

Company Registration No. 02029363

FirstGroup Holdings Limited

Annual Report and Financial Statements

For the year ended 30 March 2019



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 30 March 2019.

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 7. The loss for the year was £6.5m (2018: loss £2.1m) and the Company has net liabilities of £25.0m as at 30 March 2019 (2018 restated: net liabilities of £34.1m).

During the year, the Company identified that the carrying value of certain fixed asset investments and an intercompany loan receivable should have been impaired under FRS 102 Section 27 at 31 March 2018 and 31 March 2017 because the best estimate of cash recoveries from the borrower was lower than the carrying amount of the receivable and the recoverable amount of the investment was determined to be lower than the carrying value. Accordingly, the 31 March 2018 and 31 March 2017 comparatives have been restated, reducing the carrying value of investments by £60.0m and receivables by £36.8m. Note 10: Fixed asset investments and Note 11: Debtors have been restated accordingly.

Key performance indicators

FirstGroup plc, 'the Group', 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.

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 a Group basis and the relevant policies are set out in FirstGroup plc's published financial statements.

General Political Risk

The UK's departure from the European Union may adversely impact the UK's economic position which in turn may have an adverse impact on the company's operations. FirstGroup plc has formed a Brexit Steering Committee to monitor and manage the potential impact of Brexit. The directors have considered the events and implications of Brexit up to the date of signing and do not consider there to be a material impact on the Company.

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 30 March 2019.

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

N Chevis
Director

6th March 2020



FirstGroup Holdings Limited

Directors' report

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 30 March 2019.

Results and dividends

The results for the financial year are given in the income statement on page 7 which shows a loss for the year was £6.5m (2018: loss £2.1m). The Company has net liabilities of £25.0m as at 30 March 2019 (2018 restated: net liabilities of £34.1m).

The directors do not recommend payment of a dividend (2018: £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.

Employee involvement

Communication with employees is affected 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. As well as gathering feedback through informal channels, FirstGroup Holdings employees are given the opportunity to make their voice heard through our regular employee opinion survey 'Your Voice'. Our annual employee survey allows us to receive direct feedback from the employees in terms of their engagement with the business. This then leads into our action plans to build on our strengths and to address any weaknesses. Our Reward & Recognition schemes also seek to increase employee engagement. Qualifying employees are invited to participate in Group wide share purchase scheme (Buy As You Earn) and saving scheme (Save As You Earn). Details of this can be found in the consolidate Group accounts.

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 30 March 2019, the Company had net current liabilities of £97.2m and net liabilities of £25.0m. 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:

N Chevis
D Collie
M Gregory
R Mangold (appointed 18 June 2019)
T O'Toole (resigned 31 May 2018)

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:



N Chevis
Director
6th March 2020
8th 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

Report on the audit of the financial statements Opinion

In our opinion the financial statements of FirstGroup Holdings Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise the Income Statement, the 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".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent Auditor's report (continued)

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions 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 or directors' report.

Matters on which we are required to report by exception

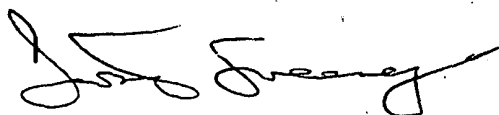
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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;

We have nothing to report in respect of these matters.

Use of our report

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.



David Sweeney CA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Glasgow, United Kingdom

6 March 2020

FirstGroup Holdings Limited
Income statement
Year ended 30 March 2019

	Note	2019 £'000	2018 £'000
Operating expense			
– Administrative expenses	3	(45,484)	(34,312)
– Management recharges		40,000	32,000
Operating loss		(5,484)	(2,312)
Interest payable and similar expenses	6	(421)	(544)
Loss before taxation		(5,905)	(2,856)
Tax on loss	7	(625)	768
Loss for the financial year		(6,530)	(2,088)

All activities relate to continuing operations.

Statement of comprehensive income
Year ended 30 March 2019

		2019 £000	2018 £000
Loss for the financial year		(6,530)	(2,088)
Re-measurement recognised on defined benefit pension scheme	17	10,800	(7,141)
Movement on deferred tax		(1,836)	1,214
Total other comprehensive income/(cost)		8,964	(5,927)
Total comprehensive income/(cost) for the year		2,434	(8,015)

FirstGroup Holdings Limited

Statement of Financial Position As at 30 March 2019

		2019	*Restated 2018
	Note	£'000	£'000
Fixed Assets			
Intangible assets	8	7,028	4,681
Tangible assets	9	29,006	31,908
Retirement benefit assets	17	26,620	11,820
Investments	10	18,912	18,912
		<u>81,566</u>	<u>67,321</u>
Current assets			
Debtors	11	212,233	156,613
Cash at bank and in hand		-	59,305
		<u>212,233</u>	<u>215,918</u>
Creditors: amounts falling due within one year	12	<u>(309,412)</u>	<u>(307,892)</u>
Net current liabilities		<u>(97,179)</u>	<u>(91,974)</u>
Total assets less current liabilities		<u>(15,613)</u>	<u>(2,237)</u>
Creditors: amounts falling due after more than one year	12	<u>(9,397)</u>	<u>(9,494)</u>
Net liabilities		<u>(25,010)</u>	<u>(34,147)</u>
Capital and reserves			
Called up share capital	14	6,334	6,334
Share premium account	14	34,503	34,503
Capital redemption reserve	14	107	107
Merger reserve	14	43,970	43,970
Profit and loss account	14	<u>(109,924)</u>	<u>(119,061)</u>
Shareholder's deficit		<u>(25,010)</u>	<u>(34,147)</u>

*The 2018 balance sheet has been restated as set out in note 1.

The financial statements of FirstGroup Holdings Limited (Company registration number: 2029363) were approved and authorised by the Board of Directors on 6th March 2020 were authorised for issue and signed on its behalf by:

N Chevis
Director



FirstGroup Holdings Limited

Statement of changes in equity Year ended 30 March 2019

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2017	6,334	34,503	43,970	107	(20,761)	64,153
Opening balance restatement	-	-	-	-	(96,806)	(96,806)
At 1 April 2017 (restated)*	6,334	34,503	43,970	107	(117,567)	(32,653)
Loss for the financial year	-	-	-	-	(2,088)	(2,088)
Remeasurement recognised on defined benefit scheme	-	-	-	-	(7,141)	(7,141)
Movement on deferred tax relating to pension scheme	-	-	-	-	1,214	1,214
Total comprehensive expense	-	-	-	-	(8,015)	(8,015)
Share based payments (note 1 & 20)	-	-	-	-	6,521	6,521
At 31 March 2018 (restated)*	6,334	34,503	43,970	107	(119,061)	(34,147)
Loss for the financial year	-	-	-	-	(6,530)	(6,530)
Remeasurement recognised on defined benefit scheme	-	-	-	-	10,800	10,800
Movement on deferred tax relating to pension scheme	-	-	-	-	(1,836)	(1,836)
Total comprehensive income	-	-	-	-	2,434	2,434
Share based payments (note 1 & 20)	-	-	-	-	6,703	6,703
At 30 March 2019	6,334	34,503	43,970	107	(109,924)	(25,010)

*The Income Statement as at 1 April 2017 has been restated as set out in note 1.

FirstGroup Holdings Limited

Notes to the financial statements

Year ended 30 March 2019

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 8th Floor the Point, 37 North Wharf Road, London, W2 1AF. FirstGroup Holdings Limited is 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 Directors' report on pages 2 to 3.

The financial statements for the year ended 30 March 2019 include the results and financial position for the Company for the 52 weeks ended 30 March 2019 and the financial statements for the year ended 31 March 2018 include the results and financial position of the Company for the 53 weeks ended 31 March 2018.

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. Details of the controlling party are set out in note 18.

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.

Opening balance and prior year restatement

During the year, the Company identified that the investments in Western National Holdings Limited, Gurna Limited, Butler Woodhouse Limited, Rider Holdings Limited and FG Properties Limited, and loan balance with FG Properties Limited should have been impaired under FRS 102 Section 27 at 31 March 2018 and 31 March 2017 because the best estimate of cash recoveries from the borrower was lower than the carrying amount of the receivable and the recoverable amount of the investment was determined to be lower than the carrying value. Accordingly, the 31 March 2018 and 31 March 2017 comparatives have been restated, reducing the carrying value of investments by £60.0m and receivables by £36.8m. Note 10: Fixed asset investments and Note 11: Debtors have been restated accordingly.

Going concern

At 30 March 2019, the Company, net current liabilities of £97.2m and net liabilities of £25.0m. 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 30 March 2019

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, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, 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
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 30 March 2019

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) and subsequently measured at amortised 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 £6,703,000 (2018: £6,521,000) 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

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

i) Critical accounting judgements

Defined benefit pension arrangements

Measurement of defined benefit pension obligation are discounted 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 significant 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. Another key judgement is the longevity of members. We take specialist advice on this from our actuarial advisors which aims to consider the likely experience taking into account the scheme's characteristics. Our approach is to review these assumptions following the completion of their funding valuations, and more frequently only if appropriate to do so. Further details are set out in note 17.

FirstGroup Holdings Limited
Notes to the financial statements
Year ended 30 March 2019

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of fixed asset investments

At each balance sheet date the Director's review the investment in subsidiary companies to determine if there is any that those assets have suffered an impairment loss. If the recoverable amount of the asset is estimated to be less than the carrying amount an impairment loss is recognised as an expense immediately.

3. Operating expenses

	2019	2018
	£'000	£'000
Staff costs	33,181	26,112
Other external charges	6,743	3,383
Amortisation	1,223	320
Depreciation	3,140	3,550
Rentals payable under operating leases – short leasehold properties	1,169	917
Rentals payable under operating leases – plant and machinery	16	18
Audit fees	12	12
	<u>45,484</u>	<u>34,312</u>

The fees for the audit of the financial statements of £12,000 (2018: £12,000).

Fees payable to Deloitte LLP for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Other operating income of £40,000,000 (2018: £32,000,000) represent Management recharges to other FirstGroup subsidiary undertakings in respect of costs incurred from acting as a central administration Company for FirstGroup plc.

4. Employee numbers and costs

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

	2019	2018
	No.	No.
Administration	<u>186</u>	<u>171</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£'000	£'000
Wages and salaries	23,204	14,950
Social security costs	1,755	1,871
Other pension costs	1,519	2,770
Share based payment charge (note 1)	6,703	6,521
	<u>33,181</u>	<u>26,112</u>

FirstGroup Holdings Limited
Notes to the financial statements
Year ended 30 March 2019

5. Directors' remuneration

Remuneration received by the directors in relation to qualifying services for the current year, were £2.2m (2018: £2.5m). 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:

	2019 £'000	2018 £'000
Aggregate emoluments	2,191	2,429
Company pension contributions	-	97
	<u>2,191</u>	<u>2,526</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.

	2019 Number	2018 Number
The number of directors who:		
Had awards receivable in the form of shares under a long-term incentive scheme	3	4
Are members of a defined benefit pension scheme	-	3
Exercised options over shares in the parent company	2	4

The highest paid director remuneration details are as follows:

	2019 £'000	2018 £'000
Aggregate emoluments (excluding pension contributions)	875	1,100
Company pension contributions	-	45
	<u>875</u>	<u>1,145</u>

During the year the highest paid director received shares in the ultimate parent company under the long term incentive schemes (2018: n/a). The number of shares awarded was 86,958 (2018: n/a)

6. Interest payable and similar expenses

	2019 £'000	2018 £'000
Loan notes	1,021	988
Net interest on defined benefit scheme	(600)	(444)
	<u>421</u>	<u>544</u>

FirstGroup Holdings Limited
Notes to the financial statements
Year ended 30 March 2019

7. Taxation

	2019 £'000	2018 £'000
<i>Current taxation</i>		
Group relief receivable/claimed	(693)	(1,087)
Adjustment in respect of prior years	808	(198)
Total current taxation	115	(1,285)
<i>Deferred taxation</i>		
Origination and reversal of timing differences	435	652
Adjustment in respect of prior years	75	(135)
Total deferred taxation	510	517
Total tax charge/(credit) on loss	625	(768)

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2018: 19%). The UK Government enacted legislation to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2018, plus a further reduction to 17% from 1 April 2020.

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

	2019 £'000	2018 £'000
Loss before tax	5,905	2,856
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(1,122)	(543)
Factors affecting charge		
- Expenses not deductible for tax purposes	915	184
- Prior year adjustments	883	(332)
- Effect of decrease in tax rate on origination and reversal of timing difference	(51)	(77)
Total tax charge/(credit) on loss	625	(768)

FirstGroup Holdings Limited
Notes to the financial statements
Year ended 30 March 2019

8. Intangible fixed assets

Cost	£'000
At 1 April 2018	5,001
Additions	3,570
	<u>8,571</u>
At 30 March 2019	
Amortisation	
At 1 April 2018	320
Charge for the year	1,223
	<u>1,543</u>
At 30 March 2019	
Net book value	
At 30 March 2019	<u>7,028</u>
At 31 March 2018	<u>4,681</u>

Intangible assets relate to computer software assets.

9. Tangible fixed assets

	Land and buildings	Other plant and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2018	24,075	26,524	50,599
Additions	-	238	238
Disposals	-	(430)	(430)
	<u>24,075</u>	<u>26,332</u>	<u>50,407</u>
At 30 March 2019			
Depreciation			
At 1 April 2018	2,474	16,217	18,691
Charge for the year	264	2,876	3,140
Disposals	-	(430)	(430)
	<u>2,738</u>	<u>18,663</u>	<u>21,401</u>
At 30 March 2019			
Net book value			
At 30 March 2019	<u>21,337</u>	<u>7,669</u>	<u>29,006</u>
At 31 March 2018	<u>21,601</u>	<u>10,307</u>	<u>31,908</u>

The net book value of land and buildings is entirely comprises of freehold assets.

FirstGroup Holdings Limited
Notes to the financial statements
Year ended 30 March 2019

10. Fixed asset investments

	Subsidiary undertakings £'000
Cost	
At 1 April 2018 & 30 March 2019	79,101
Accumulated impairment losses	
At 1 April 2018	(196)
Opening balance restatement*	(59,993)
At 1 April 2018 (restated) and At 30 March 2019	(60,189)
Carrying Value	
At 30 March 2019	18,912
At 31 March 2018 (restated)	18,912

*The accumulated impairment losses as at 1 April 2018 has been restated as set out in note 1.

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

Subsidiary name	Address	Principal activity	Holding	%
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 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 UK Bus Pension Scheme Trustee Limited	1	Non-trading	Ordinary	100
The FirstGroup Pension Scheme Trustee Limited	1	Non-trading	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

FirstGroup Holdings Limited
Notes to the financial statements
Year ended 30 March 2019

10. Fixed asset investments (continued)

*Companies which are indirectly held by FirstGroup Holdings Limited.

¹ Portsmouth Transit Limited was dissolved 25th June 2019

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

1 8th Floor The Point, 37 North Wharf Road, London, E2 1AF
2 Bus Depot, Westway, 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

11. Debtors

	2019	*Restated 2018
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by group undertakings	200,056	150,353
Trade debtors	647	1,555
Other debtors	7,222	1,931
Prepayments and accrued income	4,072	192
Deferred tax asset (note 13)	236	2,582
	<u>212,233</u>	<u>156,613</u>

All intercompany loans are interest free and repayable on demand.

*The amounts owed by group undertakings has been restated as set out in note 1.

12. Creditors

	2019	2018
	£'000	£'000
Amounts falling due within one year		
Bank overdraft	14,605	-
Trade creditors	5,446	7,978
Amounts owed to group undertakings	276,791	289,757
Other creditors	9,534	5,502
Other taxation and social security	974	2,016
Accruals and deferred income	2,062	2,639
	<u>309,412</u>	<u>307,892</u>
Amounts falling due after more than one year		
Loan notes	<u>9,397</u>	<u>9,494</u>

The loan notes may be redeemed on the giving of one year and one day's notice. £8.675m (2018: £8.675m) bear interest up to a total fixed rate 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. £0.722m (2018: £0.819m) 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 30 March 2019

13. Deferred tax asset

	£'000
At 1 April 2018	2,582
Charge to the income statement	(510)
Movement in SOCI	(1,836)
	<hr/>
At 30 March 2019	236
	<hr/>

Deferred tax asset consists of the following amounts:

	2019 £'000	2018 £'000
Accelerated capital allowances	1,492	1,707
Other timing differences	2,764	2,884
Pension asset	(4,020)	(2,009)
	<hr/>	<hr/>
Deferred tax asset	236	2,582
	<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 2018, the net reversal of deferred tax assets is expected to decrease the charge to corporation tax for the year by £185,000, mainly due the timing of depreciation and capital allowances.

14. Called up share capital and reserves

	2019 £'000	2018 £'000
Allotted, called up and fully paid:		
126,691,981 ordinary "A" shares of 5p each	6,334	6,334
	<hr/>	<hr/>

The company has one class of ordinary shares which carry no right to fixed income.

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 reserve 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.

15. Operating Lease Commitments

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

	2019		2018	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	917	12	950	16
Between two and five years	3,614	-	3,721	12
Later than five years	2,934	-	3,826	-
	<hr/>	<hr/>	<hr/>	<hr/>
	7,465	12	8,497	28
	<hr/>	<hr/>	<hr/>	<hr/>

FirstGroup Holdings Limited
Notes to the financial statements
Year ended 30 March 2019

16. 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 (2018: £nil). In addition, all members of a separate banking group are jointly and severally liable in respect of any amounts owed to RBS Bank plc. The amount of bank overdraft guaranteed is £19,533,000 (2018: £nil).

17. 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 30 March 2019 was £0.8m (2018: £1.0m). There were no payments outstanding (2018: £nil).

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. This scheme is closed to new entrants and closed to defined benefit accrual on 5 April 2018.

The scheme is subject to triennial valuation by independent actuaries, the last valuation of assets was carried out on 31 March 2019 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:

	2019	2018
Discount rate	2.40%	2.70%
Expected rate of salary increases	2.15%	2.05%
Inflation - CPI	2.40%	2.05%
Rate of increase of pensions in payment	2.15%	2.05%
Rate of increase of pensions in deferment	2.15%	2.05%
Retiring at the end of the reporting period:		
Current pensioners aged 65	19.1	19.8
Future pensioners at 65 aged 45 now	20.6	21.3

FirstGroup Holdings Limited
Notes to the financial statements
Year ended 30 March 2019

17. Pension scheme (continued)

(a) Income statement

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

	2019	2018
	£m	£m
Current service cost	(0.6)	(1.8)
Past service loss including curtailments and settlements	(1.0)	-
Interest income	0.6	0.4
Net pension cost	(1.0)	(1.4)
Net interest comprises:	£m	£m
Interest cost (table (c))	(3.9)	(4.1)
Interest income on assets (table (d))	4.5	4.5
	0.6	0.4

During the year £0.6m (2018: £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	4.5
Actuarial gain/(loss) on assets	3.2	(0.5)
Actual return on scheme assets	7.7	4.0

(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:

	2019	2018
	£m	£m
Fair value of schemes' assets	161.1	162.2
Present value of defined benefit obligations	(134.5)	(150.4)
Surplus in the scheme	26.6	11.8

FirstGroup Holdings Limited
Notes to the financial statements
Year ended 30 March 2019

17. Pension scheme (continued)

(c) Defined benefit obligations (DBO)

Movement in the present value of DBO were as follows:

	2019 £m	2018 £m
At 1 April	150.4	144.5
Current service cost	0.6	1.8
Past service loss including curtailments and settlements	1.0	-
Interest cost	3.9	4.1
Employee contributions	-	0.7
Experience loss/(gain) on DBO	(14.3)	1.3
Loss on change of assumptions (financial)	10.9	5.3
Gain on change of assumptions (demographic)	(4.2)	-
Benefit payments	(13.8)	(7.3)
At 31 March	134.5	150.4

(d) Fair value of schemes' assets

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

	2019 £m	2018 £m
At 1 April	162.2	158.4
Interest income on assets	4.5	4.5
Company contributions	5.0	6.4
Employee contributions	-	0.7
Actuarial gain/(loss)	3.2	(0.5)
Benefit paid from schemes	(13.8)	(7.3)
At 31 March	161.1	162.2

FirstGroup Holdings Limited
Notes to the financial statements
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17. 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:	2019 £m	2018 £m
Equities	35.1	44.4
Property	4.0	3.8
Fixed income / Liability driven investment	101.7	92.1
Other return seeking assets	20.3	21.3
Cash	-	0.6
	<u>161.1</u>	<u>162.2</u>

(f) Statement of comprehensive income

Amounts presented in the consolidated statement of comprehensive income comprise:

	2019 £m	2018 £m
Actuarial loss on DBO	7.6	(6.6)
Actuarial gain/(loss) on assets	3.2	(0.5)
Actuarial gain/(loss) on defined benefit schemes	<u>10.8</u>	<u>(7.1)</u>

18. 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.

19. 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.

FirstGroup Holdings Limited
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20. Share-based payments

Save as you earn (SAYE)

The Company's ultimate parent company operates an HMRC approved savings-related share option scheme. Grants were made as set out below. The scheme is based on eligible employees being granted options and their agreement to opening a share save account with a nominated savings carrier and to save weekly or monthly over a specified period. Share save accounts are held with Computershare. The right to exercise the option is at the employee's discretion at the end of the period previously chosen for a period of six months. Details of the share options outstanding during the year are disclosed in the published financial statements for FirstGroup plc.

Buy as you earn (BAYE)

BAYE enables eligible employees to purchase shares from their gross income. The Company provides two matching shares in FirstGroup plc for every three shares bought by employees, subject to a maximum Company contribution of shares to a value of £20 per employee per month. If the shares are held in a trust for five years or more, no income tax or national insurance will be payable. The matching shares will be forfeited if the corresponding partnership shares are removed from trust within three years of award.

Divisional Incentive Plan (DIP)

FirstGroup maintain a Divisional Incentive Plan for those employees immediately below the FirstGroup Executive Directors. This provides a strong focus on each division achieving specific goals to underpin and drive overall Company performance. To avoid paying excessive benefits, the value of the Long-Term Incentive Plan award was reduced proportionally to compensate for participation in the Divisional Incentive Plan. The performance period of the plan is two years and the committee will review whether it is still relevant and necessary following that period.

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 £6,703,000 (2018: £6,521,000) relating to equity-settled share-based payment transactions.