

Company Registration No. 5113733

First Greater Western Limited

Report and Financial Statements

31 March 2007

WEDNESDAY

WEC



ARLTSRJH
A20 25/07/2007 682
COMPANIES HOUSE
LD4 11/07/2007 144
COMPANIES HOUSE

First Greater Western Limited

Report and financial statements 2007

Contents	Page
Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	6
Balance sheet	7
Reconciliation of movements in shareholder's funds	8
Statement of total recognised gains and losses	8
Notes to the financial statements	9

First Greater Western Limited

Directors' report

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 2007

Principal activities

The company operates passenger railway services between London Paddington and South Wales, Bristol, the West of England and the Cotswolds, commuter services to Paddington from the Thames Valley and regional services in the West of England

First Greater Western Limited operated the First Great Western franchise during the year. The franchise commenced at 02 00hr on 1 April 2006. Net Assets, relating to the ongoing operations were transferred to First Greater Western Limited from Great Western Trains Company Limited, First Great Western Link Limited and Wessex Trains Limited to the value of £10.2m

Business review

At First Greater Western we are working hard to ensure that we deliver our franchise plans and we are investing £200m to improve the services we offer our customers. Since we commenced operations of the new enlarged franchise (combining First Great Western, First Great Western Link and Wessex Trains) we have integrated three diverse railway businesses into one operation. First Greater Western operates more high-speed trains into London than any other operator and provides train services for 1.5m passengers each week.

The directors are satisfied with the performance of the company during the first year of trading. The company made an operating profit of £14.0m on turnover of £701.5m, no prior year comparables are available. Turnover has been buoyant and measures such as added revenue protection have further increased passenger revenue.

Operational train performance improved during the second half of the year with the rail industry measure of performance – Public Performance Measure (PPM) – at 83% for the full year to 31 March 2007 and 86% for the final period of the year.

During the past 12 months we have consolidated depots, introduced a new management structure and common systems, brought together 4,400 staff, introduced new amalgamated timetables, commenced a substantial fleet refurbishment programme and started the many major improvements which we committed to as part of our franchise. Despite our best efforts to ensure a seamless transition we faced some operational challenges principally as a result of changing the rolling stock maintenance depot and the introduction of a new consolidated timetable. We made great efforts to swiftly rectify those issues, the majority of which we have now overcome. The new timetable introduced in May 2007 further improved services, and consultation continues with regard to the timetable to be introduced in December 2007.

As part of our £145m investment to completely overhaul the High Speed Train (HST) fleet, we have commenced the installation of new, more reliable and environmentally friendly engines. We have already fitted 42 new engines as at the 31 March 2007, which have improved operating performance, doubled reliability, and cut CO2 emissions by 64% and smoke emissions by 42%. The remainder of these new engines will be in place by the end of the year. We are also making good progress on our fleet refurbishment programme. A new, stylish and contemporary interior for the HSTs will offer a step change in quality for rail passengers and provide an additional 3 million seats for passengers per annum. The first of these new designed carriages are now in service and we are on track to complete the refurbishment of more than 405 carriages by the end of the next financial year. We are also spending £4m on an interior refresh of our fleet of regional trains. The new platform at Bristol Parkway, which opened in May 2007, will ease congestion of trains into, and departing from, the station and reduce delays for passengers travelling to London, Wales, Birmingham and the South West. We are working with Network Rail to upgrade the majority of the Reading to London relief line to 90mph by mid-2008 creating greater capacity, reliability and improved journey times for commuters in the Thames Valley. We have progressed our plans to deliver a range of improvements across the franchise area including the installation of automatic ticket gates at Exeter St Davids, Plymouth and Swindon, reducing both ticket fraud and crime on the railways. We have also invested in station improvements across our network such as installation of more than 120 additional ticket vending machines, increased car parking at stations, refurbished facilities and improvements to waiting areas. We have simplified our fares structure and now offer some

First Greater Western Limited

Directors' report (continued)

Business review (continued)

100,000 significantly discounted tickets each week for advance purchase and off peak travel 'Firstminutefares' enables our customers to save up to 80% on regular fares when booking early This has been very popular and already more than 2.2 million tickets have been sold saving customers a total of £28m compared to the equivalent walk up fare First Greater Western faces major challenges from ageing infrastructure and the effect this has on performance We are working closely with Network Rail, the infrastructure provider, to tackle the deep-rooted performance issues on the network and overcome the recurring infrastructure problems on our main line A number of initiatives have been designed to improve performance and we are committed to working in partnership to deliver improved infrastructure and service across the network

Financial matters

The results for the year are given in the profit and loss account on page 7

The directors have not recommended payment of a final dividend An interim dividend of £13.6m was paid in the year

Due to the fact that the company started trading on the 1 April 2006 comparisons to prior year are not appropriate

Supplier payment policy

It is the company's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions A number of significant purchases, such as fuel and commitments under operating leases, are paid by direct debit At 31 March 2007 the company had 19 days' purchases outstanding

Financial instruments

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 Although certain risks, for example, fuel price, are hedged on a group basis, the company does not directly enter into any derivative financial instruments

Directors

The directors who held office throughout the year (except as noted) and subsequently appointed are as follows

Directors held office throughout the year,

Sir Chay Blyth

Dean Finch

Graham Boot Handford

Dr Benjamin Caswell

Alison Forster (Managing Director)

Robert Breakwell

Kevin Gale

David Gausby

Glenda Lamont

Thomas Stables

Paul Furze-Waddock

Directors appointed 2006-07,

Commander Charles Arthur Howeson

Andrew Mellors

(appointed 21/03/07)

(appointed 12/03/07)

First Greater Western Limited

Directors' report (continued)

Employee involvement

Communication with employees is effected mainly through regular briefing 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

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

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/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 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

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

B > — 4

Dr Benjamin Caswell
Director

First Greater Western Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the financial statements 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, 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 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 2007 which comprise the profit and loss account, the balance sheet, the reconciliation of movement in shareholders' funds, the statement of total recognised gains and losses, and the related notes 1 to 24. 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 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. In addition we 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.

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.

Independent auditors' report to the members of First Greater Western Limited (continued)

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 2007 and of its profit 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

Chartered Accountants and Registered Auditors

London

United Kingdom

9 July 2007

First Greater Western Limited

Profit and loss account Year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Turnover	2	701,478	-
Operating costs			
- General		(660,884)	-
- Restructuring and other exceptional costs	4	(22,901)	-
- Intangible asset amortisation		(3,714)	-
Total operating costs	3	(687,499)	-
Profit on ordinary activities before interest		13,979	-
Net interest receivable	8	5,531	-
Profit on ordinary activities before taxation	9	19,510	-
Tax charge on profit on ordinary activities	10	(5,754)	-
Retained profit for the year, transferred to reserves	20	13,756	-

All activities relate to continuing operations

First Greater Western Limited

Balance Sheet At 31 March 2007

	Notes	£000	2007 £'000	£000	2006 £000
Assets employed:					
Fixed assets					
Intangible assets	12		22,286		-
Tangible assets	13		53,162		-
			<u>75,448</u>		<u>-</u>
Current assets					
Stocks	14	8,852		-	
Debtors	15	50,554		804	
Cash at bank and in hand	16	29,175		14,931	
		<u>88,581</u>		<u>15,735</u>	
Creditors amounts falling due within one year	17	<u>(147,063)</u>		<u>(15,735)</u>	
Net current liabilities			<u>(58,482)</u>		<u>-</u>
Total assets less current liabilities			<u>16,966</u>		<u>-</u>
Net assets excluding pension liability			<u>16,966</u>		<u>-</u>
Pension liability	22		<u>(12,897)</u>		<u>-</u>
Net assets including pension liability			<u>4,069</u>		<u>-</u>
Financed by:					
Capital and reserves					
Called up share capital	19		-		-
Profit and loss account	20		<u>4,069</u>		<u>-</u>
Shareholder's funds			<u>4,069</u>		<u>-</u>

These financial statements were approved by the Board of directors on 9 July 2007
on its behalf by

and were signed

Dr Benjamin Caswell
Director

B Caswell

First Greater Western Limited

Reconciliation of movement in shareholder's funds Year ended 31 March 2007

	2007 £000	2006 £000
Profit for the financial year	13,756	-
Other recognised gains and losses relating to the year (net)	3,710	-
Dividends paid	(13,608)	-
Share based payments	211	-
	<hr/>	<hr/>
Net addition to shareholder's funds	4,069	-
	<hr/>	<hr/>
Opening shareholder's funds	-	-
	<hr/>	<hr/>
Closing shareholder's funds	4,069	-
	<hr/>	<hr/>

Statement of total recognised gains and losses

	2007 £000	2006 £000
Profit for the financial year	13,756	-
Actuarial gain relating to the pension scheme	5,300	-
UK deferred taxation attributable to actuarial gain	(1,590)	-
	<hr/>	<hr/>
Total recognised gains and losses for the year	17,466	-
	<hr/>	<hr/>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

1. Principal accounting policies

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

(a) Basis of preparation

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

(c) Tangible fixed assets and depreciation

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

Depreciation is provided to write off the cost less residual value of tangible fixed assets over their estimated useful economic lives or the duration of the franchise as follows

Other plant and equipment	-	3 to 10 years straight line
Passenger carrying vehicles	-	3 to 10 years straight line

(d) Intangible fixed assets and depreciation

The rail franchise agreement intangible asset represents the part of the economic benefit derived from the rail franchise agreement that is realised as a result of recognising our share of the rail pension deficit

Intangible fixed assets are stated at cost, net of amortisation and any provision for impairment

Amortisation is provided to write off the cost less residual value of intangible fixed assets over their estimated useful economic useful lives as follows

Intangible pension asset	-	7 years straight line
--------------------------	---	-----------------------

(e) Leases and hire purchase

All leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease

(f) Government grants and subsidies

Amounts receivable for tendered services and concessionary fare schemes are included in turnover

(g) Stocks

Stocks are valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving or defective items where appropriate

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

1. Principal accounting policies (continued)

(h) 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 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 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. Deferred tax assets and liabilities are not discounted

(i) Pension costs

Company specific schemes

The company operates a defined benefit scheme which is held in separately administered funds. During the first eight months of 2006/07 these funds were held in three separate schemes which were merged into one consolidated scheme on 2 December 2006

The amounts charged to operating profit 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 a net amount of other financial costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

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 balance sheet

(j) Turnover

Turnover in UK Rail includes franchise agreement receipts from the Department for Transport ("DfT"). Payments to the DfT for amounts due under the terms of a franchise are included in operating costs. Turnover also includes amounts attributable to the train operating companies ("TOCs"), predominantly based on models of route usage, by the Railway Settlement Plan in respect of passenger receipts. Where season tickets are issued in excess of one week's duration, the attributable share of income is deferred within creditors and is recognised in the profit and loss account over the period covered by the season ticket

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

1. Principal accounting policies (continued)

(k) Share based payment

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. 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.

2. Turnover and profit on ordinary activities before taxation

Turnover represents the amounts receivable for services supplied to customers during the year and includes rail support grants and amounts receivable for tendered services and concessionary fare schemes.

The whole of the turnover and profit on ordinary activities before taxation derives from the company's principal activities within the United Kingdom. The company has one principal class of business, namely, the provision of passenger transport services.

3. Operating costs

	Notes	2007 £000	2006 £000
Raw materials and consumables		64,169	-
Staff costs	5	164,684	-
Other external charges		428,462	-
Restructuring and other exceptional costs	4	22,901	-
Depreciation and other amounts written off tangible fixed assets and intangible fixed assets		7,283	-
		<u>687,499</u>	<u>-</u>

4. Restructuring and other exceptional costs

Transition costs of £22.9m (2006: £nil) were incurred on the mobilisation of the First Great Western franchise and subsequent train refurbishment obligations.

The tax effect of these exceptional items was a credit of £6.87m.

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

5. Employee numbers and costs

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

	2007	2006
	No.	No.
Traincrew including traincrew management	2,008	-
Maintenance	967	-
Customer service	1,340	-
Administration	139	-
	<u>4,454</u>	<u>-</u>

The aggregate payroll costs of these persons were as follows

	2007	2006
	£000	£000
Wages and salaries	136,580	-
Social security costs	10,804	-
Other pension costs	17,300	-
	<u>164,684</u>	<u>-</u>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

6. Directors' remuneration

Certain directors received remuneration from FirstGroup plc, the ultimate parent company, in the current and prior years, details of which are disclosed in its reports and accounts. It is not considered practicable to allocate this between services provided to that company, and services provided in their capacity as directors to First Greater Western Limited. Details of retirement benefits accruing to the directors under the group defined benefit schemes are detailed in the financial statements of FirstGroup plc.

The remuneration of the directors during the year paid by First Greater Western Limited was as follows

	2007 £000	2006 £000
Aggregate emoluments (excluding pension contributions)	1,560	-
Company pension contributions to money purchase scheme	-	-
Fees for services	-	-
	<u>1,560</u>	<u>-</u>

Directors' emoluments include salary, fees, bonuses, 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, company pension contributions and payments made under long-term incentive schemes.

The emoluments of the highest paid director amounted to

	2007 £000	2006 £000
Aggregate emoluments	363	-
Company pension contributions to money purchase scheme	-	-
	<u>363</u>	<u>-</u>
<i>Defined benefit scheme</i>		
Accrued pension at end of year	77	-
Accrued lump sum at end of year	36	-
	<u>77</u>	<u>-</u>

The highest paid director exercised share options during the year and became entitled to receive shares under the FirstGroup long-term incentive plan.

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

7. Share based payments

Save as you earn (SAYE)

The company's ultimate parent operates an Inland Revenue approved savings related share option scheme. Grants were made in December 2002, December 2003, December 2004, April 2006 and December 2006. 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 Lloyds TSB. 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 as follows

	SAYE 2002 Options No.	SAYE 2003 Options No.	SAYE 2004 Options No.	SAYE April 2006 Options No.	SAYE Dec 2006 Options No.
Outstanding at beginning of the year	343,812	1,193,778	2,469,178	-	-
Granted during the year	-	-	-	1,996,187	2,478,422
Exercised during the year	(193,336)	(1,054,698)	(16,601)	(2,142)	-
Lapsed during the year	(150,476)	(36,134)	(156,790)	(112,252)	(22,934)
Outstanding at the end of the year	-	102,946	2,295,787	1,881,793	2,455,488
Exercisable at the end of the year	-	102,946	-	-	-
Weighted average exercise price (pence)	192.0	232.0	267.0	325.0	444.0
Weighted average share price at date of exercise (pence)	426.5	598.4	562.3	611.6	N/A

The inputs into the Black-Scholes model are as follows

	SAYE 2007 Dec 2006	SAYE 2007 Apr 2006
Weighted average share price (pence)	555.0	406.2
Weighted average exercise price (pence)	444.0	325.0
Expected volatility	35%	35%
Expected life	3 Years	3 Years
Risk-free rate	5.0%	4.4%
Expected dividend yield	3.5%	4.5%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five years. 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.

Allowances have been made for the SAYE schemes for the fact that, amongst a group of recipients some are expected to leave before an entitlement vests. The accounting charge is then adjusted over the vesting period to take account of actual forfeitures, so although the total charge is unaffected by the pre-vesting forfeiture assumption, the timing of the recognition of the expense will be sensitive to it. Fair values for the SAYE include a 10% pre-vesting leaver assumption whereas the Executive and deferred share plans exclude any allowance for the pre-vesting forfeitures.

First Greater Western Limited

Notes to the financial statements

Year ended 31 March 2007

7. Share based payments (continued)

The group used the inputs noted above to measure the fair value of the new share options

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 £211,000 (2006 £nil) relating to equity-settled share-based payment transactions

8. Net interest receivable

	2007 £000	2006 £000
<i>Interest payable</i>		
Amounts payable to other group undertakings	(651)	-
Interest on pension scheme liabilities	(12,100)	-
	<u>(12,751)</u>	<u>-</u>
<i>Interest receivable</i>		
Bank interest	1,482	-
Return on pension scheme assets	16,800	-
	<u>18,282</u>	<u>-</u>
Net Interest Credit	<u>5,531</u>	<u>-</u>

9 Profit on ordinary activities before taxation

	2007 £000	2006 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration		
- Deloitte & Touche LLP audit fee	64	-
Depreciation and other amounts written off tangible fixed assets		
- owned assets	3,569	-
Amortisation of intangible assets	3,714	-
Rentals payable under operating leases		
- plant and machinery	63,072	-
- other operating leases	218,442	-
Net rents receivable from property	<u>(5,497)</u>	<u>-</u>

Fees payable to Deloitte & Touche LLP and their associates 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. The audit fee in the prior year was borne by another group company

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

10. Tax charge on profit on ordinary activities

	2007 £000	2006 £000
Current taxation		
- UK corporation tax charge for the year	1,436	-
- Group relief payable/(receivable)	4,065	-
Total current taxation	5,501	-
Deferred taxation		
- Origination and reversal of timing differences	(2,181)	-
- Deferred taxation on pension scheme movements	2,434	-
Total deferred taxation	253	-
Total tax charge on profit on ordinary activities	5,754	-

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 30% (2006 30%). 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

	2007 %	2006 %
Standard rate of taxation	30.0	-
Factors affecting charge		
- Expenses not deductible for tax purposes	(0.5)	-
- Capital allowances in excess of depreciation	(10.5)	-
- Other timing differences	9.2	-
Current taxation rate for the year	28.2	-

11. Dividends

	2007 £000	2006 £000
Amounts recognised as distributions to equity holders in the period		
Interim dividend for the year ended 31 March 2007 of £13.608m per share	13,608	-
	13,608	-

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

12. Intangible fixed assets

	Pension Asset £000
Cost	
At 1 April 2006	-
Additions	26,000
At 31 March 2007	<u>26,000</u>
Amortisation	
At 1 April 2006	-
Charge for year	3,714
At 31 March 2007	<u>3,714</u>
Net book value	
At 31 March 2007	<u>22,286</u>
At 31 March 2006	<u>-</u>

First Greater Western Limited set up an intangible pension asset to the value of £26 0 million. This was equivalent to the value of the deficit under FRS 17 on commencement of the franchise, in order to offset the liability arising prior to the franchise term. This asset has been capitalised and written off on a straight line basis over the initial franchise term of seven years.

13. Tangible fixed assets

	Passenger carrying vehicle fleet £000	Other plant and equipment £000	Total £000
Cost			
At 1 April 2006	-	-	-
Additions	38,006	18,725	56,731
At 31 March 2007	<u>38,006</u>	<u>18,725</u>	<u>56,731</u>
Depreciation			
At 1 April 2006	-	-	-
Charge for year	2,564	1,005	3,569
At 31 March 2007	<u>2,564</u>	<u>1,005</u>	<u>3,569</u>
Net book value			
At 31 March 2007	<u>35,442</u>	<u>17,720</u>	<u>53,162</u>
At 31 March 2006	<u>-</u>	<u>-</u>	<u>-</u>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

14. Stock

	2007 £000	2006 £000
Spare parts and consumables	8,852	-

There is no material difference between the balance sheet value of the stocks and their replacement cost

15. Debtors

	2007 £000	2006 £000
Trade debtors	33,357	-
Amounts owed by group undertakings	961	-
VAT	7,761	-
Other debtors	67	804
Other prepayments and accrued income	6,227	-
Deferred tax asset (note 18)	2,181	-
	<u>50,554</u>	<u>804</u>

16. Cash at Bank and in hand

	2007 £000	2006 £000
Bank deposits	29,175	14,931

17. Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	52,030	-
Amounts owed to group undertakings	22,286	15,735
Group tax relief	1,904	-
Other tax and social security	3,433	-
Other creditors	14,188	-
Accruals and deferred income	53,222	-
	<u>147,063</u>	<u>15,735</u>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

18 Deferred tax asset

	£000
At 1 April 2006	-
Credited to the profit and loss account	2,181
	<hr/>
At 31 March 2007	2,181
	<hr/>

The deferred tax asset consists of the following amounts

	2007 £000	2006 £000
Capital allowances in excess of depreciation	(3,184)	-
Other timing differences	5,365	-
	<hr/>	<hr/>
Deferred tax asset	2,181	-
	<hr/>	<hr/>

19. Called up share capital

	2007 £	2006 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
1 ordinary share of £1 each	1	1
	<hr/>	<hr/>

20. Profit & Loss Account

	£000
At 1 April 2006	-
Share based payments	211
Dividends paid	(13,608)
Retained profit for the year	13,756
	<hr/>
Profit and loss account excluding pension asset	359
Actuarial gain relating to the pension scheme	5,300
UK deferred taxation attributable to actuarial gain	(1,590)
	<hr/>
At 31 March 2007	4,069
	<hr/>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

21. Commitments

Capital commitments at the end of the year for which no provision has been made are as follows

	2007 £000	2006 £000
Contracted for but not provided	158,757	-

Operating leases

Commitments for payments in the next year under operating leases are as follows

	2007		2006	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire				
Within one year	9	577	-	-
Between two and five years	29	331	-	-
After five years	311	273,616	-	-
	<u>349</u>	<u>274,524</u>	<u>-</u>	<u>-</u>

22. Pension scheme

Railways Pension Scheme – First Great Western Section

The company is a member of a defined benefit pension scheme, which is funded. All eligible employees are offered membership of the Railways Pension Scheme. The valuation of the scheme was carried out by independent actuaries as at 31 December 2004 in respect of the costs used in these financial statements. The actuarial valuation was updated at 31 March 2006, at this date the market value of the scheme's assets totalled £423.8m. The actuarial value of these assets was sufficient to cover 98% of the benefits, which had accrued to the scheme's members.

Contributions are paid to the scheme at rates recommended by the actuaries and the assets of the scheme are held in a separately administered trust. The schemes' assets are held and managed independently of the company's finances by independent investment managers appointed by the trustees of the scheme. The current contribution rate is 10.5% for employees and 15.75% for employers.

The actuarial assumptions used in determining the last full actuarial valuation were that the rate of return on investments will be 7.5% per annum, the rate of earnings increase will be 4.1% per annum and the rate of inflation will be 2.6% per annum. The valuation was made using the projected unit method.

Under the terms of the Railways Pension Scheme (RPS) the employer (60%) and the employees (40%) share any fund deficit.

The current service pension cost relating to this scheme in the year was £17.3m.

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

22. Pension scheme (continued)

The main financial assumptions used in this update were as follows

	2007	2006	2005
Rate of increase in salaries	4.30%	-	-
Rate of increase of pensions in payment	2.80%	-	-
Rate of increase of pensions in deferment	2.80%	-	-
Discount rate	5.45%	-	-
Inflation assumption	2.80%	-	-

The assets in the scheme and the expected rate of return were

	2007 Expected rate of return	2006 Expected rate of return	2005 Expected rate of return	2007 Value £000	2006 Value £000	2005 Value £000
Equities	8.45%	-	-	290,100	-	-
Bonds	4.80%	-	-	42,700	-	-
Property	6.30%	-	-	56,200	-	-
Other	4.00%	-	-	34,827	-	-
				<u>423,827</u>	<u>-</u>	<u>-</u>

The balance sheet position for the company

	2007 £000	2006 £000	2005 £000
Total fair value of assets	423,827	-	-
Present value of scheme liabilities	(432,500)	-	-
Deficit in the scheme	(8,673)	-	-
Rail franchise adjustment	(3,300)	-	-
Adjustment from employee share of deficit	3,100	-	-
Liability recognised in balance sheet	(8,873)	-	-
Related deferred tax liability	(4,024)	-	-
Net pension liability	<u>(12,897)</u>	<u>-</u>	<u>-</u>

Analysis of amount charged to operating profit

	2007 £000	2006 £000
Current service costs	17,300	-
Total operating charge	<u>17,300</u>	<u>-</u>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

22. Pension scheme (continued)

Amounts credited to net finance income

	2007 £000	2006 £000
Expected return on pension scheme assets	16,800	-
Interest on pension scheme liabilities	(12,100)	-
Net return credited as finance income	4,700	-

Amounts recognised in the statement of total recognised gains and losses

	2007 £000	2006 £000
Actual return less expected return on pension scheme assets	5,900	-
Experience gains and losses arising on scheme liabilities	7,600	-
Actuarial loss due to franchise adjustments after cost sharing	(8,200)	-
Total gain recognised in STRGL for year ended 31 March 2007	5,300	-

Movement in scheme surplus/(deficit) during the year

	2007 £000	2006 £000
Surplus/(deficit) at beginning of year after franchise adjustment and cost sharing	-	-
Movement in year		
New franchise awarded	(26,000)	-
Current service cost	(17,300)	-
Contributions	24,427	-
Net finance income	4,700	-
Actuarial gain	5,300	-
Deficit at end of year after franchise adjustment and cost sharing	(8,873)	-

History of experience gains and losses

	2007	2006
Difference between the expected and actual return on scheme assets		
Amount (£000)	5,900	-
Percentage of scheme assets (%)	1.4%	-
Experience gains and losses on scheme liabilities		
Amount (£000)	7,600	-
Percentage of the present value of scheme liabilities (%)	1.8%	-
Total actuarial gain in the statement of total recognised gains and losses		
Amount (£000)	5,300	-
Percentage of the present value of scheme liabilities (%)	1.2%	-

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2007

23. Related party transactions

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

24. Ultimate parent company

The directors regard FirstGroup plc, a company incorporated in Great Britain and registered in Scotland, as the ultimate parent 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 50 Eastbourne Terrace, Paddington, London, W2 6LX