

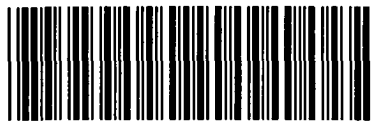
FIRST/KEOLIS TRANSPENNINE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

**Company Registered
Number: 4113923**

WEDNESDAY



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COMPANIES HOUSE

FIRST/KEOLIS TRANSPENNINE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

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STRATEGIC REPORT**For the year ended 31 March 2018**

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Business review, future outlook and going concern

The company is a joint venture between FirstGroup plc (55%) and Keolis SA (45%). The company ceased to operate on 1 April 2016. The company previously operated intercity passenger railway services in the north of England and into Scotland.

On 1 April 2016, First/Keolis Transpennine Limited transferred the majority of its operations to a fellow FirstGroup plc subsidiary undertaking, First Transpennine Express Limited. This transfer was part of the pre-planned and contractual change to rail franchising in the North of England. The transfer of assets and liabilities and the communication of the transfer requirements to all the respective trading partners, stakeholders and staff, was undertaken successfully.

The company continues to operate in order to close out its contractual obligations and deal with residual issues including the settlement of remaining liabilities and closing out remaining claims with Network Rail Limited.

Given the cessation of trade, the accounts have been prepared on a basis other than going concern. No adjustments arose from ceasing to apply the going concern basis. The company expects to continue to close out remaining obligations over the forthcoming period.

Key performance indicators

No key performance indicators reported during the year due to the company's operations having ceased.

Principal risks and uncertainties

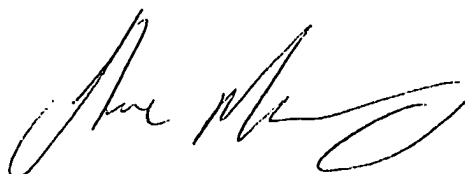
As discussed in the Business review and future outlook and going concern section of the Strategic Report, the company ceased to operate as a Train Operating Company on 1 April 2016 and its principal risk going forward relates to the realisation and settlement of the remaining balance sheet.

STRATEGIC REPORT (continued)
For the year ended 31 March 2018

Financial risk management objectives and policies

The company's principal financial assets are bank balances and trade debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has no significant concentration of credit risk, with exposure spread over a large number of customers. The credit risk on liquid funds is limited because the counterparties are banks.

Approved by the Board of Directors
and signed on behalf of the board



Stephen Montgomery
Director
25 March 2019

4th Floor
Capital House
25 Chapel Street
London
NW1 5DH

DIRECTORS' REPORT**For the year ended 31 March 2018**

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 2018.

In accordance with section 414C (11) the directors have opted to disclose certain components in the Strategic Report which otherwise would be required to be disclosed in the Directors' Report under section 416.

Matters included in the Strategic Report

In accordance with s414C (11) of the Companies Act, included in the Strategic Report is information relating to the future developments and going concern of the business, which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (accounts and reports) regulations 2008' to be contained in a Directors' Report.

Results and dividends

The results for the year are given in the profit and loss account on page 9.

During the year the company declared and paid final dividends of £nil (2017: £24,000,000).

Directors

The directors, who held office throughout the year and to date, unless otherwise stated, are as follows:

Clive Burrows	
Guillaume Chanussot	(appointed 18 December 2018)
Elizabeth A Collins	
David Lowrie	(resigned 4 August 2017)
Stephen Montgomery	
Malcolm R Rimmer	(resigned 4 December 2018)

DIRECTORS' REPORT (continued)
For the year ended 31 March 2018

Audit information

Each of the directors at the date of approval of this report confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

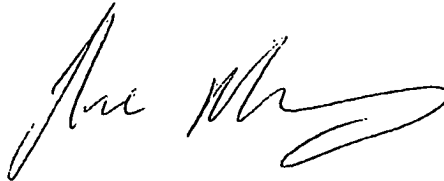
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

The company has passed an elective resolution dispensing with the requirement to appoint an auditor annually. Deloitte LLP has indicated its willingness to continue as auditor of the company and is therefore deemed to be re-appointed for a further term.

Approved by the Board of Directors
And signed on behalf of the board

4th Floor
Capital House
25 Chapel Street
London
NW1 5DH



Stephen Montgomery
Director
25 March 2019

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 judgements and accounting estimates that are reasonable and prudent;
- 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 FIRST/KEOLIS
TRANSPENNINE LIMITED**

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of First/Keolis Transpennine Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit 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 Profit and Loss Account;
- the Statement of Changes in Equity;
- the Balance Sheet; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF FIRST/KEOLIS TRANSPENNINE LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, 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.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF FIRST/KEOLIS
TRANSPENNINE LIMITED (CONTINUED)**

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 the directors' report.

Matters on which we are required to report by exception

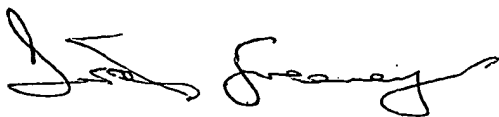
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 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 member 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

25 March 2019

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2018

	Note	2018 £000	2017 £000
Turnover	2	66	1,389
Operating costs	3	<u>461</u>	<u>5,635</u>
Operating profit		527	7,024
Net interest receivable	5	<u>48</u>	<u>53</u>
Profit before taxation	6	575	7,077
Tax credit/(charge) on profit	7	<u>451</u>	<u>(1,604)</u>
Profit for the financial year		<u>1,026</u>	<u>5,473</u>

All activities in the current and preceding year relate to discontinued operations.

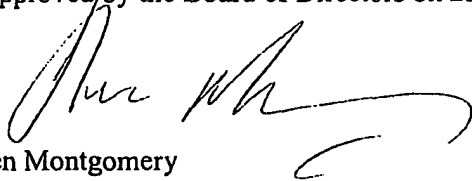
There are no other items of comprehensive income or expense. Accordingly, no separate statement of comprehensive income has been prepared.

BALANCE SHEET
At 31 March 2018

	Note	2018		2017	
		£000	£000	£000	£000
Current assets					
Debtors	9	773		999	
Cash at bank and in hand		10,409		11,152	
		<u>11,182</u>		<u>12,151</u>	
Creditors: amounts falling due within one year	10	<u>(4,402)</u>		<u>(6,104)</u>	
Net current assets			<u>6,780</u>		<u>6,047</u>
Total assets less current liabilities			6,780		6,047
Provision for liabilities	11		-		(293)
Net assets			<u>6,780</u>		<u>5,754</u>
Capital and reserves					
Called up share capital	12		250		250
Profit and loss account			6,530		5,504
Shareholder's funds			<u>6,780</u>		<u>5,754</u>

The accompanying notes are an integral part of this balance sheet.

These financial statements for First/Keolis Transpennine Limited (Company Number: 4113923) were approved by the Board of Directors on 25 March 2019 and were signed on its behalf by:



Stephen Montgomery
Director

STATEMENT OF CHANGES IN EQUITY
At 31 March 2018

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2016	250	24,031	24,281
Total comprehensive income for the financial year	-	5,473	5,473
Dividend payments	-	(24,000)	(24,000)
Balance at 31 March 2017	250	5,504	5,754
Total comprehensive income for the financial year	-	1,026	1,026
Balance at 31 March 2018	250	6,530	6,780

1 Principal accounting policies

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

(a) Basis of preparation and going concern

The financial statements have been prepared under a historical cost convention and on a basis other than going concern as described in the going concern statement in the Strategic report on page 1, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company 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 financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash-flow statement, intra group transactions and remuneration of key management personnel.

(b) Taxation

UK current 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 balance sheet 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 profit 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 tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

(c) Turnover, including government grants and subsidies

Amounts receivable for tendered services and concessionary fare schemes are included in turnover. Financial support receivable from the Department for Transport – Rail is shown in turnover. Amounts are credited to the profit and loss account on the provision of services and in the period to which they relate.

1 Principal accounting policies (continued)

(d) Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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 the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimates that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Performance claims

The company was subject to various performance mechanisms relating to operating performance and track possessions by Network Rail which result in compensation claimed by the company to cover incremental costs incurred and lost passenger revenue and amounts payable by the company for adverse performance.

Judgements are involved in estimating the total future settlement amount due to the varying levels of estimation of costs and performance impacts by the specific factors. Management has established practices in place to monitor and capture relevant events in order to make assessments of such items.

2 Turnover and profit on ordinary activities before taxation

Turnover previously represented the amounts receivable for services supplied to customers and included rail support grants and amounts receivable for tendered services and concessionary fare schemes. The company had one principal class of business, namely, the provision of passenger transport services.

The whole of the turnover and profit on ordinary activities before taxation derives from the company's previous years activity within the United Kingdom.

Turnover can be analysed as follows:

	2018 £000	2017 £000
Passenger services	-	(50)
Revenue grant	-	(249)
Other	66	1,688
	<u>66</u>	<u>1,389</u>

3 Operating costs (net)

	2018 £000	2017 £000
Staff costs	-	(196)
External charges (net)	(461)	(5,899)
Depreciation	-	881
Amortisation of grants	-	(421)
	<u>(461)</u>	<u>(5,635)</u>

4 Employee numbers and costs

There were no persons employed by the company (2017: no persons) (other than directors) during the year:

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	-	(196)

5 Interest receivable

	2018 £000	2017 £000
Income from short term deposits	48	53

6 Profit before taxation

	2018 £000	2017 £000
Profit before taxation is stated after charging/(crediting):		
Depreciation		
- owned assets	-	881
- amortisation of grants	-	(421)
	<u>25</u>	<u>25</u>
Fees payable to the company's auditor for the audit of the company's annual financial statements	25	25
Total audit fees	<u>25</u>	<u>25</u>
Other services pursuant to legislation:		
- other audit related – regulatory reporting	-	-
Total non-audit fees	<u>-</u>	<u>-</u>
Total	<u>25</u>	<u>25</u>

7 Tax on profit

	2018 £000	2017 £000
Current taxation		
- UK corporation tax charge for the year	109	1,373
- Adjustment in respect of prior years	(560)	128
Total current taxation	(451)	1,501
Deferred taxation		
- Origination and reversal of timing differences	-	120
- Effect of decrease in tax rate on opening deferred tax balance	-	7
- Adjustment in respect of prior years	-	(24)
Total deferred taxation	-	103
Total tax (credit)/charge on profit	(451)	1,604

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2017: 20%). The actual current tax charge for the current and previous year differed from the standard rate for the reasons set out in the following reconciliation:

	2018 £'000	2017 £'000
Profit multiplied by standard rate of corporation tax in the United Kingdom of 19% (2017: 20%)	109	1,415
Expenses not deductible for tax purposes	-	99
Prior year adjustments	(560)	104
Effect of decrease in tax rate on opening deferred tax balance	-	7
Effect of decrease in tax rate on origination and reversal of timing differences	-	(21)
Total tax (credit)/charge on profit	(451)	1,604

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.

8 Equity dividends

	2018 £000	2017 £000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 March 2018 of £nil (2017: £96) per ordinary share	-	24,000

9 Debtors

	2018	2017
	£000	£000
Amounts due within one year		
Trade debtors (including amounts recoverable from Network Rail)	460	952
Amounts owed by group undertakings	273	6
Other debtors (primarily VAT)	40	31
Other prepayments and accrued income	-	10
	<u>773</u>	<u>999</u>

Amounts due from group undertakings are repayable upon demand and are not subject to interest charges.

10 Creditors

	2018	2017
	£000	£000
Amounts falling due within one year		
Trade creditors	-	6
Amounts owed to group undertakings	3,594	3,496
Corporation tax	-	1,866
Accruals and deferred income	808	736
	<u>4,402</u>	<u>6,104</u>

Amounts due to group undertakings are repayable upon demand and are not subject to interest charges.

11 Provision for liabilities

	Lease obligations £000
At 1 April 2017	293
Utilised in the period	(293)
At 31 March 2018	<u>-</u>

12 Called up share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
250,001 ordinary shares of £1 each	<u>250</u>	<u>250</u>

13 Related party transactions

The following companies are deemed to be related parties:

FirstGroup plc which is the ultimate controlling party, is deemed to be a related party by virtue of its ultimate shareholding in and ability to control the company. There were transactions relating to affiliate service agreements in the year to 31 March 2018 (2017: same).

Keolis (UK) Limited, a wholly owned subsidiary of Keolis SA, which is one of the controlling parties, is deemed to be a related party by virtue of its ultimate shareholding in the company.

13 Related party transactions (continued)

First/Keolis Transpennine Holdings Limited is the immediate parent company and is, therefore, deemed to be a related party. There were no dividend payments made in the year to 31 March 2018 (2017: 24,000,000).

First Transpennine Express Limited is a wholly owned subsidiary of FirstGroup plc and is, therefore, deemed to be a related party. There were transactions relating to management fees in the year to 31 March 2018.

First Greater Western Limited, whose ultimate parent company is FirstGroup plc and is, therefore, deemed to be a related party.

Transportation Claims Limited is a wholly owned subsidiary of FirstGroup plc. and is, therefore, deemed to be a related party. There were transactions relating to the provision of insurance claims services in the year to 31 March 2018 (2017: same).

The following transactions were charged/(credited) to the profit and loss account:

	2018 £'000	2017 £'000
FirstGroup plc		
Affiliate service agreements	94	472
First Transpennine Express Limited		
Recharged costs	214	3
First Greater Western Limited		
Transactions' processing and recharged costs	-	(62)
First Rail Support Limited		
Rail replacement buses	-	(364)
Transportation Claims Limited		
Provision of insurance & claims services	(290)	47

The following amounts were outstanding (to)/from the company at the end of the year in relation to related party transactions:

	2018 £'000	2017 £'000
First/Keolis Transpennine Holdings Limited	-	6
First Transpennine Express Limited	(3,594)	(3,385)
FirstGroup plc	94	-
Transportation Claims Limited	179	(111)
Total	(3,311)	(3,490)

No dividends for the year (2017: £24,000,000) were paid to First/Keolis Transpennine Holdings Limited.

14 Ultimate and immediate parent company and controlling party

The immediate parent company is First/Keolis Transpennine Holdings Limited, which is registered in England and Wales. The ultimate parent companies are FirstGroup plc, which is incorporated in Great Britain and registered in Scotland, and Keolis (UK) Limited which is registered in England and Wales.

The ultimate controlling party is FirstGroup plc. The largest and smallest group in which these financial statements are consolidated is FirstGroup plc. Copies of the financial statements of FirstGroup plc can be obtained on request from: The Point, 37 North Wharf Road, London W2 1AF. Copies of the financial statements of Keolis (UK) Limited can be obtained from Evergreen Building North, 160 Euston Road, London NW1 2DX.