TRAM OPERATIONS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2013

Company Registered Number: 3097532

TRAM OPERATIONS LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

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DIRECTORS' REPORT
31 March 2013

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

Principal activities

The company is part of FirstGroup plc and provides tram operating services to the concessionaire, Tramtrack Croydon Limited, and, ultimately, to Transport for London

Business review, future prospects and going concern

Tram services have operated satisfactorily in the year Turnover increased by 13 06% (2012 13 52%) Operating profit margin increased to 12 26% (2012 9 98%).

The year saw the successful implementation of the line 4 service, which operates between Therapia Lane and Elmers End, the re-tendering of a cleaning contract and further additional services, which have helped to significantly increase efficiency However, with no major increases in services planned in the near future the company is now exposed to lower future margins due to rising cost pressures and policing costs

As at 31st March 2013 the company had cash at bank and in hand of £1,591k and net assets of £1,447,000, but uncertainty in the economic environment still exists However, the company operates a Retail Price Index linked government backed contract until at least 2030 with the ability to renegotiate for changes in the cost base every five years The most recent changes to the base contract were agreed from May 2010 Hence, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt a going concern basis in the financial statements

Key performance indicators

In order to assist in the management of the business, the company monitors the following key performance indicator operator controlled performance of scheduled kilometres in the year was 99 10% (2012 99 81%)

Principal risks and uncertainties

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

Principal risks and uncertainties (continued)

Information technology

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

Customer service

The company's revenues are at risk if it does not continue to provide the level of service expected by the customer through its contractual obligations.

Litigation

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

Disabled persons

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

Environment and sustainability

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

Principal risks and uncertainties (continued)

Business continuity and acts of terrorism

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

Legislation and regulation

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

Business strategy

If the company adopts the wrong business strategy or does not implement its strategies effectively, the business may be negatively impacted Strategic risk needs to be properly understood and managed to sustain long-term benefit for all stakeholders A clear strategy is in place to regularly monitor costs and business performance

Colleague engagement, retention and capability

The company employs around 175 colleagues who are critical to the success of our business Maintaining good relations with colleagues and investing in their training and development is essential to the efficiency and sustainability of the company's operations The company's employment policies and remuneration and benefits packages are regularly reviewed and designed to be competitive with other companies, as well as providing colleagues with fulfilling career opportunities Colleague surveys, performance reviews, communications with trade unions and regular communication of business activities are some of the methods the company uses to understand and respond to colleagues' needs Processes are also in place to identify talent and actively manage succession planning throughout the business

Economic and market risks

The unprecedented economic slowdown and reducing job security is resulting in an increasing demand for value from our customers Challenges to household/business disposable income and competitor pricing positions can affect the performance of the company in terms of costs only Focus continues on delivering a punctual service with excellent customer service standards and mitigating any cost pressures This is achieved through effective management of the businesses activities

DIRECTORS' REPORT
31 March 2013

Financial matters

The results showed a profit before tax of £1,580,000 (2012· £1,138,000) which are detailed in the profit and loss account on page 8

The directors have recommended payment of a final dividend of £nil (2012 £2,000,000)

Financial risk management objectives and policies

The company's principal financial assets are bank balances, trade debtors and intercompany receivables The company's credit risk is primarily attributable to its trade debtors The amounts presented in the balance sheet are net of provisions for doubtful debts The company has sufficient processes in place to ensure debtors are collected in a timely manner

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment and abide by the terms of payment Trade creditors of the company at 31 March 2013 were equivalent to 36 days' purchases (2012 53 days)

Directors

The directors who held office throughout the year and subsequently were

Nick Chevis
John Rymer
Michael Steward
David Gausby
Adrian Wlodarski
Andrew James
Stephen Duckering
Vernon Barker

Audit information

Each of the persons who is a director at the date of approval of this report confirms that

- as far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006

Auditor

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

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

Tramlink Depot
Coomber Way
Croydon
CRO 4TQ

A Wlodarski
Director
18 December 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and to disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TRAM OPERATIONS LIMITED

We have audited the financial statements of Tram Operations Limited for the year ended 31 March 2013, which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholder's funds, and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors

Scope of the audit of financial statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAM OPERATIONS LIMITED (continued)

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended,

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and

- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed in the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

- the financial statements are not in agreement with the accounting records and returns, or

- certain disclosures of directors' remuneration specified by law are not made, or

- we have not received all the information and explanations we require for our audit

Mark Tolley (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
18 December 2013

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2013

	Notes	2013 £000	2012 £000
Turnover	2	12,892	11,403
Operating costs	3	(11,312)	(10,265)
Profit on ordinary activities before taxation	7	1,580	1,138
Tax charge on profit on ordinary activities	8	(390)	(297)
Profit on ordinary activities after taxation and for the financial year	16	1,190	841

All activities in the current and preceding year relate to continuing operations

No separate Statement of Total Recognised Gains or Losses is given as all gains and losses for the current and preceding year passed through the profit and loss account

BALANCE SHEET
At 31 March 2013

Company Registered Number: 3097532

	Notes	2013		2012	
		£000	£000	£000	£000
Assets employed:					
Fixed assets					
Tangible assets	10		40		54
Current assets					
Debtors –	11				
-due within one year		3,751		3,959	
-due after one year		143		152	
Cash at bank and in hand		1,591		5,085	
		5,485		9,196	
Creditors					
amounts falling due within one year	12	(3,954)		(8,810)	
Net Current Assets			1,531		386
Total assets less current liabilities			1,571		440
Provisions for Liabilities and Charges	14		(124)		(194)
Net assets			1,447		246
Financed by:					
Capital and reserves					
Called up share capital	15		-		-
Profit and loss account	16		1,447		246
Shareholder's funds			1,447		246

These financial statements of Tram Operations Limited registered number 3097532 were approved by the Board of Directors on 18. December 2013 and were signed on its behalf by

A Wlodarski
Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS
For the year ended 31 March 2013

	2013	2012
	£000	£000
Profit for the financial year	1,190	841
Dividends (note 9)	-	(2,000)
FRS 20 Share based payment charge	11	12
Net increase/(reduction)in shareholder's funds	1,201	(1,147)
Opening shareholder's funds	246	1,393
Closing shareholder's funds	1,447	246

1 Principal accounting policies

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

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis and in accordance with United Kingdom Generally Accepted Accounting Practice They have been prepared on a going concern basis as described in the going concern statement in the Directors' Report on page 1

(b) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided to write off the cost less residual value of tangible fixed assets over their estimated useful economic lives as follows

Plant and equipment	-	2 to 8 years straight line

(c) Leases

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

(d) Taxation

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

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

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred taxation is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset Deferred tax assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

1 Principal accounting policies (continued)

(e) Pension costs

The company participates in the FirstGroup UK Bus Pension Scheme and Flexible Benefits Scheme

The company is unable to separately identify its share of the schemes' assets and liabilities It therefore accounts for the schemes as if they were defined contribution schemes Contributions are charged to the profit and loss account as they become payable

(f) Turnover

Turnover includes amounts attributable to a fixed contracted income predominantly based on providing drivers and support services to run trams to a Timetable and also includes a small amount of other variable income

(g) Deferred contract costs

Deferred contract costs represent pre-contract expenditure incurred and are deferred and amortised over the contract term

(g) Share based payment

The company's parent issues equity-settled share based payments to certain employees Equity-settled share based payments are measured at fair value at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the estimate of shares that will eventually vest and is adjusted for the effects of non-market based vesting conditions

Fair value is measured by use of a Black-Scholes model The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations (refer to note 6)

2 Turnover

Turnover is stated net of VAT The whole of the turnover derives within the United Kingdom and is based on an Annual RPI inflated Fee agreed every five years The company has one principal class of business, namely, the provision of passenger transport services

3 Operating costs

	2013 £000	2012 £000
Staff costs (note 4)	8,843	7,586
External charges	2,445	2,663
Depreciation	24	16
	11,312	10,265

4 Employee numbers and costs

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

	2013 Number	2012 Number
Operations	180	161
Maintenance	1	1
Administration	13	13
	194	175

The aggregate payroll costs of these persons were as follows

	2013 £'000	2012 £'000
Wages and salaries	7,587	6,535
Social security costs	788	647
Other pension costs	457	392
FRS20 Share based Payment Charge	11	12
	8,843	7,586

5 Directors' remuneration

Certain directors received remuneration from other group companies, in the current and prior years, details of which are disclosed in their accounts It is not considered practical to allocate this between services provided to those companies, and services provided in their capacity as directors to Tram Operations Limited

5 Directors' remuneration (continued)

The remuneration of Tram Operations directors during the year paid by Tram Operations Limited was as follows

	2013 £'000	2012 £'000
Aggregate emoluments (excluding pension contributions)	301	298
Company pension contributions to Final Salary schemes	43	43
	344	341

Retirement benefits accrue to three directors (2012 three) under a defined benefit scheme.

Emoluments of the highest paid director amounted to

	£'000	£'000
Aggregate emoluments (excluding pension contributions)	131	134
Company pension contributions to Final Salary schemes	18	18
	149	152

Accrued pension balance and lump sum at the end of the year amounted to £27,502 (2012 £25,059) and £131,091 (2012 £119,690), respectively

6 Share based payments

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

(a) Save as you earn (SAYE)
The Group operates an Inland Revenue approved savings related share option scheme Grants were made as set out below The scheme is based on eligible employees being granted options and their agreement to opening a sharesave account with a nominated savings carrier and to save weekly or monthly over a specified period Sharesave accounts are held with Yorkshire Building Society The right to exercise the option is at the employee's discretion at the end of the period previously chosen for a period of six months

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

6 Share based payments (continued)

(b) Executive share option scheme (ESOS)

Options are exercisable between three and ten years of the date of grant provided that the pre-determined performance criteria are met

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

(c) Deferred bonus shares (DBS)

	DBS 2004 Options Number	DBS 2005 Options Number	DBS 2006 Options Number	DBS 2007 Options Number	DBS 2008 Options Number	DBS 2009 Options Number	DBS 2010 Options Number	DBS 2011 Options Number	DBS 2012 Options Number
Outstanding at the beginning of the year	12,473	39,914	114,080	302,068	102,789	244,267	422,238	520,475	-
Granted during the year	-	-	-	-	-	-	-	-	982,131
Forfeited during the year	-	-	-	-	(1,860)	(2,357)	(8,829)	(16,643)	(45,815)
Exercised during the year	(6,484)	(6,962)	(27,464)	(131,671)	(25,881)	(160,341)	(13,587)	(10,528)	(17,196)
Outstanding at the end of the year	5,989	32,952	86,616	170,397	75,048	81,569	399,822	493,304	919,120
Exercisable at the end of the year	5,989	32,952	86,616	170,397	75,048	81,569	-	-	-
Weighted average exercise price (pence)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Weighted average share price at date of exercise (pence)	242 8	186 4	240 8	212 9	227 9	218 6	219 3	253 6	253 6

(d) Buy As You Earn (BAYE) scheme

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

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

(e) Long Term Incentive Plan (LTIP)

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

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

6 Share based payments (continued)

(f) Tim O'Toole retention award

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

These options vest on 1 November 2013 subject to the Executive remaining in office until this date There are no performance conditions attaching to these options

The fair values of the options granted during the last two years were measured using a Black-Scholes model. The inputs into the Black-Scholes model were as follows

	2013	2012
Weighted average share price (pence)		
- DBS	**220 1**	351 8
- SAYE December 2011	-	319 2
- SAYE December 2012	**188 9**	-
- LTIP	**223 1**	337 8
Weighted average exercise price (pence)		
- DBS	-	-
- SAYE December 2011	-	271 5
- SAYE December 2012	**143 9**	-
- LTIP	-	-
Expected volatility		
- DBS	**43%**	35%
- SAYE December 2011	-	35%
- SAYE December 2012	**35%**	-
- LTIP	**31%**	42 9%
Expected life (years)		
- DBS	**3**	3
- SAYE schemes	**3**	3
- LTIP	**3**	3
Rate of interest		
- DBS	**0 4%**	1 5%
- SAYE December 2010	-	0 6%
- SAYE December 2011	**0 4%**	-
- LTIP	**0 4%**	1 3%
Expected dividend yield		
- DBS	**10 8%**	6 3%
- SAYE December 2011	-	7 0%
- SAYE December 2012	**12 5%**	-
- LTIP	**10 6%**	6 6%

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

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

6 Share based payments (continued)

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

The company has recognised a total expense of £11,000 (2012: £12,000) relating to equity-settled share-based payment transactions

7 Profit on ordinary activities before taxation

	2013	2012
This is stated after charging	£'000	£'000
Auditor's remuneration for audit of company's annual accounts (no other services were provided by Deloitte LLP in either year)	3	3
Depreciation	24	16
Rentals payable under operating leases		
- plant and machinery	24	28
- other	31	31

8 Tax charge on profit on ordinary activities

	2013	2012
	£000	£000
Current taxation		
Group relief payable	387	299
Adjustment in respect of prior years	(1)	(33)
	386	266
Deferred taxation		
Origination and reversal of timing differences	(5)	(3)
Effect on decrease in tax rate on opening asset	1	2
Adjustment in respect of prior years	8	32
Total deferred taxation	4	31
Tax charge on profit on ordinary activities	390	297

8 Tax charge on profit on ordinary activities (continued)

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 24% (2012 26%) The actual current tax charge for the current and previous year differed from the standard rate for the reasons set out in the following reconciliation

Standard rate of taxation	24 0	26 0
Factors affecting charge		
- other timing differences	0 5	0 3
- prior years' tax charge	(0 1)	(2 9)
Current taxation rate for the year	24 4	23.4

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

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

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

9 Dividends

	2013 £000	2012 £000
Amounts recognised as distributions to equity shareholders in the period		
Final dividend for the year	-	2,000
Dividend per share	-	1,000

10 Tangible fixed assets

	Plant and equipment £'000
Cost	
At 1 April 2012	324
Additions	10
Disposals	(18)
At 31 March 2013	316
Depreciation	
At 1 April 2012	270
Charge for the year	24
Disposals	(18)
At 31 March 2013	276
Net book value	
At 31 March 2013	40
At 31 March 2012	54

11 Debtors

	2013 £000	2012 £000
Amounts due within one year		
Trade debtors	1,192	1,401
Amounts owed by group undertakings	2,492	2,492
Deferred tax asset (note 13)	26	30
Prepayments and accrued income	41	36
	3,751	3,959
Amounts due after one year		
Deferred contract costs	143	152
Total Debtors	3,894	4,111

12 Creditors

	2013 £000	2012 £000
Amounts falling due within one year		
Trade creditors	242	389
Amounts owed to group undertakings	1,216	6,237
Corporation tax	1	1
Other creditors	338	286
Accruals and deferred income	2,157	1,897
	3,954	8,810

13 Deferred Tax

	Deferred Tax £000
At 1 April 2012	30
Debited to the profit and loss account	(4)
At 31 March 2013	26

The deferred tax asset consists of the following amounts

	2013 £000	2012 £000
Depreciation in excess of capital allowances	9	4
Other timing differences	17	26
Deferred tax asset	26	30

The deferred tax balance is included within Debtors note 11

14 Provisions for liabilities and charges

	Insurance claims provision £000
At 1 April 2012	(194)
Released unused	70
At 31 March 2013	(124)

15 Called up share capital

	2013 £000	2012 £000
Authorised:		
1,000,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid:		
2 Ordinary shares of £1 each	-	-

16 Profit and loss account

	£000
At 1 April 2013	246
Retained profit for the year	1,190
Share based payment charge	11
At 31 March 2013	1,447

17 Cash flow statement

The company is a wholly owned subsidiary of FirstGroup plc, a company registered in Scotland. Accordingly, the company has taken advantage of the exemption offered by Financial Reporting Standard 1 (revised), enabling it not to produce a cash flow statement as the parent company has included a consolidated cash flow statement within its Group financial statements

18 Operating leases

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

	2013		2012	
	Land and buildings	Other	Land and buildings	Other
Operating leases which expire	£000	£000	£000	£000
Within one year	31	-	31	-
Within two to five years	108	53	-	18
Total	**139**	**53**	**31**	**18**

19 Pension scheme

Group scheme – FirstGroup UK Bus Pension Scheme and Flexible Benefits Scheme

The company is unable to separately identify its share of the schemes' assets and liabilities It therefore accounts for the schemes as if they were defined contribution schemes Contributions are charged to the profit and loss account as they become payable
The deficit on the group schemes of £24 7m (2012 £27 4m) will affect the company through periodic adjustments to the company's contribution rate as determined by the actuary Additional disclosures required under FRS17 have been made on a group basis in the accounts of FirstGroup plc

The total pension cost in the year was £0 457m (2012: £0.392m) all of which relates to defined benefit schemes

20 Capital commitments

There were no non-cancellable commitments for capital expenditure at 31 March 2013 (2012 £nil)

21 Related party transactions

The company is taking advantage of the exemption under FRS8 not to disclose transactions with wholly owned group companies that are related parties

22 Ultimate and immediate parent company and controlling party

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

The company's immediate parent company is CentreWest Limited CentreWest Limited is a wholly owned subsidiary of FirstGroup plc and therefore does not prepare consolidated accounts

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