

FIRST RAIL HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2009



**Company Registered
Number: 5154485**

FIRST RAIL HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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	8
Notes to the financial statements	9 - 16

DIRECTORS' REPORT
31 March 2009

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

Principal activities

The company is a holding company for FirstGroup plc's rail operations. In addition it leases rolling stock to fellow FirstGroup plc companies and also bids for heavy rail operations.

Business review and future prospects

During the year, the company invested in information technology for the benefit of its rail operations. This included further investment in the resource optimisation tool for crew planning and new investments in engineering materials management, human resources and purchase-to-pay systems. The company continues to lease its high-speed trains to First Greater Western Limited, a subsidiary undertaking.

The company implemented a cost reduction action plan during the year, including headcount reductions, and will continue to focus on its addressable cost base in the year ahead.

The company did not bid for any train franchises during the year.

The company has taken advantage of exemption from the enhanced business review on the grounds that it is a small company (Section 246(4)(a) CA85).

Financial matters

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

A final dividend of £16m (2008: £27m) was paid in the year. No interim dividend was paid during the year (2008: £nil). Dividends of £18m (2008: £30m) 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 with high credit ratings.

Directors

The directors who held office throughout the year were:

Nicholas Chevis	
Dean Finch	(resigned 1 st May 2009)
Paul Furze-Waddock	
David Gausby	
John Hawkins	

Directors who resigned in 2008-09;

David Leeder	(resigned 15 th September 2008)
Andrew Haines	(resigned 28 th November 2008)

DIRECTORS' REPORT
31 March 2009

Going concern

The Directors have considered the Going Concern assumption given the current economic climate and have formed the conclusion that there is a reasonable expectation that the company will continue to operate in the foreseeable future. The Directors have considered the company forecasts and the financial commitment from the parent company in forming this judgment.

The parent company has provided the Directors of the company with a letter confirming that it will make available such funds as may be required to enable the company to meet its obligations for a period of at least 12 months from signing the financial statements. The Directors have made enquiries and understand that the parent company has adequate resources to be able to provide this financial support.

After making enquiries and considering the above facts, the Directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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.

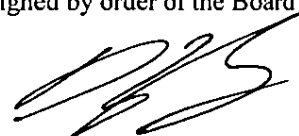
This confirmation is given and should be interpreted in accordance with the provision of S234ZA of the Companies Act 1985.

Auditors

The company has passed an elective resolution dispensing with the requirement to appoint auditors annually; Deloitte 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



David Gausby
Director

20 JANUARY

2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, 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 2009 which comprise the profit and loss account, the balance sheet, the reconciliation of movement in shareholder's 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, 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 2009 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 LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

21 January 2010

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Turnover	2	1,679	1,679
Operating costs	3		
- General		(9,631)	(7,382)
- Bid costs		-	(3,536)
- Restructuring		(1,366)	-
- Management recharge		5,780	5,453
		<u>(5,217)</u>	<u>(5,465)</u>
Operating loss		(3,538)	(3,786)
Income from fixed asset investments	8	18,000	30,000
Profit before tax on ordinary activities		14,462	26,214
Tax credit on profit on ordinary activities	7	986	1,223
Profit for the year transferred to reserves	17	<u>15,448</u>	<u>27,437</u>

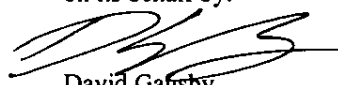
All activities in the current and preceding year relate to continuing operations.

No separate statement of total recognised gains and losses is presented as all gains or losses for the current and preceding year passed through the profit and loss account.

BALANCE SHEET
At 31 March 2009

	Notes	2009 £000	2008 £000
Assets employed:			
Fixed assets			
Investments	9	1,189	1,189
Tangible assets	10	20,025	20,088
		<u>21,214</u>	<u>21,277</u>
Current assets			
Debtors	11	6,888	10,285
Cash at bank and in hand	12	11,872	101
		<u>18,760</u>	<u>10,386</u>
Creditors: amounts falling due within one year	13	<u>(37,135)</u>	<u>(28,700)</u>
Net current liabilities		<u>(18,375)</u>	<u>(18,314)</u>
Total assets less current liabilities		2,839	2,963
Provisions for liabilities and charges	14	<u>(2,112)</u>	<u>(1,684)</u>
Net assets		<u>727</u>	<u>1,279</u>
Financed by:			
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account	17	727	1,279
Shareholder's funds		<u>727</u>	<u>1,279</u>

These financial statements were approved by the Board of directors on 20 JANUARY 2010 and were signed on its behalf by:


 David Galsby
 Director

Company Registered
Number: 5154485

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS
For the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Profit for the financial year		15,448	27,437
Dividends paid	8	(16,000)	(27,000)
Net (reduction)/addition in shareholder's funds		<u>(552)</u>	<u>437</u>
Opening shareholder's funds		<u>1,279</u>	<u>842</u>
Closing shareholder's funds		<u>727</u>	<u>1,279</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

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. The going concern basis has been applied as described in the going concern statement in the Directors' Report on page 2.

(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) Investments

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

(d) Group Accounts

Group accounts are not presented as the company is a wholly owned subsidiary undertaking of FirstGroup plc, which is incorporated in Great Britain and registered in Scotland. In accordance with section 228(1) of the Companies Act 1985, no consolidated accounts have been prepared. Accordingly, these accounts present information about the company as an individual undertaking and not about its group.

(e) 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
Information technology	-	3 to 5 years

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

(g) Turnover and revenue recognition

Turnover represents the amounts receivable for 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.

2 Turnover

	2009 £000	2008 £000
Lease of rolling stock	<u>1,679</u>	<u>1,679</u>

3 Operating costs

	2009 £000	2008 £000
General:		
Staff costs	4,879	3,801
Other external charges	3,162	2,387
Management recharges	(5,780)	(5,453)
Restructuring	1,366	-
Depreciation	1,590	1,194
Bid costs:		
Staff costs	-	1,355
Other external charges	-	2,181
	<u>5,217</u>	<u>5,465</u>

Restructuring costs of £1.37m were charged to the profit and loss account (2008: £nil). The restructuring costs were incurred during the year comprising redundancy and associated costs in relation to the cost reduction action plan.

The tax effect of these restructuring costs was a credit of £0.38m.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

4 Employee numbers and costs

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

	2009 No.	2008 No.
Administration and management	<u>48</u>	<u>47</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	3,814	4,204
Social security costs	540	554
Other pension costs	525	398
	<u>4,879</u>	<u>5,156</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

5 Directors' remuneration

Certain directors received remuneration from FirstGroup plc, the ultimate parent company, in the current and prior years, details of which are disclosed in its 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 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 Rail Holdings Limited was as follows:

	2009 £000	2008 £000
Aggregate emoluments (excluding pension contributions)	569	882
Compensation for loss of office	470	-
	<u>1,039</u>	<u>882</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:

	£000	£000
Aggregate emoluments	215	289
	<u>215</u>	<u>289</u>
	£000	£000
<i>Defined benefit scheme</i>		
Accrued pension at end of year	72	66
Accrued lump sum at end of year	52	49
	<u>72</u>	<u>49</u>

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

6 Profit before tax on ordinary activities

Audit fees for the current and prior years of £1,000 each have been borne by the ultimate parent company, FirstGroup plc.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

7 Tax credit on profit on ordinary activities

	2009 £000	2008 £000
Current taxation		
- Group relief receivable	(1,419)	(2,185)
- Adjustment in respect of prior years	5	50
Total current taxation	<u>(1,414)</u>	<u>(2,135)</u>
Deferred taxation		
- Origination and reversal of timing differences	429	979
- Adjustment in respect of prior years	(1)	(17)
- Effect of decrease in tax rate on opening liability	-	(50)
Total deferred taxation	<u>428</u>	<u>912</u>
Total tax credit on profit on ordinary activities	<u>(986)</u>	<u>(1,223)</u>

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 28% (2008: 30%). The actual current tax credit for the current year differed from the standard rate for the reasons set out in the following reconciliation:

	2009 %	2008 %
Standard rate of taxation	28.0	30.0
Factors affecting charge		
- Capital allowances in excess of depreciation	(3.0)	(4.0)
- Income from fixed asset investments	(34.8)	(34.3)
- Adjustment in respect of prior year	-	0.2
Current taxation rate for the year	<u>(9.8)</u>	<u>(8.1)</u>

8 Dividends

	2009 £000	2008 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year-end 31 March 2009 of 1,600,000,000p per share (2008: 2,700,000,000p per share)	<u>(16,000)</u>	<u>(27,000)</u>
Dividend income from subsidiary undertakings	<u>18,000</u>	<u>30,000</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2009

9 Fixed asset investments

	£000
Cost and net book value:	
At 1 April 2008	1,189
Additions	-
At 31 March 2009	<u>1,189</u>

In 2007-08 the company subscribed for 30% of the share capital of Oresundstag ApS as part of a joint venture agreement with Danske Statsbaner (Danish State Railways, "DSB"), who subscribed 70%. Oresundstag ApS is the management company for two operating companies, which will operate the railway passenger services in the Oresund region of Denmark and Sweden from 2009 to 2015. The Oresund operations commenced in January 2009.

Subsidiary undertakings

At the end of the year the principal 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	Information technology £000	Total £000
Cost			
At 1 April 2008	20,434	1,299	21,733
Additions	475	1,052	1,527
At 31 March 2009	<u>20,909</u>	<u>2,351</u>	<u>23,260</u>
Depreciation			
At 1 April 2008	1,645	-	1,645
Charge for the year	1,482	108	1,590
At 31 March 2009	<u>3,127</u>	<u>108</u>	<u>3,235</u>
Net book value			
At 31 March 2009	<u>17,782</u>	<u>2,243</u>	<u>20,025</u>
At 31 March 2008	<u>18,789</u>	<u>1,299</u>	<u>20,088</u>

11 Debtors

	2009 £000	2008 £000
Amounts due within one year		
Trade debtors	133	76
Amounts owed by group undertakings	3,174	1,828
Group tax relief	3,549	7,118
Prepayments	32	-
VAT	-	1,263
	<u>6,888</u>	<u>10,285</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

12 Cash at bank and in hand

	2009 £000	2008 £000
Bank deposits	<u>11,872</u>	<u>101</u>

13 Creditors

	2009 £000	2008 £000
Amounts falling due within one year		
Trade creditors	482	659
Amounts owed to group undertakings	34,883	27,345
Other creditors	173	-
Accruals and deferred income	1,597	696
	<u>37,135</u>	<u>28,700</u>

14 Provisions for liabilities and charges

	Deferred tax £000
At 1 April 2008	1,684
Charged to the profit and loss account	428
At 31 March 2009	<u>2,112</u>

Details of the deferred tax provision are given in note 15.

15 Deferred taxation

Provision for deferred taxation consists of the following amounts:

	2009 £000	2008 £000
Capital allowances in excess of depreciation	2,112	1,685
Other timing differences	-	(1)
Deferred tax provision	<u>2,112</u>	<u>1,684</u>

16 Called up share capital

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2009

17 Profit and loss account

	£000
At 1 April 2008	1,279
Profit for the year	15,448
Dividends paid	(16,000)
At 31 March 2009	<u>727</u>

18 Commitments

The company had no capital or any other commitments at 31 March 2009 or at 31 March 2008.

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.