Stagecoach South Western Trains Limited

Financial statements for the 52 weeks ended 27 April 2013

Registered number: 5599788

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Directors' report
For the 52 weeks ended 27 April 2013

The directors present their annual report on the affairs of the company, together with the audited financial statements and independent auditors' report, for the 52 weeks ended 27 April 2013.

Principal activities

The principal activity of the company is the provision of passenger railway services from London Waterloo across 13 counties of Southern England and the operation of the passenger railway service on the Isle of Wight between Ryde Pier Head and Shanklin The activity includes the operation of 185 stations and 9 maintenance depots and approximately 1,700 train services are operated daily

Review of business and future development

Stagecoach South Western Trains Limited (SSWT) has been operating the 'South Western' rail franchise since 4 February 2007 and the franchise is expected to run until February 2017 The Department for Transport (DfT) have recently announced that due to their re-franchising timescales, they wish to extend the Franchise period until March 2019 This announcement is welcomed by the company Discussions with the DfT have commenced but it is expected that negotiations will extend deep into the 2013-14 financial year

Throughout the past year, SSWT along with the rest of the retail sector has traded in a continuing challenging economic environment Despite the economic challenges, revenue has grown by 6% with year on year volume growth of 2% The remainder of the increase is attributable to fares increases We continue to control costs tightly and seek out efficiencies where possible

On 29th April 2012, SSWT entered into a 'deep' Alliance with Network Rail Wessex division The entities are still stand alone businesses however through the introduction of one joint management team and collaborative working there will be opportunity to improve operational performance and customer service and to drive through further efficiencies whilst maintaining high standards of safety The focus of the Alliance throughout the first year of collaborative working has been to improve operational performance The most significant factor to address has been the reliability of the infrastructure The Alliance has implemented a reliability improvement plan and have undertaken a detailed review of all infrastructure assets across the most crucial sections of track, identified assets that are most at risk of causing serious delay in the event of failure and have identified mitigation factors where they exist Additional funding has been secured from the Network Rail centre to start to address some of the most serious problems These actions will take time to feed through into an improved Public Performance Measure ("PPM") however, we are confident that our detailed and structured recovery plan will lead to an improvement in the level of performance that our customers experience

Operational Performance

In addition to the infrastructure issues previously reported, operational performance has been affected by a number of external factors during the year including a number of weather related incidents We have also experienced a number of suicides on the network that have resulted in major disruption We continue to work closely with the Samaritans and Network Rail as far as possible to prevent such incidents occurring

Largely as a result of these incidents, our operational performance (as measured by the DfT's Public Performance Measure, 'PPM') reduced from 92 3% at the end of 2011-12 to 91 5% in the year ended 27 April 2013 Through closer working with Network Rail we have been able to improve our service recovery time following major incidents This results in shorter delays for our customers, but unfortunately we have experienced more incidents that cause delays

Our PPM performance compares against a London and South East commuter average of 91 0% (2012: 91 7%) and a national UK average for all franchised Train Operating Companies ("TOC") of 90 9% (2012: 91 7%)

Directors' report (continued)
For the 52 weeks ended 27 April 2013

Customer Service

Whilst delivery of high levels of operational performance is our customer's key requirement, we continue to strive to improve the quality of the end to end service provided to our customers

The Autumn 2012 NPS (National Passenger Survey) results showed overall passenger satisfaction at 85% (Autumn 2011: 84%) which was an improvement of 1% compared to the Autumn 2011 survey and in line with the overall passenger London and South East score of 85% (2011: 83%)

As one of the UK's largest and most complex passenger rail franchises, this is a significant achievement The factor that most heavily influences the NPS score is operational performance and we anticipate that by improving performance and through implementing Alliance schemes with Network Rail, we will be able to increase our passenger satisfaction levels

As part of our Franchise Commitments, we agreed to spend £12 4m enhancing facilities at our major stations and a further £23.8m at all other stations The £12 4m commitment was fulfilled in the 2011-12 financial year and in the financial year under review, we completed the £23 8m expenditure commitment Despite this, we are continuing to progress investment in improving stations across our network We have made and will continue to make rail travel better for our customers through a package of accessibility enhancements, additional car parking spaces and refurbished toilets and waiting rooms We have, through successful partnerships with third parties delivered schemes that deliver significant improvements for our disabled customers We also continue to be committed to further integration with other types of transport

Customer communication remains a priority and we recognise the importance of getting timely and accurate information to our customers especially when it is most needed, during times of disruption We continue to work closely with Network Rail and other industry colleagues to improve the information facilities at our stations and on trains In the most recent NPS results, the indicator that measures the way that we manage passengers in times of disruption has improved significantly by 7% year on year, putting South West Trains' 5% above the sector average, showing that our investment and process improvements are delivering a noticeable improvement to our customers

Additional Capacity

We reached agreement with the DfT (under the High Level Output Specification initiative) to increase capacity on some of the most crowded parts of the SSWT network The additional capacity will be introduced in two phases which will see the introduction of 108 extra carriages in total on to the network between September 2013 and December 2014

Phase one that was agreed in December 2011, will see the introduction of an additional 60 carriages and around 8,000 additional seats will be available for travel into London Waterloo every morning as a number of currently operated eight car trains are lengthened to run with 10 carriages

As part of this programme part of the former Waterloo International Terminal will be brought back into service

The enhanced services will be delivered through the refurbishment of 60 former Gatwick Express Class 460 vehicles, combined with refurbished trains from Stagecoach South West Trains' existing fleet The additional carriages started to arrive in early 2013, will then be refurbished and the complete fleet of refurbished 5 vehicle units will be brought into service during 2014

Work on the trains, leased through Porterbrook, is being carried out by Alstom, providing a boost to UK-based train engineering

Directors' report (continued)
For the 52 weeks ended 27 April 2013

The project will also include investment in facilities within the train depots at Wimbledon, Farnham and Clapham, as well as the creation of two new sidings at Guildford The infrastructure schemes are progressing with the first of the schemes at Wimbledon already completed

Phase two will see the introduction of a further 48 carriages creating an additional 2,400 extra seats every day The extra carriages will result in the lengthening of certain five, six and eight car trains to run as eight, nine, ten and twelve car services The additional carriages will be delivered through the lease of 48 Class 456 vehicles that are currently used by Southern Railways These trains are compatible with the Class 455 trains within the existing South West Trains fleet and will be refurbished to the same high quality specification

SSWT have also developed a proposal to address long term capacity problems across the network and have had constructive discussions with the DfT regarding the solution that is proposed

Alliance with Network Rail

The Company entered into an Alliance with infrastructure operator Network Rail on 27 April 2012 with the aim of delivering better rail services in the south and south-west of England. A single senior joint management team now has responsibility for both trains and track on the route operating out of London Waterloo, which is a first of its kind, for the UK rail industry

Through closer working, the Alliance is implementing schemes to reduce delays for passengers, provide better customer service, deliver more effective management of disruption, and improve the efficiency of the railway through more collaborative working and better decision-making The Alliance is also expected to benefit other TOC's and rail freight operators who use the Wessex route

The Alliance, which officially went live on 29 April 2012, is a first for the UK rail industry and has been approved by the Department for Transport (DfT) and the Office of Rail Regulation (ORR) The Alliance is planned to run until 4 February 2017, the expiry date of the Stagecoach South Western Trains Franchise Agreement, however both the DfT and ORR have initially given approvals for the first 2 years Further approvals will be sought in 2013 for a continuation of the Alliance until March 2019 to align with the potential Franchise extension Initial discussions have been held with the DfT and the ORR who are both keen to explore options for an extension to the Alliance arrangement

The creation of the Alliance follows the publication of the McNulty Report last year, which recommended a package of measures to reduce inefficiencies in the UK rail system It also delivers a key element of the Government's Rail Command Paper, issued in March 2012, which called for closer co-operation between operations and infrastructure

The first year of operation has been a year of transition A lot has been achieved and there is a much clearer view of what can be delivered in the future in terms of safety, performance, customer service and efficiencies Some of the key benefits include:

- The Alliance has developed a very different approach to improving the resilience and reliability of the infrastructure
- Schemes have been implemented that improve performance that would not have been developed were SSWT still a stand-alone entity
- The WICC (Waterloo Integrated Control Centre) has been restructured and strengthened with a single management structure As a consequence, the WICC is totally integrated and able to better manage and control operational incidents
- Historically, SSWT, along with all other TOCs have focused on understanding delays that fall within the performance regime The sub-threshold delays (those of less than 3 minutes) have previously been ignored as they fall outside the financial compensation arrangements These incidents however account for 70% of the total delays and are a key factor in the quality of service that we provide to our customers

The Alliance are now focusing on these delays and have recently introduced software that will enable the Alliance to monitor delays of just seconds This will greatly assist our performance team in reducing delays
- Through the development of one joint safety plan, the businesses are aligned in the management of safety and this will benefit customers and staff alike
- The Alliance has been focusing on reducing the risk at level crossings, which is one of the highest risk factors Through closer working between drivers and signallers, we have a much better understanding of the most vulnerable sites and we are lobbying Local Authorities to close those crossings that present the highest risk
- The Alliance has built a close relationship with the Samaritans and our joint campaigns and training of front line staff in the identification of passengers who may be contemplating suicide has undoubtedly reduced the number of suicides that have occurred across the network

In the year ended 27th April 2013, the Alliance had a net neutral impact upon the financial position of SSWT This was slightly disappointing but not unexpected as during the period of transition, both SSWT and Network Rail have incurred additional expenditure to address performance and customer service issues

The Alliance is seen throughout the industry as an innovative and effective development Crucially, the other operators that share the track with SSWT see the Alliance as a benefit

Results and dividends

Turnover (passenger revenue) for the 52 weeks ended 27 April 2013 was £866 8m (2012: £815 4m), which reflects year on year turnover growth of around 6%.

Profit after tax for the financial period amounted to £17 6m (2012: £34m) and has been appropriated as follows:

	2013
	£000
Profit for the financial period	17,561
Dividend: £87,500 per ordinary share	(17,500)
Retained profit for the year ended 27 April 2013	61

Interim dividends of £17 5m have been declared (2012: £32 0m)

The results include Franchise Grant payment of £415 1m paid to the DfT (2012: £322 9m) The following table sets out the main components of franchise grant payment:

Franchise Grant payments	2013	2012
	£000	£000
Franchise Premia	399,245	313,798
Other	15,850	9,058
Total	415,095	322,856

Health and Safety

Working safely is fundamental to everything we do at Stagecoach South Western Trains (SSWT) and is the foundation upon which the Alliance has been built By bringing together the expertise of both SSWT and Network Rail Wessex Route we have achieved a 'joined up' view of our operations and increased our visibility of complex areas such as risk and safety performance, something that previously happened separately in each business

Directors' report (continued)
For the 52 weeks ended 27 April 2013

We have used the RSSB (Railway Safety Standards Board) Safety Risk Model (SRM) in order to identify and assess our top safety risks in a consistent and systematic way The SRM uses accident data from both SSWT and NR Wessex to quantify our most significant 'hazardous events' and the factors contributing to these events

When we looked at our top 50 hazardous events, we found that they fitted into a number of distinct risk areas with the potential to affect our passengers, our staff and members of the public These risk areas are shown below and form the basis of the commitments outlined in our Safety Policy Statement:

1 Suicides
2 Slips, Trips and Falls
3 Trespass
4 Platform / Train Interface
5 Level Crossings
6 Assaults
7. Workforce Injuries*
8 On-Train Accidents
9. Station Accidents*
10 Passenger Train Derailment / Collision

* Excluding slips/trips/falls, assaults and hazardous events falling into other risk categories

Whilst the SRM provides us with a good indication of the risks we currently face, there are a number of other factors that we have also considered when developing the commitments within our Safety Policy Statement For example, we have included objectives around work in our traincare depots and have identified objectives to mitigate emerging issues that the SRM is not designed to assess - such as increasing passenger volumes and infrastructure defects

Our commitments, based on our risks, are delivered via our Safety & Environment Improvement Plan (S&EIP) Each objective within the plan has a Director accountable for its delivery Each accountable Director has developed action plans in order to deliver their objectives The action plans detail resources needed to deliver the objective and the target dates for delivery Progress against objectives is tracked via our Recommendations Tracking Database and reviewed by the Executive Safety & Compliance Board on a regular basis

The Executive Safety & Compliance Board also review safety performance data via a 4-weekly meeting to ensure that the actions we take to improve safety performance are having the desired effect

Whilst safety management strategy and processes are well developed and embedded within both SSWT and Network Rail Wessex Route, the formation of the Alliance has enabled us to take a much more holistic view of our safety risks Similarly, it has enabled us to develop strategies, based on the sharing of resources and good practice, to continually reduce our risks and make our railway an even safer place

Environment

South West Trains takes its environmental responsibilities seriously and we have worked hard to improve our environmental performance Our environmental strategy is based not only on our responsibility to minimise our own environmental impact, but also that we have a key role to play in getting people out of their cars and on to public transport Both of these aspirations are at the heart of how we operate and integral to our overall business plan Each year we identify a number of challenging environmental objectives and targets with the aim of continually improving our performance Now, as the Alliance a joint environmental strategy has been developed, which identifies our main risks as a South Western Railway These are:

1. Energy use
2. Lineside Stewardship
3. Waste management
4. Climate change
5. Nuisance incidents

The environment strategy will seek to reduce these risks, and identify other areas for improvement

Energy

As part of Stagecoach Group we have committed to reducing our 'traction' carbon emissions by 3 3% and 'non-traction' carbon emissions by 7 5% by 2014 – equating to around 42,000 tonnes of carbon As part of Stagecoach, we have successfully delivered these five year targets 12 months ahead of schedule We are now in the process of developing a new set of targets and an action plan with the Carbon Trust

Traction energy accounts for approximately 90% of our overall energy consumption, making it a vital area for improvement Regenerative braking has now been successfully installed on all of our 458, 444 and 450 fleets In the last 12 months this has resulted in a 25% reduction in traction energy, which equates to over 50,000 KwH of electricity This is enough to power and heat 20,000 homes in the UK for a year Our remaining electric fleet, the 455 will be enabled by March 2016, with the work commencing in February 2014

An eco-driving strategy has also been developed to encourage our train drivers to drive in an energy efficient way As part of this, eco-driving training is now included as part of the induction and our ongoing training programme for all drivers Our Eco Driving champions nominated at each depot continue to engage locally with Drivers, helping to identify 'top tips' for efficient driving

We are also seeking to make our stations, depots and offices as energy efficient as possible by investing in a series of schemes to improve lighting and heating systems. Intelligent heating controls installed at our Bournemouth, Salisbury and Wimbledon train care depots has resulted in a 40% reduction in gas use a year At our stations we have worked on a number of initiatives including installing effective controls and replacing inefficient heating appliances

Intelligent lighting systems have now been installed across 20 of our stations This system includes sensors that take into account the natural light levels and motion sensors to trigger when the lights are needed These have demonstrated an average saving of 28% of energy use Intelligent lighting will be rolled out at Clapham Junction and Surbiton station, and our first Traincare depots, Fratton and Salisbury during the next 6 months

LED lighting is also being trialled at a number of our locations, and are showing significant savings For example, at Gillingham station LED pole lighting has demonstrated a 30% reduction in energy use

Staff at our stations are an important part of the solution, and we want to give them the control and responsibility to improve their environmental performance Our Green Champions continue to progress local initiatives and help raise awareness Their annual objectives have been set for 2013/14 which have been developed with their local managers These include working collectively to improve awareness, develop a process for managing station waste and picking up on where improvements can be made locally in energy efficiency

Waste

Reducing the amount of waste we send to landfill is not only good for the environment, but with the ever-increasing landfill tax, it also helps us to control our costs

Our mixed recycling scheme rolled out across all stations continues to work well, with an average of 90% of waste diverted from landfill between May 2012 and April 2013 We have also looked to go further in our waste management and seek to tackle the large volume of food some of our tenants produce. At Clapham Junction a pioneering scheme was launched to make tenants responsible for segregating their waste This process follows the success at Waterloo station for tenancy waste segregation

Backing boards, communicating our mixed recycling commitment continue to be rolled out to spread the message throughout our stations

The mixed recycling contract rolled out at our Traincare depots continues to work well, with 96% of waste diverted from landfill between April 2012 and April 2013 This is a significant improvement from the previous year of 70%.

To spread the message throughout our business, mixed recycling as also been installed within all of our main offices, including Springpark, Friars Bridge Court, Overline House and the Raft at Waterloo

Environmental Awareness

Improving the awareness and understanding of both our staff and passengers is vital We held our 5th Green Week event this year, and our very first as the Alliance Because of this, the week was focused on our staff, and communicating our environment strategy During the week we held breakfast events for staff to drop in, meet their green champions and find out more about how they can get involved In November 2012 we also ran a staff roadshow which focused on energy use, and steps we can all make to reduce our impact both at work and at home To demonstrate this, a 'pedal challenge' was run, encouraging staff to compete to produce as much energy as possible on a bike generator This also helped demonstrate how much electricity is required to run our trains and depots.

Modal Shift

We appreciate that many of our passengers are not able to walk to our stations and we want their journeys to be as convenient as possible

Providing safe and secure cycle spaces allows our passengers to leave the car at home and ultimately reduce their carbon footprint

We continue to work closely with local councils and external companies to improve the transport facilities surrounding our stations, and identifying where connections could be made

Examples of how we are improving the travelling experience for bike users are:

- Installation of nearly 9,000 cycle spaces, with 1,185 installed in 2012 and 500 additional spaces will be installed during 2013 calendar year.
- Installation of free to use secure bike compounds, storage units and protection from the elements with plans to open four more secure cycle compounds during 2013
- During the London Olympics, we continued to run our train cycling policy to enable Olympic spectators and commuters to travel with their bikes where other train companies suspended bike use during this period
- Introduction of our first cycle centre at Richmond station in July 2012 which allows commuters to leave their bikes in the care of a bike mechanic who maintains and cleans their bikes, ready for collection at the end of the day The scheme has been so successful it is being expanded to Portsmouth and Southsea in 2013, with potential for further expansion in 2014
- The 'bike and ride' scheme at Guildford, which includes the installation of Brompton Bike docks, has continued to grow in popularity We plan to install more docks at Southampton Central, Bournemouth and Woking in 2013

Directors' report (continued)
For the 52 weeks ended 27 April 2013

Directors and their interests

The directors of the company during the period and up to the date of this report were as follows:

Martin A Griffiths	
Ross J Paterson	
Andrew C West	
Timothy C Shoveller	
Jacob H Kelly	Appointed 5 July 2012
Christian Roth	Appointed 5 July 2012

Employees

We continue to deliver strong results on our people agenda, with employee engagement continuing to rise, attendance levels in excess of 97% across all grade groups and, in our recent people survey, 77% of employees said they were proud to work for us.

Over the last year, we have successfully recruited and trained over 140 trainee drivers and more than 100 trainee guards Our commitment to continuous professional development continues and since the introduction of our NVQ programme in 2008 over 560 drivers and guards has attained Level 2 NVQ We have a further 247 trainees working towards the Government Apprenticeship NVQ Scheme

Last autumn, we gained accreditation from the Institute of Leadership (ILM) and we are now able to award the prestigious ILM Level 3 Award in Leadership and Management

Employee recognition continues to be a key driver of our people strategy As part of the Stagecoach group all South West Trains employees benefit from the opportunity to join the Stagecoach "Buy As You Earn" share scheme Our "You're a Star" scheme recognises staff excellence every month and our Star Teams programme celebrates teams who have delivered beyond expectations, we have expanded our employee discounts scheme which provides our employees with generous discounts from a variety of high street retailers

This year sees the introduction of our Inclusion and Diversity strategy, working with our partners Inclusive Employers

This strategy fully supports our Equality policy which clearly sets out our commitment to treating all staff and job applicants fairly in particular with regard to selection and recruitment, promotions, transfers, training and development, rostering, overtime, discipline and grievance, pay and benefits and redundancy This policy prohibits discrimination, harassment, victimisation or other unlawful treatment based on someone's age, disability, gender reassignment, marital or civil status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation

Having a geographically diverse workforce we recognise the importance of regular, clear and consistent communications to ensure all our employees are kept fully aware of the important issues affecting them and the business Our Employee communications team delivers key messages through a number of communication channels including our employee intranet site "The Platform" which is available to all employees both at work and at home

We publish two regular news bulletins "e-news" distributed fortnightly and "Team talk" distributed monthly these provide news stories about our business and personal local stories which celebrate the achievements of our staff In addition to these updates we run a six weekly senior management update and a bi-annual management conference for all managers to cascade to key information regarding our business performance A recent addition is our quarterly employee teleconference where employees can dial into to hear business updates from our Directors

The continued constructive relationships with our recognised trade unions (ASLEF, UNITE, RMT and TSSA) are a very important element to delivering high employee engagement Twice a year we formally meet with our full company council consisting of senior elected representatives from each Union and our Executive team The objective of these meetings is to provide our employee representatives with a full business update including our financial performance In addition to these meetings each of our key business functions regularly meet with function specific employee representatives to discuss key business issues regarding our employees

Key Performance Indicators

In addition to monitoring financial performance, the company uses a wide range of key performance indicators (KPIs) to assess the effectiveness of performance in key activities The most important of these KPIs focus on the following key areas:

- Safety
- Service Delivery
- Customer Service

Safety

In addition to providing a reliable train service, we seek to ensure the safety of our customers, staff and contractors Safety is monitored in various ways, including through an Alliance Executive Safety and Compliance Board and a range of KPI's The most important KPI's are reported below:

	Targets for the period ended 27/4/2013	Period ended 27/4/2013 (Moving Annual Average)	Period ended 28/4/2012 (Moving Annual Average)	Period ended 30/4/2011 (Moving Annual Average)
Passenger movement accidents per 1 million passenger miles	n/a	0 07	0 07	0 06
Passenger movement accidents per 1 million passenger journeys (slips, trips, falls alighting/joining trains)	0 65	0 68	0 69	0 65
Passenger non-movement accidents per 1 million passenger journeys (slips, trips and falls on stairs and platforms)	1 00	1 03	1 16	1 00
Workforce lost time accidents per 1,000 employees (excluding shock)	1 20	1 06	1 27	1 30
Employee physical assaults per 1,000 employees	2 53	1 59	2 03	2 20

Service Delivery

We aim to provide a reliable service and our measures of service delivery include:

Punctuality measured on the basis of the DfT's Public Performance Measure (moving annual average) being the percentage of trains that arrive at their destination within 5 minutes of their scheduled arrival time, having called at all scheduled stations.

	Target (Moving Annual Average by 31 March 2014)	Period ended 27/4/2013 (Moving Annual Average)	Period ended 28/4/2012 (Moving Annual Average)	Period ended 30/4/2011 (Moving Annual Average)
Public Performance Measure	92 6%	91 5%	92 3%	93 3%

As noted Train Performance has been affected by a number of factors including infrastructure problems, weather related incidents and suicides We continue to work closely with the Samaritans and Network Rail as far as possible to prevent such incidents occurring

Customer Service

We aim to provide high levels of customer service across all activities of the company Our measures of service Delivery include:

- The twice-annual (Autumn and Spring) National Passenger Survey (NPS) measured on the basis of a number of criteria set by the DfT that encompass key customer service activities of the business; and

- The number of customer complaints that we receive

We have continued to see our customer contacts grow significantly during the year and again this is mainly due to the increase in Train Performance related complaints particularly in the last 5 months of the year We have suffered a number of major performance incidents during this period mainly involving infrastructure failures and engineering works over-runs which has led us to receive the largest number of complaints we have ever received for a single year The introduction of the South Western Railway Alliance this year has however enabled us to focus on the remedial action plan needed to address these serious infrastructure failures and we are confident that the Autumn 2013 results will show an improvement on this year's results

Train Performance is still recognised as being the most significant driver of passenger satisfaction and despite the serious performance issues we suffered in the latter part of the year, our rating in the specific NPS Performance Indicator rose by 1% to 85% which was also reflected in our NPS overall satisfaction result also rising from 84% to 85%

National Passenger Survey (Autumn Results)	Target	Period ended 27/4/2013	Period ended 28/4/2012	Period ended 30/4/2011
National Passenger Survey (Autumn survey's)	To reach the NPS "Overall Satisfaction" Survey score of 88%	85%	84%	87%
Customer Complaints	-	2,885 (MAA)	2,368 (MAA)	1,555 (MAA)

Financial risk management

The company's activities expose it to a variety of financial risks including the effects of changes in interest rates, credit risk and commodity prices The effects of changes in interest rates and commodity prices are managed at a group level by a central group treasury function The company has adopted policies that require appropriate credit checks to be performed on potential customers before sales are made

Principal risks and uncertainties affecting the Company

SSWT, along with most other rail businesses in the UK is facing a challenging operating environment The impact of the recession meant that income levels fell considerably below the levels assumed when the SSWT contract was awarded and it is unlikely that this position will be recovered over the remaining franchise period The economy is still fragile and whilst revenue growth was higher than most of the retail sector, growth was lower than we predicted at the outset of the financial year The income shortfall compared to the original bid is significantly mitigated through the revenue support mechanism contained in the Franchise Agreement. With a fixed premia payment profile, a high fixed cost base, and commitments contained in the contract between SSWT and the DfT that give little scope for reducing the timetable operated, the company is heavily exposed to macroeconomic conditions We have taken action to mitigate the impact of below bid levels of revenue, including a package of measures to reduce annualised costs and to achieve sensible efficiencies The management team are constantly pursuing new efficiency opportunities, however these initiatives are becoming more difficult to identify and implement

The best opportunities will arise from the delivery of a step change in operational performance Working within the Alliance gives SSWT the best opportunity to improve performance for the benefit of our customers and to collectively drive forward efficiency initiatives

Supplier payment policy

It is the company's policy to settle the terms of payment with suppliers when agreeing each transaction or series of transactions, to ensure suppliers are aware of these terms and to abide by them Trade creditors at the end of the period represented 23 days (2012: 25 days) purchases

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared 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 accounting 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;
- 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

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Indemnification of directors and officers

The Company's ultimate parent maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against the directors of the Company The ultimate parent has indemnified each of the Company's directors and other officers of the Company against certain liabilities that may be incurred as a result of their offices

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies:

- So far as the directors are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditors are unaware; and
- Each of the directors has taken steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and the directors have resolved that they be appointed as auditors for next year

Friars Bridge Court
41-45 Blackfriars Road
London
SE1 8NZ

16 July 2013

On behalf of the Board

a West

Andrew C West

Company Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STAGECOACH SOUTH WESTERN TRAINS LIMITED

We have audited the financial statements of Stagecoach South Western Trains Limited for the 52 weeks ended 27 April 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes 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)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 12-13 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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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 financial statements 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 27 April 2013 and of its profit for the 52 weeks 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 STAGECOACH SOUTH WESTERN TRAINS 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.

Martin Cowie

Martin Cowie (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

16 July 2013

Profit and loss account

For the 52 weeks ended 27 April 2013

	Note	27 April 2013 £000 52 weeks	28 April 2012 £000 52 weeks
Turnover	2	866,837	815,372
Other operating income		178,073	129,758
Other operating costs		(415,095)	(322,856)
Operating costs		(612,468)	(578,651)
Operating profit	3	17,347	43,623
Finance income	4 (a)	7,293	5,984
Finance charges	4 (b)	(921)	(999)
Profit on ordinary activities before taxation		23,719	48,608
Tax on profit on ordinary activities	7	(6,158)	(13,752)
Profit for the financial period	20	17,561	34,856

The results for the period are derived wholly from continuing operations

There is no difference between the profit on ordinary activities before taxation and the profit for the period stated above and their historical cost equivalents

Balance sheet
As at 27 April 2013

	Note	27 April 2013	28 April 2012
		£000	£000
		52 weeks	52 weeks
Fixed assets			
Investments	9	-	-
Intangible assets	10	4,074	5,156
Tangible fixed assets	11	39,672	41,763
		43,746	46,919
Current assets			
Stocks	12	2,196	1,989
Debtors: amounts falling due within one year	13	173,621	158,583
Debtors: amounts falling due after more than year	13	14	18
Deferred tax asset	14	1,992	3,114
Cash at bank and in hand		131,239	114,513
		309,062	278,217
Creditors: amounts falling due within one year	15	(308,106)	(276,521)
Net current assets		956	1,696
Total assets less current liabilities		44,702	48,615
Provision for liabilities	16	(10,699)	(10,976)
Net assets excluding pension liability		34,003	37,639
Pension liability	17	(25,720)	(27,691)
Net assets including pension		8,283	9,948
Capital and reserves			
Called up share capital	18	-	-
Share premium	18	200	200
Contribution reserve	19	5,193	4,877
Profit and loss account	20	2,890	4,871
Total Shareholders' funds		8,283	9,948

The financial statements on pages 16 to 38 were approved by the board of directors on 15 July 2013

Signed on behalf of the Board

A. West

Andrew C West
Director
16 July 2013

Statement of total recognised gains and losses

For the 52 weeks ended 27 April 2013

	Note	28 April 2013 £000 52 weeks	28 April 2012 £000 52 weeks
Profit for the financial period		17,561	34,856
Recognition of net actuarial loss on defined benefit pension schemes	21 (b)	(2,179)	(2,488)
Recognition of tax on net actuarial gains and losses on defined benefit pension schemes	14	137	(142)
Total recognised gains relating to the period		15,519	32,226

Reconciliation of movements in shareholders' funds

For the 52 weeks ended 27 April 2013

	Note	27 April 2013 £000 52 weeks	28 April 2012 £000 52 weeks
Profit for the financial period		17,561	34,856
Dividends	5	(17,500)	(32,000)
Retained profit for the financial period		61	2,856
Recognised loss on defined benefit pension schemes relating to the period	21 (b)	(2,042)	(2,630)
Share based payments charge	19	316	538
Net (decrease) / increase in shareholders' funds		(1,665)	764
Opening shareholders' funds		9,948	9,184
Closing shareholders' funds		8,283	9,948

Notes to the financial statements
For the 52 weeks ended 27 April 2013

1. Accounting policies

The principal accounting policies applied consistently throughout the financial period and the preceding financial period are described below:

a) Basis of accounting

These financial statements have been prepared under the historical cost convention, on the going concern basis, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The Company's financial statements fall within the scope of The Finance and Leasing Association Statement of Recommended Practice (FLA SORP) and have been prepared in accordance with the provisions thereof

b) Intangible assets

Intangible assets acquired separately from a business combination are capitalised at cost

(i) Rail franchise pension intangible asset

Where the conditions relating to the award of a franchise require the company to assume legal responsibility for any pension liability that exists at that point in time, the company recognises an asset or liability representing the fair value of the related net pension surplus or deficit that the group expects to fund during the franchise term When a pension deficit exists at the start of the franchise, a corresponding intangible asset is recognised, reflecting a cost in acquiring the right to operate the franchise

Intangible assets with a finite life, such as intangible assets recognised on commencement of a rail franchise, are amortised annually over their expected useful lives.

The initial cost recognised is the aggregate amount paid plus the fair value of any other consideration given to acquire the asset

(ii) Rail franchise transition costs

The franchise transition cost represents the costs associated with the initiation of the new franchise In accordance with UITF Abstract 34, 'Pre-contract costs', the costs associated with securing new rail franchises are expensed as incurred, except where it is virtually certain that a contract will be awarded in which case they are recognised as an asset and are charged to the profit and loss account over the life of the franchise

Amortisation of intangible assets is calculated on the straight-line method to write-off the cost of each asset over their estimated useful lives as shown below:

- Rights to operate rail franchise – over the life of the franchise (10 years from February 2007 to February 2017)
- Franchise transition costs – over the life of the franchise (10 years from February 2007 to February 2017)

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

1. Accounting policies (continued)

c) Tangible fixed assets

Tangible fixed assets comprise property, plant and equipment at original historic cost, net of depreciation, as set out in note 11 Tangible fixed assets also include "Assets under construction"

Depreciation is provided at rates calculated to write off the cost of each asset on a straight-line basis over its estimated life Estimated useful lives are as follows:

Buildings – Short Term Leasehold	3 to 10 years
Plant, fixtures and fittings	3 to 10 years
Assets Under Construction	Nil

d) Lease obligations

Rentals under operating leases are charged on a straight-line basis over the lease term

e) Stocks

Stocks are stated at the lower of cost and net realisable value Stock consists of engineering spare parts, fuel and consumable stores Provision is made for obsolete, slow-moving or defective items where appropriate

f) Taxation

In accordance with FRS 16, Corporation tax is provided on taxable profits at the current rate Tax charges and credits are accounted for through the same primary statement (either the profit and loss account or the statement of total recognised gains and losses) as the pre-tax item

In accordance with FRS 19, full provision is made for deferred tax on a non-discounted basis

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or right to pay less taxation in future An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain Deferred tax assets and liabilities recognised have not been discounted

Tax, current and deferred, is calculated using tax rates and laws enacted or substantively enacted at the balance sheet date

g) Turnover

Passenger income comprises amounts attributed to the company by the Rail Settlement Plan Limited's income allocation systems utilised to allocate principally passenger receipts, based on detailed surveys of passenger flows The attributed share of season ticket income is deferred within creditors and released to the profit and loss account over the life of the relevant season ticket Turnover represents the amount receivable for goods and services provided in the normal course of business, net of VAT

h) Other operating income/costs

Other operating income/costs comprise:

- Receipts from or payments to the Department for Transport ("DfT") in respect of the operation of rail franchises in the UK
- Other income derived from property letting, advertising, maintenance and other services that are recognised in the profit and loss account upon the completion of the service

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

1. Accounting policies (continued)

h) Other operating income/costs (continued)

Amounts receivable from or payable to the DfT for financial support/(premium) in respect of the operation of rail franchises in the UK are recognised to the income statement in the period in which the related expenditure is recognised in the income statement or where they do not relate to any specific expenditure, in the period in respect of which the amount is payable or receivable

Property rental income is recognised on an accrual basis Income from leases is recognised under the straight - line method over the term of the lease

i) Franchise rebate

Under the South Western Trains Franchise Agreement with the DfT, amounts are due from/to the DfT based on the actual revenue earned in the period compared with the amount which was expected to be earned in the period at commencement of the Franchise The amount payable/receivable for the period is calculated in accordance with the Franchise Agreement and is disclosed within Operating Costs/Income in the profit and loss account

j) Cashflow statement

Stagecoach South Western Trains Limited is not required to prepare a cash flow statement under FRS 1 (revised 1996), as it is a wholly owned subsidiary undertaking of Stagecoach Group plc whose consolidated financial statements, which are publicly available, include a consolidated cash flow statement

k) Retirement benefit obligations

Both South West Trains and Island Line operated under the terms of a franchise agreement that expired on 4 February 2007 and from that date they operated under one, new franchise agreement, Stagecoach South Western Trains

Stagecoach South Western Trains became the relevant Train Operating Company as designated employer for both the South West Trains section and the Island Line section of the Railway Pension Scheme and must make contributions during its franchise term to both sections in accordance with the contribution schedule agreed between South West Trains/Island Line and the Trustees in 2006

On transfer of a franchise, the only obligation of the franchisee is to have paid the required contributions during the franchise period Therefore the surplus or deficit in the section existing at the end of the franchise is taken on by subsequent franchisee(s) As the franchisee should have no obligation in relation to pension contributions after the expiry date of the franchise, it may be considered appropriate that only the proportion of the deficit expected to be 'made good ' by the franchisee over the franchise term is recognised on commencement of the franchise and at subsequent balance sheet dates At the commencement of the Stagecoach South Western Trains franchise a deficit was recognised in respect of the new franchise.

Stagecoach South Western Trains has no rights or obligations in respect of the sections of the RPS pension scheme following expiry of the related franchises Therefore the liability (or asset) recognised for relevant sections of the RPS only represents that part of the net deficit (or surplus) of each section that the employer is obliged to fund (or expected to recover) over the life of the franchise to which the section relates Where the surplus is fully recoverable over the life of the franchise, no restriction to the surplus is made

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

1. Accounting policies (continued)

k) Retirement benefit obligations (continued)

The company accounts for pensions and similar benefits in accordance with FRS 17 "Retirement Benefits" In respect of defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at market value The operating costs of such plans are included within operating profit and the financing costs are included in finance income; service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

A full actuarial valuation is undertaken triennially for RPS with the surplus/deficit being updated annually by independent actuaries using the projected unit credit method The present value of the scheme obligations is determined by discounting the estimated future cash outflows using interest rates of "AA"-rated corporate bonds, which have terms to maturity equivalent to the terms of the related obligations

l) Government grants

Revenue based government grants are credited to the profit and loss account in the period of receipt so as to match them with the expenditure towards which they are intended to cover.

m) Related party transactions

As a wholly owned subsidiary undertaking of Stagecoach Group plc, the company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' from disclosing transactions with wholly owned fellow group undertakings

n) Dividends

Dividends on ordinary shares are recorded in the company's financial statements in the period in which they are approved by the company's shareholders, or in the case of interim dividends, in the period in which they are paid

o) Share-based payments

Certain of the company's employees are granted equity settled share based payments by the parent company

i) Equity-settled transactions

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period In valuing equity settled transactions, no account is taken of any non-market based vesting conditions and no expense is recognised for awards that do not ultimately vest as a result of failure to satisfy a non-market based vesting condition None of the Stagecoach Group plc's equity-settled transactions have any market based performance conditions

Fair value for equity-settled share based payments is estimated by the use of the Black-Scholes pricing model

At each balance sheet date before vesting the cumulative expense is calculated based on management's best estimate of the number of equity instruments that will ultimately vest taking into consideration the likelihood of achieving non-market based vesting conditions

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

1. Accounting policies (continued)

o) Share-based payments (continued)

ii) Cash-settled transactions

The cost of cash settled transactions is measured at fair value Fair value is estimated initially at the grant date and at each balance sheet date thereafter until the awards are settled Market based performance conditions are taken into account when determining fair value

Fair value for cash-settled share based payments (being only those that relate to the Long Term Incentive Plan) is estimated by use of a simulation model.

During the vesting period, a liability is recognised representing the estimated fair value of the award and the portion of the vesting period expired as at the balance sheet date.

There were no accruals for the period ended 27 April 2013 (2012: £nil).

iii) Choice of Settlement

The company can choose to settle awards under the Long Term Incentive Plan in either cash or equity although it currently intends to settle all such awards in cash. Awards under the Long Term Incentive Plan are accounted for as cash-settled transactions (see above)

Additional disclosures regarding the share schemes operated by Stagecoach Group plc, in which some employees of Stagecoach South Western Trains Limited participate, are provided in the financial statements of Stagecoach Group plc

p) Provision for liabilities

The company receives claims from customers and employees for incidents resulting in personal injury Provision is made for the estimated cost to the company to settle claims for incidents that fall below the insurance deductible and occurring prior to the balance sheet date

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

2. Turnover

The turnover and profit on ordinary activities before taxation were derived wholly from the company's principal activities within the United Kingdom

3. Operating profit

The operating profit for the period is stated after charging/ (crediting):

		27 April 2013 £000 52 weeks	28 April 2012 £000 52 weeks
Staff costs (note 6e)		195,024	182,798
Depreciation (note 11)		3,615	2,885
Auditors' remuneration – for audit of the Company's financial statements		99	87
Network Rail charges:	- Track access	76,901	68,294
	- Variable track access	12,198	12,486
	- Station leases/long-term station charges/access	27,838	26,460
	- Depot leases	6,847	8,720
	- Electric traction charge	35,064	31,026
	- Other performance recoveries	(12,787)	(11,258)
Operating lease rentals	- Passenger rolling stock	109,481	105,309
Franchise grant		415,095	322,856
Revenue support/franchise rebate		(133,457)	(87,133)
Rental income		(6,979)	(6,247)
Repairs and maintenance		12,373	13,287
Amortisation of intangible assets (note 10)		1,082	1,080

Other operating income comprises revenue incidental to the company's principal activity It includes rental income, advertising income, station access income and commissions received

Non-audit fees of £9,300 (2012: £9,000) were payable to PricewaterhouseCoopers LLP during the period relating to Office of Rail Regulation and covenant work for the company and revenue support assessment

4. Finance Income and Charges

a.) Finance Income

	27 April 2013 £000 52 weeks	28 April 2012 £000 52 weeks
Bank deposits and short term loans	1,746	1,157
Group interest receivable	291	299
Net pension finance income (note 21b):		
- Expected return on assets	21,841	22,097
- Interest on pension scheme liabilities	(19,866)	(21,842)
- Unwinding of franchise adjustment	3,281	4,273
	7,293	5,984

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

b) Finance Charges

	27 April 2013 £000 52 weeks	28 April 2012 £000 52 weeks
Interest paid	843	912
Bank charges	78	87
	921	999

5. Dividends

	27 April 2013 £000 52 weeks	28 April 2012 £000 52 weeks
Interim dividend: £87,500 per ordinary share (2012: £160,000)	17,500	32,000

6. Information regarding directors and employees

a) Directors emoluments

Emoluments of directors were:

	27 April 2013 £000 52 weeks	28 April 2012 £000 52 weeks
Aggregate emoluments	803	602

During the year one director exercised share options (2012: three)

b) Pensions

The number of directors who were members of the South West Trains pension scheme was as follows:

	27 April 2013 Number	28 April 2012 Number
Defined benefit schemes	2	4

c) Highest paid director

Directors' emoluments (including benefits in kind but excluding pension contributions) included:

	27 April 2013 £000 52 weeks	28 April 2012 £000 52 weeks
Total emoluments	299	213

The highest paid director in the period ended 27 April 2013 had £2,845 accrued pension entitlement under the company's defined benefit scheme (2012: £52,000) and £2,364 accrued lump sum entitlement at 27 April 2013 (2012: £282,000)

d) The average monthly number of persons employed by the company (including executive directors) during the financial period is analysed below:

By activity	27 April 2013 Number	28 April 2012 Number
Operations/Engineering	2,829	2,721
Commercial/Retail	1,551	1,560
Management/Administration	182	143
	4,562	4,424

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

6 Information regarding directors and employees (continued)

e) Employment costs of all employees (including executive directors) were as follows:

	27 April 2013 £000 52 weeks	28 April 2012 £000 52 weeks
Wages and salaries	158,897	147,712
Social security costs	12,873	11,860
Pension costs	22,469	22,361
Share based payments	785	865
	195,024	182,798

7. Tax on profit on ordinary activities

a) Charge for the period	27 April 2013 £000 52 weeks	28 April 2012 £000 52 weeks
Current tax:		
UK corporation tax on profits of the period	4,532	11,625
Adjustments in respect of prior periods	(693)	(2)
Total current tax	3,839	11,623
Deferred tax:		
Origination and reversal of timing differences	1,566	1,569
Adjustments in respect of prior periods	753	560
Total deferred tax	2,319	2,129
Tax on profit on ordinary activities	6,158	13,752

b) Factors affecting the tax charge for the period	27 April 2013 £000	28 April 2012 £000
The tax assessed for the period is lower (2012: lower) than the standard rate of corporation tax in the UK (23 92%) The differences are explained below:	52 weeks	52 weeks
Profit on ordinary activities before taxation	23,719	48,608
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23 92% (2012: 25 84%)	5,674	12,558
Effect of:		
Non tax deductible expenditure and other permanent differences	358	292
Treatment of inter-company transactions	28	41
Capital allowances for the period in excess of depreciation	(367)	(631)
Pension cost relief in excess of pension cost charge	(1,247)	(779)
Share based payments	86	144
Adjustments in respect of prior periods	(693)	(2)
Current tax charge for the period (note 7a)	3,839	11,623

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

7 Tax charge on profit on ordinary activities (continued)

c) Factors that may affect future tax charges

Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012 which was substantively enacted in July 2012 The relevant deferred tax balances have been re-measured accordingly

Further changes to the UK Corporation tax rates were enacted as part of Finance Act 2013 on 2 July 2013 These include further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015 These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

The overall effect of these further changes, if applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £1 262m

8. Operating leases and similar commitments

Stagecoach South Western Trains Limited has contracts with Network Rail for access to the railway (track) infrastructure, leasing of stations and depots The company also leases rolling stock and ticket machines Annual commitments under the rolling stock operating leases expiring as follows are:

	2013 £000	2012 £000
Under one year	867	-
Between one year and five years	130,859	110,691

Annual commitments under other operating leases expiring as follows are:

	2013 £000		2012 £000	
	Land and Buildings	Other	Land and Buildings	Other
Under one year	2,312	20,865	64	1,114
Between one year and five years	835	94,758	2,822	90,669
Over five years	-	-	613	-
	3,147	115,623	3,499	91,783

9. Fixed assets/Investments

The company holds the following investments:

5 0% (one 4p share) of the issued share capital of ATOC Limited The principal activity of ATOC Limited is a trade association promoting passenger transport ATOC Limited is incorporated in the UK

5 3% (one 4p share) of the issued share capital of Rail Settlement Plan Limited The principal activity of Rail Settlement Plan Limited is to provide a settlement service to the Railway Industry Rail Settlement Plan Limited is incorporated in the UK

5 3% (one 4p share) of the issued share capital of Rail Staff Travel Limited The principal activity of Rail Staff Travel Limited is to provide a service to give railway employees access to train operating companies passenger services Rail Staff Travel Limited is incorporated in the UK

9 Fixed assets/Investments (continued)

5 3% (one £1 share) of the issued share capital of NRES Limited The principal activity of NRES Limited is to provide a national rail telephone enquiry service NRES Limited is incorporated in the UK

All these shareholdings were transferred to the company on 4 February 2007 from one of the previous franchise operators, South West Trains Limited

5 3% (one £1 share) of the issued share capital of Train Information Services Limited (TIS). The principal activity of TIS Limited is to provide rail enquiries other than telephone enquiries, which are handled by NRES Limited. TIS Limited is incorporated in the UK

The shareholding in Train Information Services Limited was issued on 4 April 2011.

The company is a member of Tribute Limited, Gemini Applications Limited and Network Rail Limited with liability limited by guarantee to £1 in each The company is also a member of Rail Safety and Standards Board Limited with liability limited by guarantee to £100,000

10. Intangible fixed assets

	Franchise transition costs	Rail franchise	Total Intangible Assets
	£000	£000	£000
Cost			
At 28 April 2012 and 27 April 2013	274	10,532	10,806
Accumulated amortisation			
As at 28 April 2012	142	5,508	5,650
Amortisation for the period	29	1,053	1,082
As at 27 April 2013	171	6,561	6,732
Net Book Value at 28 April 2012	132	5,024	5,156
Net Book Value at 27 April 2013	103	3,971	4,074

The Railway Franchise intangible asset relates to the pension deficit in existence at the start of the franchise, for which a corresponding intangible asset is recognised, reflecting a cost in acquiring the right to operate the franchise for the period to February 2017

The Franchise Transition Costs intangible asset relates to the costs associated with the initiation of the new franchise

The amortisation of the intangible assets is included within operating costs in the profit and loss account

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

11. Tangible fixed assets

	Buildings – Short Term Leasehold	Plant, fixtures and fittings	Assets under construction	Total Fixed Assets
	£000	£000	£000	£000
Cost				
At 28 April 2012	7,213	14,134	44,516	65,863
Additions	51	1,989	22,434	24,474
Disposals	-	-	(22,950)	(22,950)
Transfers	1,992	183	(2,175)	-
At 27 April 2013	9,256	16,306	41,825	67,387
Accumulated Depreciation and Impairment				
At 28 April 2012	3,491	4,595	16,014	24,100
Charge for the period	1,205	2,410	-	3,615
At 27 April 2013	4,696	7,005	16,014	27,715
Net Book Value at 28 April 2012	3,722	9,539	28,502	41,763
Net Book Value at 27 April 2013	4,560	9,301	25,811	39,672

It is the intention of Stagecoach South Western Trains Limited to sell certain assets to Network Rail under an Asset Purchase Agreement once the projects are completed The cost of assets, which are subsequently to be sold, amounted to £20 9m at 27 April 2013 (2012: £ 14 1m) These assets are classified as "Assets under construction" at both balance sheet dates and have not therefore been depreciated

12. Stocks

	2013	2012
	£000	£000
Raw materials and consumables	2,196	1,989

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

13. Debtors

	2013	2012
	£000	£000
Amounts falling due within one year:		
Trade debtors	77,526	72,735
Amounts owed by group undertakings	56,458	49,862
VAT debtors	6,481	6,237
Other debtors	13,610	11,774
Prepayments and accrued income	19,546	17,975
	173,621	158,583
Amounts falling due after more than one year:		
Employee loans	14	18

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

13 Debtors (continued)

The employee loans represent interest free loans given to employees upon relocation; these loans are repayable over a term of up to 25 years No director has benefited from these loans.

The amounts owed by group undertakings primarily relate to a loan to Stagecoach Group plc of £55 0m (2012: £49 0m) which is payable on demand and attracts interest based on one month London Inter Bank Bid Rate (LIBID) and amounts owed by Stagecoach Group plc for corporation tax £0 2m (2012: £0.2m). The corporation tax receivable and all other amounts owed by group undertakings are payable on demand and do not attract interest

14. Deferred tax asset

	2013 £000	2012 £000
Accelerated capital allowances	419	1,487
Other timing differences	1,573	1,627
Deferred tax asset excluding that related to pension liability	1,992	3,114
Deferred tax asset related to pension liability (note 21b)	7,682	8,742
Deferred tax asset	9,674	11,856
Asset as beginning of the period	11,856	14,126
Deferred tax charge in profit and loss account (note 7a)	(2,319)	(2,128)
Deferred tax credited/(charged) to the statement of total recognised gains and losses	137	(142)
Total asset at end of the period	9,674	11,856

15. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	99,842	80,682
Amounts owed to group undertakings	6,714	4,254
Deferred season ticket income	56,686	52,926
Corporation tax creditor	1,959	6,705
Other tax and social security	4,783	4,574
Accruals and deferred income	138,122	127,380
	308,106	276,521

The amounts owed to fellow group undertakings relate to management recharges which are payable on demand and do not attract interest

16. Provisions for liabilities

	Restructuring provision £000	Claims provision £000	Total 2013 £000
At 28 April 2012	775	10,201	10,976
Charged to the profit and loss account	785	673	1,458
Utilised in period	(822)	(913)	(1,735)
At 27 April 2013	738	9,961	10,699

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

16. Provisions for liabilities (continued)

A provision of £0 7m (2012: £0 8m) has been made in respect of a re-organisation within the company. The provision is expected to be utilised over the next year

The company receives claims from customers and employees for incidents resulting in personal injury Provision of £10 0m (2012: £10 2m) is made for the estimated cost to the company to settle claims for incidents that fall below the insurance deductible, which have occurred prior to the balance sheet date. The provision is expected to be utilised over the next 5 years.

17. Pension liability

	2013 £000	2012 £000
Gross pension liability (note 21b)	(33,402)	(36,433)
Deferred tax asset (note 14)	7,682	8,742
Pension liability, net of deferred tax	(25,720)	(27,691)

Deferred tax is recognised only on the subsequent movements in the pension liability as shown above

See note for 21(b) for further details about accounting for pensions

18. Called up share capital and share premium

	2013 £	2012 £
Allotted, called-up and paid:		
200 ordinary shares of £1 each	200	200

	Number of Shares	Ordinary Shares	Share Premium	Total
		£	£	£
As at 28 April 2012 and 27 April 2013	200	200	199,800	200,000

19. Contribution reserve

The movement in the contribution reserve for the period can be analysed as follows:

	2013 £000
As at 28 April 2012	4,877
Share based payments charge	316
As at 27 April 2013	5,193

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

20. Profit and loss account

The movement in the profit and loss account for the period can be analysed as follows:

	2013
	£000
As at 28 April 2012	4,871
Profit for the financial period	17,561
Dividend	(17,500)
Recognised gain and losses on defined benefit pension schemes	(2,042)
As at 27 April 2013	**2,890**

21. Guarantees and other financial commitments

a) Capital commitments

	2013	2012
	£000	£000
Capital commitments on station improvements, major projects and other capital items	5,358	2,102

b) Pension scheme

Both South West Trains and Island Line operated under the terms of a franchise agreement that expired on 4 February 2007 and from that date they operated under one, new franchise agreement, Stagecoach South Western Trains

On commencement of the new franchise, the actuarial valuations performed on the South West Trains and Island Line sections of the scheme were updated to give a liability on commencement of the new Stagecoach South Western franchise, representing the obligations of the new franchisee to fund the scheme over the period of the 10 year franchise

History of the South West Trains scheme

The Railways Pension Scheme (RPS) was established on 31 May 1994 by the Railways Pension Order 1994 It succeeded the BR Pension Scheme, which itself was established on 1 April 1987 by the merging of the New Section of the British Railways Superannuation Fund and the British Railways (Wages Grades) Pension Fund On 1 October 1994 all of the assets and liabilities of the BR Pension Scheme were transferred to the RPS in accordance with the provisions of the Order All active members were transferred to the Shared Cost Section of the RPS, and all pensioners and deferred pensioners were transferred to the closed 1994 Pensioners Section of the RPS The RPS is a defined benefit occupational pension scheme in which costs are formally shared between the employer (60%) and the employee (40%) The RPS scheme is open to all employees of the company and is administered by Railtrust (Holdings) Limited through its wholly owned subsidiary, Railways Pension Trustee Company Limited On 4 February 1996 the South West Trains section of the RPS was created and the appropriate share of the assets of the Shared Cost Section was allocated in accordance with the Pension Trust of the RPS

21 Guarantees and other financial commitments (continued)

b) Pension scheme (continued)

The last completed triennial actuarial review of the South West Trains section of the RPS was carried out as at 31 December 2010 as part of the overall triennial actuarial review of the RPS The review was commissioned by the Trustees and was carried out by independent qualified actuaries, Watson Wyatt Partners, using the projected unit funding method The main financial assumptions used were:

	% per Annum
Return on investments	
Non pensioner	7 59
Pensioner	5 78
Pay inflation	4.23
Price inflation	3 20
State basic pension increases	4 50

From June 2006, all parties have agreed a revised contribution schedule, with company contributions at 60% and employee contributions at 40% of the total contribution rate

Further information with regard to history of the South West Trains section of the RPS scheme and expected long-term returns on assets and liabilities, is disclosed in the South West Trains Limited statutory financial statements for the period ended 28 April 2007

History of the Island Line scheme

On 13 October 1996 the Island Line section of the RPS was created and the appropriate share of the assets of the Shared Cost Section was allocated in accordance with the Pension Trust of the RPS The RPS is a defined benefit occupational pension scheme in which costs are formally shared between the employer (60%) and the employee (40%) The RPS scheme is open to all employees of the company and is administered by Railtrust (Holdings) Limited through its wholly owned subsidiary, Railways Pension Trustee Company Limited

The last completed triennial actuarial review of the Island Line section of the RPS was carried out as at 31 December 2010 as part of the overall triennial actuarial review of the RPS The review was commissioned by the Trustees and was carried out by independent qualified actuaries, Watson Wyatt Partners, using the projected unit funding method The main financial assumptions used were:

	% per Annum
Return on investments	
Non pensioner	7 59
Pensioner	5 78
Pay inflation	4 23
Price inflation	3 20
State basic pension increases	4 50

From June 2006, all parties have agreed a revised contribution schedule, with company contributions at 60% and employee contributions at 40% of the total contribution rate

Further information with regard to history of the Island Line section of the RPS scheme and expected long-term returns on assets and liabilities, is disclosed in the Island Line Limited statutory financial statements for the period ended 28 April 2007

21 Guarantees and other financial commitments (continued)

b) Pension scheme (continued)

Commencement of the new franchise

On transfer of a franchise, the only obligation of the franchisee is to have paid the required contributions during the franchise period Therefore the surplus or deficit in the section existing at the end of the franchise is taken on by subsequent franchisee(s). As the franchisee should have no obligation in relation to pension contributions after the expiry date of the franchise, it may be considered appropriate that only the proportion of the deficit expected to be 'made good ' by the franchisee over the franchise term is recognised on commencement of the franchise and at subsequent balance sheet dates At the commencement of the South Western franchise a deficit was recognised in Stagecoach South Western Trains Limited in respect of the new franchise

Stagecoach South Western Trains Limited has no rights or obligations in respect of the sections of the RPS pension scheme following expiry of the related franchises Therefore the liability (or asset) recognised for relevant sections of the RPS only represents that part of the net deficit (or surplus) of each section that the employer is obliged to fund (or expected to recover) over the life of the franchise to which the section relates

The calculations used for FRS 17 disclosures have been undertaken upon updated assumptions that have been verified by independent professional qualified actuaries

The main assumptions are as follows:

	27 April 2013	28 April 2012
	%	%
Rate of increase in salaries	3.7	4 1
Rate of increase of pensions in payment	2.2	2 1
Discount rate	4.4	5 2
Rate of inflation	3.2	3 1

The life expectancy assumptions used for each scheme are periodically reviewed and as at 27 April 2013 were:

	27 April 2013	28 April 2012
Current pensioner aged 65 - male	19.7	20 6
Current pensioner aged 65 – female	23.5	24 4
Future pensioners at age 65 – (aged 45 now) – male	22.0	22 9
Future pensioners at age 65 – (aged 45 now) – female	25.7	26 6

The assets in the scheme and the expected rates of return were:

	2013	2013	2012	2012
	%	£000	%	£000
Equities	8.3%	380,120	8 3%	335,579
Bonds	3.7%	66,245	4 3%	58,482
Cash	3.0%	2,629	3 4%	2,321
Property	7.5%	76,760	7.5%	67,765
Total		525,754		464,147

The expected long-term rate of return and the value of assets in the Island Line and South West Trains sections of the RPS scheme at balance sheet dates prior to 28 April 2007 were disclosed in the Island Line Limited and South West Trains Limited statutory financial statements

21 Guarantees and other financial commitments (continued)

b) Pension scheme (continued)

Analysis of amounts charged to the profit and loss account

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Charge to operating profits							
- Current service cost	21,641	21,570	20,664	15,676	13,403	14,625	3,248
- Curtailment	-	-	-	(500)	(800)	(279)	-
Total operating charge	21,641	21,570	20,664	15,176	12,603	14,346	3,248
Finance (income)/cost							
- Expected return on assets	(21,841)	(22,097)	(19,776)	(15,344)	(20,759)	(20,327)	(4,461)
- Interest on pension scheme liabilities	19,866	21,842	21,007	16,823	16,215	14,033	3,082
- Unwinding of franchise adjustment	(3,281)	(4,273)	(4,809)	(2,395)	-	-	-
Net return	(5,256)	(4,528)	(3,578)	(916)	(4,544)	(6,294)	(1,379)

BRASS contributions

BRASS contributions are additional funding contributions made by employees, which are matched by the employer We have recorded the current year employer contributions of £829,076 (2012: £881,000) as defined contribution pension expenses

Analysis of amounts recognised in the company's statement of total recognised gains and losses (STRGL):

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Actual return less expected return on pension scheme assets						
- Amount	29,044	(24,116)	20,395	75,417	(140,143)	(34,005)
- Percentage of scheme assets	5.52%	(5 20%)	4 38%	18 1%	(44 1%)	(8 0%)
Experience gains/(losses) arising on the scheme liabilities						
- Amount	10,885	(12,250)	(16,167)	31,190	32,394	(14,268)
- Percentage of the present value of the scheme liabilities	1.95%	2 45%	(3 47%)	7 0%	9 6%	(3 3%)
Changes in assumptions underlying the present value of the scheme liabilities	(78,097)	51,370	248	(169,235)	32,229	49,301
Change in Franchise adjustment	35,989	(17,492)	(12,862)	47,262	34,707	-
Total actuarial (loss)/gain recognised in STRGL						
- Amount	(2,179)	(2,488)	(8,386)	(15,366)	(40,813)	1,028
- Percentage of the present value of scheme liabilities	(0.39%)	(0.50%)	(1.80%)	(3.4%)	(12.1%)	0.2%

The history of experience gains and losses on the Island Line and South West Trains sections of the RPS scheme for periods prior to 28 April 2007 is disclosed in the Island Line Limited and South West Trains Limited statutory financial statements

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

21. Guarantees and other financial commitments (continued)

b) Pension scheme (continued)

The movements in the surplus during the period are as follows:

	2013 £000	2012 £000
Deficit in the scheme at the beginning of the period	(36,433)	(36,959)
Movement in the year:		
- Current service cost	(21,641)	(21,570)
- Contributions	21,595	20,056
- Other finance income	5,256	4,528
- Actuarial loss	(2,179)	(2,488)
Deficit in the scheme at the end of the period	(33,402)	(36,433)

The balance sheet amounts as at 27 April 2013 measured in accordance with the requirements of FRS 17 were as follows:

	2013 £000	2012 £000
Total market value of assets	525,754	464,147
Present value of scheme liabilities		
- Gross liabilities	(752,027)	(630,022)
- Adjustment for members' share of deficit (40%)	90,509	66,350
- Franchise adjustment	102,362	63,092
	(559,156)	(500,580)
Pension liability before tax	(33,402)	(36,433)
Related deferred tax asset	7,682	8,742
Net pension liability (note 17)	(25,720)	(27,691)

Reconciliation of fair value of scheme assets	2013 £000	2012 £000
At 28 April 2012	464,147	466,094
Expected return on plan assets	21,841	22,097
Actuarial gains/(losses)	29,044	(24,116)
Employers contributions	21,595	20,056
Members contributions	3,887	3,572
Benefits paid	(14,760)	(23,556)
At 27 April 2013	525,754	464,147

Reconciliation of present value of scheme liabilities	2013 £000	2012 £000
At 28 April 2012	(500,580)	(503,053)
Current service costs	(21,641)	(21,570)
Interest costs	(19,866)	(21,842)
Unwinding of franchise adjustment	3,281	4,273
Members contributions	(3,887)	(3,572)
Actuarial gains/ (losses) - experience gains and losses	10,885	(12,250)
Franchise adjustment	35,989	(17,492)
Actuarial (losses)/gains - changes in assumptions	(78,097)	51,370
Benefits paid	14,760	23,556
At 27 April 2013	(559,156)	(500,580)

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

21 Guarantees and other financial commitments (continued)

b) Pension scheme (continued)

The Directors believe that the company has no rights or obligations in respect of the RPS scheme following expiry of the franchise. The pension asset is expected to be wholly recoverable over the life of the franchise, so no franchise adjustment to restrict the surplus recognised has been made.

The expected contributions for the coming year are £24m

c) Contingent liabilities

The company, together with certain other group undertakings, is a member of a group for Value Added Tax purposes, and technically stands liable in the event of default by any other group undertaking.

22. Related party disclosure

The fellow group undertaking National Transport Tokens Limited is a 99.9% owned subsidiary of Stagecoach Group plc For the period ended 27 April 2013, National Transport Tokens Limited redeemed tokens presented by the Company with a value of £13,952 (2012: £58,000) As at 27 April 2013 the Company has a receivable of £552 (2012: £16,000) owed by National Transport Tokens Limited.

23. Share based payments

The Company operates a Buy as You Earn ("BAYE") and an Executive Participation Plan ("EPP") Further details of each of these arrangements are given below All share options referred to in this note relate to ordinary shares of Stagecoach Group plc, the ultimate parent of the Company

Buy as You Earn Scheme

BAYE enables eligible employees to purchase shares from their gross income The Company provides two matching shares for every share bought from the first £10 of monthly investment, subject to a maximum Company contribution of shares to the value of £20 per employee per month

If the shares are held in trust for five years or more, no income tax and national insurance will be payable The matching shares will be forfeited if the corresponding partnership shares are removed from trust within three years of award

At 27 April 2013 there were 2,019 (2012: 1,883) participants in the BAYE scheme who have cumulatively purchased 621,633 (2012: 192,515) shares with the Company contributing 196,398 (2012: 56,346) matching shares on a cumulative basis Dividends had been reinvested in a further 14,872 (2012: 551) for these participants

Notes to the financial statements (continued)
For the 52 weeks ended 27 April 2013

23 Share based payments (continued)

Executive Participation Plan

Under the EPP, Directors and senior managers sacrifice part of their actual annual cash bonus and are awarded deferred shares with an initial market value approximately equal to the amount of bonus foregone. The movements in EPP notional units during the year were as follows:

Award date	10-Dec-09 *	28-Jun-10	30-Jun-11	27-Jun-12	Total
Outstanding at start of year (notional units)	60,663	118,787	101,431	Nil	280,881
Awards granted in year (notional units)	Nil	Nil	Nil	85,051	85,051
Exercised in year (notional units)	Nil	Nil	Nil	Nil	Nil
Intra group transfers (notional units)	Nil	41,557	47,015	Nil	88,572
Lapsed in year (notional units)	Nil	(42,353)	(29,953)	Nil	(72,306)
Dividends in year (notional units)	1,657	3,219	3,231	2,317	10,424
Outstanding at end of year (notional units)	62,320	121,210	121,724	87,368	392,622
Vesting date	27-Jun-13	28-Jun-13	30-Jun-14	27-Jun-15	
Expected total value of award at time of grant (£)	88,918	237,813	251,405	225,360	
Closing share price on date of grant (£)	1.61	1.90	2.55	2.62	

* In accordance with the Rules of the EPP, the participants applied to defer vesting of the deferred shares for 6 months from the original vesting date of 10 December 2012. As the revised deferred vesting date was within a close period, the expected vesting date has been extended to the first available date after the announcement of the 2013 results

24. Ultimate parent company

The immediate parent undertaking is Stagecoach Rail Holding Limited, a company registered in Scotland (number SC 190288)

The company's ultimate parent undertaking and controlling party is Stagecoach Group plc, a company registered in Scotland (number SC100764), which is the parent undertaking and the only group to consolidate these financial statements. Copies of the Stagecoach Group plc consolidated financial statements are available from:

The Company Secretary
Stagecoach Group plc
10 Dunkeld Road
Perth
PH1 5TW

NOTES TO SUPPORT THE RECONCILIATION OF THE MANAGEMENT ACCOUNTS TO THE STATUTORY ACCOUNTS FOR SSWT
PERIOD ENDED 27 APRIL 2013

Note 1 Amortisation of Intangible Assets

The conditions relating to the award of a franchise require the company to assume legal responsibility for the pension liability that exists at that point in time. Under accounting standards the company is required to recognise an asset or liability representing the fair value of the related net pension surplus or deficit that is expected to be funded during the franchise. The actuaries assessed that at the date of the commencement of the franchise, a deficit existed and SSWT's share of the deficit (60% under the shared cost arrangements) amounted to £10,532k and therefore an intangible asset for this value was created reflecting the 'cost in acquiring the right to operate the franchise'. The intangible asset is amortised over the franchise period on a straight-line basis. The amortisation charge for the period 29 April 2012 to 27 April 2013 was £1,053k.

Note 2 Share Based Payments

Certain of the company's employees are granted equity settled share based payments by the parent company. The £359k charge to P & L reflects the FRS 20 accounting treatment. The contra accounting entry to the P & L charge is a Contribution Reserve, which is treated as part of the Closing Shareholders Funds.

Note 3 FRS 17 Finance Income

To comply with FRS 17, independent actuaries have assessed the finance income arising from the pension scheme assets and they have calculated that under FRS 17, an interest income of £5,256k needs to be reflected in the Statutory Accounts.

Note 4 FRS 17 Pension Costs

To comply with FRS 17, independent actuaries have assessed the finance cost arising from the scheme liabilities and they have calculated that under FRS 17, a net pension finance charge of £46k needs to be reflected in the Statutory Accounts.

Note 5 Re-statement of tax on profits/Deferred Tax adjustments

The management accounts included an estimated tax charge without fully considering capital allowances, deferred tax adjustments etc. The Statutory Accounts reflect a detailed assessment of the potential tax charge.

Note 6 STRGL – Recognition of net actuarial losses on the defined benefit pension schemes – FRS 17 and recognition of tax on the actuarial losses.

To comply with the FRS17 requirements, independent actuaries have assessed the value of the pension schemes as at 27 April 2013 on a FRS 17 basis. This has shown a decrease in value of the pension scheme of £2,179k on an FRS 17 basis. This decrease has been driven by the under-performance of schemes assets. Under the FRS 17 standard, this adjustment is reflected in the Statement of Recognised Gains and Losses.

Note 7 Reclassification

Reclassification of bank charges, which were reported as part of Interest paid figure in the management accounts.

RECONCILIATION OF MANAGEMENT ACCOUNTS TO STATUTORY ACCOUNTS
YEAR ENDED 27 April 2013

Profit and Loss Account

		Profit Before Interest and Tax after Revenue Share	Finance Income	Finance Charges	Taxation	Dividend	Profit Retained
Aggregate Management Accounts for Period 29/04/12 to 31/03/13		18,643	1,936	(780)	(5,346)	(17,500)	(3,048)
Management Accounts for Period 1/04/13 to 27/04/13		84	101	(63)	(33)	0	89
Total Management Accounts for Period 29/04/2012 to 27/04/2013		18,726	2,037	(843)	(5,379)	(17,500)	(2,958)
Adjustments reflected in Statutory Accounts							
Amortisation of Intangible Assets	Note 1	(1,053)					(1,053)
Share Based Payments	Note 2	(359)					(359)
FRS17 - Pension cost long term service charge	Note 3	(46)					(46)
FRS17 - Return on Assets	Note 4		5,256				5,256
Re-statement of opening tax on profits	Note 5				1,173		1,173
Deferred tax adjustments	Note 5				(1,952)		(1,952)
Recognition of Actuarial loss on defined pensions - Through STRGL	Note 6	(2,179)					(2,179)
Recognition of tax on net actuarial gains and losses on defined benefit pension schemes	Note 6	137					137
Re-allocation of bank charges	Note 7	78		(78)			0
Profit and Loss movement reported in Statutory Accounts		**15,305**	**7,293**	**(921)**	**(6,158)**	**(17,500)**	**(1,981)**

P&L reserve at 28 April 2012 (as per Balance Sheet, page 17)	**4,871**
P&L reserve at 27 April 2013 (as per Balance Sheet, page 17)	**2,890**
Movement	(1,981)

Presentation of £1,981k in the Statutory Accounts		
Profit for the financial year	Page 16	17,561
Recognition of Actuarial loss on defined pensions - Through STRGL	Page 18	(2,179)
Recognition of tax on net actuarial gains and losses on defined benefit pension schemes	Page 18	137
Dividend	Page 18	(17,500)
Profit and Loss movement reported in Statutory Accounts		**(1,981)**