

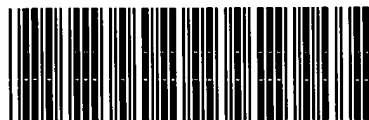
**Company Registration No. 05113733**

**First Greater Western Limited**

**Annual Report and Financial Statements**

**For the year ended 31 March 2023**

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**First Greater Western Limited**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2023**

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## **First Greater Western Limited Officers and professional advisers**

### **Directors**

Sally Bennett  
Clive Burrows  
Hugh Clancy  
Mark Hopwood  
Stephen Montgomery  
Michael Nelson  
Duncan Rimmer  
Richard Rowland  
David Statham

### **Registered Office**

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### **Company Secretary**

Barbara Salter

### **Independent Auditors**

PricewaterhouseCoopers LLP  
3 Forbury Place  
23 Forbury Road  
Reading  
RG1 3HJ

# **First Greater Western Limited**

## **Strategic report**

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

### **Principal activities**

First Greater Western Limited (“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, branded as Great Western Railway, as well as operating Heathrow Express services (HEX) on behalf of Heathrow Airport Limited.

### **Review of the business**

In June 2022, First Greater Western Limited (“FGW”) was awarded a National Rail Contract (NRC) with a core three year term to 22 June 2025, with an option for the Department for Transport (DfT) to extend the contract by up to three further years to 25 June 2028. Under the NRC, the DfT retains substantially all of the revenue and cost risk (including for fuel, energy and wage increases). There is an annual fixed management fee of £6.9m and performance based fees of up to £17.8m. There are punctuality and other operational targets required to be achieved in order to obtain the maximum level of performance fee under the NRC and these are designed to incentivise FGW’s service delivery to its customers. The fee structure under the NRC remained similar to that of the Emergency Measures Agreement (EMA). The EMA was put in place to mitigate the financial risk of the Coronavirus Pandemic and ensured railway services continued to operate during the Pandemic. FGW operated under extended EMA agreements from the beginning of the Coronavirus Pandemic in March 2020. In addition, from 1 April 2020 to 25 June 2022, the EMA overlaid a direct award contract (DA3) with the DfT. In the absence of the EMA, the DA3 contract would have been the basis for running the franchise. The DA3 franchise agreement was cancelled on FGW entering the NRC. GWR has continued to operate HEX for an agreed fee with no passenger revenue risk.

In line with the wider UK rail industry, passenger volumes in our business have continued to improve and are now close to pre Pandemic levels. Although the leisure market has recovered strongly, key commuter flows, notably those into London, remain behind December 2019 levels. This has resulted in lower season ticket sales on our traditional commuter routes. However, the lower passenger volumes have not adversely impacted FGW’s financial performance under the EMA or the NRC as these contracts transfer the revenue risk to the DfT.

FGW continued its profitable performance in 2023, although lower than in previous years, reflecting the new contractual arrangements. The company made an operating profit of £23.7m (2022: £30.5m). Turnover was £1,419.6m (2022: £1,372.3m). Passenger receipts grew by 52% (2022: a rise of 248%) over the year (2023: £887.6m versus 2022: £583.6m), with the improvement caused by the continuing return to normal conditions following the end of the Pandemic. The revenue subsidy received from the DfT of £411.5m (2022: £674.1m), a decrease of 39%, as less subsidy was required due to the increased passenger receipts.

Net assets at 31 March 2023 were £26.6m (2022: £27.8m). FGW is in a net current assets position of £27.0m at 31 March 2023 (2022: net current liabilities position of £36.1m). The prior year position was caused by FGW being in the last year of DA3 which resulted in all liabilities being classified as current.

### **Current trading and the future**

The Government’s plans for rail published in May 2021 set out their aims to put the expertise, innovation and experience of private sector rail operators at the head of the new model for the industry in the coming years. FGW and FirstGroup welcomed the recent position articulated by the Secretary of State highlighting that going forward there will be an enhanced role for the private sector, to reinvigorate the rail industry, drive innovation and attract more customers to the railway. We urge the Government to engage with the sector on the steps that can be taken, without primary legislation, in order to achieve this. This could include activating revenue incentives in current contracts, working with the sector to finalise the form that new Passenger Service Contracts will take and setting out a timeline and framework for bringing those contracts to markets, including those currently operated by the public sector.

The UK’s rail sector is embarking on a period of reform necessary to modernise industry practices and secure the long-term future of the industry, after some of the most challenging years in its history. A number of trade unions continue to stage industrial action at FGW and at other Train Operating Companies (TOCs). Notwithstanding the fact that under

## **First Greater Western Limited**

### **Strategic report (continued)**

#### **Current trading and the future (continued)**

fee-based contracts operators bear no revenue risk and limited cost risk, prolonged industrial action presents enormous challenges for everyone, and most importantly for our passengers who rely on these services to go about their daily lives. We will work closely with our industry partners to do all that we can to minimise the effects of disruption for our passengers.

FGW has continued to generate satisfactory returns despite challenging industry conditions and we are focused on working with our industry partners to deliver better customer experiences, which will in turn result in passengers returning to the railway. It is, however, important to note that the profitability for the year ended 31 March 2022 was enhanced by the favourable resolution of a number of historical claims which was not repeated to the same extent during the year ended 31 March 2023, and also reflecting the lower fees available under the NRC.

We continue to work closely with Network Rail, the DfT, local authorities and all industry partners to deliver projects while minimising disruption for passengers.

We have continued to invest in passenger convenience including initiatives to promote contactless payment, online and mobile ticketing and travel information improvements and other technology to streamline and enhance our operations and responsiveness to customers and other stakeholders. Meanwhile, our commitment to the safety of our passengers, our employees and all third parties interacting with our business remains unwavering. Our approach to safety is focussed on innovative technology, external assurance and our behavioural change programme, Be Safe, all of which have continued to make further progress towards ensuring we are always operating to the highest standards.

#### **Responsible partnerships with our customers and communities**

FGW was pleased to be part of the successful launch of the Elizabeth Line in May 2022, which improved connections into Central and East London from Paddington, and the West. We continue to work with TfL to ensure passengers travelling on the Elizabeth Line have an enjoyable experience.

In just over a year after we reopened the Dartmoor Line, journey numbers on that line passed 250,000 exceeding the demand levels originally forecast.

Electrification across parts of our route have contributed to a reduction in greenhouse gas emissions per passenger km in recent years. With a view to further reducing emissions, FGW completed the purchase of assets from emission-free battery and hybrid trains manufacturer Vivarail, which had gone into administration. Through this deal we have bought intellectual property, rolling stock and equipment related to the development of high-performance battery technology designed to support wider introduction of battery-powered trains on the UK's rail network. FGW is working to trial this fast charging battery technology in 2024 on the West Ealing to Greenford line in north-west London.

During the year FGW was preparing for the introduction of three new stations (Reading Green Park, Marsh Barton in Exeter and Portway Park and Ride in Bristol) to better serve our communities. Reading Green Park station opened on 27 May 2023 and provided sustainable travel options for local residents travelling between Reading and Basingstoke town centres, for employees working at Green Park business park and for fans attending matches at Reading Football Club. Marsh Barton opened on 4 July 2023 and Portway Park and Ride is expected to open during summer 2023.

In order to improve facilities for passengers who include cycling as part of their journeys, FGW added 72 bike parking spaces at Bristol Parkway and an additional 56 spaces across Avonmouth, Severn Beach and Truro stations.

#### **Our priorities and outlook**

We remain focused on working with our industry partners to play our part in delivering a sustainable railway and to regrow our customer base, a base which we expect to be different from what it was prior to the Pandemic.

Rail trade unions RMT, TSSA and ASLEF along with Unite have called a number of strikes or other action throughout the year, primarily over pay issues, which has led to significant disruption for everyone, especially our passengers. We have worked alongside other rail operators as part of the umbrella trade body the Rail Delivery Group (RDG) to negotiate and attempt to reach solutions to these disputes, putting fair and reasonable offers to all unions.

In recent discussions with the RMT, the RDG put forward an industry-wide resolution proposal agreed with their negotiating team, which would have resolved this dispute and given our lowest paid staff a rise of up to 13%. The leadership of both the RMT and ASLEF unions have, so far, refused to put the offers presented to them to a democratic vote so that members can have their say. The TSSA members were able to vote on the proposals, accepted the deal and

## **First Greater Western Limited**

### **Strategic report (continued)**

have ended their dispute. However, due to joint recognition with the RMT across grades, both trade unions need to accept the deal for it to be implemented. Meanwhile, Unite remain in talks with the RDG.

The strike mandates must be approved by union members through a ballot every 6 months. The current RMT mandate expires on 3 November 2023 and ASLEF expires on 12 December 2023. The Unite mandate has expired and Unite members are not currently involved in industrial action. In the meantime, we have collaborated closely with government and our industry partners to do all that we can to minimise the effects on our customers and provide as many trains as possible.

Economic sanctions on Russia following their invasion of Ukraine have had an adverse impact on the cost of diesel and electricity used for traction and other operational purposes. We continue to work with our industry partners to mitigate the impacts of the increased cost of electricity for traction.

Our work with Network Rail continues to be important in delivering consistent and reliable services to our customers, and the close working relationship we have built as part of our local alliance agreement will continue to be a valuable tool in responding to challenges in the future. We believe this close relationship will continue through the changes the industry will experience over the coming years.

#### **Key Performance Indicators**

Under the NRC, a key measure of operational performance is T-3, which is the percentage of recorded station stops called at within 3 minutes of the planned time. During the year ended 31 March 2023, the T-3 performance was 80.1% (2022: 85.8%). Another key metric for FGW is our public performance measure (PPM). For 2023, train operating performance decreased compared to 2022 with the PPM moving annual average score standing at 85.6% (2022: 89.4%).

The year ended 31 March 2023 was a challenging one for performance, including widespread industrial action affecting operational capacity, new emerging hotspot locations and a sustained large increase of infrastructure failures impacting customers. Both delay and cancellations per incident have increased past pre-pandemic levels during the year. We saw a significant increase in delay minutes and a decline in punctuality on the previous year, however it was the first year since the year ended 31 March 2020 to be free of Covid service reductions, with the May 2022 timetable service levels similar to pre-Covid levels.

FGW's average headcount for the year decreased to 6,199 (2022: 6,281), a decrease of 1.3%. Given the level of patronage, there has been focus on replacing critical roles.

The performance scores received for FGW's performance under aspects of the contract with the DfT are an important KPI for FGW as the scores determine the proportion of the fee income received. FGW engages with the DfT to understand the scores received and to implement any changes necessary in order to improve our performance.

#### **Principal risks and uncertainties**

We have a well-established risk management methodology which we use throughout the business to allow us to identify and manage the principal risks which could:

- adversely impact the safety and security of FGW's employees, customers and assets;
- have a material impact on the financial or operational performance of the company;
- impede achievement of our strategic objectives and financial targets; and/or
- adversely impact the company's reputation or stakeholder expectations.

FGW's principal risks are set out below; these risks have been assessed considering their potential impact (both financial and reputational), the likelihood of occurrence and any change to this compared to the prior year and the residual risk after the implementation of controls.

#### **Safety**

We continued to prioritise reductions in customer injuries on our trains and stations where we know slips, trips and falls are the most common cause of injury. Our station staff are focused on identifying and assisting vulnerable customers where possible. This applies especially for leisure journeys, elderly customers and those who travel less frequently.

## **First Greater Western Limited**

### **Strategic report (continued)**

#### **Principal risks and uncertainties (continued)**

##### **Safety (continued)**

Engaging publicity campaigns were developed that were themed around known risks such as not using handrails, minding gaps between trains and platforms and not rushing.

The elimination of Signals Passed at Danger (SPAD) risk continues to be at the forefront of management activities, with monitoring arrangements rigidly applied to both supporting performance metrics and the implementation of safety plans.

We are constantly striving for ways to build on our achievements and make the safest possible environment for customers, employees and all those who interact with our business.

##### **Contracted business**

The company has a contracted business and our success is dependent on our ability to secure and renew contracts on profitable terms, effectively manage affiliates, deliver under contract terms and avoid termination. Additionally, the ability of FGW to achieve performance targets is dependent on our ability to exceed passenger performance metrics laid out in the NRC. Failure to do so would result in reduced revenue and profitability and/or have a negative impact on delivering our strategic objectives.

The contract structure is now concession-based with a fixed management fee plus performance incentives resulting in a far better balance of risk and reward. Furthermore, we have the extensive operational expertise needed to meet requirements for the contract performance incentives. The members of our team who, in conjunction with First Rail Holdings Limited (First Rail) colleagues, focus on DfT negotiations and ensure that future commitments to UK rail will have an appropriate balance of potential risks and rewards for the company. The transition from franchising to contracts has led to a better balance of risk and reward via reduced revenue risk, minimal cost and contingent capital risk, and will continue to provide more consistent cash generation each year.

FGW and First Rail, have the operational structure and expertise to exceed passenger delivery against performance targets. Additionally, future contracts now commit to minimum awards of two-years and are expected to be longer, allowing for better financial planning.

##### **Information technology (IT)**

Our business relies on information technology in all aspects of its operations. Any significant disruption or failure, caused by external factors, denial of service, computer viruses or human error could result in a service interruption, accident or misappropriation of confidential information (including personal data). Process failure, security breach or other operational difficulties may also lead to revenue loss or increased costs, fines, penalties or additional insurance requirements. Prolonged failure of our sales website could also adversely affect revenues. Continued successful delivery and implementation of our IT transformation plan is required to improve yield management and drive future growth. Failure to properly manage the implementation of new IT systems may result in increased costs and/or lost revenue.

We focus on asset management and further enhanced our IT security processes and procedures to mitigate this risk.

##### **Data security (including cyber security and GDPR)**

All business sectors are targeted by increasingly sophisticated cyber security attacks. Across our business we are seeing increased use of mobile and internet sales channels which gather large amounts of data and therefore the risk of unauthorised access to, or loss of, data in respect of employees or our customers is growing. A failure to comply with the General Data Protection Regulation (GDPR) could result in significant penalties and could have an adverse impact on consumer confidence in our business.

We have cyber security threat detection systems across our business but continue to remain vigilant to security improvements when identified. Under the NRC we work with the DfT on the implementation of the 2016 Network and Information Systems (NIS) Directive.

##### **Political and regulatory issues**

Our business is subject to numerous laws and regulations covering a wide range of matters including health and safety, equipment, employment (including working time, wages and hours, mandatory breaks and holiday pay), competition and anti-trust, data protection and security, bribery and corruption, environment, insurance coverage, consumer protection, and other operational issues. Failure to comply could have financial or reputational implications, could result

## **First Greater Western Limited**

### **Strategic report (continued)**

#### **Principal risks and uncertainties (continued)**

##### **Political and regulatory issues (continued)**

in increased litigation and claims and have a negative impact on FGW. These laws and regulations are constantly subject to change, the impacts of which could include increased compliance costs and/or a reduction in operational flexibility and efficiency.

To help mitigate the risk of legislative or regulatory changes, the company and FirstGroup plc have embedded operating policies and procedures to ensure compliance with existing legislation and regulation. On our behalf, FirstGroup plc actively engages with the relevant bodies and policy makers to help ensure that we are properly positioned to respond to any proposed changes.

##### **Competition**

FGW's main competitors include private car and other public and private transport operators across our network. Emerging technologies such as Uber, ride sharing apps and price comparison websites make access to alternative solutions easier. Increased competition can result in lost business, revenue and, potentially, reduced profitability.

To mitigate this risk the company continues to focus on service quality, performance and innovation as priorities in making our service attractive to passengers and other customers. In addition, we work with local and national bodies to promote measures aimed at increasing demand for our services. We have a dedicated Customer Experience Team focused on improving our service to customers and improving access to our services.

##### **Customer service**

FGW's revenues may be at risk if it does not continue to provide the level of service expected by customers. Ongoing engagement with customers and community stakeholders takes place across our network, including through 'meet the manager' events, customer panels, consultations and local partnerships. As noted on page 5, the Board also monitors customer service KPIs to ensure that strict targets are being met.

##### **Pension scheme funding**

FGW primarily participates in a defined benefits pension scheme. Future cash contribution requirements may increase or decrease based on pension scheme investment performance, rates of interest and inflation and estimated life expectancy as well as changes in the underlying membership of the scheme. Other factors, such as changes to the relevant regulatory environments, can affect the pace of cash funding requirements.

At the previous year-end, we noted that The Pensions Regulator (TPR) had been in discussion with the Railways Pension Scheme (the Scheme) regarding the assumptions used to determine the Scheme's funding requirements. Discussions are ongoing, and the possibility remains of changes to contributions that could impact all rail operators sponsoring this industry-wide scheme.

TPR and the DfT had requested that the Rail Delivery Group (RDG) coordinate the Train Operators' involvement in an industry wide review of scheme funding. The RDG, comprising participants from each of the large owning groups, has been seeking to develop a framework which meets TPR, DfT, the Railways Pension Scheme and RDG objectives. There has been continuing engagement between the key parties during the year, and efforts to develop a framework to take forward to a formal consultation are ongoing.

Management continues to believe that the protections contained within current DfT agreements will allow the Scheme to continue with its current funding strategy in the short-term and therefore pension scheme assets and liabilities do not appear on the FGW balance sheet. Nevertheless, TPR believes that a higher level of funding is required in the longer term, and FirstGroup has been engaged with the industry-wide project to consider the funding of the Scheme.

Management continues to believe that an approach that meets TPR's key objectives whilst maintaining stability and fairness, and retaining protection against unacceptable risk, for both operators and scheme members is achievable.

Under contractual agreements, FGW is not responsible for any increased cost or residual deficit at the end of a franchise or contract.



# **First Greater Western Limited**

## **Strategic report (continued)**

### **Principal risks and uncertainties (continued)**

#### **Compliance, litigation and claims, health and safety**

FGW's operations are subject to a wide range of legislation and regulation. Failure to comply can lead to litigation, claims, damages, fines and penalties. The company has three main risks: third party injury and other claims arising from general operations, employee injuries and property damage. A higher volume of litigation and claims can lead to increased costs and reputational impact.

We have a very strong focus on safety, and it is one of our five Values. FGW self-insures third party and employee injury claims up to a certain level commensurate with the historical risk profile. We purchase insurance above these limits from reputable global insurance firms. Claims are managed by experienced claims handlers. Non-insured claims are managed by FirstGroup plc's dedicated in-house legal teams with external assistance as appropriate.

#### **Labour costs, employee relations, recruitment and retention**

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. Industrial action could adversely impact customer service.

To mitigate this risk, the company seeks to structure its recruitment and retention policies, training schemes and working practices. Our employees are key to service delivery and therefore it is important that good employee relations are maintained. Our working practices include building communication and engagement with trade unions and the wider workforce. Examples of this engagement include regular leadership conferences, employee surveys and the presence of an Employee Director (voted for by the employees to represent them) on the company's Board.

#### **Traction costs**

Fuel prices and supply levels can be influenced significantly by international, political and economic circumstances. If fuel supply shortages were to rise 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 operational and financial performance.

To mitigate the risks of rising fuel costs, with agreement from DfT, the company may work with FirstGroup plc to enter 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 measures.

With the increase in network electrification, our EC4T (Electric Current for Traction) costs have risen as a component of our overall traction costs. During the year, FGW joined the Rail Delivery Group (RDG) buying group which enters into hedging arrangements and helps FGW to mitigate the long term impact of electricity costs.

#### **Disruption to infrastructure/operations**

Across our network, we are experiencing greater and more frequent disruption due to adverse weather conditions which impacts our service levels. We have severe weather action plans and procedures to manage the impact on our operations.

The threat from terrorism is enduring and continues to exist. Public transport continues to be regarded as an attractive and viable target. Across our business, we take all reasonable steps to help guard against such activity on the services we operate. An attack, or threat of attack, could lead to reduced public confidence in public transportation, and/or our security and safety record. This could reduce demand for our services, increase costs and security requirements and cause operational disruption.

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.

#### **Environment and climate change**

Environmental and climate change issues are key issues facing the transport sector and have the potential to carry significant risks. FGW are well positioned to mitigate against these risks through our environmental and sustainability strategy. FGW continues to build on the international standards for environmental and energy management by maintaining certification to ISO 14001:2015 and ISO 50001:2011. The introduction of the bi-mode Intercity Express Trains and the 387 Electrostar Trains has brought a reduction in carbon emissions. We hope that our battery train trials will prove successful and allow future opportunities to further reduce our carbon emissions. Contracts and projects

## **First Greater Western Limited**

### **Strategic report (continued)**

#### **Principal risks and uncertainties (continued)**

##### **Environment and climate change (continued)**

with suppliers with significant environmental risk are now evaluated by our Sustainability team. Through the installation of Building Management Systems, FGW continues to reduce electricity consumption across our stations.

In conjunction with First Rail, we are supporting the UK Government's target to remove all diesel-only trains from service by 2040. We continue to work with government and partners to support further electrification of Britain's rail network and implement alternative technologies, such as battery power, to help achieve zero emission trains.

Details of the company's Greenhouse gas emissions, energy consumption and energy and emissions reduction initiatives are disclosed on a consolidated basis in the Annual Report and Accounts of FirstGroup plc.

#### **Companies Act 2006 section 172(1) statement**

Section 172(1) of the Companies Act 2006 requires the directors to promote the success of the company for the benefit of members as a whole, having regard to the interests of stakeholders in their decision-making. This statement sets out how the directors have had regard to the matters set out in section 172(1) when performing their duties:

The Board considers its key stakeholders are:

- Customers
- Shareholders (First Rail Holdings Limited and ultimately FirstGroup plc)
- Government and political stakeholders
- Our people
- Communities
- Strategic partners and suppliers

The Board believes that strong engagement, collaboration and dialogue are critical to the effectiveness of our long-term relationships with key stakeholders. The Board has adopted the FirstGroup processes, policies and governance structures that are relevant to the company and which contribute to the company's development and sustainability. The company also has an independently chaired Advisory Board, the membership of which comprises certain key stakeholders. The Advisory Board meets regularly during the year.

#### **Engaging ethically**

In line with our Values and the expectations of our customers and partners, we are committed to conducting our relationships with our stakeholders with high ethical and moral standards in all our interactions. Our Values and ethical commitments shape not only what we do, but also how we do it.

FGW has adopted the FirstGroup Code of Ethics which applies to everybody working for, or on behalf of, FGW. The Code of Ethics sets out the standards that our customers and stakeholders expect of us, and which we expect of each other. It is supported by detailed policies and procedures which are implemented and managed by the senior management team, including our Code of Conduct on Anti-Slavery and Human Trafficking Prevention and our Anti-Bribery Policy.

We are committed to recognising human rights. We are committed to the prevention of modern slavery and human trafficking in all its forms, which extends to all business dealings and transactions in which we are involved. We have a zero-tolerance approach to any violations within our company or by business partners.

We have a zero-tolerance approach to bribery, and never offer or accept any form of payment or incentive intended to improperly influence a business decision. Equally, we support free and open competition, gaining our competitive advantage by providing the highest level of service, not through unethical or illegal business practices.

We have internal control systems and procedures in place to counter bribery and corruption. Similarly, we respect and protect the privacy of our customers, employees and stakeholders, and are committed to conducting our business in accordance with all applicable data protection legislation, including the General Data Protection Regulation and the UK Data Protection Act. We have an externally managed whistleblowing service for colleagues available with a helpline (online and phone-based) for the anonymous reporting of suspected wrongdoing or dangers

## **First Greater Western Limited Strategic report (continued)**

### **Companies Act 2006 section 172(1) statement (continued)**

#### **Engaging ethically (continued)**

at work. All reported issues or concerns to the hotline are taken seriously and investigated as appropriate, ensuring that confidentiality is respected at all times.

The primary methods in which FGW engages with its stakeholders are outlined below:

#### **Customers**

- Regular customer and passenger satisfaction surveys to identify what we do well and where we can improve
- Robust customer feedback processes through online and traditional channels
- Customer panels and events
- Ongoing dialogue with customer representative groups

#### **Investors**

- Alignment of strategy and the governance structure to deliver the strategy
- Agreement on budgets and forecasts and the reporting of actual performance

#### **Government and political stakeholders**

- Engagement with industry forums
- Direct engagement with policymakers
- Strong links with national and regional governments
- Surveys of political stakeholders

#### **Our People**

- Regular 'Your Voice' employee engagement surveys
- Dialogue with employee representatives, including with our Employee Director and the trade unions
- Inductions, onboarding sessions and employee handbooks
- Multiple internal communications channels, including our intranet, briefings, newsletters and our employee mobile apps
- Periodic all employee calls to update FGW employees on our business and to achieve a common awareness of the financial and economic factors affecting the performance of the company
- Individual performance reviews and development discussions or Time with Your Manager meetings

#### **Communities**

- Targeted engagement plans and activities
- Regular dialogue, events and direct engagement activities
- Stakeholder reports and surveys
- Community investment, charitable engagement and employee volunteering

#### **Strategic partners and suppliers**

- Alliance with Network Rail's Western Route
- Regular dialogue with key partners
- Collaboration in cross-industry forums
- Certified systems for collaborative supplier relationships
- Clear ethical and sustainability standards

## **First Greater Western Limited**

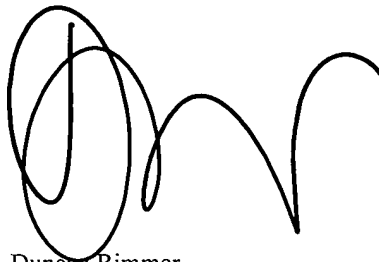
### **Strategic report (continued)**

#### **Companies Act 2006 section 172(1) statement (continued)**

The Board is mindful of its obligations under section 172(1) of the Companies Act 2006 to have regard to the views and interests of wider stakeholders when taking decisions. Three examples of how these considerations influenced the Board's decisions during the financial year are set out below:

- FGW in conjunction with the DfT, have commissioned the charity Samaritans to lead a new research study on mental health and wellbeing support for the rail industry, in partnership with Mental Health at Work. The study will provide good practice recommendations for mental health provision, so that the industry can raise awareness for their staff and support those experiencing mental illness. It will aim to highlight existing barriers, as well as encourage a culture shift to destigmatise conversations around mental health.
- FGW's acquisition of the battery train technology demonstrates our commitment to continue to reduce the carbon footprint of our business. If the trials prove successful, we hope to be able to introduce this fast charging battery technology on suitable routes where other means of electrification is not immediately possible.
- We have become an accredited White Ribbon UK organisation and have unveiled trains with new livery as a way of raising awareness about male violence against women. The White Ribbon trains will travel across the network to support the education of men and boys to prevent violence against women.

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



Duncan Rimmer  
Director  
20 July 2023  
Milford House  
1 Milford Street  
Swindon  
Wiltshire, SN1 1HL

## **First Greater Western Limited**

### **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2023. A review of the business and the future developments are set out in the Strategic report in accordance with s414C of the Companies Act 2006.

#### **Directors**

The directors who held office throughout the year (except as noted) and to the date of signing of these financial statements were as follows:

Directors who held office throughout the year:

Sally Bennett  
Clive Burrows  
Hugh Clancy  
Mark Hopwood

Stephen Montgomery  
Michael Nelson  
Duncan Rimmer  
Richard Rowland

David Statham was appointed to the FGW board on 14 June 2023.

#### **Statement of corporate governance arrangements**

The company is a subsidiary of FirstGroup plc, a UK premium listed company that is subject to the UK Corporate Governance Code 2018 (the "Code"). In accordance with the Listing Rules, FirstGroup has included a detailed corporate governance report in its 2023 Annual Report and Accounts describing how FirstGroup has applied the Code's main principles and highlighting any non-compliance with the Code. The 2023 Annual Report and Accounts are available on FirstGroup's website ([www.firstgroupplc.com](http://www.firstgroupplc.com)).

As FirstGroup applies the Code throughout the Group, its corporate governance report also describes corporate governance at the subsidiary level. The company has not adopted any corporate governance code, however it has applied the principles of the UK corporate governance code adopted by FirstGroup plc.

The Code contains to a substantial extent principles and provisions that are concerned with the listed parent company only and which are therefore not applicable to the company. These particular principles and provisions of the Code are applied by FirstGroup on a comply or explain basis. They relate, for example, to the role of the FirstGroup board in engaging with shareholders, processes for board appointments, succession and evaluation, directors' remuneration and the role of the board's audit committee. Given the nature of the company, as a wholly owned subsidiary with no external shareholders, these elements of the Code are not applicable and so were not applied by the company. Other parts of the Code can be seen to apply to the Group as a whole, including the Code's focus on promoting long-term sustainable success and contributing to society and the Code's requirement that workforce policies and practices are consistent with the company's Values.

#### **Subsidiary level governance framework**

The Board of FGW normally comprises eight directors and their role is to:

- Execute FGW's strategic direction
- Ensure the Values and culture are aligned with that of the Group
- Establish a framework of prudent and effective controls to enable FGW's risks to be assessed and managed
- Engage effectively with shareholders and stakeholders
- Ensure workforce policies and practices are implemented which are consistent with the Values and support FGW's long-term sustainable success
- Ensure there are mechanisms in place that allow the workforce to raise any matters of concern
- Provide effective governance and stewardship of FGW's assets
- Ensure that management maintains a system of internal control that provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations

## **First Greater Western Limited**

### **Directors' report (continued)**

The Board of Directors include an Employee director, Sally Bennett, whose main responsibility is to bring the voice of the workforce to the boardroom.

The Board meets on eleven occasions per year and, on an ad hoc basis, as directed by business needs. Papers are circulated in advance and the Company Secretary and the Executive Sponsor are available to brief those directors who are not available to attend meetings in person due to prior unavoidable commitments.

The Board of FGW has established the following arrangements to help it discharge its responsibilities more efficiently:

- FGW Monthly Executive Meetings
- Executive Safety Group
- Strategic Portfolio Review Board
- Quarterly Business Reviews

#### **Financial matters**

The results for the year are given in the profit and loss account on page 21.

During the year ended 31 March 2023, the company made a dividend payment of £20.0m (2022: £33.0m) to First Rail Holdings Limited, the company's immediate controlling entity. The company will seek to pay a dividend based on the distributable reserves at 31 March 2023 during the current financial year. FGW has proposed to pay an interim dividend of £5.8m in relation to the year ended 31 March 2023. Dividends can be found in note 23.

Under FRS 102 the company has taken advantage of a number of reduced disclosures. Further information is available within the principal accounting policies section. This position has been agreed with First Rail Holdings Limited.

#### **Engagement with customers, suppliers and other key stakeholders**

The Section 172(1) report contained within the Strategic Report on pages 9 to 11 outlines the primary ways in which FGW fosters its business relationships with its key stakeholders.

#### **Future events**

The directors are satisfied with the performance of the company for the year. Future events have been considered by the directors within the Strategic Report and can be found on pages 3 to 4. As at the date of this report, a number of unions, notably ASLEF and the RMT remain in dispute with Train Operating Companies and this may lead to further industrial action which would likely impact services to our customers.

#### **Financial risk management objectives and policies**

The company's principal financial assets are bank balances and trade debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has no significant concentration of credit risk, with exposure primarily spread over governmental organisations, rail industry shared ownership entities, Train Operating Companies and Rolling Stock Company customers. The credit risk on liquid funds is limited because the counterparties are banks and maximum deposit limits with any single bank have been established. The company continues to have an acceptable level of liquidity as, in the rail industry, the vast majority of turnover transactions are paid for in advance. The NRC contains provisions to protect liquidity. The company does not enter directly into any derivative financial instruments, but it is part of an industry scheme to purchase electricity as noted in the principal risks and uncertainties section for traction costs.

#### **Directors' indemnity**

The company's ultimate parent company, FirstGroup plc, has made qualifying third party indemnity provisions for the benefit of FGW's directors which were made during the year and remain in force at the date of this report.

## **First Greater Western Limited**

### **Directors' report (continued)**

#### **Employee involvement**

Communication with employees is maintained 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. Our annual employee survey allows us to receive direct feedback from the employees in terms of their engagement with the business. This then leads into our action plans to build on our strengths and to address any weaknesses. Our Reward & Recognition schemes also seek to increase employee engagement.

#### **Disabled persons**

The company recognises its obligations to give disabled people full and fair consideration for vacancies. 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 are required to state whether they consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

#### ***Background for going concern***

On 14 June 2022, FGW signed an agreement with the DfT for FGW to enter into a National Rail Contract (NRC) from 26 June 2022. The NRC has a core three-year term to 22 June 2025 with an option for the DfT to extend by up to three further years to 26 June 2028. The financial structure that underpins the NRC has both the revenue risk and substantially all of the cost risk being transferred to the DfT. In return, FGW will receive a management fee for running the rail operations. In addition, FGW will receive a performance based fee provided it is successful in achieving certain targets. FGW's cost risk is limited to the non-eligibility of costs which the DfT may disallow where FGW has, for example, spent in excess of the budgeted amount, incurred costs where we have not followed our own internal processes, or where it is clear that FGW has not been a good and efficient operator. The directors do not foresee a situation where disallowable costs exceed the combined fees earned from the management fee and the performance based fee.

#### ***Significant going concern judgements***

The directors used the approved Annual Business Plan as the basis for their assessment of the company's ability to continue as a going concern for the twelve months from the date that the financial statements are for issue.

The major assumptions and key areas of judgement incorporated in the modelling included:

- Current cash balances and the timing of working capital flows, including performance payments; and
- The extent and likelihood of any disallowable costs which may be incurred over the next 12 months

#### ***Going concern statement***

Based on their review of the Annual Business Plan and having regard to the risks and uncertainties to which the company is exposed, the directors believe that the company has adequate resources to continue in operational existence for the twelve month period from the date on which the financial statements were approved.

Accordingly, the financial statements have been prepared on a going concern basis.

#### **Audit information**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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 Section 418 of the Companies Act 2006.

## **First Greater Western Limited**

### **Directors' report (continued)**

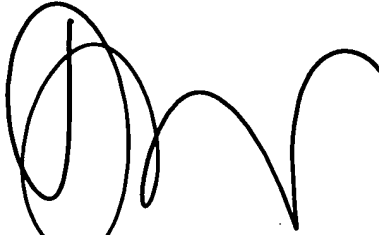
#### **Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment is to be put forward at FirstGroup plc's Annual General Meeting on 21 July 2023.

#### **Post balance sheet events**

FGW has proposed to pay an interim dividend of £5.8m in relation to the year ended 31 March 2023.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Duncan Kimmer', written over a large, faint circular stamp or watermark.

Duncan Kimmer  
Director  
20 July 2023  
Milford House, 1 Milford Street  
Swindon  
Wiltshire  
SN1 1HL



## **First Greater Western Limited**

### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Approved by the Board of Directors  
And signed on its behalf

A handwritten signature in black ink, appearing to read 'Duncan Kimmer', written over a large, faint circular stamp or watermark.

Duncan Kimmer  
Director  
20 July 2023  
Milford House, 1 Milford Street  
Swindon  
Wiltshire  
SN1 1HL

**First Greater Western Limited**  
**Independent auditor's report to the members of**  
**First Greater Western Limited**

# **Independent auditors' report to the members of First Greater Western Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, First Greater Western Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2023; Profit and Loss Account, Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 12 to the financial statements, we have provided no non-audit services to the company in the period under audit.

### **Conclusions relating to going concern**

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- reviewing management's forecasts for the period to 31 March 2025 and the key assumptions underlying the forecasts;

## **First Greater Western Limited**

### **Independent auditor's report to the members of**

## **First Greater Western Limited**

- reviewing the National Rail contract entered into with the Department for Transport (DfT) with effect from 26 June 2022 till at least 25 June 2025 (with option to extend for further 3 years subject to DfT approval) to understand the committed and contracted support that will be provided by the DfT; and
- reviewing the disclosures within the financial statements to confirm that the going concern key assumptions are adequately disclosed by the directors.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The

## **First Greater Western Limited**

### **Independent auditor's report to the members of**

## **First Greater Western Limited**

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

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

### **Auditors' responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of health and safety regulations under the Health and Safety At Work Act and non-compliance with The Railway Safety Levy Regulations 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of manual journal entries to manipulate financial performance and management bias in determining significant accounting estimates. Audit procedures performed by the engagement team included:

- Reviewing meeting minutes of management, board of directors and any other committees of the board;
- Reviewing the claims provision in respect of actual and potential claims and making enquiries of management regarding any unprovided claims;
- Obtaining supporting evidence for the significant assumptions and judgements made by management, particularly in respect of pensions accounting and contract and franchise accounting;
- Identifying and testing journal entries on a sample basis, in particular those used to recognise revenue; and
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**First Greater Western Limited**  
**Independent auditor's report to the members of**  
**First Greater Western Limited**  
**Other required reporting**

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Kenneth Wilson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
24 July 2023

**First Greater Western Limited**  
**Profit and Loss Account**  
**For year ended 31 March 2023**

	Notes	2023 £'000	2022 £'000
Turnover	5	1,419,584	1,372,293
Operating costs	6	(1,413,671)	(1,381,584)
Other operating income	7	17,791	39,819
<b>Operating profit</b>		<u>23,704</u>	<u>30,528</u>
Interest receivable and similar income	11	430	468
Interest payable and similar expenses	11	-	-
Net interest receivable		<u>430</u>	<u>468</u>
<b>Profit before taxation</b>	12	24,134	30,996
Tax on profit	13	(5,316)	(3,290)
<b>Profit for the Financial Year</b>		<u>18,818</u>	<u>27,706</u>

All activities relate to continuing operations. The notes on pages 24 to 45 form part of these financial statements.

**Statement of Comprehensive Income**  
**For year ended 31 March 2023**

	Notes	£'000	2023 £'000	2022 £'000
Profit for the financial year			18,818	27,706
Actuarial gain due to scheme assets and liabilities	25	486,800		322,800
Actuarial loss due to rail contract/franchise adjustment and shared cost	25	<u>(486,800)</u>		<u>(322,800)</u>
Total other comprehensive income			<u>-</u>	<u>-</u>
Total comprehensive income for the year			<u>18,818</u>	<u>27,706</u>

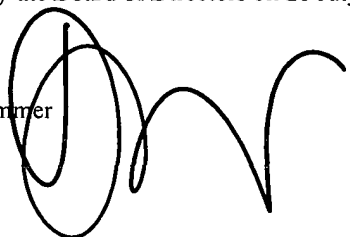
**First Greater Western Limited**  
**Balance Sheet**  
**As at 31 March 2023**

	Notes	£'000	2023 £'000	£'000	2022 £'000
<b>Fixed assets</b>					
Intangible assets	14		2,940		1,832
Tangible assets	15		62,445		62,062
Investments	16		-		-
			<u>65,385</u>		<u>63,894</u>
<b>Current assets</b>					
Stocks	17	8,037		12,106	
Debtors	18	188,226		128,935	
Cash at bank and in hand	19	151,369		249,411	
			<u>347,632</u>	<u>390,452</u>	
<b>Creditors: amounts falling due within one year</b>	20	(287,863)		(406,649)	
<b>Provisions for liabilities and charges: amounts falling due within one year</b>	21	(32,804)		(19,867)	
<b>Net current assets/(liabilities)</b>			<u>26,965</u>		<u>(36,064)</u>
<b>Total assets less current liabilities</b>			<u>92,350</u>		<u>27,830</u>
<b>Creditors: amounts falling due after more than one year</b>	20		(55,978)		-
<b>Provisions for liabilities and charges: amounts falling due after more than one year</b>	21		(9,724)		-
<b>Pension liability</b>	25		-		-
<b>Net assets</b>			<u>26,648</u>		<u>27,830</u>
<b>Capital and reserves</b>					
Called up share capital	22		-		-
Profit and loss account			26,648		27,830
<b>Total shareholder's funds</b>			<u>26,648</u>		<u>27,830</u>

The notes on pages 24 to 45 form part of these financial statements.

The financial statements of First Greater Western Limited, registered number 05113733, on pages 21 to 45 were approved by the Board of Directors on 20 July 2023 and were signed on its behalf by:

Duncan Rimmer  
Director



**First Greater Western Limited**  
**Statement of Changes in Equity**  
**Year Ended 31 March 2023**

	Notes	Called up share capital £'000	Profit and loss account £'000	Total £'000
<b>Balance at 1 April 2021</b>		-	33,124	33,124
Profit for the financial year		-	27,706	27,706
Other comprehensive income		-	-	-
<b>Total comprehensive income</b>		-	27,706	27,706
Dividend payments	23	-	(33,000)	(33,000)
<b>Balance at 31 March 2022</b>		-	27,830	27,830
Profit for the financial year		-	18,818	18,818
Other comprehensive income		-	-	-
<b>Total comprehensive income</b>		-	18,818	18,818
Dividend payments	23	-	(20,000)	(20,000)
<b>Balance at 31 March 2023</b>		-	26,648	26,648



# **First Greater Western Limited**

## **Notes to the Financial Statements**

### **Year ended 31 March 2023**

#### **1. General information**

First Greater Western Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The registered office address is Milford House, 1 Milford Street, Swindon, Wiltshire, SN1 1HL. The nature of the company's operations and its principal activities are set out in the Strategic report on page 3.

#### **2. Statement of compliance**

The financial statements of First Greater Western Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

#### **3. 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 a going concern basis, under a historical cost convention, modified to include certain items at fair value in accordance with FRS 102.

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

##### **(b) Going concern assessment**

The company currently meets its day-to-day working capital requirements through its cash balances. The company's business modelling, forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company is able to operate within the level of its current cash balances. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

##### **(c) Exemptions for qualifying entities under FRS 102**

The company meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions in relation to share-based payments, financial instruments, intra-group transactions, key management personnel and presentation of a cash flow statement.

The company is included in the consolidated financial statements of FirstGroup plc which can be obtained on request from its registered office 395 King Street, Aberdeen AB24 5RP.

# **First Greater Western Limited**

## **Notes to the Financial Statements**

### **Year ended 31 March 2023**

#### **3. Principal accounting policies (continued)**

##### **(d) 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 the shorter of their estimated useful economic lives or the duration of the National Rail Contract (previously the franchise agreement). FGW has assumed the NRC will continue to 25 June 2028. Our depreciation policy is as follows:

Passenger carrying vehicles	-	2 to 10 years straight-line/duration of NRC
Other plant and equipment	-	3 to 10 years straight-line/duration of NRC

##### Assets under construction

Assets under construction are stated at cost. These assets are not depreciated until they are available for use.

##### **(e) Intangible fixed assets and amortisation**

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 the shorter of their estimated useful economic lives or the duration of the National Rail Contract (previously the franchise agreement). FGW has assumed the NRC will continue to 25 June 2028. Our amortisation policy is as follows:

Computer software	-	3 to 5 years straight-line/duration NRC
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##### **(f) Investments**

Fixed asset investments are stated at cost, net of any provision for impairment.

##### **(g) Leases and hire purchase**

FGW continues to account for leases under FRS 102 where 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.

##### **(h) Government grants and subsidies**

Amounts receivable for services contracted under the contracts with the DfT are included in turnover. Government grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to assets are recognised in "other operating income" within profit or loss on a systematic basis over the expected useful life of the assets concerned. All other grants are recognised in "other operating income" within profit or loss in the same period as the related expenditure. Other than as disclosed in notes 5 and 7, the company has not directly benefited from any other forms of government assistance.

##### **(i) Stocks**

Stocks are valued at the lower of weighted average 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 2023**

#### **3. Principal accounting policies (continued)**

##### **(j) Financial assets and liabilities**

All financial assets and liabilities are initially measured at the transaction price (including transaction costs). All the financial assets and liabilities are classified as 'basic' under Section 11 and Section 12 of FRS 102. Instruments classified as 'basic' financial instruments are measured subsequently at amortised cost using the effective interest method.

##### **(k) Impairment of financial assets**

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised

##### **(l) 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.

##### **(m) Pension costs**

###### **Company specific schemes**

The company participates in the Railways Pension Scheme (RPS), which is an industry-wide defined benefit scheme. The company is obligated to fund the relevant section of the scheme over the period for which the contract/franchise is held or the contract in force. The full liability is recognised on the balance sheet, which is then reduced by a contract/franchise adjustment so that the net liability reflects the company's obligations to fund the scheme over the contract/franchise term, subject to any changes in the schedule of contributions following a statutory valuation.

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 to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. Where changes to the benefits in payment on defined benefit pension schemes require a change in scheme rules or ratification by the Trustees, the change is recognised as a past service charge or credit in the income statement. Where changes in assumptions can be made without changing the Trustee agreement these are recognised as a change in assumption in other comprehensive income. The interest cost on the net pension scheme liability is shown in net interest receivable/(payable). Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

# **First Greater Western Limited**

## **Notes to the Financial Statements**

### **Year ended 31 March 2023**

#### **3. Principal accounting policies (continued)**

##### **(m) Pension costs – Company specific schemes (continued)**

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit 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 is presented separately on the face of the balance sheet.

##### **Rail contract/franchise adjustment**

In calculating the company's pension obligation in respect of the Railway Pension Scheme (RPS), the company's total pension deficit in accordance with FRS 102 Section 28 has been calculated. This deficit is reduced by a 'contract/franchise adjustment' which is that portion of the deficit which is projected to exist at the end of the contract/franchise and for which the company is not required to fund. The contract/franchise adjustment, which has been calculated by FirstGroup's actuaries, is offset against the present value of the RPS liabilities so as to fairly present the financial performance, position and cash flow of the company's obligations. Allowance is also made in the preparation of the financial statements for the cost sharing nature of the benefit (see note 25) and in particular, only 60% of the total profit and loss charge and balance sheet position are attributed to the company and recognised in the financial statements.

##### **(n) Turnover**

Turnover (Revenue) is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business and is shown net of VAT where appropriate.

##### **Passenger revenue**

The company has one principal class of business, namely, the provision of passenger transport services. Passenger revenues primarily relate to ticket sales and is attributable to the company predominantly based on models of route usage, by the Railway Settlement Plan. Passenger revenue is recognised at both a point in time and over time. Ticket sales for season tickets, travel cards and open-return tickets are initially deferred then recognised over the period covered by the relevant ticket. Concessionary amounts are recognised in the period in which the service is provided.

##### **NRC/franchise subsidy receipts**

The company's turnover also includes contract/franchise subsidy receipts from the Department for Transport (DfT) and amounts receivable under contract/franchise arrangements including certain funded operational projects. Amounts receivable from the DfT are set out in the NRC/franchise agreement for each year of the contract/franchise but have been adjusted to reflect arrangements under the NRC or EMA. The net NRC/EMA funding including management and performance fees is recognised as revenue in rail franchise subsidy receipts as well, in line with other contract/franchise subsidy receipts from the DfT.

##### **Other revenue**

The company recognises other revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to each of the company's sales channels have been met.

Other revenue from non-passenger receipts includes Heathrow Express, train catering income, commission on ticket sales, rolling stock engineering services and other sundry income.

# **First Greater Western Limited**

## **Notes to the Financial Statements**

### **Year ended 31 March 2023**

#### **3. Principal accounting policies (continued)**

##### **(o) Future ticket deferral**

Where season tickets or railcards 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 or railcard. Income from advanced purchase and other ticket types is recognised in the profit and loss account on the date of travel.

##### **(p) Provisions**

Provisions are recognised when the company has a present obligation as a result of a past event and it is probable that the company will be required to settle the obligation at the balance sheet date. Provisions are discounted to present value where the effect is material. Provisions are split between those falling due within one year and those falling due in greater than one year.

##### **(q) Share-based payments**

The company's ultimate 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 shares 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 or other appropriate valuation models. 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.

For share-based payments FGW's parent company invoice FGW for the value of the annual charge. Under this approach, there is no credit to shareholder's funds required to offset the annual share-based payment charge.

#### **4. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements in conformity with FRS 102 requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

##### **(a) Defined benefits pension arrangements**

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 (RPS), which covers the whole of the UK rail industry. In contrast to the pension schemes operated by most businesses the RPS is a shared cost scheme which means that costs are formally shared 60% employer and 40% employee.

The company only recognises amounts in relation to its share of costs in the income statement. The RPS is partitioned into sections and the company is responsible for the funding of these sections while it operates the National Rail Contract. At the end of the NRC term, responsibility for funding the relevant section of the scheme, and consequentially any deficit or surplus existing at that date, is passed to the operator of the next NRC for Great Western Railway. At each balance sheet date, an NRC adjustment is recognised against the FRS 102 net pension asset or liability to reflect that portion expected to pass to the next operator. As there is no requirement

**First Greater Western Limited**  
**Notes to the Financial Statements**  
**Year ended 31 March 2023**

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

**(a) Defined benefits pension arrangements (continued)**

to make contributions to fund the current deficit, it is assumed that all of the current deficit will be funded by another party and hence none of that deficit is attributable to the current operator.

In respect of the future service costs, there is currently no pension obligation in respect of those costs. When the costs are recognised in the income statement, the extent to which the committed contributions fall short determines the amount that is to be covered by contributions of another party in future, which is recognised as an adjustment to service cost in the income statement. Under circumstances where contributions are renegotiated, as following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through other comprehensive income.

**(b) Revenue from the Performance Based Fee**

The fee is based on annual performance under the contract across a number of areas. Some areas are based on performance against targets that are measured periodically, and the associated fee is recognised based on that performance. The remaining areas are based on an annual assessment post year end by the DfT against more subjective, scorecard based criteria. In the absence of results of the assessment, fees are recognised based on a management view of scorecard performance. Fees are paid after the DfT has completed its assessment.

**(c) Duration of the NRC**

The management of FGW has assessed that the NRC will be extended beyond its initial 3 year term and continue for 6 years, ending on 25 June 2028. Therefore, tangible and intangible assets brought into use during the NRC will be depreciated/amortised over their useful life or to the end date of the NRC, whichever is shorter.

**5 Turnover**

Turnover represents the amounts receivable for services supplied to customers during the year and includes amounts receivable for 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. In March 2020, FGW saw the introduction of the Emergency Measures Agreement (EMA) due to COVID-19. This EMA agreement which remained in place throughout 2021/22 and part of 2022/23, compensated FGW for the reduction in passenger receipts during the year. Under the EMA the DfT was responsible for the revenue and cost risk which is reflected in the subsidy. FGW was paid a fixed management fee to operate at agreed service levels, as well as a performance-based fee. On 26 June 2022, FGW entered into an NRC. Similar to the EMA, the revenue and cost risk remains the responsibility of the DfT, with FGW being paid a fixed management fee to operate the NRC at agreed service levels, as well as a performance based fee.

Other revenue from non-passenger receipts includes on train catering income, commission on ticket sales, rolling stock engineering services, Heathrow Express operating agreement and other sundry income.

	2023 £'000	2022 £'000
Passenger receipts	887,551	583,600
Revenue subsidy	411,534	674,145
Other revenue	120,499	114,548
	<u>1,419,584</u>	<u>1,372,293</u>

**First Greater Western Limited**  
**Notes to the Financial Statements**  
**Year ended 31 March 2023**

**6 Operating costs**

	Note	2023 £'000	2022 £'000
Raw materials and consumables		96,104	67,854
Staff costs	8	376,983	367,445
Other external charges		266,534	250,767
Rolling stock charges		527,729	491,509
Track access charges		126,084	135,754
Net NRC or net franchise payments		2,446	28,436
Depreciation and other amounts written off tangible fixed assets and intangible assets	14,15	17,791	39,819
		<u>1,413,671</u>	<u>1,381,584</u>

The higher cost of raw materials and consumables experienced during the year ended 31 March 2023 is linked to traction costs (higher energy prices, specifically fuel prices, and increased mileage). Staff cost increases are linked to the additional passenger receipts and train miles, which drive increased working hours. Staff costs also include the 5% pay increase for managerial staff (capped at £5k) which took effect from 1 July 2022. Rolling stock charges increased in line with the application of contractual inflation, and the impact of the charges relating to the provision raised for the termination fees from the discontinuation or early cessation of leases for Class 769 and Class 255 rolling stock. The reduction of Track Access charges related to the fixed element of the fee set by Network Rail (NR) within Control Period 6 charging profiles.

The increase in other external charges is the net position between increases related to inflation (e.g., traction electricity, utilities, costs associated with external contracting) and the cost of commissions (linked with revenue increases), and cost reductions relating to reduced spend on marketing and payments received from NR relating to poor infrastructure performance.

NRC or franchise payments include payments due under profit sharing arrangements with the DfT related to previous direct award franchises. During the prior year, all assets were being depreciated over the period from the date of completion to the end of the DA3 franchise (31 March 2023).

**7. Other operating income**

	2023 £'000	2022 £'000
Government grants for capital projects	6,034	7,888
Third party grants for capital projects	11,757	31,931
	<u>17,791</u>	<u>39,819</u>

Other operating income includes grant funding for capital projects from the government and third parties.

Amortisation from third party grants was high in the year ended 31 March 2022 due to the completion of capital projects (including Exeter depot and Taunton station refurbishment) which started the amortisation of the associated grants. The grants were being amortised over the period from the date of completion to the end of the DA3 franchise (31 March 2023).

**First Greater Western Limited**  
**Notes to the Financial Statements**  
**Year ended 31 March 2023**

**8. Employee numbers and costs**

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

	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>Actual</b>	<b>Actual</b>	<b>FTE</b>	<b>FTE</b>
	<b>Heads</b>	<b>Heads</b>	<b>Heads</b>	<b>Heads</b>
Traincrew including traincrew management	3,524	3,599	3,394	3,457
Maintenance	976	989	967	976
Customer service	1,343	1,414	1,265	1,323
Administration	604	538	573	525
	<u>6,447</u>	<u>6,540</u>	<u>6,199</u>	<u>6,281</u>

The aggregate payroll costs of these persons were as follows:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	319,700	312,623
Social security costs	35,710	33,004
Other pension costs	21,573	21,818
	<u>376,983</u>	<u>367,445</u>

**9. Directors' remuneration**

Certain directors (Clive Burrows, Hugh Clancy, Stephen Montgomery and Michael Nelson) received remuneration from FirstGroup plc, the ultimate parent company, and First Rail Holdings Limited, the immediate parent company, in the current and prior years. The directors have not performed any qualifying services on behalf of First Greater Western Limited during the current and prior year. 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:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments (excluding pension contributions)	<u>999</u>	<u>682</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.

Aggregate emoluments for the year ended 31 March 2023 includes emoluments paid relating to 2022 but which had not been approved prior to the signing of the 31 March 2022 statutory accounts.



**First Greater Western Limited**  
**Notes to the Financial Statements**  
**Year ended 31 March 2023**

**9. Directors' remuneration (continued)**

	2023 Number	2022 Number
<b>The number of directors who:</b>		
Were members of a defined benefit pension scheme	4	5
The emoluments of the highest paid director amounted to:		
	2023 £'000	2022 £'000
Aggregate emoluments	482	355
<i>Defined benefit scheme</i>		
Accrued pension at end of year	64	59
Accrued lump sum at end of year	34	30

During the year the highest paid director exercised share options and received shares under the FirstGroup long-term incentive plan.

**10. Share-based payments**

Share-based payment expense comprises costs arising from FirstGroup plc shares schemes including Save As You Earn, Employee Share Plan and Deferred Bonus Shares. Further details on these share schemes can be found in the FirstGroup plc Annual Report and Accounts.

**Save as you earn (SAYE)**

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

**Buy as you earn (BAYE)**

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

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 £877,000 (2022: £793,000) relating to equity-settled share-based payment transactions.

	2023 £'000	2022 £'000
Total expense recognised in the profit and loss account	877	793
Contribution paid to First Rail Holdings Limited (parent company)	(877)	(793)
Credited to shareholders funds	-	-

**First Greater Western Limited**  
**Notes to the Financial Statements**  
**Year ended 31 March 2023**

**11. Interest**

	2023 £'000	2022 £'000
<b>Interest payable</b>		
Interest payable	-	-
	<u>          </u>	<u>          </u>
	2023 £'000	2022 £'000
<b>Interest receivable and similar income</b>		
Bank interest	430	468
	<u>          </u>	<u>          </u>

Under the NRC, interest earned by FGW is returned to the DfT and reduces the overall level of revenue subsidy. Under the EMA, interest earned was retained by FGW. The 2023 interest income of £430,000 is the interest earned on deposits from 1 April 2022 until the end of the EMA on 25 June 2022. Interest rates on cash deposits received by FGW during 2023 were significantly higher than during 2022.

**12. Profit before taxation**

	2023 £'000	2022 £'000
Profit before taxation is stated after charging/(crediting):		
<b>Auditors' remuneration</b>		
Audit fee for annual audit and audit related assurance services	427	408
Non-audit fee for other services	21	7
Cost of stock recognised as an expense	89,426	61,783
<b>Rentals payable under operating leases</b>		
Plant and machinery	253,723	260,517
Other operating leases	161,196	141,237
Net rents receivable from property	(709)	(2,073)
	<u>          </u>	<u>          </u>

The cost of fuel is attributed to the cost of stock recognised, with increases in the price of fuel leading to the cost increase within the cost of stock recognised as an expense.

Rentals payable under operating leases for plant and machinery include rentals for rolling stock. The rolling stock leases include a significant maintenance component which is not included in the figures stated above. The maintenance component associated with the rolling stock leases was £228.6m (2022: £210.5m). The net rents receivable from property was lower in 2023 due to the settlement of Covid concessions with station tenants in March 2023.

**First Greater Western Limited**  
**Notes to the Financial Statements**  
**Year ended 31 March 2023**

**13. Tax on profit**

	2023 £'000	2022 £'000
<b>Current taxation</b>		
Group relief payable	3,826	4,530
Adjustment in respect of prior years	29	(1,057)
<b>Total current taxation</b>	<u>3,855</u>	<u>3,473</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	1,220	1,627
Effect of increase in tax rate on opening deferred tax balance	-	(2,606)
Adjustment in respect of prior years	241	796
	<u>1,461</u>	<u>(183)</u>
<b>Total tax charge on profit</b>	<u><u>5,316</u></u>	<u><u>3,290</u></u>

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2022: 19%). The actual current tax charge on profit on ordinary activities for the current and previous year differed from the profit on ordinary activities multiplied by standard rate of corporation tax for the reasons set out in the following reconciliation:

	2023 £'000	2022 £'000
Profit before tax	24,134	30,996
Profit multiplied by standard rate of corporation tax in the United Kingdom (19%) (2022: 19%)	4,585	5,889
<i>Factors affecting charge</i>		
Expenses not deductible for tax purposes and (income not taxable)	168	(122)
Rate change on current year movement in timing differences	293	390
Prior year adjustments	270	(261)
Effect of increase in tax rate on opening deferred tax balance	-	(2,606)
<b>Total tax charge</b>	<u><u>5,316</u></u>	<u><u>3,290</u></u>

From 1 April 2023 the corporation tax rate will increase to 25%. Deferred tax has been provided at 25% on temporary differences expected to unwind after 31 March 2023.

**First Greater Western Limited**  
**Notes to the Financial Statements**  
**Year ended 31 March 2023**

**14. Intangible assets**

	Computer software £'000	Assets under construction £'000	Total £'000
<b>Cost</b>			
At 1 April 2022	5,450	1,832	7,282
Additions	-	1,213	1,213
Transfers	239	(239)	-
At 31 March 2023	5,689	2,806	8,495
<b>Accumulated amortisation</b>			
At 1 April 2022	5,450	-	5,450
Charge for year	105	-	105
At 31 March 2023	5,555	-	5,555
<b>Net book value</b>			
At 31 March 2023	134	2,806	2,940
At 31 March 2022	-	1,832	1,832

Computer software is recognised separately as an intangible asset and is carried at cost less accumulated amortisation. Costs include software licenses, website development, costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to the software.

Assets under construction primarily includes projects for customer applications and other operational systems.

**15. Tangible assets**

	Passenger carrying vehicle fleet £'000	Other plant and equipment £'000	Assets under construction £'000	Total £'000
<b>Cost</b>				
At 1 April 2022	24,391	258,508	15,863	298,762
Additions	-	-	18,069	18,205
Transfers	2,579	7,489	(10,068)	-
At 31 March 2023	26,970	265,997	23,864	316,831
<b>Accumulated depreciation</b>				
At 1 April 2022	20,096	216,604	-	236,700
Charge for year	2,011	15,675	-	17,686
At 31 March 2023	22,107	232,279	-	254,386
<b>Net book value</b>				
At 31 March 2023	4,863	33,718	23,864	62,445
At 31 March 2022	4,295	41,904	15,863	62,062

**First Greater Western Limited**  
**Notes to the Financial Statements**  
**Year ended 31 March 2023**

**15. Tangible assets (continued)**

In accordance with the accounting policy, all assets are either fully depreciated or depreciated to their residual value by the end of the NRC which is 25 June 2028.

**16. Investments**

	2023 £'000	2022 £'000
Investments	-	-

The company held the following unlisted investments at 31 March 2023 and 31 March 2022: One ordinary share of 4p each in the issued ordinary share capital of ATOC Limited, Rail Settlement Plan Limited and Rail Staff Travel Limited; one ordinary share of £1 each in the issued ordinary share capital of NRES Limited and Train Information Systems Limited. The holdings represent 5% of the total issued ordinary share capital for each of these entities, which provide a range of services to all UK passenger rail operators.

**17. Stocks**

	2023 £'000	2022 £'000
Spare parts and consumables, including fuel	8,037	12,106

There is no significant difference between the replacement cost of the stock and its carrying amount.

The movement in stock represents the increase in obsolete stock provision related to the cessation of leases related to Class 769 and Class 255 rolling stock. Stock which is not transferable to other fleet maintenance activity has been provided for.

**18. Debtors**

	2023 £'000	2022 £'000
Trade debtors	81,516	61,141
Provision on trade debtors	(331)	(1,877)
Amounts owed by group undertakings	2,214	6,355
VAT	17,307	5,194
Other debtors	47,480	23,137
Accrued income	22,870	23,156
Prepayments	9,401	2,599
Deferred tax	7,769	9,230
	<u>188,226</u>	<u>128,935</u>

Trade debtors includes passenger income debtors due from other train companies, the increase in passenger income versus the prior year is responsible for the increase in trade debtors. The provision on trade debtors has reduced following the application of government Covid relief to a number of FGW's station tenants. Other debtors includes Network Rail performance debtors, which have increased in line with money owed by Network Rail for strike action and poor performance.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

**First Greater Western Limited**  
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**18. Debtors (continued)**

Increases in prepayments reflects the classification of prepayments at year end, which is timing dependant. More prepayments were made in advance of 31 March 2023 than the prior year. These were specifically related to rolling stock leases.

Among the debtors at 31 March 2023 was deferred tax. The movement in the deferred tax balance in the year is set out below.

	Note	2023 £'000	2022 £'000
Deferred tax asset			
At 1 April		9,230	9,047
(Charged)/credited to the profit and loss	13	(1,461)	183
Deferred tax asset		<u>7,769</u>	<u>9,230</u>

The deferred tax asset consists of the following amounts:

	2023 £'000	2022 £'000
Capital allowances in excess of depreciation	5,909	7,480
Other timing differences	<u>1,860</u>	<u>1,750</u>
Deferred tax asset	<u>7,769</u>	<u>9,230</u>

During the year beginning 1 April 2023, the net reversal of deferred tax assets is expected to decrease the charge to corporation tax for the year by £1,001,000 (2022: £987,000), mainly due to depreciation, capital allowances and capital grant amortisation.

**19. Cash at bank and in hand**

	2023 £'000	2022 £'000
Bank deposits	<u>151,369</u>	<u>249,411</u>

The large movement in cash is related to the change in working capital limits set by the DfT through the NRC.

**First Greater Western Limited**  
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**20. Creditors**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	82,899	59,979
Amounts owed to group undertakings	16,266	12,985
Group tax relief	8,382	16,914
Other taxation and social security	8,671	8,465
Other creditors	8,726	6,768
Deferred income	38,658	30,269
Capital grant income	65,973	70,564
Accruals	58,288	200,705
	<u>287,863</u>	<u>406,649</u>

The increase in the trade creditor balance in 2023 was related to increased amounts owing to other TOCs arising from the growth in passenger income. The growth also drove an increase in advance purchase tickets and railcards which are recorded as deferred income. Following the signing of the NRC and the certainty it offers, creditors are now split between those falling due within 1 year and those falling due in more than one year, with the latter being £55.8m.

Accruals have reduced due to the timing differences of contract payments between the NRC and the EMA, and the movement to non-current creditors.

Amounts owed to group undertakings primarily relates to charges owed to First Rail Holdings Limited. All intercompany transactions are payable on demand and are interest free.

**Creditors: amounts falling due after more than one year**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Deferred income	4,260	-
Capital grant income	47,535	-
Accruals	4,183	-
	<u>55,978</u>	<u>-</u>

At 31 March 2022 the agreement for the new NRC had not yet been signed, therefore all creditors were assumed to be falling due within one year. This position has reversed following FGW entering the NRC.

**First Greater Western Limited**  
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**Year ended 31 March 2023**

**21. Provisions for liabilities**

	<b>Dilapidation</b>	<b>Legal &amp; Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2022	10,083	9,784	19,867
Charged to the profit and loss account	3,648	22,919	26,567
Utilised in the year	(1,541)	(2,365)	(3,906)
<b>At 31 March 2023</b>	<b>12,190</b>	<b>30,338</b>	<b>42,528</b>
Current liabilities	4,405	28,399	32,804
Non current liabilities	7,785	1,939	9,724
<b>At 31 March 2023</b>	<b>12,190</b>	<b>30,338</b>	<b>42,528</b>
Current liabilities	10,083	9,784	19,867
Non current liabilities	-	-	-
<b>At 31 March 2022</b>	<b>10,083</b>	<b>9,784</b>	<b>19,867</b>

During the year ended 31 March 2023, dilapidations were increased for rolling stock (£2.7m), office facilities (£0.6m) and stations/depots (£0.3m). The increase in Legal & Other provisions was driven by the expected settlement of wage negotiations with the unions that represent some of FGW's employees (£13.9m) and from the termination of the HST fleet (£13.0m, of which £9.4m is represented in the above table, and £3.6m included within the stock obsolescence provision). There was also a £0.4m release of the overall insurance provision.

At 31 March 2022, balances for dilapidations and legal and other provisions were transferred to current liabilities from their respective non current liabilities categories as the DA3 franchise was due to end on 31 March 2023 prior to entering the NRC which commenced on 26 June 2022.

**22. Called up share capital**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
1,000 (2022: 1,000) ordinary shares of £1 each	1,000	1,000
<b>Allotted, called up and fully paid</b>		
1 (2022: 1) ordinary share of £1 each	1	1

**23. Dividends**

Dividend distribution to the company's shareholder, First Rail Holdings Limited, is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders. During the year the company made dividend payments of £20.0m (2022: £33.0m) to First Rail Holdings Limited, the company's immediate controlling entity. FGW has proposed to pay an interim dividend of £5.8m in relation to the year ended 31 March 2023.



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**24. Commitments**

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

	2023 £'000	2022 £'000
Contracted for but not provided	15,282	13,786

Capital commitments for 2023 relate to the maintenance examination schedule on our train vehicles and our station upgrade programmes.

**Operating leases**

Minimum lease payments made under operating leases recognised in the income statement for the year:

	2023 £'000	2022 £'000
Plant and machinery	310	354
Hire of rolling stock*	253,413	260,163
Track and station access	159,608	139,710
Other assets	1,588	1,527
	<u>414,919</u>	<u>401,754</u>

\*The contract for the hire of rolling stock includes a significant maintenance element which has also been recognised in the income statement for the year as follows:

	2023 £'000	2022 £'000
Maintenance of rolling stock	228,611	210,548

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023 £'000	2022 £'000
Within one year**	397,295	430,272
In the second to fifth years inclusive**	1,591,578	-
	<u>1,988,873</u>	<u>430,272</u>

Included in the above commitments within one year are contracts held with Network Rail for access to the railway infrastructure track, stations and depots of £157.4m (2022: £159.0m). The remaining commitments for both 2023 and 2022 are primarily for the lease of rolling stock. For 2022, the agreement for the new NRC had not yet been signed, therefore all commitments were assumed to be falling due within one year.

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**24. Commitments (continued)**

\*\*At the balance sheet date, the company had outstanding commitments for future rolling stock maintenance payments associated with non-cancellable operating leases, which fall due as follows:

	2023 £'000	2022 £'000
Within one year	267,631	226,442
In the second to fifth years inclusive	1,168,889	-
	<u>1,436,520</u>	<u>226,442</u>

For 2022, the agreement for the new NRC had not yet been signed, therefore all commitments were assumed to be falling due within one year.

**25. Pension arrangements**

**Railways Pension Scheme – First Greater Western Section**

**Defined contribution schemes**

The company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the profit and loss account in the year ended 31 March 2023 was £0.4m (2022: £0.4m).

**Defined benefit schemes**

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 (RPS).

Under the terms of the 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 £19.4m (2022: £19.2m).

FGW's responsibility is to pay the contributions following triennial funding valuations whilst it operates the contract/franchise. These contributions are subject to change on consideration of future statutory valuations. In addition, at the end of the contract/franchise, any deficit or surplus in the scheme section passes to the subsequent operator with no compensating payments from or to the outgoing contract/franchise holder.

The scheme is valued triennially, when the cost of future service is calculated, and the funding position established. This note uses member data obtained by the scheme actuary for the 2019 valuation (which has not been finalised), updated to March 2023; at this date the market value of the scheme's assets totalled £1,330.8m. The actuarial value of these assets was sufficient to cover 95% (2022: 74%) 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.

**First Greater Western Limited**  
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**25. Pension arrangements (continued)**

	Category 60 2023	Category 60 2022	Category 62 2023	Category 62 2022
Employees %	8.96%	8.96%	8.04%	8.04%
Employers %	13.44%	13.44%	12.06%	12.06%
	<u>22.40%</u>	<u>22.40%</u>	<u>20.10%</u>	<u>20.10%</u>

The accounting treatment for the time-based risk-sharing feature of the company's participation in the RPS is not explicitly considered under FRS 102. The contributions currently committed to being paid are lower than the share of the service cost (for current and future service) that would normally be calculated under FRS 102 and FGW does not account for uncommitted contributions towards its current or expected future deficits. Therefore, FGW does not need to reflect any deficit on its balance sheet. A contract/franchise adjustment (asset) exists that exactly offsets any section deficit that would otherwise remain after reflecting the cost sharing with FGW members. This reflects the legal position that some of the existing deficit and some of the service costs in the current year will be funded in future years beyond the term of the current contract/franchise and committed contributions.

The contract/franchise adjustment at the balance sheet date reflects the extent to which FGW is not currently committed to fund the deficit.

The actuarial assumptions used in determining the last full actuarial valuation (31 December 2013) were that the rate of return on investments will be 7.59% per annum; the rate of earnings increase will be 4.23% per annum and the rate of inflation will be (RPI/CPI) 3.2%/2.4% per annum. The valuation was made using the projected unit credit method.

At the previous year end, we noted that The Pensions Regulator (TPR) had been in discussion with the RPS (the Scheme) regarding the assumptions used to determine the scheme's funding requirements. Discussions are ongoing, and the possibility remains of changes to contributions that could impact all rail operators sponsoring this industry-wide scheme.

**Financial assumptions**

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

	2023	2022
Rate of increase in salaries	3.22%	3.43%
Rate of increase of pensions in payment	2.72%	2.93%
Rate of increase of pensions in deferment	2.72%	2.93%
Discount rate	4.80%	2.83%
Inflation assumption – RPI	3.00%	3.30%
Inflation assumption – CPI	2.72%	2.93%

**Mortality assumptions**

The assumptions made for current mortality reflect broadly the current experience. This takes into account size of pension and geographic location. An allowance is made for future improvements, based on information currently available on mortality trends. The post-retirement mortality (life expectancy in years) current rate for pensioners at 65 is 20.7 years (2022: 20.6 years). Future pensioners aged 65 (45 now) will have a rate of 22.2 years (2022: 22.1).

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**25. Pension arrangements (continued)**

The breakdown of the asset fair value by asset type is as follows:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Equities	754,700	819,000
Property	154,700	163,400
Cash and cash equivalents	5,500	1,500
Other return seeking assets <sup>1</sup>	415,900	385,200
	<u>1,330,800</u>	<u>1,369,100</u>

<sup>1</sup> The section is invested in Railpen pooled funds. The main investment is in the Growth Pooled Fund, the purpose of which is to invest in a wide range of return-seeking assets across different financial markets and economies in order to deliver high long-term real returns (RPI + 4% pa) over a rolling 5 to 10-year period. As at the reporting date, the Growth Pooled Fund was invested predominantly in a range of Equity investments.

The value of private/illiquid assets held by the Railways Pension Scheme and included in these statements include 31 December 2022 assets totaling £293.6m (31 December 2021: £278.3m) which have been adjusted for cash inflows and outflows to 31 March 2023. Applying any form of adjustment to these assets is highly subjective and, in any case, would have a negligible impact on the deficit due to the shared cost and contract/franchise adjustments applied. As such we have retained the valuations provided directly by the investment manager. As a result, the actual assessed value of those assets as at 31 March 2023 may differ from the figure reported in these financial statements.

**First Greater Western Limited**  
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**25. Pension arrangements (continued)**

**Reconciliation of movements**

	Assets	Liabilities	Shared cost	Contract / Franchise adjustment	Net
	£m	£m	£m	£m	£m
<b>At 1 April 2021</b>	<b>1,217.3</b>	<b>(1,948.2)</b>	<b>292.4</b>	<b>438.5</b>	<b>-</b>
<b>Income statement</b>					
<b>Operating</b>					
Service cost	-	(94.3)	37.7	37.4	(19.2)
Admin cost	-	(4.5)	1.8	-	(2.7)
<b>Total operating</b>	<b>-</b>	<b>(98.8)</b>	<b>39.5</b>	<b>37.4</b>	<b>(21.9)</b>
<b>Financing</b>	<b>25.1</b>	<b>(38.5)</b>	<b>5.4</b>	<b>8.0</b>	<b>-</b>
<b>Total income statement</b>	<b>25.1</b>	<b>(137.3)</b>	<b>44.9</b>	<b>45.4</b>	<b>(21.9)</b>
<b>Amounts paid to/(from) scheme</b>					
Employer contributions	21.9	-	(8.7)	8.7	21.9
Employee contributions	14.4	-	(5.8)	(8.6)	-
Benefits paid	(47.3)	47.3	-	-	-
<b>Total</b>	<b>(11.0)</b>	<b>47.3</b>	<b>(14.5)</b>	<b>0.1</b>	<b>21.9</b>
<b>Expected closing position</b>	<b>1,231.4</b>	<b>(2,038.2)</b>	<b>322.8</b>	<b>484.0</b>	<b>-</b>
<b>Gains/(loss)</b>					
Change in actuarial assumptions	-	188.9	(75.6)	(113.3)	-
Return on assets in excess of discount rate	137.7	-	(55.1)	(82.6)	-
Experience	-	(3.8)	1.5	2.3	-
<b>Total</b>	<b>137.7</b>	<b>185.1</b>	<b>(129.2)</b>	<b>(193.6)</b>	<b>-</b>
<b>At 31 March 2022</b>	<b>1,369.1</b>	<b>(1,853.1)</b>	<b>193.6</b>	<b>290.4</b>	<b>-</b>

**First Greater Western Limited**  
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**25. Pension arrangements (continued)**

**Reconciliation of movements**

	Assets	Liabilities	Shared cost	Contract / Franchise adjustment	Net
	£m	£m	£m	£m	£m
<b>At 1 April 2022</b>	<b>1,369.1</b>	<b>(1,853.1)</b>	<b>193.6</b>	<b>290.4</b>	<b>-</b>
<b>Income statement</b>					
<b>Operating</b>					
Service cost	-	(87.6)	35.1	33.1	(19.4)
Admin cost	-	(3.5)	1.4	-	(2.1)
<b>Total operating</b>	<b>-</b>	<b>(91.1)</b>	<b>36.5</b>	<b>33.1</b>	<b>(21.5)</b>
<b>Financing</b>	<b>39.2</b>	<b>(50.5)</b>	<b>4.5</b>	<b>6.8</b>	<b>-</b>
<b>Total income statement</b>	<b>39.2</b>	<b>(141.6)</b>	<b>41.0</b>	<b>39.9</b>	<b>(21.5)</b>
<b>Amounts paid to/(from) scheme</b>					
Employer contributions	21.5	-	(8.6)	8.6	21.5
Employee contributions	14.3	-	(5.7)	(8.6)	-
Benefits paid	(47.5)	47.5	-	-	-
<b>Total</b>	<b>(11.7)</b>	<b>47.5</b>	<b>(14.3)</b>	<b>-</b>	<b>21.5</b>
<b>Expected closing position</b>	<b>1,396.6</b>	<b>(1,947.2)</b>	<b>220.3</b>	<b>330.3</b>	<b>-</b>
<b>Gains/(loss)</b>					
Change in actuarial assumptions	-	678.3	(271.3)	(407.0)	-
Return on assets in excess of discount rate	(65.8)	-	26.3	39.5	-
Experience	-	(125.7)	50.3	75.4	-
<b>Total</b>	<b>(65.8)</b>	<b>552.6</b>	<b>(194.7)</b>	<b>(292.1)</b>	<b>-</b>
<b>At 31 March 2023</b>	<b>1,330.8</b>	<b>(1,394.6)</b>	<b>25.6</b>	<b>38.2</b>	<b>-</b>

**26 Post balance sheet events**

FGW has proposed to pay an interim dividend of £5.8m in relation to the year ended 31 March 2023.

**27 Ultimate parent company**

The directors regard FirstGroup plc, a company incorporated in the United Kingdom 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 Annual Report and Accounts of FirstGroup plc can be obtained on request from 8<sup>th</sup> Floor, The Point, 37 North Wharf Road, Paddington, London, W2 1AF.