

Stagecoach Rail Holdings Limited

Annual report and financial statements for the year ended 30 April 2016

Registered office:

10 Dunkeld Road
Perth
PH1 5TW

Registered number:

SC190288

SATURDAY



S5FP8D94

SCT

17/09/2016

#508

COMPANIES HOUSE

The directors are pleased to present their Strategic report for the year ended 30 April 2016.

Review of business

The Company reported a profit before taxation of £61,353,000 (2015: £16,842,000)

The Company acts as an investment and holding Company and will continue to look for investment opportunities in the coming year.

Principal risks and uncertainties

Due to the nature and low level of transactions that took place in the year, the only financial risk that the Company's activities expose it to is the effects of changes in interest rates. The directors of Stagecoach Group plc, the Company's ultimate parent, consider this financial risk in the context of the Group as a whole. For this reason, the Company's directors believe that a discussion of the Group's financial risks would not be appropriate for an understanding of the performance or position of the Company's business. The principal risks and uncertainties of Stagecoach Group plc, which include the impact of those of the Company, are discussed in the Group's annual report (section 1.4.6 of the Strategic report), which does not form part of this report.

Key performance indicators (KPIs)

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. Discussion on the KPIs affecting the Group as a whole can be found in the Group's 2016 annual report (section 1.4.7 of the Strategic report), which does not form part of this report.

On behalf of the Board



Ross Paterson
Director
5 September 2016

Directors' report
For the year ended 30 April 2016

Registered No: SC190288

The directors are pleased to present their annual report on the affairs of the Company, together with the audited financial statements and independent auditors' report for the year ended 30 April 2016.

Results and dividends

The results for the year have been discussed in the Strategic Report on page 1.

The directors declared and paid interim ordinary dividends of £110,000,000 (2015: £nil). The directors do not propose a final ordinary dividend (2015: £Nil).

Directors

The directors of the Company who served during the year and up to the date of approval of the financial statements are listed below.

Robert Bennis
Martin Griffiths
Andrew Levy
Ross Paterson
Timothy Shoveller

Statement of directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Directors' report
For the year ended 30 April 2016

Registered No: SC190288

Indemnification of directors and officers

The Company's ultimate parent maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against the directors and officers of the Company. The ultimate parent has indemnified each of its directors and other officers of the Company against certain liabilities that may be incurred as a result of their positions with the Group.

Independent auditors and statement of disclosure of information to auditors

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- So far as each of the directors are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware; and
- Each of the directors has taken steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

Following Stagecoach Group's external audit tender process, Ernst & Young LLP shall become the company's auditors in the next financial year.

By order of the Board



Michael Vaux
Company Secretary
5 September 2016

Independent auditors' report

For the year ended 30 April 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STAGECOACH RAIL HOLDINGS LIMITED

Report on the financial statements

Our opinion

In our opinion, Stagecoach Rail Holdings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 April 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the Balance sheet as at 30 April 2016;
- the Income statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

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



Martin Cowie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
5 September 2016

Income statement
For the year ended 30 April 2016

	Note	2016	2015
		£000	£000
Revenue		62,124	24,434
Impairment reversed		6,500	-
Profit before interest and taxation		68,624	24,434
Finance charges	2	(10,694)	(11,771)
Finance income	2	3,423	4,179
Profit before taxation	3	61,353	16,842
Taxation	4	5,032	(190)
Profit for the financial year		66,385	16,652

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

The results for each year arise wholly from continuing operations.

Balance sheet
As at 30 April 2016

	Note	2016 £000	2015 £000
ASSETS			
Non-current assets			
Investments	5	52,609	52,609
Current assets			
Receivables	6	146,562	204,484
Cash and cash equivalents		48,383	124,532
		<u>194,945</u>	<u>329,016</u>
Total assets		<u>247,554</u>	<u>381,625</u>
LIABILITIES			
Current liabilities			
Payables	7	(142,693)	(233,149)
Total liabilities		<u>(142,693)</u>	<u>(233,149)</u>
Net assets		<u>104,861</u>	<u>148,476</u>
EQUITY			
Ordinary share capital	8	116	116
Share premium account		53,174	95,174
Retained earnings		51,571	53,186
Total equity		<u>104,861</u>	<u>148,476</u>

The accompanying notes are an integral part of this balance sheet.

The financial statements on pages 6 to 13 were approved by the Board of Directors on 5 September 2016 and signed on its behalf by:



Ross Paterson
Director

Statement of changes in equity
For the year ended 30 April 2016

	Ordinary share capital £000	Share premium £000	Retained earnings £000	Total equity £000
As at 30 April 2014	116	95,174	36,534	131,824
Profit for the financial year	-	-	16,652	16,652
Total comprehensive income for the year	-	-	16,652	16,652
As at 30 April 2015	116	95,174	53,186	148,476
Profit for the financial year	-	-	66,385	66,385
Dividend	-	-	(110,000)	(110,000)
Capital reduction	-	(42,000)	42,000	-
Total comprehensive expense for the year	-	(42,000)	(1,615)	(43,615)
As at 30 April 2016	116	53,174	51,571	104,861

Notes to the financial statements

For the year ended 30 April 2016

1. Accounting policies

A summary of the principal accounting policies is set out below. All principal accounting policies have been applied consistently throughout the year and the preceding year.

(a) Basis of preparation

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

These financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act).

The Company's date of transition from UK Generally Accepted Accounting Practice (UK GAAP) to FRS 101 was 1 May 2014. The effect of transition from the Company's previously adopted accounting policies in accordance with UK GAAP are immaterial.

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

- Paragraphs 45(b) and 46-52 of IFRS 2, 'Share-based payment'
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 10(d), 10(f), 16, 38A-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of financial statements'
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- Paragraph 17 of IAS 24, 'Related party disclosures'

The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements.

The Company has sufficient financial resources with which the directors believe that the Company is well placed to manage its business risks successfully, despite the current uncertain economic outlook. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(b) Basis of consolidation

The Company is a wholly owned subsidiary of another UK Company, Stagecoach Group plc, which prepares consolidated financial statements including the Company. As permitted by Section 400 of the Companies Act 2006, the Company has not prepared consolidated financial statements.

(c) Cash flow statement

As permitted by IAS 7, the Company has not prepared a cash flow statement as it is a wholly owned subsidiary of another United Kingdom Company, Stagecoach Group plc, which prepares consolidated financial statements, which include a consolidated cash flow statement in which the cash flows of the Company are included.

Notes to the financial statements (continued)

For the year ended 30 April 2016

1. Accounting policies (continued)

(d) Taxation

Tax is calculated using tax rates and laws enacted or substantively enacted at the balance sheet date.

Corporation tax is provided on taxable profits at the current rate applicable. Tax charges and credits are accounted for through the same primary statement as the related pre-tax item.

(e) Investments

Fixed asset investments are shown at cost, less any provision for impairment. An impairment loss is recognised for the amount by which the carrying amount of the net investment exceeds its recoverable amount, being the higher of net realisable value and value in use. The value in use is determined using a pre-tax discount rate which reflects our current market assessments of the risks specific to the investment.

(f) Related party transactions

The Company has taken advantage of the IAS 24 exemption from having to provide details of transactions with fellow wholly owned group undertakings.

(g) Dividends

Dividends on ordinary shares are recorded in the period in which they are approved by the Company's shareholders, or in the case of interim dividends, in the period in which they are paid.

(h) Revenue

Investment income comprises income from investment holdings. Income is accounted for on a receivable basis. Dividends receivable are recognised on the date on which they are declared.

2. Finance charges and income

	2016 £000	2015 £000
Finance charges		
Interest payable on loans from fellow group undertakings	<u>(10,694)</u>	<u>(11,771)</u>
Finance income		
Interest receivable on loans to fellow group undertakings	<u>3,423</u>	<u>4,179</u>

Notes to the financial statements (continued)

For the year ended 30 April 2016

3. Profit before taxation

The remuneration of the auditors is not settled directly by the Company. Audit fees of £3,540 (2015: £3,027) were paid by the ultimate holding Company, Stagecoach Group plc, on behalf of the Company in respect of audit work performed in the UK.

The remuneration of the directors is borne by the ultimate holding Company, Stagecoach Group plc and/or other group companies. No significant part of the directors' remuneration is directly attributable to the Company (2015: £Nil).

The Company has no employees (2015: Nil).

4. Taxation

(a) Tax recognised in the income statement

	2016 £000	2015 £000
Current tax:		
UK corporation tax on profits of the period	(1,572)	1,800
Adjustments in respect of prior year	(3,460)	(1,610)
Total current tax	<u>(5,032)</u>	<u>190</u>

(b) Factors affecting the tax (credit)/charge for the year

The tax assessed for the year is equal to (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.92%).

	2016 £000	2015 £000
Profit on ordinary activities before taxation	<u>61,353</u>	<u>16,842</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.92%)	12,271	3,523
<i>Effect of:</i>		
Reversal of impairment provision	(1,300)	Nil
Non taxable UK dividends	(12,425)	(5,111)
Treatment of intercompany transactions	(118)	3,388
Adjustment in respect of prior periods	(3,460)	(1,610)
Current tax (credit)/charge for the year	<u>(5,032)</u>	<u>190</u>

Notes to the financial statements (continued)

For the year ended 30 April 2016

5. Investments

Investments are stated at cost less any amounts provided for impairment.

The movement in the year was as follows:

	Subsidiary undertakings £000	Joint ventures £000	Total £000
Cost			
At beginning and end of year	189,705	126,543	316,248
Accumulated impairment losses			
At beginning and end of year	(153,500)	(110,139)	(263,639)
Net book value at beginning and end of year	36,205	16,404	52,609

The Directors believe the carrying value of the investments is supported by their underlying net assets.

The Company owns the following subsidiary undertakings (ordinary shares 100% owned and 100% voting rights):

	<u>Country of registration</u>	<u>Principal activity</u>
East Midlands Trains Limited	England	Train operator
South Yorkshire Supertram Limited	England	Tram operator
Stagecoach Supertram Maintenance Limited	England	Tram operator
South Yorkshire Supertram Operating Company Limited	England	Dormant
Stagecoach South Western Trains Limited	England	Train operator

The Company also had the following joint venture interests during the year:

	<u>Country of registration</u>	<u>% held at 30 April 2016</u>
Virgin Rail Group Holdings Limited	England	49

Virgin Rail Group Holdings Limited is the holding Company of Virgin Rail Group Limited, which in turn is the holding Company of West Coast Trains Limited, Virgin Rail Projects Limited, Virgin Trains Sales Limited and Virgin Trains Limited.

Notes to the financial statements (continued)

For the year ended 30 April 2016

6. Receivables

	2016 £000	2015 £000
Corporation tax	1,572	-
Amounts owed by fellow group undertakings	144,990	210,984
Provision against amounts due from fellow group undertakings	-	(6,500)
	<u>146,562</u>	<u>204,484</u>

Of amounts owed by group undertakings, £Nil (2015: £35,379,000) is an interest bearing loan to a fellow subsidiary undertaking, which was repayable within one year and attracted interest based on the 3 or 6 month London Inter Bank Offer Rate (LIBOR) plus a margin of 2.5%. In addition, £141,879,000 (2015: £154,011,000) relates to an interest bearing loan to a fellow subsidiary undertaking, also repayable within one year and attracts interest based on the bank base rate plus a margin of 1.5%. All other amounts due from fellow group undertakings accrue no interest and are repayable on demand.

7. Payables

	2016 £000	2015 £000
Amounts owed to group undertakings	142,693	231,349
Corporation tax	-	1,800
	<u>142,693</u>	<u>233,149</u>

Of amounts owed to group undertakings, £130,718,000 (2015: £182,401,000) is an interest bearing loan from SCUSI Ltd, a fellow subsidiary undertaking, which is repayable within one year and attracts interest based on the 7 year LIBOR plus a margin of 4.4575%. At 30 April 2015 an additional loan from SCUSI Ltd of £Nil (2015: £35,379,000) was due. This was also repayable within one year and attracted interest based on 3 or 6 month LIBOR plus a margin of 2.5%. All other amounts due to fellow group undertakings are interest free and repayable on demand.

8. Ordinary share capital

	2016 £000	2015 £000
<i>Allotted and paid</i>		
116,383 (2015: 116,383) ordinary shares of £1 each	<u>116</u>	<u>116</u>

As permitted by section 641 (1)(a) of the Company's Act 2006, the company, by special resolution, reduced its share capital by way of cancelling £42,000,000 of the share premium account.

11. Ultimate holding Company

The Company's immediate holding Company is Stagecoach Transport Holdings Limited (registered number SC183051) and its ultimate holding Company and controlling party is Stagecoach Group plc (registered number SC100764), both registered in Scotland. Stagecoach Group plc heads the only group in which the results of the Company are consolidated. The financial statements of Stagecoach Group plc are available from 10 Dunkeld Road, Perth, PH1 5TW.