in stock	(5)	(1)
Decrease / (increase) in debtors	1,522	(1,581)
(Decrease) / increase in creditors	(583)	1,211
FRS 20 Share based payment charge	7	7
Net cash inflow from operating activities	707	1,423

(b) Returns on investments and servicing of finance	2012 £000	2011 £000
Interest received	4	4
Net cash inflow from returns on investments and servicing of finance	4	4

(c) Capital expenditure and financial investment	2012 £000	2011 £000
Purchase of tangible fixed assets	(205)	(418)
Net cash outflow from capital expenditure and financial investment	(205)	(418)

23 Analysis of net funds

	At 31 March 2011 £000	Cash flow £000	At 31 March 2012 £000
Cash at bank and in hand	16	6	22
Net funds	16	6	22

24 Related party transactions

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

GB Railways Group plc
(Immediate parent company)

Group interest received £2,776 (2011 £2,841)

At 31 March 2012 £2,016,596 was payable from GB Railways Group plc to the company (2011 £1,282,773)

24 Related party transactions (continued)

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

Contract for support services	£454,759	(2011 £572,650)

At 31 March 2012 £30,734 (2011 £105,624) was payable from the company to First Rail Holdings Limited

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

Contract for support services	£397,098	(2011 £327,885)

At 31 March 2012 £20,437 (2011 £51,023) was payable from the company to First/Keolis Transpennine Limited

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

Contract for support services	£180,585	(2011 £66,380)

At 31 March 2012 £23,682 (2011 £23,521) was payable from the company to First Rail Support Limited

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

Contract for support services	£591,197	(2011 £1,689,093)

At 31 March 2012 £225,259 (2011 £446,916) was payable from the company to First Greater Western Limited

First Capital Connect Limited

(100% subsidiary of the ultimate parent company)

Contract for support services	£21,737	(2011 £58,837)

At 31 March 2012 £1,641 (2011 £3,503) was payable from the company to First Capital Connect Limited

25 Share based payments

Save as you earn (SAYE)
The company's ultimate parent company operates an Inland Revenue approved savings related share option scheme Grants were made 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

25 Share based payments (continued)

Save as you earn (SAYE) (continued)

	SAYE Dec 2007 Options Number	SAYE Dec 2008 Options Number	SAYE Dec 2009 Options Number	SAYE Dec 2010 Options Number	SAYE Dec 2011 Options Number
Outstanding at the beginning of the year	123,300	1,948,802	2,626,093	2,965,613	-
Awarded during the year	-	-	-	-	2,947,057
Exercised during the year	(559)	(1,726)	(4,327)	(846)	-
Lapsed during the year	(122,741)	(141,266)	(285,598)	(295,487)	(39,293)
Outstanding at the end of the year	-	1,805,810	2,336,168	2,669,280	2,907,764
Exercisable at the end of the year	-	1,805,810	-	-	-
Weighted average exercise price (pence)	583 0	371 0	310 0	319 0	271 5
Weighted average share price at date of exercise (pence)	347 6	319 5	325 5	316 2	N/A

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

	SAYE 2011 Dec 2011	SAYE 2010 Dec 2010
Weighted average share price (pence)	319 2	387 0
Weighted average exercise price (pence)	271 5	319 0
Expected volatility	35%	35%
Expected life (years)	3	3
Rate of interest	0 6%	1 4%
Expected dividend yield	7 0%	4 8%

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

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

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

The group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme The company has recognised a total expense of £7,000 (2011 £7,000) relating to equity-settled share-based payment transactions

26 Ultimate parent company and controlling party

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

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

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