

East Midlands Trains Limited

Financial statements for the 52 weeks ended 28 April 2012

Registered number 5340682



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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 28 April 2012

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 was awarded the East Midlands Rail Franchise in June 2007, and commenced operations on 11 November 2007

East Midlands Trains Limited has continued to develop as a business in 2011/12 and has grown revenues in a number of key markets. Passenger volumes have increased and revenue yield has improved through a notable return to First Class travel coupled with effective revenue management initiatives. 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

Key markets including services between Sheffield and Chesterfield to London St Pancras saw significant growth throughout the year. Enhancements made to this route over recent years, including timetable benefits of significant journey time and frequency improvements from Sheffield allied to a much improved on board specification, has led to key improved customer acquisition and higher retention rates. The level of corporate travel has improved on this route, which is of particular note given the suppressed condition of the UK economy

Services on the Liverpool to Norwich route benefitted in Autumn 2011, from increased capacity. East Midlands Trains Limited were able to secure 4 additional 2 car trains which has eased overcrowding on this route. The additional carriages were secured through the DfT led "HLOS" programme. These additional seats have also allowed more sophisticated Revenue Management techniques to be applied on the route, which in turn has increased yields

The internal refurbishment of the company's class 222 "Meridian" inter city trains was completed during the year. This has vastly improved the passenger environment, including new seat covers, carpets and additional luggage space. First Class passengers on these trains now enjoy high quality leather seats and free Wi-Fi connectivity. The refurbishment of the remaining trains in the fleet (the Class 153s and 156s) continued during the year with completion expected by the end of July 2012

We continue to deliver safe and reliable trains that contribute to increasing operational performance. Of particular note, the HST fleet is now the most reliable of the 3 large UK fleets and the Class 153 and Class 158 have seen step changes in their reliability. The Meridian train – the mainstay of our London services - has shown increased resilience and has exceeded its reliability threshold set last year

Investment into stations continues with major works at Loughborough, Nottingham, Skegness and Wellingborough taking place throughout the year. These programmes offer improved access to all customers and will allow the company to grow passenger numbers within these markets in coming years. A new 950 space multi-storey car park at Nottingham station is the first element of a three year programme of works at Nottingham station. East Midlands Trains Limited is working closely with Network Rail and their contractor to deliver a multi-modal transport Hub project at the station

A focus on customer marketing has delivered significant incremental journeys from passengers throughout the year. This activity was recognised at two high profile marketing awards events in Autumn 2011

Directors' report (continued)

Review of business and future developments (continued)

2011/12 has been another challenging year financially for the company. The recession that took hold in 2008 and has largely continued thereafter has affected the balance between revenue growth and franchise premia payments to the Department for Transport (DfT). Cost control measures have continued and a mature approach to expenditure is evident culturally throughout the business. On a positive note, the business returned to profitability from November 2011 due to contractual Revenue Support payments received from the DfT. The financial outlook is therefore a favourable picture and with the expectation of future growth, continued cost control and contractual revenue support the business can look forward with confidence into future years.

2012 will bring the Olympics and Paralympics to London and this will provide an opportunity to bring new and lapsed passengers to sample our services. We will be running additional services throughout the Games and are looking forward to playing our part in such a high profile event for the nation.

A good safety culture continues to thread through all our activities at East Midlands Trains Limited. This includes our Olympic preparations where, through an innovative new database, over 1,000 risks were identified by local teams and mitigated prior to the start of the Games.

During the year our approach to reduce level crossing incidents led to East Midlands Trains Limited winning the prestigious National Rail Awards category for safety along with our partners Network Rail and the British Transport Police. Our efforts were also recognised by other safety bodies such as the Rail Accident and Investigation Branch (RAIB) who recommend our work to other railway sectors.

Our overall train punctuality continues to further improve. At the end of the financial year our Public Performance Measure (PPM) reached a record breaking 93.7% (moving annual average). This compares with the 86.5% at the start of the franchise. During 2012/13 East Midlands Trains Limited is concentrating on absolute 'Right Time' as our performance measure.

Results and dividends

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

Turnover for the period ended 28 April 2012 was £324.3m (2011: £297.8m). Passenger revenue, an element of the turnover, increased by 8.5% (2011: 5.4%).

The loss after tax for the financial period amounted to £24.4m (2011: loss £19.8m).

No interim dividends have been declared and no final dividend is proposed (2011: £Nil).

No dividends were paid in the period (2011: £Nil).

The results include franchise subsidy and Secretary of State Risk Assumption repayments of £78.5m (2011: £30.6m) to the DfT. Revenue Support for the year was £36.3m (2011: £Nil).

Directors' report (continued)

Health and safety

East Midlands Trains Limited is continuing to perform well in controlling areas of significant risk and puts safety at the forefront of all areas of operation

During 2012 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 change so 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 arranged

Environment

Throughout the year, East Midlands Trains Limited has continued to contribute to Stagecoach Group's environmental objectives. Through the setting of generic objectives for all managers, personal ownership and development of initiatives for the management of energy were developed. These included the creation of Environment Champions at local level and raising of awareness amongst the staff

Detailed building surveys at key locations were carried out to identify energy saving opportunities such as lighting design and control. These were shared with Network Rail so to be incorporated into longer term station plans

On train consumption of fuel can now be more accurately analysed through the use of new software and analytical techniques. Energy saving 'ECO mode' on the Meridian fleet continues to reduce fuel consumption

During 2012/13 we shall be pursuing ISO50001 accreditation

We continue to enhance and develop our management of environmental risk through the development of our EN ISO14001 certified depot systems. These are helping to ensure ongoing legal compliance and effective management and control of our significant environmental risks. This risk-based approach is producing continual improvements in our practices and processes

Directors and their interests

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

Martin A Griffiths
David Horne
Timothy Sayer

Timothy Gledhill was appointed as a director on 10 October 2011
Clare McCartney and Ian Smith were appointed as Directors on 13 March 2012

Richard Bodicoat resigned as a director on 11 October 2011
Margaret Kay resigned as a director on 01 December 2011
Timothy Shoveller and Mark Steward resigned as Directors on 13 March 2012
David Maxwell resigned as a director on 16 September 2011

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

East Midlands Trains Limited has just over 2,000 employees across the network across a range of disciplines. The company pro actively recruits for attitude and trains for skill.

Occupational Health

The in house occupational health service for East Midlands Trains Limited has resulted in greater efficiency, effectiveness and consistency in managing the attendance of our people.

The service also focuses on the well-being of all employees offering a number of initiatives such as stop smoking and annual influenza vaccinations.

Training and development

East Midlands Trains Limited 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.

Over the past two years we have implemented a leadership programme which has been attended by front line managers. The aim of the training is to provide our leaders with the skills and tools they need to successfully manage and develop their teams.

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 since 2009 East Midlands Trains has seen a year on year improvement in the engagement score which is now higher than the industry norm.

Technological improvements have enabled all staff to access the company's dedicated employee intranet site 'The Platform' from any computer, regardless of location. 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 the Business Plan and promoting employee well-being initiatives.

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. East Midlands Trains Limited will continue to work closely with the trade unions to build and improve further working relationships.

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, and
- customer service

Safety

In addition to providing a reliable train service, we seek to ensure the safety of our customers, staff and contractors. Safety is monitored in various ways, including through a Board Sub-Committee and a range of KPIs. The most important KPIs are reported below:

	Period ended 28 April 2012 (Moving Annual Average)	Period ended 30 April 2011 (Moving Annual Average)
Passenger major injuries per 1 million passenger journeys	0.30	0.44
Workforce lost time accidents per 1,000 employees	1.55	1.47
Employee physical assaults per 1,000 employees	2.21	2.12

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 28 April 2012 (Moving Annual Average)	Period ended 30 April 2011 (Moving Annual Average)
Public Performance Measure	93.7%	92.0%

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 adopted policies that require appropriate credit checks to be performed on potential customers before sales are made.

Directors' report (continued)

Principal risks and uncertainties

East Midlands Trains Limited, 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 East Midlands Trains Limited 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 2011/12, 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 20 days (2011: 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 Rail Holdings Limited. 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

19 July 2012

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 28 April 2012 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, as set out on page 7, 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 Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 28 April 2012 and of its loss 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

M. Cowie

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

19 July 2012

Profit and loss account
For the 52 weeks ended 28 April 2012

	Notes	52 Weeks ended 28 April 2012 £000	52 Weeks ended 30 April 2011 £000
Turnover	2	324,282	297,820
Other operating income	3	54,241	12,360
Operating costs	4	(412,566)	(338,023)
Operating loss		(34,043)	(27,843)
Finance income	5 (a)	2,101	1,836
Finance charges	5 (b)	(2,443)	(943)
Loss on ordinary activities before taxation		(34,385)	(26,950)
Tax on loss on ordinary activities	8	10,013	7,141
Loss for the financial period	20	(24,372)	(19,809)

The results for both periods are derived wholly from continuing operations

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

Balance sheet
As at 28 April 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Fixed asset investments	10	-	-
Intangible fixed assets	11	3,080	4,132
Tangible fixed assets	12	22,846	23,516
		25,926	27,648
Current assets			
Stocks	13	3,630	4,734
Debtors amounts falling due after more than one year	14	4,797	5,703
Debtors amounts falling due within one year	14	44,396	38,445
Cash at bank and in hand		49,146	46,201
		101,969	95,083
Creditors amounts falling due within one year	16	(82,881)	(89,172)
Net current assets		19,088	5,911
Total assets less current liabilities			
Creditors amounts falling due after more than one year	16	(77,442)	(40,878)
Provision for liabilities	17	(1,986)	(2,104)
Net liabilities excluding pension liability		(34,414)	(9,423)
Pension liability	18	(4,833)	(6,964)
Net liabilities including pension liability		(39,247)	(16,387)
Capital and reserves			
Called up share capital	19	200	200
Share premium account	20	1	1
Profit and loss account	20	(41,800)	(18,549)
Contribution reserve	20	2,352	1,961
Total shareholders' deficit		(39,247)	(16,387)


The financial statements on pages 11 to 36 were approved by the board of Directors on 19th July 2012

Signed on behalf of the Board



Timothy Gledhill
Finance Director

19th July 2012



David Horne
Managing Director

19th July 2012

Statement of total recognised gains and losses

For the 52 weeks ended 28 April 2012

	Notes	52 weeks ended 28 April 2012 £000	52 weeks ended 30 April 2011 £000
Loss for the financial period		(24,372)	(19,809)
Recognition of net actuarial gains/(losses) on defined benefit pension schemes	22(b)	1,722	(2,268)
Recognition of tax on net actuarial (losses)/gains on defined benefit pension schemes	15	(601)	427
Total recognised losses relating to the period		(23,251)	(21,650)

Reconciliation of movements in shareholders' deficit

	52 weeks ended 28 April 2012 £000	52 weeks ended 30 April 2011 £000
Loss for the financial period	(24,372)	(19,809)
Other recognised gains/(losses) relating to the period	1,121	(1,841)
Credit in respect of equity settled share based payments	391	742
Net increase in shareholders' deficit	(22,860)	(20,908)
Opening shareholders' (deficit)/funds	(16,387)	4,521
Closing shareholders' deficit	(39,247)	(16,387)

Notes to the financial statements

For the 52 weeks ended 28 April 2012

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 28 April 2012, the company had net liabilities of £39,247,000 (2011: £16,387,000). 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 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 (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 28 April 2012

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

h) *Other operating income*

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

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, East Midlands Trains Limited 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

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

j) Retirement benefit obligations

East Midlands Trains Limited became the relevant train operating company for the old Midland Mainline section at the start of the new franchise. This scheme was renamed the East Midlands Trains Limited 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. East Midlands Trains Limited must make contributions during its franchise term in accordance with the contribution schedule agreed between East Midlands Trains Limited 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.

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

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.

Notes to the financial statements (continued)

For the 52 weeks ended 28 April 2012

1. Accounting policies (continued)

j) Retirement benefit obligations (continued)

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 28 April 2012

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 28 April 2012 (2011: £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 East Midlands Trains Limited participate, are provided in the financial statements of Stagecoach Group plc.

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

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 28 April 2012 £000	52 Weeks ended 30 April 2011 £000
Passenger income	298,245	274,998
3 rd party sales from train maintenance depots	17,950	15,206
Commission earned on ticket sales	6,083	5,775
Train catering sales	1,772	1,776
On train WiFi sales	232	65
	<u>324,282</u>	<u>297,820</u>

3 Other operating income

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

	52 Weeks ended 28 April 2012 £000	52 Weeks ended 30 April 2011 £000
Property letting, advertising & station access sales	7,843	7,859
Rail revenue support	36,340	-
Other sales	10,058	4,501
	<u>54,241</u>	<u>12,360</u>

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

4 Operating costs

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

	52 Weeks ended 28 April 2012 £000	52 Weeks ended 30 April 2011 £000
Staff costs (note 7d)	82,403	79,378
Depreciation (note 12)	4,437	3,977
Amortisation of intangible fixed assets (note 11)	1,052	1,052
Auditors' remuneration – for audit of the company's financial statements	38	40
Network Rail charges - Track access	48,678	47,949
- Variable track access & capacity	22,547	21,345
- Station/depot leases & long term charges	15,920	14,668
- Other performance recoveries/charges	(5,519)	(10,206)
Operating lease rentals - Passenger rolling stock	27,760	17,884
- Land and buildings	898	482
- Other	125	85
Raw materials & consumables	17,595	17,791
3rd party train maintenance charges	27,136	26,395
Fuel costs	41,964	32,606
Franchise grant & Secretary of State Risk Assumptions	78,505	30,621
Other operating charges	49,027	53,956
	412,566	338,023

Non-audit fees of £10,000 (2011 £10,000) included within other operating costs was payable to PricewaterhouseCoopers LLP during the period relating to Office of Rail Regulation and covenant work for the company

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

5 Finance income and charges

	52 Weeks ended 28 April 2012 £000	52 Weeks ended 30 April 2011 £000
a) Finance income		
Bank interest	87	148
Other intra group financing item	33	27
FRS17 - finance income interest (note 22b)		
- Expected return on assets	9,464	8,446
- Interest on pension scheme liabilities	(8,766)	(8,291)
- Unwinding of franchise adjustment	1,283	1,506
	2,101	1,836
b) Finance charges		
Bank charges	(96)	(87)
Inter-company bond charges	(144)	(179)
Inter-company commitment fees	(120)	(205)
Inter-company loan arrangement fee	(300)	-
Inter-company loan interest	(1,783)	(472)
	(2,443)	(943)

6 Dividends

The company did not pay any dividends during the period (2011 £Nil)

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

7. Information regarding Directors and employees

a) Directors' emoluments

Emoluments of Directors were

	52 Weeks ended 28 April 2012 £000	52 Weeks ended 30 April 2011 £000
Aggregate emoluments	955	864

The highest paid director in the year received £205,000 (2011 £185,000) The emoluments include a recharge from Stagecoach Group plc in respect of Directors' services of £27,000 (2011 £30,000)

During the period 3 directors (2011 2) exercised share options in the ultimate parent company

b) Pensions

The number of Directors who were members of the East Midlands Trains Limited pension scheme were as follows

	52 Weeks ended 28 April 2012 Number	52 Weeks ended 30 April 2011 Number
Defined benefit schemes	9	7

The highest paid director accrued defined pension benefits of £40,000 (2011 £35,000) and lump sum benefits of £Nil (2011 £Nil)

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

<i>By activity</i>	52 Weeks ended 28 April 2012 Number	52 Weeks ended 30 April 2011 Number
UK Operations	1,050	1,029
Administration and supervisory	981	1,010
	2,031	2,039

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

	52 Weeks ended 28 April 2012 £000	52 Weeks ended 30 April 2011 £000
Wages and salaries	68,230	65,611
Social security costs	5,489	5,113
Defined benefit scheme pension costs (note 22b)	7,654	7,477
Defined contribution scheme pension costs (note 22b)	384	435
Equity settled share based payments	646	742
	82,403	79,378

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

8. Tax on loss on ordinary activities

a) Credit for the period

	52 Weeks ended 28 April 2012 £000	52 Weeks ended 30 April 2011 £000
Current tax		
Corporation tax credit	(9,551)	(7,630)
Adjustments in respect of prior period	4	(19)
Total current tax	(9,547)	(7,649)
Deferred tax		
Origination and reversal of timing differences	106	547
Adjustments in respect of prior periods	(572)	(39)
Total deferred taxation	(466)	508
Taxation on loss on ordinary activities	(10,013)	(7,141)

b) Factors affecting the tax credit for the period

	52 Weeks ended 28 April 2012 £000	52 Weeks ended 30 April 2011 £000
The tax assessed for the period is lower than (2011 lower than) the standard rate of corporation tax in the UK (28%). The differences are explained below		
Loss on ordinary activities before taxation	(34,385)	(26,951)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25.84% (2011 27.84%)	(8,883)	(7,504)
Effect of		
Non tax deductible expenditure and other permanent differences	89	50
Treatment of inter-company transactions	(835)	281
Capital allowances less/(more) than depreciation	236	(346)
Pension cost relief in excess of pension cost charge	(344)	(279)
Share based payments (FRS20)	186	168
Adjustments in respect of prior periods	4	(19)
Current tax credit for the period (note 8a)	(9,547)	(7,649)

c) Factors that may affect future tax charges

In the 2012 budget on 21 March 2012, the UK Government announced its intention to further reduce the UK Corporate Income Tax rate by another 1% to 22% (having previously stated rate would reduce to 23% by 1% per annum over a three-year period). At 28 April 2012 the change in the rate of tax to 23% was not substantively enacted in law, but a 1% decrease in the rate to 23% is expected to be enacted in the period ending 27 April 2013. Had this change of rate to 23% been substantively enacted as of the balance sheet date, the estimated impact on the balance sheet would be a reduction in the deferred tax asset of £76,000 from £1,813,000 to £1,738,000.

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

9 Operating leases and similar commitments

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

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

	2012	2011
	£000	£000
Within two to five years	27,560	25,748
	27,560	25,748

Annual commitments under other operating leases expiring as follows are

	2012		2011	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Within one year	122	24	-	-
Within two to five years	237	61,913	383	55,868
	359	61,937	383	55,868

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.

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

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 30 April 2011 and 28 April 2012	105	941	2,559	4,177	7,782
Accumulated amortisation					
At 30 April 2011	48	442	1,200	1,960	3,650
Amortisation for the period	14	127	346	565	1,052
At 28 April 2012	62	569	1,546	2,525	4,702
Net book value at 30 April 2011	57	499	1,359	2,217	4,132
Net book value at 28 April 2012	43	372	1,013	1,652	3,080

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 30 April 2011	556	21,211	9,157	30,924
Additions	169	3,096	12,732	15,997
Disposals	-	(32)	(12,214)	(12,246)
At 28 April 2012	725	24,275	9,675	34,675
Accumulated depreciation				
At 30 April 2011	102	7,306	-	7,408
Charge for the period	146	4,291	-	4,437
Disposals	-	(16)	-	(16)
At 28 April 2012	248	11,581	-	11,829
Net book value at 30 April 2011	454	13,905	9,157	23,516
Net book value at 28 April 2012	477	12,694	9,675	22,846

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

13. Stocks

	2012 £000	2011 £000
Raw materials and consumables	3,630	4,734

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

14 Debtors

	2012 £000	2011 £000
<i>Amounts falling due within one year</i>		
Trade debtors	14,436	16,250
Amounts owed by group undertakings	353	863
Other debtors	427	855
Value Added Tax debtor	2,178	3,025
Corporation Tax debtor	9,551	8,510
Prepayments and accrued income	17,451	8,942
	44,396	38,445
<i>Amounts falling due after more than one year</i>		
Prepayments and accrued income	4,510	5,703
Deferred tax asset (Note 15)	287	-
	4,797	5,703

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

15. Deferred tax asset/(liability)

	2012 £000	2011 £000
Accelerated capital allowances	(600)	(1,320)
Other timing differences	887	821
Deferred tax asset/(liability) excluding that related to pension asset	287	(499)
Deferred tax asset related to pension liability (note 22b)	1,526	2,447
Deferred tax asset	1,813	1,948
Asset at start of period	1,948	2,029
Deferred tax credit/(charge) in profit and loss account (note 8a)	466	(508)
Deferred tax recognised in the statement of total recognised gains and losses	(601)	427
Asset at the end of the period	1,813	1,948

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

16. Creditors

	2012 £000	2011 £000
<i>Amounts falling due within one year</i>		
Trade creditors	15,919	21,371
Amounts owed to group undertakings	1,322	2,125
Capital grants	6	6
Accruals and deferred income	63,293	63,129
Other creditors	762	973
Taxation and social security	1,579	1,568
	<u>82,881</u>	<u>89,172</u>
<i>Amounts falling due after more than one year</i>		
Amounts due to fellow group undertakings	67,632	35,472
Capital grants	6	13
Accruals and deferred income	9,804	5,393
	<u>77,442</u>	<u>40,878</u>

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 £67,632,000 (2011: £35,472,000) which represents a loan from Stagecoach Rail Holdings Limited and accrues interest at 3 month LIBOR plus 2.5% (2011: 2.5%)

17 Provisions for liabilities

	Onerous Lease £000	Insurance claims £000	Redundancy £000	Total £000
At 30 April 2011	-	1,369	236	1,605
Charged to the profit and loss account	345	1,291	-	1,636
Utilised during the period	-	(1,019)	(236)	(1,255)
At 28 April 2012	<u>345</u>	<u>1,641</u>	<u>-</u>	<u>1,986</u>

	Deferred Tax £000
At 30 April 2011	499
Credit for the period	(786)
At 28 April 2012	<u>(287)</u>

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 0-5 years.

The onerous lease provision relates to the ongoing property lease and associated costs at the vacated Nottingham office (Waterfront House). It is expected that the provision will be utilised over the next three financial years.

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

18. Pension liability

	2012 £000	2011 £000
Gross pension liability	(6,359)	(9,411)
Deferred tax asset	1,526	2,447
Pension liability, net of deferred tax	<u>(4,833)</u>	<u>(6,964)</u>

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

	2012 £	2011 £
<i>Authorised</i>		
300,000 (2011: 300,000) ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
<i>Allotted, called-up and fully paid</i>		
200,000 (2011: 200,000) ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
	<u>200,000</u>	<u>200,000</u>

20 Reserves

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

	Contribution reserve £000	Share premium account £000	Profit and loss account £000
At 30 April 2011	1,961	1	(18,549)
Loss for the financial period	-	-	(24,372)
Other recognised gain and losses	-	-	1,121
Credit in respect of equity-settled share based payments	391	-	-
At 28 April 2012	<u>2,352</u>	<u>1</u>	<u>(41,800)</u>

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

21 Share based payments

The company operates a Save as You Earn Scheme ("SAYE") 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.

Share based payment charges of £646,000 (2011: £742,000) 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:

<i>Issue</i>	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	761,011
Options cancelled	(687,558)
Options forfeited	(8,959)
Options exercised	(58,970)
End of year	5,524

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

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 2012 there were 754 (2011: Nil) participants in the BAYE scheme who have cumulatively purchased 63,070 (2011: Nil) shares with the company contributing 22,644 (2011: Nil) matching shares on a cumulative basis. Dividends had been reinvested in a further 142 (2011: Nil) 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:

<i>Award date</i>	30 June 2008	29 June 2009	10 December 2009	28 June 2010	30 June 2011	Total
Outstanding at start of year (notional units)	96,159	737,356	1,688	112,124	Nil	947,327
Awards granted in year (notional units)	Nil	Nil	Nil	Nil	79,438	79,438
Exercised in year (notional units)	(96,159)	Nil	Nil	Nil	Nil	(96,159)
Lapsed in year (notional units)	Nil	(63,425)	Nil	(8,038)	Nil	(71,463)
Dividends in year (notional units)	Nil	19,792	48	3,019	2,305	25,164
Outstanding at end of year (notional units)	Nil	693,723	1,736	107,105	81,743	884,307
Vesting date	26 June 2011	29 June 2012	10 Dec 2012	28 June 2013	30 June 2014	
Expected total value of award at time of grant (£)	229,021	907,984	2,549	215,329	202,607	
Closing share price on date of grant (£)	2.6825	1.2700	1.6060	1.9020	2.5500	

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

22. Guarantees and other financial commitments

a) Capital commitments

	2012	2011
	£000	£000
Contracted for but not provided for:		
Station Enhancements	265	152
	<u>265</u>	<u>152</u>

b) Pension scheme

On 11 November 2007 the Group commenced operating the new East Midlands Trains Limited 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 former 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 East Midlands Trains Limited 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.

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

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 East Midlands Trains Limited made a payment of £3.4m to eliminate any deficits on the East Midlands Trains Limited scheme.

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

	2012	2011
	%	%
Rate of increase in salaries	4.1	4.3
Rate of increase of pensions in payment	2.1	3.3
Discount rate	5.2	5.6
Retail Price Index (RPI) Inflation	3.1	3.3
Consumer Price Index (CPI) Inflation	2.1	n/a

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

	2012	2011
Current pensioner aged 65 – male	20.3	19.6
Current pensioner aged 65 – female	24.6	23.9
Future pensioners at age 65 – (aged 45 now) – male	22.4	21.9
Future pensioners at age 65 – (aged 45 now) – female	26.4	26.0

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

	2012	2012	2011	2011
	%	£000	%	£000
Equities	8.3	137,549	8.3	137,457
Bonds	4.3	40,588	5.0	40,561
Cash	3.4	820	4.4	819
Property	7.5	26,034	7.5	26,016
Total		<u>204,991</u>		<u>204,853</u>

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

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

Analysis of amounts charged to the profit and loss account

	2012 £000	2011 £000
Charge to operating profits		
- Current service cost	7,654	7,477
Total operating charge	<u>7,654</u>	<u>7,477</u>
Finance (income)/cost		
- Expected return on assets	(9,464)	(8,446)
- Interest on pension scheme liabilities	8,766	8,291
- Unwinding of franchise adjustments	(1,283)	(1,506)
Net return	<u>(1,981)</u>	<u>(1,661)</u>

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 £384,000 (2011 £435,000) as defined contribution pension expenses.

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

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Actual return less expected return on pension scheme assets					
- Amount	(12,433)	10,113	33,368	(56,674)	(10,683)
- Percentage of scheme assets	(6.07%)	4.94%	18.24%	(40.63%)	(5.83%)
Experience gains and losses arising on the scheme liabilities					
- Amount	(7,922)	(7,464)	11,170	21,986	(8,570)
- Percentage of the present value of the scheme liabilities	3.75%	3.48%	5.85%	14.86%	4.82%
Changes in assumptions underlying the present value of the scheme liabilities	24,258	102	(68,087)	13,538	24,889
Franchise adjustment	(2,181)	(5,019)	22,128	3,991	-
Total actuarial (loss)/gain recognised in STRGL					
- Amount	1,722	(2,268)	(1,421)	(17,159)	5,636
- Percentage of the present value of scheme liabilities	(0.81%)	1.06%	0.74%	11.60%	(3.17%)

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

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

	2012	2011
	£000	£000
Deficit in the scheme at the beginning of the period	(9,411)	(8,146)
Movement in the period		
- Current service cost	(7,654)	(7,477)
- Contributions	7,003	6,819
- Other finance income	698	155
- Actuarial gain	3,903	2,751
- Unwinding of franchise adjustment	1,283	1,506
- Actuarial loss on franchise adjustment	(2,181)	(5,019)
Deficit in the scheme at the end of the period	(6,359)	(9,411)

The balance sheet amounts as at 28 April 2012 measured in accordance with the requirements of FRS 17 were as follows

	2012	2011
	£000	£000
Total market value of assets	204,991	204,853
Present value of scheme liabilities		
- Gross Liabilities	(252,275)	(258,721)
- Adjustments for members' share of deficit (40%)	18,914	21,548
- Franchise adjustment	22,011	22,909
	<u>(211,350)</u>	<u>(214,264)</u>
Pension liability before tax	(6,359)	(9,411)
Related deferred tax asset	1,526	2,447
Net pension liability	(4,833)	(6,964)

Reconciliation of fair value of scheme assets

	28 April	30 April
	2012	2011
	£000	£000
At start of period	204,853	182,894
Expected return on plan assets	9,464	8,446
Actuarial (losses)/gains	(12,433)	10,113
Employers contributions	7,003	6,819
Members contributions	2,644	2,466
Benefits paid	(6,540)	(5,885)
At end of period	204,991	204,853

Notes to the financial statements (continued)
For the 52 weeks ended 28 April 2012

22 Guarantees and other financial commitments (continued)

b) Pension scheme (continued)

Reconciliation of present value of scheme liabilities

	28 April 2012 £000	30 April 2011 £000
At start of period	214,264	191,040
Current service cost	7,654	7,477
Interest cost	8,766	8,291
Unwinding of franchise adjustment	(1,283)	(1,506)
Members contributions	2,644	2,466
Actuarial (gains)/losses – experience gains	10,103	12,483
Actuarial (gains)/losses – change in assumptions	(24,258)	(102)
Benefits paid	(6,540)	(5,885)
At end of period	211,350	214,264

The triennial actuarial review of the East Midlands Trains Limited 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.

Following changes introduced by the UK Government in 2010, and in accordance with the rules of the Scheme, the Trustees of the Scheme have confirmed that CPI rather than RPI shall be used as the basis of revaluation for pensions.

The estimated impact of using CPI for valuing the scheme liabilities in the balance sheet was recorded as at the year-end, and the impact of applying CPI will be reflected in the service charge in the profit and loss account in the year ending 27 April 2013 along with the impact from the decrease in the contribution rates.

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.

Notes to the financial statements (continued)

For the 52 weeks ended 28 April 2012

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 28 April 2012, National Transport Tokens Limited redeemed tokens presented by the company with a value of £27,000 (2011: £60,000).

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