

**Company Registration No. 02029363**

**FirstGroup Holdings Limited**

**Annual Report and Financial Statements**

**For the year ended 31 March 2017**



# **FirstGroup Holdings Limited**

## **Annual report and financial statements**

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# FirstGroup Holdings Limited

## Strategic report

The directors have pleasure in submitting their strategic report for the year ended 31 March 2017.

### Principal activity and future developments

The company is a wholly owned subsidiary of FirstGroup plc and has continued to act as a holding company during the year. There will be no changes in the activity of the company for the foreseeable future.

### Business review

The results for the year, which primarily consist of the costs of the head office cost centres and management charge income, are given in the income statement on page 6. The loss for the year was £2.8m (2016: loss £1.7m) the company has net assets of £64.2m as at 31 March 2017 (2016: £65.7m).

FirstGroup plc manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for understanding the development, performance or position of the business. The performance of the Group, which includes the company, is discussed in the Group's Annual Report which does not form part of this report and is publicly available.

### Principal risks and uncertainties and financial risk management

Due to the nature of the company's business and the assets and liabilities contained within the company's Statement of Financial Position, the directors consider the principal financial risks to be the recoverability of intercompany receivables and that the entity is not able to pay its intercompany liabilities as they fall due.

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund obligations as they fall due. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Key management mitigate these risks by monitoring of the company's financial position throughout the year.

The company does not manage its financial risk through the use of financial derivative instruments.

### Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance. Liquidity and cashflow risks are managed on Group basis and the relevant policies set out in FirstGroup plc's published accounts.

### Events after the balance sheet date

There were no events subsequent to the year end which affected the state of affairs of the company as at 31 March 2017.

Approved by the Board of Directors and signed on its behalf by:



D Collie  
Director

21 December 2017

# **FirstGroup Holdings Limited**

## **Directors' report**

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 March 2017.

### **Results and dividends**

The results for the financial year are given in the income statement on page 6 which shows a loss for the year was £2.8m (2016: loss £1.7m) the company has net assets of £64.2m as at 31 March 2017 (2016: £65.7m).

The directors do not recommend payment of a dividend (2016: £nil).

### **Schedule 7 disclosures**

Disclosures relating to matters of a general nature, including the business review as required by the Companies Act 2006 and Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 are given in the Strategic report.

### **Fixed assets**

In the opinion of the directors, there were no material differences between the market values of the company's properties and their net book values.

### **Employee involvement**

Communication with employees is effected mainly through regular briefings and negotiating meetings between the directors, the senior management and employee representatives on the central and depot negotiating committees. The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests. Employee involvement has been extended by the appointment of employee directors nominated by the workforce.

### **Disabled persons**

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirement which have to be met for certain grades of staff. Wherever reasonable and practicable, the company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

### **Payments policy**

We recognise the importance of good supplier relationships to the overall success of our business. We manage dealings with suppliers in a fair, consistent and transparent manner and the company has controls in place to ensure that all payments are made within the appropriate credit timeframe.

### **Going concern**

At 31 March 2017, the company had net current liabilities of £53.0m, net assets of £64.2m and cash of £70.9m. The ultimate parent company, FirstGroup plc has provided the directors of the company with a letter confirming that it will make available such funds as may be required to enable the company to meet its obligations for a period of at least 12 months from the date of signing these financial statements. The directors have made enquiries and confirmed that the parent company has also agreed not to recall the intercompany balances due within the next 12 months to the detriment of other creditors. Based on these enquiries, considerations and available forecasts, they continue to adopt the going concern basis for a period of at least 12 months from the date of signing these financial statements. The directors have considered the group forecasts and the financial commitment from the ultimate parent company in forming this judgement.

# **FirstGroup Holdings Limited**

## **Directors' report (continued)**

### **Directors**

The directors who held office throughout the year up to the date of this report are as follows:

T O'Toole  
N Chevis  
D Collie  
M Gregory

### **Directors' and officers' liability insurance**

Directors' and Officers' liability insurance is taken out by FirstGroup plc, the company's ultimate parent undertaking, for the benefit of the Directors and Officers of the Company.

### **Directors' indemnity**

Qualifying third party indemnity provisions (as defined in section 234 of the companies Act 2006) were in force during the year and up to and including the date of the Directors' report for the benefit of the directors of the Company.

### **Audit information**

Each of the persons who is a director at the date of approval of this report confirms that:

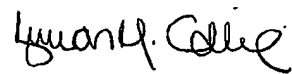
- as far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

### **Auditor**

The company has passed an elective resolution dispensing with the requirement to appoint auditors annually. Deloitte LLP have indicated their willingness to continue as auditors of the company and are therefore deemed to be reappointed for a further term.

Approved by the Board of Directors and signed on its behalf by:



D. Collie  
Director

21 DECEMBER 2017  
8<sup>th</sup> Floor The Point

37 North Wharf Road

London

W2 1AF

# **FirstGroup Holdings Limited**

## **Directors' responsibilities statement**

The directors are responsible for preparing the annual 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF FIRSTGROUP HOLDINGS LIMITED**

We have audited the financial statements of FirstGroup Holdings Limited for the year ended 31 March 2017 which comprise the income statement, statement of comprehensive income, the statement of financial position, 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's member, 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 member 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 financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the 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 matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

## **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.

*Jennifer Chase*

Jennifer Chase (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London  
21 December 2017

# FirstGroup Holdings Limited

## Income statement Year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Operating expense			
– Administrative expenses	3	(37,637)	(29,930)
– Management recharges		35,891	30,000
Operating (loss)/profit		(1,746)	70
Interest payable and similar charges	6	(585)	(1,239)
Loss before taxation		(2,331)	(1,169)
Tax charge on loss	8	(491)	(489)
Loss for the financial year		<u>(2,822)</u>	<u>(1,658)</u>

All activities relate to continuing operations.

## Statement of comprehensive income Year ended 31 March 2017

	2017 £000	2016 £000
Loss for the financial year	(2,822)	(1,658)
Re-measurement recognised on defined benefit pension scheme	(5,440)	5,280
Movement on deferred tax	925	(950)
Reduced deferred tax asset arising from rate change	(17)	(140)
Total other comprehensive (cost)/income	<u>(4,532)</u>	<u>4,190</u>
Total comprehensive (cost)/income for the year	<u>(7,354)</u>	<u>2,532</u>

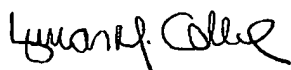


# FirstGroup Holdings Limited

## Statement of Financial Position As at 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Intangible assets	9	1,605	-
Tangible assets	10	32,240	33,944
Retirement benefit assets	18	13,899	14,169
Investments	11	78,905	78,905
		<u>126,649</u>	<u>127,018</u>
<b>Current assets</b>			
Debtors	12	202,835	224,285
Cash at bank and in hand		70,860	30,966
		<u>273,695</u>	<u>255,251</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(326,675)</u>	<u>(306,920)</u>
<b>Net current liabilities</b>		<u>(52,980)</u>	<u>(51,669)</u>
<b>Total assets less current liabilities</b>		<u>73,669</u>	<u>75,349</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(9,516)</u>	<u>(9,672)</u>
<b>Net assets</b>		<u><u>64,153</u></u>	<u><u>65,677</u></u>
<b>Capital and reserves</b>			
Called up share capital	15	6,334	6,334
Share premium account	15	34,503	34,503
Capital redemption reserve	15	107	107
Merger reserve	15	43,970	43,970
Profit and loss account	15	<u>(20,761)</u>	<u>(19,237)</u>
<b>Shareholder's funds</b>		<u><u>64,153</u></u>	<u><u>65,677</u></u>

The financial statements of FirstGroup Holdings Limited (Company registration number: 2029363) were approved and authorised by the Board of Directors on ~~21 DECEMBER~~ 2017 were authorised for issue and signed on its behalf by:



D Collie

Director

# FirstGroup Holdings Limited

## Statement of changes in equity At 31 March 2017

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
<b>At 1 April 2015</b>	<b>6,334</b>	<b>34,503</b>	<b>43,970</b>	<b>107</b>	<b>(26,218)</b>	<b>58,696</b>
Loss for the financial year	-	-	-	-	(1,658)	(1,658)
Re measurement recognised on defined benefit scheme	-	-	-	-	5,280	5,280
Movement on deferred tax relating to pension scheme	-	-	-	-	(1,090)	(1,090)
<b>Total comprehensive income</b>	<b>6,334</b>	<b>34,503</b>	<b>43,970</b>	<b>107</b>	<b>(23,686)</b>	<b>61,228</b>
Share based payments (Note 1)	-	-	-	-	4,449	4,449
<b>At 31 March 2016</b>	<b>6,334</b>	<b>34,503</b>	<b>43,970</b>	<b>107</b>	<b>(19,237)</b>	<b>65,677</b>
Loss for the financial year	-	-	-	-	(2,822)	(2,822)
Re measurement recognised on defined benefit scheme	-	-	-	-	(5,440)	(5,440)
Movement on deferred tax relating to pension scheme	-	-	-	-	908	908
<b>Total comprehensive income</b>	<b>6,334</b>	<b>34,503</b>	<b>43,970</b>	<b>107</b>	<b>(26,591)</b>	<b>58,323</b>
Share based payments (Note 1)	-	-	-	-	5,830	5,830
<b>At 31 March 2017</b>	<b>6,334</b>	<b>34,503</b>	<b>43,970</b>	<b>107</b>	<b>(20,761)</b>	<b>64,153</b>

# **FirstGroup Holdings Limited**

## **Notes to the financial statements**

### **Year ended 31 March 2017**

#### **1. Accounting policies**

The accounting policies have been applied consistently throughout the current and preceding year.

##### **General information and basis of accounting**

FirstGroup Holdings Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 8<sup>th</sup> Floor the Point, 37 North Wharf Road, London, W2 1AF. FirstGroup Holdings Limited a private Company limited by shares and is registered in England and Wales. The nature of the company's operations and its principal activities are set out in the Director's report on pages 2 to 3.

The financial statements for the year ended 31 March 2017 include the results and financial position for the Company for the 52 weeks ended 25 March 2017 and the financial statement for the year ended 31 March 2016 include the results and financial position of the Company for the 52 weeks ended 26 March 2016.

The functional currency of FirstGroup Holdings Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The financial statements are also presented in pounds sterling.

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with Financial Reporting Standards 102 (FRS 102) issued by the Financial Reporting Council, and in accordance with United Kingdom applicable accounting standards.

FirstGroup Holdings Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to share based payments, financial instruments, presentation of cash flow statement, intra group transactions and remuneration of key management personnel.

Under the provisions of section 400 of the Companies Act 2006, the company is exempt from preparing consolidated financial statements by virtue of the fact that the company is a subsidiary of FirstGroup plc which prepares group financial statements. These financial statements therefore present information about the company as an individual undertaking and not as a group.

##### **Turnover**

Turnover comprises of amount charged from the provision of management services to fellow FirstGroup companies.

##### **Going concern**

At 31 March 2017, the company had cash of £70.9 million, net current liabilities of £53.0 million and net assets of £64.2 million. The directors have considered the going concern assumption given the current uncertainty of the economic climate and have formed the conclusion that there is a reasonable expectation that the company will continue to operate in the foreseeable future. The directors have considered the company forecasts, uncertainties and the financial commitment from the parent company in forming this judgement.

The parent company has provided the directors of the company with a letter confirming that it will make available such funds as may be required to enable the company to meet its obligations for a period of at least 12 months from signing the financial statements. The directors have made enquiries and understand that the parent company has adequate resources to be able to provide this financial support.

After making enquiries and considering the above facts, the directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

# **FirstGroup Holdings Limited**

## **Notes to the financial statements**

### **Year ended 31 March 2017**

#### **1. Accounting policies (continued)**

##### **Intangible fixed assets and amortisation**

Computer software is recognised separately as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Costs include software licences, website development, costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to the software.

The existing finite life intangible assets have a residual value of nil and are amortised on a straight-line basis over their useful economic lives as follows:

Software – over the estimated life of the software (3 to 5 years)

##### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost of valuation, less estimated residual value of each asset on a straight line basis over its expected useful life, as follow:

Freehold buildings	– 50 years straight line
Short leasehold properties	– period of lease
Other plant and equipment	– 3 to 15 years straight line

##### **Taxation**

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the year end date.

The taxation liability is reduced wholly or in part by the surrender of losses by group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the surrendering undertaking.

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

##### **Pension costs**

The company participates in a number of group and company specific pension schemes, namely the FirstGroup Flexible Benefit scheme and the FirstGroup UK Bus Pension scheme together with a defined contribution scheme. The liability for the FirstGroup UK Bus Pension scheme is accounted for in the relevant FirstBus entities.

The amounts charged to the income statement regarding the defined benefit scheme are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on the assets are shown as net interest receivable/(payable). Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond or equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other assets on the face of the statement of financial position.

Payments to defined contribution schemes are charged as an expense as they fall due.

# FirstGroup Holdings Limited

## Notes to the financial statements

### Year ended 31 March 2017

#### 1. Accounting policies (continued)

##### Investments

Fixed asset investments are shown at cost less provision for impairment.

##### Financial instruments

All financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument and are measured at transaction price (including transaction cost).

##### Share based payments

The company's parent issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of share that will eventually vest and is adjusted for the effects of non-market based vesting conditions.

Fair value is measured by use of a Black-Scholes model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme. The company has recognised a total expense of £5,830,000 (2016: £4,449,000) relating to equity-settled share-based payment transactions.

##### Operating leases

Operating leases and the rental charges are taken to the income statement on a straight line basis over the life of the lease.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk to changes in value.

#### 2. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the company's accounting policies which are described above, management has made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements.

##### Defined benefit pension arrangement

Measurement of defined benefit pension obligation are at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significance criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. Management follows actuarial advice from a third party when determining these judgements. Further details are set out in note 18.

#### 3. Operating expenses

	2017	2016
	£'000	£'000
Staff costs	(25,862)	(27,632)
Other external charges	(7,648)	(8,767)
Pension (cost)/credit	(1,430)	8,908
Depreciation – owned assets	(2,697)	(2,439)
	<u>(37,637)</u>	<u>(29,930)</u>

Other operating income of £35,891,000 (2016: £30,000,000) represent Management recharges to other FirstGroup subsidiary undertakings in respect of costs incurred from acting as a central administration company for FirstGroup plc.

**FirstGroup Holdings Limited**  
**Notes to the financial statements**  
**Year ended 31 March 2017**

**4. Employee numbers and costs**

The average monthly number of persons employed by the company (including directors) during the year was as follows:

	2017	2016
	No.	No.
Administration	288	341

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£'000	£'000
Wages and salaries	17,270	19,634
Social security costs	1,667	1,779
Other pension costs	1,095	1,770
Share based payment charge (note 1)	5,830	4,449
	<u>25,862</u>	<u>27,632</u>

**5. Directors' remuneration**

Remuneration received by the directors in relation to qualifying services for the current year, were £3.2m (2016: £3.2m). Details of retirement benefits accruing to the directors under the group defined benefit schemes are detailed in the financial statements of FirstGroup plc. The directors received remuneration from FirstGroup Holdings Limited in the current and prior years in relation to qualifying services for this company and the details are as follows:

	2017	2016
	£'000	£'000
Aggregate emoluments	2,996	3,090
Company pension contributions	101	97
	<u>3,097</u>	<u>3,187</u>

Directors' emoluments include salary, fees, bonuses, company contributions to money purchase pension schemes, sums paid by way of expense allowances subject to UK income tax and the money value of other non-cash benefits and exclude share options, other company pension contributions and payments made under long-term incentive schemes.

	2017	2016
	Number	Number
The number of directors who:		
Had awards receivable in the form of shares under a long-term incentive scheme	4	4
Are members of a defined benefit pension scheme	3	3
Exercised options over shares in the parent company	4	4

The highest paid director remuneration details are as follows:

	2017	2016
	£'000	£'000
Aggregate emoluments (excluding pension contributions)	1,260	1,209
Company pension contributions	33	33
	<u>1,293</u>	<u>1,242</u>

The highest paid director did exercise share options in the year. The highest paid director is a member of the Company's defined benefit pension scheme and had accrued entitlements of £197k under the scheme at the end of the year. There is no accrued lump sum.

**FirstGroup Holdings Limited**  
**Notes to the financial statements**  
**Year ended 31 March 2017**

**6. Interest payable and similar charges**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Loan notes	960	980
Other interest	25	-
Net interest on defined benefit scheme	(400)	259
	<u>585</u>	<u>1,239</u>

**7. Loss before taxation**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Loss before taxation is stated after charging:		
Depreciation – assets owned	2,697	2,439
Rentals payable under operating leases		
- short leasehold premises	424	435
- plant and machinery	24	58
	<u></u>	<u></u>

The audit fees for the year of £12,000 (2016: £12,000) have been borne by other group companies.

There have been no non-audit fees in the current and prior year.

**FirstGroup Holdings Limited**  
**Notes to the financial statements**  
**Year ended 31 March 2017**

**8. Tax on loss**

	2017 £'000	2016 £'000
<i>Current taxation</i>		
Group relief receivable	525	(2,410)
Adjustment in respect of prior years	(112)	(1,050)
<b>Total current taxation</b>	<b>413</b>	<b>(3,460)</b>
<i>Deferred taxation</i>		
Origination and reversal of timing differences	37	3,238
Adjustment in respect of prior years	-	269
Effect of decrease in tax rate on opening deferred tax balance	41	442
<b>Total deferred taxation</b>	<b>78</b>	<b>3,949</b>
<b>Total tax charge on loss</b>	<b>491</b>	<b>489</b>

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 20% (2016: 20%). The UK Government enacted legislation to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017, plus a further reduction to 17% from 1 April 2020.

The actual current tax charge for the current and previous period differed from the standard rate for the reasons set out in the following reconciliation:

	2017 £'000	2016 £'000
Loss multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	(466)	(233)
Factors affecting charge		
- Expenses not deductible for tax purposes	1,035	1,421
- Prior year adjustments	(112)	(781)
- Effect of decrease in tax rate on origination and reversal of timing difference	(7)	(360)
- Effect of decrease in tax rate on opening deferred tax balance	41	442
<b>Total tax charge on loss</b>	<b>491</b>	<b>489</b>

**9. Intangible fixed assets**

	£'000
<b>Cost and net book value</b>	
At 1 April 2016	-
Additions	1,605
<b>At 31 March 2017</b>	<b>1,605</b>

Intangible assets relates to computer software assets.



**FirstGroup Holdings Limited**  
**Notes to the financial statements**  
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**10. Tangible fixed assets**

	<b>Land and buildings</b>	<b>Other plant and equipment</b>	<b>Total</b>
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2016	23,691	26,742	50,433
Additions	1,026	3,147	4,173
Transfer to Group undertakings	-	(3,180)	(3,180)
<b>At 31 March 2017</b>	<b>24,717</b>	<b>26,709</b>	<b>51,426</b>
<b>Depreciation</b>			
At 1 April 2016	2,338	14,151	16,489
Charge for the year	509	2,188	2,697
<b>At 31 March 2017</b>	<b>2,847</b>	<b>16,339</b>	<b>19,186</b>
<b>Net book value</b>			
At 31 March 2017	21,870	10,370	32,240
At 31 March 2016	21,353	12,591	33,944

The net book value of land and buildings comprises:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Freehold	21,869	21,286
Short leasehold	1	67
	<b>21,870</b>	<b>21,353</b>

**FirstGroup Holdings Limited**  
**Notes to the financial statements**  
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**11. Fixed asset investments**

	* Subsidiary undertakings unlisted shares £'000
<b>Cost</b>	
At 1 April 2016 and 31 March 2017	79,101
<b>Provisions for impairment</b>	
At 31 March 2016 and at 31 March 2017	(196)
<b>Net book value</b>	
At 31 March 2016 and 31 March 2017	78,905

The subsidiary undertakings incorporated in the United Kingdom at the end of the year:

Subsidiary name	Address	Principal activity	Holding	%
Badgerline Group Limited	1	Dormant	Ordinary	100
Bristol Bus Station Limited*	1	Dormant	Ordinary	100
Butler Woodhouse Limited	2	Dormant	Ordinary	100
Crosville Limited*	3	Dormant	Ordinary	100
FG Properties Limited	1	Property Construction	Ordinary	100
First CentreWest Buses Limited	1	Dormant	Ordinary	100
First Merging Pension Schemes Limited	1	Dormant	Ordinary	100
First Rail Support Limited	1	Dormant	Ordinary	100
First Northern Railway Limited*	1	Dormant	Ordinary	100
First Provincial Buses Limited*	4	Dormant	Ordinary	100
First Shared Services Limited	5	Dormant	Ordinary	100
FirstBus Group Limited	1	Dormant	Ordinary	100
FirstGroup Construction Limited*	1	Dormant	Ordinary	100
Grenville Motors Limited*	1	Dormant	Ordinary	100
Gurna Limited	2	Dormant	Ordinary	100
Indexbegin Limited*	6	Dormant	Ordinary	100
Midland Travellers Limited*	6	Dormant	Ordinary	100
Portsmouth Transit Limited*	4	Dormant	Ordinary	100
Reynard Buses Limited*	6	Dormant	Ordinary	100
Rider Holdings Limited	6	Property holdings	Ordinary	100
Rider Travel Limited*	6	Dormant	Ordinary	100
S Turner & Sons Limited*	2	Dormant	Ordinary	100
Southampton City Transport Company Limited	4	Dormant	Ordinary	100
Sovereign Quay Limited*	1	Non-trading	Ordinary	100
The First South & Wales Pension Scheme Trustee Limited	1	Dormant	Ordinary	100
The First UK Bus Pension Scheme Trustee Limited	1	Non-trading	Ordinary	100
The FirstGroup North West Pension Scheme Trustee Limited	1	Dormant	Ordinary	100
The FirstGroup Pension Scheme Trustee Limited	1	Non-trading	Ordinary	100
The FirstGroup Scottish Pension Scheme Trustee Limited	1	Dormant	Ordinary	100
Transportation Claims Limited*	1	Insurance Claims	Ordinary	100
Wessex of Bristol Limited	7	Dormant	Ordinary	100
Western National Holdings Limited	1	Non-trading	Ordinary	100

\*Companies which are indirectly held by FirstGroup Holdings Limited.

The registered offices address for the above companies are as follows;

1 8<sup>th</sup> Floor The Point, 37 North Wharf Road, London, E2 1AF

2 Bus Depot, Weshway, Chelmsford, Essex, CM1 3AR

3 Bus Depot, Wallshaw Street, Oldham, OL1 3TR

4 Empress Road, Southampton, Hampshire, SO14 0JW

5 395 King Street, Aberdeen, AB24 5RP

6 Hunslet Park Depot, Donisthorpe Street, Leeds, Yorkshire, LS10 1PL

7 Enterprise House, Easton Road, Bristol, BS5 0DZ

**FirstGroup Holdings Limited**  
**Notes to the financial statements**  
**Year ended 31 March 2017**

**12. Debtors**

	2017 £'000	2016 £'000
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	191,442	176,133
Trade debtors	5,224	1,905
Other debtors	1,986	43,885
Prepayments and accrued income	2,298	1,307
Deferred tax asset (note 14)	1,885	1,055
	<u>202,835</u>	<u>224,285</u>

All intercompany loans are interest free and repayable on demand.

**13. Creditors**

	2017 £'000	2016 £'000
<b>Amounts falling due within one year</b>		
Trade creditors	9,262	7,931
Amounts owed to group undertakings	301,094	290,977
Other creditors	8,024	4,815
Other taxation and social security	1,986	831
Accruals and deferred income	6,309	2,366
	<u>326,675</u>	<u>306,920</u>
<b>Amounts falling due after more than one year</b>		
Loan notes	<u>9,516</u>	<u>9,672</u>

The loan notes may be redeemed on the giving of one year and one day's notice. £8.675m (2016: £8.675m) bear interest at a minimum of 11%, are due for redemption on 12 April 2020 and are backed by a guarantee given under the group's revolving and term credit facility. £0.841m (2016: £0.997m) bear interest at 1% above various bank base rates and are due for redemption by 1 March 2024.

Other than loan notes, all intercompany loans are interest free and repayable on demand.

**FirstGroup Holdings Limited**  
**Notes to the financial statements**  
**Year ended 31 March 2017**

**14. Deferred tax**

	£'000
At 1 April 2016	1,055
Charge to the income statement	(78)
Movement in SOCI	908
	<hr/>
At 31 March 2017	1,885
	<hr/>

Deferred tax asset consists of the following amounts:

	2017 £'000	2016 £'000
Accelerated capital allowances	1,847	1,502
Other timing differences	2,401	2,103
Pension asset	(2,363)	(2,550)
	<hr/>	<hr/>
Deferred tax asset	1,885	1,055
	<hr/>	<hr/>

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

During the year beginning 1 April 2017, the net reversal of deferred tax assets is expected to decrease the charge to corporation tax for the year by £452,000, mainly due the timing of depreciation and capital allowances.

**15. Called up share capital and reserves**

	2017 £'000	2016 £'000
Allotted, called up and fully paid:		
126,691,981 ordinary "A" shares of 5p each	6,334	6,334
	<hr/>	<hr/>

The company's other reserves are as follows:

The profit and loss reserve represents cumulative profits and losses net of dividends paid and other adjustments.

Share premium account this reserves records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve records the nominal value of share repurchased by the company.

Merger reserve is a non-distributable reserve arising on new shares issued as part consideration for acquisitions.

**16. Operating Lease Commitments**

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2017		2016	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	194	18	156	40
Between two and five years	-	27	100	59
	<hr/>	<hr/>	<hr/>	<hr/>
	194	45	256	99
	<hr/>	<hr/>	<hr/>	<hr/>

**FirstGroup Holdings Limited**  
**Notes to the financial statements**  
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**17. Contingent liabilities**

The company is a member of a Value Added Tax ("VAT") group covering a number of subsidiary undertakings. All members of the VAT group are jointly and severally liable in respect of any VAT owed to HM Revenue & Customs.

The company is a member of a banking group covering a number of subsidiary undertakings. All members of the banking group are jointly and severally liable in respect of any amounts owed to HSBC Bank plc. The amount of bank overdraft guaranteed is £nil (2016: £nil).

**18. Pension scheme**

**Defined contribution schemes**

The company operates a defined contribution retirement benefit scheme for all qualifying employees. The total expense charged to the income statement for the year ended 31 March 2017 was £1.0m (2016: £1.0m)

**Defined benefit schemes**

The company is the Principal Employer for the FirstGroup Flexible Benefit scheme and the FirstGroup UK Bus Pension scheme. There is an agreement in place whereby the net defined benefit asset/liability and cost of the FirstGroup UK Bus Pension scheme is wholly accounted for in the sponsoring relevant First Bus entities.

The net defined benefit asset/liability and cost of the FirstGroup Flexible Benefit scheme is accounted for by the company. The scheme's assets are held and managed independently of the company's finances by independent investment managers appointed by the trustees of the scheme.

The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out in 2017 using the projected unit method. The valuation will be updated at each financial period end for FRS 102 purposes.

The key financial assumptions used in this update were as follows:

	2017	2016
Discount rate	2.80%	3.70%
Expected rate of salary increases	3.60%	3.35%
Inflation - CPI	2.00%	2.85%
Rate of increase of pensions in payment	2.00%	1.75%
Rate of increase of pensions in deferment	2.00%	1.75%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and past experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2017	2016
Retiring at the end of the reporting period:		
Combined Male and Female	20.1	20.1
Retiring 20 years after the end of the reporting period:		
Combined Male and Female	21.3	21.3

**FirstGroup Holdings Limited**  
**Notes to the financial statements**  
**Year ended 31 March 2017**

**18. Pension scheme (continued)**

**(a) Income statement**

Amounts (charged)/credited to the income statement in respect of these defined benefit schemes are as follows:

	2017	2016
	£m	£m
Current service cost	(1.4)	(1.9)
Past service gains on Group scheme	-	10.8
Interest income/(cost)	0.4	(0.3)
Net pension (cost)/credit	<u>(1.0)</u>	<u>8.6</u>
<b>Net interest comprises:</b>	<b>£m</b>	<b>£m</b>
Interest cost (table (c))	(4.1)	(4.3)
Interest income on assets (table (d))	4.5	4.0
	<u>0.4</u>	<u>(0.3)</u>

During the year £0.4m (2016 £0.4m) of administrative expenses were incurred.

Actuarial gains and losses have been reported in the consolidated statement of comprehensive income.

*Reconciliation of the actual return on scheme assets:*

	£m	£m
Interest income on assets	4.5	4.0
Actuarial gain/(loss) on assets	31.1	(0.4)
Actual return on scheme assets	<u>35.6</u>	<u>3.6</u>

**(b) Statement of financial position**

The amounts included in the Statement of financial position arising from the Company's obligation of its defined benefit pension scheme are as follows:

	2017	2016
	£m	£m
Fair value of schemes' assets	158.4	118.6
Present value of defined benefit obligations	<u>(144.5)</u>	<u>(104.4)</u>
Surplus in the scheme	<u>13.9</u>	<u>14.2</u>

**FirstGroup Holdings Limited**  
**Notes to the financial statements**  
**Year ended 31 March 2017**

**18. Pension scheme (continued)**

**(c) Defined benefit obligations (DBO)**

Movement in the present value of DBO were as follows:

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
At 1 April	104.4	118.6
Current service cost	1.4	1.5
Past service costs and curtailments	-	(10.8)
Interest cost	4.1	4.3
Employee contributions	0.8	0.9
Experience (loss)/gain on DBO	(7.9)	1.2
Gain/(loss) on change of assumptions (financial)	1.9	(6.9)
Gain on change of assumptions (demographic)	42.6	-
Benefit payments	(2.8)	(4.4)
	<hr/>	<hr/>
At 31 March	144.5	104.4
	<hr/>	<hr/>

**(d) Fair value of schemes' assets**

Movements in the fair value of scheme assets were as follows:

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
At 1 April	118.6	111.6
Interest income on assets	4.5	4.0
Company contributions	6.2	7.2
Employee contributions	0.8	0.9
Actuarial gain/(loss)	31.1	(0.4)
Benefit paid from schemes	(2.8)	(4.7)
	<hr/>	<hr/>
At 31 March	158.4	118.6
	<hr/>	<hr/>

**FirstGroup Holdings Limited**  
**Notes to the financial statements**  
**Year ended 31 March 2017**

**18. Pension scheme (continued)**

**(e) Asset allocation**

The majority of the assets held by the pension arrangements are invested in pooled funds with a quoted market price. The analysis of the scheme's assets at the year end date was as follows:

The assets in the scheme at the year end date were:

	2017	2016
	£m	£m
Equities	42.7	57.2
Bonds	92.6	49.2
Property	6.7	3.2
Cash	16.4	9.0
	<u>158.4</u>	<u>118.6</u>

**(f) Statement of comprehensive income**

Amounts presented in the consolidated statement of comprehensive income comprise:

	2017	2016
	£m	£m
Actuarial (loss)/gain on DBO	(36.5)	5.7
Actuarial gain/(loss) on assets	31.1	(0.4)
Actuarial (losses)/gains on defined benefit schemes	<u>(5.4)</u>	<u>5.3</u>

**19. Ultimate parent company**

The directors regard FirstGroup plc, a company incorporated in Great Britain and registered in Scotland, as the ultimate and immediate parent and controlling company, which is the smallest and largest group that includes the company and for which group financial statements are prepared.

Copies of the financial statements of FirstGroup plc can be obtained on request from 395 King Street, Aberdeen, AB24 5RP, the registered office.

**20. Related party transactions**

The company is taking advantage of the exemption under FRS 102 (para 33.1A) "Disclosure of related party transactions" with other wholly owned group companies. The ultimate parent company, FirstGroup plc, has prepared consolidated financial statements which include the results of the company and are available to the public.