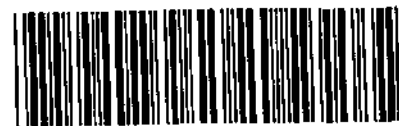


CrossCountry Trains Limited

**Directors' report and financial statements
for the financial year ended 5 March 2011**

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CrossCountry Trains Limited

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CrossCountry Trains Limited

Directors' report for the financial year ended 5 March 2011

The directors present their annual report and the audited financial statements for the financial year ended 5 March 2011
The previous financial year ended on 6 March 2010

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 to the financial statements

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 5 March 2011

The profit for the financial year, after taxation, amounted to £Nil (2010: £71,000)

Dividends

No dividends were paid during the financial year (2010: £500,000)

Directors

The directors who served during the financial year were

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 period (2010: £Nil)

CrossCountry Trains Limited

Directors' report for the financial year ended 5 March 2011

Provision of information to auditors

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information

Auditors

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

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

A handwritten signature in black ink, appearing to read 'Anthony Collins', is written over a circular stamp or seal. The signature is somewhat stylized and overlaps the circular shape.

Anthony Collins
Director

Date 3 June 2011

The School House
50 Brook Green
London
W6 7RR

CrossCountry Trains Limited

Statement of directors' responsibilities for the financial year ended 5 March 2011

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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,
- 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 to the financial statements, 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CrossCountry Trains Limited

Independent auditors' report to the shareholders of CrossCountry Trains Limited

We have audited the financial statements of CrossCountry Trains Limited for the financial year ended 5 March 2011, set out on pages 6 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). These financial statements have not been prepared on the going concern basis for the reason set out in note 1 to the financial statements.

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 Auditors' 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 Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board'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 Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

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 5 March 2011 and of its results for the financial year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

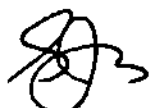
CrossCountry Trains Limited

Independent auditors' report to the shareholders of CrossCountry Trains Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the 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

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date 3 June 2011

CrossCountry Trains Limited

Profit and loss account for the financial year ended 5 March 2011

	Note	Financial year ended 5 March 2011 £000	Financial year ended 6 March 2010 £000
Turnover	1,2	-	172
Franchise income	3	252	965
Other operating charges		(254)	(1,140)
Operating loss		(2)	(3)
Interest receivable and similar income	6	2	6
Interest payable and similar charges	7	-	(1)
Profit on ordinary activities before taxation		-	2
Tax on profit on ordinary activities	8	-	69
Profit for the financial year	13	-	71

All amounts 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 were no recognised gains and losses for 2011 or 2010 other than those included in the profit and loss account

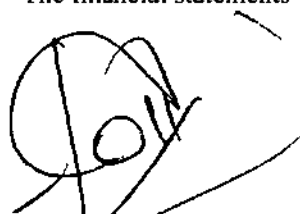
The notes on pages 8 to 12 form part of these financial statements

CrossCountry Trains Limited
Registered number: 3007937

Balance sheet
as at 5 March 2011

	Note	£000	5 March 2011 £000	£000	6 March 2010 £000
Current assets					
Debtors	9	721		1,195	
Cash at bank and in hand		10		728	
		<u>731</u>		<u>1,923</u>	
Creditors: amounts falling due within one year	10	(454)		(1,646)	
Net current assets			<u>277</u>		<u>277</u>
Total assets less current liabilities and net assets			<u><u>277</u></u>		<u><u>277</u></u>
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account	13		<u>277</u>		<u>277</u>
Shareholders' funds	14		<u><u>277</u></u>		<u><u>277</u></u>

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



Anthony Collins
 Director



Chris Gibb
 Director

Date 3 June 2011

CrossCountry Trains Limited

Notes to the financial statements for the financial year ended 5 March 2011

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

1.1 Basis of preparation of financial statements

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

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

1.2 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1 'Cash flow statements'

1.3 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

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

Revenue is recognised when all performance conditions associated with the revenue have been met

1.4 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

1.5 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

CrossCountry Trains Limited

Notes to the financial statements for the financial year ended 5 March 2011

1. Accounting policies (continued)

1.6 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.

2. Turnover

	2011 £000	2010 £000
Passenger revenue	-	172

All turnover arose within the United Kingdom

Passenger revenue in the prior year related to residual income from the CrossCountry franchise

3. Franchise income

	2011 £000	2010 £000
Adjustments under the Supplemental Letter	252	965

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.

4. Auditors' remuneration

	2011 £000	2010 £000
Fees payable to the Company's auditor for the audit of these financial statements	5	5

5. Staff numbers and costs

The company has no employees other than the directors, who did not receive any remuneration (2010: £Nil)

6. Interest receivable

	2011 £000	2010 £000
Bank interest receivable	2	6

CrossCountry Trains Limited

Notes to the financial statements for the financial year ended 5 March 2011

7. Interest payable

	2011 £000	2010 £000
Other interest payable	-	1

8. Taxation

	2011 £000	2010 £000
<i>Analysis of tax charge/(credit) in the financial year</i>		
UK corporation tax charge on income for the financial year	-	2
Adjustments in respect of prior financial years	(1)	(71)
UK group relief	1	-
Tax on profit on ordinary activities	-	(69)

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

The tax assessed for the financial year is the same as (2010 lower than) the standard rate of corporation tax in the UK of 28% (2010 28%). The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	-	2
Current tax at 28% (2010 28%)	-	1
Effects of:		
UK tax losses not utilised or not recognised	1	1
Adjustments in respect of prior financial years	(1)	(71)
Total current tax charge/(credit) (see above)	-	(69)

Factors that may affect future tax charges

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate was to reduce from 28% to 24% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was enacted on 27 July 2010 and was to be effective from 1 April 2011. The Budget on 23 March 2011 announced further measures to reduce the UK corporation tax rate by an additional 1% from 27% to 26% with effect from 1 April 2011, and to 23% by 2014.

These changes will reduce the Company's future current tax charge accordingly. The measurement of deferred tax is based upon the expected change in rate to 27% as enacted at the balance sheet date. This had the effect of reducing the deferred tax asset unrecognised at the balance sheet date by £1,680. If the rate change to 26% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset unrecognised at that date by a further £1,700.

The full anticipated effect of the announced further 3% rate reduction has not yet been quantified, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax asset accordingly.

CrossCountry Trains Limited

Notes to the financial statements for the financial year ended 5 March 2011

9. Debtors

	5 March 2011 £000	6 March 2010 £000
Due within one year		
Trade debtors	569	1,108
Amounts owed by group undertakings	137	82
Other debtors	12	3
Corporation tax	3	2
	<u>721</u>	<u>1,195</u>

10. Creditors: Amounts falling due within one year

	5 March 2011 £000	6 March 2010 £000
Trade creditors	424	1,598
Amounts owed to group undertakings	-	10
Group relief	1	-
Other creditors	29	29
Accruals and deferred income	-	9
	<u>454</u>	<u>1,646</u>

11. Deferred taxation

	5 March 2011 £000	6 March 2010 £000
At beginning and end of financial year	<u>-</u>	<u>-</u>

There is an unrecognised deferred tax asset of £46,000 (2010 £47,000) which relates to tax losses carried forward

12. Share capital

	5 March 2011 £	6 March 2010 £
Allotted, called up and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

CrossCountry Trains Limited

Notes to the financial statements for the financial year ended 5 March 2011

13. Reserves

	Profit and loss account £000
At beginning and end of financial year	277

14. Reconciliation of movement in shareholders' funds

	5 March 2011 £000	6 March 2010 £000
Opening shareholders' funds	277	706
Profit for the financial year	-	71
Dividends paid (see note 15)	-	(500)
Closing shareholders' funds	277	277

15. Dividends

	2011 £000	2010 £000
Dividends paid	-	500

16. 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.

17. Ultimate parent undertaking 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 5 March 2011 the ultimate parent company is Virgin Group Holdings Limited, a company registered in the British Virgin Islands.