East Coast Main Line Company Limited

Financial Statements

For the year ended 31 March 2014

Company number: 04659708

Registered office:

4th Floor
5 Chancery Lane
London
United Kingdom
EC4A 1BL

East Coast Main Line Company Limited

Company Information

Company information for the year ended 31 March 2014.

Directors:	Karen Boswell Jack Commandeur Andy Cope Tim Hedley-Jones Michael Holden Tim Kavanagh Robert Mason Andrew Meadows Doug Sutherland Daniel Williams Peter Williams David Walker
Company Secretary:	David Walker
Registered Office:	4th Floor 5 Chancery Lane London United Kingdom EC4A 1BL
Registered Number:	04659708
Independent Auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

East Coast Main Line Company Limited

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Strategic Report

The Directors present their strategic report for the year ended 31 March 2014.

OPERATIONAL REVIEW

Overall revenue growth for the year was 4.5% with journey growth of 4.5% and the yield level was on a par with the previous year. Yield has been under pressure on two main fronts - the increasing level of competitive pressures on many markets (air, rail and road) plus increasing pressure on business travel budgets. First Class revenue was a particular success area with revenue growth of 12% due to 17% growth in journeys. First Advance was the main source of growth with many additional journeys/upgrades from existing customers together with new customer growth. Standard Class revenue grew by 3%. Overall, journey growth was ahead of the long distance average, revenue growth was broadly in line with the long distance average although this performance varied considerably by Period. The main period of weakness during the year was over the autumn; this was due to the sustained impact of engineering works and capacity limitations, largely on the London to Scotland route. All regions saw revenue grow with the highest growth being on Doncaster to Scotland route at 11%. In most cases the growth has been journey driven. The notable exception to this is the Scotland to London market where journey growth was flat with yield increasing by 6%. This reflects the increasing capacity constraint on this market with capacity being managed through revenue management strategies to limit availability of lower fares.

Customer advocacy metrics are also strong with an overall net promoter score for the year measuring +4 (vs -4 the year prior). Significant improvement was observed in the latter half of the year.

The primary measure of operational performance for the business is punctuality as reported in the National Rail Trends, Public Performance Measure (PPM). At the end of the year the Company's operational moving annual average (MAA) was 84.2% (2012/13: 83.9%). Improvements in operating performance were inhibited by poorer infrastructure reliability from Network Rail. Network Rail delay minutes on East Coast were 11,200 worse the agreed target. TOC on TOC delay was worse than target by 4,192 minutes. In spite of this, East Coast was able to demonstrate progress in areas directly under its control, with delay minutes finishing 2,853 minutes better than target,

Cancellations are particularly unwelcome to East Coast's customers due to the disruption and overcrowding to customers' journeys they cause. The total number of these in the year was 1,235, some 135 worse than the target level. 871 of these cancellations were attributable to Network Rail. Cancellations attributable to East Coast improved during the year and finished 62 better than plan.

High winds and overhead line incidents were the most detrimental causes of disruption during the year. The largest single incident was on 25th August 2013 when East Coast incurred 1,454 delay minutes and 10 cancellations due to overhead line damage at Tollerton. East Coast is working closely with Network Rail implementing a new Performance Management System with particular focus on asset reliability, right time running and service recovery. In December 2013, East Coast launched a substantial claim against Network Rail under the Sustained Poor Performance provisions of its Track Access Agreement. Discussions are ongoing with Network Rail in order to achieve a satisfactory outcome to this claim.

East Coast Main Line Company Limited
Strategic Report

By the end of the financial year more than 587,000 members had signed up for the Rewards scheme. The scheme allows members to redeem points earned for benefits, which may be either tickets for travel, or a variety of 3rd party benefits. Tickets for travel account for the majority of points redeemed. During the year Rewards members accounted for 32% of all bookings through eastcoast.co.uk, and 59% of all spend through the channel. Engagement with the scheme continues to grow, by the end of the year 43% of points issued had been spent, 18% of members had redeemed points for one or more of the various benefits and the average points spent per period increased from 4.2 million in 2012/13 to 7.8 million in 2013/14.

The results of the 2013 Employee Engagement Survey delivered another first for East Coast. The Company believes that engaged employees are very important for a successful business – as engaged people feel much more involved and 'connected'. In 2012, 69% of East Coast's employees took part in the survey. In 2013, the response rate rose to 78%, and the most recent results clearly reflect how positively employees feel about working for East Coast: at 73%, (2012: 71%, 2011: 66%, 2010: 62%), the most recent score was the best yet achieved.

FINANCIAL REVIEW

The Company generated an operating profit of £222.2 million (2013: £207.2 million), of which £216.8 million (2013: £202.8 million) was paid as franchise premium, resulting in an overall operating profit of £5.4 million (2013: £4.4 million).

Turnover for the year ended 31 March 2014 was £717.5 million (2013: £692.5 million) which reflects ticket income earned from passenger services and associated income earned from catering, car park and commission from the sale of tickets on other train operator services. The operating expenditure reported in the year was £712.1 million (2013: £688.1 million) with a profit before taxation of £9.5 million (2013: £7.0 million). Profit after Tax in the year was £7.0 million (2013: £5.0 million).

Delay Repay payments of £6.7 million were recognised in the year, reflecting the penalty compensation paid to customers arising from poor train performance, as set out in the Passenger Charter. In the previous year charges for Delay Repay costs were £6.0 million.

The Company has a £40 million working capital facility agreement in place with Directly Operated Railways Limited to ensure sufficient funds are available in order to meet its supplier commitments. There was no requirement to draw on this facility during the year.

The Directors recommend the payment of a dividend to the value of £18,628,000 for the year ended 31 March 2014 (2013: £nil), no dividends were paid during the year. This constitutes the entire retained profits of the business since its inception in 2009.

Key risks and uncertainties
There are a number of potential risks and uncertainties that could have an impact on the Company's performance and objectives.

East Coast Main Line Company Limited
Strategic Report

The Company is subject to numerous laws relating to safety procedures, equipment, employment, environmental initiatives and procedures and other operating issues and considerations. These laws and regulations are subject to alteration and amendment and the costs of compliance with new legislation and regulations may have an adverse impact on the Company's financial performance.

To mitigate the risk from such changes the Company uses its parent company, Directly Operated Railways, to engage both Government and railway groups.

Terrorist incidents or terrorist campaigns (direct or an attack on other public transport) could adversely impact operations and passenger demand. The Company has a security programme in place which meets TRANSEC requirements and attends Association of Train Operating Companies Emergency Planning Meetings. The Company has a rigorous, ongoing training and inspection regime in place.

The retention and recruitment of key personnel is essential to ensure that the Company has the correct level of expertise and industry knowledge. This is of particular concern this year given the change of ownership due to take place. To mitigate this risk, a talent management and succession planning review has been undertaken to identify key posts and individuals. In addition to this, a high potential and future leaders development strategy is in place to ensure retention and that successors are in place and equipped for the role.

Financial Risk Management
The Company's activities expose it to a variety of financial risks. Price risk is managed by East Coast having a solid understanding of the markets that it operates within and setting appropriate fares for each of these markets. A proportion of its fares are fixed prices which are set annually and are subject to regulatory approval. Credit risk is managed by cash being held by large high street financial institutions with satisfactory credit ratings, furthermore all significant receivable balances are managed to ensure that the credit quality of the counterparty is satisfactory. Liquidity risk is controlled by the Company ensuring that there is a sufficient mixture of long-term and short-term debt finance to meet planned operations. Cash flow risk is managed by cash flow budgeting and forecasting and availability of long-term debt facilities if required.

Future Developments and Refranchising Activity
While the recent economic conditions have shown a welcome improvement in economic growth, it is however anticipated that challenges will remain in terms of yield, particularly business travel, and underlying volume growth. Nevertheless growth is anticipated to increase to 5% and that this in part will be driven by a gradual recovery in yield. In line with the commercial strategy focus on business travel will remain a priority to drive 'share of wallet' in this segment through the Rewards loyalty scheme and other planned initiatives. Similarly, targeted marketing activity underpinned by the Company's commitment to providing the best customer service in the transport sector will continue the drive to grow its modal share versus air, at Newcastle and Edinburgh, and other markets.

The current franchise is expected to remain under the operation of the Company until the end of February 2015. It is expected that a new franchise will be awarded to the company from the 1st March 2015 this will be for a period of 8 years and 1 month. At that point in time Directly Operated Railways will sell its interest in the company to the winning bidder for the franchise. There are currently three bidders, East Coast Trains Ltd (First Group plc), Keolis/Eurostar East Coast Limited (Keolis (UK) Limited, and Eurostar International Limited) and

East Coast Main Line Company Limited
Strategic Report

Inter City Railways Limited (Stagecoach Transport Holdings Limited and Virgin Holdings Limited) bidding to purchase the company.

By order of the Board

Michael Holden

Michael Holden
Chairman
15 July 2014

Registered Office
4th Floor
5 Chancery Lane
London
United Kingdom
EC4A 1BL

East Coast Main Line Company Limited
Directors' Report

The Directors present the audited financial statements for the year ended 31 March 2014.

Principal activities

The principal activity of East Coast Main Line Company Limited ("the Company", or "East Coast") is to manage and operate the East Coast railway franchise until such time as ownership of the Company is returned to the private sector. This is currently expected in February 2015.

The website www.eastcoast.co.uk contains information on timetables, fares and further information on the business.

History and background

The East Coast main line is a 936 mile long electrified high-speed railway linking London, Peterborough, Doncaster, Leeds, Lincoln, York, Newcastle, Edinburgh and beyond and operates a frequent high speed passenger service along this route. The route forms a key north-south artery on the eastern side of Britain and carries key commuter flows for the north side of London. It handles cross-country, commuter and local passenger services, as well as freight traffic.

The line dates back to 1846 and was built by three railway companies, The North British Railway, the North Eastern Railway and the Great Northern Railway, each serving their own area – but with the intention of linking up to form the through route that became the East Coast Main Line.

Company name

The Company was incorporated on 7 February 2003. On 15 July 2009 the Company changed its name from Abbey Rail Limited to East Coast Main Line Company Limited.

Corporate structure

The Company is a wholly owned subsidiary of Directly Operated Railways Limited which is the company set up by the Department for Transport to oversee any train operating company temporarily returning to the public sector. Directly Operated Railways is itself a wholly owned subsidiary of the Department for Transport.

Health and safety

The safety of employees and customers is of prime importance and working with partners such as British Transport Police, Network Rail and other key stakeholders, the Company will continue to put in place initiatives that will ensure, so far as is reasonably practicable, the health, safety and welfare of its staff and our customers. To this end, East Coast's 2014/15 Safety Plan now includes the Environment and Sustainability objectives and sets risk-based and targeted objectives which will maintain, and further improve, the safety performance delivered during 2013/14 (which has been recognised by East Coast being awarded the RoSPA 'Gold Medal' for safety performance improvement for the third year running). The EC Safety and Environment Plan contains both strategic and tactical objectives which are reviewed at an Executive level to ensure the continuous improvement in safety performance.

Environment

East Coast achieved all targets that were identified in the 2012-14 Environment Plan. Key successes include achieving a 'zero' waste to landfill target in Scotland, attaining a corporate recycling rate of 46.4% in 2013/14, the commencement of food waste composting and the opening of Wakefield Westgate station, which is designed as the UK's first BREEAM 'Excellent' mainline railway station.

In August 2013, East Coast gained accreditation for the BS EN 16001 Standard for Energy Management and maintained its ISO14001 accreditation for Depot and Corporate Support functions. During 2014/15, East Coast will integrate its environmental activities within the corporate sustainability strategy and develop plans to assist customers making journeys to and from station sites. Investment in low carbon technologies is intended to continue, including heating and lighting control schemes, LED lighting projects and 'smart' utility metering of tenants at retail units.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Karen Boswell	*Managing Director*	
Philip Cameron	Director	Resigned 17 May 2013
Jack Commandeur	Director	
Andy Cope	Non-Executive Director	
Tim Hedley-Jones	Director	
Michael Holden	Non-Executive Chairman	
Tim Kavanagh	Director	
Robert Mason	Non-Executive Director	
Andrew Meadows	Director	
Doug Sutherland	Non-Executive Director	
David Walker	Non-Executive Director	
Daniel Williams	Director	
Peter Williams	Director	

Company Secretary

The Company Secretary during the year was David Walker.

Employees

The Company is a non-discriminatory employer operating an Equal Opportunities Policy which aims to eliminate unfair discrimination, harassment, victimisation and bullying. The Company is committed to ensuring all individuals are treated fairly, with respect, and are valued irrespective of disability, gender, race, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union.

The Company's policy is to continue to employ those who become disabled in service, together with some recruitment where circumstances permit. Training is adjusted to cater for an individual's disability and they share the same conditions of service as other staff in relation to career development and promotion.

The Company is committed to sustaining its strong level of employee engagement and uses a variety of methods and channels to inform and consult with its employees. These include the Company newspaper entitled 'Coastlife' and m@inline, the Company intranet. Informal communication across the Company includes briefings and meetings with staff supported by posters and weekly bulletins. The Company has regular dialogue with employees and representatives from trades unions.

East Coast Main Line Company Limited
Directors' Report

CORPORATE GOVERNANCE

The Company seeks to adhere to the principles of good corporate governance where appropriate for a Company of its size and operations.

The Board of Directors:

The Board
The board currently consists of the Non-Executive Chairman, four other Non-Executive Directors and seven Executive Directors. The board met on thirteen occasions during the year and is responsible for monitoring the operational and financial performance of the Company, reviewing progress against the Company's budgets and setting and reviewing its business plans.

The Directors are satisfied that the current board has the breadth of business, financial and operational experience necessary to manage effectively an organisation of the size and type of the Company.

Information and board development
The board receives detailed briefing papers and reports on the business to be conducted at each meeting one week in advance of the meeting.

All Directors have access to the advice and services of the Company Secretary and, if necessary, can seek independent professional advice at the Company's expense in the furtherance of their duties.

Directors receive induction training on appointment to the board which is tailored to their individual needs and experience. Information is provided to Directors on their responsibilities, and regulatory and legal obligations.

Directors' and Officers' liability insurance
The Company has Directors' and Officers' liability insurance cover in place as permitted by the Companies Act 2006.

Board Committees
The board has delegated certain matters to its committees, and these are as follows:

Executive Committee
The Executive Committee comprises the Executive Directors, the Director of Communications, and the Head of Safety & Environment and meets on a weekly basis to consider matters which arise in the ordinary course of the Company's business. The Committee is chaired by the Managing Director.

Safety Committee
The Executive Safety Group comprises the Executive Directors, and the Head of Safety & Environment and meets on a four weekly basis to consider safety matters which arise in the course of the Company's operations. The forum is chaired by the Managing Director. Michael Holden attends this meeting on a quarterly basis. The Committee may request other managers and officers of the Company to attend if necessary.

Audit Committee
The Audit Committee is chaired by Doug Sutherland and the members of the Committee are the Non-Executive directors of the Company. The Managing Director, Finance Director and the Head of Risk and Revenue Protection attend

meetings on a regular basis. The Committee may request the Executive Directors and any other officer of the Company to attend its meetings but none has the right of attendance.

The Committee met on three occasions during the year ended 31 March 2014 and it is anticipated that the Committee will meet at least three times during each year. The Company's external auditors are invited to attend all meetings of the Committee.

Under its terms of reference the Committee keeps under review the Company's internal and external financial statements and reports to ensure that they reflect best practice. The Committee is also responsible for reviewing and advising on internal control policies and systems for the identification, assessment and reporting of risk.

The Committee ensures that the internal audit department is adequately resourced and has appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards and has adequate standing within the Company. It considers audit reports on the Company from the internal auditors and reviews and monitors management's responsiveness to the findings and recommendations.

The Committee is responsible for making recommendations to the board in respect of the appointment and re-appointment of the Company's external auditors and recommends to the board the audit fee to be paid to the external auditors.

Remuneration Committee
The Remuneration Committee is chaired by Doug Sutherland and includes the Non-Executive Directors. The Executive Directors attend as required.

The Committee met on three occasions during the year to agree the remuneration policy for the Company.

Financial reporting
The Directors have a commitment to ensuring that best practice is adopted in the Company's financial reporting and systems. A statement of the Directors' responsibilities for preparing the financial statements may be found on page 10.

Internal controls
The board is responsible for establishing the Company's goals and objectives, and for overseeing the establishment, implementation and review of the Company's risk management system. The Company has in place a risk management policy which is available on its website, the purpose of which is to ensure that risk management is an integral part of day-to-day operations for all staff.

The board is also responsible for maintaining a sound system of internal control that supports the achievement of these goals and objectives. It sets appropriate policies on internal control and seeks regular assurance that will enable it to satisfy itself that the system is functioning effectively.

The system of internal control is designed to manage risk rather than eliminate it completely and can only provide reasonable rather than absolute assurance against material misstatement or loss.

East Coast Main Line Company Limited
Directors' Report

Independent Auditors
PricewaterhouseCoopers LLP has expressed their willingness to continue in office as auditors and in accordance with Section 487 of the Companies Act 2006, PricewaterhouseCoopers LLP shall be deemed to be re-appointed as the Company's auditors 28 days after the financial statements are sent to members.

East Coast Main Line Company Limited
Statement of Directors' Responsibilities

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, 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). Also 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.

Directors' statement of disclosure of information to auditor

The Directors who held office at the date of approval of the Directors' Report confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps required of them as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The financial statements on pages 13 to 28 were approved by the Board of Directors on 12 June 2014 and signed on its behalf by

Michael Holden

Michael Holden
Chairman
15 July 2014

Registered Office
4th Floor
5 Chancery Lane
London
United Kingdom
EC4A 1BL

East Coast Main Line Company Limited
Independent Auditors' Report to the members of East Coast Main Line Company Limited
For the year ended 31 March 2014

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by East Coast Main Line Company Limited, comprise:

- the balance sheet as at 31 March 2014;
- the profit and loss account and statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters prescribed by the Companies Act 2006

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

East Coast Main Line Company Limited
Independent Auditors' Report to the members of East Coast Main Line Company Limited
For the year ended 31 March 2014

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, 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 ISAs (UK & 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.

Tony Nicol (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 July 2014

East Coast Main Line Company Limited
Profit and Loss Account
For the year ended 31 March 2014

	Note	**2014** £'000	2013 £'000
Turnover			
Passenger income		**654,341**	625,757
Other operating income		**63,115**	66,741
Total Turnover	2	**717,456**	692,498
Operating costs		**(712,069)**	(688,085)
Operating profit	3	**5,387**	4,413
Net interest receivable and similar income	6	**172**	174
Other finance income	19	**3,956**	2,425
Profit on ordinary activities before taxation		**9,515**	7,012
Tax on profit on ordinary activities	7	**(2,494)**	(1,995)
Profit for the financial year		**7,021**	5,017

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no material differences between the profit on ordinary activities before taxation and the profits for the financial years stated above and their historical cost equivalents.

East Coast Main Line Company Limited
Statement of Total Recognised Gains and Losses
For the year ended 31 March 2014

	2014 £'000	2013 £'000
Profit for the financial year	**7,021**	5,017
Actuarial loss on defined benefit pension scheme	**(249)**	(2,678)
Movement on deferred tax relating to defined benefit pension scheme	**50**	616
Total recognised gains and losses relating to the year	**6,822**	2,955

East Coast Main Line Company Limited
Balance Sheet
As at 31 March 2014

	Note	**2014 £'000**	2013 £'000
Fixed assets			
Tangible assets	8	**22,766**	17,317
Investments	9	-	-
Total fixed assets		**22,766**	17,317
Current assets			
Stocks	10	**5,643**	4,441
Debtors	11	**85,612**	70,153
Cash at bank and in hand		**36,244**	28,468
Total current assets		**127,499**	103,062
Creditors: amounts falling due within one year	12	**(129,816)**	(105,859)
Net current liabilities		**(2,317)**	(2,797)
Total assets less current liabilities		**20,449**	14,520
Provisions for liabilities	13	**(493)**	(587)
Net assets excluding net pension liability		**19,956**	13,933
Net pension liability	19	**(1,328)**	(2,128)
Net assets including net pension liability		**18,628**	11,805
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account	16	**18,628**	11,805
Total shareholders' funds	16	**18,628**	11,805

On behalf of the Board

Michael Holden

Michael Holden
Chairman
15 July 2014

Company number 04659708
The notes on pages 16 to 28 form an integral part of these financial statements.

East Coast Main Line Company Limited
Notes to the Financial Statements
For the year ended 31 March 2014

1. Accounting policies

a) Fundamental accounting concept

The financial statements have been prepared on a going concern basis. The Directors have reviewed the subsequent trading results and the forecasts for future trading. The Company is expected to trade profitably for the foreseeable future and to be able to meet all its liabilities as they fall due. Consequently, the Directors believe that it is appropriate to prepare these financial statements on a going concern basis. The current franchise is expected to remain under the operation of the Company until the end of February 2015. It is expected that a new franchise will be awarded to the company from the 1st March 2015 this will be for a period of 8 years and 1 month. At that point in time Directly Operated Railways will sell its interest in the company to the winning bidder for the franchise.

b) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been applied consistently are set out below.

c) Related party transactions

The Company has taken advantage of the exemption under FRS 8 from providing details of related party transactions with fellow group undertakings, which are wholly owned, as they are included within the consolidated financial statements of its immediate parent company, Directly Operated Railways Limited, which are publicly available.

d) Cash flow statement

The Company is a wholly-owned subsidiary of Directly Operated Railways (a Company registered in England & Wales) and is included in the consolidated financial statements of that company which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1, "Cash Flow Statements (revised 1996)".

e) Turnover

(i) Passenger income represents amounts agreed as attributed to the Company by the income allocation systems of the Rail Settlement Plan Limited, mainly in respect of passenger receipts. Income is attributed based principally on models of certain aspects of passengers' travel patterns and, to a lesser extent, from allocations agreed for specific revenue flows. The attributed share of season ticket income is deferred within creditors, and released to the profit and loss account over the year of the relevant season ticket.

(ii) Other income is derived from ticket commissions, station trading income, catering sales, depot and station access payments, performance regime payments, and the provision of goods or services to other train operating companies and excludes VAT. Revenue is recognised upon completion of services or delivery of goods. Revenue from services is recognised on the basis of agreed rates. Commission income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(iii) The Company operates a loyalty programme which operates through the East Coast web site and is open to all passengers who book tickets on line. The scheme allows travellers to accumulate points that entitle them to a choice of various awards, primarily free travel. The fair value attributed to the awarded points is deferred as a liability and recognised as revenue on redemption of the points by the participants to whom they are issued.

1 Accounting policies (continued)

f) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

g) Deferred tax

Deferred tax is recognised in respect of all material timing differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the timing differences reverse. Deferred tax assets are recognised where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

h) Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less accumulated depreciation. Depreciation is provided on a straight line basis to write off the cost less estimated residual value of fixed assets over their expected useful economic lives as follows:-

Leasehold land and buildings	3 - 10 years or lease term
Plant and equipment	3 - 10 years or lease term

i) Leased assets

Assets held under finance leases are included as tangible fixed assets and depreciated over their expected useful lives. The corresponding obligations relating to finance leases, excluding finance charges allocated to future periods, are included in creditors. Finance costs are allocated to the profit and loss account over the period of the lease in accordance with the interest rate inherent in the lease.

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the lease term.

j) Stocks

Stocks are valued at the lower of cost and net realisable value on a weighted average cost basis. Cost comprises direct costs and excludes borrowing costs. Net realisable value is the estimated replacement value of stocks. Where necessary, provision is made for obsolete, slow moving and defective stocks.

k) Grants

Capital grants are credited to deferred grant income and released to the profit and loss account over the estimated useful economic lives of the related assets.

l) Retirement benefits

The Company contributes to a defined benefit pension scheme on behalf of the majority of employees. Full details are provided in note 19.

The Company participates in the Railway Pension Scheme, a defined benefit scheme which covers the whole of the UK Rail industry. This is partitioned into sections and the Company is responsible for the funding of the sections whilst it operates the relevant franchise. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee.

The trustees complete a full actuarial valuation triennially, separately for each section of the RPS, but the obligation is updated annually by independent actuaries using the projected unit credit method for financial reporting purposes.

The current service cost and gains and losses on settlements and curtailments are recognised in staff pension costs within operating costs in the income statement.

East Coast Main Line Company Limited
Notes to the Financial Statements
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1 l) Retirement benefits (continued)

Past service costs are included in operating costs where the benefits have vested, otherwise they are amortised on a straight-line basis over the vesting period. The expected return on assets of funded defined benefit schemes and the interest on pension scheme liabilities comprise the finance element of the pension cost and are included in interest costs. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to the statement of total recognised gains and losses in the period in which they arise.

The charges in respect of defined contribution schemes are recognised when they are due. The Company has no legal or constructive obligation to pay further contributions into a defined contribution scheme if the fund has insufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

m) Provisions

Provisions for current obligations and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

n) Investments

Fixed asset investments are initially recognised at cost and thereafter are carried in the balance sheet at cost less any impairment in value. All the fixed assets investments are subject to an impairment review at any time if events or changes in circumstances indicate that their carrying value may not be recoverable.

2. Turnover

All turnover originates in the United Kingdom.

The Directors consider that the whole of the activities of the Company constitute a single class of business consisting of passenger and other related operating income as disclosed in the Profit and Loss Account.

3. Operating profit

	2014	2013
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Staff Costs (note 5)	**134,333**	127,608
Depreciation – owned assets	**3,982**	5,137
Delay Repay costs	**6,699**	5,992
Amortisation of fixed asset grants	-	(93)
Operating lease rentals		
- Fixed track access	**66,916**	48,839
- Land and buildings	**6,553**	6,242
- Rolling stock costs	**65,011**	83,026
- Plant and machinery	**2,216**	2,158
- Other	**5,151**	4,957

East Coast Main Line Company Limited
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Operating profit (continued)

Auditors' remuneration – audit fees	**70**	70
Auditors' remuneration – (non audit services)		
– taxation compliance	**27**	27
– other compliance reporting	**8**	8

4. Directors' emoluments

	2014	2013
	£'000	£'000
Emoluments in respect of qualifying services to the Company	**1,479**	1,169
Compensation for loss of office	**92**	-
Company pension contributions	**152**	143
	1,723	1,312

The emoluments excluding pension contributions of the highest paid Director were £365,818 (Year ended 31 March 2013: £214,780).
The pension contributions of the highest paid Director were £29,593 (Year ended 31 March 2013: £26,241).

The figures above include services provided to East Coast by Andy Cope of £4,500 (2013: £94,397).

During the year the service contract with Philip Cameron was terminated. The financial consequence of this termination is disclosed in the Directors' emoluments table above.

5. Staff costs

	2014	2013
	£'000	£'000
Wages and salaries	**109,292**	106,157
Social security costs	**8,274**	8,210
Other pension costs	**13,384**	10,480
Other costs	**3,383**	2,761
	134,333	127,608

The average monthly number of full-time equivalent employees (including Directors) during the year was as follows:

	2014	2013
Managerial and administrative	**476**	455
Operational	**2,424**	2,412
	2,900	2,867

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6. Net interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable		
Bank interest	**172**	166
Other interest receivable	**1**	8
	173	174
Interest payable		
Other interest payable	**1**	-
Total interest payable	**1**	-
Net interest receivable	**172**	174

7. Tax on profit on ordinary activities

(a) The tax charge on the profit on ordinary activities before taxation is made up as follows:

	2014 £'000	2013 £'000
Current taxation:		
UK corporation tax on profits of the year	**1,902**	1,966
Adjustment in respect of previous years	**136**	(22)
Group relief	**247**	263
	2,285	2,207
Deferred taxation:		
Origination and reversal of timing differences (note 14)	**(95)**	(235)
Defined benefit pension	**304**	23
	209	(212)
Tax charge on profit on ordinary activities	**2,494**	1,995

(b) The tax for the year is higher (2013: higher) than the standard effective rate of corporation tax in the UK of 23% (2013: 24%). The current tax charge is made up as follows:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	**9,515**	7,012
Notional charge at UK corporation tax rate of 23% (2013: 24%)	**2,189**	1,683
Not deductible expenses	**193**	384
Capital allowances (higher)/lower than depreciation	**(129)**	226
Other timing differences	**(104)**	(64)
Adjustment in respect of previous years	**136**	(22)
Current tax charge for the year	**2,285**	2,207

In addition to the changes in rates of corporation tax disclosed above the main rate of corporation tax was reduced to 21% from 1 April 2014 and to 20% from 1 April 2015. Deferred tax has been provided at 20% (2013: 23%).

8. Tangible fixed assets

	Leasehold Land & Buildings	Plant and Equipment	Total
	£'000	**£'000**	**£'000**
Cost			
At 1 April 2013	6,302	22,219	28,521
Additions at cost	483	8,948	9,431
Disposals	-	(5)	(5)
At 31 March 2014	**6,785**	**31,162**	**37,947**
Depreciation			
At 1 April 2013	2,284	8,920	11,204
Charge for the year	622	3,360	3,982
Disposals	-	(5)	(5)
At 31 March 2014	**2,906**	**12,275**	**15,181**
Net book amount at 31 March 2014	**3,879**	**18,887**	**22,766**
Net book amount at 31 March 2013	**4,018**	**13,299**	**17,317**

There were no assets held under finance leases at the year end.

9. Fixed asset investments

The Company held the following unlisted investments at 31 March 2014:

	Country of registration	No. of shares held	Class of share	Proportion held
ATOC Limited	UK	1	Ordinary (4p)	5%
Rail Settlement Plan Limited	UK	1	Ordinary (4p)	5%
Rail Staff Travel Limited	UK	1	Ordinary (4p)	5%
NRES Limited	UK	1	Ordinary (£1)	5%

The principal activity of the above companies is to provide a range of services to all UK passenger rail operators, each of which has an equal share in the companies.

10. Stocks

	2014	2013
	£'000	£'000
Raw materials and consumables	**5,643**	4,441

There is no material difference between the replacement value of stocks and its cost.

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11. Debtors

	2014 £'000	2013 £'000
Trade debtors	**67,129**	46,510
Amounts owed by group undertakings	**27**	12
Other debtors	**2,987**	4,991
Prepayments and accrued income	**15,081**	18,347
Corporation tax	-	-
Deferred tax	**388**	293
	85,612	70,153

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

12. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	**94,711**	76,817
Amounts owed to group undertakings	**37**	21
Deferred season ticket income	**4,349**	4,149
Other taxation and social security	**2,543**	2,483
Other creditors	**4,020**	3,654
Accruals and deferred income	**22,725**	17,805
Corporation Tax	**1,431**	930
	129,816	105,859

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

13. Provisions for liabilities

	Insurance £'000
At 1 April 2013	587
Utilised in the year	(94)
At 31 March 2014	**493**

Insurance provision
The £493,000 (2013: £587,000) provision relates to customer and employee claims against the Company for compensation for injuries occurring whilst on East Coast property.

14. Deferred tax

(a) The deferred tax at rate of 20% (2013: 23%), excluding tax on the pension liability provision movement, in the year is as follows:

	2014 £'000	2013 £'000
At 1 April 2013	**293**	59
Increase in the year	**95**	234
At 31 March 2014	**388**	293

b) The major components of the deferred taxation asset are as follows:

	2014	2013
	£'000	£'000
Decelerated/(accelerated) capital allowances	**78**	204
Other timing differences	**310**	89
Short term timing differences	**388**	293

15. Called up share capital

	2014	2013
Authorised	**£**	£
Ordinary shares of £1 each	**100**	100
Allotted and fully paid		
Ordinary shares of £1 each	1	1

16. Reserves and reconciliation of movements in shareholders' funds

	2014	2013
	£'000	£'000
Shareholders' funds at 1 April 2013	**11,805**	8,850
Actuarial loss on defined benefit pension scheme	**(249)**	(2,678)
Movement on deferred and current tax relating to defined benefit pension scheme	**50**	616
Retained profit for the year	**7,021**	5,017
Shareholders' funds at 31 March 2014	**18,628**	11,805

17. Capital commitments

	2014	2013
	£'000	£'000
Contracted	**3,288**	1,818
Authorised but not contracted	**1,734**	4,332

18. Operating lease commitments

The Company has the following annual commitments due under operating leases which expire as follows:

	2014			2013		
	Under 1 year	**1 – 5 years**	**5 years and over**	Under 1 year	1 – 5 years	5 years and over
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Fixed track access	**-**	**26,723**	**-**	-	66,916	-
Rolling stock	**56,080**	**8,916**	**-**	-	79,793	-
Land and buildings	**6**	**6,283**	**170**	553	5,673	247
Plant and machinery	**406**	**1,777**	**-**	-	2,229	-
Other	**-**	**4,921**	**-**	-	5,110	-
	56,492	**48,620**	**170**	553	159,722	247

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The Company has contracts with Network Rail Infrastructure Limited for access to the railway infrastructure (track, stations and depots). Following the year end leases relating to Eversholt rolling stock have been extended to 31 March 2020.

19. Retirement benefits

Information about the scheme and the Company's accounting policies

General description of scheme: East Coast Main Line Company Limited operates a final salary pension scheme and is part of the Railways Pension Scheme. The assets and liabilities are identified separately from the remainder of the Scheme.

The section is a shared cost arrangement whereby the Company is only responsible for a share of the cost. The scheme is a shared cost section because any surplus or deficit is met in the ratio of 60%/40% by the employer and employees respectively.

The figures reported below therefore represent only the Company's share of the cost, except that the tables reconciling the section liabilities and assets from the start to the end of the year are presented before the deduction of the members' share of the defined benefit cost, or the surplus or deficit. This is for simplicity of presentation and for consistency with the liabilities and assets quoted in the table showing the pension scheme liability or asset at the end of the year.

Employer contributions for the year ending 31 March 2014 are 17.85% of section pay for "Category 60 Members". These rates are expected to continue until 30 June 2027 when the employer contribution rate will revert to 60% of the long-term joint contribution rate of 25.3% of section pay for "Category 60 Members" and 21.2% for "Category 64 Members".

The section is open to new members.

An actuarial valuation of the East Coast pension scheme using the projected unit basis, was carried out at 31 March 2014 by Towers Watson, independent consulting actuary. The major assumptions determined by the Company were:

Summary of assumptions

	31 March 2014 **% pa**	31 March 2013 % pa
Discount rate	**4.3**	4.3
Price inflation (RPI measure)	**3.3**	3.4
Increases to deferred pensions (CPI measure)	**2.3**	2.6
Pension increases (CPI measure)	**2.3**	2.6
Salary increases	**3.8**	3.9
Expected return on section assets	**6.3**	6.5

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19 Retirement benefits (continued)

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

	Long-term rate of return expected on 31 March 2014 % pa	Value at 31 March 2014 £'000	Long-term rate of return expected on 31 March 2013 % pa	Value at 31 March 2013 £'000
Growth assets	**6.6**	**316,294**	6.9	291,865
Government bonds	**3.4**	**16,896**	2.8	15,098
Non-/Government bonds	**4.3**	**16,923**	4.1	15,094
Other assets	**2.8**	**2,157**	2.5	3,353
Total asset value	**6.3**	**352,270**	6.5	325,410

The assumed average expectation of life in years at age 65 is as follows:

		31 March 2014	31 March 2013
Male currently age 65	Pension under £9,300 pa or pensionable pay under £35,000 pa	**20.7**	20.6
	Others	**22.9**	22.8
Male currently age 45	Pension under £9,300 pa or pensionable pay under £35,000 pa	**23.1**	23.0
	Others	**25.1**	25.0
Female currently age 65	Pension under £3,300 pa or pensionable pay under £35,000 pa	**22.6**	22.5
	Others	**25.0**	24.9
Female currently age 45	Pension under £3,300 pa or pensionable pay under £35,000 pa	**25.1**	25.0
	Others	**27.4**	27.3

Reconciliation of present value of scheme liabilities

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Opening section liabilities	**507,262**	377,717
Service cost	**22,180**	17,154
Interest cost	**22,522**	19,872
Loss/(gain) on section liabilities	**(22,029)**	102,447
Actual benefit payments	**(10,818)**	(9,928)
Closing section liabilities	**519,117**	507,262

19 Retirement benefits (continued)

Pension scheme (liability)/asset at end of year

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Total asset value	**352,270**	325,410
Present value of scheme liabilities	**(519,117)**	(507,262)
Total deficit	**(166,847)**	(181,852)
Members' share of deficit	**66,739**	72,741
Deficit expected to be recovered after the end of East Coast's involvement with the section	**98,449**	106,348
Pension scheme deficit attributable to the employer before deferred tax	**(1,659)**	(2,763)
Deferred tax	**332**	636
Pension scheme deficit attributable to the employer after deferred tax	**(1,328)**	(2,128)

The total scheme deficit of £166.8 million is shared between the members and the franchise owner. As East Coast is only currently expected to operate the franchise until February 2015, only this proportion of the pension scheme deficit has been recognised, with the remainder taken by the members of the scheme and the future operators of the franchise.

Reconciliation of pension scheme (liability)/asset

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Opening pension scheme liability	**(2,763)**	(2,268)
Employer's share of pension (cost)/income	**(9,558)**	(8,074)
Employer contributions	**10,911**	10,257
Total loss recognised in STRGL	**(249)**	(2,678)
Closing pension scheme liability	**(1,659)**	(2,763)

Sensitivity analysis of scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used is set out below.

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/ decrease by 0.1%	Increase/ decrease by 2.0%
Rate of inflation	Increase/ decrease by 0.1%	Increase/ decrease by 14.5%

19 Retirement benefits (continued)

The effect of changing the inflation or discount rate is small due to the offsetting impact of the short term adjustment for this section. In addition, the short term adjustment causes the liabilities to move in the opposite direction from that which would normally be expected due to the effect changing the assumptions on the balance sheet credit for this adjustment.

Reconciliation of fair value of scheme assets

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Opening value of section assets	**325,410**	289,901
Expected return on assets	**21,493**	19,627
Gain/(Loss) on assets	**(1,626)**	9,096
Employer contributions	**10,911**	10,257
Employee contributions	**6,900**	6,457
Actual benefit payments	**(10,818)**	(9,928)
Closing value of section assets	**352,270**	325,410

The analysis of the amount charged to profit or loss is as follows:

Disclosed pension cost

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Employer's share of service cost	**13,514**	10,499
Employer's share of interest cost	**13,513**	11,923
Interest on short term adjustment	**(4,573)**	(2,572)
Employer's share of expected return on assets	**(12,896)**	(11,776)
Employer's share of pension cost	**9,558**	8,074

Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £7,750,000 (2013: £7,501,000).

Defined contribution scheme

The cost of contributions to the defined contribution scheme amounts to £894,000 (2013: £857,000).

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19 Retirement benefits (continued)

Historic information

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000	Period ended 31 March 2010 £'000	At 14 November 2009 £'000
Section liabilities	519,117	507,262	377,717	344,838	384,093	322,595
Assets	352,270	325,410	289,901	279,594	251,702	231,764
Deficit	(166,847)	(181,852)	(87,816)	(65,244)	(132,391)	(90,831)
Experience loss (liabilities)	645	6,128	(2,675)	7,526	6,862	n/a
Experience gain (assets)	976	(5,458)	11,615	(1,270)	(6,496)	n/a

20. Ultimate parent undertakings

The Company is a wholly owned subsidiary of Directly Operated Railways Limited which is the Company set up by the Department for Transport to oversee any Train Operating Company temporarily returning to the public sector.

The ultimate parent and controlling party is the Secretary of State for Transport.

The Secretary of State for Transport is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2014. The consolidated financial statements of the Secretary of State for Transport can be obtained from Great Minster House, 33 Horseferry Road, London, SW1 P4DR.

Directly Operated Railways Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements; copies of these financial statements are available from the registered office.