

FIRST RAIL HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2007

MONDAY



LSZVLWQE

LD4

28/01/2008

241

COMPANIES HOUSE

**Company Registered
Number: 5154485**

FIRST RAIL HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

Contents	Pages
Directors' report	1 - 2
Statement of directors' responsibilities	3
Independent auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Reconciliation of movements in shareholder's funds/(deficit)	8
Notes to the financial statements	9 - 15

DIRECTORS' REPORT

31 March 2007

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

Principal activities

The company is a holding company for FirstGroup plc's rail operations in the UK

Business Review and Future Prospects

From 1 April 2006, the company assumed the head office functions previously undertaken by fellow subsidiary undertakings including FirstGroup's UK rail bidding activity

During the year, the company leased rolling stock to First Greater Western Limited, a fellow subsidiary undertaking. This rolling stock has undergone a complete overhaul including installation of new more reliable, environmentally friendly engines and a new stylish and contemporary interior.

The company has not been successful in its most recent franchise bids for East Midlands, New Cross Country or Intercity East Coast.

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

Financial matters

The results for the year are given in the profit and loss account on page 6.

The directors have not recommended payment of a final dividend. An interim dividend of £30m was paid in the year. Dividends of £41.6m were received in the year.

Financial instruments

The company's principal financial assets are bank balances where the credit risk is limited because the counterparties are banks.

Directors

The directors who held office throughout the year were

Nicholas Chevis
Dean Finch
Paul Furze-Waddock
David Gausby
Andrew Haines
John Hawkins
David Leeder

DIRECTORS' REPORT
31 March 2007

Audit information

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

- as far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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

Auditors

The company has passed an elective resolution dispensing with the requirement to appoint auditors annually. Deloitte & Touche LLP have indicated their willingness to continue as auditors of the company and are therefore deemed to be reappointed for a further term.

Milford House
1 Milford Street
Swindon
SN1 1HL

Approved by the Board of Directors
And signed by order of the Board



Dave Gausby
Director
25 January 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether applicable accounting standards have been followed, and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST RAIL HOLDINGS LIMITED

We have audited the financial statements of First Rail Holdings Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet, the reconciliation of movement in shareholders' funds, and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

Basis of audit opinion

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST RAIL
HOLDINGS LIMITED (continued)**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

25 January 2008

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2007

	Notes	2007 £000	2006 £000
Turnover	2	509	121
Operating Costs	3		
- General		(7,118)	(629)
- Bid costs		(14,159)	
- Management charge		5,896	
Operating loss		(14,872)	(508)
Income from fixed asset investments	8	41,608	
Operating profit/(loss)		26,736	(508)
Tax credit on profit/(loss) on ordinary activities	7	4,462	152
Profit/(Loss) for the year	17	31,198	(356)

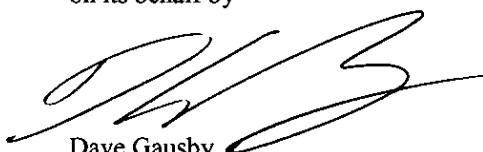
All activities in the current and preceding year relate to continuing operations

No separate Statement of Total Recognised Gains and Losses is given as all gains or losses for the current and preceding year passed through the profit and loss account

BALANCE SHEET
At 31 March 2007

	Notes	£000	2007 £000	£000	2006 £000
Assets employed.					
Fixed assets					
Investments	9		-		-
Tangible assets	10		9,134		3,416
Current assets					
Debtors	11	12,296		2,173	
Cash at bank and in hand	12	23,402		130	
		<u>35,698</u>		<u>2,303</u>	
Creditors amounts falling due within one year	13	<u>(43,218)</u>		<u>(5,826)</u>	
Net current liabilities			<u>(7,520)</u>		<u>(3,523)</u>
Total assets less current liabilities			1,614		(107)
Provisions for liabilities and charges	14		<u>(772)</u>		<u>(249)</u>
Net assets/(liabilities)			<u>842</u>		<u>(356)</u>
Financed by:					
Capital and reserves					
Called up share capital	16		-		-
Profit and loss account	17		842		(356)
Shareholder's funds/(deficit)			<u>842</u>		<u>(356)</u>

These financial statements were approved by the Board of directors on 25 Jan 2008 and were signed on its behalf by



Dave Gausby
Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS/(DEFICIT)
For the year ended 31 March 2007

	2007 £000	2006 £000
Profit/(loss) for the financial year	31,198	(356)
Dividends paid	(30,000)	-
Net addition/(reduction) in shareholder's funds/deficit	<u>1,198</u>	<u>(356)</u>
Opening shareholder's deficit	<u>(356)</u>	<u>-</u>
Closing shareholder's funds/(deficit)	<u>842</u>	<u>(356)</u>

NOTES TO THE ACCOUNTS
31 March 2007

1 Principal accounting policies

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

(a) Basis of preparation

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

(b) Cash flow statement

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

(c) Tangible fixed assets and depreciation

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

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

Rolling stock - 10 to 15 years

(d) 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

(e) Turnover and revenue recognition

Turnover represents the amounts receivable for management charges and rolling stock leased to FirstGroup plc's rail operations. Revenue is recognised in the period it is earned

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 management services and rolling stock to other group companies

NOTES TO THE ACCOUNTS

31 March 2007

2 Turnover and loss on ordinary activities before taxation

	2007 £000	2006 £000
Lease of rolling stock	509	121
	<u>509</u>	<u>121</u>

3 Operating costs

	2007 £000	2006 £000
General		
Staff costs	4,550	-
Other external charges	3,426	595
Management charges	(5,896)	-
Depreciation	417	34
Bid costs		
Staff costs	2,640	-
Other external charges	10,244	-
	<u>15,381</u>	<u>629</u>

4 Employee numbers and costs

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

	2007 £000	2006 £000
Administration	45	-
	<u>45</u>	<u>-</u>

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Wages and salaries	6,341	-
Social security costs	441	-
Other pension costs	408	-
	<u>7,190</u>	<u>-</u>

NOTES TO THE ACCOUNTS

31 March 2007

5 Directors' remuneration

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

The remuneration of the other directors during the year was as follows

	2007 £000	2006 £000
Aggregate emoluments (excluding pension contributions)	1,568	-
Company pension contributions to money purchase scheme	-	-
Fees for services	-	-
	<u>1,568</u>	<u>-</u>

Directors' emoluments include salary, fees, bonuses, sums paid by way of expense allowances subject to UK income tax and the money value of other non-cash benefits and exclude share options, company pension contributions and payments made under long-term incentive schemes.

The emoluments of the highest paid director amounted to

	2007 £000	2006 £000
Aggregate emoluments	820	-
Company pension contributions to money purchase scheme	-	-
	<u>820</u>	<u>-</u>
<i>Defined benefit scheme</i>		
Accrued pension at end of year	5	-
Accrued lump sum at end of year	2	-
	<u>7</u>	<u>-</u>

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

NOTES TO THE ACCOUNTS
31 March 2007

6 Profit on ordinary activities before taxation

	2007 £'000	2006 £'000
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration		
– Deloitte & Touche LLP audit fee	5	2
– Deloitte & Touche LLP audit fees for other subsidiaries	6	6
Depreciation – assets owned	417	28
	<u> </u>	<u> </u>

7 Tax credit on profit/(loss) on ordinary activities

	2007 £000	2006 £000
Current taxation		
- Group relief receivable	(4,993)	(401)
- Adjustment in respect of prior years	8	-
Total current taxation	<u>(4,985)</u>	<u>(401)</u>
Deferred taxation		
- Origination and reversal of timing differences	529	249
- Adjustment in respect of prior years	(6)	-
Total deferred taxation	<u>523</u>	<u>249</u>
Total tax credit on profit/(loss) on ordinary activities	<u>(4,462)</u>	<u>(152)</u>

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 30% (2006 30%) The actual current tax credit for the current year differed from the standard rate for the reasons set out in the following reconciliation

	2007 %	2006 %
Standard rate of taxation	30.0	30.0
Factors affecting charge		
- Capital allowances in excess of depreciation	(2.0)	48.9
- Income from fixed asset investments	(46.7)	-
Current taxation rate for the year	<u>(18.7)</u>	<u>78.9</u>

8 Dividends

	2007 £000	2006 £000
Amounts recognised as distributions to equity holders in the period		
Interim dividend for the year ended 31 March 2007	<u>(30,000)</u>	<u>-</u>
Dividend income from subsidiary undertakings	<u>41,608</u>	<u>-</u>

NOTES TO THE ACCOUNTS

31 March 2007

9 Fixed Asset Investments

	2007 £000	2006 £000
Cost and net book value		
At 31 March 2006 and 31 March 2007	<u>-</u>	<u>-</u>

Subsidiary undertakings

At the end of the year the principle subsidiary undertakings of the company, all of whom are wholly owned and operate UK rail franchises, were

First Capital Connect Limited
First Greater Western Limited
First ScotRail Limited

10 Tangible fixed assets

	Rolling Stock £000
Cost	
At 1 April 2006	3,450
Additions	6,135
At 31 March 2007	<u>9,585</u>
Depreciation	
At 1 April 2006	(34)
Charge for year	(417)
At 31 March 2007	<u>(451)</u>
Net book value	
At 31 March 2007	<u>9,134</u>
At 31 March 2006	<u>3,416</u>

11 Debtors

	2007 £000	2006 £000
Amounts due within one year		
Trade Debtors	138	-
Amounts owed by group undertakings	6,106	2,173
Group Tax Relief	5,384	-
VAT	137	-
Prepayments and accrued income	531	-
	<u>12,296</u>	<u>2,173</u>

NOTES TO THE ACCOUNTS

31 March 2007

12 Cash at Bank and in hand

	2007 £000	2006 £000
Bank Deposits	23,402	130
	<u>23,402</u>	<u>130</u>

13 Creditors

	2007 £000	2006 £000
Amounts falling due within one year		
Trade creditors	879	115
Amounts owed to group undertakings	39,322	5,534
Other creditors	-	143
Accruals and deferred income	3,017	34
	<u>43,218</u>	<u>5,826</u>

14 Provisions for liabilities and charges

	Deferred tax £000
At 1 April 2006	249
Charged to the profit and loss account	523
At 31 March 2007	<u>772</u>

Details of the deferred tax provision are given in note 15

15 Deferred taxation

Provision for deferred taxation consists of the following amounts

	2007 £000	2006 £000
Capital allowances in excess of depreciation	772	249
Deferred tax provision	<u>772</u>	<u>249</u>

16 Called up share capital

	2007 £	2006 £
Authorised:		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

NOTES TO THE ACCOUNTS

31 March 2007

17 Profit and loss account

	Profit and loss account £000
At 1 April 2006	(356)
Retained profit for the year	31,198
Dividend paid	(30,000)
At 31 March 2007	<u>842</u>

18 Commitments

The company had no capital or any other commitments at 31 March 2007 or at 31 March 2006

19 Contingent liabilities

The company is a member of a Value Added Tax ("VAT") group covering a number of subsidiary undertakings. All members of the VAT group are jointly and severally liable in respect of any VAT owed to HM Revenue & Customs.

20 Related party transactions

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

21 Ultimate parent company

The directors regard FirstGroup plc, a company incorporated in Great Britain and registered in Scotland, as the ultimate and immediate 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.

Copies of the accounts of FirstGroup plc can be obtained on request from Ground Floor, 50 Eastbourne Terrace, London W2 6LX.