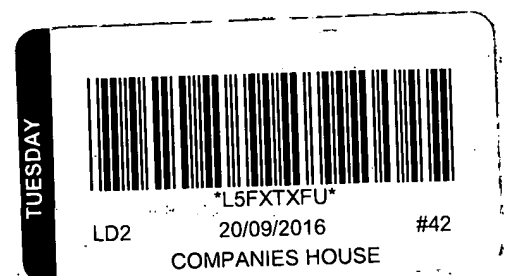


Directly Operated Railways Limited
Annual Report and Financial Statements
For the year ended 31 March 2016

Company Number 06950819

Registered office:

**Great Minster House
33 Horseferry Road
London
SW1P 4DR**



Directly Operated Railways Limited

Annual Report and Financial Statements

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Directly Operated Railways Limited Annual Report and Financial Statements

Company Information

Chief Executive

Peter Wilkinson

Directors

Richard Cantwell
David Bennett

Company Secretary

Trevor Dawson

Registered Office

Great Minster House
33 Horseferry Road
London
England
SW1P 4DR

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
England
WC2N 6RH

Directly Operated Railways Limited Annual Report and Financial Statements

Strategic Report For the year ended 31 March 2016

The Directors present their strategic report for the year ended 31 March 2016.

Business overview

On 28 February 2015, the Group completed the sale of East Coast Main Line Company Limited to Inter City Railways Limited for a total consideration of £11m. Since the sale, Directly Operated Railways Limited (DOR) has maintained its communications with the new operator to deal with post transaction matters and any ongoing contractual obligations related to the sale. Certain warranties apply to the sale, however, management considers it unlikely that a liability will arise.

On 31st of December 2015 the existing directors of DOR resigned and its operational activities ceased. New Directors have been appointed. DOR has been maintained and resourced to meet its ongoing obligations.

Finance review

Operating performance

Turnover for the year ending 31 March 2016 was £2.4 million (2015: £695.9 million). For the year ended 31 March 2015 this mainly reflected ticket revenue earned from passenger services at East Coast and associated income earned from catering, car parks and commission from the sale of tickets on other train operators' services.

The operating expenditure reported in the year was £1.8 million (2015: £703.4 million). For the year to 31 March 2015 expenditure comprised access charges payable to Network Rail for stations and depots, rolling stock lease costs, staff costs, other operating costs. £215.7 million was also paid to the DfT in 2015 as a franchise premium.

Profit on ordinary activities before taxation was £0.7 million (2015: £11.4 million).

Balance sheet

At 31 March 2016 DOR had net assets of £26.8 million (2015: £26.2 million net assets).

Cash flow

There was a net cash inflow of £0.8 million in the year (2015: £19.9 million outflow) leaving a cash balance of £26.8 million at 31 March 2016 (2015: £26.1 million).

Key risks and uncertainties

The systems of control and protection are designed to help manage and control risks to an appropriate level rather than to eliminate them. As the DfT's Direct Award programme has completed the Directors consider that the principal risk and uncertainty for DOR is the transition of the company into its revised role.

The Directors have formed a judgement, at the time of approving the financial statements, that the Company has access to adequate resources to meet its obligations for the foreseeable future.

On behalf of the Board



Director
19th September 2016

Registered Office: Great Minster House, 33 Horseferry Road, London SW1P 4DR

Directly Operated Railways Limited Annual Report and Financial Statements

Directors' Report For the year ended 31 March 2016

The Directors present their annual report, business review and the audited consolidated financial statements for the year ended 31 March 2016. The Directors' report should be read in conjunction with the Strategic Report.

History and background

DOR ("the Company") is a limited company which was incorporated on 2 July 2009 by the Secretary of State for Transport to manage Train Operating Companies that are returned to temporary public ownership. The Company is wholly owned by the Secretary of State for Transport. There are also a number of inactive subsidiary companies established in case a franchise takeover under Section 30 of the Railways Act 1993 should be required. DOR is the intermediate holding company for all of these.

Results and dividend

The Group's reported financial performance for the year ended 31 March 2016 shows a profit for the financial year of £581,000 (2015: profit of £10,997,000). For the year ended 31 March 2015 performance incorporates the results of East Coast for the period ended 28 February 2015.

The Directors do not propose a dividend for the year (2015: £Nil).

Directors

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

Peter Wilkinson	Director (appointed 31 December 2015)
Richard Cantwell	Director (appointed 31 December 2015)
David Bennett	Executive Director (appointed 31 December 2015)
Doug Sutherland	Non-Executive Chairman (resigned 31 December 2015)
Michael Holden	Chief Executive Officer (resigned 31 December 2015)
David Walker	Finance Director (resigned 31 December 2015)
Andy Cope	Non-Executive Director (resigned 31 December 2015)
Robert Mason	Non-Executive Director (resigned 31 December 2015)

The remuneration of the Directors for the year ended 31 March 2016 is as follows:

	Salary/fees	Benefits	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
	£'000	£'000	£'000	£'000
Doug Sutherland (to 31 Dec 15)	65.2	0.4	65.6	100.3
Michael Holden (to 31 Dec 15)	197.3	3.2	200.5	250.0
David Walker (to 31 Dec 15)	250.6	3.8	254.4	230.0
Andy Cope (to 31 Dec 15)	18.0	-	18.0	44.5
Peter Wilkinson (from 31 Dec 15)	-	-	-	-
Richard Cantwell (from 31 Dec 15)	-	-	-	-
David Bennett (from 31 Dec 15)	-	-	-	-
Robert Mason (to 31 Dec 15)	25.6	-	25.6	40.3
	556.7	7.4	564.1	665.1

The 2015 figures above include payments in respect of services provided by Andy Cope to East Coast of £4,500.

Directly Operated Railways Limited Annual Report and Financial Statements

Directors' Report For the year ended 31 March 2016

Employees

The Group seeks to adhere to the principles of good governance as appropriate for a Group of its size and operations.

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

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

Directors and their Interests

The current Directors of the DOR Board are listed on page 5. A Register of Directors' Interests is maintained by the Company Secretary through whom public inspection can be arranged. Doug Sutherland, Robert Mason and Andy Cope were Non-Executive Directors up to their resignations on 31 December 2015. None of the Directors have any interests, such as shares in the company or its (inactive) subsidiaries.

Financial reporting

The Directors have a commitment to best practice in the Company's financial reporting and systems. A statement of the Directors' Responsibilities for preparing the financial statements may be found on page 7.

Directors' and Officers' liability insurance

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

Internal controls

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

The Board is also responsible for maintaining a sound system of internal control that supports the achievement of these goals and objectives. It sets appropriate policies on internal control and seeks regular assurance its policies are being complied with and that the system is functioning effectively.

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

Directly Operated Railways Limited

Annual Report and Financial Statements

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the group and parent company financial statements (the "financial statements") in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 group and the company and of the profit or loss of the group and 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" has 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 102 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each director who held office at the date of the directors' report confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Future Developments

There are no plans for the Group to undertake additional activities and future plans primarily relate to meeting any residual obligations.

Directly Operated Railways Limited

Annual Report and Financial Statements

Independent Auditors

In accordance with Section 487 of the Companies Act 2006, the auditors shall be deemed to be re-appointed as the Company's auditors 28 days after the financial statements are sent to members.

On behalf of the Board



David Bennett
Executive Director
19th September 2016

Registered Office: Great Minster House, 33 Horseferry Road, London SW1 P 4DR

Directly Operated Railways Limited Annual Report and Financial Statements

Independent auditors' report to the members of Directly Operated Railways Limited

Report on the financial statements

Our opinion

In our opinion, Directly Operated Railways Limited's group financial statements and company financial statements (the "financial statements"):

Give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2016 and of the group's profit and cash flows 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

The consolidated and company balance sheet as at 31 March 2016;

The consolidated profit and loss account for the year then ended;

The consolidated statement of cash flows for the year then ended;

The consolidated statement of changes in equity and the company statement of changes in equity for the year then ended; and

The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

Adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

The company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Directly Operated Railways Limited

Annual Report and Financial Statements

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

Whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;

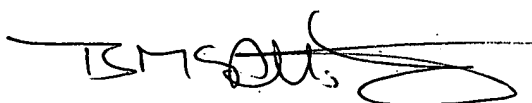
The reasonableness of significant accounting estimates made by the directors; and

The overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20th September 2016

Directly Operated Railways Limited
Annual Report and Financial Statements

Consolidated Profit and Loss Account
For the year ended 31 March 2016

		2016	2016	2016	2015	2015	2015
		Continuing	Discontinued	Total	Continuing	Discontinued	Total
		Operations	Operations		Operations	Operations	
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	2						
Passenger income		-	-	-	-	695,107	695,107
Other operating income		2,437	-	2,437	803	-	803
		2,437	-	2,437	803	695,107	695,910
Cost of Sales		(1,823)	-	(1,823)	(597)	(702,846)	703,443
Operating profit/(loss)	3	614	-	614	206	(7,739)	(7,533)
Profit on sale of subsidiary		-	-	-	-	15,400	15,400
Profit on ordinary activities before investment income, interest and taxation		614	-	614	206	7,661	7,867
Interest receivable and similar income	5	94	-	94	211	-	211
Interest payable and similar charges		-	-	-	(153)	-	(153)
Other finance income		-	-	-	3,552	-	3,552
Profit on ordinary activities before taxation		708	-	708	3,816	7,661	11,477
Tax on profit on ordinary activities	6	(127)	-	(127)	(480)	-	(480)
Profit for the financial year		581	-	581	3,336	7,661	10,997

As permitted by s408 of the Companies Act 2006, the company has not presented its own profit and loss account. The profit of the company for the financial year was £581,000 (2015: £10,997,000).

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

The notes on pages 16 to 24 form part of these financial statements.

Directly Operated Railways Limited
Annual Report and Financial Statements

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2016

	2016 £'000	2015 £'000
Profit for the financial year	581	10,997
Re-measurements of net defined benefit obligation	-	113
Total tax on components of other comprehensive income	-	(23)
Total comprehensive income for the year	581	11,087

The notes on pages 16 to 24 form part of these financial statements.

Directly Operated Railways Limited
Annual Report and Financial Statements

Consolidated and Company Balance Sheet as at
31 March 2016

	Note	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Current assets					
Debtors	8	4	663	4	663
Cash at bank and in hand		26,832	26,050	26,832	26,050
		26,836	26,713	26,836	26,713
Creditors: amounts falling due within one year	9	(80)	(538)	(80)	(538)
Net current assets		26,756	26,175	26,756	26,175
Total assets less current liabilities		26,756	26,175	26,756	26,175
Net assets		26,756	26,175	26,756	26,175
Capital and reserves					
Profit and loss account	13	26,756	26,175	26,756	26,175
Total shareholders' funds	13	26,756	26,175	26,756	26,175

The notes on pages 16 to 24 are an integral part of these financial statements

The financial statements on pages 11 to 24 were approved by the Board of Directors on X September 2016 and signed on its behalf by



David Bennett
Executive Director
 19th September 2016

Company number 06950819

Directly Operated Railways Limited
Annual Report and Financial Statements

Statement of changes in equity
For the year ended 31 March 2016

Consolidated	Note	Share Capital £'000	Retained Earnings £'000	Total £'000
Balance at 1 April 2014		-	15,086	15,088
Profit for the year		-	10,997	10,997
Other comprehensive income for the year		-	90	90
Balance as at 31 March 2015		-	26,175	26,175
Balance at 1 April 2016		-	26,175	26,175
Profit for the year		-	581	581
Other comprehensive income for the year		-	-	-
Balance as at 31 March 2016		-	26,756	26,756

Company	Note	Share Capital £'000	Retained Earnings £'000	Total £'000
Balance at 1 April 2014		-	3,540	3,540
Profit for the year		-	11,087	11,087
Other comprehensive income for the year		-	18,628	18,628
Balance as at 31 March 2015		-	26,175	26,175
Balance at 1 April 2016		-	26,175	26,175
Profit for the year		-	581	581
Other comprehensive income for the year		-	-	-
Balance as at 31 March 2016		-	26,756	26,756

The notes on pages 16 to 24 form part of these financial statements.

Directly Operated Railways Limited
Annual Report and Financial Statements

Consolidated Statement of Cash Flows
For the year ended 31 March 2016

		2016 £'000	2015 £'000
Net cash inflow/(outflow) from operating activities	15	785	(880)
Taxes paid		(97)	(2,113)
		<u>688</u>	<u>(2,993)</u>
Cash flow from investing activities			
Interest received		94	211
Purchase of tangible fixed assets		-	(3,404)
Sale of subsidiary undertaking		-	11,000
Net cash disposed of with subsidiary undertaking		-	(11,224)
Net cash generated from/used in investment activities		<u>94</u>	<u>(3,417)</u>
Cash flow from financing activities			
Repayment of loans		-	(10,000)
Interest paid		-	(3,498)
Net cash flow used in financing activities		<u>-</u>	<u>(13,498)</u>
Increase/(decrease) in cash and cash equivalents		<u>782</u>	<u>(19,908)</u>
Net opening cash and cash equivalents at 1 April		<u>26,050</u>	<u>45,958</u>
Net closing cash and cash equivalents at 31 March		<u>26,832</u>	<u>26,050</u>

The notes on pages 16 to 24 form part of these financial statements

Directly Operated Railways Limited
Annual Report and Financial Statements
Notes to the Financial Statements
For the year ended 31 March 2016

1. Accounting policies

a) General Information

Directly Operated Railways Limited is a limited liability company incorporated in England. The Registered Office is Great Minster House, 33 Horseferry Road, London SW1P 4DR.

b) Statement of compliance

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006. The company transitioned from previously existant UK GAAP to FRS 102 as at 1st April 2015.

c) Basis of preparation

The financial statements of Directly Operated Railways Limited were approved for issue by the Board of Directors on X September 2016. The financial statements are been prepared on a going concern basis, under the historical cost convention. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

The Group's accounting policies are consistent with the prior year.

The company has considerable resources, as evidenced by its cash balances and very negligible liabilities. It has ceased to engage in ongoing business activities. As a result the Directors believe that the company is well placed to manage its risks. After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed and value added taxes.

Interest income is recognised using the effective interest rate method

e) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

f) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

g) Deferred Tax

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different to those that are recognised in the financial statements.

Directly Operated Railways Limited
Annual Report and Financial Statements
Notes to the Financial Statements
For the year ended 31 March 2016

1. Accounting policies (continued)

h) Deferred Tax (continued)

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantially enacted by the period end and that are expected to apply to the reversal of the timing difference.

i) Tangible fixed assets and depreciation

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

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

j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand.

k) Provisions

A provision is recognised when the company has a 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 of the obligation can be measured reliably.

l) Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow is remote.

m) Discontinued Operations

Discontinued operations represent a subsidiary which has been disposed of and which was a material part of the business

n) Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors have considered estimates and judgements in applying accounting policies, accounting estimates and assumptions, and due to the low level of activity in the financial year do not consider any specific matters to be critical to the preparation of these financial statements.

Directly Operated Railways Limited
Annual Report and Financial Statements
Notes to the Financial Statements
For the year ended 31 March 2016

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax. All turnover originates in the United Kingdom.

The company primarily provides management services.

The discontinued operations comprise East Coast Mainline limited, a subsidiary which provide train passenger services.

3. Operating profit/loss

Operating profit/(loss)	2016	2015
	£'000	£'000
Operating profit/(loss) is stated after charging:		
Wages and salaries	1,018	105,175
Social security costs	130	8,126
Other pension costs	33	12,376
Other costs	-	3,237
Staff costs charged to profit and loss	1,181	128,914
Depreciation – owned assets	-	5,353
Delay Repay costs	-	4,161
Operating lease rentals		
– Fixed track access	-	24,667
– Land and buildings	-	6,190
– Rolling stock costs	-	59,687
– Plant and machinery	-	2,049
– Other	-	4,526
Auditors' remuneration – audit fees	11	83
Auditors' remuneration – taxation compliance	5	21
– other compliance reporting	-	51
Total amount payable to Company's auditors	16	155

4. Employees and directors

Employees

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

	2016	2015
	Number	Number
Managerial and administrative	5	490
Operational	0	2,438
	5	2,928

Directors

	2016	2015
	£'000	£'000
Aggregate emoluments in respect of qualifying services to the Company	511	625
Company contributions made to money purchase pension schemes	-	40
Compensation for loss of office	53	-
Total	564	665

Directly Operated Railways Limited
Annual Report and Financial Statements
Notes to the Financial Statements
For the year ended 31 March 2016

4. Employees and directors (continued)

The emoluments excluding pension contributions of the highest paid Director were £254,400 (Year ended 31 March 2015: £250,000).

The pension contributions of the highest paid Director were nil (Year ended 31 March 2015: Nil). During 2016 £52,734 (2015: Nil) was paid to 3 Directors as compensation for loss of office.

5. Net Interest expense

	2016 £'000	2015 £'000
Interest receivable and similar income		
Bank interest	94	200
Other interest receivable	-	11
	<u>94</u>	<u>211</u>
Interest payable and similar charges		
Interest payable to group undertakings	-	153
	<u>-</u>	<u>153</u>
Net interest expense	<u>94</u>	<u>58</u>

6. Tax on profit on ordinary activities

(a) Tax expense included in profit or loss:

	2016 £'000	2015 £'000
Current taxation:		
UK corporation tax on profits of the year	140	172
Adjustments in respect of prior years	(13)	49
	<u>127</u>	<u>221</u>
Deferred taxation:		
Origination and reversal of timing differences (note 10)	-	(50)
Defined benefit pension	-	309
	<u>-</u>	<u>259</u>
Tax charge on profit on ordinary activities	<u>127</u>	<u>480</u>

(b) Tax expense/(income) included in other comprehensive income:

	2016 £'000	2015 £'000
Origination and reversal of timing differences	<u>-</u>	<u>(23)</u>

Directly Operated Railways Limited
Annual Report and Financial Statements
Notes to the Financial Statements
For the year ended 31 March 2016

6. Tax on profit on ordinary activities continued

(c) Reconciliation of tax charge:

Tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2016 of 20% (2015: 20%). The differences are explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	708	11,477
Notional charge at UK corporation tax rate of 20% (2015: 20%)	141	2,410
Non deductible expenses	-	1,366
Income not subject to tax	-	(3,233)
Capital allowances (in excess of)/lower than depreciation	(1)	257
Other short-term timing differences	-	(628)
Adjustment in respect of prior years	(13)	49
Total tax charge for the year	127	221

(d) Tax rate changes

Legislation was introduced in the Finance (no 2) Act 2015 to reduce the main rate of corporation tax to 19% for the Financial Year 2017, to set the rate at 19% for Financial Years 2018 and 2019, and reduce it to 18% for the Financial Year 2020. It was announced at the Budget 2016 that the corporation tax rate for the Financial Year 2020 would be reduced to 17%.

The effects of these changes are not included in these financial statements.

7. Tangible fixed assets

	Leasehold Land & Buildings	Plant and Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2014	6,785	31,162	37,947
Additions at cost	1,037	2,367	3,404
Disposals	(7,822)	(33,529)	(41,351)
At 31 March 2015	-	-	-
At 31 March 2016	-	-	-
Accumulated depreciation			
At 1 April 2014	2,906	12,275	15,181
Charge for the year	807	4,546	5,353
Disposals	(3,713)	(16,821)	(20,534)
At 31 March 2015	-	-	-
At 31 March 2016	-	-	-
Net book amount at 31 March 2016	-	-	-
Net book amount at 31 March 2015	-	-	-

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8. Investments

Details of the Company's subsidiaries as at 31 March 2016 are as follows:

Name of Company and country of registration	Type and number of shares at 31 March 2014	Type and number of shares at 31 March 2015	Percentage interest at 31 Dec 2014	Nature of business
West Coast Main Line Company Limited – United Kingdom	1 ordinary of £1	1 ordinary of £1	100%	Dormant Company.
London Midland Trains Limited – United Kingdom	1 ordinary of £1	1 ordinary of £1	100%	Dormant Company
Thameslink Limited – United Kingdom	1 ordinary of £1	1 ordinary of £1	100%	Dormant Company
GW Railway Limited – United Kingdom	1 ordinary of £1	1 ordinary of £1	100%	Dormant Company
Trans Pennine Express Limited – United Kingdom	1 ordinary of £1	1 ordinary of £1	100%	Dormant Company
Cross Country Trains Limited – United Kingdom	1 ordinary of £1	1 ordinary of £1	100%	Dormant Company
EM Trains Limited-United Kingdom	1 ordinary of £1	1 ordinary of £1	100%	Dormant Company

9. Debtors

	2016 £'000	2015 £'000
Trade debtors	-	14
Amounts owed by parent organisation	-	555
Deferred tax	-	14
Other debtors	4	10
Prepayments and accrued income	-	70
	<u>4</u>	<u>663</u>

10. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Other taxation and social security	6	100
Corporation tax	44	27
Accruals and deferred income	30	411
	<u>80</u>	<u>538</u>

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11. Deferred tax

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

	2016 £'000	2015 £'000
Other timing differences	-	10
Short term timing differences	-	4
	<u>-</u>	<u>14</u>

12. Called up share capital

	2016 £	2015 £
<i>Authorised</i> 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i> 1 Ordinary share of £1	<u>1</u>	<u>1</u>

13. Reserves and reconciliation of movements in shareholders' funds/(deficit)

	2016 £'000	2015 £'000
Shareholders' funds/(deficit) at 1 April	26,175	(3,540)
Dividend received	-	18,628
Profit/(loss) for the financial year	<u>581</u>	<u>11,087</u>
Shareholders' funds/(deficit) at 31 March	<u>26,756</u>	<u>26,175</u>

14. Retirement benefits

The cost of contributions to the defined contribution scheme amounts to £27,000 (2015: £837,000).

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15. Cash flow statement

(a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

Continuing operations	2016 £'000	2015 £'000
Operating profit	614	206
(Increase)/decrease in debtors	659	(111)
(Decrease)/increase in creditors	(488)	62
Net cash inflow/(outflow) from continuing operations	785	157
Discontinued operations	2016 £'000	2015 £'000
Operating result/(loss)	-	(7,739)
Depreciation and amortisation	-	5,353
Difference between pension charge and cash contributions	-	2,006
Decrease in stock and debtors	-	21,454
Decrease in creditors and provisions	-	(22,111)
Net cash (outflow) from discontinued operations	-	(1,037)
Total net cash inflow/(outflow)/inflow from operating activities	785	(880)

(b) Reconciliation of net cash flow to movement in net funds

	2016 £'000	2015 £'000
Increase/(decrease) in cash in the year	782	(19,908)
Change in net cash resulting from cash flows	782	(19,908)
Net cash at 1 April	26,050	45,958
Net cash at 31 March	26,832	26,050

(c) Analysis of net funds

	1 April 2014 £'000	Cash flow £'000	Non Cash Movements £'000	31 March 2015 £'000
Net cash in hand	26,050	782	-	26,832

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16. Transition to FRS 102

On transition to FRS 102 the Directors have assessed whether there are any measurement differences compared to the financial statements previously prepared under UK GAAP. This assessment covers the period from and after the date of transition to FRS 102 on 1 April 2014. No material differences were identified and consequently no restatements have been made of comparative information presented in these financial statements.

17. Related party transactions

Directly Operated Railways Limited is a company wholly owned by the Secretary of State for Transport. In 2015-16, the company received £1,505k as a grant from the Department for Transport (DfT) and a further £932k was invoiced to DfT as recharges for the management of ECML.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

18. Ultimate parent undertakings

The immediate and ultimate parent undertaking and controlling party is the Secretary of State for Transport. The Secretary of State for Transport is the parent undertaking of the largest & smallest group of undertakings to consolidate these financial statements at 31 March 2015. The consolidated financial statements of the Secretary of State for Transport can be obtained from Great Minster House, 33 Horseferry Road, London, SW1P 4DR.

19. Post Balance Sheet Events

On 29th June 2016 the shareholdings of two subsidiaries (GW Railway Limited and Cross Country Trains Limited) were transferred to DfT OLR Holdings Limited.