East Coast Main Line Company Limited

Financial Statements for the year ended 31 March 2020

Registered number: 04659708

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Contents

Corporate information

Company information for the year ended 31 March 2020

Directors:	Martin Griffiths Timothy Kavanagh Ross Paterson Patrick McCall Neil Micklethwaite
Company Secretary:	Timothy Kavanagh
Registered Office:	One Stockport Exchange 20 Railway Road Stockport United Kingdom SK1 3SW
Registered Number:	04659708
Independent Auditors:	Ernst & Young LLP G1 5 George Square Glasgow G2 1DY

Strategic Report

For the year ended 31 March 2020

The Directors present their strategic report for the year ended 31 March 2020 for East Coast Main Line Company Limited ("the Company").

The Company is a wholly owned subsidiary of Inter City Railways Limited. Inter City Railways Limited is a 90% subsidiary of Stagecoach Transport Holdings Limited, which is a 100% subsidiary of Stagecoach Group plc. Virgin Holdings Limited has a minority shareholding of 10% in Inter City Railways Limited.

PRINCIPAL ACTIVITIES

The Company operated train services, principally on the UK's East Coast Main Line, until June 2018 under a franchise agreement with the UK Department for Transport (the Franchise Agreement). The Company ceased to trade as a train operating company on 24 June 2018.

As a result of the cessation of the Company's trade following the transfer of operations to LNER and the orderly realisation of assets and settlement of liabilities that followed, these accounts have been prepared on a basis other than going concern. The Directors have considered the balance sheet position, and forecasted cash movements of the Company and are of the view that the Company has, and will continue to have, sufficient funds to meet external liabilities as they fall due.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Following the Secretary of State's decision to transfer responsibility for operating the East Coast train services from Virgin Trains East Coast to LNER from 24 June 2018 the Company retains responsibility for the wind down of certain assets and liabilities related to the terminated Franchise Agreement. The Company has continued to make good progress on winding down these residual assets and liabilities, although it can take some considerable time to reach a final position.

The Company has also sought, and received, continued assurances from the Department for Transport that the Department does not intend to pursue the Company for funds exceeding its available net assets. The Company is currently engaged in reaching a final settlement with the Secretary of State which is expected to result in all residual net assets being paid over. The Company expects that no further liability will arise and no further amounts will be payable.

COVID-19 has had little, if any impact upon the financial results as the Company ceased to trade when its operation of the East Coast franchise expired on 24 June 2018. The Directors do not consider that the pandemic and subsequent recovery will have a material impact upon the recoverability of the remaining assets and the finalisation and settlement of outstanding liabilities.

FINANCIAL REVIEW

The Company generated an operating loss for the year of £0.2 million (2019: £2.5 million loss) inclusive of £nil (2019: £79.4 million) being paid to the Department for Transport as franchise premium. The Company ceased to trade on 24 June 2018, and the Parent Company Support loan of £165.0 million and associated interest was waived and treated as a capital contribution.

FINANCIAL REVIEW (continued)

Turnover for the year ended 31 March 2020 was £0.1 million (2019: £207.7 million) which reflects ticket income earned from passenger services and associated income earned from catering, car park and commission from the sale of tickets on other train operator services. The operating expenditure reported in the year was £0.3 million (2019: £210.2 million) with a loss before taxation of £nil (2019: loss of £1.6 million). Loss after tax in the year was £nil (2019: loss of £1.6 million).

The Directors have considered the balance sheet position, and forecasted cash movements of the Company and are of the view that the Company has, and will continue to have, sufficient funds to meet external liabilities as they fall due. The Directors consider all assets recoverable as all balances relate to amounts owed by the Parent company and are repayable on demand. However, as detailed in note 1, the Directors do not consider it is appropriate to prepare these accounts on a going concern basis as the Franchise Agreement has been terminated. Consequently, the financial statements have been prepared on a basis other than going concern.

Key risks and uncertainties

The Company faces the following key risks in relation to the wind down of residual assets and liabilities:

- That the Company has insufficient funds to meet its external liabilities as they fall due; and
- The potential for a contingent claim in respect of premium foregone from the Secretary of State.

In respect of the first of these risks the Directors have considered and continue to consider the balance sheet and cash flow forecasts of the Company and are confident that the Company has sufficient funding to meet external liabilities.

The Company has also received assurances from the Department for Transport that the Department does not intend to pursue the Company for funds exceeding its available net assets. The Company is currently engaged in reaching a final settlement with the Secretary of State which is expected to result in all residual net assets being paid over. The Company expects that no further liability will arise and no further amounts will be payable.

The principal risks and uncertainties of Stagecoach Group plc, which includes those of this company, are discussed in the Group's 2020 annual report, which does not form part of this report.

By order of the Board

Tim Kavanagh
Company Secretary

16 September 2020

Directors' Report

For the year ended 31 March 2020

The Directors present their report together with the audited financial statements for the year ended 31 March 2020.

Principal activities

The principal activity of East Coast Main Line Company Limited ("the Company") is the winding down of residual assets and liabilities. Prior to this the Company, trading as Virgin Trains East Coast, had previously provided passenger services on the East Coast main line up until the 23 June 2018.

Results and dividends

The results for the year ended 31 March 2020 are set out in the income statement on page 9. The results for the year have been discussed in the strategic report on page 1. The Directors do not recommend a dividend for the year (2019: £nil).

Directors

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

Martin Griffiths	Director	
Timothy Kavanagh	Director	
Ross Paterson	Director	
Patrick McCall	Director	
Neil Micklethwaite	Director	
Timothy Shoveller	Director	Resigned 28 May 2019
James Tipple	Director	Resigned 13 September 2019

No Director had any interest in the 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.

Company Secretary

The Company Secretary is Timothy Kavanagh.

Charitable and political donations

The Company made charitable donations totalling £nil during the year ended 31 March 2020 (2019: £nil). There were no political donations made in the year (2019: £nil).

Financial Risk Management

As noted above the operation of the franchise was transferred to LNER on the 24 June 2018. As a consequence, a number of assets and liabilities of the Company were transferred to LNER and work was undertaken to wind down the residual elements. Regular reviews are undertaken of the realisable value of those assets and liabilities, and cash flow forecasts are produced to ensure the Company can meet its external liabilities as they fall due.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 year. 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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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.

Going Concern

The financial statements have been prepared on a basis other than going concern. Since the Franchise Agreement has been terminated as noted above in the Strategic Report, the Directors do not consider it is appropriate to prepare these accounts on a going concern basis. Accordingly, the Directors have considered the assets and liabilities of the Company and have made appropriate adjustments to write them down to their expected values. No material adjustment has arisen as a result of ceasing to apply the going concern basis. The Directors continue to meet regularly to consider the balance sheet and forecasted cash position of the Company and are of the view that the Company has, and will continue to have, sufficient funds to meet external liabilities as they fall due.

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.

Directors' statement of disclosure of information to auditor

The Directors who held office at the date of approval of the Directors' Report confirm that insofar as the Directors are aware, there is no relevant audit information (as defined in section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and they have taken all the steps required of them as Directors in order to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

Independent Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act.

The financial statements on pages 9 to 29 were approved by the Board of Directors on 16 September 2020 and signed on its behalf by

Timothy Kavanagh
Company Secretary
16 September 2020

Registered Office:

One Stockport Exchange

20 Railway Road

Stockport

United Kingdom

SK1 3SW

Independent auditor's report to the members of East Coast Main Line Company Limited

For the year ended 31 March 2020

Opinion

We have audited the financial statements of East Coast Main Line Company Limited for the year ended 31 March 2020 which comprise Income statement, Statement of other comprehensive income, Balance Sheet, Statement of changes in equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2020 and of its losses for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted
- Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – financial statements prepared on a basis other than going concern

We draw attention to Note 1 to the financial statements which explains that the franchise agreement has been terminated and therefore the Directors do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in Note 1. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of East Coast Main Line Company Limited (continued)

For the year ended 31 March 2020

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of East Coast Main Line Company Limited (continued)

For the year ended 31 March 2020

Use of our report

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

Ernst & Young LLP

Kevin Weston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
16 September 2020

Income statement

For the year ended 31 March 2020

	Note	2020 £000	2019 £000
Revenue			
Passenger income	2	**72**	202,275
Other operating income	3	**62**	5,423
Total Revenue		**134**	207,698
Other operating costs		**(289)**	(210,178)
Total operating costs		**(289)**	(210,178)
Operating loss	4	**(155)**	(2,480)
Finance income	7	**155**	920
Finance and similar charges	7	**-**	(28)
Loss before taxation		**-**	(1,588)
Tax on loss	8	**-**	-
Loss for the financial year		**-**	(1,588)

The income statement has been prepared on the basis that all operations are continuing operations.

The accompanying notes form an integral part of this income statement.

Statement of other comprehensive income

For the year ended 31 March 2020

	Note	**31 March 2020 £000**	31 March 2019 £000
Loss for the year		**-**	(1,588)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Change in franchise adjustment	16	-	1,588
Total items that will not be reclassified to profit or loss		**-**	1,588
Other comprehensive profit for the year, net of tax		-	1,588
Total comprehensive profit for the year		**-**	-

Balance Sheet

As at 31 March 2020

	Note	2020	2019
	Note	**£000**	£000
ASSETS			
Current assets			
Trade and other receivables: amounts due within one year	9	**30,317**	6,058
Cash at bank and in hand		**7,709**	36,592
Total assets		**38,026**	42,650
LIABILITIES			
Current liabilities			
Trade and other payables	10	**(37,097)**	(41,519)
Non-current liabilities			
Provisions for liabilities	11	**(929)**	(1,131)
		(929)	(1,131)
Total liabilities		**(37,706)**	(42,650)
Net assets		**-**	-
EQUITY			
Ordinary share capital	14	**-**	-
Capital reserve	15	**170,238**	170,238
Retained earnings		**(170,238)**	(170,238)
Total shareholders' equity		**-**	-

The accompanying notes form an integral part of this balance sheet. The financial statements on pages 9 to 29 were approved by the board of Directors on 16 September 2020 and were signed on its behalf by;

Timothy Kavanagh, Company Secretary

Statement of changes in equity
As at 31 March 2020

	Ordinary share capital	Capital Reserve	Retained Earnings	Total equity
	£000	£000	£000	£000
As at 31 March 2018	-	710	(170,238)	(169,528)
Loss for the year	-	-	(1,588)	(1,588)
Other comprehensive income for the year	-	-	1,588	1,588
Total comprehensive profit for the year	-	-	-	-
Other Reserve	-	169,528	-	169,528
As at 31 March 2019	-	170,238	(170,238)	-
Loss for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive profit for the year	-	-	-	-
Other Reserve	-	-	-	-
Total comprehensive income for the year	-	-	-	-
As at 31 March 2020	-	170,238	(170,238)	-

1 Accounting policies

The Company is a private limited company limited by shares and registered in England. The address of the Company's registered office is shown on page 5 and a description of the Company's principal activities are set out on page 1.

The principal accounting policies are set out below.

a) Basis of accounting

The financial statements have been prepared on a basis other than going concern. Since the Franchise Agreement was terminated as noted above in the Strategic Report, the Directors do not consider it is appropriate to prepare these accounts on a going concern basis. Accordingly, the Directors have considered the assets and liabilities of the Company and have made appropriate adjustments to write them down to their expected values. No material adjustment has arisen as a result of ceasing to apply the going concern basis. The Directors continue to meet regularly to consider the balance sheet and forecasted cash position of the Company and are of the view that the Company has, and will continue to have, sufficient funds to meet external liabilities as they fall due.

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act). Amounts in these financial statements are *rounded to the nearest thousand (£000) unless otherwise indicated.*

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46-52 of IFRS 2, 'Share-based payments' because the share based payment arrangement concerns the instruments of another group entity
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 10(d), 10(f), 16, 38A-D, 40A-D, 111 and 134-136 of IAS 1, Presentation of financial statements
- IAS 7, *Statement of Cash Flows*
- Paragraphs 30 and 31 of IAS 8, Accounting policies, changes in accounting estimates and errors
- The requirements of paragraph 17 of IAS 24, Related Party Disclosures
- Paragraph 73(e) of IAS 16, Property, Plant and Equipment
- Paragraph 118(e) of IAS 38, Intangible Assets
- Paragraphs 91 to 99 of IFRS 13, Fair Value Measurement

New accounting policies adopted in the year

IFRIC 23, Uncertainty over Income Tax Treatments

IFRIC 23 was issued in June 2017 and was implemented from 01 April 2019. The interpretation clarifies that if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge by applying either the 'most likely outcome' or 'expected value' methodology.

1 Accounting policies (continued)

a) Basis of accounting (continued)

IFRIC 23, Uncertainty over Income Tax Treatments (continued)

In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter. The Company has assessed the potential impact of the new interpretation. The application of IFRIC 23 on the opening balance of retained earnings has not resulted in a material change to the amounts held in the balance sheet for uncertain tax positions.

b) Revenue

Due to the adoption of IFRS 15 (Revenue from contracts with customers), customer compensation was treated as a reduction in revenue.

The Company had other revenue comprising of other operating income incidental to the Company's principal activities. Under IFRS 15 commissions receivable, maintenance income and fuel sales fall under the definition of revenue.

In the year to 31 March 2020 passenger income represents amounts recovered as part of a debt collection program for passengers who were found to be travelling without a valid ticket.

In the year to 31 March 2019 passenger income represented amounts agreed as attributed to the Company by the income allocation systems of the Rail Settlement Plan Limited, mainly in respect of passenger receipts. Income was attributed based principally on models of certain aspects of passengers' travel patterns and, to a lesser extent, from allocations agreed for specific revenue flows. The attributed share of season ticket income involved some estimation – for example revenue is deferred within creditors, and released to the income statement over the year of the relevant season ticket.

Travel on a train operating company's services can be sold by other train operating companies as well as other travel retailers. Furthermore, certain tickets for train travel can be sold which provide the holder with a choice of train operators to travel with. In light of those factors, our UK Rail revenue includes amounts receivable from individuals or groups of individuals to travel on UK rail services that is attributed to train operating companies by the Railway Settlement Plan Limited ("RSP"). RSP administers the income allocation system within the UK rail industry and allocates revenue to operators principally on agreed models of route usage.

Procedures exist to allow operators to challenge the appropriateness of revenue allocation – where the revenue allocated to the Company is subsequently adjusted, the effect of the adjustment is recognised in the income statement in the period in which we are made aware of it. Where an adjustment results in additional revenue being attributed to the Company, the additional revenue is recognised when the amount of revenue can be reliably estimated and it is highly probable that the economic benefits will flow to the Company.

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

1 Accounting policies (continued)

c) Performance incentive payments

Performance incentive payments received from or made to Network Rail by the Company in respect of rail operational performance were recognised in the same period that the performance related to and were treated as operating costs or other operating income.

d) Taxation

Tax, current and deferred is calculated using tax rates and laws enacted or substantively enacted at the balance sheet date. Corporation tax is provided on taxable profit at the current rate applicable. Tax charges and credits are accounted for through the same primary statement as the related pre-tax item. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is measured at the rates that are expected to apply in periods in which the temporary differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Management estimates amounts relating to uncertain tax treatments based on the applicable law and regulations, historic outcomes of similar audits and discussions, independent, external specialist advice and consideration of the progress on, and nature of, current discussions with the tax authority. Where management determines that a greater than 50% probability exists that the tax authorities would accept the positions taken in the tax return, amounts are recognised in the financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Company recognises a liability or asset based on either: management's judgement of the most likely outcome or, when there is a wide range of possible outcomes, a probability weighted average approach.

e) Leased assets

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

Operating lease rentals were charged to the income statement on a straight-line basis over the lease term. All assets held under leases were transferred to LNER on 24 June 2018.

g) Inventories

Inventories were valued at the lower of cost and net realisable value on a weighted average cost basis. Cost comprised direct costs and excludes borrowing costs. Net realisable value was the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Where necessary, provision was made for obsolete, slow moving and defective inventory. Inventories were transferred to LNER on 24 June 2018, therefore the value of inventories at 31 March 2020 was nil.

h) Grants

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

1 Accounting policies (continued)

i) Retirement benefit obligations

The Company contributed to a defined benefit pension scheme on behalf of the majority of employees. Full details are provided in note 16.

The Company participated in the Railway Pension Scheme, a defined benefit scheme which covers the whole of the UK Rail industry. All pension liabilities transferred to LNER on 24 June 2018, therefore all balances relating to pensions were nil at 31 March 2020. This is partitioned into sections and the Company is responsible for the funding of the sections whilst it operates the relevant franchise. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee.

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

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

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

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

j) Accounting for participation in Railways pension scheme

As disclosed in note 16, the Company applied a "franchise adjustment" to the amounts recorded in the balance sheet for the RPS. This represented the remaining element of the franchisee's 60% share of the IAS 19 deficit or surplus after determining the amount of any deficits the Company was required to fund (or surplus it was entitled to recover) over the remaining franchise period. This adjustment can give rise to a net pension asset, representing the expected excess of the income statement expense under IAS 19 for service cost and net interest over the contributions payable over the remainder of the franchise. The economic benefit of the asset was expected to be realised through the lower cash contributions over the remaining period of the franchise, and therefore upon the expiry of the franchise, there would be no pension asset (or liability) remaining. This judgement was consistent with the industry wide accounting treatment for the RPS that was agreed on adoption of IFRS in 2005. An alternative assessment of the RPS may conclude that such a net pension asset did not give rise to any economic benefits under IAS 19, on the basis that no refund was available from the RPS and there would not be any reduction in future contributions to the RPS.

Adopting this alternative assessment would result in such an asset being restricted to £nil under the asset ceiling under IFRIC 14. This would have no impact on the amounts recognised in the Company's balance sheet.

1 Accounting policies (continued)

k) Provisions

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

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

A provision is recognised in the balance sheet for any contract that is "onerous" where it is probable that the future economic benefits to be derived from the contract are less than the unavoidable costs under that contract. Determining the amount of any contract provision necessitates forecasting future cash flows and applying an appropriate discount rate to determine a net present value.

The amount of any provision is re-assessed at each balance sheet date. Any increase or decrease required to the amount of the provision is charged or credited to the income statement.

l) Share-based payments

Certain of the Company's employees were granted equity settled share based payments by the parent company. The Company has applied the optional exemption contained within IFRS 2, 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 was measured by reference to the fair value at the date at which they are granted and was recognised as an expense over the vested period. In valuing equity settled transactions, no account was taken of any non-market based vesting conditions and no expense was 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 was estimated by the use of the Black-Scholes pricing model. At each balance sheet date before vesting the cumulative expense was 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 was measured at fair value. Fair value was 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) was estimated by use of a simulation model.

1 Accounting policies (continued)

l) Share-based payments (continued)

ii. Cash-settled transactions (continued)

During the vested period, a liability was 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 31 March 2020 (2019: £nil).

m) Critical accounting policies and estimates

Preparation of the financial statements, in accordance with Financial Reporting Standard ("FRS") 101, requires directors to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual outcomes could differ from those estimated. The Directors believe that the accounting policies and estimation techniques discussed below represent those that require the greatest exercise of judgement. The Directors have used their best judgement in determining the estimates and assumptions used in these areas but a different set of judgements could result in material changes to the Company's reported financial performance and/or financial position. The critical accounting policies summarised below cover the policies regarded by the Directors as critical to the Company's reporting in general.

i. Pensions

The determination of the Company's pension benefit obligation and expense for defined benefit pension schemes was dependent on the selection by the Directors of certain assumptions used by actuaries in calculating such amounts. Those assumptions included the discount rate, the annual rate of increase in future salary levels and mortality rates. The Directors' assumptions were based on actual historical experience and external data. While we believe that the assumptions were appropriate, significant differences in actual experience or significant changes in assumptions may materially have affected the pension obligation and future expense.

The pension assumptions may have varied due to actual changes in market conditions following the balance sheet date but IAS 19 requires the assumptions to be set based on the market conditions prevailing at the balance sheet date. The pension assumptions were also affected by judgements the Directors were required to make on matters that cannot be directly observed from market prices such as life expectancies, future pay increases, harder to value assets and the criteria for bonds to be included in the population from which the discount rate was determined. Note 16 provides information on the sensitivity of pension benefit obligations to changes in assumptions.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

2 Revenue

All revenue originates in the United Kingdom. The Directors consider that the whole of the activities of the Company constitute a single class of business consisting of passenger and other related operating income as disclosed in the income statement. Revenue, excluding value added tax (VAT) where applicable, is comprised of:

	2020	2019
	£000	£000
Passenger income	**72**	187,029
Car park sales	-	2,546
Station access income	-	1,556
Train maintenance income	-	5,931
Fuel sales	-	2,663
Commission receivable	-	2,550
	72	202,275

3 Other income

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

	2020	2019
	£000	£000
Commercial property income	-	1,939
Station access income	-	275
Catering income	-	2,329
Other income	**62**	880
	62	5,423

4 Operating loss

	2020	2019
Operating loss is stated after charging:	**£000**	£000
Staff Costs (note 6)	-	42,201
Depreciation	-	1,240
Delay Repay costs	-	3,733
Amortisation of intangible assets	-	1,731
Inventories recognised as expenses	-	5,665
Operating lease rentals:		
- Fixed track access	-	13,492
- Land and buildings	-	1,150
- Rolling stock costs	-	18,590
- Plant and machinery	-	402
- Other	-	1,420
Auditors' remuneration – audit fees	**35**	42

5 Directors' remuneration

	2020	2019
	£000	£000
Emoluments in respect of qualifying services to the Company	-	245
Company pension contributions	-	27
	-	272

The emoluments excluding pension contributions of the highest paid Director were £nil (2019: £54,000).

The pension contributions of the highest paid Director were £nil (2019: £5,000).

The number of directors who were members of pension schemes during the year was as follows:

	2020	2019
	Number	Number
Defined benefit scheme	-	7

The highest paid director accrued defined pension benefits of £nil (2019: £62,000) and lump sum benefits of £nil (2019: £49,000).

6 Staff costs

	2020	2019
	£000	£000
Wages and salaries	-	34,107
Social security costs	-	3,191
Other pension costs	-	4,679
Equity settled share based payments	-	224
	-	42,201

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

	2020	2019
	Number	Number
Managerial and administrative	-	131
Operational	-	622
	-	753

The majority of employees transferred to LNER on 24 June 2018.

7 Finance income and charges

	2020	2019
	£000	£000
Finance income		
Bank interest	85	201
Unwinding of discount on franchise adjustment	-	719
Interest receivable from group undertakings	70	-
	155	920
Finance charges		
Other interest payable	-	(28)
	-	(28)
Net finance income	155	892

8 Tax on loss

a) Tax recognised in the income statement

The Company did not trade during the year and as such no tax has been recognised in the income statement.

The Company incurred pre-tax losses in previous years in relation to the franchised rail services that it operated until June 2018. No deferred tax asset had been recognised in respect of these losses because there was significant doubt over the Company's ability to utilise these losses. Since then, we have made progress with unwinding the Company's affairs, settling its liabilities and realising its assets. As part of that process, we have progressed the Company's tax affairs and during the previous financial year the Company secured agreement for the surrender of tax losses via group relief provided that the Company was compensated for losses so surrendered. The consequential additional increase in residual net assets has been accrued as payable to the Department for Transport. The Company has recognised £0.3m (2019: £7.2m) in relation to payments for the surrender of tax losses via group relief and an additional liability of £0.3m (2019: £7.2m). This results in a net nil economic benefit.

b) Factors affecting the tax charge for the year

The tax assessed for the year is the same as (2019: lower than) the standard effective rate of corporation tax in the UK of 19% (2019: 19%). The current tax charge is made up as follows:

	2020	2019
	£000	£000
Loss before taxation	-	(1,588)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	-	(302)
Losses not utilised	-	302
Total tax charge for the year reported in the income statement	-	-

8 Tax on loss (continued)

c) Factors that may affect future tax charges

Following legislation substantively enacted on 17 March 2020, the expected UK corporation tax rate increases from 17% to 19%. The deferred tax balance as at 31 March 2020 has therefore been calculated with reference to the enacted expected UK corporation tax rate of 19%.

9 Trade and other receivables

	2020	2019
	£000	£000
Amounts falling due within one year:		
Trade receivables	**-**	1,768
Amounts owed by group undertakings (note 18)	**30,317**	1,953
Value Added Tax receivable	**-**	613
Prepayments and accrued income	**-**	1,724
	30,317	6,058

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

10 Trade and other payables

	2020	2019
	£000	£000
Amounts falling due within one year:		
Trade payables	**27**	880
Amounts owed to group undertakings (note 18)	**132**	233
Other payables	**32,926**	31,311
Value Added Tax payable	**4**	-
Accruals and deferred income	**4,008**	9,095
	37,097	41,519

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

Other payables includes an amount of £32.9m expected to be payable to the Department for Transport in settlement of outstanding liabilities associated with the termination of the Franchise Agreement.

11 Provisions

Insurance

	2020	2019
	£000	£000
At start of year	1,131	1,143
Charged to the income statement	274	1,387
Unused amounts reversed	(105)	(282)
Utilised in year	(371)	(1,117)
Provision at end of year	929	1,131

The £929,000 (2019: £1,131,000) provision relates to customer and employee claims against the Company for compensation for injuries occurring whilst on East Coast property. Payments are expected to be made in respect of these claims as they are settled, which is typically within 5 years of origination, but the nature of the settlement process makes the timing of these payments uncertain. Estimates of claim values are based on actuarial reviews and prior claims history.

12 Contingent Liabilities

The termination of the Franchise Agreement could, in certain circumstances, give the Department for Transport the right to claim against the Company in respect of future premia payments foregone. As at 31 March 2020, liabilities have been recorded for amounts payable to the Department for Transport in respect of any residual net assets of the Company in settlement of these liabilities. No further amounts have been recorded by the Company in relation to potential claims by the Department for Transport in respect of the termination of the Franchise Agreement, because the Directors do not currently expect further amounts to be payable.

13 Deferred Tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred taxes relate to the same fiscal authority.

Gross deductible temporary differences of £9,846,172 (2019: £16,493,396) have not been recognised due to significant doubt over the Group's ability to access and utilise these losses.

14 Called up share capital

	2020	2019
	£	£
Allotted and fully paid		
Ordinary shares of £1 each	100	100

15 Reserves

A reconciliation of the movements in each reserve is shown in the statement of changes in equity on page 12.

The capital reserve represents the cumulative par value of all shares bought back and cancelled, and the value of the Parent Company Support loan and associated accrued interest which was waived by Stagecoach Group plc in 2019, and was treated as a capital contribution.

The balance held in the retained earnings reserve is the accumulated retained profits of the Company.

16 Retirement benefit obligations

Information about the scheme and the Company's accounting policies

East Coast Main Line Company Limited participated in a final salary pension scheme and is part of the Railways Pension Scheme. The assets and liabilities are identified separately from the remainder of the scheme. The Company had no rights or obligations to the Scheme following the termination of the Franchise Agreement, the only amounts payable during the period 1 April 2018 to 24 June 2018 being the value of cash contributions payable during that period. Under the terms of the RPS any fund deficit or surplus was shared by the employer (60%) and the employees (40%) in accordance with the shared cost nature of the RPS. The Company applied a "franchise adjustment" to the amounts recorded in the balance sheet for the RPS.

This represented the remaining element of the franchisee's 60% share of the IAS 19 deficit or surplus after determining the amount of any deficits the Company was required to fund (or surplus it is entitled to recover) over the remaining franchise period. This adjustment can give rise to a net pension asset, representing the expected excess of the income statement expense under IAS 19 for service cost and net interest over the contributions payable over the remainder of the franchise. The economic benefit of the asset is expected to be realised through the lower cash contributions over the remaining period of the franchise, and therefore upon the expiry of the franchise, there will be no pension asset (or liability) remaining. This judgement is consistent with the industry wide accounting treatment for the RPS that was agreed on adoption of IFRS in 2005. An alternative assessment of the RPS may conclude that such a net pension asset does not give rise to any economic benefits under IAS 19, on the basis that no refund is available from the RPS and there will not be any reduction in future contributions to the RPS. Adopting this alternative assessment would result in such an asset being restricted to £nil (2019: £nil) under the asset ceiling under IFRIC 14. This would have no impact on the amounts recognised in the Company's balance sheet.

In addition, in the prior year the Company contributed to a defined contribution scheme for certain employees. Contributions to defined contribution schemes during the year amounted to £nil (2019: £120,000).

16 Retirement benefit obligations (continued)

The measurement of the defined benefit obligations was sensitive to changes in key assumptions as described below:

- The discount rate was selected following actuarial advice and taking into account the duration of the liabilities.
- The inflation assumption adopted was consistent with the discount rate used. It was used to set the assumptions for pension increases, pensionable salary increases and deferred revaluations.
- The life expectancy assumptions adopted were a best estimate of the life expectancies of scheme members both during and after employment, and were based on the most recent data available from actuarial valuations.

The termination of the Franchise Agreement on 24 June 2018 however means that the Company has no ongoing rights or liabilities to the Scheme, beyond the payment of cash contributions for the period up to 24 June 2018. Consequently any changes in the assumptions described above will have no impact on the position at 31 March 2020, since the net liability in respect of the Scheme is £nil (2019: £nil) in any event.

The amounts recognised in the income statement were as follows:

	31 March 2020	**31 March 2019**
	£000	**£000**
Defined benefit obligation		
Current service cost	-	4,522
Administration cost	-	37
Unwinding of discount on franchise adjustment	-	(719)
Total defined benefit cost	-	3,840
Defined contribution cost	-	120
Total income statement charge	-	3,960

The impact of the income statement charge can be analysed as follows:

	31 March 2020	31 March 2019
	£000	£000
Total included in staff costs (note 6)	-	4,679
Total included in finance and similar charge (note 7)	-	(719)
	-	3,960

16 Retirement benefit obligations (continued)

The amounts recognised within the statement of other comprehensive income were as follows:

	31 March 2020	31 March 2019
	£000	£000
Change in franchise adjustment	-	1,588
Total amounts recognised in the statement of other comprehensive income	-	1,588

The movement in the asset recognised in the balance sheet in respect of the defined benefit plan during the year under IAS 19 was:

	31 March 2020	31 March 2019
	£000	£000
Asset at the beginning of the year	-	-
Total expense	-	(3,840)
Employer's contribution	-	2,252
Change in franchise adjustment	-	1,588
Asset at end of the year	-	-

The movement in the present value of asset recognised in the balance sheet in respect of the defined benefit plan during the year under IAS 19 is as follows:

	31 March 2020	31 March 2019
	£000	£000
At beginning of year	-	540,096
Interest income	-	3,160
Administration costs	-	(37)
Employer's contributions	-	2,252
Members contributions	-	268
Benefit paid	-	(3,879)
Rail franchise changes	-	(541,860)
At end of year	-	-

16 Retirement benefit obligations (continued)

The movement in the present value of obligations recognised in the balance sheet in respect of the defined benefit plan during the year under IAS19 is as follows:

	31 March 2020	31 March 2019
	£000	£000
At beginning of year	-	540,096
Current service cost	-	4,522
Interest cost	-	3,160
Change in franchise adjustment	-	(1,588)
Members contributions	-	268
Benefit paid	-	(3,879)
Unwinding of discount on franchise adjustment	-	(719)
Rail franchise changes	-	(541,860)
At end of year	-	-

The movement in the franchise adjustment is as follows:

	31 March 2020	31 March 2019
	£000	£000
At beginning of year	-	122,913
Rail franchise changes	-	(125,220)
Amounts recognised in the income statement:		
Unwinding of discount on franchise adjustment	-	719
Re-measurements:		
Change in franchise adjustment	-	1,588
At end of year	-	-

17 Share based payments

Executive Participation Plan

Under the EPP, directors and senior managers sacrifice part of their actual annual cash bonus and were awarded deferred shares with an initial market value approximately equal to the amount of bonus foregone. There no outstanding awards at the end of the period.

A charge of £nil (2019: £224,000) has been recognised in the income statement during the period in relation to the above scheme.

All share options lapsed when the operation of the franchised services was transferred to LNER on 24 June 2018.

18 Related party disclosures

The Company is a 90% owned subsidiary of Stagecoach Group plc. As at 31 March 2020, the Company has a receivable of £30,317,000 (2019: £2,566,000) and a payable of £132,000 (2019: £233,000). The receivable includes a £30,000,000 loan to Stagecoach Group plc payable upon request. Directors' remuneration is disclosed separately in note 5.

On 21 June 2018 the Parent Company Support loan of £165.0 million and associated interest was waived by Stagecoach Group plc, resulting in a capital contribution to equity in the balance sheet of the Company.

	2020	2019
	£000	£000
Sales to Group companies		
Ultimate parent company	-	80
Other group companies	-	237
Total sales to group companies	-	317
Purchases from Group companies		
Ultimate parent company	**(122)**	(184)
Other group companies	**(484)**	(4,665)
Total purchases from group companies	**(606)**	(4,849)
Interest receivable on group loans		
Ultimate parent company	**70**	-
Total interest receivable	**70**	-

19 Post balance sheet events

There have been no post balance sheet events.

20 Ultimate parent undertakings

The immediate parent undertaking is Inter City Railways Limited, a company registered in England and Wales (registered number 08753471).

The Company's ultimate parent undertaking and controlling party is Stagecoach Group plc, a company registered in Scotland (registered number SC100764), 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 on the Group's website (www.stagecoach.com) or from:

The Company Secretary

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