

Virgin Rail Group Limited

Annual report and financial statements
For the financial period ended 8 December 2019
Registered number 03282548



Virgin Rail Group Limited

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Virgin Rail Group Limited

Directors' report

For the financial period ended 8 December 2019

The directors present their report and the financial statements for the financial period ended 8 December 2019.

Principal activity

The Company is an intermediate holding company which owns West Coast Trains Limited ("West Coast"). West Coast ran the West Coast rail franchise which operated passenger rail services in England, Scotland and Wales until 8 December 2019.

In November 2016, the DfT announced its plans to invite bids for a new rail franchise, the West Coast Partnership, that combined the current West Coast services with the development and introduction of High Speed 2 ("HS2") services. The West Coast Partnership franchise includes responsibility for services on both the West Coast Main Line and designing and running the initial high speed services from 2026. In August 2019, the DfT announced that the West Coast Partnership franchise had been awarded to First Trenitalia, with a commencement date of 8 December 2019. As a result, the existing West Coast franchise ceased to operate on 8 December 2019.

Following the expiry of the franchise, West Coast Trains Limited ceased to trade. As the directors do not intend to acquire a replacement trade, 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.

Results and Dividends

The profit for the financial year, after taxation, amounted to £35,000,000 (31 March 2019: £41,001,000).

Dividends paid during the financial year totalled £35,000,000 (31 March 2019: £41,250,000).

Directors

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

Philip Whittingham	Resigned 8 December 2019
Mark Whitehouse	Resigned 8 December 2019
Peter Broadley	Resigned 13 September 2019
Sarah Copley	Resigned 8 December 2019
Timothy Kavanagh	Appointed 29 November 2019
Neil Mickelthwaite	Appointed 29 November 2019
Robert Blok	Appointed 19 March 2020
Andrew Gibbs	Appointed 19 March 2020

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

Political contributions

The Company made no political contributions during the financial period (31 March 2019: £Nil).

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company'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's auditor is aware of that information.

Virgin Rail Group Limited

Directors' report

For the financial period ended 8 December 2019

Auditor

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

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

A handwritten signature in black ink, consisting of a stylized 'T' inside a circle followed by a long, sweeping horizontal line.

Tim Kavanagh
Director

Date: 22 May 2020

The Battleship Building
179 Harrow Road
London
W2 6NB

Directors' responsibilities statement

For the financial period ended 8 December 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 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 estimates that are reasonable, relevant, reliable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 these financial statements on a going concern basis).

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 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 Company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Virgin Rail Group Limited ("the Company") for the period ended 8 December 2019 which comprise the Profit and loss account, Balance sheet, Statement of changes in equity 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 Company's affairs as at 8 December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 'Reduced Disclosure Framework'; and
- 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 Company 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.

Directors' report

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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 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 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: 22 May 2020

Virgin Rail Group Limited

Profit and loss account

For the financial period ended 8 December 2019

		Period Ended 8 December 2019 £000 (36 weeks)	Period Ended 31 March 2019 £000 (52 weeks)
	Note		
Operating profit		-	-
Income from shares in group undertakings		35,000	41,000
Interest receivable and similar income	5	-	1
Profit before tax		35,000	41,001
Tax on profit	6	-	-
Profit for the financial period		35,000	41,001

There was no other comprehensive income for the financial year 8 December 2019 (31 March 2019: £Nil) and therefore no separate statement of other comprehensive income has been presented.

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

Virgin Rail Group Limited

Balance sheet As at 8 December 2019

		As at 8 December 2019		As at 31 March 2019	
	Note	£000	£000	£000	£000
Fixed assets					
Investments	7		4,116		4,116
Current assets					
Debtors: amounts falling due within one year	8	137		170	
Cash at bank and in hand		42		50	
		<u>179</u>		<u>220</u>	
Creditors: amounts falling due within one year	9	<u>(13)</u>		<u>(54)</u>	
Net current assets			<u>166</u>		<u>166</u>
Total assets less current liabilities			<u>4,282</u>		<u>4,282</u>
Net assets			<u><u>4,282</u></u>		<u><u>4,282</u></u>
Capital and reserves					
Called up share capital	10		60		60
Profit and loss account	10		<u>4,222</u>		<u>4,222</u>
Total equity			<u><u>4,282</u></u>		<u><u>4,282</u></u>

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

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



Tim Kavanagh
Director

Date: 22 May 2020

Registered number: 03282548

Virgin Rail Group Limited

Statement of changes in equity As at 8 December 2019

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 April 2018	60	4,471	4,531
Profit for the financial period	-	41,001	41,001
Dividends paid on ordinary shares	-	(41,250)	(41,250)
At 31 March 2019	60	4,222	4,282
At 1 April 2019	60	4,222	4,282
Profit for the financial year	-	35,000	35,000
Dividends paid on ordinary shares	-	(35,000)	(35,000)
At 8 December 2019	60	4,222	4,282

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

Virgin Rail Group Limited

Notes to the financial statements

For the financial period ended 8 December 2019

1 Accounting policies

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

The Company is itself a subsidiary company and is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006.

The principal accounting policies adopted in the preparation of these 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

In these financial statements, the Company has applied the exemptions under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Comparative period reconciliation for share capital;
- Related party disclosures in respect of wholly owned subsidiaries;
- Requirements of IFRS 7 'Financial Instruments: Disclosures';
- Requirements of IFRS 13 'Fair Value Measurements';
- Disclosures in respect of compensation of key management personnel;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Going concern

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

The Company acts as a holding company of West Coast Trains Limited ("West Coast") and consequently is dependent on revenue generated by that company under the West Coast franchise agreement.

Notes to the financial statements

For the financial period ended 8 December 2019

1 Accounting policies (continued)

1.1 Basis of preparation (continued)

Going concern (continued)

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 combined the current West Coast services with the development and introduction of High Speed 2 ("HS2") services. The West Coast Partnership franchise includes responsibility for services on both the West Coast Main Line and designing and running the initial high speed services from 2026. In August 2019, the DfT announced that the West Coast Partnership franchise had been awarded to First Trenitalia, with a commencement date of 8 December 2019. As a result, the existing West Coast franchise ceased to operate on 8 December 2019.

Following the expiry of the current West Coast franchise, West Coast ceased to trade and the Company no longer has any investments in operational companies. As the directors do not intend to acquire a replacement trade for the Company, they have not prepared the financial statements on a going concern basis, consistent with the prior year.

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.

1.2 Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment. The Company's impairment review is principally based on discounting future cash flows using a discount rate that reflects current market assessments of the time value of money and the risks specific to the investment. The directors have considered the impact of the cessation of the franchise on the investment, and do not consider that any impairment is necessary at this time as a result.

1.3 Financial instruments

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.

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.

Notes to the financial statements

For the financial period ended 8 December 2019

1 Accounting policies (*continued*)

1.4 Taxation

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

1.5 Dividends

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

2 Significant judgements, estimates and accounting policies

The preparation of the financial statements in conformity with FRS 101 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.

There are no accounting policies that are considered to be critical, because they either require a significant amount of management judgement or the results are material to the Company's financial statements.

Virgin Rail Group Limited

Notes to the financial statements

For the financial period ended 8 December 2019

3 Auditor's remuneration

The Company paid the following amounts to its auditor in respect of the audit of the financial statements:

	8 December 2019 (36 weeks) £000	31 March 2019 (52 weeks) £000
Fees for the audit of the Company	<u>7</u>	<u>7</u>

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

4 Staff costs

The Company has no employees other than the directors, who did not receive any remuneration (31 March 2019: £Nil).

5 Interest receivable and similar income

	8 December 2019 (36 weeks) £000	31 March 2019 (52 weeks) £000
Bank interest receivable	<u>-</u>	<u>1</u>

Virgin Rail Group Limited

Notes to the financial statements

For the financial period ended 8 December 2019

6 Taxation

Recognised in the profit and loss account:

	8 December 2019 (36 weeks) £000	31 March 2019 (52 weeks) £000
Current tax		
Current tax on income for the period	-	-
Tax on profit	-	-

There is no tax recognised in other comprehensive income or equity.

Factors affecting tax charge for the financial period

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

	8 December 2019 (36 weeks) £000	31 March 2019 (52 weeks) £000
Profit before tax	35,000	41,001
Tax at UK corporation tax rate of 19% (2019: 19%)	6,650	7,790
Effects of:		
Non taxable income	(6,650)	(7,790)
Tax on profit	-	-

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

Virgin Rail Group Limited

Notes to the financial statements

For the financial period ended 8 December 2019

7 Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 April 2019	5,261
At 8 December 2019	5,261
Impairment	
At 1 April 2019	1,145
At 8 December 2019	1,145
Net book value	
At 8 December 2019	4,116
At 31 March 2019	4,116

The Company owns all of the ordinary share capital of West Coast Trains Limited, which operated passenger rail services. West Coast Trains Limited is registered in England and Wales.

8 Debtors

	As at 8 December 2019 £000	As at 31 March 2019 £000
Amounts owed by group undertakings	35	169
Other debtors	-	1
Prepayments and accrued income	102	-
	137	170

Virgin Rail Group Limited

Notes to the financial statements

For the financial period ended 8 December 2019

9 Creditors: Amounts falling due within one year

	2019 £000	2019 £000
Trade creditors	-	54
Accruals and deferred income	13	-
	<u>13</u>	<u>54</u>

10 Capital and reserves

(a) Share capital

	2019 £000	2019 £000
Allotted, called up and fully paid		
53,061 employee non-voting ordinary shares of £0.0005 each	-	-
20,000,000 ordinary shares of £0.0005 each	10	10
50,133 preference shares of £1 each	50	50
	<u>60</u>	<u>60</u>

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

The preference shares are classified as equity as they do not carry a right to a fixed dividend payment.

(b) Reserves

A reconciliation of the movements in each reserve is shown in the Statement of changes in equity.

The balance held in the profit and loss account reserve is the accumulated retained profits of the Company.

11 Other financial commitments

Under the Franchise Agreement and the Direct Award Franchise Agreement, there was a requirement for the Company and West Coast to comply with certain performance and other obligations. Failure to comply with these obligations may have resulted in penalties or the potential termination of the West Coast franchise.

12 Contingent liabilities

The Group has provided performance bonds of £10,500,000 (31 March 2019: £21,000,000) and season ticket bonds of nil (31 March 2019: £6,695,000) to the Department of Transport in support of the Group's rail franchise operations. These bonds have been issued by financial institutions. The season ticket bond was released on the expiry of the franchise.

Virgin Rail Group has provided a guarantee in respect of the lessee's obligations for a lease relating to Victoria Square House, Birmingham. This was previously occupied by West Coast Trains Limited and the lease has now transferred to the successor operator. The directors consider the likelihood of any liability crystallising under this guarantee as remote.

Virgin Rail Group Limited

Notes to the financial statements

For the financial period ended 8 December 2019

13 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 Rail Group 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 Rail Group 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 8 December 2019 the ultimate parent company is Virgin Group Holdings Limited, a company registered in the British Virgin Islands.