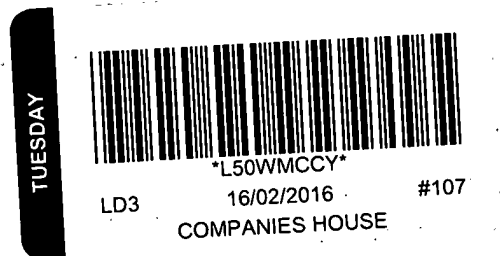


Serco Caledonian Sleepers Limited

Annual Report and Financial Statements

for the Period from 16 May 2014 to 19 September 2015



A company registered in Scotland, number: SC477821

Serco Caledonian Sleepers Limited

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Serco Caledonian Sleepers Limited

Company Information

Registered office Basement and Ground Floor Premises
1-5 Union Street
Inverness
IV1 1PP

Auditor Deloitte LLP
London
United Kingdom

Serco Caledonian Sleepers Limited

Directors' Report for the Period from 16 May 2014 to 19 September 2015

The directors present their report and the financial statements for the period from 16 May 2014 to 19 September 2015. As set out in note 2 to the financial statements, the directors consider it appropriate to prepare the accounts on the going concern basis.

Incorporation

The Company was incorporated on 16 May 2014. On 16 July 2015 the Company made an application to Companies House to extend its first financial period end to 19 September 2015.

Directors of the Company

The directors who held office during the period were as follows:

J Roberts (appointed 16 May 2014 and resigned 3 June 2015)

G Shilston (appointed 3 June 2015)

P Strachan (appointed 1 November 2014)

D Stretch (appointed 16 May 2014)

AW White (appointed 16 May 2014 and resigned 31 December 2014)

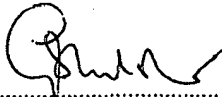
Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Auditor

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meeting and the reappointment of the auditor annually are currently in force.

Approved by the Board on 16 February 2016 and signed on its behalf by:



G Shilston
Director

Serco Caledonian Sleepers Limited

Strategic Report for the Period from 16 May 2014 to 19 September 2015

The directors present their strategic report for the period from 16 May 2014 to 19 September 2015.

Principal activity

The principal activity of the Company is to operate as a train operating company.

Business review

The Company operates the overnight sleeper services between Scotland & London and was incorporated on 16 May 2014. A franchise mobilisation project was initiated to ensure operations were ready for Franchise Commencement on the 1 April 2015 and the company will introduce new rolling stock on the routes from early 2018. The passenger volumes have been encouraging in the early periods of the Franchise and have consistently trended above the previous year volumes and ahead of management expectations. The start-up costs for mobilising the new contract were significant and the underlying trading financials of the Company are close to breakeven. Based on six months of operating experience, a loss of £26.5m was recorded within the accounts to cover the initial mobilisation phase, trading performance to date and future contract performance. Management is working to further improve the trading position.

The Company has not paid a dividend in the period. There have not been any significant events after the balance sheet date requiring any adjustment or disclosure.

Serco Caledonian Sleepers Limited

Strategic Report for the Period from 16 May 2014 to 19 September 2015

Principal risks and uncertainties

Financial risk management for all Serco Group entities is undertaken by Serco Group plc. The Group risk register is updated at least quarterly, reviewed six-monthly by the Risk Oversight Group and discussed at quarterly board meetings. Risk management is fundamental to how the business is managed. Risk management policies, systems and processes form part of the Serco Management System (SMS). Certain risks identified at Group level also apply to the Company and procedures are put in place within the Company to manage these risks with guidance from the Risk Oversight Group.

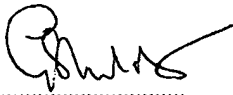
The Company has receivable balances from long-term contracts with third party customers. The directors do not consider that the Company is exposed to significant credit risk due to the nature and size of the contracts. The Company has no significant external borrowings and so the directors do not consider that the Company is exposed to interest risk or liquidity risk.

The success of Serco Group depends on our ability to write contracts which balance risk and reward and meet the contractual requirements into which we have entered with our customers, which could be through direct delivery of services or through the use of sub-contractors. The Company is also subject to risks associated with bidding for and entering into contracts, including correctly assessing and agreeing pricing terms that provide for a level of return on the contract appropriate to the risks involved, accurately anticipating the costs of strict performance conditions, employee requirements and other obligations, correctly evaluating contractual and operational risks, and the risks of potential early termination or change of scope of contracts by customers. Failure to bid and negotiate performance criteria and contract provision that can be operationally delivered at the price estimated can result in losses. Unclear, ambiguous, misread, misinterpreted contract obligations and expectations of contract performance can result in perceived or actual contract non-compliance and/or poor performance. The same is true if we, or our sub-contractors, do not have the right expertise, tools and resources to adequately manage and monitor compliance with contract obligations and expectations. These potential failures could result in the cancellation of a contract, claims for losses, or compensation arrangements under the contract being triggered, as well as reputational damage leading to a decrease in business being undertaken with one or several customers, and an adverse effect on our financial condition, or operating or financial results and on our ability to win new business.

Serco Group has undertaken a reappraisal of its policies for bidding, contract management and a review of compliance has been undertaken as well as improving the review and governance of bids. The resulting refreshed policies clarify its expectations of contract management and provide for enhanced contract management training. Contract performance monitoring tools are being developed to assist in providing clarity on contract performance targets, contractual obligations and commitments. Stronger management accounting systems are in the process of being put in place to report monthly the status of contracts up to management more accurately.

The Group has ensured stronger risk management earlier in the bid process to help identify potential onerous performance criteria and contract provisions as well as, transition and operational concerns. We invest in appointing high calibre people for our key bids and operations and monitor our results through effective management reporting.

Approved by the Board on 16 February 2016 and signed on its behalf by:



.....
G Shilston
Director

Serco Caledonian Sleepers Limited

Statement of Directors' Responsibilities

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 Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

Serco Caledonian Sleepers Limited

Independent Auditor's Report to the Members of Serco Caledonian Sleepers Limited

We have audited the financial statements of Serco Caledonian Sleepers Limited for the period from 16 May 2014 to 19 September 2015, which comprise, the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 19 September 2015 and of its loss for the period 16 May 2014 to 19 September 2015;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; 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 Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

Serco Caledonian Sleepers Limited

Independent Auditor's Report to the Members of Serco Caledonian Sleepers Limited



.....
John Charlton (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

London
United Kingdom

16 February 2016

Serco Caledonian Sleepers Limited

Profit and Loss Account for the Period from 16 May 2014 to 19 September 2015

	Note	16 May 2014 to 19 September 2015 £ 000
Turnover	3	20,372
Cost of sales		<u>(40,955)</u>
Gross loss		(20,583)
Administrative expenses		<u>(5,373)</u>
Operating loss	4	(25,955)
Interest payable and similar charges		<u>(656)</u>
Loss before tax		(26,611)
Tax on loss on ordinary activities	9	<u>-</u>
Loss for the financial period		<u>(26,611)</u>

The above results were derived from continuing operations.

Serco Caledonian Sleepers Limited

Statement of Comprehensive Income for the Period from 16 May 2014 to 19 September 2015

	Note	16 May 2014 to 19 September 2015 £ 000
Loss for the period		(26,611)
Other comprehensive income for the year:		
Items that will not be reclassified to profit or loss:		
Actuarial gain on defined benefit pension scheme		<u>128</u>
Total comprehensive income for the period		<u>(26,483)</u>
Attributable to: Owners of the Company		<u><u>(26,483)</u></u>

Serco Caledonian Sleepers Limited
(Registration number: SC477821)
Balance Sheet as at 19 September 2015

	Note	19 September 2015 £ 000
Fixed assets		
Property, plant and equipment	10	-
Current assets		
Stocks	11	181
Debtors: amounts due within one year	12	5,592
Cash at bank and in hand		5,719
		<u>11,492</u>
Creditors: Amounts falling due within one year	14	<u>(12,703)</u>
Net current liabilities		<u>(1,211)</u>
Total assets less current liabilities		<u>(1,211)</u>
Creditors: amounts falling due after more than one year		
Creditors: amounts due after more than one year	15	(13,232)
Provisions for liabilities	16	<u>(12,040)</u>
Net liabilities		<u>(26,483)</u>
Capital and reserves		
Called up share capital	18	-
Profit and loss account		(26,611)
Retirement benefit obligations reserve	17	<u>128</u>
Shareholders' deficit		<u>(26,483)</u>

Approved by the Board and authorised for issue on 16 February 2016 and signed on its behalf by:



.....
G Shilston
Director

Serco Caledonian Sleepers Limited

Statement of Changes in Equity for the Period from 16 May 2014 to 19 September 2015

	Share capital £ 000	Retirement benefit obligations reserve £ 000	Profit and loss account £ 000	Total £ 000
Profit for the period	-	-	(26,611)	(26,611)
Issued share capital	-	-	-	-
Actuarial gain on defined benefit pension scheme	-	128	-	128
At 19 September 2015	<u>-</u>	<u>128</u>	<u>(26,611)</u>	<u>(26,483)</u>

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

1 General information

Serco Caledonian Sleepers Limited is a Company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report set out on page 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The Company made the decision to adopt FRS101 (Financial Reporting Standard 101) earlier than the mandatory date of 1 January 2015.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets; presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. This is because the Company is included within the consolidated financial statements of Serco Group plc which are available from the address provided in note 20.

The financial statements have been prepared on the historical cost basis and on the going concern basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

Going concern

The financial statements have been prepared on the going concern basis. In determining the going concern position of the company, the directors have acknowledged the latest guidance on going concern and financial reporting published by the Financial Reporting Council in October 2009 and the consultation on draft guidance issued in November 2013. Whilst the current economic environment continues to be uncertain, the directors believe the company is well placed to manage its business risks successfully.

As disclosed in the Strategic Report, subsequent to the period end, the Company has reviewed and made an onerous provision against this contract as part of a strategic review by the wider Serco group. Although this has reduced the operations of the Company, the directors believe the Company continues to have adequate resources and therefore, this does not adversely affect the overall going concern position.

In addition, the Company has received formal written confirmation from its ultimate parent company, Serco PLC, that confirms that it will make cash or equity funds available to the Company to allow it to meet its financial obligations as and when they fall due over the period up to 12 months from the date of the approval of the financial statements. Whilst the confirmation from the parent company does not give rise to any legal obligation, the directors are satisfied that it provides sufficient assurance of the intent of its parent to continue to support the business.

Based on the above, the directors have a reasonable expectation that the Company will continue to have adequate resources to continue in operational existence for the foreseeable future, and as a result these accounts have been drawn up on the going concern basis.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts due for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Turnover is split between Passenger ticket revenue and Franchise payments received from Transport Scotland.

Turnover is deferred when the Company has received consideration under the terms of a contract in advance of performing the related service or delivering the associated goods. Deferred revenue is recognised as revenue in the income statement when the Company has fulfilled the relevant contractual commitment.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

Tax

The tax expense/credit for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge/credit is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Fixed assets

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Machinery & Vehicles	15% - 20%

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

Impairment of tangible and intangible assets

The Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is defined as the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Impairment losses and reversals are included within administrative expenses within the profit and loss account.

Pre-contract costs

All bid costs are expensed through the profit and loss account up to the point where contract award (or full recovery of costs) is virtually certain. Bid costs incurred after this point are then capitalised within trade and other receivables. On contract award these bid costs are amortised through the profit and loss account over the contract period by reference to the stage of completion of the contract activity at the balance sheet date. Bid costs are only capitalised to the extent that it is expected that the related contract will generate sufficient future economic benefits to at least offset the amortisation charge.

Phase-in costs directly related to phase-in programmes of contracts are treated as an integral part of contract costs and are recognised on a straight line basis over the contract except where they are specifically reimbursed as part of the terms of the contract when they are recognised as turnover.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Retirement benefit costs

For defined benefit pension schemes, the cost of providing benefits is determined using the projected unit credit actuarial cost method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the profit and loss account and are presented in the statement of comprehensive income.

The current service cost represents the increase in the present value of the scheme liabilities expected to arise from employee service in the current period.

Past service cost is recognised immediately to the extent that the benefits are already vested, and is amortised on a straight line basis over the average period until the benefit vests. Gains and losses on curtailments or settlements are recognised in the period in which the curtailment or settlement occurs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme. The Company's share of the scheme assets and liabilities is calculated by reducing the scheme assets and liabilities by a franchise adjustment. The franchise adjustment represents the estimated amount of scheme deficit that will be funded outside the contract period. Subsequent actuarial gains and losses in relation to the Company's share of pension obligations are recognised outside the income statement and are presented in the SOCI.

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

3 Turnover

Turnover and pre-tax loss, all of which arises in the United Kingdom, are attributable to one activity; a train operating business. The revenue in the period is made up of passenger ticket sales and Transport Scotland Franchise payments.

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for the services provided in the normal course of business, net of discounts, value added tax and other sales-related taxes.

	16 May 2014 to 19 September 2015 £ 000
Transport Scotland Franchise payments	7,910
Passenger ticket sales	<u>12,462</u>
	<u><u>20,372</u></u>

4 Operating loss

Operating loss is stated after charging:

	16 May 2014 to 19 September 2015 £ 000
Impairment loss (see note 10)	1,594
Operating lease expense - plant and machinery	<u><u>3,451</u></u>

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

5 Staff costs

The average number of persons employed by the Company (including directors) during the period was 126.

The aggregate payroll costs (including directors' remuneration) were as follows:

	16 May 2014 to 19 September 2015 £ 000
Wages and salaries	2,809
Social security costs	228
Pension costs	192
	<u>3,229</u>

6 Directors' remuneration

Directors were paid £144,650 by a related party for acting as Directors of the Company. No Director was paid any remuneration by the Company directly.

7 Interest payable and similar charges

	16 May 2014 to 19 September 2015 £ 000
Other interest payable	403
Interest payable to group undertakings	253
	<u>656</u>

8 Auditor's remuneration

Auditor's remuneration of £10,000 for the audit of the Company's annual accounts was borne by another group company in the current financial period. There have been no non-audit fees incurred by the Company and payable to Deloitte during the period.

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

9 Taxation

Tax on loss on ordinary activities

16 May 2014 to
19 September
2015
£ 000

Current taxation

UK corporation tax

-

UK corporation tax adjustment to prior periods

-

-

Deferred taxation

Current year

-

Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods

-

Total deferred taxation

-

Tax expense/(receipt) in the income statement

-

Factors affecting current tax charge for the year

The tax on loss for the period is higher than the standard rate of corporation tax in the UK of 20%.

The differences are reconciled below:

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

	16 May 2014 to 19 September 2015 £ 000
Loss before tax	<u>(26,611)</u>
Corporation tax at standard rate of 20%	(5,322)
Effect of expense not deductible in determining taxable loss	125
Effect of tax losses	4,184
Deferred tax expense (credit) from unrecognised tax loss or credit	362
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>651</u>
Total tax charge/(credit)	<u><u>-</u></u>

10 Property, plant and equipment

	Other property, plant and equipment £ 000	Total £ 000
Cost		
Additions	<u>1,594</u>	<u>1,594</u>
At 19 September 2015	<u>1,594</u>	<u>1,594</u>
Depreciation		
Impairment	<u>1,594</u>	<u>1,594</u>
At 19 September 2015	<u>1,594</u>	<u>1,594</u>
Net book value		
At 19 September 2015	<u><u>-</u></u>	<u><u>-</u></u>

11 Stocks

	19 September 2015 £ 000
Other stocks	<u><u>181</u></u>

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

12 Debtors

Amounts falling due within one year

	19 September 2015 £ 000
Trade debtors	859
Provision for impairment of trade receivables	-
Net trade receivables	859
Prepayments	1,894
Other receivables	2,839
Total current trade and other receivables	5,592

13 Deferred Tax

Unprovided deferred tax

The Company has unprovided for deferred tax assets of £346,000 in relation to accelerated capital allowances, taxable losses of £4,184,000 and £16,000 in relation to short-term temporary differences.

14 Creditors: Amounts falling due within one year

	19 September 2015 £ 000
Trade creditors	3,641
Accruals and deferred income	5,119
Amounts owed to group companies	1,292
Other taxes and social security	106
Other creditors	2,545
	12,703

Amounts owed to group companies are due within 30 days of the balance sheet date and do not bear interest.

Included in Other creditors is the current portion of Provision for liabilities (see note 16).

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

15 Creditors: Amounts falling due after more than one year

	19 September 2015 £ 000
Amounts owed to group companies	13,232
	<u>13,232</u>

Amounts owed to group companies have no fixed repayment date and bear interest based on LIBOR plus 2%.

16 Provisions for liabilities

	Onerous contracts £ 000	Total £ 000
At 16 May 2014	-	-
Charged to profit and loss account	23,300	23,300
Utilised during the period	(9,371)	(9,371)
At 19 September 2015	<u>13,929</u>	<u>13,929</u>
Non-current liabilities	<u>12,040</u>	<u>12,040</u>
Current liabilities (see note 14)	<u>1,889</u>	<u>1,889</u>

The contract started operating in April 2015 and incurred significant costs during the start-up period. The contract is coming out of the start-up period and the business is operating in line with management's expectations. However, there are significant hopes for this contract in future years, including the introduction of new rolling stock and increased passenger numbers.

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

17 Pension and other schemes

Defined benefit pension scheme

The Company operates defined benefit schemes for qualifying employees in the UK. The amounts recognised in the balance sheet are grouped together into two categories - contract specific and non-contract specific.

The assets of funded plans are held independently of the Company's assets in separate trustee-administered funds. The Company's major plans are valued by independent actuaries using the projected unit credit method. This reflects service rendered by employees to the dates of valuation and incorporates actuarial assumptions primarily regarding discount rates used in determining the present value of benefits, projected rates of salary growth and long term expected rates of return for plan assets. Discount rates are based on the market yields of high quality corporate bonds in the country concerned. Long term expected rates of return for plan assets are based on published brokers' forecasts for each category of scheme assets. Pension assets and liabilities in different defined benefit schemes are not offset unless the Company has a legally enforceable right to use the surplus in one plan to settle obligations in the other plan and intends to exercise this right.

Contributions payable to the pension scheme at the end of the period are £70,000.

The total contributions in the next year are expected to be £89,800.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	19 September 2015 £ 000
Fair value of scheme assets	4,370
Present value of scheme liabilities	(7,680)
	(3,310)
Member's share	1,324
Franchise adjustment	1,986
Net asset/(liability) in the statement of financial position	-

Scheme assets

Changes in the fair value of scheme assets are as follows:

	19 September 2015 £ 000
Expected return on assets	(212)
Addition of scheme	4,500
Employer contributions	70
Contributions by scheme participants	45
Benefits paid	(33)
Fair value at end of period	4,370

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

Analysis of assets

The major categories of scheme assets are as follows:

	19 September 2015 £ 000
Equity instruments	2,719
Debt instruments	283
Property	533
Cash	495
Other assets	340
	<u>4,370</u>

Actual return on scheme's assets

	19 September 2015 £ 000
Actual return on scheme assets	<u>205</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	19 September 2015 £ 000
Current service cost	(321)
Addition of scheme	(7,800)
Interest cost	(123)
Benefits paid	33
Effect of curtailments	531
Present value at end of period	<u>(7,680)</u>

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	19 September 2015 %
Discount rate	4.00
Future salary increases	3.00
Future pension increases	2.00
Inflation	2.00
Expected return on scheme assets - equity	6.00
Expected return on scheme assets - debt instruments	6.00
Expected return on scheme assets - cash	6.00
Expected return on scheme assets - property	6.00
Expected return on scheme assets - other	6.00

Amounts recognised in the income statement

	19 September 2015 £ 000
Amounts recognised in operating loss	
Current service cost	193
Amounts recognised in other finance costs	
Interest (income) cost	73
Expected return on scheme assets	(74)
Recognised in other finance cost	(1)
Total recognised in the income statement	192

Amounts recognised in the Statement of Comprehensive Income

	19 September 2015 £ 000
Actual return less expected return on scheme assets	275
Changes in assumptions	(531)
Other actuarial gains (losses)	128
Actuarial gains and losses recognised in the Statement of Comprehensive Income	(128)

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income since 16 May 2014 is £(128,460).

Serco Caledonian Sleepers Limited

Notes to the Financial Statements for the Period from 16 May 2014 to 19 September 2015

History of experience adjustments on scheme assets and liabilities

Amounts for the current period are as follows:

	19 September 2015 £ 000
Fair value of scheme assets	4,370
Present value of scheme liabilities	(7,680)
Deficit in scheme	<u>(3,310)</u>

18 Called up share capital

Allotted, called up and fully paid shares

	19 September 2015 No.	£
Ordinary share capital of £1 each	<u>1</u>	<u>1</u>
New shares allotted		
During the period 1 Ordinary share capital having an aggregate nominal value of £1 was allotted for an aggregate consideration of £1.		

19 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil.

Operating leases

The total future value of minimum lease payments under non-cancellable operating leases is as follows:

	2015 £ 000
Within one year	-
In two to five years	3,080
In over five years	<u>20</u>
	<u>3,100</u>

20 Control

The Company's immediate parent is Serco Holdings Limited. The ultimate parent and controlling party is Serco Group plc, a company incorporated in the United Kingdom and registered in England and Wales. Serco Group plc is the parent undertaking of the smallest and largest group to consolidate these financial statements. These financial statements are available upon request from the Company Secretary, Serco Group plc, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire RG27 9UY.