East Midlands Trains Limited

Financial statements for the 52 weeks ended 27 April 2013

Registered number 5340682

Contents

Directors' report

Registered Number 5340682

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

Principal activities

The principal activity of the company is the provision of passenger railway services on the following routes

- Inter city services between London St Pancras International and Sheffield, Derby, Leicester and Nottingham This route includes services to towns in Nottinghamshire, Derbyshire, Leicestershire, Northamptonshire and Bedfordshire,
- Regional inter urban services between Norwich and Liverpool, and
- Local services serving Crewe, Stoke-on-Trent, Matlock, Mansfield, Skegness, Grimsby and Lincoln

The company also operates 90 railway stations across the above routes on the rail network and four train maintenance depots in Yorkshire, Nottinghamshire, Derbyshire and North London

Review of business and future developments

East Midlands Trains Limited ('EMT') was awarded the East Midlands Rail Franchise in June 2007, and commenced operations on 11 November 2007

EMT has continued to develop as a business in 2012/13 and has grown revenues in a number of key markets Passenger volumes have increased and revenue yield has improved with a continuation of the growth in first class revenue coupled with strong growth in advance purchase tickets, as customers seek value for money The economic backdrop has been another year of low growth in the UK economy However, the business has benefitted from the recent significant investment in our trains, our stations and our people whilst the high price of road fuel has made rail travel more attractive The business has capitalised on these factors and has delivered good growth as a result

The year was notable for the staging of the Olympic and Paralympic Games in London during Summer 2012, and EMT played its part in what turned out to be hugely successful events Meticulous planning and preparation led to train performance (PPM) on our London routes of 97% during the Olympic Games and 98% during the Paralympic Games, in addition to the provision of additional train services late into the night during the Games There were also significant numbers of customers who were either new or returning to rail after a long absence and it is expected that their experience will lead to increased patronage long into the future "Magic Moments" were delivered to customers including the announcement of Team GB medal winners to customers on train and followers on our social media sites At St Pancras station, 300,000 complimentary ice creams were handed out to customers

The British weather continued to present challenges to the business A notably cold and wet summer was followed by widespread flooding in November / December and severe snow events in January / February which in turn led to more flooding during the thaw The efforts of employees across the business, enacting pre planned winter weather precautions, ensured that disruption to our customers was kept to an absolute minimum

2012/13 also saw industrial action affecting the business for the first time in a number of years, with 6 days of strike action in May 2012 by members of the ASLEF union over a reduction in pension contributions following the triennial actuarial review of the pension scheme Contingency plans were rolled out successfully to ensure the majority of our customers could still fulfil their travel plans on our services

All of EMT's routes delivered an increase in revenue during the year showing the strength of the business in all the markets in which it operates Of particular note is the continuing growth on our Liverpool / Norwich route, made possible by the increase in the number of passenger vehicles operating on this route during the year, secured as part of the DfT led "HLOS" programme London route revenue continues to perform well, as do routes between Matlock, Derby and Nottingham and other local routes

The refurbishment programme of our entire train fleet was completed in 2012 which has greatly enhanced the quality of our leased rolling stock, and subsequent enhancements to mobile phone reception on our 'Meridian' fleet has further improved the customer experience

Directors' report (continued)

Review of business and future developments (continued)

Customer satisfaction levels, as measured by our National Passenger Survey (NPS) results, are at an all time high with 89% of our customers confirming their satisfaction with our services in the Autumn 2012 survey It is pleasing that EMT stations have been scored as the best in UK rail by our customers

Significant investment is continuing at Nottingham station following the recent opening of a brand new 950 space multi storey car park alongside the station The "Nottingham Hub" project is now well underway, giving the station a long overdue refurbishment which will vastly improve the customer experience when it is completed in 2014 The summer of 2013 also sees a major resignalling project around Nottingham station which results in the station being partially closed to customers for a 37 day period from 20 July 2013 EMT has been working closely with Network Rail, local authorities, businesses and other stakeholders to ensure that the alternative arrangements that will be in place during this time lead to the minimum disruption to customers and commerce EMT will be fully compensated for any loss of revenue and increased cost during this programme and look forward to operating services with enhanced infrastructure from 26 August 2013 when the station will reopen

Our overall train punctuality continues to further improve At the end of the financial year our Public Performance Measure (PPM) reached 92 4% (moving annual average) This compares with the 86 5% at the start of the franchise During 2013/14 EMT is concentrating on absolute 'Right Time' as our performance measure

2012/13 has seen EMT return to profitability, due in large part to receiving contractual revenue support from the Department for Transport ('DfT') for a full financial year The business continues to pay a significant financial premium to the DfT for running the franchise, and the revenue support receipts reflect the gap that has developed between actual revenue earned and the contracted levels that were forecast in a pre recession environment Cost control measures have continued and a mature approach to expenditure is evident culturally throughout the business The financial outlook is favourable, with the expectation of future revenue growth, continued cost control and contractual revenue support Offsetting this is an increasing premia payment to DfT which will impact on future levels of profitability

The current EMT franchise is due to end on 1 April 2015, with an option for the DfT to request a further seven period extension to October 2015 In March 2013, The Secretary of State for Transport announced that he was minded to award the business a two year extension which would result in a continuation of trading to October 2017 EMT is therefore considering the implications of this extension period and has commenced discussion with the department to agree the contractual arrangements

Results and dividends

The company actively traded for the entire period of these financial statements

Turnover for the period ended 27 April 2013 was £336 7m (2012 £324 3m) Passenger revenue, an element of the turnover, increased by 4 2% (2012 8 5%)

The profit before tax for the financial period amounted to £14 8m (2012 loss £34 4m)

No interim dividends have been declared and no final dividend is proposed (2012 £Nil)

The results include franchise premia and Secretary of State Risk Assumption repayments of £114 2m (2012 £78 5m) to the DfT Revenue Support for the year was £121 9m (2012 £36 3m)

Directors' report (continued)

Health and safety

EMT is continuing to perform well in controlling areas of significant risk and puts safety at the forefront of all areas of operation

During 2012/13 a new two year safety and operational risk reduction plan (*Working Together to Make Things Safer*) was launched This engaging plan covers a broad range of activities across all functions of the business Additionally, the health and safety meeting structures with trade union colleagues was changed to increase their involvement and guidance in all aspects of our business Also, in preparation for the Olympic Games, additional training for all managers participating in the organising and delivery of the train service was provided

Environment

The Environment strategy at East Midlands Trains remains focussed on reducing our environmental impact in the key areas of reducing carbon emissions, minimising waste and maximising our recycling performance

Fuel use remains a significant part of our carbon footprint and we are taking a holistic approach to improving our performance in this area The work includes improvements to business processes alongside behavioural and technical aspects of train operations

During the year we have developed focussed schemes for targeted energy savings at some our key building locations and ensure that we take the opportunities offered by major developments which have taken place For example, the installation of new lighting controls at Leicester station as part of a wider electrical upgrade project is delivering significant reductions in energy use As part of our role in the redevelopment of Nottingham train station we have also secured improvements to the specification and management of key building systems to reduce energy use

We are now delivering further schemes at a number of stations to utilise highly-efficient LED lighting alongside advanced control systems These schemes are reducing carbon emissions and providing reductions in our cost base

We have continued to develop and maintain our EN ISO14001 certified environmental management system, bringing it within a single certification This has helped to improve our management of environmental risk and ensuring our ongoing legal compliance The single certification also provides greater scope for developing the system in to the future of the franchise

Directors and their interests

The Directors of the company during the period and up to the date of signing were -

Martin Griffiths
David Horne
Timothy Sayer
Timothy Gledhill
Ian Smith
Clare Burles (formerly McCartney)

Neil Micklethwaite was appointed as a director on 7 January 2013

No director had any interest in the issued share capital of the company during the financial period

The company entered into no significant contract or arrangement during the period in which any director had a material interest

Directors' report (continued)

Employees

Employees are at the heart of the company's strategy to deliver its business plan A well motivated and engaged workforce will in turn create optimum performance and efficiency within the business The business objectives are achieved through training, developing and engaging employees in delivering a great service to customers and maintaining high operational standards

Recruitment
EMT has just over 2,000 employees across the network across a range of disciplines The company proactively recruits for attitude and trains for skill

Occupational Health
The in house occupational health service for EMT has resulted in greater efficiency, effectiveness and consistency in managing the attendance of our people

Our vision is for a healthier workforce by improving their opportunities for a healthy and safe work life This will be achieved by working in partnership with employees, managers and external agencies to deliver the appropriate services to the business

This strategy has four programme areas targeting four separate work streams

Occupational Health Service

To provide evidence based OH service to EMT employees focusing on fitness for work, appropriate rehabilitation to work programmes increasing attendance and reducing accidents

Health Surveillance

To provide appropriate health surveillance in line with risk assessments and any risk monitoring that is undertaken

Health Promotion Activities

To influence individual employees' health and fitness by offering targeted activities and encouraging employees and teams to participate

Wellbeing Activities

Develop a programme to incorporate wider factors which may impact on employee health and fitness and deliver as part of a multi disciplinary team within the business

Training and development
EMT invests in its people and encourages them to reach their full potential, because it is their contribution and efforts that will help the company achieve its vision

The dedicated Training Academy offers a range of vocational training courses to staff including retail training and safety critical work for on train teams

Our four year leadership strategy aims to create and implement a programme which integrates with the people strategy to build on the skills, knowledge and behaviours of our current and future leaders

The success of the leadership strategy will be measured against our ability to embed and deliver our company vision, and business plan which is underpinned and measured using the performance management framework

Our leaders need to inspire, motivate, empower and engage our people to ensure that we achieve our business plan and they all reach their full potential

The leadership strategy aims to develop East Midlands Trains Managers and future leaders by giving them the right tools and supporting them through their development of the appropriate skills, capabilities and behaviours

Directors' report (continued)

We need to empower our Managers to make the right decisions, take ownership and be accountable for their actions and provide them with the support and opportunities to grow in their roles

The development of our managers continues the performance management process which is in place This measures the effectiveness of our managers against individual objectives, competencies and a personal development plan It has a defined link into management pay and bonus awards.

For our front line employees 'Time With Your Manager' one to one discussions take place twice a year

Engagement and communication

Face to face communication between managers of the business and front line staff is key in ensuring business success Engagement is measured through our 'Tell Me' employee survey and a number of creative written campaigns including 'The Line' publication along with face to face forums are held across the business to ensure our people have their say Technological improvements have enabled all staff to access the company's dedicated employee intranet site 'The Platform' from any computer, regardless of location An i-pad trial has also taken place within the Stations function to enable our people to get live information to our passengers and deliver great customer service The intranet site has continued to be developed, and a Managing director blog is now well established and is a key method of two way dialogue between the Managing director and all employees A face to face team briefing takes place as a minimum four times a year across the whole company, with a consistent message delivered by local managers A senior management update is held every twelve weeks to facilitate the sharing of key messages throughout the management population

The company runs an annual employee roadshow across a number of locations across the network This year's tour will focus on employee health and well being along with 'delivering great service'

Employee representation
Extensive communication with the trade union since the start of franchise has taken place in order to improve working relationships

In 2010 we introduced a new collective bargaining framework which has enhanced working relationships Staff representatives are consulted on a regular basis regarding issues that affect them EMT will continue to work closely with the trade unions to build and improve further working relationships

Donations

Donations to charitable organisations amounted to £3,138 (2012 £3,567) The company does not make political contributions and accordingly there were no payments for political purposes during the year (2012 £Nil)

Disabled Employees

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary

Directors' report (continued)

Key performance indicators

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

- safety
- service delivery
- customer service

Safety

Safety is of paramount importance and underpins everything we do EMT holds a monthly Board Safety Sub Committee, attended by all directors and operational senior managers A variety of KPIs are reviewed to ensure effective monitoring of safety performance and that a proactive approach to safety is adopted by all employees The most important KPIs are reported below

	Period ended 27 April 2013 (Moving Annual Average)	Period ended 28 April 2012 (Moving Annual Average)
Passenger major injuries per 1 million passenger journeys	0 46	0 30
Workforce lost time accidents per 1,000 employees	1 46	1 55
Employee physical assaults per 1,000 employees	1 61	2 21

Service delivery

We aim to provide a reliable service and our measure of service delivery is shown below

Punctuality measured on the basis of the DfT's Public Performance Measure (moving annual average) being the percentage of trains that arrive at their destination within 5 minutes of their scheduled arrival time for rural routes and 10 minutes for inter city and inter urban routes, having called at all scheduled stations

	Period ended 27 April 2013 (Moving Annual Average)	Period ended 28 April 2012 (Moving Annual Average)
Public Performance Measure	92 4%	93 7%

Customer service

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

- The bi-annual National Passenger Survey measured on the basis of a number of criteria set by the DfT that encompass key customer service activities of the business, and

- The Actual Customer Experience index provides a 4-weekly, detailed measure of compliance to our customer service standards This measure covers all aspects of the customer experience

Financial risk management

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

Directors' report (continued)

Principal risks and uncertainties

EMT, along with other rail businesses in the UK, is facing a challenging operating environment as reduced economic growth and falling employment levels have a direct effect on passenger demand With a high fixed cost base and commitments contained in the contract between EMT and the DfT that give little scope for reducing the timetable operated, the company is exposed to macroeconomic conditions Growth in the UK economy has remained weak throughout 2012/13, but despite this there has been an encouraging growth in passenger revenue in the period The actions taken to mitigate the impact of revenue levels being below those envisaged in the initial franchise plan include a package of measures to reduce annualised costs and achieve sensible efficiencies

In light of the exposure to the macroeconomic position, the Directors have reviewed whether the 'East Midlands' rail franchise is an onerous contract that would require to be provided for under FRS12 "Provisions, contingent liabilities and contingent assets" in the company financial statements At the current time, based on the Directors' current projections for the business, the Directors are satisfied that the 'East Midlands' rail franchise is not an onerous contract, however they will continue to closely monitor the position

Supplier payment policy

It is the company's policy to settle the terms of payment with suppliers when agreeing each transaction or series of transactions, to ensure suppliers are aware of these terms and to abide by them Trade creditors at the end of the period represented 23 days (2012 20 days) purchases

Statement of Directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

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

Going Concern

The Directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Stagecoach Group Plc The Directors have received confirmation that Stagecoach Group plc intend to support the company for at least one year after these financial statements are signed

Directors' report (continued)

Indemnification of Directors and officers

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

Disclosure of information to auditors

In the case of each of the persons who were Directors of the company at the date when this report was approved

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

Independent auditors

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

On behalf of the board

Timothy Gledhill

Director

17 July 2013

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

Independent auditors' report

Independent auditors' report to the members of East Midlands Trains Limited

We have audited the financial statements of East Midlands Trains Limited for the 52 weeks ended 27 April 2013 which comprise the Profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' deficit and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 27 April 2013 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Martin Cowie

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

17 July 2013

Profit and loss account
For the 52 weeks ended 27 April 2013

	Notes	52 Weeks ended 27 April 2013 £000	52 Weeks ended 28 April 2012 £000
Turnover	2	336,732	324,282
Other operating income	3	132,395	54,241
Operating costs	4	(455,294)	(412,566)
Operating Profit/(loss)		**13,833**	**(34,043)**
Finance income	5 (a)	3,129	2,101
Finance charges	5 (b)	(2,183)	(2,443)
Profit/(loss)on ordinary activities before taxation		**14,779**	**(34,385)**
Tax on profit/(loss) on ordinary activities	8	(3,907)	10,013
Profit/(loss) for the financial period	20	**10,872**	**(24,372)**

The results for both periods are derived wholly from continuing operations

There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for both the periods stated above and their historical cost equivalents

Balance sheet
As at 27 April 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Fixed asset investments	10	-	-
Intangible fixed assets	11	2,028	3,080
Tangible fixed assets	12	17,151	22,846
		19,179	**25,926**
Current assets			
Stocks	13	3,018	3,630
Debtors amounts falling due after more than one year	14	2,051	4,797
Debtors amounts falling due within one year	14	34,825	44,396
Cash at bank and in hand		58,139	49,146
		98,033	**101,969**
Creditors amounts falling due within one year	16	(85,044)	(82,881)
Net current assets		**12,989**	**19,088**
Total assets less current liabilities		**32,168**	**45,014**
Creditors amounts falling due after more than one year	16	(54,781)	(77,442)
Provision for liabilities	17	(2,039)	(1,986)
Net liabilities excluding pension liability		**(24,652)**	**(34,414)**
Pension liability	18	(3,858)	(4,833)
Net liabilities including pension liability		**(28,510)**	**(39,247)**
Capital and reserves			
Called up share capital	19	200	200
Share premium account	20	1	1
Profit and loss account	20	(31,303)	(41,800)
Contribution reserve	20	2,592	2,352
Total shareholders' deficit		**(28,510)**	**(39,247)**

The financial statements on pages 12 to 38 were approved by the board of Directors on 17th July 2013

Signed on behalf of the Board

Timothy Gledhill
Finance Director

17th July 2013

David Horne
Managing Director

17th July 2013

Statement of total recognised gains and losses

For the 52 weeks ended 27 April 2013

	Notes	52 weeks ended 27 April 2013 £000	52 weeks ended 28 April 2012 £000
Profit/(loss) for the financial period		10,872	(24,372)
Recognition of net actuarial (losses)/gains on defined benefit pension schemes	22(b)	(405)	1,722
Recognition of tax on net actuarial (losses)/gains on defined benefit pension schemes	15	30	(601)
Total recognised gains/(losses) relating to the period		**10,497**	**(23,251)**

Reconciliation of movements in shareholders' deficit

	52 weeks ended 27 April 2013 £000	52 weeks ended 28 April 2012 £000
Profit/(Loss) for the financial period	10,872	(24,372)
Other recognised (losses)/gains relating to the period	(375)	1,121
Credit in respect of equity settled share based payments	240	391
Net decrease/(increase) in shareholders' deficit	**10,737**	**(22,860)**
Opening shareholders' deficit	(39,247)	(16,387)
Closing shareholders' deficit	**(28,510)**	**(39,247)**

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

1. Accounting policies

a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historic 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 throughout the period, are set out below

At 27 April 2013, the company had net liabilities of £28,510,000 (2012 £39,247,000) The Directors have received confirmation of continuing financial support from the ultimate parent company, Stagecoach Group plc Accordingly, the financial statements have been prepared on the going concern basis

The company's accounts fall within the scope of The Finance and Leasing Association Statement of Recommended Practice (FLA SORP) and have been prepared in accordance with the provisions there of

b) Intangible fixed assets

Intangible fixed assets acquired separately from a business combination are capitalised at cost Amortisation of intangible fixed assets is calculated on the straight-line method to write-off the cost of each asset over the life of the franchise (7 years and 5 months from November 2007 to March 2015)

i) *Rail franchise pension intangible fixed asset*

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

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

ii) *Rail franchise transition costs*

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

iii) *Customer database costs*

The customer database costs intangible fixed asset relates to the customer and sales databases that were acquired on commencement of the rail franchise

iv) *Revenue in advance*

The revenue in advance intangible fixed asset relates to the liability in existence at the start of the franchise, for which a corresponding intangible fixed asset is recognised, reflecting a cost in acquiring the right to operate the franchise for the period to March 2015

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

1 Accounting policies (continued)

c) Tangible fixed assets

Tangible fixed assets comprise property, plant and equipment at original historic cost, net of depreciation

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over the shorter of its estimated life or the franchise period Estimated useful lives are as follows

Land and Buildings	3 to 10 years
Plant, fixtures and fittings	2 to 10 years

Assets in the course of construction are not depreciated until they are brought into use and on completion are transferred to the appropriate asset class

d) Operating lease rentals

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

e) Stocks

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

f) Taxation

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

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

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

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

g) Turnover

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

Commissions receivable represents income generated from the sale of rail tickets on behalf of other train operating companies

3rd party sales from train maintenance depots represents income generated from the provision of cleaning, maintenance, overnight stabling and fuelling of trains and other associated income from third parties

1 Accounting policies (continued)

h) Other operating income

Other operating income comprises

- Revenue grant (in respect of passenger services operated by the company) as agreed between Stagecoach Group plc and the DfT in respect of the period,
- Property rental income generated from the sub lease of station properties to third parties which is recognised on an accruals basis in compliance with the FLA SORP, and
- Other income derived from maintenance and other services that are recognised in the profit and loss account upon the completion of the service

The accounting policy for the revenue grant is referred to in note k) below

Under the contractual terms of its franchise agreements to operate rail services, EMT has revenue sharing arrangements with the DfT As a result of these arrangements, the company may be liable to make payments to the DfT or receive amounts from the DfT based on calculations that involve comparison of actual revenue with the target revenue specified in the relevant franchise agreement The company recognises revenue share amounts payable or receivable in the profit and loss account in the same period in which it recognises the related revenue Revenue share amounts payable (if any) are classified within other operating costs and revenue share amounts receivable (if any) are classified within other operating income

i) Cashflow statement

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

j) Retirement benefit obligations

EMT became the relevant train operating company for the old Midland Mainline section at the start of the new franchise This scheme was renamed the EMT section (EMT section) on 11 November 2007 All relevant EMT employees who were members of other Railway Pension Scheme (RPS) sections were transferred into the EMT section EMT must make contributions during its franchise term in accordance with the contribution schedule agreed between EMT and the Trustees

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

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

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

1 Accounting policies (continued)

j) Retirement benefit obligations (continued)

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

The company operates a defined contribution pension scheme (BRASS) The assets of the scheme are held separately from those of the company in an independent administered fund The pension cost charge disclosed in note 22 (b) represents contributions payable by the company to the fund

k) Government grants

Revenue grants receivable in respect of the operation of rail franchises in the UK are credited to the profit and loss account in the period in which the related expenditure is recognised in the profit and loss account or where they do not relate to any specific expenditure in the period in respect of which the grant is receivable

l) Related party transactions

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

m) Dividends

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

n) Provision for claims

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

o) Provision for liabilities

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

p) Fixed asset investments

Fixed asset investments are held at cost less any amounts written off for impairment

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

1 Accounting policies (continued)

q) Share-based payments

Certain of the company's employees are granted equity settled share based payments by the parent company The company has applied the optional exemption contained within FRS20, which allows it to apply the standard only to share options granted after the 7 November 2002 that have not vested by 1 May 2005

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

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

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

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

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

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

There were no such liabilities recognised as at 27 April 2013 (2012 £Nil)

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

Additional disclosures regarding the share scheme operated by Stagecoach Group plc, in which some employees of EMT participate, are provided in the financial statements of Stagecoach Group plc

2. Turnover

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

Turnover, excluding value added tax (VAT) where applicable, is comprised of

	52 Weeks ended 27 April 2013 £000	52 Weeks ended 28 April 2012 £000
Passenger income	310,755	298,245
3rd party sales from train maintenance depots	17,945	17,950
Commission earned on ticket sales	5,930	6,083
Train catering sales	1,819	1,772
On train WiFi sales	283	232
	336,732	**324,282**

3. Other operating income

Other operating income, excluding value added tax (VAT) where applicable, is comprised of

	52 Weeks ended 27 April 2013 £000	52 Weeks ended 28 April 2012 £000
Property letting, advertising & station access sales	7,934	7,843
Rail revenue support	121,927	36,340
Other sales	2,534	10,058
	132,395	**54,241**

4 Operating costs

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

		52 Weeks ended 27 April 2013 £000	52 Weeks ended 28 April 2012 £000
Staff costs (note 7d)		83,982	82,403
Depreciation (note 12)		7,566	4,437
Amortisation of intangible fixed assets (note 11)		1,052	1,052
Auditors' remuneration – for audit of the company's financial statements		40	38
Network Rail charges	- Track access	53,034	48,678
	- Variable track access & capacity	23,451	22,547
	- Station/depot leases & long term charges	16,640	15,920
	- Other performance (recoveries)/charges	(11,145)	(5,519)
Operating lease rentals	- Passenger rolling stock	27,856	27,760
	- Land and buildings	247	898
	- Other	109	125
Raw materials & consumables		20,224	17,595
3rd party train maintenance charges		26,856	27,136
Fuel costs		42,698	41,964
Franchise grant & Secretary of State Risk Assumptions		114,176	78,505
Other operating charges		48,508	49,027
		455,294	**412,566**

Non-audit fees of £9,000 (2012 £10,000) included within other operating costs were payable to PricewaterhouseCoopers LLP during the period relating to Office of Rail Regulation and covenant work for the company

5. Finance income and charges

	52 Weeks ended 27 April 2013 £000	52 Weeks ended 28 April 2012 £000
a) Finance income		
Bank interest	583	87
Other intra group financing item	32	33
FRS17 - finance income interest (note 22b)		
- Expected return on assets	9,335	9,464
- Interest on pension scheme liabilities	(7,966)	(8,766)
- Unwinding of franchise adjustment	1,145	1,283
	3,129	**2,101**

	52 Weeks ended 27 April 2013 £000	52 Weeks ended 28 April 2012 £000
b) Finance charges		
Bank charges	82	96
Inter-company bond charges	150	144
Inter-company commitment fees	27	120
Inter-company loan arrangement fee	-	300
Inter-company loan interest	1,924	1,783
	2,183	**2,443**

6 Dividends

The company did not pay any dividends during the period (2012 £Nil)

7 Information regarding Directors and employees

a) Directors' emoluments

Emoluments of Directors were

	52 Weeks ended 27 April 2013 £000	52 Weeks ended 28 April 2012 £000
Aggregate emoluments	**1,014**	**955**

The highest paid director in the year received £343,000 (2012 £205,000) The emoluments include a recharge from Stagecoach Group plc in respect of Directors' services of £20,000 (2012 £27,000)

During the period 3 directors (2012 3) exercised share options in the ultimate parent company

b) Pensions

The number of Directors who were members of the EMT pension scheme were as follows

	52 Weeks ended 27 April 2013 Number	52 Weeks ended 28 April 2012 Number
Defined benefit schemes	**6**	**9**

The highest paid director accrued defined pension benefits of £34,000 (2012 £40,000) and lump sum benefits of £Nil (2012 £Nil)

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

By activity	52 Weeks ended 27 April 2013 Number	52 Weeks ended 28 April 2012 Number
UK Operations	1,052	1,050
Administration and supervisory	1,004	981
	2,056	**2,031**

d) Employment costs of all employees (including executive Directors) were as follows

	52 Weeks ended 27 April 2013 £000	52 Weeks ended 28 April 2012 £000
Wages and salaries	69,834	68,230
Social security costs	5,716	5,489
Defined benefit scheme pension costs (note 22b)	7,793	7,654
Defined contribution scheme pension costs (note 22b)	366	384
Equity settled share based payments (note 21)	273	646
	83,982	**82,403**

8. Tax on profit/(loss) on ordinary activities

a) Charge for the period

	52 Weeks ended 27 April 2013 £000	52 Weeks ended 28 April 2012 £000
Current tax		
UK Corporation tax/(credit) on profit/(loss) of the period	3,941	(9,551)
Adjustments in respect of prior period	356	4
Total current tax	**4,297**	**(9,547)**
Deferred tax		
Origination and reversal of timing differences	(561)	106
Adjustments in respect of prior periods	171	(572)
Total deferred taxation	**(390)**	**(466)**
Taxation on profit/(loss) on ordinary activities	**3,907**	**(10,013)**

b) Factors affecting the tax charge for the period

The tax assessed for the period is higher than (2012 lower than) the standard rate of corporation tax in the UK (23 92%) The differences are explained below	52 Weeks ended 27 April 2013 £000	52 Weeks ended 28 April 2012 £000
Profit/(Loss) on ordinary activities before taxation	14,779	(34,385)
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23 92% (2012 25 84%)	3,535	(8,883)
Effect of		
Non tax deductible expenditure and other permanent differences	134	89
Treatment of inter-company transactions	(205)	(835)
Capital allowances in excess than depreciation	1,219	236
Pension cost relief in excess of pension cost charge	(419)	(344)
Share based payments (FRS20)	(323)	186
Adjustments in respect of prior periods	356	4
Current tax charge/(credit) for the period (note 8a)	**4,297**	**(9,547)**

8 Tax on profit/(loss) on ordinary activities (continued)

c) Factors that may affect future tax charges

In the 2013 budget on 20 March 2013, the UK Government announced its intention to further reduce the UK Corporate Income Tax rate to 20%

Legislation to reduce the main rate of corporation tax from 24% to 23 5% from 1 April 2013 was included in the Finance Act 2012 which was substantively enacted in July 2012 The relevant deferred tax balances have been re-measured accordingly

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

The overall effect of these further changes, if applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £291,000

9. Operating leases and similar commitments

EMT has contracts with Network Rail for access to the railway (track) infrastructure, leasing of stations and depots The company also leases rolling stock and ticket machines

Annual commitments under the rolling stock operating leases expiring as follows are

	2013	2012
	£000	£000
Within two to five years	27,864	27,560
	27,864	**27,560**

Annual commitments under other operating leases expiring as follows are

	2013		2012	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Within one year	70	4	122	24
Within two to five years	237	72,146	237	61,913
	307	**72,150**	**359**	**61,937**

10. Fixed asset investments

The company holds the following fixed asset investments

One 4p share of the issued share capital of ATOC Limited The principal activity of ATOC Limited is a trade association promoting passenger transport ATOC Limited was incorporated in the UK The share was acquired on 30 March 2008

One 4p share of the issued share capital of Rail Settlement Plan Limited The principal activity of Rail Settlement Plan Limited is to provide a settlement service to the Railway Industry Rail Settlement Plan Limited was incorporated in the UK The share was acquired on 10 March 2008

One 4p share of the issued share capital of Rail Staff Travel Limited The principal activity of Rail Staff Travel Limited is to provide a service to give railway employees access to train operating company's passenger services Rail Staff Travel Limited was incorporated in the UK The share was acquired on 10 March 2008

One £1 share of the issued share capital of NRES Limited The principal activity of NRES Limited is to provide a national rail enquiry service NRES Limited was incorporated in the UK The share was acquired on 10 March 2008

The Directors believe that the carrying value of the fixed asset investments is supported by their underlying net assets

11 Intangible fixed assets

	Customer database costs £000	Franchise transition costs £000	Revenue in advance intangible £000	Rail franchise pension £000	Total intangible fixed assets £000
Cost					
At 28 April 2012 and 27 April 2013	105	941	2,559	4,177	**7,782**
Accumulated amortisation					
At 28 April 2012	62	569	1,546	2,525	**4,702**
Amortisation for the period	14	127	346	565	**1,052**
At 27 April 2013	76	696	1,892	3,090	**5,754**
Net book value at 28 April 2012	43	372	1,013	1,652	**3,080**
Net book value at 27 April 2013	**29**	**245**	**667**	**1,087**	**2,028**

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

12 Tangible fixed assets

	Land & buildings £000	Plant, fixtures & fittings £000	Assets in the course of construction £000	Total fixed assets £000
Cost				
At 28 April 2012	725	24,275	9,675	**34,675**
Additions	9	6,833	4,452	**11,294**
Disposals	-	(63)	(9,403)	**(9,466)**
Transfers	-	(16)	16	**-**
At 27 April 2013	734	31,029	4,740	**36,503**
Accumulated depreciation				
At 28 April 2012	248	11,581	-	**11,829**
Charge for the period	211	7,355	-	**7,566**
Disposals	-	(43)	-	**(43)**
At 27 April 2013	459	18,893	-	**19,352**
Net book value at 28 April 2012	477	12,694	9,675	**22,846**
Net book value at 27 April 2013	**275**	**12,136**	**4,740**	**17,151**

13 Stocks

	2013 £000	2012 £000
Raw materials and consumables	3,018	3,630

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

14. Debtors

	2013 £000	2012 £000
Amounts falling due within one year		
Trade debtors	13,371	14,436
Amounts owed by group undertakings	426	353
Other debtors	446	427
Value Added Tax debtor	810	2,178
Corporation Tax debtor	-	9,551
Prepayments and accrued income	19,772	17,451
	34,825	**44,396**
Amounts falling due after more than one year		
Prepayments and accrued income	971	4,510
Deferred tax asset (Note 15)	1,080	287
	2,051	**4,797**

Amounts owed by group undertakings within one year accrue no interest and are repayable on demand

15 Deferred tax asset

	2013 £000	2012 £000
Accelerated capital allowances	347	(600)
Other timing differences	733	887
Deferred tax asset excluding that related to pension liability	**1,080**	**287**
Deferred tax asset related to pension liability (note 22b)	1,153	1,526
Deferred tax asset	**2,233**	**1,813**

Asset at start of period	1,813	1,948
Deferred tax credit in profit and loss account (note 8a)	390	466
Deferred tax recognised in the statement of total recognised gains and losses	30	(601)
Asset at the end of the period	**2,233**	**1,813**

16. Creditors

	2013 £000	2012 £000
Amounts falling due within one year		
Trade creditors	19,246	15,919
Amounts owed to group undertakings	1,204	1,322
Corporation Tax	3,941	-
Capital grants	6	6
Accruals and deferred income	57,954	63,293
Other creditors	961	762
Taxation and social security	1,732	1,579
	85,044	**82,881**
Amounts falling due after more than one year		
Amounts due to fellow group undertakings	45,123	67,632
Capital grants	-	6
Accruals and deferred income	9,658	9,804
	54,781	**77,442**

Amounts due to group undertakings within one year accrue no interest and are repayable on demand

Amounts due to group undertakings greater than one year accrue no interest and are repayable on demand apart from £45,123,000 (2012 £67,632,000) which represents a loan from Stagecoach Rail Holdings Limited, and accrues interest at 3 month LIBOR plus 2 5% (2012 2 5%)

17 Provisions for liabilities

	Onerous Lease £000	Insurance claims £000	Total £000
At 28 April 2012	**345**	**1,641**	**1,986**
Charged to the profit and loss account	-	1,070	**1,070**
Utilised during the period	(197)	(820)	**(1,017)**
At 27 April 2013	**148**	**1,891**	**2,039**

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

The onerous lease provision relates to the ongoing property lease and associated costs at the Nottingham office It is expected that the provision will be utilised over the next three years

18. Pension liability

	2013 £000	2012 £000
Gross pension liability	(5,011)	(6,359)
Deferred tax asset (note 15)	1,153	1,526
Pension liability, net of deferred tax	**(3,858)**	**(4,833)**

Deferred tax is not recorded on initial recognition of the pension liability on transition to FRS 17, "Retirement Benefits" Deferred tax is recognised only on the subsequent movements in the pension liability as shown above

See note 22(b) for further details about accounting for pensions

19. Called up share capital

	2013 £	2012 £
Authorised		
300,000 (2012 300,000) ordinary shares of £1 each	**300,000**	**300,000**
Allotted, called-up and fully paid		
200,000 (2012 200,000) ordinary shares of £1 each	**200,000**	**300,000**

20. Reserves

The movement in the reserves for the period can be analysed as follows

	Share premium account £000	Profit and loss account £000	Contribution reserve £000
At 28 April 2012	**1**	**(41,800)**	**2,352**
Profit for the financial period	-	10,872	-
Other recognised gain and losses	-	(375)	-
Credit in respect of equity-settled share based payments	-	-	240
At 27 April 2013	**1**	**(31,303)**	**2,592**

21 Share based payments

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

The Save as You Earn Scheme finished in 2012 and the share based payment charges are £273,000 (2012 £646,000) have been recognised in the profit and loss account during the year in relation to the above schemes

Save as You Earn Scheme
In August 2008, all eligible UK employees were invited to participate in a new SAYE scheme with a three-year duration starting in September 2008

Grant date	**September 2008**
Share price at grant / award date (£)	3 2750
Exercise price (£)	2 5178
Vesting period (years)	3
Expected volatility	30%
Option / award life (years)	3 5
Expected life (years)	3
Risk free rate	4 43%
Expected dividends expressed as an average annual dividend yield	1 37%
Expectations of meeting performance criteria	100%
Fair value per option / notional unit at grant date (£)	1 14
Option pricing model	Black-Scholes

One issue from the SAYE scheme was in operation during the year as follows

Issue	Option grant date	Savings contract start date	Exercise price	Date from which exercisable	Expiry date
E	1 September 2008	1 October 2008	251 775p	1 October 2011	31 March 2012

The expiry date of any individual SAYE option can generally be extended up to six months, however this can be extended to twelve months in certain circumstances following the date of payment of the final amount due under the related savings account but may be no later than twelve months after the exercise date shown above

The changes in the number of options over ordinary shares were as follows

	Issue E **Ordinary shares under option**
Beginning of year	5,524
Options forfeited	(5,524)
End of year	Nil

21 Share based payments (continued)

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 share bought from the first £10 of monthly investment, subject to a maximum company contribution of shares to the value of £20 per employee per month

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

At April 2013 there were 802 (2012 754) participants in the BAYE scheme who have cumulatively purchased 202,578 (2012 63,070) shares with the company contributing 78,526 (2012 22,644) matching shares on a cumulative basis Dividends had been reinvested in a further 5,062 (2012 142) for these participants

Executive Participation Plan

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

Award date	29 June 2009	10 December 2009	28 June 2010	30 June 2011	27 June 2012	Total
Outstanding at start of year (notional units)	693,723	1,736	107,105	81,743	Nil	884,307
Awards granted in year (notional units)	Nil	Nil	Nil	Nil	70,792	70,792
Exercised in year (notional units)	(693,723)	(1,768)	Nil	Nil	Nil	(695,491)
Intra group transfers (notional units)	Nil	Nil	(55,243)	(36,555)	Nil	(91,798)
Lapsed in year (notional units)	Nil	Nil	Nil	Nil	Nil	Nil
Dividends in year (notional units)	Nil	32	1,414	1,231	1,928	4,605
Outstanding at end of year (notional units)	Nil	Nil	53,276	46,419	72,720	172,415
Vesting date	29 June 2012	10 Dec 2012	28 June 2013	30 June 2014	27 June 2015	
Expected total value of award at time of grant (£)	907,984	2,549	215,329	202,607	187,578	
Closing share price on date of grant (£)	1 2700	1 6060	1 9020	2 5530	2 6190	

22 Guarantees and other financial commitments

a) Capital commitments

	2013 £000	2012 £000
Contracted for but not provided for		
Station Enhancements	142	265
	142	**265**

b) Pension scheme

On 11 November 2007 the Group commenced operating the new EMT franchise for the period of 7 years and 4 months The Group became sponsoring employer of members from three former sections of the RPS Liabilities transferred in to the new East Midland Rail section of the RPS included those of former Midland Mainline section, circa 26% of the formal Central Train section and those members of the Maintrain section who transferred in A liability of £4,177,000 in respect of pension commitments on acquisition of the franchise was recognised, including £802,000 in respect of a historic disputed pensionable pay settlement A top up contribution of £3,375,000 was made immediately after the commencement of the franchise

History of the EMT scheme

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

22 Guarantees and other financial commitments (continued)

b) Pension scheme (continued)

Commencement of the new franchise

On transfer of a franchise, the only obligation of the franchisee is to have paid the required contributions during the franchise period Therefore the surplus or deficit in the section existing at the end of the franchise is taken on by subsequent franchisee(s) As the franchisee should have no obligation in relation to pension contributions after the expiry date of the franchise, it may be considered appropriate that only the proportion of the deficit expected to be 'made good' by the franchisee over the franchise term is recognised on commencement of the franchise and at subsequent balance sheet dates At the commencement of the franchise EMT made a payment of £3 4m to eliminate any deficits on the EMT scheme

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

FRS 17 Valuation

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

The main assumptions are as follows

	2013 %	2012 %
Rate of increase in salaries	3 7	4 1
Rate of increase of pensions in payment	2 2	2 1
Discount rate	4 4	5 2
Retail Price Index (RPI) Inflation	3 2	3 1
Consumer Price Index (CPI) Inflation	2 2	2 1

The life expectancy assumptions used for each scheme are periodically reviewed and as at 30 April 2012 were

	2013	2012
Current pensioner aged 65 – male	19 7	20 3
Current pensioner aged 65 – female	23 5	24 6
Future pensioners at age 65 – (aged 45 now) – male	22 0	22 4
Future pensioners at age 65 – (aged 45 now) – female	25 7	26 4

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

	2013 %	2013 £000	2012 %	2012 £000
Equities	8 3	152,761	8 3	137,549
Bonds	3 7	45,076	4 3	40,588
Cash	3 0	911	3 4	820
Property	7 5	28,913	7 5	26,034
Total		227,661		204,991

22. Guarantees and other financial commitments (continued)

b) Pension scheme (continued)

Analysis of amounts charged to the profit and loss account

	2013 £000	2012 £000
Charge to operating profits		
- Current service cost	7,793	7,654
Total operating charge	7,793	7,654
Finance (income)/cost		
- Expected return on assets	(9,335)	(9,464)
- Interest on pension scheme liabilities	7,966	8,766
- Unwinding of franchise adjustments	(1,145)	(1,283)
Net return	(2,514)	(1,981)

BRASS contributions

BRASS contributions are additional funding contributions made by employees, which are matched by the employer Due to the nature of the BRASS contributions, we have recorded the employer contributions of £366,000 (2012 £384,000) as defined contribution pension expenses

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

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Actual return less expected return on pension scheme assets					
- Amount	11,042	(12,433)	10,113	33,368	(56,674)
- Percentage of scheme assets	4 85%	(6 07%)	4 94%	18 24%	(40 63%)
Experience gains and losses arising on the scheme liabilities					
- Amount	5,212	(7,922)	(7,464)	11,170	21,986
- Percentage of the present value of the scheme liabilities	(2 24%)	3 75%	3 48%	5 85%	14 86%
Changes in assumptions underlying the present value of the scheme liabilities	(33,408)	24,258	102	(68,087)	13,538
Franchise adjustment	16,749	(2,181)	(5,019)	22,128	3,991
Total actuarial (loss)/gain recognised in STRGL					
- Amount	(405)	1,722	(2,268)	(1,421)	(17,159)
- Percentage of the present value of scheme liabilities	0 17%	(0 81%)	1 06%	0 74%	11 60%

22 Guarantees and other financial commitments (continued)

b) Pension scheme (continued)

The movements in the deficit during the period in accordance with the requirements of FRS 17 are as follows

	2013 £000	2012 £000
Deficit in the scheme at the beginning of the period	(6,359)	(9,411)
Movement in the period		
- Current service cost	(7,793)	(7,654)
- Contributions	7,032	7,003
- Other finance income	1,369	698
- Actuarial (loss)/gain	(17,154)	3,903
- Unwinding of franchise adjustment	1,145	1,283
- Actuarial gain/(loss) on franchise adjustment	16,749	(2,181)
Deficit in the scheme at the end of the period	**(5,011)**	**(6,359)**

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

	2013 £000	2012 £000
Total market value of assets	227,661	204,991
Present value of scheme liabilities		
- Gross Liabilities	(302,521)	(252,275)
- Adjustments for members' share of deficit (40%)	29,944	18,914
- Franchise adjustment	39,905	22,011
	(232,672)	(211,350)
Pension liability before tax	(5,011)	(6,359)
Related deferred tax asset	1,153	1,526
Net pension liability	**(3,858)**	**(4,833)**

Reconciliation of fair value of scheme assets

	28 April 2013 £000	30 April 2012 £000
At start of period	204,991	204,853
Expected return on plan assets	9,335	9,464
Actuarial gains/(losses)	11,042	(12,433)
Employers contributions	7,032	7,003
Members contributions	2,558	2,644
Benefits paid	(7,297)	(6,540)
At end of period	**227,661**	**204,991**

22 Guarantees and other financial commitments (continued)

b) Pension scheme (continued)

Reconciliation of present value of scheme liabilities

	27 April 2013 £000	28 April 2012 £000
At start of period	211,350	214,264
Current service cost	7,793	7,654
Interest cost	7,966	8,766
Unwinding of franchise adjustment	(1,145)	(1,283)
Members contributions	2,558	2,644
Actuarial (gains)/losses – experience gains	(21,961)	10,103
Actuarial losses/(gains) – change in assumptions	33,408	(24,258)
Benefits paid	(7,297)	(6,540)
At end of period	**232,672**	**211,350**

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

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

The Directors believe that the company has no rights or obligations in respect of the RPS scheme following expiry of the franchise

The expected contributions for the coming year are £7m

c) Contingent liabilities

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

23 Related party transactions

The company has taken advantage of the exemptions granted under FRS 8 by not disclosing details of sales and purchases with other members of the group headed by Stagecoach Group plc Details of amounts owed to and from group undertakings are disclosed in aggregate in notes 14 and 16

The fellow group undertaking National Transport Tokens Limited is a 99 9% owned subsidiary of Stagecoach Group plc For the year ended 27 April 2013, National Transport Tokens Limited redeemed tokens presented by the company with a value of £9,000 (2012 £27,000)

24 Ultimate parent company

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

The company's ultimate parent undertaking and controlling party is Stagecoach Group plc, a company registered in Scotland (number SC 100764), which is the parent undertaking and the only group to consolidate these financial statements Copies of the Stagecoach Group plc consolidated financial statements are available from

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