CrossCountry Trains Limited

Directors' report and financial statements

Registered number 3007937

For the financial year ended 6 March 2010

Contents

Directors' report

The directors present their annual report and the audited financial statements for the financial year ended 6 March 2010 The previous financial year ended on 28 February 2009

Principal activities

The principal activity of the Company was the operation of passenger rail services which linked a number of cities and other destinations in England, Scotland and Wales

As part of the re-mapping of various rail franchises, the Department for Transport (DfT') gave notice that the original CrossCountry franchise would expire on 10 November 2007 The franchise, in revised form, was re-tendered and on 10 July 2007 it was announced that the new franchise had been awarded to Arriva Group plc

Following the termination of the franchise on 10 November 2007, the Company no longer has an ongoing operational business As the directors do not intend to acquire a replacement trade, they have not prepared the financial statements on a going concern basis The effect of this is explained in note 1

Results for the year and business review

The profit and loss account, presented on page 6, reflects the results of the Company for the financial year ended 6 March 2010

The operating loss for the financial year was £3,000 *(2009 £692,000 profit)* The profit for the financial year was £71,000 *(2009 £817,000)*

Dividends

Dividends paid during the financial year totalled £0 5 million *(2009 £1 0 million)*

Directors

The directors who held office during the financial year were as follows

Anthony Collins
Chris Gibb
Graham Leech

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

Political and charitable contributions

The Company made no political or charitable contributions during the financial year *(2009 £Nil)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Directors' report *(continued)*

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office

By order of the board

Anthony Collins
Director

The School House
50 Brook Green
London
W6 7RR

28 May 2010

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 judgments and 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business 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 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 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

KPMG

KPMG LLP
One Snowhill
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Birmingham
B4 6GH

Independent auditors' report to the members of CrossCountry Trains Limited

We have audited the financial statements of CrossCountry Trains Limited for the financial year ended 6 March 2010 set out on pages 6 to 14 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at

www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 6 March 2010 and of its profit for the financial year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of CrossCountry Trains Limited *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

S Haydn-Jones (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

28 May 2010

Profit and loss account

for the financial year ended 6 March 2010

	Note	**Financial year ended 6 March 2010 £000**	Financial year ended 28 February 2009 £000
Turnover	*2*	**172**	239
Franchise income	*3*	**965**	2,164
Train operating expenditure	*4*	**-**	(1,765)
Other operating (charges)/income		**(1,140)**	54
Operating (loss)/profit		**(3)**	692
Interest receivable and similar income	*7*	**6**	163
Interest payable and similar charges	*8*	**(1)**	(3)
Profit on ordinary activities before taxation	*5*	**2**	852
Tax credit/(charge) on profit on ordinary activities	*10*	**69**	(35)
Profit for the financial year		**71**	817

The results set out above relate to discontinued operations

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

There are no recognised gains or losses other than the results for the financial year and the previous financial year

Movements in reserves are set out in note 14

Balance sheet
at 6 March 2010

	Note	6 March 2010		28 February 2009	
		£000	£000	£000	£000
Current assets					
Debtors	11	1,195		2,007	
Cash at bank and in hand		728		818	
		1,923		2,825	
Creditors: Amounts falling due within one year	12	(1,646)		(2,119)	
Net current assets			277		706
Total assets less current liabilities and net assets			277		706
Capital and reserves					
Called up share capital	13		-		-
Profit and loss account	14		277		706
Shareholders' funds	15		277		706

These financial statements were approved by the board of directors on 28 May 2010 and were signed on its behalf by

Anthony Collins
Director

Chris Gibb
Director

Company number 3007937

Notes
(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

Under FRS 1 'Cash flow statements', the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

Under FRS 8 'Related party disclosures', the Company is exempt from the requirement to disclose transactions with related parties, which are part of the group, on the grounds that it is a wholly owned subsidiary undertaking of Virgin Rail Group Holdings Limited and the Company's results are consolidated in its parent company financial statements

Following the termination of the franchise on 10 November 2007, the Company no longer has an ongoing operational business 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 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

Turnover

Turnover represents the amounts receivable, excluding VAT, for services and goods supplied to external customers, primarily in respect of passenger transportation Turnover originates wholly in the United Kingdom

Passenger revenue represents principally amounts attributed to the Company 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

Franchise income

Revenue grants receivable in respect of the operation of the rail franchise are taken to the profit and loss account in the financial year to which they relate

Taxation

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

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

Dividends

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

Notes *(continued)*

2 Turnover

	2010	2009
	£000	£000
Passenger revenue	**172**	181
Catering income	-	58
	172	239

Passenger revenue relates to residual income from the CrossCountry franchise

3 Franchise income

	2010	2009
	£000	£000
Adjustments under the Supplemental Letter	**965**	1,314
Receipts outside of Supplemental Letter	-	850
	965	2,164

Franchise income arose under the original Franchise Agreement between the DfT and the Company as supplemented by the July 2002 Arrangement and the Supplemental Letter These arrangements were on the basis of the Company receiving a pre-tax profit margin equivalent to 1% of revenue and remain in place following the termination of the CrossCountry franchise to cover any residual costs and income

During the prior financial year the Company received £850,000 from the DfT, being an agreed payment, outside of the Letter Agreement, in relation to the Company's requirement to correct a funding shortfall on the pension scheme as a result of the franchise re-mapping in 2007

4 Train operating expenditure

	2010	2009
	£000	£000
Rolling stock costs	-	1,918
Track access costs	-	(35)
Other operating expenditure	-	(118)
	-	1,765

Notes *(continued)*

5 Profit on ordinary activities before taxation

	2010 £000	2009 £000
Profit on ordinary activities before taxation is stated after charging		
Auditors remuneration		
Audit of these financial statements	**5**	5

6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the financial year was Nil *(2009 Nil)*

7 Interest receivable and similar income

	2010 £000	2009 £000
Bank interest receivable	**6**	97
Other interest receivable	**-**	66
	6	163

8 Interest payable and similar charges

	2010 £000	2009 £000
Other interest payable	**1**	3

9 Dividends

	2010 £000	2009 £000
Dividends paid	**500**	1,000

Notes *(continued)*

10 Taxation

Analysis of (credit)/charge in financial year

	2010		2009	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax on income for the financial year	**2**		45	
Adjustments in respect of prior financial years	**(71)**		(249)	
Total current tax credit		**(69)**		(204)
Deferred tax (see note 11)				
Origination/reversal of timing differences	**-**		238	
Adjustments in respect of prior financial years	**-**		1	
Total deferred tax		**-**		239
Tax (credit)/charge on profit on ordinary activities		**(69)**		35

Factors affecting the tax credit for the current financial year

The standard rate of tax for the financial year based on the UK standard rate of corporation tax is 28% *(2009 28%)* The current tax credit for the current and previous financial year differs from the standard rate for the reasons set out in the following reconciliation

	2010	2009
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**2**	852
Current tax at 28% *(2009 28%)*	**1**	239
Effects of		
UK tax losses not utilised or not recognised	**1**	44
Other timing differences	**-**	(238)
Adjustments in respect of prior financial years	**(71)**	(249)
Total current tax credit (see above)	**(69)**	(204)

Notes *(continued)*

11 Debtors

	2010 £000	2009 £000
Amounts falling due within one year		
Trade debtors	**1,108**	1,388
Amounts owed by group undertakings	**82**	547
Other debtors	**3**	72
Corporation tax	**2**	-
	1,195	2,007

The deferred tax asset, which has been recognised at 28% *(2009 28%)*, is set out below

	2010 £000	2009 £000
At beginning of financial year	-	239
Charge to profit and loss account	-	(239)
At end of financial year	-	-

There is an unrecognised deferred tax asset of £47,000 *(2009 £46,000)* which relates to tax losses carried forward

12 Creditors Amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	**1,598**	1,775
Amounts owed to group undertakings	**10**	66
Corporation tax	-	91
Other creditors	**29**	177
Accruals and other deferred income	**9**	10
	1,646	2,119

13 Called up share capital

	2010 £	2009 £
Allotted, called up and fully paid·		
1 ordinary share of £1	**1**	1

Notes *(continued)*

14 Reserves

	Profit and loss account £000
At beginning of financial year	706
Profit for the financial year	71
Dividends paid (see note 9)	(500)
At end of financial year	**277**

15 Reconciliation of movements in shareholders' funds

	2010 £000	2009 £000
Profit for the financial year	**71**	817
Dividends paid (see note 9)	**(500)**	(1,000)
Net reduction in shareholders' funds	**(429)**	(183)
Opening shareholders' funds	**706**	889
Closing shareholders' funds	**277**	706

16 Commitments

The Company had capital commitments of £Nil at 6 March 2010 *(2009 £Nil)*

17 Pension scheme

Until the termination of the franchise, the Company participated 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 the Company The RPS is a shared cost scheme with costs being shared between the employer and the members on the basis of a 60 40 split

On 10 November 2007, the franchise termination date, pursuant to a statutory transfer scheme, all staff transferred out of the Company At the point of transfer the deficit on the section relevant to the Company was £Nil The gross assets and liabilities of the section transferred out in line with the transfer of the re-mapped franchise

The Company has no rights or obligations in respect of the RPS following expiry of the related franchise

Notes *(continued)*

18 Ultimate parent company and parent undertaking of larger group

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

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

As at 6 March 2010, the ultimate parent company is Virgin Group Holdings Limited, a company registered in the British Virgin Islands