

FIRST GREATER WESTERN LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2006



**Company Registered
Number: 5113733**

FIRST GREATER WESTERN LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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DIRECTORS' REPORT**31 March 2006**

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 2006.

Principal activities

During the year the company bid for, and was awarded, the Train Operating Company Franchise for the Greater Western franchise region.

The Board of Directors was strengthened in preparation for starting operations on 1 April 2006. No employees were required to be recruited, as the refranchising process provides that the employees of the three existing franchisees (Great Western Trains, First Great Western Link and Wales & West Passenger Transport) transfer across on the first day of the new franchise.

Assets and liabilities of the three existing franchisees were transferred to the company in accordance with the procedures laid down within the previous franchise agreements in return for an interim consideration paid to/by the company by/to the three existing franchisees.

Business Review and Future Prospects

The launch of the franchise heralds the start of a £200 million investment programme of continuous improvement. It will deliver significant customer benefits including increased capacity, safety and service as well as fleet developments and plans for improved transport integration.

The interiors of the High Speed Train fleet will be redesigned with a new buffet area, new Standard Class seats, new leather First Class seats and a complete refurbishment of toilets throughout the train. Improved engines will give better performance and reliability and will be more environmentally friendly. When the redesign is fully implemented, passengers will see a 33% increase in number of seats compared with 2004 and a 51% increase in the evening. This translates into 4,700 extra morning seats and 9,200 during evening peak times over the year.

Additionally, station improvements will include new ticket machines, better facilities, improved waiting rooms and toilets, new CCTV and Help Points, plus an additional 1,700 car parking spaces and more cycle parks.

Staff will be wearing new uniforms. Customer-facing teams will have a choice of colours and stylish designs to wear and the uniform has been developed following trials among staff to make sure they are practical as well as smart and stylish.

The company has taken advantage of exemption from enhanced business review on the grounds that it is a small company (s246(4)(a) CA85).

Financial matters

The directors have not recommended payment of a final dividend (2005: £nil).

DIRECTORS' REPORT
31 March 2006

Directors and their interests

The directors who held office throughout the year (except as noted) were:

Sir Chay Blyth	(appointed 9 March 2006)
Dean Finch	
Graham Boot-Handford	(appointed 10 March 2006)
Dr Ben Caswell	(appointed 21 December 2005)
Alison Forster	(appointed 21 December 2005)
Robert Breakwell	(appointed 10 March 2006)
Kevin Gale	(appointed 10 March 2006)
Dave Gausby	(appointed 10 March 2006)
Glenda Lamont	(appointed 10 March 2006)
Tom Stables	(appointed 9 March 2006)
Paul Furze-Waddock	

None of the directors held any shares in the company or any other group company at any time during the year except as noted below:

The directors who held office at the end of the year had the following interests in ordinary shares of FirstGroup plc:

	Ordinary 5p shares		Share options under savings related share option scheme	
	At beginning of year	At end of year	At beginning of year	At end of year
G P Boot-Handford	1,715	1,715	-	-
R Breakwell	29,749	35,647	-	-
Dr B Caswell	143	323	-	-
A Forster	11,872	17,344	4,921	678
P D P Furze-Waddock	436	622	4,921	5,599
K Gale	935	2,065	1,521	981
D C Gausby	-	431	-	-
T Stables	-	-	-	356

DIRECTORS' REPORT
31 March 2006

	Deferred share bonus scheme		Executive share option scheme		
	At beginning of year	At end of year	At beginning of year	Granted	At end of year
R Breakwell	12,172	2,925	13,853	-	-
Dr B Caswell	459	2,188	-	-	-
A Forster	10,780	20,146	20,358	-	20,358
P D P Furze-Waddock	16,084	20,803	61,148	-	49,604
D C Gausby	-	5,878	-	-	9,997

The interests of Dean Finch in the ordinary shares of First Group plc are disclosed in the directors' report of FirstGroup plc.

Information stated at the beginning of the year is the interest at the start of the financial year or the date of appointment, if later.

Information, including details of exercise prices, relating to the savings related share option scheme and the long-term incentive plan are given in note 35 to the financial statements of FirstGroup plc.

There is no contract or arrangements with the company or any of its fellow group undertakings, other than service contracts, in which any of the directors is materially interested and which is significant in relation to the business of the company or any of its fellow group undertakings taken as a whole.

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 auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of S234ZA of the Companies Act 1985.

DIRECTORS' REPORT

31 March 2006

Auditors

The company has passed an elective resolution dispensing with the requirement to appoint auditors annually; Deloitte & Touche 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 by order of the Board

Milford House
1 Milford Street
Swindon
SN1 1HL

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Dr Ben Caswell
Director
25 January 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed; and
- (d) 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 AUDITORS' REPORT TO THE MEMBERS OF FIRST GREATER WESTERN LIMITED

We have audited the financial statements of First Greater Western Limited for the year ended 31 March 2006 which comprise the balance sheet, and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST GREATER WESTERN LIMITED (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

29 January 2007

BALANCE SHEET
At 31 March 2006

	Notes	2006	2005
		£000	£000
Assets employed:			
Current assets			
Debtors	4	804	-
Cash at bank and in hand		14,931	-
		<u>15,735</u>	<u>-</u>
Creditors: amounts falling due within one year	5	<u>(15,735)</u>	<u>-</u>
Net current assets		<u>-</u>	<u>-</u>
Total assets less current liabilities		<u>-</u>	<u>-</u>
Financed by:			
Capital and reserves			
Called up share capital	6	-	-
Shareholders' funds		<u>-</u>	<u>-</u>

These financial statements were approved by the Board of directors on 25 January 2007 and were signed on its behalf by:

B > 

Director

NOTES TO THE ACCOUNTS

31 March 2006

1 Principal accounting policies

The following accounting policies have been applied consistently throughout the current and preceding year in dealing with items which are considered material in relation to the company's financial statements.

(a) Basis of preparation

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

(b) Cash flow statement

The company is a wholly owned subsidiary of FirstGroup plc, a company registered in Scotland. Accordingly, the company has taken advantage of the exemption offered by Financial Reporting Standard 1, enabling it not to produce a cash flow statement as the parent company has included a consolidated cash flow statement within its Group financial statements.

2 Employee numbers and costs

During the current and prior year the number of employees was nil. No directors' emoluments were paid in either the current or preceding year.

3 Profit and loss account

During the current and preceding financial year the company did not trade and received no income and incurred no expenditure. Consequently, during those years the company made neither a profit nor a loss. Accordingly, no profit and loss account has been prepared.

4 Debtors

	2006 £000	2005 £000
Amounts due within one year		
Other debtors	804	-
	<u>804</u>	<u>-</u>

NOTES TO THE ACCOUNTS
31 March 2006

5 Creditors

	2006 £000	2005 £000
Amounts falling due within one year		
Amounts owed to group undertakings	<u>15,735</u>	<u>-</u>
	<u>15,735</u>	<u>-</u>

6 Called up share capital

	2006 £	2005 £
Authorised:		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

7 Commitments

The company had no capital or any other commitments at 31 March 2006 or at 31 March 2005. On 1 April 2006 the company took on the commitments relating to the First Greater Western franchise.

8 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 H M Customs and Excise.

9 Related party transactions

The company is taking advantage of the exemption under FRS8 not to disclose transactions with group companies that are related parties.

10 Ultimate parent company

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

The company's immediate controlling party is First Rail Holdings Limited

Copies of the accounts of FirstGroup plc can be obtained on request from Ground Floor, 50 Eastbourne Terrace, London.

NOTES TO THE ACCOUNTS**31 March 2006**

11 Post balance sheet events

Net assets relating to future operations have been transferred from the previous franchisees totalling £17.050m. Payments in respect of assets and liabilities were obtained in advance on 31 March 2006 while the actual assets and liabilities were effectively transferred on 01 April 2006.

Payments to First Greater Western Limited were made in advance on 31 March 2006 totalling £15.735m; £7.949m from Great Western Trains Limited and £7.786m from First Great Western Link Limited. The remainder was settled in June 2006.

A payment in advance was made for net assets to Wessex Trains Limited on 31 March of £0.804m.