

East Coast Trains Limited

Registered number: 08765536

**Annual report and financial
statements**

For the year ended 31 March 2022

FRIDAY



ABJFNHN5

A12

23/12/2022

#99

COMPANIES HOUSE

East Coast Trains Limited

Contents

	Page
Strategic report	1
Directors' report	7
Directors' responsibilities statement	10
Independent auditors' report	11
Profit and loss account	14
Statement of comprehensive income	14
Balance sheet	15
Statement of changes in equity	16
Notes to the financial statements	17

East Coast Trains Limited

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

East Coast Trains Limited (“Lumo”) is a non-franchised, open access intercity train company, which from October 2021 started to operate a high-speed service between London King’s Cross and Edinburgh, calling at Stevenage, Newcastle and Morpeth, using a new fleet of five, five-car, all-electric Hitachi class 803 trains. It operates under the brand name Lumo.

Business review and future prospects

For the year ended 31 March 2022, the focus was on mobilising the company, monitoring the production of rolling stock, the recruitment and training of staff and the development of processes, propositions and systems to allow the introduction of passenger services in October 2021. This was achieved whilst working under the challenges of the pandemic. Careful management of customer driver training using virtual modules for “classroom” based training, the hire of training trains for practical handling and route learning, and the use of simulations and virtual reality headsets meant the programme continued largely as planned. Risks to contracted train delivery dates, including supply chain risks, were significantly reduced by Hitachi Rail Limited, the train manufacturer and maintainer. Consequently, Lumo celebrated its inaugural service on 21 October 2021.

Lumo initially operated four daily services from October 2021, with step-ups to 6 daily services in December 2021 and 8 daily services in February 2022. The full 10 daily services (5 in each direction) have operated from 1 April 2022.

Serviced office accommodation was used for mobilisation and a permanent HQ in Newcastle upon Tyne was secured on a ten-year lease and occupied from early October 2021.

Staff recruitment for all office-based staff was completed in the year. 50 customer ambassadors have been recruited in 3 cohorts to match the service step-ups with their training time being circa 6 weeks. Customer driver training started from September 2020 with the recruitment of 15 apprentices and 3 customer driver instructors. Subsequent qualified customer driver recruitment has taken the total to 30 customer drivers by May 2022. Customer driver training was substantially completed in the year and was geared to the service step-ups.

Lumo’s ambition is to reimagine rail. The brand and proposition have been well received with positive feedback from national and regional press, customers, industry partners and peers. Ticket sales in the initial periods of trading have been very promising.

Targeted predominantly at the tourism and leisure market, Lumo offers: a single class of service at reasonable prices; a new, ergonomic seat design which optimises leg room and allows larger tray tables; and gives customers the option of having their luggage delivered separately by courier to their final destination. Lumo is successfully growing the rail market share for travel between Edinburgh and London.

Lumo provides low-carbon, affordable long-distance travel for over 1 million passengers per year. Lumo intends to publish its carbon emissions data on a regular basis to feed its carbon calculator, which allows passengers to calculate the carbon impact of their Lumo journey and compare it with other modes of travel.

On 8 May 2021, cracks were found in a sister company’s Hitachi class 800 and 802 fleet. No cracks have been found in Lumo’s fleet to date but they are expected to occur in the future. An ongoing inspection scheme is in place which enables Lumo’s fleet to remain in passenger service. Remedial actions to fix the cracks will be completed over a number of years. The company is using the mechanisms within the relevant contracts to minimise its commercial risk arising from these defects.

The directors are satisfied with the performance of the company for the year.

Subsequent to the year end, Lumo’s passenger revenues over the key summer trading months have been very encouraging being underpinned by the leisure market attracted to the Edinburgh fringe festival. Lumo continues to work on alternative route options with electric traction when infrastructure on the East Coast mainline is undergoing much needed engineering work.

Economic sanctions on Russia following their invasion of Ukraine have had an adverse impact on the cost of electricity used for traction. We expect traction electricity costs to remain high for the foreseeable future. Lumo has taken action with Network Rail, the supplier of traction electricity, to secure substantial price certainty to March 2024.

Our work with Network Rail continues to be important to delivering consistent and reliable services to our customers, and the close working relationship we have built will continue to be a valuable tool in responding to challenges in the future. This includes working together on the East Coast digital re-signalling programme.

East Coast Trains Limited

Strategic report

Business review and future prospects (continued)

The company's track access agreement with Network Rail has recently been extended from May 2031 to May 2033 with the agreement of the Office of Rail and Road.

Financial matters

The results for the year are given in the profit and loss account on page 14, which shows an overall loss for the financial year of £8,517k (2021: loss of £1,959k) on turnover of £6,316k (2021: £nil). The directors did not declare an interim dividend (2021: £nil per share) and no final dividend was recommended (2021: £nil). Net liabilities on the balance sheet have increased to £10,476k (2021: £1,959k).

Key performance indicators

The mobilisation programme adopted a four-phase approach with 11 workstreams: stage 1 was development of safety standards and recruitment of customer driver instructors; stage 2 was recruitment and training of apprentice customer drivers and award of safety licence from the Office of Rail and Road; stage 3 was issue of passenger operator licence, *ongoing training of apprentice customer drivers, recruitment of customer ambassadors, HQ set-up, IT systems set-up and marketing plan development*; and stage 4 was fleet acceptance and start of passenger services. All stages were successfully completed with Lumo operating its first passenger service in October 2021.

The company has developed a holistic suite of key performance indicators, which includes passenger revenue growth, the Performance Punctuality Monitor (PPM) and key pillars of the company's values and vision: customer experience, customer engagement, employee engagement, environmental impact and safety (passenger, employee and operational). PPM is the percentage of trains reaching destination within 9 minutes 59 seconds of the timetabled arrival time. PPM was 80.9% in the period from October 2021 to 31 March 2022. Targets have been set for all key performance indicators for the year ending 31 March 2023.

Principal risks and uncertainties

We have a well-established risk management methodology which we use throughout the business to allow us to identify and manage the principal risks which could:

- adversely impact the safety and security of Lumo's employees, customers and assets;
- have a material impact on the financial or operational performance of the company;
- impede achievement of our strategic objectives and financial targets; and/or
- adversely impact the company's reputation or stakeholder expectations.

Lumo's principal risks are set out below; these risks have been assessed considering their potential impact (both financial and reputational), the likelihood of occurrence and any change to this compared to the prior year and the residual risk after the implementation of controls.

Environment and sustainability

The key risk facing the company in this area relates to reducing the environmental impact of the business with a focus on reducing waste and energy usage across its trains and office. A number of initiatives are in place, which are being led by the Safety Management Group to meet our customers' requirements in this area. The key initiative has been the investment in a fleet of five electric only Hitachi trains which are proven to be 6 times less environmentally impactful than domestic flights to the same destinations. The Lumo brand has been built on the principle of sustainability including catering with the introduction of the 51% plant-based menu and LumoEats service for launch, the sourcing, manufacture and recycling of attire and a 100% paper free office environment. The company engaged Waterman and Carbon Credentials to advise and assist on developing a sustainable proposition and environment for Lumo.

Compliance, litigation and claims, health and safety

Lumo's operations are subject to a wide range of legislation and regulation. Failure to comply can lead to litigation, claims, damages, fines and penalties. The company has three main risks: third party injury and other claims arising from general operations, employee injuries and property damage. A higher volume of litigation and claims can lead to increased costs and reputational impact.

East Coast Trains Limited

Strategic report

Principal risks and uncertainties (continued)

Compliance, litigation and claims, health and safety (continued)

We have a very strong focus on safety, and it is one of our five values. The company self-insures third party and employee injury claims up to a certain level commensurate with the predicted risk profile. We purchase insurance above these limits from reputable global insurance firms. Claims are managed by experienced claims handlers. Non-insured claims are managed by FirstGroup plc's dedicated in-house legal teams with external assistance as appropriate.

In February 2021, the company successfully secured a 5 year safety certificate from the Office of Rail and Road, the maximum permitted period.

Employee engagement, retention and capability

The company employed an average of 68 employees during the year. Our employees are critical to the success of our business. Maintaining good relations with employees and investing in their training and development is essential to the efficiency and sustainability of the company's operations. The company's employment policies and remuneration and benefits packages are regularly reviewed and designed to be competitive with other companies, as well as providing employees with fulfilling career opportunities. Employee surveys, performance reviews and regular communication of business activities are some of the methods the company uses to understand and respond to employees' needs. Processes are also in place to identify talent and actively manage succession planning throughout the business.

The 2022 employee engagement survey saw a 96% response rate and scores of 84% for staff engagement and 81% for staff empowerment. The emotional climate of the survey demonstrated that the majority of staff felt positive with the dominant emotions of feeling committed and happy.

Economic conditions

Changing economic conditions affect our business in different ways. A less positive economic outlook affects the number of train journeys taken by passengers in the UK. Changes in economic activity may impact upon the passenger numbers and hence our operations. Improving economic conditions may result in a tightening of labour markets, resulting in employee shortages, pressure to increase pay, or affect the availability of public funding for transport services. The same factors could also affect our key suppliers.

To mitigate these risks, we continue to focus on building revenue streams and controlling costs to ensure we remain competitive.

Information technology

The company relies on information technology in all aspects of its business. Any significant disruption or failure, caused by external factors, denial of service, computer viruses or human error, could result in a service interruption, accident or misappropriation of confidential information (including credit card data). Process failure, security breach or other operational difficulties may also lead to revenue loss. Extensive security controls are in place, which, in conjunction with policy and procedures, are designed to enhance the resilience and security of the company's information technology systems and the data they contain.

The company has made a substantial investment in digital systems to improve the customer and employee experience and assist in driving a lower cost operation through automation.

Data security (including cyber security and GDPR)

All business sectors are targeted by increasingly sophisticated cyber security attacks. Across our business we are seeing increased use of mobile and internet sales channels which gather large amounts of data and therefore the risk of unauthorised access to, or loss of, data in respect of employees or our customers is growing. A failure to comply with the General Data Protection Regulation (GDPR), which came into force in May 2018, could result in significant penalties and could have an adverse impact on consumer confidence in our business.

We have threat detection systems across our business but continue to remain vigilant to security improvements when identified.

East Coast Trains Limited

Strategic report

Principal risks and uncertainties (continued)

Political and regulatory issues

Our business is subject to numerous laws and regulations covering a wide range of matters including health and safety, equipment, employment (including working time, wage and hour, mandatory breaks and holiday pay), competition and anti-trust, data protection and security, bribery and corruption, environment, insurance coverage, consumer protection, and other operational issues. Failure to comply could have financial or reputational implications, could result in increased litigation and claims and have a negative impact on the company. These laws and regulations are constantly subject to change, the impact of which could include increased compliance costs and/or a reduction in operational flexibility and efficiency.

To help mitigate the risk of legislative or regulatory changes the company and FirstGroup plc have embedded operating policies and procedures to ensure compliance with existing legislation and regulation. FirstGroup plc actively engages with the relevant bodies and policy makers to help ensure that we are properly positioned to respond to any proposed changes.

Competition

Lumo's main competitors include domestic airlines, coach, private car and other public and private transport operators across our network. Increased competition can result in lost business, revenue and reduced profitability.

To mitigate this risk the company will focus on service quality, performance and innovation as priorities in making our service attractive to passengers and other customers. We have a dedicated Customer Experience Team focused on improving our service to customers and improving access to our services.

Disruption to infrastructure/operations

Across our network, we are experiencing greater and more frequent disruption due to adverse weather conditions which impacts our service levels. Severe weather can reduce profits, for example through lower demand for our services, increased costs and business disruption. We have severe weather action plans and procedures to manage the impact on our operations.

The threat from terrorism is enduring and continues to exist. Public transport continues to be regarded as an attractive and viable target. Across our business, we take all reasonable steps to help guard against such activity on the services we operate. An attack, or threat of attack, could lead to reduced public confidence in public transportation, and/or our security and safety record. This could reduce demand for our services, increase costs and security requirements and cause operational disruption.

The company has a Head of Safety who is responsible for improved security awareness, the application of good practice in the implementation of security measures, and the development and training of our employees so that they can respond effectively to any perceived threat or incident.

Customer service

The company's revenues are at risk if it does not continue to provide the level of service expected by customers. Relevant customer facing staff undertake intensive training programmes to ensure they are aware of and abide by the levels of service that are required by our customers. The Company's ethos is built around giving the customer the very best service possible.

Electricity costs

Electricity prices can be influenced significantly by international, political and economic circumstances. Higher electricity prices could adversely impact the company's operating results. To mitigate the risks of rising electricity costs the company works with its key supplier, Network Rail, to buy electricity at fixed prices. In addition, the company seeks to limit the impact of unexpected electricity price rises through efficiency measures.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The company does not use derivative financial instruments for speculative purposes.

East Coast Trains Limited

Strategic report

Principal risks and uncertainties (continued)

Cash flow and liquidity risk

The company continues to have an acceptable level of liquidity as, in the rail industry, the vast majority of turnover transactions are paid for in advance.

The company undertakes detailed regular cash re-forecasting processes and considers that the group facilities it has access to, and the letter of support provided by FirstGroup plc detailed in the going concern section on pages 7 to 8 of the Directors' report, provide sufficient liquidity to meet its obligations.

Credit risk

The company's principal financial assets are trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Companies Act 2006 Section 172 Statement

The directors have a duty to promote the success of the company for the benefit of its members as a whole. The Board understands the need to act fairly between the members of the company when assessing the consequences of a decision over the longer term. The Board believes that its key stakeholders are:

- Customers
- Investors (First Rail Holdings Limited and, ultimately, FirstGroup plc)
- Government and political stakeholders
- Our People
- Communities
- Strategic partners and suppliers

The Board believe that strong engagement, collaboration and dialogue are critical to the effectiveness of our long-term relationships with key stakeholders. The Board has adopted the FirstGroup processes, policies and governance structures that are relevant to our business and contributes to their development and refinement.

Engaging ethically

In line with our values and the expectations of our customers and partners, we are committed to conducting our relationships with our stakeholders with high ethical and moral standards in all our interactions. Our values and ethical commitment shape not only what we do, but also how we do it.

The company has adopted the FirstGroup Code of Ethics which applies to everybody working for, or on behalf of, the company. The code sets out the standards that our customers and stakeholders expect of us, and which we expect of each other. It is supported by detailed policies and procedures which are implemented and managed by the senior management team, including our Code of Conduct on Anti-Slavery and Human Trafficking Prevention and our Anti-Bribery Policy.

We are committed to recognising human rights. We are committed to the prevention of modern slavery and human trafficking in all its forms, which extends to all business dealings and transactions in which we are involved. We have a zero-tolerance approach to any violations within the company or by business partners.

We have a zero-tolerance approach to bribery, and never offer or accept any form of payment or incentive intended to improperly influence a business decision. Equally, we support free and open competition, gaining our competitive advantage by providing the highest level of service, not through unethical or illegal business practices.

We have internal control systems and procedures in place to counter bribery and corruption. Similarly, we respect and protect the privacy of our customers, employees and stakeholders, and are committed to conducting our business in accordance with all applicable data protection legislation, including the General Data Protection Regulation and the UK Data Protection Act. We have an externally managed whistleblowing service for colleagues available with a helpline (online and phone-based) for the anonymous reporting of suspected wrongdoing or dangers at work. All reported issues or concerns to the hotline are taken seriously and investigated as appropriate, ensuring that confidentiality is respected at all times.

East Coast Trains Limited

Strategic report

Companies Act 2006 Section 172 Statement (continued)

The primary methods in which the company engages with its stakeholders are outlined below:

Customers

- Regular customer and passenger satisfaction surveys to identify what we do well and where we can improve
- Robust customer feedback processes through online and traditional channels
- Ongoing dialogue with customer representative groups

Investors

- Alignment of strategy and the governance structure to deliver the strategy
- Agreement on budgets and forecasts and the reporting of actual performance

Government and political stakeholders

- Engagement with industry forums
- Direct engagement with policymakers
- Strong links with regional governments

Our People

- Regular 'Your Voice' employee engagement surveys
- Dialogue with employee representatives
- Inductions, onboarding sessions and employee handbooks
- Multiple internal communications channels, including our intranet, briefings, newsletters and our employee mobile apps
- Individual performance reviews and development discussions or Time with Your Manager meetings

Communities

- Targeted engagement plans and activities
- Regular dialogue, events and direct engagement activities
- Community investment, charitable engagement and employee volunteering

Strategic partners and suppliers

- Regular dialogue with key partners, including Network Rail and Hitachi
- Collaboration in cross-industry forums
- Certified systems for collaborative supplier relationships
- Clear ethical and sustainability standards

Below we describe the effect of having regard to Section 172 on the company's decisions and strategies during the financial year:

- Lumo worked closely with FirstGroup to successfully deliver all mobilisation activities including the new electric fleet of Hitachi 803 trains. Passenger services started from October 2021; and
- Lumo established an official forum, "Vox", for employees to raise and discuss issues, which includes a panel of employee and management representatives.

Approved by the Board of Directors and signed on its behalf by:



A James
Director

16 November 2022

8th Floor, The Point, 37 North Wharf Road, London W2 1AF

East Coast Trains Limited

Directors' report

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 March 2022. A review of the business and the future developments are set out in the Strategic report, along with the key performance indicators and principal risks and uncertainties.

Directors

The directors who held office throughout the year and up to the date of signing, except as noted, were as follows:

H Clancy

M Gilbert (appointed 12 September 2022)

A James

A Mellors

H Wylde (appointed 11 October 2021 and resigned 4 January 2022)

Dividends

During the year, the company did not declare a dividend to its parent company, First Rail Holdings Limited (2021: £nil). No final dividend is proposed (2021: £nil).

Going concern

At 31 March 2022 the company had bank overdrafts of £2,163k (2021: £nil) and net liabilities of £10,476k (2021: net liabilities of £1,959k). Due principally to the losses incurred during the year, amounts owed to group undertakings was £9,104k at 31 March 2022 (£2021: £2,498k).

The company directors are required to state whether they consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

Background for going concern

The company is in its start-up phase having secured a 10 year track access agreement with Network Rail to May 2031. This has recently been extended to May 2033 with the agreement of the Office of Rail and Road. The company has incurred mobilisation costs in the period up to passenger services starting on 25 October 2021. Passenger revenues have been earned from that date but the company incurred further losses during the service step-up phase until the full 10 daily services were in operation from April 2022. The company has traded positively over the first half of the year ending 31 March 2023.

The company is dependent on support from its parent company to fund the losses incurred in the start-up phase. It has been cash generative over the first half of the year ending 31 March 2023.

The company is focussed predominantly on the leisure markets, which returned strongly from the pandemic unlike the business and commuter markets which have not recovered to the same extent.

The directors used the financial forecasts prepared for business modelling and liquidity purposes as the basis for their assessment of the company's ability to continue as a going concern for the twelve months from the date of the financial statements.

The major assumptions and key areas of judgement incorporated in the modelling included:

- the likelihood of a coronavirus impact in the UK remaining in place for the foreseeable future;
- the potential impacts on financial and trading performance; and
- the timing of working capital flows

These financial forecasts assume continued support from FirstGroup plc whilst the business develops after its start-up phase.

Given the extent to which current FirstGroup plc support underpins the business during this start-up phase, it was not considered necessary to run alternative stress tests.

The company is dependent on its ultimate parent company FirstGroup plc for ongoing financial support. This has been taken into account in the going concern assessment for the company (see below).

East Coast Trains Limited

Directors' report

Going concern (continued)

Significant going concern judgements

In using these financial forecasts for the going concern assessment, the company directors have made significant judgements in forming assumptions regarding passenger revenue growth in the coming months and what impact that will have on the ability of the business to achieve sustained profitability. Many of those judgements are, by their nature, highly subjective and the modelled outcomes depend to a significant degree on how passenger demand evolves during the next 12 months. There is therefore a much higher degree of uncertainty than would usually be the case in making the key judgements and assumptions that underpin the financial forecasts.

FirstGroup plc has provided the directors of the company with a letter confirming that it will provide support to the company, such that it is able to meet its obligations for a period of at least 12 months from the date of signing of these financial statements. The directors have made enquiries and understand that the parent company has adequate resources to be able to provide this financial support.

Going concern statement

Based on their review of the financial forecasts, the support to the company from FirstGroup plc and having regard to the risks and uncertainties to which the company is exposed the company directors believe that the company has adequate resources to continue in operational existence for the 12 month period from the date on which the financial statements were approved. Accordingly, the financial statements have been prepared on a going concern basis.

Employee involvement

Communication with employees is effected mainly through regular briefing and meetings between the directors, the senior management and employee representatives. The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests. An official forum, "Vox", for employees to raise and discuss issues has been established and includes a panel of employee and management representatives.

Disabled persons

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirement, which have to be met for certain grades of staff. Wherever reasonable and practicable, the company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

Directors' indemnity

The company's parent company, FirstGroup plc, has made qualifying third-party indemnity provisions for the benefit of the company's directors which were made during the year and remain in force at the date of this report.

Audit information

Each of the persons who is a director at the date of the approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.


East Coast Trains Limited

Directors' report

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment was passed at FirstGroup plc's Annual General Meeting on 27 July 2022.

Approved by the Board of Directors and signed on its behalf by:



A James
Director

16 November 2022

8th Floor, The Point, 37 North Wharf Road, London W2 1AF

East Coast Trains Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Approved by the Board of Directors and signed on its behalf by:



A James
Director

16 November 2022

8th Floor, The Point, 37 North Wharf Road, London W2 1AF

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

Report on the audit of the financial statements

Opinion

In our opinion, East Coast Trains Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2022; the Profit and loss Account, Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

East Coast Trains Limited

Independent auditors' report

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate financial performance. Audit procedures performed by the engagement team included:

- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations;
- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims, litigation, and instances of fraud; and

East Coast Trains Limited

Independent auditors' report

- Identifying and testing journal entries on a sample basis, in particular those used to recognise revenue.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
16 November 2022

East Coast Trains Limited
Profit and loss account
Year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Turnover	5	6,316	-
Operating costs	6	(16,824)	(2,418)
Operating loss		(10,508)	(2,418)
Loss before tax	9	(10,508)	(2,418)
Tax on loss	10	1,991	459
Loss for the financial year		(8,517)	(1,959)

Statement of comprehensive income
For the year ended 31 March 2022

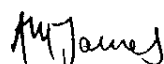
	2022 £'000	2021 £'000
Loss for the financial year	(8,517)	(1,959)
Total comprehensive expense for the financial year	(8,517)	(1,959)

East Coast Trains Limited
Balance sheet
At 31 March 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	11	668	74
Tangible assets	12	695	142
		1,363	216
Current assets			
Debtors	13	7,193	459
		7,193	459
Creditors: amounts falling due within one year	14	(19,015)	(2,634)
Provisions for liabilities: amounts falling due within one year	16	(17)	-
Net current liabilities		(11,839)	(2,175)
Total assets less current liabilities		(10,476)	(1,959)
Net liabilities		(10,476)	(1,959)
Capital and reserves			
Called up share capital	17	-	-
Profit and loss account		(10,476)	(1,959)
Total shareholder's deficit		(10,476)	(1,959)

The accompanying notes on pages 17 to 24 are an integral part of these financial statements.

These financial statements of East Coast Trains Limited on pages 14 to 24, registered number 08765536 were approved by the Board of Directors on 16 November 2022 and were signed on its behalf by:



A James
Director

East Coast Trains Limited
Statement of changes in equity
For the year ended 31 March 2022

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2020	-	-	-
Loss and total comprehensive expense for the financial year	-	(1,959)	(1,959)
Balance at 31 March 2021	-	(1,959)	(1,959)
Loss and total comprehensive expense for the financial year	-	(8,517)	(8,517)
Balance at 31 March 2022	-	(10,476)	(10,476)

East Coast Trains Limited

Notes to the financial statements

For the year ended 31 March 2022

1. General information

East Coast Trains Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England. The registered office address is 8th Floor, The Point, 37 North Wharf Road, London W2 1AF. The nature of the company's operations and its principal activities are set out in the Strategic report on page 1.

2. Statement of compliance

The financial statements of East Coast Trains Limited 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' ('FRS 102') and the Companies Act 2006.

3. Principal accounting policies

The following accounting policies have been applied consistently throughout the current and preceding year.

a. Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, modified to include certain items at fair value in accordance with FRS 102.

The functional currency of East Coast Trains Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

b. Going concern

The company currently meets its day-to-day working capital requirements through its bank overdraft and support from its ultimate parent, FirstGroup plc. The company's business modelling forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company is able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

c. Exemptions for qualifying entities under FRS 102

The company meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions in relation to share-based payments, financial instruments, intra-group transactions, key management personnel and presentation of a cash flow statement.

The company is included in the consolidated financial statements of FirstGroup plc which can be obtained on request from its registered office 395 King Street, Aberdeen AB24 5RP.

d. Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at cost, net of depreciation/amortisation and any provision for impairment. Depreciation/amortisation is provided to write off the cost less residual value of fixed assets over their estimated useful economic lives:

Leasehold improvements	- 5 years straight-line
Other plant and equipment	- 3 to 5 years straight-line
Computer software	- 3 years straight-line

Assets under construction are stated at cost. These assets are not depreciated until they are available for use.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

East Coast Trains Limited
Notes to the financial statements
For the year ended 31 March 2022

3. Principal accounting policies (continued)

e. Impairment of intangible and tangible fixed assets

At each balance sheet date, the company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

f. Leases and hire purchase

All leases are operating leases and the rental charges are taken to the profit and loss account on a straight-line basis over the life of the lease.

g. Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The taxation asset is reduced wholly or in part by the surrender of losses to group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the surrendering undertaking.

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

h. Financial assets and liabilities

All financial assets and liabilities are measured at transaction price (including transaction cost). All the financial assets and liabilities are classified as 'basic' under Section 11 and Section 12 of FRS 102. Instruments classified as 'basic' financial instruments are measured subsequently at amortised cost using the effective interest method.

i. Impairment of financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

j. Turnover

Turnover (Revenue) is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business and is shown net of VAT where appropriate.

Passenger revenue

The company has one principal class of business, namely, the provision of passenger transport services. Passenger revenues primarily relate to ticket sales and is attributable to the company predominantly based on models of route usage, by the Railway Settlement Plan. Passenger revenue is recognised at both a point in time and over time. Ticket sales for season tickets, travel cards and open-return tickets are initially deferred then recognised over the period covered by the relevant ticket. Concessionary amounts are recognised in the period in which the service is provided.

East Coast Trains Limited
Notes to the financial statements
For the year ended 31 March 2022

3. Principal accounting policies (continued)

j. Turnover (continued)

Other Revenue

The company recognises other revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to the each of company's sales channels have been met.

Turnover from non-passenger receipts include commission on ticket sales, catering income and other sundry income.

k. Future ticket deferral

Where season tickets or railcards are issued in excess of one week's duration, the attributable share of income is deferred within creditors and is recognised in the profit and loss account over the period covered by the season ticket or railcard. Income from advanced purchase and other ticket types is recognised in the profit and loss account on the date of travel.

l. Pension costs

Company specific scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

m. Share-based payments

The company's parent issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of share that will eventually vest and is adjusted for the effects of non-market based vesting conditions.

Fair value is measured by use of a Black-Scholes model or other appropriate valuation models. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

4. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the company's accounting policies as described above, management have made no critical accounting judgements. There are no key sources of estimation uncertainty.

5. Turnover

	2022	2021
	£'000	£'000
Passenger revenue	6,093	-
Catering income	162	-
Other income	61	-
	6,316	-

East Coast Trains Limited
Notes to the financial statements
For the year ended 31 March 2022

6. Operating costs

	Comments	2022 £'000	2021 £'000
Raw materials and consumables		310	-
Staff costs	Note 7	4,278	1,270
Network Rail charges		1,297	-
Rolling stock charges		2,330	-
Train maintenance		1,502	-
Other external charges		6,918	1,129
Depreciation	Note 12	88	-
Amortisation charge on intangible assets	Note 11	101	19
		16,824	2,418

7. Employee numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	2022 Number	2021 Number
Operations	54	22
Administration	14	3
	68	25

	2022 £'000	2021 £'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	3,670	1,075
Social security costs	394	119
Other pension costs	Note 19	214
	4,278	1,270

8. Directors' remuneration

Three directors received remuneration from another group company, First Rail Holdings Limited, in the current and prior years, details of which are disclosed in their financial statements. It is not considered practicable to allocate this between services provided to that company, and services provided in their capacity as directors to East Coast Trains Limited.

	2022 £'000	2021 £'000
The remuneration of the other director, the highest paid during the year, was as follows:		
Aggregate emoluments (excluding pension contributions)	32	-
Company pension contributions	2	-
	34	-

East Coast Trains Limited
Notes to the financial statements
For the year ended 31 March 2022

9. Loss before tax

	Comments	2022 £'000	2021 £'000
Loss before tax is stated after charging:			
Auditors' remuneration for audit of the annual financial statements		25	20
Depreciation charge on own assets	Note 12	88	-
Amortisation charge on intangible assets	Note 11	101	19
Rentals payable under operating leases			
- plant and machinery		2,329	-
- other operating leases		194	68
Train and crew hire costs		651	219

10. Tax on loss

	2022 £'000	2021 £'000
Current taxation		
Group relief receivable	(1,993)	(459)
Adjustment in respect of prior years	10	-
Total current taxation	(1,983)	(459)
Deferred taxation		
Origination and reversal of timing differences	5	-
Impact on deferred tax on opening balances arising from rate change	(3)	-
Adjustment in respect of prior years	(10)	-
Total deferred taxation	(8)	-
Total tax credit	(1,991)	(459)

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2021: 19%).

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Legislation increasing the rate to 25% was substantively enacted on 24 May 2021 and deferred tax has been provided for at 25% for timing differences expected to unwind after 1 April 2023.

The tax credit for the current year differed from the standard rate for the reasons set out in the following reconciliation:

	2022 £'000	2021 £'000
Loss before tax	(10,508)	(2,418)
Loss before tax multiplied by the standard rate of Corporation Tax in the UK of 19% (2021: 19%)	(1,997)	(459)
Factors affecting charge		
- Expenses not deductible for tax purposes	8	-
- Impact on deferred tax on opening balances arising from rate change	(3)	-
- Impact of rate change on origination and reversal of timing differences	1	-
Tax on loss	(1,991)	(459)

East Coast Trains Limited
Notes to the financial statements
For the year ended 31 March 2022

11. Intangible assets

	Computer software	Computer software
	2022	2021
	£'000	£'000
Cost		
At 1 April	93	-
Additions	695	93
At 31 March	788	93
Accumulated amortisation		
At 1 April	19	-
Charge for year	101	19
At 31 March	120	19
Net book value		
At 31 March	668	74

Computer software is recognised separately as an intangible asset and is carried at cost less accumulated amortisation. Costs include software licences, website development, costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to software.

12. Tangible assets

	Leasehold improvements	Other plant and equipment	Total	Other plant and equipment
	2022	2022	2022	2021
	£'000	£'000	£'000	£'000
Cost				
At 1 April	-	142	142	-
Additions	487	154	641	142
At 31 March	487	296	783	142
Accumulated depreciation				
At 1 April	-	-	-	-
Charge for year	45	43	88	-
At 31 March	45	43	88	-
Net book value				
At 31 March	442	253	695	142

13. Debtors

	Comments	2022	2021
		£'000	£'000
Amounts due within one year			
Trade debtors		2,622	-
Amounts owed by group undertakings		2,442	459
Deferred tax	Note 15	8	-
Other debtors		2,028	-
Prepayments and accrued income		93	-
		7,193	459

Amounts owed by group undertakings are unsecured, repayable on demand and do not attract interest. Other debtors includes £1,687k in respect of VAT.

East Coast Trains Limited
Notes to the financial statements
For the year ended 31 March 2022

14. Creditors: Amounts falling due within one year

	2022	2021
	£'000	£'000
Bank loans and overdrafts	2,163	-
Trade creditors	1,870	-
Amounts owed to group undertakings	9,104	2,498
Taxation and social security	117	35
Other creditors	758	10
Accruals and deferred income	5,003	91
	19,015	2,634

Amounts owed to group undertakings are unsecured, repayable on demand and do not attract interest.

15. Deferred tax

	Comments	2022	2021
		£'000	£'000
At 1 April		-	-
Credited to the profit and loss account		8	-
At 31 March		8	-
Deferred tax breakdown:			
Depreciation in excess of capital allowances		8	-
Total included in debtors	Note 13	8	-

16. Provisions for liabilities

	Legal and other	Total
	£'000	£'000
Amounts due within one year		
At 1 April 2021	-	-
Charged to profit and loss account	17	17
At 31 March 2022	17	17

Provisions for liabilities falling due within one year relate to insurance claims.

17. Called up share capital

	2022	2021
	£	£
Authorised:		
1 (2021: 1) ordinary share of £1 each	1	1
Allotted, called up and fully paid:		
1 (2021: 1) ordinary share of £1 each	1	1

The share carries no right to fixed income nor confers any rights of redemption.

East Coast Trains Limited
Notes to the financial statements
For the year ended 31 March 2022

18. Operating leases

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods are as follows:

	2022		2021	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Less than one year	92	4,788	40	-
Between one and five years	493	19,151	-	-
Over five years	596	22,741	-	-
	1,181	46,680	40	-

19. Pension scheme

Defined contribution scheme

The company operates a defined contribution retirement benefit scheme for all qualifying employees. The total expense charged to the profit and loss account in the year ended 31 March 2022 was £214k (2021: £76k). Included within other creditors for defined contribution payments payable was £110k (2021: £nil).

20. Share based payments

Buy as you earn (BAYE)

BAYE enables eligible employees to purchase shares from their gross income. The company provides two matching shares for every three shares bought by employees, subject to a maximum company contribution of shares to the value of £20 per employee per month. If the shares are held in trust for five years or more, no income tax and national insurance will be payable. The matching shares will be forfeited if the corresponding partnership shares are removed from trust within three years of award.

The group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme. The company has recognised a total expense of £nil (2021: £nil) relating to equity-settled share-based payment transactions.

21. Contingent liabilities

The company participates in a notional cash pool arrangement and overdraft facility with its ultimate parent company, FirstGroup plc, and other group companies. The company has jointly and severally guaranteed the liabilities of the other parties under these arrangements.

22. Ultimate parent company and controlling party

The directors regard FirstGroup plc, a company incorporated in the United Kingdom and registered in Scotland, as the ultimate parent and controlling company, which is the smallest and largest group that includes the company's results and for which group financial statements are prepared.

The company's immediate controlling party is First Rail Holdings Limited.

Copies of the financial statements of FirstGroup plc can be obtained on request from 8th Floor, The Point, 37 North Wharf Road, London W2 1AF.