

Company Registration No. 5113733

First Greater Western Limited

Report and Financial Statements

31 March 2009

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First Greater Western Limited

Report and financial statements 2009

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Directors' report

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 2009.

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.

Business review

We are pleased with First Greater Western's improved performance and customer service but we believe there is more to do and we remain committed to achieving further progress. As a result of our investment and the changes we made last year First Greater Western's Public Performance Measure (PPM) has improved from just over 83% at the start of the year to over 90% at the year end on a Moving Annual Average (MAA) basis. This represents a significant improvement and First Greater Western has improved its position from the bottom of the national rail industry league table to be in line with the industry average. First Greater Western's punctuality and reliability levels are ahead of the targets we agreed with the Department for Transport in February 2008 as part of an action plan to improve performance.

80% of First Greater Western customers interviewed for the Autumn 2008 National Passenger Survey (NPS) thought the overall service was either good or satisfactory. This is a seven-point improvement on First Greater Western's NPS scores in Spring 2008 and Autumn 2007. Over the next two years all of our first line teams will go through our £4m Putting Customers First development programme that was designed to further increase customer's satisfaction levels.

We continue to invest in our fleet to improve our customers' experience of travelling with First Greater Western. The refresh of our West Country regional train fleet is almost complete. The programme provides a more comfortable and cleaner on-board environment for passengers and includes a range of technical improvements to make the trains more reliable. We recently completed the development of our St Philips Marsh depot in Bristol to support the maintenance and servicing of the West Country regional fleet. During the year we also invested £2m to refresh the Sleeper fleet, which runs between London Paddington and Penzance and leased five Class 150 units from Arriva Trains Wales to strengthen capacity on the busy Cardiff-Portsmouth services. Passengers on branch lines in Devon have also benefited from capacity increases, especially in the Exeter area.

We have continued to deliver better facilities for our customers. Maidenhead station received major improvements and an extension to the platform allowing High Speed Trains to stop during engineering work. We have also created a new waiting room at Swindon Station and upgraded facilities at Newbury and Cheltenham. Stations on the Heart of Wessex route have seen substantial improvements including repainting, new shelters and waiting rooms. In addition, car parks at Didcot Parkway, Pewsey, Stroud and Twyford stations have been refurbished. Our franchise commitment to improve safety and security at our stations by rolling out Secure Station status has been met with 171 stations accredited by the end of March 2009.

First Greater Western continues to work in partnership with Network Rail to address the challenges posed by the ageing infrastructure on the Western route. We are pleased that the £7m joint investment by First Greater Western and Network Rail to upgrade the majority of the Reading to London Paddington relief line to 90mph was completed during the year. The upgrade has increased capacity and improved journey times for passengers in the Thames Valley and on longer distance high-speed services.

First Greater Western Limited

Directors' report (continued)

We are working closely with Network Rail on plans to improve the North Cotswold Line. This summer Network Rail intends to complete the first phase of engineering works in preparation for the restoration of a two-track railway between Charlbury and Evesham during 2010. This will ease congestion on the line, help improve punctuality and could also lead to an increase in the number of train services and a reduction in journey times.

First Greater Western is also working with the Department for Transport, Network Rail and Reading Borough Council on the £425m Reading-remodelling project. The current track layout and signalling severely limits the number of services that can travel through the station and the Government funded programme will tackle this bottleneck. This investment will benefit passengers across the First Greater Western network by increasing capacity and improving reliability.

Operational train performance improved substantially during the year with the rail industry measure of performance – Public Performance Measure (PPM) – at 90.5% for the full year to 31 March 2009 (2008: 83.1%); the final four periods of the year averaged 92%.

The company made an operating loss of £12.8m (2008: £6.5m profit) on turnover of £766.7m (2008: £705.4m). Turnover from Passenger Receipts has increased 7% year on year (2009: £656.9m versus 2008: £613.7m). The operating loss reflected the impact of the weakening economy and in particular in London. Despite the high fixed cost nature of the rail industry we are committed to a substantial cost reduction programme to ensure that we remain in a position to respond to economic conditions in the year ahead. We have already implemented significant cost efficiency actions this year, including a headcount reduction programme, and will continue to focus on our addressable cost base in the year ahead. The revenue support has/will considerably mitigate the impact of the recession on our rail revenues. First Greater Western has received revenue support at the 80% level from the DfT since 1 April 2008.

Principal Risks and Uncertainties

Rail franchise agreements

The company is required to comply with certain conditions as part of its rail franchise agreement. If it fails to comply with these conditions, it may be liable to penalties including the potential termination of the rail franchise agreement. This would result in the company losing the right to continue operating the affected operations and consequently, the related revenues or cash flows. The company may also lose some or all of the amounts set aside as security for its performance bond and the season ticket bond. Compliance with franchise conditions are closely managed and monitored on a monthly basis by senior management and procedures are in place to minimise the risk of non-compliance.

Legislation and regulation

Our business is subject to numerous laws regulating safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage and other operating issues and considerations. These laws and regulations are constantly subject to change. The costs associated with complying with the adoption of new legislation, regulations or other laws could adversely impact the results of our operations. To help mitigate the risk of legislative or regulatory changes the company and FirstGroup plc regularly lobbies both government and transport bodies.

First Greater Western Limited

Directors' report (continued)

Labour costs

Labour costs represent a significant component of the company's operating costs. Labour shortages, or low unemployment rates, could hinder the company's ability to recruit and retain qualified employees leading to a higher than expected increase in the cost of recruitment, training and other staff costs. To mitigate this risk, the company seeks to structure its recruitment and retain the right people.

Fuel costs

Fuel prices and supply levels can be influenced significantly by international, political and economic circumstances. If fuel supply shortages were to arise because of national strikes, world supply difficulties, disruption of refining capacity or oil imports the resultant higher fuel prices and disruption to services could adversely impact the company's operating results. To mitigate the risks of rising fuel costs the company works with FirstGroup Plc who regularly enters into forward contracts to buy fuel at fixed prices. In addition the company seeks to limit the impact of unexpected fuel price rises through efficiency and pricing measures.

Terrorism

Terrorist acts and the public's concerns about potential attacks could adversely affect demand for our services. More particularly if we were to be perceived as not taking all reasonable precautions to guard against potential terrorist acts this could adversely affect our reputation with the public. The company has a Head of Security who is responsible for improved security awareness, the application of good practice in the implementation of security measures, and the development and training of our employees so that they can respond effectively to any perceived threat or incident.

Economy

The level of economic activity affects the number of train journeys taken by passengers in the UK. Any changes in economic activity may impact upon the passenger numbers and hence our operations. The potential impact of this is reduced on the company due to the existence of a revenue support arrangement..

Financial matters

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

The directors have not recommended the payment of a final dividend (2008: £nil); no interim dividend was paid during the year (2008: £nil).

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 2009 the company had 21 days' purchases outstanding (2008: 23 days).

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.

First Greater Western Limited

Directors' report (continued)

Directors

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

Directors who held office throughout the year;

Dr Benjamin Caswell
Kevin Gale
David Gausby
Paul Furze-Waddock
Andrew Mellors
Clive Burrows
James Burt
Mark Hopwood

Directors who were appointed in 2008-09;

Mary Grant	(appointed 18 March 2009)
Martin Stoolman	(appointed 11 June 2008)
Peter Carr	(appointed 11 June 2008, resigned 18 March 2009)

Directors who resigned in 2008-09;

Robert Breakwell	(resigned 18 March 2009)
Commander Charles Howeson	(resigned 18 March 2009)
Andrew Haines	(resigned 28 November 2008)
Thomas Stables	(resigned 3 September 2008)

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.

Going concern

The Directors have considered the Going Concern assumption given the current 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 and the financial commitment from the parent company in forming this judgment.

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.

First Greater Western Limited

Directors' report (continued)

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 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



Dr Benjamin Caswell
Director

Date: 25 JUNE 2019

Milford House
1 Milford Street
Swindon
SN1 1HL

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 applicable law and regulations.

Company law requires the directors to prepare financial statements for each year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accountancy standards and applicable law). The financial statements are required by law to 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 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 UK 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 2009 which comprise the profit and loss account, the balance sheet, the reconciliation of movement in shareholder's funds, the statement of total recognised gains and losses, and the related notes 1 to 25. 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 2009 and of its loss 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 LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

25 June 2009

First Greater Western Limited

Profit and loss account Year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Turnover	2	766,710	705,441
Operating costs			
- General		(771,807)	(678,443)
- Restructuring and other exceptional costs	4	(4,002)	(16,822)
- Intangible asset amortisation		(3,714)	(3,715)
Total operating costs	3	(779,523)	(698,980)
(Loss) / profit on ordinary activities before interest		(12,813)	6,461
Net interest receivable	8	299	4,393
(Loss) / profit on ordinary activities before taxation	9	(12,514)	10,854
Tax credit / (charge) on (loss) / profit on ordinary activities	10	3,324	(3,041)
Retained (loss) / profit for the year, transferred to reserves	21	(9,190)	7,813

All activities relate to continuing operations.

First Greater Western Limited

Balance Sheet At 31 March 2009

	Notes	£000	2009 £'000	£000	2008 £'000
Assets employed:					
Fixed assets					
Intangible assets	12		14,857		18,571
Tangible assets	13		101,370		101,202
			<u>116,227</u>		<u>119,773</u>
Current assets					
Stocks	14	15,764		11,801	
Debtors	15	60,828		69,960	
Cash at bank and in hand	16	95,636		68,918	
		<u>172,228</u>		<u>150,679</u>	
Creditors: amounts falling due within one year	17	<u>(207,601)</u>		<u>(232,728)</u>	
Net current liabilities			<u>(35,373)</u>		<u>(82,049)</u>
Total assets less current liabilities			<u>80,854</u>		<u>37,724</u>
Creditors: amounts falling due after more than one year	18		(53,143)		-
Provisions for liabilities and charges	19		<u>(4,501)</u>		<u>(5,015)</u>
Net assets excluding pension liability			23,210		32,709
Pension liability	23		<u>(14,790)</u>		<u>(18,412)</u>
Net assets			<u>8,420</u>		<u>14,297</u>
Financed by:					
Capital and reserves					
Called up share capital	20		-		-
Profit and loss account	21		8,420		14,297
Shareholder's funds			<u>8,420</u>		<u>14,297</u>

These financial statements were approved by the Board of directors on **25 JUNE 2009** and were signed on its behalf by:

Dr Benjamin Caswell
Director

BD 

First Greater Western Limited

Reconciliation of movements in shareholder's funds Year ended 31 March 2009

	2009 £'000	2008 £'000
(Loss) / profit for the financial year	(9,190)	7,813
Other recognised gains and losses relating to the year (net)	2,907	2,074
	<u>(6,283)</u>	<u>9,887</u>
Share based payments	406	341
Net (reduction) / addition to shareholder's funds	<u>(5,877)</u>	<u>10,228</u>
Opening shareholder's funds	14,297	4,069
Closing shareholder's funds	<u>8,420</u>	<u>14,297</u>

Statement of total recognised gains and losses

	2009 £'000	2008 £'000
(Loss) / profit for the financial year	(9,190)	7,813
Actuarial gain relating to the pension scheme	4,037	2,734
UK deferred taxation attributable to actuarial gain	(1,130)	(660)
Total recognised gains and losses for the year	<u>(6,283)</u>	<u>9,887</u>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

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 on the historical cost basis and on a going concern basis as described in the going concern statement in the Directors' Report on page 4.

(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 lives as follows:

Intangible pension asset	-	7 years straight line
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(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 2009**

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.

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 of 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.

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Notes to the financial statements Year ended 31 March 2009

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.

	2009 £'000	2008 £'000
Passenger receipts	656,891	613,732
Support grants	56,690	49,371
Other revenue	53,129	42,338
	<u>766,710</u>	<u>705,441</u>

3. Operating costs

	Notes	2009 £'000	2008 £'000
Raw materials and consumables		73,952	66,194
Staff costs	5	201,912	187,424
Other external charges		471,414	411,449
Restructuring and other exceptional costs	4	4,002	16,822
Profit on disposal of tangible fixed assets		(21)	(116)
Depreciation and other amounts written off tangible fixed assets and intangible fixed assets		28,264	17,207
		<u>779,523</u>	<u>698,980</u>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

4. Restructuring and other exceptional costs

Restructuring costs of £4m were charged to the profit and loss account (2008: £16.8m, part of a remedial action plan agreed with the Department for Transport, the action plan is to deliver a substantial package of passenger benefits to improve punctuality, upgrade customer information systems and reduce overcrowding). The restructuring costs were incurred during the year comprising redundancy and associated costs in relation to the cost reduction action plan.

The tax effect of these exceptional items was a credit of £1.12m (2008: £4.71m).

5. Employee numbers and costs

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

	2009 No.	2008 No.
Traincrew including traincrew management	2,296	2,049
Maintenance	1,055	1,016
Customer service	1,320	1,379
Administration	234	140
	<u>4,905</u>	<u>4,584</u>

The aggregate payroll costs of these persons were as follows:

	2009 £'000	2008 £'000
Wages and salaries	170,769	157,365
Social security costs	13,203	12,492
Other pension costs	17,940	17,567
	<u>201,912</u>	<u>187,424</u>

6. Directors' remuneration

Certain directors received remuneration from FirstGroup plc, the ultimate parent company, and First Rail Holdings Limited, the immediate parent company, in the current and prior years. Details of which are disclosed in their report and accounts. Other than for Andrew Haines it is not considered practicable to allocate the remuneration between services provided to those companies, 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.

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

6. Directors' remuneration (continued)

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

	2009 £'000	2008 £'000
Aggregate emoluments (excluding pension contributions)	1,407	1,248
	<u>1,407</u>	<u>1,248</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:

	2009 £'000	2008 £'000
Aggregate emoluments	254	190
	<u>254</u>	<u>190</u>
<i>Defined benefit scheme</i>		
Accrued pension at end of year	2	73
Accrued lump sum at end of year	3	43
	<u>3</u>	<u>43</u>

The highest paid director 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 2009

7. Share based payments

Save as you earn (SAYE)

The company's ultimate parent company operates an Inland Revenue approved savings related share option scheme. Grants were made in December 2002, December 2003, December 2004, April 2006, December 2006, December 2007 and December 2008. 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 and Yorkshire Building Society. 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 Dec 2004 Options No.	SAYE April 2006 Options No.	SAYE Dec 2006 Options No.	SAYE Dec 2007 Options No.	SAYE Dec 2008 Options No.
Outstanding at beginning of the year	204,971	1,749,573	2,285,740	2,363,117	-
Granted during the year	-	-	-	-	2,542,138
Exercised during the year	(134,425)	(14,085)	(11,938)	(65)	-
Lapsed during the year	(70,546)	(135,470)	(295,723)	(588,621)	(47,816)
Outstanding at the end of the year	-	1,600,018	1,978,079	1,774,431	2,494,322
Exercisable at the end of the year	-	-	-	-	-
Weighted average exercise price (pence)	267.0	325.0	444.0	583.0	371.0
Weighted average share price at date of exercise (pence)	534.7	487.7	442.8	576.2	N/A

The inputs into the Black-Scholes model are as follows:

	SAYE 2009 Dec 2008	SAYE 2008 Dec 2007
Weighted average share price (pence)	407.3	714.0
Weighted average exercise price (pence)	315.0	583.0
Expected volatility	30%	25%
Expected life	3 Years	3 Years
Risk-free rate	2.7%	4.5%
Expected dividend yield	3.0%	2.5%

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% p.a. pre-vesting leaver assumption whereas the Executive, LTIP 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 2009

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 £406,000 (2008: £341,000) relating to equity-settled share-based payment transactions.

8. Net interest receivable

	2009 £'000	2008 £'000
<i>Interest payable</i>		
Amounts payable to other group undertakings	(3,206)	(2,690)
Other interest payable	(13)	(6)
Interest on pension scheme liabilities	(17,702)	(14,228)
	<u>(20,921)</u>	<u>(16,924)</u>
<i>Interest receivable</i>		
Bank interest	337	2,334
Return on pension scheme assets	20,883	18,983
	<u>21,220</u>	<u>21,317</u>
Net Interest Receivable	<u>299</u>	<u>4,393</u>

9. (Loss) / profit on ordinary activities before taxation

	2009 £'000	2008 £'000
(Loss) / profit on ordinary activities before taxation is stated after charging / (crediting):		
Auditors' remuneration		
- Deloitte LLP audit fee for the audit of the annual accounts	95	64
- Deloitte LLP non-audit fee for other services	9	4
Depreciation and other amounts written off tangible fixed assets		
- owned assets	24,550	13,492
Amortisation of intangible assets	3,714	3,715
Rentals payable under operating leases		
- plant and machinery	58,703	58,341
- other operating leases	249,940	223,080
Net rents receivable from property	<u>(6,377)</u>	<u>(5,615)</u>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

10. Tax charge on profit on ordinary activities

	2009 £'000	2008 £'000
Current taxation		
- UK corporation tax charge for the year	-	-
- Group relief payable	(3,912)	1,027
- Adjustment in respect of prior years	2,269	(561)
Total current taxation	(1,643)	466
Deferred taxation		
- Origination and reversal of timing differences	1,543	6,318
- Effect of decrease in tax rate on opening asset	-	93
- Adjustment in respect of prior years	(2,057)	785
	(514)	7,196
Deferred taxation on pension schemes		
- Origination and reversal of timing differences	(1,167)	(4,459)
- Effect of decrease in tax rate on opening pension liability	-	(162)
	(1,167)	(4,621)
Total deferred taxation	(1,681)	2,575
Total tax charge on profit on ordinary activities	(3,324)	3,041

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 28% (2008: 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:

	2009 %	2008 %
Standard rate of taxation	28.0	30.0
Factors affecting charge		
- Expenses not deductible for tax purposes	-	(2.5)
- Capital allowances in excess of depreciation	(9.4)	(38.0)
- Other timing differences	12.5	20.0
- Adjustment in respect of prior years	(18.1)	(5.2)
Current taxation rate for the year	13.1	4.3

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

11. Dividends

	2009 £'000	2008 £'000
Amounts recognised as distributions to equity holders in the period:	-	-
Interim dividend for the year ended 31 March 2009 of £nil per share (2008:£nil per share)	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

12. Intangible fixed assets

	Pension Asset £000
Cost	
At 1 April 2008	26,000
Additions	-
	<u>26,000</u>
At 31 March 2009	<u>26,000</u>
Amortisation	
At 1 April 2008	7,429
Charge for year	3,714
	<u>11,143</u>
At 31 March 2009	<u>11,143</u>
Net book value	
At 31 March 2009	<u>14,857</u>
At 31 March 2008	<u>18,571</u>

First Greater Western Limited set up an intangible pension asset to the value of £26.0m. 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 is being written off on a straight-line basis over the initial franchise term of seven years.

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

13. Tangible fixed assets

	Passenger carrying vehicle fleet £000	Other plant and equipment £000	Total £000
Cost			
At 1 April 2008	101,195	16,435	117,630
Additions	21,190	13,884	35,074
Disposals	-	(10,360)	(10,360)
At 31 March 2009	122,385	19,959	142,344
Depreciation			
At 1 April 2008	14,550	1,878	16,428
Charge for year	22,220	2,330	24,550
Disposals	-	(4)	(4)
At 31 March 2009	36,770	4,204	40,974
Net book value			
At 31 March 2009	85,615	15,755	101,370
At 31 March 2008	86,645	14,557	101,202

14. Stock

	2009 £'000	2008 £'000
Spare parts and consumables	15,764	11,801

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

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

15. Debtors

	2009 £'000	2008 £'000
Amounts falling due within one year:		
Trade debtors	38,715	44,404
Amounts owed by group undertakings	175	1,852
Group tax relief	616	3,737
Corporation tax	4,202	-
VAT	3,984	1,021
Other debtors	526	311
Other prepayments and accrued income	12,610	18,635
	<u>60,828</u>	<u>69,960</u>

16. Cash at bank and in hand

	2009 £'000	2008 £'000
Bank deposits	<u>95,636</u>	<u>68,918</u>

Cash and cash equivalents includes ring-fenced cash of £95.1m (2008: £68.9m). Under the terms of the franchise agreement, cash can only be distributed by the company either up to the amount of retained profits or the amount determined by prescribed liquidity ratios. The ring-fenced cash represents that which is not available for distribution or the amount required to satisfy the liquidity ratios at the balance sheet date.

17. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	60,293	67,435
Amounts owed to group undertakings	55,441	74,779
Other tax and social security	8,027	3,881
Other creditors	19,155	16,469
Accruals and deferred income	64,685	70,164
	<u>207,601</u>	<u>232,728</u>

Amounts owed to group undertakings include a loan of £41m (2008 £72m) from FirstGroup plc. This loan is repayable on demand to the extent that the company is not in breach of its financial ratios defined in its franchise agreement. The interest rate on the loan is LIBOR plus 2.5%. Also included within group undertakings is £8.857m of the £62m loan from First Group (note 18).

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

18. Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Amounts owed to group undertakings	53,143	-
	<u>53,143</u>	<u>-</u>

Amounts owed to group undertakings include a loan of £62m (2008 £nil) from FirstGroup plc. This loan is repayable over 7 years and was taken out to fund the high-speed train rolling stock refurbishment programme. The interest rate on the loan is fixed at 7%. Of the £62m loan, £8.857m is payable within one year and £53.143m is due after more than one year.

19. Provisions for liabilities and charges

Deferred tax liability

	£000
At 1 April 2008	(5,015)
Credit to the profit and loss account	514
At 31 March 2009	<u>(4,501)</u>

The deferred tax liability consists of the following amounts:

	2009 £'000	2008 £'000
Capital allowances in excess of depreciation	(5,792)	(6,330)
Other timing differences	1,291	1,315
Deferred tax liability	<u>(4,501)</u>	<u>(5,015)</u>

20. Called up share capital

	2009 £	2008 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

21. Profit and loss account

	£000
At 1 April 2008	14,297
Share based payments	406
Retained loss for the year	(9,190)
	<hr/>
Profit and loss account excluding pension asset for the year	5,513
Actuarial gain relating to the pension scheme	4,037
UK deferred taxation attributable to actuarial gain	(1,130)
	<hr/>
At 31 March 2009	<u>8,420</u>

22. Commitments

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

	2009	2008
	£'000	£'000
Contracted for but not provided	<u>68,739</u>	<u>100,618</u>

Operating leases

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

	2009		2008
	Land and	Other	Land and
	Buildings		Buildings
	£000	£000	£000
Operating leases which expire:			
Within one year	13	6,114	16
Between two and five years	<u>519</u>	<u>288,308</u>	<u>555</u>
	<u>532</u>	<u>294,422</u>	<u>571</u>
			<u>275,205</u>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

23. Pension scheme

Railways Pension Scheme – First Greater 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 2007 in respect of the costs used in these financial statements. The actuarial valuation was updated at 31 March 2009; at this date the market value of the scheme's assets totalled £309.2m. The actuarial value of these assets was sufficient to cover 76% (2008: 96%) 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 scheme's assets are held and managed independently of the company's finances by independent investment managers appointed by the trustees of the scheme. The 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 7.1% per annum; the rate of earnings increase will be 4.2% per annum and the rate of inflation will be 3.2% 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 £17.9m.

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

	2009	2008	2007
Rate of increase in salaries	4.10%	4.80%	4.30%
Expected return on scheme assets	7.75%	7.85%	7.50%
Rate of increase of pensions in payment	2.50%	3.30%	2.80%
Rate of increase of pensions in deferment	2.50%	3.30%	2.80%
Discount rate	6.75%	6.85%	5.45%
Inflation assumption	2.60%	3.30%	2.80%

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

	2009	2008	2007	2009	2008	2007
	Expected	Expected	Expected	Value	Value	Value
	rate of	rate of	rate of	£000	£000	£000
	return	return	return			
Equities	8.65%	8.95%	8.45%	185,328	259,435	290,100
Bonds	6.50%	5.50%	4.80%	32,661	36,550	42,700
Property	6.80%	6.80%	6.30%	31,572	40,975	56,200
Other	8.25%	8.63%	4.00%	59,604	70,768	34,827
				<u>309,165</u>	<u>407,728</u>	<u>423,827</u>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

23. Pension scheme (continued)

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	Notes	2009 £'000	2008 £'000
Current service costs	5	17,940	17,567
Interest cost		17,294	14,050
Expected return on scheme assets		(20,883)	(18,983)
Interest on franchise adjustment		408	178
	8	<u>(3,181)</u>	<u>(4,755)</u>
		<u>14,759</u>	<u>12,812</u>

Actuarial gains and losses have been reported in the statement of recognised income and expense. The actual return on scheme assets was £(88.6)m (2008: £30.7)m.

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit pension schemes is as follows:

	2009 £'000	2008 £'000
Fair value of schemes' assets	309,165	407,728
Present value of defined benefit obligations	<u>(407,765)</u>	<u>(425,573)</u>
Deficit in the scheme	(98,600)	(17,845)
Rail franchise adjustment (60%)	45,153	(7,481)
Adjustment from employee share of RPS deficits (40%)	<u>38,683</u>	<u>6,977</u>
Liability recognised in balance sheet	(14,764)	(18,349)
Related deferred tax liability	<u>(26)</u>	<u>(63)</u>
Net pension liability	<u>(14,790)</u>	<u>(18,412)</u>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

23. Pension scheme (continued)

Movements in the present value of defined benefit obligations (DBO) were as follows:

	2009 £'000	2008 £'000
At 1 April	425,573	432,500
Current service cost	17,940	17,567
Brass contribution adjustment	(700)	-
Interest cost	17,294	14,050
Employee share of change in DBO (not attributable to franchise adjustment)	(3,017)	(491)
Actuarial (gain) / loss	(39,755)	(32,353)
Benefit payments	(9,570)	(5,700)
At 31 March	<u>407,765</u>	<u>425,573</u>

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

	2009 £'000	2008 £'000
At 1 April	407,728	423,827
Expected return on assets	20,883	18,983
Company contributions	14,407	281
Brass contributions	(700)	-
Employee contributions	10,133	8,486
Employee share of return on assets	(45,133)	(7,481)
Gain / (loss) on assets	(88,583)	(30,668)
Benefits paid from schemes	(9,570)	(5,700)
At 31 March	<u>309,165</u>	<u>407,728</u>

Movements in the franchise adjustment were as follows:

	2009 £'000	2008 £'000
At 1 April	12,467	5,433
Interest on franchise adjustment	512	178
Employee share of change in DBO	(35,089)	2,814
Actuarial (loss) / gain on franchise adjustment	(53,145)	4,042
At 31 March	<u>(75,255)</u>	<u>12,467</u>

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

23. Pension scheme (continued)

History of experience adjustments is as follows;

	2009	2008	2007
Fair value of scheme assets	309,165	407,728	423,827
Present value of defined benefit obligations	(407,765)	(425,573)	(432,500)
Rail franchise adjustment (60%)	45,153	(7,481)	(3,300)
Adjustment for employee share of RPS deficit (40%)	38,683	6,977	3,100
Deficit in the schemes	<u>(14,764)</u>	<u>(18,349)</u>	<u>(8,873)</u>
Experience gain on scheme assets:			
Amount (£000)	(88,583)	(30,668)	5,900
Percentage of scheme assets (%)	(47.5%)	(7.5%)	1.4%
Experience gain on scheme liabilities:			
Amount (£000)	31,787	37,445	7,600
Percentage of the present value of scheme liabilities (%)	13.0%	8.8%	1.8%
Experience gain on scheme liabilities after franchise adjustment:			
Amount (£000)	84,932	2,734	5,300
Percentage of the present value of scheme liabilities (%)	34.7%	0.6%	1.2%

The company recognises its share of deficit that it expects to fund over the term of its franchise. This is accounted for by way of a franchise adjustment. Had the company accounted for pensions as if the respective franchise had an indefinite duration, the impact on the financial statements would have been as follows:

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2009

23. Pension scheme (continued)

	2009 £'000	2008 £'000	2007 £'000
Balance sheet			
Pension deficit	(45,153)	7,481	3,300
Intangible assets	(14,857)	(18,571)	(22,286)
Deferred taxation	16,803	3,105	5,696
	<u>(43,207)</u>	<u>(7,985)</u>	<u>(13,290)</u>
Impact on net assets			
Income statement			
Unwinding of discount on franchise adjustment	408	178	(233)
Intangible asset amortisation	3,714	3,715	3,714
Deferred taxation	(1,154)	(1,090)	(1,044)
	<u>2,968</u>	<u>2,803</u>	<u>2,437</u>
Impact on profit for the period from continuing operations			
Statement of recognised income and expense			
Actuarial (gains) / losses on franchise adjustment	(53,145)	4,043	8,156
Deferred tax on actuarial (gains) / losses	14,881	(1,132)	(2,447)
	<u>(38,264)</u>	<u>2,911</u>	<u>5,709</u>

24. Related party transactions

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

25. 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.