WCT Group Holdings Limited (formerly known as Virgin Rail Group Holdings Limited)

Annual report and financial statements
For the financial period ended 31 December 2020

Registered number 04196341

WCT Group Holdings Limited (formerly known as Virgin Rail Group Holdings Limited)

Contents

Strategic report
For the financial period ended 31 December 2020

Introduction

We are pleased to present our report and financial statements for the period from 9 December 2019 to 31 December 2020.

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

Following the expiry of the franchise in December 2019, West Coast ceased to trade and the Group no longer has any investments in operational companies. As the Directors do not intend to acquire a replacement trade for West Coast, they have not prepared these financial statements on a going concern basis, consistent with the prior year. The effect of this is explained in note 1 to the financial statements.

Business review

Following the successful transfer of the operation of passenger rail services to First Trenitalia West Coast Railways in December 2019, the Group retains responsibility for the wind down of certain assets and liabilities related to the expired franchise agreement. The Group has made good progress on winding down these residual assets and liabilities, although it can take a considerable time to reach a final position.

COVID-19 has had little impact on the financial period as the Group ceased to trade prior to the start of the pandemic. The Directors do not consider that the pandemic and subsequent recovery will have a material impact upon the recoverability of the remaining assets and the finalisation and settlement of outstanding liabilities.

Although not trading as a train operating company, the Group was able to finalise settlements in respect of certain assets and liabilities, related to the expiry of the franchise agreement. Mainly as a consequence of the difference between the agreed settlement values and the previous carrying values of these assets and liabilities, the Group reported an operating profit for the year.

Prior to the expiry of the franchise agreement, the Group was developing an innovative retail platform, intended to provide account based ticketing for the rail industry, and this continued during the period, and generated some very small amounts of revenue. All development costs incurred were written off in the period, as it is not currently expected that this platform will result in an ongoing revenue stream.

Principal risks and uncertainties

The key risk faced by the Group in the wind down of residual assets and liabilities is that the Group has insufficient funds to meet its external liabilities as they fall due. In respect of this risk, the Directors have considered and continue to consider the balance sheet and cash flow forecasts of the Group and are confident that the Group has sufficient funding to meet its liabilities.

Key Performance Indicators

Since the Group is no longer trading it is not possible to produce key performance indicators. Similarly, since the Group no longer consumes energy the Directors consider it to be exempt from any of the UK Governments Streamlined Energy and Carbon Reporting requirements.

Future Developments

The Group continues to be engaged in the winding down of the remaining residual assets and liabilities. The Directors continue to monitor this process and remain confident that the Group has sufficient resources to meet the remaining liabilities as they fall due.

Section 172 (1) Companies Act 2006

Section 172(1) of the Companies Act 2006 provides that a director of a company *must act in a way that he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to various other stakeholder interests*.

In this respect, the Directors have considered (amongst other things) the following six key areas:

a) Consequences of long-term decision making. The Directors have utilised a number of tools to ensure that the long-term consequences of decisions are understood. These include (but are not limited to) the use of budgets, forecasts, and business plans. Plans were adjusted as the end of the franchise neared to reflect the shorter term horizon. In addition, the directors have considered sensitivity analysis as appropriate and regularly review the risks and opportunities faced by the Group.

b) Acting in the interests of employees. West Coast was highly pro-active in consulting with employees through various trade unions bodies and internal forums. Staff surveys were used in order to assess employee engagement, and respond to any concerns raised. As noted above safety issues, including employee safety, were accorded the highest priority.

c) Fostering relationships with suppliers and customers. The development of strong and lasting relationships with suppliers and customers was of the utmost importance to West Coast. Extensive use was made of Customer Relationship Management (CRM) data to drive value for customers, leading to higher levels of customer satisfaction, and encouraging repeat journeys. West Coast also made use of tailored loyalty schemes to further increase satisfaction and engagement. It was recognised as vitally important that suppliers were aligned to the values and ethos of the West Coast business. To that end a variety of formal and informal tools were used to ensure alignment of objectives between West Coast and key suppliers.

d) Impact on community and the environment. West Coast provided a vital service to the communities in which it operated, bringing opportunities for leisure and business travel. Key stakeholders were an integral part of the design of, for example, timetable propositions, and ensuring that the services provided matched the needs of the community. In addition, West Coast supported a number of local projects around the communities served. Reducing environmental damage was key to West Coast's objectives, both through encouraging modal shift away from more damaging travel modes such as private car, and through improving West Coast's own environmental performance, for example using meters on trains to measure and assess the impact of energy saving measures.

e) Business Conduct. It was vitally important to West Coast and the Directors that an ethos of trust was engendered, through ethical business practices, backed up by excellent, value driven procedures and policies. A range of tools were used to do this, including formal training, and the implementation of policies and procedures, as well as informal development. In addition, recruitment practices stressed the importance of the ethos and values which were seen as important and would lead to good practices being adopted and followed.

f) Acting fairly between members. The interests of the respective members were considered through ensuring that there was an appropriate representation of members in each of the key decision making forums; the board of directors, audit committee, remuneration committee and so on. This ensured that when important decisions were made that the interests of all members were fairly considered.

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

Ross Paterson
Director
Date: 15 June 2021

Directors' report
For the financial period ended 31 December 2020

The Directors present their report and the financial statements for the financial period ended 31 December 2020 for Virgin Rail Group Holdings Limited (henceforth known as WCT Group Holdings Limited). The accounting period has been lengthened to 31 December 2020 in order to coincide with the accounting reference date of Virgin Holdings Limited.

Results and dividends

The profit for the financial period, after taxation and non-controlling interest, amounted to £7,944,000 (8 December 2019: £28,935,000).

Dividends paid to equity holders of the parent during the financial period totalled £32,015,000 (8 December 2019: £35,107,000).

Directors

The Directors who served during the period ended 31 December 2020 and up to the date of the Directors' report were:

Patrick McCall	
Martin Griffiths	
Ross Paterson	
Robert Blok	(appointed 19 March 2020)

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

Political contributions

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

Employees

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

The Group used the consultative procedures agreed with its staff and their elected representatives with a view to ensuring that its employees were aware of the financial and economic factors that could have affected the Group's performance and prospects.

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

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

Corporate Governance

The Group has always followed corporate governance arrangements established in its agreements with its shareholders. It has measured these against the Wates Principles and the conclusions of this assessment are set out below.

a) Purpose and leadership. The Directors set clear objectives, targets and incentives through the business planning process. This was reinforced by a strong and consistent set of values, which were promoted across all members of staff. These values were aligned to the Virgin Trains brand, which encouraged purpose to be central to the business.

Directors' report
For the financial period ended 31 December 2020

b) Board composition. The board was and is comprised of highly experienced individuals and led by an experienced chair, Ross Paterson. The board members have a range of skills; financial, commercial, legal and operational. The interests of members were balanced by appropriate representation, with both shareholders and employees represented, and the board sought expert help and advice from appropriately qualified individuals when the occasion demanded it.

c) Directors' responsibilities. As noted above, the Directors comprise highly experienced individuals with a good understanding of their responsibilities as members of the board. In addition, duties were allocated in such a way as to promote and support effective decision making. The board met regularly to consider the Company's performance and key decisions, with delegation where appropriate to the audit, safety and remuneration committees.

d) Opportunity and risk. These were regularly assessed as part of the business planning process. Risks were also assessed using a risk register, and considered by the board, safety committee or audit committee as appropriate.

e) Remuneration. The board ensured that executive remuneration was aligned to long term objectives, so as to incentivise the promotion of the best interests of the Group. Remuneration was partly comprised of long term incentives to further promote the sustainable success of the Group. The board delegated certain duties to the remuneration committee to ensure that decisions were taken in a sufficiently impartial and fair manner, and to ensure that pay and conditions elsewhere in the Group were considered when making decisions about executive remuneration.

f) Stakeholders, relationships and engagement. The board fostered and took a keen interest in relationships with key stakeholders including employees, customers, suppliers and communities. This involved frequent and meaningful consultation with employees and trades unions, and responding fully and constructively to suggestions and concerns. In addition, there was a regular and full dialogue with the Department for Transport, and with key suppliers such as Network Rail and rolling stock suppliers.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:
- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial period have been included in the Strategic report on page 1.

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.

WCT Group Holdings Limited (formerly known as Virgin Rail Group Holdings Limited)

Directors' report
For the financial period ended 31 December 2020

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

Ross Paterson
Director

Date: 15 June 2021

The Battleship Building
179 Harrow Road
London
W2 6NB

WCT Group Holdings Limited (formerly known as Virgin Rail Group Holdings Limited)

Directors' responsibilities statement
For the financial period ended 31 December 2020

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of WCT Group Holdings Limited (formerly known as Virgin Rail Group Holdings Limited)

Opinion

We have audited the financial statements of WCT Group Holdings Limited ("the Company") for the period ended 31 December 2020 which comprise the Consolidated statement of profit and loss and other comprehensive income, Consolidated balance sheet, Company balance sheet, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows and related notes, including the accounting policies in note 1. These financial statements have not been prepared on the going concern basis for the reason set out in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent auditor's report to the members of WCT Group Holdings Limited (formerly known as Virgin Rail Group Holdings Limited)

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

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

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 16 June 2021

WCT Group Holdings Limited (formerly Virgin Rail Group Holdings Limited)

Consolidated statement of profit and loss and other comprehensive income
For the financial period ended 31 December 2020

	Note	Period Ended 31 December 2020 (56 weeks) £000	Period Ended 8 December 2019 (36 weeks) £000
Revenue	3	9,943	882,456
Other operating income	4	459	92,261
Train operating expense	5	(237)	(470,074)
Staff costs	7	831	(147,250)
Other operating charges		(507)	(321,664)
Operating profit		10,489	35,729
Finance income	8	294	870
Profit before tax	6	10,783	36,599
Taxation	9	(2,818)	(7,589)
Profit for the financial year		7,965	29,010
Profit attributable to:			
Equity holders of the parent		7,944	28,935
Non-controlling interest		21	75
Profit for the period		7,965	29,010
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit pension scheme	18	-	1,310
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
- Changes in fair value during the year	17	-	(165)
- Reclassified and reported in profit for the period	17	-	1
- Tax effect of cash flow hedges	17	-	31
		-	(133)
Other comprehensive income for the period, net of tax		-	1,177
Total comprehensive income for the period		7,965	30,187
Total comprehensive income attributable to:			
Equity holders of the parent		7,944	30,109
Non-controlling interest		21	78
Total comprehensive income for the financial year		7,965	30,187

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

WCT Group Holdings Limited (formerly known as Virgin Rail Group Holdings Limited)

Consolidated balance sheet
As at 31 December 2020

	Note	As at 31 December 2020 £000	As at 8 December 2019 £000
Non current assets			
Property, plant and equipment	10	-	-
		-	-
Current assets			
Trade and other receivables	13	24,374	108,563
Cash and cash equivalents	14	26,401	95,345
		50,775	203,908
Total assets		50,775	203,908
Current liabilities			
Trade and other payables	15	(13,825)	(124,751)
Current tax liabilities		(2,534)	(845)
Provisions	16	(2,542)	(22,304)
		(18,901)	(147,900)
Total liabilities		(18,901)	(147,900)
Net assets		31,874	56,008
Equity			
Ordinary share capital	19	3	3
Merger reserve	19	22,533	22,533
Retained earnings	19	9,209	33,280
Cash flow hedging reserve	19	-	-
Equity attributable to the parent		31,745	55,816
Non-controlling interest		129	192
Total equity		31,874	56,008

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

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

Ross Paterson
Director

Date: 15 June 2021

Registered number: 04196341

WCT Group Holdings Limited (formerly known as Virgin Rail Group Holdings Limited)

Company balance sheet
As at 31 December 2020

	Note	As at 31 December 2020 £000	As at 31 December 2020 £000	As at 8 December 2019 £000	As at 8 December 2019 £000
Fixed assets					
Investments	11		31,514		33,477
Current assets					
Debtors	13	220		384	
Cash at bank and in hand	14	140		296	
		360		680	
Creditors: amounts falling due within one year	15	-		(322)	
Net current assets			360		358
Total assets less current liabilities and net assets			31,874		33,835
Capital and reserves					
Ordinary share capital	19		3		3
Merger reserve	19		31,511		33,474
Retained earnings	19		360		358
Total equity			31,874		33,835

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

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

Ross Paterson
Director

Date: 15 June 2021

Registered number: 04196341

WCT Group Holdings Limited (formerly known as Virgin Rail Group Holdings Limited)

Consolidated statement of changes in equity
For the financial period ended 31 December 2020 and the year ended 8 December 2019

	Ordinary share capital £000	Merger reserve £000	Retained earnings £000	Cash flow hedging reserve £000	Total equity attributable to parent £000	Non-controlling interest £000	Total £000
At 1 April 2019	3	22,533	38,145	133	60,814	206	61,020
Total comprehensive income for the period							
Profit for the period	-	-	28,935	-	28,935	75	29,010
Other comprehensive income	-	-	1,307	(133)	1,174	3	1,177
Total comprehensive income for the period	-	-	**30,242**	**(133)**	**30,109**	**78**	**30,187**
Transactions with owners, recorded directly in equity							
Dividends paid on ordinary shares	-	-	(35,107)	-	(35,107)	(92)	(35,199)
At 8 December 2019	**3**	**22,533**	**33,280**	-	**55,816**	**192**	**56,008**
At 9 December 2019	3	22,533	33,280.0	-	55,816	192	56,008
Total comprehensive income for the period							
Profit and total comprehensive income for the period	-		7,944	-	7,944	21	7,965
Transactions with owners, recorded directly in equity							
Dividends paid on ordinary shares	-	-	(32,015)	-	(32,015)	(84)	(32,099)
At 31 December 2020	**3**	**22,533**	**9,209**	-	**31,745**	**129**	**31,874**

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

WCT Group Holdings Limited (formerly known as Virgin Rail Group Holdings Limited)

Company statement of changes in equity
As at 31 December 2020

	Ordinary share capital £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 April 2019	3	33,474	60	33,537
Total comprehensive income for the period				
Total profit and comprehensive income for the period	-	-	35,406	35,406
Transactions with owners, recorded directly in equity				
Dividends paid on ordinary shares	-	-	(35,108)	(35,108)
At 8 December 2019	**3**	**33,474**	**358**	**33,835**

	Ordinary share capital £000	Merger reserve £000	Retained earnings £000	Total £000
At 9 December 2019	3	33,474	358	33,835
Total comprehensive income for the period				
Total profit and comprehensive income for the period	-	-	30,054	30,054
Transactions with owners, recorded directly in equity				
Dividends paid on ordinary shares	-	-	(32,015)	(32,015)
Transfer between reserves	-	(1,963)	1,963	-
At 31 December 2020	**3**	**31,511**	**360**	**31,874**

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

WCT Group Holdings Limited (formerly known as Virgin Rail Group Holdings Limited)

Consolidated statement of cash flows
For the financial period ended 31 December 2020

	Note	Period Ended 31 December 2020 (56 weeks) £000	Period Ended 8 December 2019 (36 weeks) £000
Cash flow from operating activities			
Profit for the financial period		7,965	29,010
Adjustments for:			
Finance income	8	(294)	(870)
Taxation	9	2,818	7,589
		10,489	35,729
Working capital changes:			
Decrease in inventory		-	441
Decrease/(increase) in trade and other receivables		84,185	(33,867)
Decrease in trade and other payables		(110,925)	(14,055)
(Decrease)/Increase in provisions		(19,763)	18,713
Difference between employer pension contributions and pension expense in operating profit		-	10,330
		(36,014)	17,291
Interest received		299	844
Net cash from operating activities before tax		(35,715)	18,135
Tax paid		(1,129)	(5,190)
Net cash from operating activities		(36,844)	12,945
Cash flow from financing activities			
Dividends paid to equity holders of the parent		(32,015)	(35,107)
Dividends paid to non-controlling interest		(85)	(92)
Net cash from financing activities		(32,100)	(35,199)
Net decrease in cash and cash equivalents		(68,944)	(22,254)
Cash and cash equivalents at beginning of period		95,345	117,599
Cash and cash equivalents at end of period	14	26,401	95,345

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

Notes to the financial statements
For the financial period ended 31 December 2020

1 Accounting policies

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

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

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

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

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

1.1 Basis of preparation

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

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

Going concern

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

The Company acts as a holding company for the subsidiaries listed in note 10 and consequently is dependent on revenue generated by those companies under the West Coast franchise.

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

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

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

1.2 New accounting standards adopted during the period ended 31 December 2020

There were no amendments to accounting standards or IFRIC interpretations that are effective for the period ended 31 December 2020 which have had a material impact on the Group's consolidated financial statements.

1 Accounting policies *(continued)*

1.3 Basis of consolidation

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

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

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

1.4 Revenue

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

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

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

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

The finalisation of certain agreements relating to the transfer of assets and liabilities at the end of the franchise has resulted in differences between the agreed settlement values and previous estimates of these items. As a consequence of these differences the Company is reporting revenue during the period, although it was no longer trading as a train operating company.

1.5 Franchise expense/income

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

1 Accounting policies *(continued)*

1.6 Research and development costs

Research and development costs are written off as incurred. The Directors do not currently expect research and development costs to generate future economic benefits.

1.7 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the 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.

1.8 Impairment of non-current assets

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

In the Company's accounts, investments in subsidiary undertakings are shown at cost less provision for impairment. The Company's impairment review is principally based on discounted cash flows over the remaining life of the West Coast Trains Limited franchise using a discount rate that reflects current market assessments of the time value of money and risks specific to the investment.

1.9 Operating leases

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

1.10 Provisions

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

1 Accounting policies *(continued)*

1.11 Financial instruments

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

Derivative financial instruments and hedging

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

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

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

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

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

Non-derivative financial assets

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

Cash and cash equivalents

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

Impairment of non-derivative financial assets

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

1 Accounting policies *(continued)*

1.11 Financial Instruments *(continued)*

Non-derivative financial liabilities

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

1.12 Retirement benefits

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

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

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

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

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

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

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

1 Accounting policies *(continued)*

1.13 Dividends

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

1.14 Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements:

- IFRS 17 Insurance Contracts (effective date to be confirmed).
- Amendments to IFRS 3: Definition of a Business (effective date to be confirmed).
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective date to be confirmed).

Notes to the financial statements
For the financial period ended 31 December 2020

2 Significant judgements, estimates and accounting policies

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

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

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

Estimates:

Rail contractual positions

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

Costs of winding down residual assets and liabilities

The Group has made estimates of the amounts likely to be incurred in winding down the remaining assets and liabilities. Although good progress has been made on this, there does remain some uncertainty as to the eventual timing and value of costs incurred. Actual outcomes may therefore differ from the estimates made by the Group.

Judgements:

Historic liabilities

The Group has recorded certain historic liabilities which have not yet crystallised, and may ultimately not do so. It is a matter of judgement as to when, or whether, such liabilities should be assumed not to crystallise, and the actual outcome may differ from the judgement made.

Notes to the financial statements
For the financial period ended 31 December 2020

3 Revenue

	31 December 2020 (56 weeks) £000	8 December 2019 (36 weeks) £000
Passenger revenue	**9,933**	843,155
Catering revenue	**-**	10,750
Other trading income	**10**	28,551
	9,943	882,456

All revenue arose within the UK. Passenger revenue reported in the period was primarily the result of releasing certain provisions relating to obligations in respect of the transfer to the successor operator, the most notable of these being in respect of discount card revenue.

Other trading income consists primarily of the provision of station facilities to other train operators, retail commissions receivable and car parking. Balances in the year relate to unwinding of prior year results.

4 Other operating income

	31 December 2020 (56 weeks) £000	8 December 2019 (36 weeks) £000
Network change compensation and performance regime	**377**	89,324
Property income	**82**	2,937
	459	92,261

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

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

All balances in the period relate to the Group's wind down activity, as a result of actual outcomes being different to previous estimates.

5 Train operating expense

	31 December 2020 (56 weeks) £000	8 December 2019 (36 weeks) £000
Rolling stock costs	**(252)**	241,558
Track access costs	**-**	89,378
Station and depot access costs	**-**	19,676
Power costs	**(240)**	48,472
Other operating costs	**729**	70,990
	237	470,074

Other operating costs consist primarily of retail commissions payable, catering supplies and British Transport Police charges. Balances in the period relate to unwinding of the Group's affairs, as a result of actual outcomes being different to previous estimates.

6 Expenses and auditor's remuneration

Included in profit/loss are the following:	**31 December 2020 (56 weeks) £000**	8 December 2019 (36 weeks) £000
Rentals under operating leases:		
- Plant and machinery	-	84,874
- Other	-	11,501
Rental income received on properties	**(82)**	(2,937)
Franchise expense (see below)	**(2,723)**	261,694

Auditor's remuneration

Remuneration of the auditor and its associates:		
- Audit of these financial statements	**17**	28
- Audit of financial statements of subsidiaries of the Company	**103**	183
- Audit-related assurance services	**10**	33

The fees in relation to the period were previously fully accrued for within the franchise end provision.

Franchise expense	**31 December 2020 (56 weeks) £000**	8 December 2019 (36 weeks) £000
Franchise Agreement payments	**118**	226,978
Profit share payment under Franchise Agreement	**(2,841)**	11,540
Revenue share payment under Franchise Agreement	**-**	23,176
	(2,723)	261,694

The West Coast Franchise Agreement included a profit share arrangement whereby a share of the profit above certain pre-determined thresholds is payable to the DfT. Balances in the period relate to the finalisation of amounts payable, these being different to the estimates recorded at the time the franchise expired, which is when the initial estimates are made.

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

7 Staff costs

Headcount and total remuneration

The average number of person employed by the Group, including the Directors, during the period was as follows:

	31 December 2020 No.	8 December 2019 No.
Management and administration	-	613
Operations	-	2,753
	-	3,366

There were no persons including Directors directly employed by the Company in the period.

The aggregate payroll costs of these persons were as follows:	**31 December 2020 (56 weeks) £000**	8 December 2019 (36 weeks) £000
Wages and salaries	**(630)**	116,708
Social security costs	**471**	12,512
Pension costs	**(672)**	18,030
	(831)	147,250

The Company has no employees in the period (8 December 2019: Nil).

Credit balances in the period related to accruals no longer required following the discharge of all outstanding obligations in respect of the transfer of employees to the successor operator.

Directors' remuneration	**31 December 2020 (56 weeks) £000**	8 December 2019 (36 weeks) £000
Total remuneration		
Remuneration	-	827
Amounts receivable under long term incentive schemes	-	478
Contributions to defined benefit pension schemes	-	45
Amounts paid to third parties for Directors' services	**303**	285
Highest paid director		
Remuneration	-	258
Amounts receivable under long term incentive schemes	-	184
Contributions to defined benefit pension schemes	-	17
Amounts paid to third parties for Directors' services	**137**	-

Amounts paid to third parties for Directors' services had been previously accrued as wind down costs.

8 Finance income and expense

	31 December 2020 (56 weeks) £000	8 December 2019 (36 weeks) £000
Finance income		
Bank interest receivable	77	643
Other interest receivable	217	7
Interest (expense)/ income on defined benefit pension schemes	-	220
	294	870

9 Taxation

Recognised in the statement of profit and loss:	31 December 2020 (56 weeks) £000	8 December 2019 (36 weeks) £000
Current tax		
Current tax on income for the period	**2,012**	2,326
Adjustments in respect of prior periods	**806**	(243)
Total current tax	**2,818**	2,083
Deferred tax		
Origination and reversal of temporary differences		5,219
Adjustments in respect of prior periods	**-**	287
Total deferred tax (see note 12)	**-**	5,506
Total tax expense	**2,818**	7,589

Factors affecting tax charge for the financial year

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:

	31 December 2020 (56 weeks) £000	8 December 2019 (36 weeks) £000
Profit before tax	**10,783**	36,599
Tax at UK corporation tax rate of 19% (8 December 2019: 19%)	**2,049**	6,954
Effects of:		
Non-taxable items	**(34)**	(157)
Non deductible pension expenses	**-**	748
Deductible temporary differences not recognised	**(3)**	-
Adjustments in respect of prior periods	**806**	44
Total tax expense	**2,818**	7,589

Factors that may affect future tax charges

The March 2021 Budget announced that the UK corporation tax rate will increase from 19% to 25% (effective from 1 April 2023). This will increase any future current tax charge accordingly.

10 Property, plant and equipment

	As at 31 December 2020 £000's	As at 8 December 2019 £000's
Cost		
At beginning of period	-	40,856
Disposals	-	(40,856)
At end of period	-	-
Depreciation		
At beginning of period	-	40,856
Disposals	-	(40,856)
At end of period	-	-
Net book value	-	-

All tangible fixed assets were transferred to the successor operator at the cessation of the franchise.

11 Investments

Group

West Coast Trains Limited, a subsidiary of WCT Group Holdings Limited , owned one ordinary share of four pence in each of ATOC Limited, Rail Settlement Plan Limited and Rail Staff Travel Limited and one ordinary share of one pound in NRES Limited. These were transferred to the successor operator at the cessation of the franchise.

Company	**Investments in subsidiary companies £000**
Cost	
At the beginning and end of the financial period	**348,629**
Impairment	
At the beginning of the financial period	**315,152**
Charge for the financial period	**1,963**
At the end of the financial period	**317,115**
Net book value	
At 31 December 2020	**31,514**
At 9 December 2019	**33,477**

The Company owns 99.74% of the allotted share capital of WCT Group Limited (formerly, Virgin Rail Group Limited).

WCT Group Limited owns 100% of the allotted share capital of West Coast Trains Limited, which operated passenger rail services.

The Company owned 100% of the allotted share capital of Virgin Rail Projects Limited, which was dissolved on 6 August 2019. The Company owns 100% of the allotted share capital of WCT Sales Limited (formerly, Virgin Trains Sales Limited), previously a train hire company and 100% of Redstar Ticketing Limited (formerly, Virgin Trains Limited).

All of these companies are included within the consolidated financial statements and are registered in England and Wales at the registered office address given on page 5.

An impairment review of the Company's investment in WCT Group Limited was undertaken at 31 December 2020. This impairment review was principally based on expected discounted future cash flows of the subsidiaries. The impairment loss arising has been offset by a reduction in the Company's merger reserve (see note 19).

Notes to the financial statements
For the financial period ended 31 December 2020

12 Deferred tax

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

	Group £000	Company £000
As at 1 April 2019	-	5,475
Recognised in statement of profit or loss	-	(5,219)
Adjustments in respect of prior years	-	(287)
Recognised in equity	-	31
As at 8 December 2019	-	-
As at 9 December 2019	-	-
Recognised in statement of profit or loss	-	-
Adjustments in respect of prior years	-	-
Recognised in equity	-	-
As at 31 December 2020	-	-

Deferred tax is attributable to the following:

	Group		Company	
	As at 31 December 2020 £000	As at 9 December 2019 £000	**As at 31 December 2020 £000**	As at 9 December 2019 £000
Excess of capital allowances over depreciation	-	-	-	-
Short term temporary differences	-	-	-	-
	-	-	-	-

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

	Group		Company	
	As at 31 December 2020 £000	As at 9 December 2019 £000	**As at 31 December 2020 £000**	As at 9 December 2019 £000
Excess of capital allowances over depreciation	-	-	-	(5,289)
Other short term temporary differences	-	-	-	(217)
	-	-	-	(5,506)

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

	Group		Company	
	As at 31 December 2020 £000	As at 9 December 2019 £000	**As at 31 December 2020 £000**	As at 9 December 2019 £000
Cash flow hedges: fuel derivatives	-	31	-	-

Based on the cessation of the West Coast franchise, no deferred tax asset has been recognised.

Notes to the financial statements
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13 Trade and other receivables

	Group		Company	
	As at 31 December 2020 £000	As at 8 December 2019 £000	**As at 31 December 2020 £000**	As at 8 December 2019 £000
Current				
Trade receivables	**3,648**	79,215	-	-
Provision for doubtful receivables	**(1,850)**	(1,444)	-	-
Net trade receivables	**1,798**	77,771	-	-
Amounts owed by related undertakings	**22,439**	206	**180**	-
Other receivables	**137**	29,623	**40**	333
Prepayments and accrued income	-	963	-	51
	24,374	108,563	**220**	384

Amounts owed by related undertakings included loans to Stagecoach Group plc and Virgin Holdings Limited, repayable on demand. As disclosed in note 22 these loans were repaid on 5 February 2021 in the form of a dividend in specie.

14 Cash and cash equivalents

	Group		Company	
	As at 31 December 2020 £000	As at 8 December 2019 £000	**As at 31 December 2020 £000**	As at 8 December 2019 £000
Cash at bank and in hand	**26,401**	95,345	**140**	296

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

15 Trade and other payables

	Group		Company	
	As at 31 December 2020	As at 8 December 2019	**As at 31 December 2020**	As at 8 December 2019
	£000	£000	**£000**	£000
Current				
Trade payables	**9,080**	93,934	-	317
Amount owed to related undertakings	-	-	-	(41)
Other taxation and social security	-	6,002	-	-
Other payables	**4,333**	24,633	-	-
Accruals and other deferred income	**412**	182	-	46
	13,825	124,751	-	322

16 Provisions

	Group	
	As at 31 December 2020	As at 8 December 2019
	£000	£000
Current		
As at 9 December 2019	**22,304**	3,591
Transfer from Accruals	-	802
Amounts provided in the period	**2,379**	18,179
Amounts utilised or released in the period	**(22,141)**	(268)
At 31 December 2020	**2,542**	22,304

The provisions brought forward related to obligations in respect of winding down the company following the end of the franchise, as well as obligations in respect of the transfer to the successor operator, namely in respect of dilapidations on properties where the leases have transferred and discount cards that were sold in advance of the transfer. The transfer costs were settled within the period, whilst the wind down costs is expected to be incurred over the next 5 years.

17 Financial instruments

(a) Carrying values of financial instruments

	31 December 2020 £000	8 December 2019 £000
Financial assets		
Current assets		
- Trade receivables	**1,798**	77,771
- Other receivables	**137**	29,623
- Cash and cash equivalents	**26,401**	95,345
	28,336	202,739
Financial liabilities		
Current liabilities		
- Trade payables	**(9,080)**	(93,934)
- Other payables	**(4,333)**	(24,633)
	(13,413)	(118,567)
Net financial assets	**14,923**	84,172

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

Fair value estimation

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

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

No instruments are carried at fair value.

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

(b) Credit risk

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

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

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

17 **Financial Instruments** *(continued)*

(b) Credit Risk *(continued)*

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

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

	31 December 2020 £000	8 December 2019 £000
Past due 1-30 days	**2**	391
Past due 31-60 days	**23**	84
Past due 61-90 days	**22**	-
Past due more than 91 days	**48**	-
Total	**95**	475

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

(c) Liquidity risk

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

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

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

					31 December 2020
	Carrying amount £000	**Contractual cash flows £000**	**Within 1 year £000**	**1-2 years £000**	**2-5 years £000**
Non-derivative financial liabilities					
Trade and other payables	**(13,413)**	**(13,413)**	**(13,413)**	**-**	**-**

					8 December 2019
	Carrying amount £000	Contractual cash flows £000	Within 1 year £000	1-2 years £000	2-5 years £000
Non-derivative financial liabilities					
Trade and other payables	(118,567)	(118,567)	(118,567)	-	-

17 **Financial instruments** ***(continued)***

(d) Capital management

The Group regards its capital as comprising its equity and cash. The Group's objective when managing capital is to safeguard the Group's ability to meet the remaining liabilities as they fall due. The capital structure of the Group is kept under regular review.

18 Retirement benefits

(a) Description of retirement benefit arrangements

West Coast 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 West Coast. The RPS is a shared costs scheme with costs being shared between the employer and the members on the basis of a 60:40 split. The RPS is governed by the Railways Pension Trustee Company Limited and is subject to regulation from the Pensions Regulator and relevant UK legislation.

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

The latest actuarial valuation of the West Coast's section of the RPS was undertaken at 31 December 2013 using the projected unit method. This valuation has been updated to 8 December 2019 by a qualified independent actuary, using revised assumptions that are consistent with the requirements of IAS 19.

(b) Principal actuarial assumptions

The principal actuarial assumptions at the expiry of West Coast Trains Limited's franchise agreement were as follows:

	As at 31 December 2020	As at 8 December 2019
Discount rate	**n/a**	2.10%
RPI inflation assumption	**n/a**	2.90%
CPI inflation assumption	**n/a**	2.00%
Rate of increase in pensionable salaries	**n/a**	2.50%
Rate of increase of pensions in payment	**n/a**	0.00%
Post-retirement mortality (life expectancies in years)		
- Current pensioners at 60 - male	**n/a**	26.0
- Current pensioners at 60 - female	**n/a**	28.5
- Future pensioners at 60 aged 40 now - male	**n/a**	28.5
- Future pensioners at 60 aged 40 now - female	**n/a**	31.0

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

West Coast Trains Limited's franchise agreement ended on 8 December 2019. As such, the Group's obligations to the RPS ceased at this date. This is reflected in the balance sheet position at 8 December 2019 (i.e. a nil balance sheet is shown). The assumptions above were used to determine the franchise adjustment at the end point of the contract.

(c) Pension amounts recognised in the balance sheet

No amounts are recognised in the balance sheet for retirement benefits.

18 Retirement benefits *(continued)*

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

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

	As at 31 December 2020 £000	As at 8 December 2019 £000
Current service cost	-	(17,190)
Past service cost	-	(220)
Administration costs	-	(620)
Included in operating profit	-	(18,030)
Net interest expense	-	(3,960)
Unwinding of franchise adjustment	-	4,180
Included in net finance costs	-	220
	-	(17,810)

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

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

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

	As at 31 December 2020 £000	As at 8 December 2019 £000
Actual return on scheme assets higher than discount rate	-	53,840
Changes in financial assumptions	-	(62,190)
Experience on benefit obligations	-	(24,380)
Change in franchise adjustment	-	34,040
	-	1,310

18 Retirement benefits ***(continued)***

(f) Benefit obligations

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

	As at 31 December 2020 £000	As at 8 December 2019 £000
At beginning of period	-	682,560
Current service cost	-	17,190
Past service cost	-	220
Interest on benefit obligations	-	11,370
Unwinding of franchise adjustment	-	(4,180)
Benefits paid	-	(15,670)
Contributions by employees	-	4,850
Actuarial losses/(gains) due to:		
- Changes in financial assumptions	-	62,190
- Experience on benefit obligations	-	24,380
- Change in franchise adjustment	-	(34,040)
- End of franchise	-	(748,870)
At end of period	-	-

(g) Scheme assets

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

	As at 31 December 2020 £000	As at 8 December 2019 £000
At beginning of period	-	691,360
Administration costs	-	(620)
Interest income	-	7,410
Employer contributions	-	7,700
Contributions by employees	-	4,850
Benefits paid	-	(15,670)
Remeasurement gain	-	53,840
- End of franchise	-	(748,870)
At end of period	-	-

Notes to the financial statements
For the financial period ended 31 December 2020

19 Capital and reserves

(a) Share capital

	As at 31 December 2020	As at 8 December 2019
	£	£
Allotted, called up and fully paid		
17,738 "A" ordinary shares of £0.10 each	1,774	1,774
17,042 "B" ordinary shares of £0.10 each	1,704	1,704
	3,478	3,478

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

(b) Reserves

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

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

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

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

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

20 Reserves

	Merger reserve	Profit and loss account
	£000	£000
Group		
At the beginning of the financial period	22,533	33,280
Profit for the financial period	-	7,944
Dividends paid	-	(32,015)
Transfers	-	-
	22,533	9,209

Reserves

	Merger reserve	Profit and loss account
	£000	£000
Company		
At the beginning of the financial period	33,474	358
Profit for the financial period	-	30,054
Dividends paid	-	(32,015)
Transfers	(1,963)	1,963
	31,511	360

21 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, and the performance bond was released on 12 January 2021.

22 Post balance sheet events

On 5 February 2021, it was agreed that the loans outstanding with Stagecoach Group plc, and Virgin Holdings Limited would be repaid in the form of a dividend in specie.

Notes to the financial statements
For the financial period ended 31 December 2020

23 Related parties

At 8 December 2019 and 31 December 2020, the Company's ultimate parent undertaking was Virgin Group Holdings Limited, whose sole shareholder is Sir Richard Branson.

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

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

	31 December 2020 £000	8 December 2019 £000
Companies related by virtue of common control or ownership		
Revenue	-	80
Purchases	**(1,373)**	(3,063)
Receivables outstanding	**-**	-
Companies related by virtue of direct/indirect ownership		
Revenue	**320**	1,652
Purchases	**(199)**	(344)
Receivables outstanding	**22,439**	206

Related party revenue is principally in respect of work undertaken on rail franchise bids and staff secondments. Related party purchases are principally in respect of management services, royalty fees and commission. Receivables outstanding at 31 December 2020 consisted of loans to Virgin Holdings Limited and Stagecoach Group plc.

24 Ultimate parent company and parent undertaking of larger group

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

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

As at 31 December 2020, the ultimate parent company is Virgin Group Holdings Limited, a company registered in the British Virgin Islands.