Virgin Rail Group Holdings Limited

Annual report and financial statements
For the financial year ended 31 March 2019
Registered number 4196341

Virgin Rail Group Holdings Limited

Contents

Strategic report
For the financial year ended 31 March 2019

Introduction

The principal activity of the Group during the financial year was the operation of passenger rail services between London (Euston) and Birmingham, Wolverhampton, Holyhead, Chester, Liverpool, Manchester, Preston, Carlisle and Glasgow under the franchise operated by West Coast Trains Limited ("West Coast"), a member of the Group.

The Group operated these services under the terms of the Franchise Agreement, dated 18 June 2014, for the period from 22 June 2014 to 31 March 2018. On 5 February 2018, West Coast signed a new Direct Award Franchise Agreement with the Department for Transport ("DfT") for a short-term franchise for the period from 1 April 2018 to 31 March 2019 with an optional extension, exercisable by the DfT, of up to one year. On 21 December 2018 the DfT confirmed an extension through to 31 March 2020 with an option for this to be shortened, with three months notice, to a length of their choosing but not earlier than 9 November 2019.

In November 2016, the DfT announced its plans to invite bids for a new rail franchise, the West Coast Partnership, that will combine the current West Coast services with the development and introduction of High Speed 2 ("HS2") services. The West Coast Partnership franchise will include responsibility for services on both the West Coast Main Line and designing and running the initial high speed services from 2026. The DfT is currently running a procurement process for the West Coast Partnership franchise. Once the West Coast Partnership franchise commences, the current West Coast franchise will expire.

Following the expiry of the franchise, West Coast will cease to trade and the Group will no longer have any investments in operational companies. As the directors do not intend to acquire a replacement trade for West Coast, they have not prepared these financial statements on a going concern basis, consistent with the prior year. The effect of this is explained in note 1 to the financial statements.

Business review

The Group has seen continued passenger revenue and journey growth during the financial year and continues to make profit share payments, in addition to committed franchise premium payments, to the DfT thus benefitting taxpayers.

The Group is focused on continually improving the customer experience and customer satisfaction levels. The selection, training, development and encouragement of staff continues to reflect this; while management is continually reviewing operations to provide the best value for money service to customers.

Customer satisfaction as measured by the independent National Rail Passenger Survey is positive and West Coast remains consistently at or near the top of long distance train operators in terms of overall satisfaction scores. In October 2018, West Coast retained the Best UK Domestic Train Service award at the Business Traveller Awards 2018.

The Group continues to build on its customer satisfaction levels by delivering a range of further enhancements to the customer experience and is leading the rail industry in innovating for customers. West Coast has seen a significant increase in sales of digital tickets and during the financial year became the first train operator to introduce digital season tickets for use on mobile devices. As part of the Direct Award Franchise Agreement, West Coast is investing to improve on-board Wi-Fi and then extend free Wi-Fi to all Pendolino customers and is investing to improve the station and on-board environments.

Business review *(continued)*

As well as delivering customer satisfaction, the Group is focused on its corporate responsibility and meeting its commitments to the environment, to local communities and to the UK economy.

The Group's punctuality on the West Coast Main Line is reflected in its overall Public Performance Measure ("PPM"). The Group continues to press for improvements from Network Rail under its performance contract to ensure that its performance is improved and customer delays are minimised, given that Network Rail are responsible for around 70% of delays.

Principal risks and uncertainties

Like most businesses, the Group faces a range of risks and uncertainties. Detailed below are those specific risks and uncertainties that the directors believe could have the most significant impact on the Group's performance. The risks and uncertainties described below are not intended to be an exhaustive list of all possible risks and uncertainties.

Major incidents/Terrorism

As with any operator of public transportation, there is a risk that the Group is involved in a major incident which could result in injury to customers or staff. The potential impact on the Group includes damage to the Group's reputation and possible claims against the Group. The Group's focus on its safety environment is detailed in the Safety section below. In addition, the Group has procedures in place to respond to any major incident that may occur.

Network Rail performance

Reliable running of the Group's high frequency timetable depends on the ability of Network Rail to maintain a fully operational network. Failure to do so impacts the Group's operational performance. In order to manage the risk, there is close monitoring by management of performance targets.

West Coast Franchise

The Franchise Agreement and the Direct Award Franchise Agreement were negotiated using a range of assumptions with regard to revenue growth and cost base. It is imperative that the Group takes all actions outlined in its bids to ensure that its targets are met.

The Group is required to comply with certain conditions as part of its rail franchise agreement. If it fails to comply with these conditions, it may be liable to penalties or the potential termination of the franchise. Compliance with franchise conditions is closely managed and monitored and procedures are in place to minimise the risk of non-compliance.

Economy and Brexit

The economic environment in which the Group operates affects the demand for rail services with the subsequent impact on financial performance with movements in GDP and fuel prices being key factors. In addition the ongoing negotiation of the terms of the UK leaving the European Union may lead to uncertainty in the economy and consumer confidence.

This risk is minimised due to the Direct Award Franchise Agreement including a revenue sharing arrangement that is intended to ensure that the DfT and the train operator share the risk of variances in revenue resulting from macroeconomic and environmental factors differing from that expected at the time of the February 2018 Direct Award Franchise Agreement. Brexit contingency planning has been undertaken and the impact is not expected to be significant over the remaining franchise period.

Principal risks and uncertainties *(continued)*

Cyber risk

The Group, whilst maintaining adequate protection, is aware that the risks of cyber attacks are increasing. The Group, along with its suppliers, is constantly monitoring the risk to its operations and reviewing the resource in place to ensure the robustness of its IT systems.

Failure of critical suppliers

The Group has a number of key suppliers supporting various areas of the business, for example infrastructure, rolling stock and IT. Failure of one of these key suppliers would impact on financial and operational performance of the Group. The Group has made contingency plans for each key supplier if this eventuality occurs.

Financial instruments

The Group's activities expose it to a variety of financial risks. It is the Group's policy to invest cash assets safely and profitably. To control credit risk, counterparty credit limits are set by reference to published credit ratings. In addition, the Group seeks to maximise finance income from short term deposits via the monitoring of cash balances and working capital requirements. The Group is exposed to commodity price risk and uses fuel derivatives to hedge against movements in the fuel price.

Liquidity risk is the risk that the Group may not be able to meet its financial obligations as they fall due. The Group ensures that there is sufficient liquidity to enable the Group to meet its financial commitments. The Group monitors its cash requirements on an ongoing basis.

Financial key performance indicators

Financial KPIs focus on profitability and cash management. Financial results are closely monitored by management, shareholders and the DfT.

The Group has seen passenger revenue and journey growth year on year. Annual passenger journeys now stand at 39.5 million, a 3% increase from the previous financial year.

Other key performance indicators

Significant non-financial KPIs include safety, train punctuality, customer satisfaction and net advocacy scores. Safety is discussed further in the Safety section below.

Train punctuality is measured by PPM, being the percentage of trains that arrive at their destination within 10 minutes of their scheduled arrival time having called at all scheduled stations. West Coast has seen a slight reduction in punctuality during the financial year and the Group is engaged with Network Rail to improve the service experienced by customers. The annual average PPM was 84.0% for the financial year compared to 84.2% in the previous financial year. The operations of the Group are affected each financial year by disruption on the West Coast Main Line, mainly at weekends and on bank holidays under normal industry possession arrangements.

West Coast's latest Customer Satisfaction survey results maintain a high position compared to other long distance train operators. This has been achieved by the Group's good value for money offerings and the dedication of staff. In the Autumn 2018 National Rail Passenger Survey West Coast achieved an overall satisfaction score of 90% (Autumn 2017: 91%).

Safety

The Group remains committed, through annual continuous improvement, to maintaining a safe and secure environment for its passengers, workforce and the general public. The Group's ongoing safety strategic objectives are:

- to minimise the risk of death and injury to customers and staff;
- to eliminate main line Category A "Signals Passed At Danger";
- to support the national initiative to reduce trespass, vandalism and railway crime and disorder; and
- to encourage a rail industry partnership to raise safety standards through shared information, best practice and common safety values.

These are supported by specific focus on safety targets including passenger and staff accident levels, Signals Passed at Danger and safety related defects.

Both the Pendolino and Super Voyager train fleets have a range of safety features. These include (amongst others) enhanced crash protection, laminated windows, improved lighting, fire detection and fighting systems, power operated doors, CCTV and Train Management Systems.

The Group continues to make progress against the following initiatives:

- ongoing maintenance of a close safety partnership with Network Rail;
- ongoing use of driver training simulators supported by interactive computer based training assessment tools for improved safety, training and off-line experience; and
- promoting industry safety values throughout the Group and working with suppliers to do the same. Core safety values are included in training courses, job descriptions and Safety Responsibility Statements.

Future developments

The directors remain confident that, under the terms of the Direct Award Franchise Agreement, West Coast will remain profitable over its current franchise term.

Based on the anticipated profitable position and forecast cash flows of West Coast, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the current West Coast franchise term.

As detailed above, once the West Coast Partnership franchise commences, the current West Coast franchise will expire. Following the expiry of the current West Coast franchise, West Coast will cease to trade and the Group will no longer have any investments in operational companies.

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

Mark Whitehouse
Director

Date: 20 June 2019

Directors' report
For the financial year ended 31 March 2019

The directors present their report and the financial statements for the financial year ended 31 March 2019.

Results and dividends

The profit for the financial year, after taxation and non-controlling interest, amounted to £42,927,000 (2018: £54,675,000).

Dividends paid to equity holders of the parent during the financial year totalled £41,991,000 (2018: £51,665,000).

Directors

The directors who served during the financial year and up to the date of the Directors' report were:

Patrick McCall	
Claudia De Antoni	(resigned 12 September 2018)
Caroline Marsh	(appointed 7 February 2019)
Martin Griffiths	
Ross Paterson	
Philip Whittingham	
Mark Whitehouse	
Patrick McGrath	(resigned 3 May 2018)
Peter Broadley	
Sarah Copley	

Sir Richard Branson is president of the Group.

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

Political contributions

The Group made no political contributions during the financial year (2018: £Nil).

Employees

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

The Group uses the consultative procedures agreed with its staff and their elected representatives with a view to ensuring that its employees are aware of the financial and economic factors that affect the Group's performance and prospects.

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

The Group has published Gender Pay Gap reports and is working towards closing the gender gap. The Group is committed to equal pay.

Directors' report
For the financial year ended 31 March 2019

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 the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- the 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 and the Group's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on page 4.

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:

Mark Whitehouse
Director

Date: 20 June 2019

The Battleship Building
179 Harrow Road
London
W2 6NB

Directors' responsibilities statement
For the financial year ended 31 March 2019

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 parent Company and of their profit or loss for that period. In preparing each of the Group and the parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so (as explained in note 1, the directors do not believe that it is appropriate to prepare the financial statements on a going concern basis).

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Virgin Rail Group Holdings Limited ("the Company") for the year ended 31 March 2019 which comprise the Consolidated statement of profit and loss and other comprehensive income, Consolidated balance sheet, Company balance sheet, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows and related notes, including the accounting policies in note 1. These financial statements have not been prepared on the going concern basis for the reason set out in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the requirements of the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement 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; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Nicola Davies (Senior Statutory Auditor)
for and on behalf of
KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 20 June 2019

Consolidated statement of profit and loss and other comprehensive income
For the financial year ended 31 March 2019

	Note	2019 £000	2018 £000
Revenue	3	1,244,373	1,165,991
Other operating income	4	74,461	60,013
Train operating expense	5	(737,977)	(648,959)
Staff costs	7	(202,383)	(192,235)
Other operating charges		(326,398)	(321,360)
Operating profit		52,076	63,450
Finance income	8	1,563	814
Profit before tax	6	53,639	64,264
Taxation	9	(10,600)	(9,445)
Profit for the financial year		43,039	54,819
Profit attributable to:			
Equity holders of the parent		42,927	54,675
Non-controlling interest		112	144
Profit for the financial year		43,039	54,819
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit pension scheme	19	4,170	540
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
- Changes in fair value during the year	18	1,124	536
- Reclassified and reported in profit for the year	18	(1,342)	(1,854)
- Tax effect of cash flow hedges	18	42	250
		(176)	(1,068)
Other comprehensive income for the financial year, net of tax		3,994	(528)
Total comprehensive income for the financial year		47,033	54,291
Total comprehensive income attributable to:			
Equity holders of the parent		46,910	54,146
Non-controlling interest		123	145
Total comprehensive income for the financial year		47,033	54,291

The accompanying notes form an integral part of this consolidated statement of profit and loss and other comprehensive income.

Consolidated balance sheet
As at 31 March 2019

	Note	2019 £000	2018 £000
Non current assets			
Property, plant and equipment	10	-	-
		-	-
Current assets			
Inventory	13	441	473
Trade and other receivables	14	74,807	77,188
Cash and cash equivalents	15	117,599	87,218
Deferred tax	12	5,475	6,815
Derivative financial instruments	18	247	578
Retirement benefit asset	19	8,800	-
		207,369	172,272
Total assets		207,369	172,272
Current liabilities			
Trade and other payables	16	(138,806)	(111,046)
Current tax liabilities		(3,952)	(2,957)
Provisions	17	(3,591)	(2,182)
		(146,349)	(116,185)
Total liabilities		(146,349)	(116,185)
Net assets		61,020	56,087
Equity			
Ordinary share capital	20	3	3
Merger reserve	20	22,533	22,533
Retained earnings	20	38,145	33,050
Cash flow hedging reserve	20	133	309
Equity attributable to the parent		60,814	55,895
Non-controlling interest		206	192
Total equity		61,020	56,087

The accompanying notes form an integral part of this consolidated balance sheet.

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

Mark Whitehouse
Director

Date: 20 June 2019

Registered number: 4196341

Company balance sheet
As at 31 March 2019

	Note	£000	2019 £000	£000	2018 £000
Fixed assets					
Investments	**11**		**33,477**		33,477
Current assets					
Debtors	**14**	**122**		133	
Cash at bank and in hand	**15**	**381**		310	
		503		443	
Creditors: amounts falling due within one year	**16**	**(443)**		(189)	
Net current assets			**60**		254
Total assets less current liabilities and net assets			**33,537**		33,731
Capital and reserves					
Ordinary share capital	**20**		**3**		3
Merger reserve	**20**		**33,474**		33,474
Retained earnings	**20**		**60**		254
Total equity			**33,537**		33,731

The accompanying notes form an integral part of this company balance sheet.

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

Mark Whitehouse
Director

Date: 20 June 2019

Registered number: 4196341

Virgin Rail Group Holdings Limited

Consolidated statement of changes in equity
As at 31 March 2019

	Ordinary share capital £000	Merger reserve £000	Retained earnings £000	Cash flow hedging reserve £000	Total equity attributable to parent £000	Non-controlling interest £000	Total £000
At 1 April 2017	3	22,533	29,501	1,377	53,414	182	53,596
Profit for the financial year	-	-	54,675	-	54,675	144	54,819
Other comprehensive income	-	-	539	(1,068)	(529)	1	(528)
Total comprehensive income for the financial year	**-**	**-**	**55,214**	**(1,068)**	**54,146**	**145**	**54,291**
Dividends paid on ordinary shares	-	-	(51,665)	-	(51,665)	(135)	(51,800)
At 31 March 2018	**3**	**22,533**	**33,050**	**309**	**55,895**	**192**	**56,087**
At 1 April 2018	3	22,533	33,050	309	55,895	192	56,087
Profit for the financial year	-	-	42,927	-	42,927	112	43,039
Other comprehensive income	-	-	4,159	(176)	3,983	11	3,994
Total comprehensive income for the financial year	**-**	**-**	**47,086**	**(176)**	**46,910**	**123**	**47,033**
Dividends paid on ordinary shares	-	-	(41,991)	-	(41,991)	(109)	(42,100)
At 31 March 2019	**3**	**22,533**	**38,145**	**133**	**60,814**	**206**	**61,020**

The accompanying notes form an integral part of this consolidated statement of changes in equity.

Company statement of changes in equity
As at 31 March 2019

	Ordinary share capital £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 April 2017	3	33,474	610	34,087
Profit for the financial year	-	-	51,309	51,309
Total comprehensive income for the financial year	**-**	**-**	**51,309**	**51,309**
Dividends paid on ordinary shares	-	-	(51,665)	(51,665)
At 31 March 2018	**3**	**33,474**	**254**	**33,731**
At 1 April 2018	3	33,474	254	33,731
Profit for the financial year	-	-	41,797	41,797
Total comprehensive income for the financial year	**-**	**-**	**41,797**	**41,797**
Dividends paid on ordinary shares	-	-	(41,991)	(41,991)
At 31 March 2019	**3**	**33,474**	**60**	**33,537**

The accompanying notes form an integral part of this company statement of changes in equity.

Consolidated statement of cash flows
For the financial year ended 31 March 2019

	Note	2019 £000	2018 £000
Cash flow from operating activities			
Profit for the financial year		**43,039**	54,819
Adjustments for:			
Finance income	8	**(1,563)**	(814)
Taxation	9	**10,600**	9,445
		52,076	63,450
Working capital changes:			
Decrease in inventory		**32**	36
Decrease/(increase) in trade and other receivables		**2,668**	(7,338)
Increase in trade and other payables		**9,870**	6,641
Increase in provisions		**1,409**	242
Difference between employer pension contributions and pension expense in operating profit		**13,890**	12,590
		79,945	75,621
Interest received		**759**	346
Net cash from operating activities before tax		**80,704**	75,967
Tax paid		**(8,223)**	(13,161)
Net cash from operating activities		**72,481**	62,806
Cash flow from financing activities			
Dividends paid to equity holders of the parent		**(41,991)**	(51,665)
Dividends paid to non-controlling interest		**(109)**	(135)
Net cash from financing activities		**(42,100)**	(51,800)
Net increase in cash and cash equivalents		**30,381**	11,006
Cash and cash equivalents at beginning of year		**87,218**	76,212
Cash and cash equivalents at end of year	15	**117,599**	87,218

The accompanying notes form an integral part of this consolidated statement of cash flows.

1 Accounting policies

Virgin Rail Group Holdings Limited (the "Company") is a private company incorporated and domiciled in the UK and registered in England and Wales.

The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

These consolidated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union. The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are recorded at fair value.

The Company has taken advantage of section 408 of the Companies Act 2006 and has not presented its own profit and loss account. The result for the year attributable to the Company is disclosed in the Company statement of changes in equity.

Going concern

The financial statements have not been prepared on a going concern basis as explained below.

The Company acts as a holding company for the subsidiaries listed in note 11 and consequently is dependent on revenue generated by those companies under the West Coast franchise.

The West Coast Franchise Agreement ran to 31 March 2018. On 5 February 2018, West Coast signed a new Direct Award Franchise Agreement with the Department for Transport ("DfT") for a short-term franchise for the period from 1 April 2018 to 31 March 2019 with an optional extension, exercisable by the DfT, of up to one year. On 21 December 2018 the DfT confirmed an extension through to 31 March 2020 with an option for this to be shortened, with three months notice, to a length of their choosing but not earlier than 9 November 2019.

In November 2016, the DfT announced its plans to invite bids for a new rail franchise, the West Coast Partnership, that will combine the current West Coast services with the development and introduction of High Speed 2 ("HS2") services. The West Coast Partnership franchise will include responsibility for services on both the West Coast Main Line and designing and running the initial high speed services from 2026. The DfT is currently running a procurement process for the West Coast Partnership franchise. Once the West Coast Partnership franchise commences, the current West Coast franchise will expire.

Following the expiry of the current West Coast franchise, West Coast will cease to trade and the Group will no longer have any investments in operational companies. As the directors do not intend to acquire a replacement trade for West Coast, they have not prepared the financial statements on a going concern basis.

1 Accounting policies *(continued)*

1.1 Basis of preparation *(continued)*

***Going concern** (continued)*

No adjustments were necessary to the amounts at which the net assets are included in these financial statements compared with the values at which they would have been stated had the going concern basis of accounting been adopted.

Based on industry practice certain contracts, assets, rights, commitments and liabilities of West Coast associated with the operations of the franchise will transfer to the new franchise operator on the termination date of the West Coast franchise.

1.2 New accounting standards adopted during the year

The Group has applied IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' for the first time for its annual reporting period commencing 1 April 2018. Applying these new accounting standards has not had a material impact on the Group's consolidated financial statements for the year ended 31 March 2019.

There were no amendments to other accounting standards or IFRIC interpretations that are effective for the year ended 31 March 2019 which have had a material impact on the Group's consolidated financial statements.

1.3 Basis of consolidation

The financial statements consolidate the accounts of Virgin Rail Group Holdings Limited and all of its subsidiary undertakings ("subsidiaries").

On 1 March 2002 the Company acquired the entire share capital of Virgin Rail Group Limited with the consideration being satisfied by the issue of ordinary shares in the Company. The combination was accounted for as a Group reconstruction using the principles of merger accounting.

All other acquisitions have been accounted for using the principles of acquisition accounting. Under this method the results and cash flows of the subsidiary companies are included in the Group statement of profit and loss and the Group cash flow statement respectively from the dates of acquisition. Fair values are attributed to the Group's share of the identifiable net assets required.

1.4 Revenue

Revenue comprises amounts receivable by the Group in respect of goods and services supplied during the financial year, excluding VAT.

Passenger revenue principally represents amounts attributed to the Group by the Railway Settlement Plan (which administers the income allocation system within the UK rail industry) for each financial period. Income is attributed based on models of certain aspects of passenger behaviour and, to a lesser extent, from allocations agreed for specific revenue flows. The revenue is recognised when paid by the Railway Settlement Plan which is at the point the travel ticket is fulfilled with the exception of season ticket income. The attributed share of season ticket income is deferred within creditors and released to the statement of profit and loss over the life of the relevant season ticket.

Other trading income consists principally of the provision of station facilities to other train operators, retail commissions receivable and car parking. Other trading income and catering income are recognised as the income is earned.

1 Accounting policies *(continued)*

1.5 Franchise expense/income

Revenue grants receivable and franchise premia receivable or payable in respect of the operation of rail franchises are recognised in the statement of profit and loss in the period in which the related revenue or expenditure is recognised in the statement of profit and loss or where they do not relate to any specific revenue or expenditure, in the period in respect of which the amount is receivable or payable. Revenue grants and premia receivable or payable are classified within other operating income and other operating charges.

Under the contractual terms of its franchise agreement, the Group has revenue sharing arrangements with the DfT. As a result of these arrangements, the Group may be liable to make payments to the DfT or receive amounts from the DfT. The Group recognises revenue share amounts payable or receivable in the statement of profit and loss in the same period in which it recognises the related revenue. Revenue share amounts payable or receivable are treated as other operating charges or other operating income.

1.6 Compensation for service disruption

Compensation receivable/payable for service disruption under the performance regime provisions of the track access agreement with Network Rail is recognised over the period affected by disruption and the net amount is shown within other operating income.

Network change compensation receivable in respect of lost revenue and incremental costs incurred due to Network Rail's alterations of the track and infrastructure is recognised over the period of disruption and is shown within other operating income.

1.7 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive, in which case it is recognised in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and it is the intention to settle these on a net basis.

1 Accounting policies *(continued)*

1.8 Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Depreciation is provided to write off cost less estimated residual value, on a straight-line basis, over the shorter of the useful economic life of the assets or the remaining duration of the franchise and commences from the date on which the assets are ready to use.

1.9 Impairment of non-current assets

Non-current asset investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

In the Company's accounts, investments in subsidiary undertakings are shown at cost less provision for impairment. The Company's impairment review is principally 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 risks specific to the investment.

1.10 Inventory

Inventory is stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving inventory.

1.11 Operating leases

Payments made under operating leases are recognised in the statement of profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of profit and loss as an integral part of the total lease expense.

1.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. The amounts recognised are the best estimate of the expenditure that will be required to meet the Group's obligation.

1.13 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument. In accordance with IFRS 9, financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Group determines the classification at initial recognition and re-evaluates this designation at each balance sheet date except for those financial instruments measured at fair value through profit or loss.

Derivative financial instruments and hedging

The Group uses derivative financial instruments to manage its exposure to fuel price risk. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value through profit or loss ("FVTPL"). Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

1 Accounting policies *(continued)*

1.13 Financial instruments *(continued)*

Derivative financial instruments and hedging (continued)

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in the statement of comprehensive income, while the ineffective portion is recognised in the statement of profit and loss. Amounts recorded in the statement of comprehensive income are transferred to the statement of profit and loss when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recorded in the statement of comprehensive income remain in equity until the forecast transaction occurs and are then transferred to the statement of profit and loss. If a forecast transaction is no longer expected to occur, amounts previously recognised in the statement of comprehensive income are transferred to the statement of profit and loss immediately.

Non-derivative financial assets

Non-derivative financial assets are deemed to be assets which have no fixed or determinable payments that are not quoted in an active market and would therefore be classified as "loans and receivables". Such non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment and include trade and other receivables.

Cash and cash equivalents

For the purposes of the balance sheet and cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with maturities at the balance sheet date of twelve months or less.

Impairment of non-derivative financial assets

The Group assesses at each balance sheet date whether a non-derivative financial asset or group of financial assets is impaired. The "expected credit loss" approach is taken when calculating impairments on financial assets. All financial assets are reviewed for historic write offs and this proportion is applied to its class of financial assets to calculate the required provision.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost, and include trade and other payables.

1 Accounting policies *(continued)*

1.14 Retirement benefits

West Coast Trains Limited participates in its own separate section of the Railways Pension Scheme ("RPS"), which provides benefits on a defined benefit basis.

Defined benefit obligations are measured at discounted present value whilst scheme assets are recorded at fair value. Any recognised net asset is limited to the present value of economic benefits available in the form of any future refunds from the scheme or reductions in future contributions to the scheme.

The service costs of defined benefit schemes are spread systematically over the working lives of employees and included within operating profit. Scheme administration expenses are also included within operating profit. Net interest expense or income is calculated by applying the discount rate and included within finance expense or finance income. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income. Life expectancies are considered when retirement benefit obligations are calculated. Past service costs are recognised immediately in income.

A full actuarial valuation of the scheme is undertaken triennially and updated annually using independent actuaries following the projected unit credit method. The present value of the scheme obligations is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds which have terms to maturity equivalent to the terms of the related obligations. Experience adjustments and changes in assumptions which affect actuarial gains and losses are reflected in the actuarial gain or loss for the year.

The Group has no rights or obligations in respect of the RPS following the expiry of the related franchise. The liability or asset recognised for the relevant section of the RPS represents only that part of the net deficit (or surplus) of the section that the employer expects to fund (or recover) over the life of the franchise to which the section relates. Where the award of a new rail franchise to the Group results in a pension accounting liability, a corresponding intangible asset is recognised, reflecting a cost in obtaining the right to operate the franchise. When a pension accounting surplus results, a corresponding deferred income balance is recognised. The intangible asset or deferred income balance is amortised to the statement of profit or loss on a straight-line basis over the expected life of the related franchise.

To reflect the fact that the Group has no rights or obligations in respect of the RPS following the expiry of the related franchise, it calculates an amount (the "franchise adjustment") representing the extent to which the Group does not expect to fund the existing deficit over the course of the franchise period, being the present value at the pensions discount rate of the difference between the agreed schedule of contributions and the expected service costs over that period. The franchise adjustment is treated in a similar way to a plan asset with an interest credit recognised in the statement of profit or loss and re-measurement recognised in other comprehensive income.

Overall, and subject to any experience adjustments, the cumulative statement of profit or loss amounts in respect of the RPS, together with the related intangible asset/deferred income balance amortisation, by the end of the franchise period, will be equal to the cumulative contributions and franchise adjustment re-measurements in other comprehensive income that offset cumulative re-measurements of the other plan assets.

1 Accounting policies *(continued)*

1.15 Dividends

Dividends are recorded in the Group's financial statements in the period in which they are declared and are approved by the Group's shareholders.

1.16 Adopted IFRS not yet applied

The International Accounting Standards Board ("IASB") have issued the following standards with an effective date for financial years beginning on or after the dates disclosed below and therefore after the date of these financial statements:

IFRS 16 Leases - Effective for the year ended 31 March 2020

IFRS 16 eliminates the current dual accounting model, which distinguishes between finance leases and operating leases, and, instead, introduces a single on-balance sheet accounting model unless the lease term is 12 months or less or the underlying asset has a low value. The standard, which replaces IAS 17 'Leases', will give rise to the recognition of an asset representing the right-of-use of the lease item and a related liability being the future lease payment obligations. Costs currently classified as operating lease costs will be reclassified and split between the depreciation of an asset, on a straight-line basis, and interest on the lease liability. The reclassification will increase the operating profit with corresponding increases in the depreciation charge and interest expense. Interest will also be higher in the early stages of the lease and reduce over the lease term.

The Group has assessed the impact of the new standard and as the end date of rail related operating leases is co-terminus with the end of the franchise, as per industry practice, the Group is exempt from disclosure under the short lease exemption.

IFRIC 23 Uncertainty over tax treatments - Effective for the year ended 31 March 2020

The IASB's Interpretations Committee has issued IFRIC Interpretation 23 which clarifies the application of recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments. The Group has assessed the impact of the interpretation and it is not expected to be material.

Other new or amended standards not yet adopted have been considered and are not expected to have a material impact on the Group's consolidated financial statements.

2 Significant judgements, estimates and accounting policies

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates calculated.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The items discussed below are considered to be the most significant judgements and sources of estimation uncertainty.

(a) Judgements

Accounting for participation in Railways Pension Scheme ("RPS")

As disclosed in note 19, the Group applies a "franchise adjustment" to the amounts recorded in the balance sheet for the RPS. This represents the remaining element of the franchisee's 60% share of the IAS 19 deficit or surplus after determining the amount of any deficits the Group is required to fund (or surplus it is entitled to recover) over the remaining franchise period. This adjustment can give rise to a net pension asset, representing the expected excess of the income statement expense under IAS 19 for service cost and net interest over the contributions payable over the remainder of the franchise. The economic benefit of the asset is expected to be realised through the lower cash contributions over the remaining period of the franchise and therefore upon expiry of the Group's rail franchise, there will be no pension asset (or liability) remaining. This judgement is consistent with the industry-wide accounting treatment for the RPS that was agreed in 2005. An alternative assessment of the RPS may conclude that such a net pension asset does not give rise to any economic benefit under IAS 19, on the basis that no refund is available from the RPS and there will not be any reduction in future contributions to the RPS. Adopting this alternative assessment would result in such an asset being restricted to £Nil under the asset ceiling under IFRIC 14. This would have an impact on the amounts recognised in the Group's consolidated balance sheet, with £8.8m relating to the RPS asset (2018: £Nil).

(b) Key sources of estimation uncertainty

Pensions

The determination of the Group's pension benefit obligation and expense for defined benefit schemes is dependent on the selection by the Directors of certain assumptions used by the actuaries in calculating such amounts. Those assumptions include the discount rate, the annual rate of increase in future salary levels and mortality levels. The Directors' assumptions are based on actual historical experience and external data. Significant differences in actual experience or significant changes in assumptions may materially affect the pension obligation and future expense. Further details and sensitivities are set out in note 19 (e).

In the calculation of the franchise adjustment, the Group has determined to apply the IAS 19R discount rate. This adopted policy is considered appropriate as it reflects best the underlying nature of the arrangement in that it focuses on the difference between the expected service costs and the agreed cash contributions over the franchise period.

Rail contractual positions

The UK rail industry is subject to a complex matrix of contractual relationships. West Coast Trains Limited is party to contractual relationships with, amongst others, the Department for Transport, Network Rail and rolling stock lessors. The nature of these contracts is such that there can be uncertainty over amounts receivable or payable by the Group in accordance with the contracts. The Group makes estimates of the amounts receivable or payable based on available, relevant information. Actual outcomes can differ from the estimates made by the Group.

Notes to the financial statements
For the financial year ended 31 March 2019

3 Revenue

	2019 £000	2018 £000
Passenger revenue	**1,189,569**	1,108,306
Catering revenue	**14,515**	14,222
Other trading income	**40,289**	43,463
	1,244,373	1,165,991

All revenue arose within the UK.

Other trading income consists primarily of the provision of station facilities to other train operators, retail commissions receivable and car parking.

4 Other operating income

	2019 £000	2018 £000
Network change compensation and performance regime	**70,701**	56,318
Property income	**3,760**	3,695
	74,461	60,013

Network change compensation is receivable in respect of lost revenue and incremental costs incurred due to Network Rail's alterations of the track and infrastructure during the financial year.

Net performance regime income/expense is in respect of service disruption under the performance regime provisions of the track access agreement with Network Rail.

5 Train operating expense

	2019 £000	2018 £000
Rolling stock costs	**333,864**	322,949
Track access costs	**214,655**	166,720
Station and depot access costs	**21,917**	20,283
Power costs	**70,499**	53,405
Other operating costs	**97,042**	85,602
	737,977	648,959

Other operating costs consist primarily of retail commissions payable, catering supplies and British Transport Police charges.

6 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2019 £000	2018 £000
Rentals under operating leases:		
- Plant and machinery	**120,724**	121,306
- Other	**13,145**	13,455
Rental income received on properties	**(3,760)**	(3,695)
Franchise expense (see below)	**243,581**	250,129

Auditor's remuneration

Remuneration of the auditor and its associates:		
- Audit of these financial statements	**27**	26
- Audit of financial statements of subsidiaries of the Company	**115**	107
- Audit-related assurance services	**56**	52

Franchise expense

	2019 £000	2018 £000
Franchise Agreement payments	**208,877**	238,626
Profit share payment under Franchise Agreement	**12,921**	11,503
Revenue share payment under Franchise Agreement	**21,783**	-
	243,581	250,129

The West Coast Franchise Agreement includes a profit share arrangement whereby a share of the profit above certain pre-determined thresholds is payable to the DfT.

The Direct Award Franchise Agreement includes a revenue sharing arrangement that is intended to ensure that the DfT and the train operator share the risk of variances in revenue resulting from macroeconomic and environmental factors differing from that expected at the time of the February 2018 Direct Award Franchise Agreement.

Notes to the financial statements
For the financial year ended 31 March 2019

7 Staff costs

Headcount and total remuneration

The average number of persons employed by the Group, including the directors, during the financial year, analysed by category, was as follows:

	2019 No.	2018 No.
Management and administration	**614**	565
Operations	**2,736**	2,724
	3,350	3,289

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	**159,565**	152,577
Social security costs	**17,898**	16,818
Pension costs	**24,920**	22,840
	202,383	192,235

The Company has no employees in the year (2018: Nil).

Directors' remuneration

	2019 £000	2018 £000
Total remuneration		
Remuneration	**1,171**	1,320
Amounts receivable under long term incentive schemes	**658**	375
Contributions to defined benefit pension schemes	**76**	89
Amounts paid to third parties for directors' services	**449**	150
Highest paid director		
Remuneration	**366**	354
Amounts receivable under long term incentive schemes	**193**	89
Contributions to defined benefit pension schemes	**25**	24

During the financial year retirement benefits were accruing to 4 directors (2018: 5) in respect of defined benefit pension schemes.

The directors are considered to be the key management personnel of the Group.

8 Finance income and expense

	2019 £000	2018 £000
Finance income		
Bank interest receivable	**850**	344
Other interest receivable	**83**	-
Interest income on defined benefit pension schemes	**630**	470
	1,563	814

9 Taxation

Recognised in the statement of profit and loss:

	2019	2018
	£000	£000
Current tax		
Current tax on income for the year	9,960	12,988
Adjustments in respect of prior years	(742)	(4,052)
Total current tax	9,218	8,936
Deferred tax		
Origination and reversal of temporary differences	705	935
Adjustments in respect of prior years	677	(426)
Total deferred tax (see note 12)	1,382	509
Total tax expense	10,600	9,445

Factors affecting tax charge for the financial year

The actual tax charge for the financial year differs from that computed by applying the standard tax rate to the profit before tax as reconciled below:

	2019	2018
	£000	£000
Profit before tax	53,639	64,264
Tax at UK corporation tax rate of 19% (2018: 19%)	10,191	12,210
Effects of:		
Non deductible expenses	176	2
Non taxable income	-	(66)
Non deductible pension expenses	298	1,777
Adjustments in respect of prior years	(65)	(4,478)
Total tax expense	10,600	9,445

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. As the West Coast Direct Award Franchise Agreement currently runs to 31 March 2020, the deferred tax asset at 31 March 2019 has been calculated at 19% (2018: 19%).

10 Property, plant and equipment

	Fixtures & fittings £000
Cost	
At 1 April 2018	40,856
At 31 March 2019	40,856
Depreciation	
At 1 April 2018	40,856
At 31 March 2019	40,856
Net book value	
At 31 March 2019	-
At 31 March 2018	-

11 Investments

Group

West Coast Trains Limited, a subsidiary of Virgin Rail Group Holdings Limited, owns one ordinary share of four pence in each of ATOC Limited, Rail Settlement Plan Limited and Rail Staff Travel Limited and one ordinary share of one pound in NRES Limited.

Company	**Investments in subsidiary companies £000**
Cost	
At 1 April 2018	348,629
At 31 March 2019	348,629
Impairment	
At 1 April 2018	315,152
At 31 March 2019	315,152
Net book value	
At 31 March 2019	**33,477**
At 31 March 2018	33,477

The Company owns 99.74% of the allotted share capital of Virgin Rail Group Limited.

Virgin Rail Group Limited owns 100% of the allotted share capital of West Coast Trains Limited, which operates passenger rail services.

The Company owns 100% of the allotted share capital of Virgin Rail Projects Limited, an inactive project management company which is in the process of being struck off, 100% of the allotted share capital of Virgin Trains Sales Limited, a train hire company and 100% of Virgin Trains Limited, a dormant company.

All of these companies are included within the consolidated financial statements and are registered in England and Wales at the registered office address given on page 6.

An impairment review of the Company's investment in Virgin Rail Group Limited was undertaken at 31 March 2019. This impairment review was principally based on discounted cash flows over the remaining life of the West Coast franchise.

12 Deferred tax

The net deferred tax movement in the balance sheet is as follows:

	Group	Company
	£000	£000
As at 1 April 2017	7,074	4
Recognised in statement of profit or loss	(935)	(1)
Adjustments in respect of prior years	426	-
Recognised in equity	250	-
As at 31 March 2018	6,815	3
As at 1 April 2018	**6,815**	**3**
Recognised in statement of profit or loss	**(705)**	-
Adjustments in respect of prior years	**(677)**	-
Recognised in equity	**42**	-
As at 31 March 2019	**5,475**	**3**

Deferred tax is attributable to the following:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Excess of capital allowances over depreciation	**5,109**	6,239	**3**	3
Short term temporary differences	**366**	576	-	-
	5,475	6,815	**3**	3

The amount of deferred tax recognised in the statement of profit or loss by type of temporary difference is as follows:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Excess of capital allowances over depreciation	**(689)**	(877)	-	(1)
Other short term temporary differences	**(16)**	(58)	-	-
	(705)	(935)	-	(1)

The amount of deferred tax recognised in equity by type of temporary difference is as follows:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Cash flow hedges: fuel derivatives	**42**	250	-	-

Based on the anticipated profitable position of the Group during the remaining West Coast franchise term, the deferred tax asset has been recognised.

13 Inventory

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Raw materials and consumables	**441**	473	**-**	-

14 Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Current				
Trade receivables	**60,029**	60,093	**-**	-
Provision for doubtful receivables	**(128)**	(950)	**-**	-
Net trade receivables	**59,901**	59,143	**-**	-
Amount owed by related undertakings	**-**	-	**52**	48
Group relief	**-**	-	**-**	14
Other receivables	**13,243**	14,714	**-**	1
Prepayments and accrued income	**1,663**	3,331	**67**	67
Deferred tax asset (see note 12)	**-**	-	**3**	3
	74,807	77,188	**122**	133

Deferred tax asset for the Group is shown separately on the face of the consolidated balance sheet.

15 Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Cash at bank and in hand	**117,599**	87,218	**381**	310

Cash and cash equivalents comprise of cash and short-term bank deposits with maturity of six months or less. The carrying amount of these assets is equal to their fair value.

16 Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Current				
Trade payables	**81,379**	73,334	**335**	22
Amount owed to related undertakings	**-**	-	**70**	68
Other taxation and social security	**6,412**	6,004	**-**	-
Other payables	**36,226**	22,713	**-**	-
Deferred season ticket income	**6,829**	6,587	**-**	-
Accruals and other deferred income	**7,960**	2,408	**38**	99
	138,806	111,046	**443**	189

17 Provisions

	Group	
	2019	2018
	£000	£000
Current		
Dilapidations	**3,591**	2,182

	Dilapidations provision £000
As at 1 April 2018	**2,182**
Amounts provided in the year	**1,565**
Amounts utilised in the year	**(156)**
At 31 March 2019	**3,591**

The dilapidations provision relates to costs required to be incurred at properties leased by the Group in accordance with lease obligations. These costs are expected to be incurred by the end of the West Coast franchise.

The Company has no provisions (2018: £Nil).

18 Financial instruments

(a) Carrying values of financial instruments

	2019 £000	2018 £000
Financial assets		
Current assets		
- Trade receivables	**59,901**	59,143
- Other receivables	**13,243**	14,714
- Cash and cash equivalents	**117,599**	87,218
	190,743	161,075
Financial liabilities		
Current liabilities		
- Trade payables	**(81,379)**	(73,334)
- Other payables	**(36,226)**	(22,713)
	(117,605)	(96,047)
Net financial assets	**73,138**	65,028

The carrying values of financial assets and liabilities are deemed to approximate their fair values.

Derivatives that are designated as effective hedging instruments are not shown in the above table. Information on the carrying value of such derivatives is provided in note 18 (d).

Fair value estimation

The fair values of the Group's financial instruments are disclosed in fair value hierarchy levels based on the valuation technique used to determine fair values as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The only instruments carried at fair value by the Group are the derivative financial instruments that consist of fuel derivatives. These are listed at level 2 on the fair value hierarchy. Discounted cash flow is the valuation technique used to arrive at fair value.

For all other financial instruments that are not measured at fair value on a recurring basis, the directors consider that the carrying amounts of financial assets and financial liabilities approximate their fair values.

18 Financial instruments *(continued)*

(b) Nature and extent of risks arising from financial instruments

The Group's use of financial instruments exposes it to a variety of financial risks, principally:

- Market risk - including currency risk, interest rate risk and price risk;
- Credit risk; and
- Liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to reduce the likelihood and/or magnitude of adverse effects on the financial performance and financial position of the Group. The Group uses derivative financial instruments from time to time to reduce exposure to commodity price risk. The Group does not hold derivative financial instruments for speculative purposes.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate limits and controls and to monitor risks and adherence to limits. The Treasury function of the Group implements the financial risk management policies under governance approved by the Board. The Treasury function identifies, evaluates and hedges financial risks. The Board approves the written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and investment of excess liquidity.

(i) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's financial performance and/or financial position. The objective of the Group's management of market risk is to manage and control market risk exposures within acceptable parameters.

The Group enters into derivative financial instruments in the ordinary course of business, and also incurs financial liabilities, in order to manage market risk. Generally the Group seeks to apply hedge accounting in order to reduce volatility in the statement of profit or loss.

Foreign currency transactional risk

Foreign currency transactional risk is the risk that future cash flows (such as from purchases of goods and services) will fluctuate because of changes in foreign exchange rates.

The Group is exposed to limited foreign currency transactional risk due to the low value of transactions entered into in currencies other than the functional currency.

The Group's exposure to commodity price risk includes a foreign currency element due to the impact of foreign exchange rate movements on the sterling cost of fuel for the Group's operations. The effect of foreign exchange rate movements on sterling-denominated fuel prices is managed through the use of fuel derivatives denominated in the functional currency in which the fuel is purchased. Further information on fuel hedging is given under the heading "Price risk" below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has limited exposure to this risk as it has no borrowings.

18 Financial instruments *(continued)*

(i) Market risk *(continued)*

Price risk

The Group is exposed to commodity price risk as the Group's operations consume diesel fuel. As a result, the Group's profit is exposed to movements in the underlying price of fuel.

The Group's objective in managing commodity price risk is to reduce the risk that movements in fuel prices result in adverse movements in its statement of profit and loss and cash flow. The Group has a policy of managing volatility in its fuel costs by maintaining an ongoing fuel hedging programme whereby derivatives are used to fix or cap the variable unit cost of a percentage of projected future fuel costs, after taking account of derivatives in place, which varies due to movements in fuel prices.

The fuel derivatives hedge the underlying commodity price risk (denominated in US$) and they also hedge the currency risk due to the commodity being priced in US$ and the functional currency of the Group being pounds sterling.

At 31 March 2019 and 31 March 2018, the projected fuel costs (excluding premia payable on fuel derivatives, delivery margins, fuel taxes and fuel tax rebates) for the next twelve months were:

	2019 £000	2018 £000
Costs subject to fuel swaps	**(7,995)**	(6,777)
Costs not subject to fuel swaps	**(2,710)**	(1,837)

The figures in the above table are after taking account of derivatives and applying the fuel prices and foreign exchange rates at the balance sheet date.

If all of the relevant fuel prices were 10% higher at the balance sheet date, the amounts in the above table would change by the following:

	2019 £000	2018 £000
Costs not subject to fuel swaps	**(271)**	(184)
Decrease in projected profit before taxation	**(271)**	(184)

If all of the relevant fuel prices were 10% lower at the balance sheet date, the amounts in the above table would change by the following:

	2019 £000	2018 £000
Costs not subject to fuel swaps	**271**	184
Increase in projected profit before taxation	**271**	184

Demand for the Group's services can also be affected by movements in fuel prices due to the impact on the cost of competing transport services including private cars.

The Group is also exposed to changes in electricity prices as electricity is consumed to power some of the trains operated. The Group has some protection to price changes via rail industry arrangements to fix the price on a proportion of anticipated electricity consumption.

18 Financial instruments *(continued)*

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to amounts due from outstanding receivables.

The Group's objective is to minimise credit risk to an acceptable level whilst not overly restricting the Group's ability to generate revenue and profit. It is the Group's policy to invest cash assets safely and profitably. To control credit risk, counterparty credit limits are set by reference to published credit limits.

The maximum exposure to credit risk is limited to the carrying value of each class of asset as summarised in the table at the beginning of this note. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty. The Group's largest credit exposures are to financial institutions with short-term credit ratings of A2 (or equivalent) or better, the Department for Transport and Rail Settlement Plan Limited, all of which the Group considers unlikely to default on their respective liabilities to the Group.

The provision for impairment for trade and other receivables is shown in note 14.

The ageing of financial assets past due, but not impaired is shown below:

	2019	2018
	£000	£000
Past due 1-30 days	**98**	92
Past due 31-60 days	**14**	-
Past due 61-90 days	**10**	-
Past due more than 91 days	**220**	-
Total	**342**	92

The Group does not hold any collateral to mitigate this exposure.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its cash requirements on an ongoing basis. The Group ensures that it has sufficient cash on demand to meet expected operational expenses and impending capital calls and investment funding over the franchise term. This includes the servicing of financial obligations but excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

18 Financial instruments *(continued)*

(iii) Liquidity risk *(continued)*

The maturity profile of financial liabilities based on undiscounted gross cash flows and contractual maturities is as follows:

	Carrying amount £000	Contractual cash flows £000	Within 1 year £000	1-2 years £000	2019 2-5 years £000
Non-derivative financial liabilities					
Trade and other payables	(117,605)	(117,605)	(117,605)	-	-

	Within 1 year £000	Within 1 year £000	Within 1 year £000	1-2 years £000	2018 2-5 years £000
Non-derivative financial liabilities					
Trade and other payables	(96,047)	(96,047)	(96,047)	-	-

(c) Capital management

The Group regards its capital as comprising its equity and cash. The Group's objective when managing capital is to safeguard the Group's ability to maintain adequate resources to continue in operational existence for the current West Coast franchise term in order to provide returns for shareholders and benefits for other stakeholders. The capital structure of the Group is kept under regular review.

(d) Hedge accounting

The Group's current hedging arrangements are summarised below:

Type of hedge	Cash flow hedges
Risks hedged by Group	Commodity price risk
Hedging instruments used	Derivatives (commodity swaps)

The Group's cash flow hedges run to the end of the West Coast franchise and are settled on a monthly basis.

Carrying value and fair value of derivative financial instruments

Derivative financial instruments are classified on the balance sheet as follows:

	2019 £000	2018 £000
Current assets		
Fuel derivatives	**247**	578
Total fuel derivatives	**247**	578

The fair value of derivative financial instruments is equal to their carrying value, as shown in the above table.

The fair value of fuel derivatives split by maturity is shown above.

18 Financial instruments *(continued)*

(d) Hedge accounting *(continued)*

The movements in the fair value of fuel derivatives in the financial year were as follows:

	2019 £000	2018 £000
Fair value at start of year	**578**	1,458
Changes in fair value during year taken to cash flow hedging reserve	**1,124**	536
Cash paid during the year	**(1,455)**	(1,416)
Fair value at end of year	**247**	578

The fair value of fuel derivatives is further analysed as follows:

	Fair value £000	Notional quantity of fuel covered by derivatives Thousands of litres
As at 31 March 2019	**247**	**21,910**
As at 31 March 2018	578	21,400

Cash flow hedge reserve

The movements in the cash flow hedging reserve were as follows:

	Fuel derivatives £000
At 1 April 2017	1,377
Changes in fair value during the year taken to cash flow hedging reserve	536
Cash flow hedges reclassified and reported in profit for the year	(1,854)
Tax effect of cash flow hedges	250
At 31 March 2018	309
At 1 April 2018	**309**
Changes in fair value during the year taken to cash flow hedging reserve	**1,124**
Cash flow hedges reclassified and reported in profit for the year	**(1,342)**
Tax effect of cash flow hedges	**42**
At 31 March 2019	**133**
Cash flow hedging reserve before tax	**164**
Tax to be credited to income statement in future periods	**(31)**
Cash flow hedging reserve after tax	**133**

There have been no instances during the year ended 31 March 2019 (2018: None) where a forecast transaction for which hedge accounting had previously been used was no longer expected to occur.

19 Retirement benefits

(a) Description of retirement benefit arrangements

West Coast participates in its own separate shared cost section of the Railways Pension Scheme ("RPS"). The RPS is a funded scheme and provides benefits based on final pensionable pay. The assets of the RPS are held separately from those of West Coast. The RPS is a shared costs scheme with costs being shared between the employer and the members on the basis of a 60:40 split. The RPS is governed by the Railways Pension Trustee Company Limited and is subject to regulation from the Pensions Regulator and relevant UK legislation.

The Group has no rights or obligations in respect of the RPS following expiry of the related franchise. Therefore, the liability (or asset) recognised for the relevant section of the RPS reflects only that part of the net deficit (or surplus) of the section that the employer is expected to fund (or expected to recover) over the life of the franchise to which the section relates.

The latest actuarial valuation of the West Coast's section of the RPS was undertaken at 31 December 2013 using the projected unit method. This valuation has been updated to 31 March 2019 by a qualified independent actuary, using revised assumptions that are consistent with the requirements of IAS 19.

A draft actuarial valuation at 31 December 2016 has been completed but due to ongoing discussions with the Pensions Regulator, and other stakeholders, in relation to the Pensions Act valuation for all Railway Pension Schemes for the Train Operating Companies, the Pensions Regulator has asked that the Pensions Act valuation is not completed until matters are all agreed. Until the valuation is complete, it will not be possible to determine future investment strategy and cash contributions.

(b) Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date were as follows:

	2019	2018
Discount rate	**2.60%**	2.70%
RPI inflation assumption	**3.20%**	3.20%
CPI inflation assumption	**2.10%**	2.00%
Rate of increase in pensionable salaries	**2.60%**	2.50%
Rate of increase of pensions in payment	**2.10%**	2.00%
Post-retirement mortality (life expectancies in years)		
- Current pensioners at 60 - male	**26.0**	26.0
- Current pensioners at 60 - female	**28.5**	28.5
- Future pensioners at 60 aged 40 now - male	**28.5**	28.5
- Future pensioners at 60 aged 40 now - female	**31.0**	31.0

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity.

19 Retirement benefits *(continued)*

(c) *Pension amounts recognised in the balance sheet*

The amounts recognised in the balance sheet were as follows:

	2019 £000	2018 £000
Growth Pooled Fund*	**617,593**	566,680
Private Equity	**67,170**	61,485
Infrastructure	**4,724**	6,688
Cash	**1,873**	2,357
Fair value of section assets	**691,360**	637,210
Present value of defined benefit obligations	**(1,066,000)**	(971,950)
Deficit in section	**(374,640)**	(334,740)
Members share of section	**149,850**	133,900
Franchise adjustment	**233,590**	200,840
Surplus recognised by Group	**8,800**	-

To reflect the fact that the Group had no rights or obligations in respect of the RPS at the end of the West Coast Franchise Agreement on 31 March 2018, the pension amount recognised in the balance sheet at 31 March 2018 was £Nil.

*The Growth Pooled Fund is the principal investment vehicle for the West Coast's section of the RPS. This fund is a multi-asset fund, tactically adjusted by the RPS Investment team.

(d) Movement in surplus recognised by Group

	2019 £000	2018 £000
At beginning of year	**-**	11,580
Employer contributions	**11,030**	10,250
Expense charged to statement of profit or loss	**(24,290)**	(22,370)
Recognised in the statement of other comprehensive income	**4,170**	540
Surplus at start of Franchise Agreement	**17,890**	-
At end of year	**8,800**	-

(e) Sensitivity analysis

The following is an approximate sensitivity analysis of the impact of the change in the key actuarial assumptions. In isolation, the following adjustments would alter the pension surplus as follows:

	2019 £000
Discount rate - increase of 0.1%	**(380)**
Price inflation - increase of 0.1%	**410**
Rate of increase in pensionable salaries - increase of 0.1%	**170**
Rate of increase of pensions in payment - increase of 0.1%	**200**
Increase in life expectancy of pensioners or non-pensioners by 1 year	**430**

As the pension amount recognised in the balance sheet at 31 March 2018 was £Nil there is no sensitivity analysis at this date.

19 Retirement benefits *(continued)*

(f) Pension amounts recognised in statement of profit and loss

The amounts recognised in the statement of profit and loss were as follows:

	2019	2018
	£000	£000
Current service cost	**(22,900)**	(21,740)
Past service cost	**(1,150)**	(280)
Administration costs	**(870)**	(820)
Included in operating profit	**(24,920)**	(22,840)
Net interest expense	**(5,280)**	(5,460)
Unwinding of franchise adjustment	**5,910**	5,930
Included in net finance costs	**630**	470
	(24,290)	(22,370)

Service costs and administration costs are recognised in operating costs and net interest and unwinding of franchise adjustment are recognised in net finance costs.

West Coast has assessed the impact of Guaranteed Minimum Pension ("GMP") as £640,000 and has charged this to the 31 March 2019 statement of profit and loss as a plan amendment which is treated as a past service cost.

(g) Pension amounts recognised in statement of other comprehensive income

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

	2019	2018
	£000	£000
Actual return on scheme assets higher than discount rate	**47,960**	19,190
Changes in financial assumptions	**(27,010)**	6,240
Experience on benefit obligations	**(25,730)**	(11,840)
Change in franchise adjustment	**8,950**	(13,050)
	4,170	540

19 Retirement benefits *(continued)*

(h) Benefit obligations

Changes in the present value of the defined benefit obligations are analysed as follows:

	2019 **£000**	2018 £000
At beginning of year	**637,210**	594,730
Current service cost	**22,900**	21,740
Past service cost	**1,150**	280
Rail franchise change	**(17,890)**	-
Interest on benefit obligations	**15,570**	15,840
Unwinding of franchise adjustment	**(5,910)**	(5,930)
Benefits paid	**(20,960)**	(14,440)
Contributions by employees	**6,700**	6,340
Actuarial losses/(gains) due to:		
- Changes in financial assumptions	**27,010**	(6,240)
- Experience on benefit obligations	**25,730**	11,840
- Change in franchise adjustment	**(8,950)**	13,050
At end of year	**682,560**	637,210

(i) Scheme assets

The movement in the fair value of scheme assets was as follows:

	2019 **£000**	2018 £000
At beginning of year	**637,210**	606,310
Administration costs	**(870)**	(820)
Interest income	**10,290**	10,380
Employer contributions	**11,030**	10,250
Contributions by employees	**6,700**	6,340
Benefits paid	**(20,960)**	(14,440)
Remeasurement gain	**47,960**	19,190
At end of year	**691,360**	637,210

20 Capital and reserves

(a) Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
17,738 "A" ordinary shares of £0.10 each	**1,774**	1,774
17,042 "B" ordinary shares of £0.10 each	**1,704**	1,704
	3,478	3,478

The "A" and "B" ordinary shares rank pari passu with each other in all respects.

(b) Reserves

For the Group, a reconciliation of the movements in each reserve is shown in the Consolidated statement of changes in equity.

For the Company, a reconciliation of the movements in each reserve is shown in the Company statement of changes in equity.

The merger reserve arose on a Group reconstruction in 2002 which was accounted for using the principles of merger accounting.

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

The cash flow hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. The cumulative gain or loss is recycled to the statement of profit or loss to match the recognition of the hedged item through the statement of profit or loss.

21 Commitments

(a) Commitments under operating leases

Group
Operating lease rentals are payable as follows:

	2019		2018	
	Plant and machinery £000	**Other operating leases £000**	Plant and machinery £000	Other operating leases £000
Less than one year	**123,827**	**17,239**	121,904	13,020
Between one and five years	**-**	**216**	-	475
	123,827	**17,455**	121,904	13,495

Rail related operating leases are co-terminus with the end of the franchise.

Company
Non-cancellable operating lease rentals are payable as follows:

	2019		2018	
	Plant and machinery £000	**Other operating leases £000**	Plant and machinery £000	Other operating leases £000
Less than one year	**-**	**174**	-	280
	-	**174**	-	280

(b) Other financial commitments

The Group has, in the normal course of business, entered into a number of long term supply contracts. The most significant of these relate to track and station access facilities, train maintenance arrangements and IT outsourcing.

Under the Franchise Agreement and the Direct Award Franchise Agreement for West Coast, there is a requirement for Virgin Rail Group Limited and West Coast to comply with certain performance and other obligations. Failure to comply with these obligations may result in penalties or the potential termination of the franchise.

(c) Capital commitments

The Group had no capital commitments at 31 March 2019 (2018: £Nil).

22 Contingent liabilities

The Group has provided performance bonds of £21,000,000 (2018: £21,000,000) and season ticket bonds of £6,695,000 (2018: £6,000,000) to the Department of Transport in support of the Group's rail franchise operations. These bonds have been issued by financial institutions.

23 Related parties

At 31 March 2019 and 31 March 2018, the Company's ultimate parent undertaking was Virgin Group Holdings Limited, whose sole shareholder is Sir Richard Branson.

The shareholder of Virgin Group Holdings Limited has interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under International Accounting Standard 24: Related Party Disclosures.

During the financial year, the Group entered into the following transactions with related parties:

	2019	2018
	£000	£000
Companies related by virtue of common control or ownership		
Revenue	**346**	457
Purchases	**(2,994)**	(1,219)
Receivables outstanding	**19**	80
Companies related by virtue of direct/indirect ownership		
Revenue	**1,367**	746
Purchases	**(203)**	(90)
Receivables outstanding	**400**	756

Related party revenue is principally in respect of work undertaken on rail franchise bids and staff secondments. Related party purchases are principally in respect of management services, royalty fees and commission.

24 Ultimate parent company and parent undertaking of larger group

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

Copies of the Virgin Holdings Limited and Virgin UK Holdings 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 2019 the ultimate parent company is Virgin Group Holdings Limited, a company registered in the British Virgin Islands.