East Midlands Trains Limited

Financial statements for the 52 weeks ended 26 April 2014

Registered number: 5340682

Contents

Strategic report

The Directors present their strategic report on the company, for the 52 weeks ended 26 April 2014.

Principal activities and business model

East Midlands Trains Limited (EMT) was awarded the East Midlands Rail Franchise in June 2007, and commenced operations on 11 November 2007. The current EMT franchise is due to end on 18 October 2015, following the Department for Transport (DfT) exercising a contractual seven period extension on 28 March 2014.

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.

EMT's business model is to ensure that profitable growth can be achieved to provide a return to the shareholder and maximise the likelihood of retaining the right to operate any future rail franchises in the geographic area.

Review of business and future developments

EMT has continued to develop as a business in 2013/14 and has grown revenues in a number of key markets. Passenger volumes have increased and revenue yield has improved over the course of the year. Business products and season ticket sales have increased, and the recent trend towards advance purchase tickets has been evident again this year. The business is well placed to take advantage of a continued economic recovery, with the whole train fleet now refurbished and stations and facilities having been upgraded in recent years through a significant investment programme. Many routes performed extremely well in the year with the Liverpool / Norwich route continuing to grow at a healthy rate and double digit growth being achieved on the Matlock / Derby route. Revenue on London flows continued to perform well, with notable increases also achieved on routes between Derby and Crewe and Newark and Cleethorpes.

In the summer of 2013 Nottingham station was closed for 37 days to facilitate one of the largest infrastructure upgrades on the UK rail network in the year. The project resulted in a new platform at the station, six miles of new track, four level crossings and 143 new signals being installed by Network Rail around the station. Whilst a small number of trains were able to run during this period, the vast majority of our customer journeys to and from Nottingham included either a full or partial bus journey. This major rail replacement operation consisted of over 30 buses an hour for twelve hours a day throughout the enhancement work. To mitigate the impact on customers, targeted communications supported by a significant management presence was evident throughout the programme. Price reductions were offered to customers affected by the disruption, followed by a post event marketing and promotional campaign to win customers back. With the careful planning and integrated approach with local councils, Network Rail and other stakeholders it proved to be a hugely successful approach to a disruptive event. Compensation was received for loss of revenue and additional cost incurred during the disruption to services.

Nottingham station itself has also benefitted from a significant refurbishment throughout the year and phase 2 of the Nottingham Hub project was completed adding a new southern concourse (linking the station to the newly built multi storey car park and the city's tram network), a refurbished main station entrance, a newly designed and relocated ticket office and numerous new retail units to further add to the customer experience. Other stations benefitting from significant enhancement works were Lincoln, Market Harborough and Sleaford.

Strategic report (continued)

Review of business and future developments (continued)

December 2013 saw the introduction of faster journey times on the Midland main line into and out of London St Pancras International. Network Rail invested over £70m in improving track and signalling along the route which has enabled our trains to run at a maximum of 125 miles per hour on sections of the route.

The British weather again presented challenges to the business. At the end of 2013 and into the early part of 2014, parts of the UK experienced significant and sustained rainfall coupled with high tides and winds. The effects were felt across the EMT network, particularly in the east at Skegness and Boston and on the Midland main line at Unstone in Derbyshire where a huge landslip in February 2014 closed the line for three weeks. The otherwise mild winter meant that normal winter weather precautions were rarely used.

Customer satisfaction levels, as measured by our National Passenger Survey (NPS) results, remain at a high level with 87% of our customers confirming their satisfaction with our services in the spring 2014 survey. Given the disruption to services during the summer, this is a pleasing level to achieve and forms a solid platform for future enhancements to our service to customers.

Our overall train punctuality remains at a high level and EMT is again the best performing long distance train operator. At the end of the financial year our Public Performance Measure (PPM) reached 91.2% (moving annual average). This compares with the 86.5% at the start of the franchise. During 2014/15 EMT is again concentrating on absolute 'Right Time' as our performance measure as this provides the very best in customer service.

2013/14 has seen EMT's return to profitability continue. Prudent management of the cost base, coupled with continuing revenue growth and contractual revenue support payments from the DfT has maintained profitability, although an increase in franchise premia payments due in 2014/15 will put pressure on profitability for the remaining term of the existing franchise. 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.

In March 2013, the Secretary of State for Transport announced a programme of direct award franchise extensions across UK rail which included the proposal to extend the East Midlands franchise by a further two years to October 2017. EMT is therefore considering the implications of this direct award and has commenced discussion with the DfT to agree the contractual arrangements.

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.

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 in recent years has had 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 shown signs of recovery in 2013/14, and 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.

Strategic 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

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.

	Period ended 26 April 2014 (Moving Annual Average)	Period ended 27 April 2013 (Moving Annual Average)
Passenger major injuries per 1 million passenger journeys	0.46	0.46
Workforce lost time accidents per 1,000 employees	1.39	1.46
Employee physical assaults per 1,000 employees	1.39	1.61

During the year, EMT won the Safety Award at the prestigious National Rail Awards for its suicide prevention and post-incident trauma support work it does in conjunction with Network Rail, the Samaritans, British Transport Police and ASLEF.

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 Department for Transport 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 26 April 2014 (Moving Annual Average)	Period ended 27 April 2013 (Moving Annual Average)
Public Performance Measure	91.2%	92.4%

East Midlands Trains remains the best performing long distance train operator in the UK.

Overall performance was slightly down due to the inclement weather (including flooding), the closure of Nottingham station and temporary speed restrictions in place during the 125mph line speed improvements.

Customer service

We aim to provide the highest levels of customer service we can across all activities of the company. This includes recognition that customer service is not just a role of the customer service function, but is a fundamental part of the way we do business in all departments. 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
- A new mystery shopper programme, and
- The Actual Customer Experience index which provides a 4-weekly, detailed measure of compliance to our customer service standards. This measure covers all aspects of the customer experience.

Strategic report (continued)

Results and dividends

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

Turnover for the period ended 26 April 2014 was £348.9m (2013: £336.7m). Passenger revenue, an element of the turnover, increased by 3.9% (2013: 4.2%).

The profit before tax for the financial period amounted to £21.6m (2013: £14.8m).

No interim dividends have been declared and no final dividend is proposed (2013: £Nil).

The results include franchise premia and Secretary of State Risk Assumption repayments of £132.6m (2013: £114.2m) to the DfT. Revenue Support for the year was £138.0m (2013: £121.9m).

On behalf of the board

Timothy Gledhill

Director

Date 28 July 2014

Directors' Report
For the year ended 26 April 2014

The directors present their annual report and the audited consolidated financial statements for the year ended 26 April 2014.

Results, Dividends and Future Developments

The results for the year ended 26 April 2014 are set out in the profit and loss account on page 13. The results for the year and future developments have been discussed in the strategic report on page 2.

No interim dividends have been declared and no final dividend is proposed (2013: £Nil).

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.

In 2013/2014, the Nottingham Re-signalling Project was a major logistical and safety challenge with the temporary closure of the local maintenance depot, rebuilding of Nottingham station, a major rail replacement bus plan and large training demand for train crews. Through our risk-based approach, issues were identified, assessed and successfully mitigated.

Another well managed safety risk was the increase in line speed to 125mph on the route to London St Pancras. This included issues as diverse as driver training, ride quality, speed of trains through stations, windscreen damage and non-slip mats for crockery in 1st class.

Environment

The Environment strategy at EMT 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. Demands for fuel have increased with the new 125mph running on the route to London. The Fuel Efficiency Steering Group covers engine efficiency, reduced train idling times and train driving styles.

During the year we have invested more in smart lighting systems at our key stations which are reducing kWh consumption and $CO2$ emissions. For example a recent installation at Sheffield station has reduced energy consumption by approximately 250,000 kWH saving over 110 tonnes of $CO2$ and reducing the costs of lighting the station by around 40%.

We have continued to develop and maintain our EN ISO14001 certified environmental management system.

Directors and their interests

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

Martin Griffiths
David Horne
Timothy Sayer
Timothy Gledhill
Ian Smith
Clare Burles
Neil Micklethwaite

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.

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.

Our Health and Well Being Strategy is focussed on 3 areas:

- Fitness for Work - assessing fitness to work, supporting return to work after an absence and trauma support.
- Health Surveillance - the effect of work on health.
- General Wellbeing - health and lifestyle.

Training and development
Our EMT vision is to 'deliver great service which we can all be proud of.' To deliver this vision our leaders need to be 'technically expert', skilled in 'management' and able to inspire and engage others. Developing the skills, knowledge and leadership behaviours of our Managers has been the philosophy at EMT which in turn creates a high performance organisation and an engaged work force.

EMT has over 220 leaders of people and we have set out to create a blended Learning and Development approach which meets the needs of this cohort. Leadership Challenge is our branded training programme where all our managers have an opportunity to enhance their skills, knowledge and understanding of leadership. This is the platform to ensure there is a consistent level of understanding across our organisation as all managers attend this.

We also have a suite of blended learning programmes to suit individual needs around Leadership which include 1:1 coaching, 360 feedback, psychometric assessment, and informal mentoring. "The Leading Part" is a programme to equip our leaders with the skills to sustain a level of customer service from our front line staff that will clearly differentiate us from other customer focussed organisations. Our new mentoring programme will be launched in October 2014.

Our Management Development Programme, launched in 2013, is a programme for potential future leaders. . The programme provides a rounded understanding of management and leadership, exposure to different business functions within the organisation and opportunities to be involved in key projects.

Each quarter our Senior Managers spend a day with the Executive team. Typically the agenda will focus on organisational strategy, business plans, financial and operational performance and rail industry developments. Additionally we have run sessions to develop the skills of our Senior Managers on Employee Engagement, Strategic Thinking, and Effective Performance Management.

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

Employees (Continued)

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 iPad 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 road show 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.

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.

Donations

Donations to charitable organisations amounted to £5,699 (2013: £3,138). The company does not make political contributions and accordingly there were no payments for political purposes during the year (2013: £Nil)

During the year the company and its employees also raised significant sums for charities through various fund-raising initiatives

- In September, EMT passengers and staff raised £5,914 for Macmillan Cancer Support by holding events at stations as part of the World's Biggest Coffee Morning

- A total of £34,531 was raised for the Railway Children charity from the proceeds of a special EMT train from London to Alfreton, which was promoted by our colleagues at UK Railtours. Our parent company Stagecoach Group matched this with a donation of £34,531.

In June, EMT offered discounted travel to armed forces personnel travelling to Nottingham for Armed Forces Day.

In November, EMT offered free travel to armed forces personnel or veterans to enable them to take part in London Poppy Day.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, 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 financial statements 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.

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

Date 28 July 2014

Friars Bridge Court
41-45 Blackfriars Road
London
SE

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

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 26 April 2014 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.

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 Midlands Trains Limited, comprise:

- the balance sheet as at 26 April 2014;
- the profit and loss account and statement of total recognised gains and losses for the period then ended;
- the reconciliation of movements in shareholders' deficit for the period 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 matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of East Midlands Trains (continued)

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.

M Cowie

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

28 July 2014

Profit and loss account
For the 52 weeks ended 26 April 2014

	Note	52 Weeks ended 26 April 2014 £000	52 Weeks ended 27 April 2013 £000
Turnover	2	348,931	336,732
Other operating income	3	149,489	132,395
Operating costs	4	(479,474)	(455,294)
Operating Profit		**18,946**	**13,833**
Finance income	5 (a)	4,219	3,129
Finance charges	5 (b)	(1,608)	(2,183)
Profit on ordinary activities before taxation		**21,557**	**14,779**
Tax on profit on ordinary activities	8	(5,274)	(3,907)
Profit for the financial period	20	**16,283**	**10,872**

The results for both periods are derived wholly from continuing operations.

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

The accompanying notes form an integral part of this profit and loss account.

Balance sheet
As at 26 April 2014

	Note	2014 £000	2013 £000
Fixed assets			
Investments	10	-	-
Intangible assets	11	976	2,028
Tangible assets	12	11,206	17,151
		12,182	**19,179**
Current assets			
Stocks	13	3,541	3,018
Debtors: amounts falling due within one year	14	47,548	34,825
Debtors: amounts falling due after more than one year	14	1,876	2,051
Cash at bank and in hand		65,467	58,139
		118,432	**98,033**
Creditors: amounts falling due within one year	16	(91,362)	(85,044)
Net current assets		**27,070**	**12,989**
Total assets less current liabilities		**39,252**	**32,168**
Creditors: amounts falling due after more than one year	16	(47,505)	(54,781)
Provisions for liabilities	17	(1,828)	(2,039)
Net liabilities excluding pension liability		**(10,081)**	**(24,652)**
Pension liability	18	(3,085)	(3,858)
Net liabilities including pension liability		**(13,166)**	**(28,510)**
Capital and reserves			
Called up share capital	19	200	200
Share premium account	20	1	1
Capital reserve	20	2,777	2,592
Profit and loss account	20	(16,144)	(31,303)
Total shareholders' deficit		**(13,166)**	**(28,510)**

The financial statements on pages 13 to 38 were approved by the board of Directors on Date 28 July 2014

Signed on behalf of the Board

Timothy Gledhill
Finance Director

Date 28 July 2014

David Horne
Managing Director

Date 28 July 2014

The accompanying notes form an integral part of this Balance Sheet

Registered Number 5340682

Statement of total recognised gains and losses

For the 52 weeks ended 26 April 2014

	Note	**52 weeks ended 26 April 2014 £000**	**52 weeks ended 27 April 2013 £000**
Profit for the financial period		16,283	10,872
Recognition of net actuarial losses on defined benefit pension schemes	22(b)	(1,217)	(405)
Recognition of tax on net actuarial losses on defined benefit pension schemes	15	93	30
Total recognised gains and losses relating to the period		**15,159**	**10,497**

Reconciliation of movements in shareholders' deficit

	52 weeks ended 26 April 2014 £000	**52 weeks ended 27 April 2013 £000**
Profit for the financial period	16,283	10,872
Other recognised losses relating to the period	(1,124)	(375)
Credit in respect of equity settled share based payments	185	240
Net decrease in shareholders' deficit	**15,344**	**10,737**
Opening shareholders' deficit	(28,510)	(39,247)
Closing shareholders' deficit	**(13,166)**	**(28,510)**

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 26 April 2014, the company had net liabilities of £13,166,000 (2013: £28,510,000). 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 financial statements fall within the scope of The Finance and Leasing Association Statement of Recommended Practice (FLA SORP) and have been prepared in accordance with the provisions thereof.

b) Intangible 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.

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.

1. Accounting policies (continued)

c) Tangible fixed assets

Tangible fixed assets comprise property, plant and equipment at original historic cost, net of accumulated 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) Cash flow 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 in which the cash flows of the company are included.

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) Provisions 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.

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 26 April 2014 (2013: £Nil).

2. Turnover

The turnover and profit 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 26 April 2014 £000	52 Weeks ended 27 April 2013 £000
Passenger income	322,992	310,755
3rd party sales from train maintenance depots	17,530	17,945
Commission earned on ticket sales	6,090	5,930
Train catering sales	2,045	1,819
On train WiFi sales	274	283
	348,931	**336,732**

3. Other operating income

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

	52 Weeks ended 26 April 2014 £000	52 Weeks ended 27 April 2013 £000
Property letting, advertising & station access sales	7,914	7,934
Rail revenue support	138,040	121,927
Other sales	3,535	2,534
	149,489	**132,395**

4. Operating costs

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

		52 Weeks ended 26 April 2014 £000	52 Weeks ended 27 April 2013 £000
Staff costs (note 7d)		88,021	83,982
Depreciation (note 12)		5,113	7,566
Amortisation of intangible fixed assets (note 11)		1,052	1,052
Auditors' remuneration – for audit of the company's financial statements		40	40
Network Rail charges:	- Track access	65,845	53,034
	- Variable track access & capacity	24,128	23,451
	- Station/depot leases & long term charges	17,555	16,640
	- Other performance recoveries	(30,903)	(11,145)
Operating lease rentals	- Passenger rolling stock	27,891	27,856
	- Land and buildings	427	247
	- Other	114	109
Raw materials & consumables		19,398	20,224
3rd party train maintenance charges		28,465	26,856
Fuel costs		42,137	42,698
Franchise grant & Secretary of State Risk Assumptions		132,620	114,176
Other operating charges		57,571	48,508
		479,474	**455,294**

Non-audit fees of £10,000 (2013: £9,000) 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 26 April 2014 £000	52 Weeks ended 27 April 2013 £000
a) Finance income		
Bank interest	347	583
Other intra group financing item	36	32
FRS17 - finance income interest (note 22b):		
- Expected return on assets	10,127	9,335
- Interest on pension scheme liabilities	(8,047)	(7,966)
- Unwinding of franchise adjustment	1,756	1,145
	4,219	**3,129**

b) Finance charges		
Bank charges	61	82
Inter-company bond charges	184	150
Inter-company commitment fees	91	27
Inter-company loan interest	1,272	1,924
	1,608	**2,183**

6. Dividends

The company did not pay any dividends during the period (2013: £Nil).

7. Information regarding Directors and employees

a) Directors' emoluments

Emoluments of Directors were:

	52 Weeks ended 26 April 2014 £000	52 Weeks ended 27 April 2013 £000
Aggregate emoluments	**1,043**	**1,014**

The highest paid Director in the year received £272,000 (2013: £343,000). The emoluments include a recharge from Stagecoach Group plc in respect of Directors' services of Nil (2013: £20,000).

During the period no Directors (2013: 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 26 April 2014 Number	52 Weeks ended 27 April 2013 Number
Defined benefit schemes	**6**	**6**
Money purchase schemes	**3**	**1**

The highest paid Director accrued defined pension benefits of £39,795 (2013: £34,000) 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 26 April 2014 Number	52 Weeks ended 27 April 2013 Number
UK Operations	1,049	1,052
Administration and supervisory	1,033	1,004
	2,082	**2,056**

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

	52 Weeks ended 26 April 2014 £000	52 Weeks ended 27 April 2013 £000
Wages and salaries	72,211	69,670
Social security costs	5,941	5,716
Defined benefit scheme pension costs (note 22b)	9,136	7,793
Defined contribution scheme pension costs (note 22b)	346	366
Cash Settled share based payments (note 21)	159	164
Equity settled share based payments (note 21)	228	273
	88,021	**83,982**

8. Tax on profit on ordinary activities

a) Charge for the period

	52 Weeks ended 26 April 2014 £000	52 Weeks ended 27 April 2013 £000
Current tax:		
UK Corporation tax on profit of the period	5,096	3,941
Adjustments in respect of prior period	30	356
Total current tax	**5,126**	**4,297**
Deferred tax:		
Origination and reversal of timing differences	73	(561)
Adjustments in respect of prior periods	75	171
Total deferred taxation	**148**	**(390)**
Taxation on profit on ordinary activities	**5,274**	**3,907**

b) Factors affecting the tax charge for the period

The tax assessed for the period is higher than (2013: higher than) the standard rate of corporation tax in the UK (22.84%).(2013:23.92%) The differences are explained below:	52 Weeks ended 26 April 2014 £000	52 Weeks ended 27 April 2013 £000
Profit on ordinary activities before taxation	**21,557**	**14,779**
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22.84% (2013: 23.92%).	4,924	3,535
Effect of:		
Non tax deductible expenditure and other permanent differences	78	134
Treatment of inter-company transactions	22	(205)
Capital allowances in excess than depreciation	600	1,219
Pension cost relief in excess of pension cost charge	(542)	(419)
Share based payments (FRS20)	14	(323)
Adjustments in respect of prior periods	30	356
Current tax charge for the period (note 8a)	**5,126**	**4,297**

8. Tax on profit on ordinary activities (continued)

c) Factors that may affect future tax charges

During the year, a change in the UK corporation tax rate from 23% to 21% was enacted on 23 July 2013 and became effective from 1 April 2014.

In addition, legislation to reduce the main rate of corporation tax from 21% to 20% from 1 April 2015 was included in the Finance Act 2013, which was substantively enacted on 2 July 2013. The impact of this change has been reflected in the closing deferred tax balance.

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:

	2014 £000	2013 £000
Within two to five years	27,928	27,864
	27,928	**27,864**

Annual commitments under other operating leases expiring as follows are:

	2014		2013	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	67	9	70	4
Within two to five years	324	23,055	237	72,146
	391	**23,064**	**307**	**72,150**

10. 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 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 beginning and end of year	105	941	2,559	4,177	**7,782**
Accumulated amortisation					
At beginning of year	76	696	1,892	3,090	**5,754**
Amortisation for the period	14	127	346	565	**1,052**
At end of year	90	823	2,238	3,655	**6,806**
Net book value					
At end of year	**15**	**118**	**321**	**522**	**976**
At beginning of year	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 beginning of year	734	31,029	4,740	**36,503**
Additions	-	697	2,905	**3,602**
Disposals	-	-	(4,434)	**(4,434)**
At end of year	734	31,726	3,211	**35,671**
Accumulated depreciation				
At beginning of year	459	18,893	-	**19,352**
Charge for the period	141	4,972	-	**5,113**
At end of year	600	23,865	-	**24,465**
Net book value				
At end of year	**134**	**7,861**	**3,211**	**11,206**
At beginning of year	275	12,136	4,740	**17,151**

13. Stocks

	2014 £000	2013 £000
Raw materials and consumables	3,541	3,018

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

14. Debtors

	2014 £000	2013 £000
Amounts falling due within one year:		
Trade debtors	14,599	13,371
Amounts owed by group undertakings	2,417	426
Other debtors	562	446
Value Added Tax debtor	2,935	810
Prepayments and accrued income	27,035	19,772
	47,548	**34,825**
Amounts falling due after more than one year:		
Prepayments and accrued income	469	971
Deferred tax asset (Note 15)	1,407	1,080
	1,876	**2,051**

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

15. Deferred tax asset

	2014 £000	2013 £000
Accelerated capital allowances	757	347
Other timing differences	650	733
Deferred tax asset excluding that related to pension liability	**1,407**	**1,080**
Deferred tax asset related to pension liability (note 22b)	771	1,153
Deferred tax asset	**2,178**	**2,233**

Asset at start of period	2,233	1,813
Deferred tax (charge)/credit in profit and loss account (note 8a)	(148)	390
Deferred tax recognised in the statement of total recognised gains and losses	93	30
Asset at the end of the period	**2,178**	**2,233**

16. Creditors

	2014 £000	2013 £000
Amounts falling due within one year:		
Trade creditors	18,695	19,246
Amounts owed to group undertakings	943	1,204
Corporation Tax	5,096	3,941
Capital grants	-	6
Other creditors	773	961
Other taxation and social security	1,670	1,732
Accruals and deferred income	64,185	57,954
	91,362	**85,044**
Amounts falling due after more than one year:		
Amounts owed to fellow group undertakings	35,674	45,123
Accruals and deferred income	11,831	9,658
	47,505	**54,781**

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

Amounts owed to group undertakings greater than one year accrue no interest and are repayable on demand apart from £35,674,000 (2013: £45,123,000) which represents a loan from Stagecoach Rail Holdings Limited, and accrues interest at 6 month LIBOR plus 2.5% (2013: 2.5%).

17. Provisions for liabilities

	Onerous Lease £000	Insurance claims £000	Total £000
At beginning of year	**148**	**1,891**	**2,039**
Charged to the profit and loss account	-	990	**990**
Utilised during the period	(36)	(1,165)	**(1,201)**
At end of year	**112**	**1,716**	**1,828**

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 past the end of the franchise.

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 two years.

Notes to the financial statements (continued)
For the 52 weeks ended 26 April 2014

18. Pension liability

	2014 £000	2013 £000
Gross pension liability	(3,856)	(5,011)
Deferred tax asset (note 15)	771	1,153
Pension liability, net of deferred tax	**(3,085)**	**(3,858)**

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

	2014 £000	2013 £000
Authorised:		
300,000 (2013: 300,000) ordinary shares of £1 each	**300**	**300**
Allotted, called-up and fully paid:		
200,000 (2013: 200,000) ordinary shares of £1 each	**200**	**200**

20. Reserves

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

	Share premium account £000	Profit and loss account £000	Capital reserve £000
At beginning of year	**1**	**(31,303)**	**2,592**
Profit for the financial period	-	16,283	-
Other recognised gain and losses	-	(1,124)	-
Credit in respect of equity-settled share based payments	-	-	185
At end of the year	**1**	**(16,144)**	**2,777**

21 Share based payments

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 2014 there were 813 (2013: 802 participants in the BAYE scheme who have cumulatively purchased 311,119 (2013: 202,578) shares with the company contributing 119,208 (2013: 78,526) matching shares on a cumulative basis. Dividends had been reinvested in a further 13,692 (2013: 5,062) for these participants.

Costs of £159,000 (2013: £164,000) have been recognised in the profit and loss account during the year in relation to the scheme.

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	28 June 2010	30 June 2011	27 June 2012	27 June 2013	**Total**
Outstanding at start of year (notional units)	**53,276**	**46,419**	**72,720**	**Nil**	**172,415**
Awards granted in year (notional units)	Nil	Nil	Nil	62,380	62,380
Exercised in year (notional units)	(53,276)	Nil	Nil	Nil	(53,276)
Intra group transfers (notional units)	Nil	(13,552)	(12,797)	Nil	(26,349)
Lapsed in year (notional units)	Nil	Nil	Nil	Nil	Nil
Dividends in year (notional units)	Nil	1,119	1,537	1,599	4,255
Outstanding at end of year (notional units)	**Nil**	**33,986**	**61,460**	**63,979**	**159,425**
Vesting date	28 June 2013	30 June 2014	27 June 2015	27 June 2016	
Expected total value of award at time of grant (£)	215,329	202,607	187,578	193,440	
Closing share price on date of grant (£)	1.9020	2.5530	2.6190	3.1010	

A charge of £228,000 (2013: £273,000) has been recognised in the profit and loss account during the year in relation to the above scheme.

22. Guarantees and other financial commitments

a) Capital commitments

	2014 £000	2013 £000
Contracted for but not provided for:		
Station Enhancements	710	142
	710	**142**

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:

	2014 %	2013 %
Rate of increase in salaries	3.8	3.7
Rate of increase of pensions in payment	2.3	2.2
Discount rate	4.5	4.4
Retail Price Index (RPI) Inflation	3.3	3.2
Consumer Price Index (CPI) Inflation	2.3	2.2

The life expectancy assumptions used for each scheme are periodically reviewed and as at 30 April 2014 were:

	2014	2013
Current pensioner aged 65 – male	19.8	19.7
Current pensioner aged 65 – female	23.6	23.5
Future pensioners at age 65 – (aged 45 now) – male	22.1	22.0
Future pensioners at age 65 – (aged 45 now) – female	25.8	25.7

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

	2014 %	2014 £000	2013 %	2013 £000
Equities	8.3	158,642	8.3	152,761
Bonds	4.0	46,813	3.7	45,076
Cash	3.6	946	3.0	911
Property	7.5	30,026	7.5	28,913
Total		236,427		227,661

22. Guarantees and other financial commitments (continued)
b) Pension scheme (continued)

Analysis of amounts charged to the profit and loss account

	2014 £000	2013 £000
Charge to operating profits		
- Current service cost	9,136	7,793
Total operating charge	9,136	7,793
Finance income		
- Expected return on assets	(10,127)	(9,335)
- Interest on pension scheme liabilities	8,047	7,966
- Unwinding of franchise adjustments	(1,756)	(1,145)
Net return	(3,836)	(2,514)

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 £346,000 (2013: £366,000) as defined contribution pension expenses. As at 26 April 2014 there was a creditor of £38,000 (2013: £32,000) in relation to these contributions.

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

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Actual return less expected return on pension scheme assets					
- Amount	110	11,042	(12,433)	10,113	33,368
- Percentage of scheme assets	0.05%	4.85%	(6.07%)	4.94%	18.24%
Experience gains and losses arising on the scheme liabilities					
- Amount	(7,027)	5,212	(7,922)	(7,464)	11,170
- Percentage of the present value of the scheme liabilities	2.92%	(2.24%)	3.75%	3.48%	5.85%
Changes in assumptions underlying the present value of the scheme liabilities	(109)	(33,408)	24,258	102	(68,087)
Franchise adjustment	5,809	16,749	(2,181)	(5,019)	22,128
Total actuarial (loss)/gain recognised in STRGL					
- Amount	(1,217)	(405)	1,722	(2,268)	(1,421)
- Percentage of the present value of scheme liabilities	0.51%	0.17%	(0.81%)	1.06%	0.74%

Notes to the financial statements (continued)
For the 52 weeks ended 26 April 2014

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:

	2014 £000	2013 £000
Deficit in the scheme at the beginning of the period	(5,011)	(6,359)
Movement in the period:		
- Current service cost	(9,136)	(7,793)
- Contributions	7,672	7,032
- Other finance income	2,080	1,369
- Actuarial (loss)	(7,026)	(17,154)
- Unwinding of franchise adjustment	1,756	1,145
- Actuarial gain on franchise adjustment	5,809	16,749
Deficit in the scheme at the end of the period	**(3,856)**	**(5,011)**

The balance sheet amounts as at 26 April 2014 measured in accordance with the requirements of FRS 17 were as follows:

	2014 £000	2013 £000
Total market value of assets	236,427	227,661
Present value of scheme liabilities		
- Gross Liabilities	(321,971)	(302,521)
- Adjustments for members' share of deficit (40%)	34,217	29,944
- Franchise adjustment	47,471	39,905
	(240,283)	(232,672)
Pension liability before tax	(3,856)	(5,011)
Related deferred tax asset	771	1,153
Net pension liability	**(3,085)**	**(3,858)**

Reconciliation of fair value of scheme assets

	26 April 2014 £000	27 April 2013 £000
At start of period	227,661	204,991
Expected return on plan assets	10,127	9,335
Actuarial gains	110	11,042
Employers contributions	7,672	7,032
Members contributions	1,378	2,558
Benefits paid	(10,521)	(7,297)
At end of period	**236,427**	**227,661**

22. Guarantees and other financial commitments (continued)

b) Pension scheme (continued)

Reconciliation of present value of scheme liabilities

	26 April 2014 £000	27 April 2013 £000
At start of period	232,672	211,350
Current service cost	9,136	7,793
Interest cost	8,047	7,966
Unwinding of franchise adjustment	(1,756)	(1,145)
Members contributions	1,378	2,558
Actuarial losses/(gains) – experience gains	1,218	(21,961)
Actuarial loss – change in assumptions	109	33,408
Benefits paid	(10,521)	(7,297)
At end of period	**240,283**	**232,672**

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 £8m.

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 26 April 2014, National Transport Tokens Limited redeemed tokens presented by the company with a value of £Nil (2013: £9,000).

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:

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