

Virgin Rail Group Limited

**Directors' report and financial statements
for the financial year ended 31 March 2014**



Virgin Rail Group Limited

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Virgin Rail Group Limited

Directors' report for the financial year ended 31 March 2014

The directors present their report and the financial statements for the financial year ended 31 March 2014.

Principal activities

The Company is an intermediate holding company which owns the West Coast Trains Limited ("West Coast") franchise that operates passenger rail services in England, Scotland and Wales.

Results and dividends

The profit for the financial year, after taxation, amounted to £10,617,000 (2013: £41,802,000).

Dividends paid during the financial year totalled £11,650,000 (2013: £39,750,000).

Directors

The directors who served during the financial year were:

Anthony Collins (resigned 11 October 2013)
Christopher Gibb (resigned 11 November 2013)
Graham Leech
Philip Whittingham (appointed 1 October 2013)
Phillip Bearpark (appointed 1 October 2013)

The Company maintains Directors' and Officers' Liability insurance in respect of legal action that might be brought against its directors and senior officers.

Political contributions

The Company made no political contributions during the financial year (2013: £Nil).

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Virgin Rail Group Limited

Directors' report for the financial year ended 31 March 2014

Auditor

Pursuant to section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to be re-appointed and will therefore continue in office.

This report was approved by the board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P. Whittingham', with a long horizontal stroke extending to the right.

Philip Whittingham
Director

Date: 23 June 2014

The Battleship Building
179 Harrow Road
London
W2 6NB

**Directors' responsibilities statement
for the financial year ended 31 March 2014**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards 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 Company and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Virgin Rail Group Limited

Independent auditor's report to the shareholders of Virgin Rail Group Limited

We have audited the financial statements of Virgin Rail Group Limited for the financial year ended 31 March 2014, set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its profit for the financial 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Virgin Rail Group Limited

Independent auditor's report to the shareholders of Virgin Rail Group Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic report.



Darren Turner (Senior Statutory Auditor)

for and on behalf of
KPMG LLP, Statutory Auditor

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 23 June 2014

Virgin Rail Group Limited

Profit and loss account for the financial year ended 31 March 2014

	Note	2014 £000	2013 £000
Staff costs	4	1,154	2,228
Other operating charges		(30)	(25)
Operating profit	2	1,124	2,203
Income from shares in group undertakings		9,678	39,750
Interest receivable and similar income	6	143	533
Profit on ordinary activities before taxation		10,945	42,486
Tax on profit on ordinary activities	7	(328)	(684)
Profit for the financial year	13	10,617	41,802

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the profit and loss account.

The notes on pages 8 to 15 form part of these financial statements.

There is no difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Virgin Rail Group Limited
Registered number: 3282548

Balance sheet
as at 31 March 2014

	Note	£000	2014 £000	£000	2013 £000
Fixed assets					
Investments	8		4,116		4,116
Current assets					
Debtors: amounts falling due after more than one year	9	21,000		21,000	
Debtors: amounts falling due within one year	9	888		3,515	
Cash at bank and in hand		461		228	
			<u>22,349</u>	<u>24,743</u>	
Creditors: amounts falling due within one year	10	(1,464)		(2,825)	
Net current assets			<u>20,885</u>		<u>21,918</u>
Total assets less current liabilities and net assets			<u>25,001</u>		<u>26,034</u>
Capital and reserves					
Called up share capital	12		10,077		10,077
Share premium account	13		12,631		12,631
Profit and loss account	13		2,293		3,326
Shareholders' funds	14		<u>25,001</u>		<u>26,034</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Philip Whittingham
Director

Date: 23 June 2014

Virgin Rail Group Limited

Notes to the financial statements for the financial year ended 31 March 2014

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Under FRS 8 'Related party disclosures', the Company is exempt from the requirement to disclose transactions with related parties, which are wholly owned subsidiaries of the group, on the grounds that it is a wholly owned subsidiary undertaking of Virgin Rail Group Holdings Limited and the Company's results are consolidated in its parent company financial statements. Virgin Rail Group Holdings Limited owns 99.74% of the Company. Related party transactions within the group have not been disclosed on the basis that the Company is assumed in substance to be 100% owned.

1.2 Going concern

The financial statements have been prepared on the going concern basis which assumes the Company will continue in operational existence for the foreseeable future. The directors have reviewed the cash flow forecasts of the Company for the foreseeable future. The forecasts demonstrate the Company expects to meet its liabilities as they fall due for the foreseeable future. The directors therefore believe it is appropriate for the financial statements to be prepared on the going concern basis.

1.3 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1 'Cash flow statements'.

1.4 Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment. The Company's impairment review is based on discounted cash flows over the remaining life of the West Coast Trains Limited franchise using a discount rate that reflects current market assessments of the time value of money and the risks specific to the investment.

1.5 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

**Notes to the financial statements
for the financial year ended 31 March 2014**

1. Accounting policies (continued)

1.6 Taxation

The charge for taxation is based on the result for the financial period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Tax charges and credits are accounted for through the same primary statement (being either the profit and loss account or the statement of total recognised gains and losses) as the related pre-tax items.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19 'Deferred Tax'. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1.7 Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2. Operating profit

The operating profit is stated after charging:

	2014 £000	2013 £000
Operating lease rentals:		
Other operating leases	841	715
	<u>841</u>	<u>715</u>

3. Auditors' remuneration

	2014 £000	2013 £000
Fees payable to the Company's auditor for the audit of these financial statements	6	6
	<u>6</u>	<u>6</u>

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of Virgin Wings Limited, the parent undertaking of the largest group of undertakings, including the Company, for which consolidated financial statements are drawn up.

Virgin Rail Group Limited

Notes to the financial statements for the financial year ended 31 March 2014

4. Staff numbers and costs

Staff costs were as follows:

	2014 £000	2013 £000
Wages and salaries	(1,014)	(1,958)
Social security costs	(140)	(270)
	<u>(1,154)</u>	<u>(2,228)</u>

The average number of employees employed by the Company, including the directors, during the financial year was Nil (2013: Nil).

Wages and salaries in both financial years relate to amounts payable under a long term incentive scheme for members of senior management of the Virgin Rail Group, who are employed directly by West Coast Trains Limited. The scheme is run by Virgin Rail Group Limited, however payments of the scheme are made through West Coast Trains Limited. The staff costs figure for each year represents the net of current year scheme accruals and the release of prior year scheme accruals in relation to leavers and to payments made by West Coast Trains Limited.

5. Directors' remuneration

	2014 £000	2013 £000
Amounts receivable under long-term incentive schemes	<u>-</u>	<u>246</u>
Amounts paid to third parties for directors' remuneration services	<u>150</u>	<u>150</u>

The emoluments and amounts receivable under long term incentive schemes of the highest paid director are disclosed in the financial statements of Virgin Rail Group Holdings Limited, the immediate parent company of the Company.

6. Interest receivable

	2014 £000	2013 £000
Amounts receivable from group undertakings	140	533
Other interest receivable	3	-
	<u>143</u>	<u>533</u>

Virgin Rail Group Limited

Notes to the financial statements for the financial year ended 31 March 2014

7. Taxation

	2014 £000	2013 £000
Analysis of tax charge in the financial year		
Current tax		
UK corporation tax charge on profit for the financial year	26	126
Deferred tax		
Origination and reversal of timing differences	231	512
Effect of change in tax rate	71	46
Total deferred tax (see note 11)	302	558
Tax on profit on ordinary activities	328	684

Factors affecting tax charge for the financial year

The tax assessed for the financial year is lower than (2013: lower than) the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before tax	10,945	42,486
Current tax at 23% (2013: 24%)	2,517	10,197
Effects of:		
Expenses not deductible for tax purposes	-	3
Other timing differences	(265)	(534)
Non-taxable income	(2,226)	(9,540)
Total current tax charge (see above)	26	126

Factors that may affect future tax charges

Reductions in the corporation tax rate from 23% to 21% (effective from 1 April 2014) and from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. A rate of 20% has been used within the deferred tax calculations within these financial statements.

Virgin Rail Group Limited

Notes to the financial statements for the financial year ended 31 March 2014

8. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 April 2013 and 31 March 2014	5,261
Provision	
At 1 April 2013 and 31 March 2014	1,145
Net book value	
At 31 March 2014	4,116
At 31 March 2013	4,116

The Company owns all of the ordinary shares of West Coast Trains Limited, which operates passenger rail services, and all of the ordinary shares of CrossCountry Trains Limited, which operated passenger rail services until 10 November 2007.

Both of these companies are registered in England and Wales.

9. Debtors

	2014 £000	2013 £000
Due after more than one year		
Amounts owed by group undertakings	21,000	21,000
Due within one year		
Amounts owed by group undertakings	427	2,272
Other debtors	20	45
Prepayments and accrued income	196	651
Deferred tax asset (see note 1.1)	245	547
	888	3,515

Virgin Rail Group Limited

Notes to the financial statements for the financial year ended 31 March 2014

10. Creditors: Amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	72	273
Corporation tax	48	46
Accruals and deferred income	1,344	2,506
	<u>1,464</u>	<u>2,825</u>

Included within accruals and deferred income is the provision for amounts payable under a long term incentive scheme (see note 4).

11. Deferred tax

The deferred tax asset, which has been recognised at 20% (2013: 23%) is set out below:

	2014 £000	2013 £000
At 1 April 2013	547	1,105
Charge to profit and loss account	(302)	(558)
	<u>245</u>	<u>547</u>
At 31 March 2014		

The deferred tax asset is made up as follows:

	2014 £000	2013 £000
Other timing differences	245	547

12. Share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
265,305 employee non-voting ordinary shares of £0.10 each	27	27
100,000,000 ordinary shares of £0.10 each	10,000	10,000
50,133 preference shares of £1 each	50	50
	<u>10,077</u>	<u>10,077</u>

Except for voting rights, the ordinary shares and the employee non-voting ordinary shares rank pari passu with each other in all respects.

Virgin Rail Group Limited

Notes to the financial statements for the financial year ended 31 March 2014

13. Reserves

	Share premium account £000	Profit and loss account £000
At 1 April 2013	12,631	3,326
Profit for the financial year	-	10,617
Dividends paid (see note 15)	-	(11,650)
At 31 March 2014	<u>12,631</u>	<u>2,293</u>

14. Reconciliation of movement in shareholders' funds

	2014 £000	2013 £000
Opening shareholders' funds	26,034	23,982
Profit for the financial year	10,617	41,802
Dividends paid (see note 15)	(11,650)	(39,750)
Closing shareholders' funds	<u>25,001</u>	<u>26,034</u>

15. Dividends

	2014 £000	2013 £000
Dividends paid	<u>11,650</u>	<u>39,750</u>

16. Operating lease commitments

At 31 March 2014 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2014 £000	2013 £000
Expiry date: Between 2 and 5 years	<u>737</u>	<u>887</u>

17. Other financial commitments

Under the Interim Franchise Agreement for West Coast there is a requirement for the Company and West Coast to comply with certain performance and other obligations.

Virgin Rail Group Limited

Notes to the financial statements for the financial year ended 31 March 2014

18. Contingent liabilities

In accordance with the Interim Franchise Agreement for West Coast, the Company has procured a performance bond in favour of the DfT for West Coast.

This performance bond has been issued by ACE European Group Limited up to £21,000,000 (2013: £21,000,000).

19. Post balance sheet events

On 18 June 2014, the new West Coast Franchise Agreement was signed. It is effective for the period from 22 June 2014 to 31 March 2017. It supercedes the Interim Franchise Agreement for West Coast, which was due to run until 8 November 2014.

20. Ultimate parent company and parent undertaking of larger group

The parent undertaking of the smallest group of undertakings, including the Company, for which group financial statements are drawn up is Virgin Rail Group Holdings Limited. The parent undertaking of the largest group of undertakings, including the Company, for which group financial statements are drawn up is Virgin Wings Limited.

Copies of the Virgin Rail Group Holdings Limited and Virgin Wings Limited consolidated financial statements are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

As at 31 March 2014 the ultimate parent company is Virgin Group Holdings Limited, a company registered in the British Virgin Islands.