

**Company Registration No. 05154485**

**First Rail Holdings Limited**

**Report and Financial Statements**

**31 March 2018**



# **First Rail Holdings Limited**

## **Report and financial statements 2018**

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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**

4<sup>th</sup> 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 some of FirstGroup plc's 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 heavy 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.

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

### **PRINCIPAL RISKS AND UNCERTAINTIES**

#### **LEGISLATION AND REGULATION**

Our business is subject to numerous laws and regulations covering a wide range of matters including health and safety, equipment, employment (including working time, wage and hour, 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 in increased litigation and claims and have a negative impact on the company. These laws and regulations are constantly subject to change, the impact 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. 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.

#### **EMPLOYEE COSTS AND RELATIONS**

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

To mitigate this risk, the company seeks to structure its recruitment and 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 the wider workforce. Examples of this engagement include regular leadership conferences and employee surveys.

#### **ECONOMY**

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 downturn in economic conditions 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.

## **First Rail Holdings Limited**

### **Strategic report**

#### **FINANCIAL MATTERS AND KEY PERFORMANCE INDICATORS**

The company made an operating profit of £2.4m (2017: £8.6m operating loss) on turnover of £23.1m (2017: £19.8m). The improvement in profitability is mainly due to cost efficiencies and lower bid costs in the current year.

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



Kevin Gardner  
Director

4<sup>th</sup> Floor Capital House  
25 Chapel Street  
London  
NW1 5DH

Date: 21 December 2018

## **First Rail Holdings Limited**

### **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2018. 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

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

Kevin Gardner (appointed 10 July 2017)

#### **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 £88m were paid in the year (2017: £nil). Dividends of £43m (2017: £30m) 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 2018, the company had cash of £5.6m (2017: £54.3m), net current assets of £6.3m (2017: £49.8m) and net assets of £61.9m (2017: £104.8m).

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  
4<sup>th</sup> Floor Capital House  
25 Chapel Street  
London  
NW1 5DH

Date: 21 December 2018

## **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; 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.



## **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 2018 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 of 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 20.

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 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.

## **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](http://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

21 December 2018

**First Rail Holdings Limited**  
**Profit and loss account**  
**Year ended 31 March 2018**

	Notes	2018 £'000	2017 £'000
Turnover	2	23,145	19,756
Operating costs (net)			
- General		(20,899)	(24,006)
- Bid costs (net)		(5,706)	(9,311)
- Management recharges		5,877	4,987
	3	<u>(20,728)</u>	<u>(28,330)</u>
Operating profit / (loss)		2,417	(8,574)
Income from fixed asset investments	7	<u>43,000</u>	<u>30,000</u>
Profit before tax	6	45,417	21,426
Tax (charge) / credit on profit / (loss)	8	<u>(284)</u>	<u>1,213</u>
Retained profit for the year, transferred to reserves		<u>45,133</u>	<u>22,639</u>

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

**Statement of comprehensive income**  
**Year ended 31 March 2018**

	2018 £'000	2017 £'000
Profit for the financial year	45,133	22,639
Other comprehensive income	-	-
Total comprehensive income for the year	<u>45,133</u>	<u>22,639</u>

**First Rail Holdings Limited**  
**Balance sheet**  
**At 31 March 2018**

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Investments	9	46,416	46,416
Tangible assets	10	9,270	8,887
		<u>55,686</u>	<u>55,303</u>
<b>Current assets</b>			
Stocks	11	35	35
Debtors	12	19,072	9,214
Cash at bank and in hand	13	5,599	54,262
		<u>24,706</u>	<u>63,511</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(18,362)</u>	<u>(13,708)</u>
<b>Net current assets</b>		<u>6,344</u>	<u>49,803</u>
<b>Total assets less current liabilities</b>		<u>62,030</u>	<u>105,106</u>
<b>Provisions for liabilities and charges</b>	15	<u>(116)</u>	<u>(325)</u>
<b>Net assets</b>		<u>61,914</u>	<u>104,781</u>
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Called up share capital	16	-	-
Profit and loss account		<u>61,914</u>	<u>104,781</u>
<b>Shareholder's funds</b>		<u>61,914</u>	<u>104,781</u>

The financial statements of First Rail Holdings Limited, registered number 05154485 were approved by the Board of Directors on 21 December 2018.

Signed on behalf of the Board of Directors



Kevin Gardner  
Director

**First Rail Holdings Limited**  
**Statement of changes in Equity**  
**Year ended 31 March 2018**

	Notes	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 31 March 2016		-	82,142	82,142
Total comprehensive income for the financial year		-	22,639	22,639
Balance at 31 March 2017		-	104,781	104,781
Total comprehensive income for the financial year		-	45,133	45,133
Dividend payments	17	-	(88,000)	(88,000)
Balance at 31 March 2018		-	61,914	61,914

# **First Rail Holdings Limited**

## **Notes to the accounts**

### **Year ended 31 March 2018**

#### **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 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
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 2018**

#### **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).

##### **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 2018**

**2. Turnover**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Lease of rolling stock	1,578	1,701
Group management services	21,567	18,055
	<u>23,145</u>	<u>19,756</u>

**3. Operating costs (net)**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
General:		
Staff costs (see note below)	7,324	5,379
Other external charges	11,930	15,788
Management recharges	(5,877)	(4,987)
Bid and mobilisation costs (see note below)	5,706	9,311
Depreciation	1,575	2,568
Rentals payable under operating leases: other (see note below)	70	271
	<u>20,728</u>	<u>28,330</u>

In the year ended 31 March 2018 the company was engaged in bidding activity principally in relation to the West Coast franchise (2017: bidding activity for South Western). The company incurred bid and mobilisation costs of £5.7m (2017: £9.3m). The tax effect of the bid and mobilisation costs was a credit of £1.1m (2017: £1.9m credit).

The bid and mobilisation costs include staff costs of £2.4m (2017: £6.1m) and office lease costs. Rentals payable under operating leases is in respect of land and buildings. The total charge including the bid offices was £0.8m (2017: £0.8m).

**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:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Administration and management	<u>103</u>	<u>91</u>

The aggregate payroll costs of these persons were as follows:

	<b>£'000</b>	<b>£'000</b>
Wages and salaries	8,116	9,702
Social security costs	1,088	1,176
Pension costs	564	575
	<u>9,768</u>	<u>11,453</u>



**First Rail Holdings Limited**  
**Notes to the accounts**  
**Year ended 31 March 2018**

**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:

	2018 £'000	2017 £'000
Aggregate emoluments (excluding pension contributions)	<u>1,388</u>	<u>1,187</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.

Pension contributions made in the year were £22k (2017: £26k).

The emoluments of the highest paid director amounted to:

	2018 £'000	2017 £'000
Aggregate emoluments	<u>510</u>	<u>428</u>

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

**6. Profit before taxation**

Audit fees of £30,672 (2017: £6,359) were incurred during the year. Deloitte LLP provided no other services in either year.

**7. Income from fixed asset investments**

	2018 £'000	2017 £'000
Dividend income from subsidiary undertakings	<u>43,000</u>	<u>30,000</u>

**First Rail Holdings Limited**  
**Notes to the accounts**  
**Year ended 31 March 2018**

**8. Tax charge / (credit) on profit / (loss)**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Current taxation		
- Group relief payable / (receivable)	402	(1,205)
- Adjustment in respect of prior years	91	308
	<u>493</u>	<u>(897)</u>
Total current taxation		
Deferred taxation		
- Origination and reversal of timing differences	51	(178)
- Effect of decrease in tax rate on opening deferred tax balance	-	(29)
- Adjustment in respect of prior years	(260)	(109)
	<u>(209)</u>	<u>(316)</u>
Total deferred taxation		
Total tax charge / (credit) on profit / (loss)	<u>284</u>	<u>(1,213)</u>

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2017: 20%).

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:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Profit multiplied by the standard rate of Corporation Tax in the UK of 19% (2017: 20%)	8,629	4,285
Factors affecting charge		
- Non-taxable Income	(8,170)	(6,000)
- Expenses not deductible	-	301
- Prior year adjustments	(169)	199
- Effect of decrease in tax rate on origination and reversal of timing difference	(6)	31
- Effect of decrease in tax rate on opening deferred tax balance	-	(29)
	<u>284</u>	<u>(1,213)</u>
Total tax charge / (credit) on profit / (loss)		

**First Rail Holdings Limited**  
**Notes to the accounts**  
**Year ended 31 March 2018**

**9. Fixed asset investments**

<b>Cost</b>	<b>£'000</b>
At 1 April 2017	46,416
Disposals	-
	<hr/>
At 31 March 2018	46,416
	<hr/>
<b>Provisions for impairment</b>	
At 1 April 2017	-
Disposals	-
	<hr/>
At 31 March 2018	-
	<hr/>
<b>Net book value</b>	
At 31 March 2018 and 31 March 2017	46,416
	<hr/> <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 4<sup>th</sup> 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 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 Cross Country Limited, First East Midlands Limited, First Great Northern Limited, First Trains Limited, First Metro Limited, First ScotRail Railways Limited (395 King Street, Aberdeen AB24 5RP), First Thameslink Limited, First West Coast Limited, Horizon Trains 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 2018**

**10. Tangible fixed assets**

	<b>Rolling stock £'000</b>	<b>Plant &amp; Equipment £'000</b>	<b>Information technology £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April 2017	25,226	957	2,359	28,542
Additions	1,958	-	-	1,958
Disposals	-	-	(2,359)	(2,359)
<b>At 31 March 2018</b>	<b>27,184</b>	<b>957</b>	<b>-</b>	<b>28,141</b>
<b>Accumulated depreciation</b>				
At 1 April 2017	16,868	428	2,359	19,655
Charge for the year	1,384	191	-	1,575
Disposals	-	-	(2,359)	(2,359)
<b>At 31 March 2018</b>	<b>18,252</b>	<b>619</b>	<b>-</b>	<b>18,871</b>
<b>Net book value</b>				
At 31 March 2018	8,932	338	-	9,270
At 31 March 2017	8,358	529	-	8,887

The additions in the year are capital work-in-progress.

**11. Stocks**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Spare parts	35	35

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

**12. Debtors: amounts due within one year**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Trade debtors	2,072	50
Amounts owed by group undertakings	16,628	8,863
Prepayments and accrued income	372	301
	<b>19,072</b>	<b>9,214</b>

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

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

	<b>2018 £'000</b>	<b>2017 £'000</b>
Bank deposit	5,599	54,262

**First Rail Holdings Limited**  
**Notes to the accounts**  
**Year ended 31 March 2018**

**14. Creditors: amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	1,167	728
Amounts owed to group undertakings	4,021	928
VAT	1,332	734
Deferred income	4,618	4,234
Accruals	7,224	7,084
	<u>18,362</u>	<u>13,708</u>

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

**15. Provisions for liabilities and charges**

	<b>Deferred tax</b>
	<b>£'000</b>
At 1 April 2017	325
Credited to the profit and loss account	(209)
At 31 March 2018	<u>116</u>

Provision for deferred taxation consists of the following amounts:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Capital allowances in excess of depreciation	123	332
Other timing differences	(7)	(7)
Deferred tax provision	<u>116</u>	<u>325</u>

**16. Called up share capital**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Authorised:</b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid:</b>		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

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

**17. 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 (2017: £nil) was paid to FirstGroup plc, the company's immediate controlling entity. An interim dividend of £88m (2017: £nil) was paid during the year to FirstGroup plc.

**First Rail Holdings Limited**  
**Notes to the accounts**  
**Year ended 31 March 2018**

**18. Commitments**

Capital commitments at the end of the year were £5m (2017: £8m). 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:

	2018		2017	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Payments falling due:				
Within one year	897	9	1,004	9
Between one and five years	644	14	1,479	23
	<u>1,541</u>	<u>23</u>	<u>2,483</u>	<u>32</u>

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

	2018		2017	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Payments falling due:				
Within one year	-	1,578	-	1,701
Between one and five years	-	1,578	-	1,701
	<u>-</u>	<u>3,156</u>	<u>-</u>	<u>3,402</u>

**19. 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 2013 actuarial valuation showed a funding shortfall of £33,000 and a solvency shortfall of £6m as at that date.

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. 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.