

Stagecoach Rail Holdings Limited

Annual report and financial statements for the year ended 30 April 2014

Registered office:

10 Dunkeld Road
Perth
PH1 5TW

Registered number:

SC190288

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The directors are pleased to present their Strategic report for the year ended 30 April 2014.

Review of business

The Company reported a profit before taxation of £15,507,000 (2013: £10,591,000)

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 2.3.6 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 2014 annual report (section 2.3.7 of the Strategic report), which does not form part of this report.

By order of the Board



Ross Paterson
Director
29 August 2014

Directors' report
For the year ended 30 April 2014

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 auditors' report for the year ended 30 April 2014.

Results and dividends

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

The directors do not propose a final dividend (2013: £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, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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.

Directors' report (continued)
For the year ended 30 April 2014

Registered No: SC190288

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.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and the directors have resolved that they be appointed as auditors for next year.

By order of the Board



Michael Vaux
Company Secretary
29 August 2014

Independent auditors' report
For the year ended 30 April 2014

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 30 April 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Stagecoach Rail Holdings Limited, comprise:

- the balance sheet as at 30 April 2014;
- the profit and loss account 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 their preparation is applicable law and United Kingdom Accounting Standards (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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

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

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.

Independent auditors' report (continued)

For the year ended 30 April 2014

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 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.



Graham McGregor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
29 August 2014

Profit and Loss Account
For the year ended 30 April 2014

	Note	2014 £000	2013 £000
Turnover		20,156	30,705
Impairment		2,600	(13,295)
Profit on ordinary activities before interest and taxation		22,756	17,410
Interest payable and similar charges	2	(11,604)	(12,192)
Interest receivable and similar income	2	4,355	5,373
Profit on ordinary activities before taxation	3	15,507	10,591
Tax on profit on ordinary activities	4	1,169	(18)
Profit for the financial year		16,676	10,573

The accompanying notes form an integral part of this profit and loss account.

The results for each year arise wholly from continuing operations.

There are no recognised gains or losses in either year other than the results reported above and therefore no separate statement of total recognised gains and losses is presented.

There is no difference between the profit or loss on ordinary activities before taxation and the profit or loss for the year, above, and their historical cost equivalents.

Balance Sheet
As at 30 April 2014

	Note	2014 £000	2013 £000
Fixed assets			
Investments	5	52,609	52,609
Current assets			
Debtors	6	191,680	197,872
Cash at bank and in hand		101,963	77,449
		<u>293,643</u>	<u>275,321</u>
Creditors: amounts falling due within one year	7	(214,428)	(212,782)
Net current assets		<u>79,215</u>	<u>62,539</u>
Total assets less current liabilities		<u>131,824</u>	<u>115,148</u>
Net assets		<u>131,824</u>	<u>115,148</u>
Capital and reserves			
Called up share capital	8	116	116
Share premium account	9	95,174	95,174
Profit and loss account	9	36,534	19,858
Total shareholders' funds		<u>131,824</u>	<u>115,148</u>

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

The financial statements on pages 6 to 12 were approved by the Board of Directors on 29 August 2014 and signed on its behalf by:



Ross Paterson
Director

Notes to the financial statements

For the year ended 30 April 2014

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 financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and comply with the requirements of the Companies Act 2006.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of business on page 1. The financial position of the Company is presented in the financial statements and supporting notes.

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 FRS 1 (Revised 1996), 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.

(d) Taxation

In accordance with FRS 16, corporation tax is provided on taxable profits at the current rate applicable. Tax charges and credits are accounted for through the same primary statement (either the profit and loss account or statement of total recognised gains and losses) as the related pre-tax item.

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

(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 FRS 8 exemption from having to provide details of transactions with fellow wholly owned group undertakings.

Notes to the financial statements (continued)

For the year ended 30 April 2014

1. Accounting policies (continued)

(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) Turnover

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 costs and income

	2014 £000	2013 £000
Interest payable and similar charges		
Interest payable on loans from fellow group undertakings	(11,604)	(12,192)
Interest receivable and similar income		
Interest receivable on loans to fellow group undertakings	4,355	4,943
Bank interest receivable	Nil	430
	<u>4,355</u>	<u>5,373</u>

3. Profit on ordinary activities before taxation

The remuneration of the auditors is not settled directly by the Company. Audit fees of £2,517 (2013: £2,340) 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 (2013: £Nil).

The Company has no employees (2013: Nil).

4. Tax on profit on ordinary activities

(a) Analysis of (credit)/charge for the year

	2014 £000	2013 £000
Current tax:		
UK corporation tax on profits of the period	14	Nil
Amounts receivable from fellow subsidiaries in respect of group relief	Nil	(176)
Adjustment in respect of prior periods	(1,183)	194
Tax on profit on ordinary activities	<u>(1,169)</u>	<u>18</u>

Notes to the financial statements (continued)

For the year ended 30 April 2014

4. Tax on profit on ordinary activities (continued)

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

The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK of 22.84% (2013: 23.92%).

	2014 £000	2013 £000
Profit on ordinary activities before tax	15,507	10,591
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.84% (2013: 23.92%)	3,542	2,533
Non tax deductible expenditure and other permanent differences	Nil	3,004
Reversal of impairment provision	(594)	Nil
Non taxable UK dividends	(4,604)	(7,344)
Treatment of intercompany transactions	1,670	1,631
Adjustment in respect of prior periods	(1,183)	194
Current tax (credit)/charge for the year (note 4a)	(1,169)	18

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 of year	189,705	126,543	316,248
Additions	-	-	-
Disposals	-	-	-
At 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.

Notes to the financial statements (continued)

For the year ended 30 April 2014

5. Investments (continued)

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 South Western Trains Limited	England	Train operator

During the year, the Company acquired the entire share capital of Inter City Railways Limited for £1. This was then transferred at net book value to another Group undertaking in November 2013.

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

	<u>Country of registration</u>	<u>% held at 30 April 2014</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 CrossCountry Trains Limited and West Coast Trains Limited.

6. Debtors

	2014	2013
	£000	£000
Amounts owed by fellow group undertakings	198,180	206,796
Provision against amounts due from fellow group undertakings	(6,500)	(9,100)
Corporation tax	Nil	176
	<u>191,680</u>	<u>197,872</u>

Of amounts owed by group undertakings, £35,674,186 (2013: £45,123,078) is an interest bearing loan to a fellow subsidiary undertaking, which is repayable within one year and attracts interest based on the 6 month London Inter Bank Offer Rate (LIBOR) plus a margin of 2.5%. In addition, £150,961,644 (2013: £150,969,863) 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.

Notes to the financial statements (continued)

For the year ended 30 April 2014

7. Creditors: amounts falling due within one year

	2014 £000	2013 £000
Amounts owed to group undertakings	214,414	212,782
Corporation tax	14	Nil
	<u>214,428</u>	<u>212,782</u>

Of amounts owed to group undertakings, £171,962,772 (2013: £161,721,805) 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 2014 an additional loan from SCUSI Ltd of £35,673,612 (2013: £45,123,078) was due. This is also repayable within one year and attracts interest based on 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. Called up share capital

	2014 £	2013 £
<i>Allotted and paid</i>		
116,383 (2013: 116,383) ordinary shares of £1 each	<u>116,383</u>	<u>116,383</u>

9. Reconciliation of movement in total shareholders' funds

The following shows the movement in reserves and reconciliation in shareholders' funds for the year:

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
At beginning of year	116	95,174	19,858	115,148
Profit for the year	-	-	16,676	16,676
At end of year	<u>116</u>	<u>95,174</u>	<u>36,534</u>	<u>131,824</u>

10. Ultimate holding Company

The Company's immediate holding Company is The Integrated Transport Company Limited (registered number SC192154) 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.