

Company Registration No. 05154485

First Rail Holdings Limited

Annual Report and Financial Statements

31 March 2019

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First Rail Holdings Limited

Annual Report and financial statements 2019

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First Rail Holdings Limited
Officers and professional advisers

Directors

Clive Burrows
Nicholas Chevis
Hugh Clancy
Kevin Gardner
Stephen Montgomery

Registered Office

4th Floor Capital House
25 Chapel Street
London
NW1 5DH

Company Secretary

Barbara Salter

Auditor

Deloitte LLP
Statutory Auditor
London

First Rail Holdings Limited

Strategic report

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

The Company has taken advantage of a number of reduced disclosures. Further information is available within the accounting policies section.

PRINCIPAL ACTIVITIES

The company is a holding company for FirstGroup plc's franchised rail operations. It manages contact centre and web retailing channels for FirstGroup plc's rail operations, leases rolling stock to First Greater Western Limited and bids for tendered rail operations.

BUSINESS REVIEW AND FUTURE OUTLOOK

There were no changes to the services provided to FirstGroup plc's rail operations during the year.

Details of trading for the year in the company's three principal trading subsidiaries, First Greater Western Limited, First Transpennine Express Limited and First MTR South West Trains Limited, are shown in their respective financial statements. First Customer Contact Limited started to trade at the end of the year. It processes compensation claims from rail passengers whose journeys have been delayed on behalf of the rail operating subsidiaries. Further details are provided in its financial statements.

The company continues its preparations to operate 5 services a day between London and Edinburgh on the East Coast mainline starting in 2021.

The company engaged in bidding activity during the year, principally in relation to the West Coast franchise. This is a 70:30 partnership with Trenitalia UK Limited. In August 2019, the Department for Transport awarded the franchise to First Trenitalia West Coast Rail Limited, which started operations from 8 December 2019.

First MTR South Western Trains Limited is in discussions with the Department for Transport regarding potential commercial and contractual remedies in respect of the uncertainties affecting the performance of the franchise, including infrastructure reliability, timetabling delays and industrial action. There is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Further details are contained in the financial statements of First MTR South Western Trains Limited.

PRINCIPAL RISKS AND UNCERTAINTIES

The company has 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 the company'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.

The company'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.

Compliance, litigation and claims, health and safety

The company'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. The company 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.

First Rail Holdings Limited

Strategic report

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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 and have a financial impact on the company's operations.

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 and employee surveys.

Economic conditions including Brexit implications


Changing economic conditions affect our business in different ways. A less positive economic outlook affects the number of train journeys taken by passengers in the UK. Any changes in economic activity may impact upon the passenger numbers and hence our operations. A less positive economic outlook, or a disruptive exit from the EU could have a negative impact on our business in terms of reduced demand and reduced opportunities for growth. Improving economic conditions may also result in a tightening of labour markets resulting in employee shortages, pressure to increase pay, or affect the availability of public funding for transport services. The same factors could also affect our key suppliers.

To mitigate these risks, we continue to focus on building revenue streams and controlling costs to ensure we remain competitive.

FINANCIAL MATTERS AND KEY PERFORMANCE INDICATORS

The company made an operating profit of £1.8m (2018: £2.4m operating profit) on turnover of £24.4m (2018: £23.1m). The fall in profitability is mainly due to one-time supplier rebates in the prior year.

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



Kevin Gardner
Director

4th Floor Capital House
25 Chapel Street
London
NW1 5DH

Date: 21 February 2020

First Rail Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2019. A review of the business and the future developments are set out in the Strategic report.

Directors

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

Clive Burrows
Nicholas Chevis
Hugh Clancy
Kevin Gardner

Stephen Montgomery
Timothy O'Toole (resigned 31 May 2018)

Directors' indemnities and liability insurance

Directors' and Officers' liability insurance is maintained by the company's ultimate parent undertaking and is in place at the date of this report. The directors also have the benefit of indemnity provisions. These provisions are qualifying third party indemnity provisions as defined in section 234 of the Companies Act 2006.

Employee involvement

Communication with employees is effected mainly through briefing meetings between the directors, the senior management and employees. The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests.

Disabled persons

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirement, which have to be met for certain grades of staff. Wherever reasonable and practicable, the company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

Financial matters

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

Dividends of £60m were paid in the year (2018: £88m). Dividends of £50m (2018: £43m) were received in the year.

Under Financial Reporting Standard 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 FirstGroup plc, the company's immediate and ultimate controlling entity.

Going concern

At 31 March 2019, the company had cash of £15.3m (2018: £5.6m), net current liabilities of £2.5m (2018: net current assets of £6.3m) and net assets of £53.3m (2018: £61.9m).

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 in forming this judgement.

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.

Financial risk management objectives and policies

The company's principal financial assets are receivables from other group companies and bank balances.

The company's credit risk is primarily attributable to its receivables from group companies. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on bank balances is limited because the counter parties are banks.

First Rail Holdings Limited

Directors' report

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 auditor is 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 auditor is 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.

Auditor

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

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



Kevin Gardner
Director
4th Floor Capital House
25 Chapel Street
London
NW1 5DH

Date: 21 February 2020

First Rail Holdings Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

First Rail Holdings Limited

Independent auditor's report to the member of First Rail Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of First Rail Holdings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

First Rail Holdings Limited

Independent Auditor's report to the member of First Rail Holdings Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

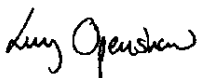
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.



Lucy Openshaw, FCA (Senior Statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 February 2020

First Rail Holdings Limited
Profit and Loss account
Year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Turnover	2	24,392	23,145
Operating costs (net)			
- General		(23,323)	(20,899)
- Bid costs (net)		(5,750)	(5,706)
- Management recharges		6,473	5,877
	3	<u>(22,600)</u>	<u>(20,728)</u>
Operating profit		1,792	2,417
Income from fixed asset investments	7	<u>50,000</u>	<u>43,000</u>
Profit before tax	6	51,792	45,417
Tax charge on profit	8	<u>(367)</u>	<u>(284)</u>
Retained profit for the year, transferred to reserves		<u>51,425</u>	<u>45,133</u>

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

Statement of comprehensive income
Year ended 31 March 2019

	2019 £'000	2018 £'000
Profit for the financial year	51,425	45,133
Other comprehensive income	-	-
Total comprehensive income for the year	<u>51,425</u>	<u>45,133</u>

First Rail Holdings Limited
Balance Sheet
At 31 March 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments	9	46,416	46,416
Intangible assets	10	492	-
Tangible assets	11	8,642	9,270
		<u>55,550</u>	<u>55,686</u>
Current assets			
Stocks	12	-	35
Debtors	13	8,638	19,072
Cash at bank and in hand	14	15,348	5,599
		<u>23,986</u>	<u>24,706</u>
Creditors: amounts falling due within one year	15	<u>(26,197)</u>	<u>(18,362)</u>
Net current assets / (liabilities)		<u>(2,211)</u>	<u>6,344</u>
Total assets less current liabilities		<u>53,339</u>	<u>62,030</u>
Provisions for liabilities and charges	16	<u>-</u>	<u>(116)</u>
Net assets		<u><u>53,339</u></u>	<u><u>61,914</u></u>
Financed by:			
Capital and reserves			
Called up share capital	17	-	-
Profit and loss account		<u>53,339</u>	<u>61,914</u>
Shareholder's funds		<u><u>53,339</u></u>	<u><u>61,914</u></u>

The financial statements of First Rail Holdings Limited, registered number 05154485, were approved by the Board of Directors on 21 February 2020.

Signed on behalf of the Board of Directors



Kevin Gardner
Director

First Rail Holdings Limited
Statement of Changes in Equity
Year ended 31 March 2019

	Notes	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2017		-	104,781	104,781
Total comprehensive income for the financial year		-	45,133	45,133
Dividend payments	18	-	(88,000)	(88,000)
		<hr/>	<hr/>	<hr/>
Balance at 31 March 2018		-	61,914	61,914
Total comprehensive income for the financial year		-	51,425	51,425
Dividend payments	18	-	(60,000)	(60,000)
		<hr/>	<hr/>	<hr/>
Balance at 31 March 2019		<hr/> - <hr/>	<hr/> 53,339 <hr/>	<hr/> 53,339 <hr/>

First Rail Holdings Limited

Notes to the accounts

Year ended 31 March 2019

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.

General Information and basis of accounting

First Rail Holdings Limited is a company limited by shares, incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic report on page 2. The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The financial statements have been prepared on a historical cost basis and on a going concern basis as described in the going concern statement in the Directors' report on page 4.

The company has applied Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council ("FRC").

First Rail Holdings Limited meets the definition of a qualifying entity under FRS 102 and therefore has taken advantage of the disclosure exemptions in respect of its separate financial statements. 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. As permitted by FRS 102, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement and intra-group transactions.

Investments

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

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 400 of the Companies Act 2006, no consolidated accounts have been prepared. Accordingly, these accounts present information about the company as an individual undertaking and not about its group.

Tangible and intangible fixed assets

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

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

Rolling stock	- 10 to 15 years
Plant & Equipment	- 3 years or franchise length
Information technology	- 3 to 5 years

Impairment of investments and tangible fixed assets

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Stock

Stock is valued at the lower of cost or net realisable value.

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2019

1. Principal accounting policies (continued)

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 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.

Leases and hire purchase

All leases are operating leases and the rental charges are taken to the profit and loss account on a straight-line basis over the life of the lease. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

Rolling stock leased out under operating leases is included in tangible fixed assets. Leasing income is recognised on a straight-line basis over the lease term.

Financial assets and liabilities

All financial assets and liabilities are measured at transaction price (including transaction cost) and subsequently measured at amortised cost.

Pension costs

The employees of the company all have contracts of employment with other group companies. Consequently, the company does not operate any pension schemes. Employment costs are recharged by the other group companies for the services provided to the company.

Turnover

Turnover represents the amounts receivable from third party contracts as well as assets leased to FirstGroup plc's rail operations. Turnover is recognised in the period by reference to the stage of completion of the services provided.

The whole of the turnover and profit 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 asset leases to other group companies.

Critical accounting judgements and key sources of estimation uncertainty

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.

Investments

Judgements are made on an ongoing basis about the recoverability of investments. Regular forecasts are compiled on the outcome of these types of accounting judgements, which required assessments relating to the expected level of future net cash flows from these investments.

Dividend distribution

Dividend distribution to the company's shareholder is recognised as a liability in the company's financial statements in the period in which the dividends are approved. Dividends receivable from the company's subsidiaries are recognised only when they are approved.

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2019

2. Turnover

	2019	2018
	£'000	£'000
Lease of rolling stock	1,533	1,578
Group management services	22,859	21,567
	<u>24,392</u>	<u>23,145</u>

3. Operating costs (net)

	2019	2018
	£'000	£'000
General:		
Staff costs (see note below)	6,155	7,324
Other external charges	15,436	11,930
Management recharges	(6,473)	(5,877)
Bid and mobilisation costs (see note below)	5,827	5,706
Depreciation	2,322	1,575
Grant amortisation	(740)	-
Rentals payable under operating leases: other	73	70
	<u>22,600</u>	<u>20,728</u>

Other external charges consist mainly of third-party costs in providing contact centre and on-line retailing for the company's rail subsidiary undertakings.

In the year ended 31 March 2019 the company was engaged in bidding activity principally in relation to the West Coast franchise (2018: bidding activity for West Coast). The company incurred bid and mobilisation costs of £5.8m (2018: £5.7m). The tax effect of the bid and mobilisation costs was a credit of £1.1m (2018: £1.1m credit).

The bid and mobilisation costs include staff costs of £5.2m (2018: £2.4m) and office lease costs. The total charge including the bid offices was £0.1m (2018: £0.1m).

4. Employee numbers and costs

The company's employees are paid by fellow subsidiary undertakings, which recharge their employment costs to the company. The monthly average number of persons employed by the company (including directors) during the year was as follows:

	2019	2018
	No.	No.
Administration and management	<u>101</u>	<u>103</u>

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	9,321	8,116
Social security costs	1,361	1,088
Pension costs	628	564
	<u>11,310</u>	<u>9,768</u>

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2019

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:

	2019	2018
	£'000	£'000
Aggregate emoluments (excluding pension contributions)	1,381	1,388

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.

Pension contributions made in the year were £nil (2018: £22k).

The emoluments of the highest paid director amounted to:

	2019	2018
	£'000	£'000
Aggregate emoluments	505	510

The highest paid director did not exercise share options during the year and did not become entitled to receive shares under the FirstGroup long-term incentive plan.

6. Profit before taxation

Audit fees of £23,713 (2018: £30,672) were incurred during the year. Deloitte LLP provided no other services in either year.

7. Income from fixed asset investments

	2019	2018
	£'000	£'000
Dividend income from subsidiary undertakings	50,000	43,000

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2019

8. Tax charge on profit

	2019	2018
	£'000	£'000
Current taxation		
- Group relief payable	377	402
- Adjustment in respect of prior years	207	91
Total current taxation	<u>584</u>	<u>493</u>
Deferred taxation		
- Origination and reversal of timing differences	(32)	51
- Adjustment in respect of prior years	(185)	(260)
Total deferred taxation	<u>(217)</u>	<u>(209)</u>
Total tax charge on profit	<u><u>367</u></u>	<u><u>284</u></u>

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2018: 19%).

The UK Government enacted legislation to reduce the main rate of UK corporation tax to 17% from 1 April 2020.

The actual current tax charge on profit for the current and previous year differed from the profit multiplied by the standard rate of corporation tax for the reasons set out in the following reconciliation:

	2019	2018
	£'000	£'000
Profit multiplied by the standard rate of Corporation Tax in the UK of 19% (2018:19%)	9,840	8,629
Factors affecting charge		
- Non-taxable income	(9,500)	(8,170)
- Expenses not deductible	1	-
- Prior year adjustments	22	(169)
- Effect of decrease in tax rate on origination and reversal of timing difference	4	(6)
Total tax charge on profit	<u><u>367</u></u>	<u><u>284</u></u>

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2019

9. Fixed asset investments

Cost	£'000
At 1 April 2018	46,416
Disposals	-
	<hr/>
At 31 March 2019	46,416
	<hr/>
Provisions for impairment	
At 1 April 2018	-
Disposals	-
	<hr/>
At 31 March 2019	-
	<hr/>
Net book value	
At 31 March 2019 and 31 March 2018	46,416
	<hr/>

On 9 October 2013 the company made a one-off cash contribution of £46.4m to its wholly-owned subsidiary undertaking First Greater Western Limited. The company did not receive any asset, right or consideration in return for the contribution and it has no entitlement whatsoever to any repayment of the contribution.

Subsidiary undertakings

At the end of the year the subsidiary undertakings of the company, all of whom are wholly-owned at year end and registered at 4th Floor Capital House, 25 Chapel Street, London NW1 5DH, unless stated otherwise, were:

First Capital Connect Limited - rail franchise operated to 14 September 2014 and no longer trading;
First Greater Western Limited, Milford House, 1 Milford Street, Swindon SN1 1HL - rail franchise will continue to be operated to at least 31 March 2020;
First ScotRail Limited, 395 King Street, Aberdeen AB24 5RP - rail franchise operated to 1 April 2015 and no longer trading;
First Transpennine Express Limited – rail franchise operating from 1 April 2016 to at least 31 March 2023;
First MTR South Western Trains Limited – 70% owned rail franchise with MTR Corporation (UK) Limited owning 30% operating from 20 August 2017 to at least 18 August 2024;
First Customer Contact Limited – provides customer relation services to rail operating companies.

First Great Western Limited, East Coast Trains Limited, First Caledonian Sleeper Limited (395 King Street, Aberdeen AB24 5RP), First East Anglia Limited, First Great Western Trains Limited, First Trains Limited, First Metro Limited, First ScotRail Railways Limited (395 King Street, Aberdeen AB24 5RP), First Thameslink Limited, First West Coast Limited, First Trenitalia East Midlands Rail Limited (70% owned with Trenitalia UK Limited owning 30%) and First Trenitalia West Coast Rail Limited (70% owned with Trenitalia UK Limited owning 30%) – dormant bid vehicles.

All the subsidiary undertakings are incorporated in the UK and their issued share capital is ordinary shares.

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. Accordingly, these accounts present information about the company as an individual undertaking and not about its group.

Copies of the accounts of FirstGroup plc can be obtained on request from its registered address: 395 King Street, Aberdeen AB24 5RP.

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2019

10. Intangible fixed assets

	Information technology £'000	Total £'000
Cost		
At 1 April 2018	-	-
Additions	500	500
At 31 March 2019	500	500
Accumulated depreciation		
At 1 April 2018	-	-
Charge for the year	8	8
At 31 March 2019	8	8
Net book value		
At 31 March 2019	492	492
At 31 March 2018	-	-

11. Tangible fixed assets

	Rolling stock £'000	Plant & Equipment £'000	Total £'000
Cost			
At 1 April 2018	27,184	957	28,141
Additions	1,686	-	1,686
At 31 March 2019	28,870	957	29,827
Accumulated depreciation			
At 1 April 2018	18,252	619	18,871
Charge for the year	2,123	191	2,314
At 31 March 2019	20,375	810	21,185
Net book value			
At 31 March 2019	8,495	147	8,642
At 31 March 2018	8,932	338	9,270

12. Stocks

	2019 £'000	2018 £'000
Spare parts	-	35

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

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2019

13. Debtors: amounts due within one year

		2019	2018
	Note	£'000	£'000
Trade debtors		-	2,072
Amounts owed by group undertakings		7,798	16,628
Prepayments and accrued income		739	372
Deferred tax	16	101	-
		<u>8,638</u>	<u>19,072</u>

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

14. Cash at bank and in hand

	2019	2018
	£'000	£'000
Bank deposit	<u>15,348</u>	<u>5,599</u>

15. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	3,643	1,167
Amounts owed to group undertakings	1,026	4,021
VAT	661	1,332
Deferred income	15,601	4,618
Accruals	<u>5,266</u>	<u>7,224</u>
	<u>26,197</u>	<u>18,362</u>

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

16. Provisions for liabilities and charges

	Note	Deferred tax
		£'000
At 1 April 2018		116
Credited to the profit and loss account		<u>(217)</u>
At 31 March 2019	13	<u>(101)</u>

Provision for deferred taxation consists of the following amounts:

	2019	2018
	£'000	£'000
Capital allowances in excess of depreciation	(101)	123
Other timing differences	<u>-</u>	<u>(7)</u>
Deferred tax (asset) / provision	<u>(101)</u>	<u>116</u>

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2019

17. Called up share capital

	2019	2018
	£	£
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
1 ordinary share of £1 each	1	1
	<hr/>	<hr/>

The company has one class of ordinary shares which carries no right to fixed income.

18. Dividend

Dividend distributions to the company shareholder FirstGroup plc are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company shareholders. During the year, a final dividend of £nil (2018: £nil) was paid to FirstGroup plc, the company's immediate controlling entity. An interim dividend of £60m (2018: £88m) was paid during the year to FirstGroup plc.

19. Commitments

Capital commitments at the end of the year were £1m (2018: £5m). The company has entered into a contract for conversion works to certain of its rolling stock vehicles to enable their continued use on the UK Rail network.

Operating leases

Future minimum lease payments under non-cancellable operating leases are as follows:

	2019		2018	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Payments falling due:				
Within one year	654	9	897	9
Between one and five years	-	5	644	14
	<hr/>	<hr/>	<hr/>	<hr/>
	654	14	1,541	23
	<hr/>	<hr/>	<hr/>	<hr/>

Future minimum rolling stock lease income under non-cancellable operating leases are as follows:

	2019		2018	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Payments falling due:				
Within one year	-	1,468	-	1,578
Between one and five years	-	-	-	1,578
	<hr/>	<hr/>	<hr/>	<hr/>
	-	1,468	-	3,156
	<hr/>	<hr/>	<hr/>	<hr/>

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2019

20. Contingent liabilities

The company has guaranteed liabilities of Hull Trains Company Limited in connection with its Section of the Railways Pension Scheme. The 31 December 2016 actuarial valuation showed a funding shortfall of £337,000 (Technical provisions less market value of pension assets).

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.

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 its registered address: 395 King Street, Aberdeen AB24 5RP.