



Company Registration No. 05154485

First Rail Holdings Limited

Annual Report and Financial Statements

31 March 2021



First Rail Holdings Limited

Annual Report and financial statements 2021

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First Rail Holdings Limited

Officers and professional advisers

Directors

James Bowen (appointed 1 February 2021)
Clive Burrows
Nicholas Chevis (resigned 1 February 2021)
Hugh Clancy
Kevin Gardner (resigned 29 May 2020)
Stephen Montgomery
Michael Nelson (appointed 1 June 2020)

Registered Office

8th Floor, The Point
37 North Wharf Road
London
W2 1AF

Company Secretary

Barbara Salter

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
United Kingdom

First Rail Holdings Limited

Strategic report

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

PRINCIPAL ACTIVITIES

First Rail Holdings Limited ("the company") is a holding company for FirstGroup plc's rail operations. In addition, it provides management, IT, consultancy and contact centre services 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 changes to the services provided to FirstGroup plc's rail operations during the year, which are discussed below.

In line with the wider UK rail industry, passenger volumes in the company's four principal trading subsidiaries reduced substantially from the second half of March 2020 as government advice and regulations changed, with revenue c.95% lower than the same period last year. Following consultation with the DfT, the industry began operating a reduced timetable from 23 March 2020. Services were gradually restored beginning with the timetable change on 18 May 2020, although further government interventions in response to the Coronavirus pandemic resulted in reduced passenger volumes during November 2020 and since January 2021. Demand remains at low levels but has picked up with the lockdown easings from April 2021. This passenger demand recovery has continued in the year ending 31 March 2022 albeit the Omicron variant temporarily suppressed demand during January 2022. Emergency Measures Agreements (EMAs) and Emergency Recovery Measures Agreements (ERMAs) have been put in place across the industry by the UK Government. In May 2021, First MTR South West Trains Limited and First Transpennine Express Limited entered into National Rail Contracts (NRCs) with a start date of 30 May 2021 and a term of two years with options to extend by up to a further two years. First Greater Western Limited entered into its NRC effective from 26 June 2022 and First Trenitalia West Coast Rail Limited is expected to enter into its NRC later in 2022 from their current ERMA.

Details of trading for the year in the company's four principal trading subsidiaries, First Greater Western Limited, First MTR South West Trains Limited, First Transpennine Express Limited and First Trenitalia West Coast Rail Limited, including the EMAs / ERMAs, are shown in their respective financial statements.

First Customer Contact Limited completed a second year of operations processing compensation claims from rail passengers whose journeys have been delayed on behalf of the rail operating subsidiaries. This company has taken on additional customer contact activities part way through the current year, which were previously managed by First Rail Holdings Limited through an outsourced provider. These activities include enquiries, complaints, passenger assistance and certain retail activities. Further details are provided in its financial statements.

East Coast Trains Limited continued its preparations to operate 5 services a day between London and Edinburgh on the East Coast mainline with services starting from October 2021. Further details are provided in its financial statements.

The company supported First Greater Western Limited, First MTR South West Trains Limited, First Transpennine Express Limited and First Trenitalia West Coast Rail Limited in entering into their EMAs, ERMAs and NRCs with the DfT. There was no bid activity for tendered rail operations. Some services previously provided by FirstGroup Holdings Limited to trading subsidiaries (IT and consultancy services) are now provided by the company. This involved a number of employees transferring their employment from FirstGroup Holdings Limited to the company. Management services are reported within turnover whereas in the prior year such services were treated as cost recharges and reported within operating costs. The prior year has been restated accordingly, as disclosed in note 5.

The company continues to provide management, IT and consultancy services to FirstGroup plc's rail operations and leases rolling stock to First Greater Western Limited in the year ended 31 March 2022, and subsequently. The contact centre services are provided by First Customer Contact Limited. Some IT services have been divested to subsidiary undertakings, Evolutionary Rail Limited and Mistral Data Limited, to accelerate their future development.

First Rail Holdings Limited

Strategic report

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.

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.

Environmental risk

FirstGroup plc recognises the importance of its environmental policies, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group's Annual Report, which do not form part of this report. Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

We recognise the environmental impacts arising from our business activities and are committed to reducing these through effective environmental management.

Information technology

The company relies on information technology in all aspects of its business. Any significant disruption or failure, caused by external factors, denial of service, computer viruses or human error, could result in a service interruption, accident or misappropriation of confidential information (including personal data). Process failure, security breach or other operational difficulties may also lead to revenue loss. Extensive security controls are in place, which in conjunction with policy and procedures are designed to enhance the resilience and security of the company's information technology systems and the data they contain.

First Rail Holdings Limited

Strategic report

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Economic conditions

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 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.

Companies Act 2006 Section 172 Statement

The directors have a duty to promote the success of the company for the benefit of its members as a whole. The Board understands the need to act fairly between the members of the company when assessing the consequences of a decision over the long term. The Board believes that its key stakeholders are:

- Customers, which are its trading subsidiaries
- Investors (FirstGroup plc)
- Government and political stakeholders
- Our People
- Communities
- Strategic partners and suppliers

The Board believe that strong engagement, collaboration and dialogue are critical to the effectiveness of our long-term relationships with key stakeholders. The Board has adopted the FirstGroup processes, policies and governance structures that are relevant to our business and contributes to their development and refinement.

Engaging ethically

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

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

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

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

We have internal control systems and procedures in place to counter bribery and corruption. Similarly, we respect and protect the privacy of our customers, employees and stakeholders, and are committed to conducting our business in accordance with all applicable data protection legislation, including the General Data Protection Regulation and the UK Data Protection Act. We have an externally managed whistleblowing service for colleagues available with a helpline (online and phone-based) for the anonymous reporting of suspected wrongdoing or dangers at work. All reported issues or concerns to the hotline are taken seriously and investigated as appropriate, ensuring that confidentiality is respected at all times.

First Rail Holdings Limited

Strategic report

Companies Act 2006 Section 172 Statement (continued)

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

Customers

- Regular reviews with customers, its trading subsidiaries, as part of the periodic reporting cycle

Investors

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

Government and political stakeholders

- Engagement with industry forums
- Direct engagement with policymakers
- Strong links with national and regional governments

Our People

- Regular 'Your Voice' employee engagement surveys
- Inductions, onboarding sessions and employee handbooks
- Multiple internal communications channels, including our intranet, briefings, newsletters and our employee mobile apps
- Individual performance reviews and development discussions or Time with Your Manager meetings

Communities

- Community investment, charitable engagement and employee volunteering

Strategic partners and suppliers

- Regular dialogue with key partners
- Collaboration in cross-industry forums
- Clear ethical and sustainability standards

Below we describe the effect of having regard to Section 172 on the company's decisions and strategies during the financial year:

- During March 2020 as the spread of Coronavirus was approaching its peak and rail passenger demand collapsed, the company engaged with the DfT and FirstGroup along with its franchised trading subsidiaries to agree revised contract terms as set out in the EMAs. This enabled rail services to continue and provide ongoing rail access to key workers to allow them to get to work.
- Through its procurement and engineering teams, the company co-ordinated new cleaning regimes for its trading subsidiaries, which were established in stations, on trains and in our offices to lower the risk of infection for both our passengers and our employees.
- The company also procured additional IT equipment to enable office-based staff to work from home to help mitigate the risk of the infection spreading within the office environments.

First Rail Holdings Limited

Strategic report

FINANCIAL MATTERS AND KEY PERFORMANCE INDICATORS

The company made an operating profit of £1,904k (2020: £2,102k operating loss) on turnover of £48,090k (2020: £37,397k). The increase in profitability is mainly due to the fact no bid activity for tendered rail operations took place in the current year.

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



Michael Nelson
Director

8th Floor, The Point
37, North Wharf Road
London
W2 1AF

Date: 23 September 2022

First Rail Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2021. 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:

James Bowen (appointed 1 February 2021)
Clive Burrows
Nicholas Chevis (resigned 1 February 2021)
Hugh Clancy
Kevin Gardner (resigned 29 May 2020)
Stephen Montgomery
Michael Nelson (appointed 1 June 2020)

Directors' indemnity

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

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.

Engagement with customers, suppliers and other key stakeholders

The Section 172 report contained within the Strategic Report on pages 4 and 5 outlines the primary ways in which the company fosters its business relationships with its key stakeholders.

Future events

The directors are satisfied with the performance of the company for the year. Future events have been considered by the directors within the Strategic Report and can be found on page 2.

Financial matters

The results for the year are given in the profit and loss account on page 14.

Dividends of £40,000k were paid in the year (2020: £20,000k). Dividends of £27,050k (2020: £40,000k) were received in the year.

Going concern

At 31 March 2021, the company had cash of £14,108k (2020: £3,475k), net current assets of £10,585k (2020: £20,904k) and net assets of £60,490k (2020: £71,620k).

The directors are required to state whether they consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

First Rail Holdings Limited

Directors' report

Going concern (continued)

Background for going concern

The company's trading subsidiaries have businesses that provide essential services to the communities they serve. Continuity of transport is proving essential to governments, local communities and many of their customers during the Coronavirus Pandemic. The funding received from government to sustain their services through the EMA initially, and subsequently the ERMA and NRC, is testament to the importance of their offering to those they serve.

It will also be critical to the return to normal conditions when the present uncertain situation is overcome.

Government and stakeholders recognised the need to reduce services as passenger demand declined rapidly when lockdown restrictions were imposed. They also recognised that it was critical to provide funding to maintain essential services for key workers to get to their place of work, and to preserve the ability to restore services quickly when required. Since the nadir of service levels in March 2020, increased service levels have been reintroduced in stages with additional government support with the further reductions implemented in January 2021 now subject to the government's lockdown easing process. This passenger demand recovery has continued in the year ending 31 March 2022 albeit the Omicron variant temporarily suppressed demand during January 2022.

The impact of the coronavirus on our business and on our trading subsidiaries' businesses will continue to evolve throughout the coming months. The continued impact of the coronavirus pandemic on the wider economy and the transport sector within the market in which the business operates, remains unclear.

The directors used the financial forecasts prepared for business modelling and liquidity purposes as the basis for their assessment of the company's ability to continue as a going concern for the twelve months from the date of the financial statements.

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

- the likelihood of a coronavirus impact in the UK remaining in place for the foreseeable future;
- the potential impacts on financial and trading performance;
- the current expiry dates of customers' EMA, ERMA and NRC agreements with the DfT; and
- the timing of working capital flows

Significant going concern judgements

In using these financial forecasts for the going concern assessment, the company directors have made significant judgements in forming assumptions regarding how the impact of the coronavirus pandemic might evolve in the coming months and what impact that will have on the ability of the business to resume near normal levels of service. Many of those judgements are, by their nature, highly subjective and the modelled outcomes depend to a significant degree on how the coronavirus pandemic evolves during the next 12 months. There is therefore a much higher degree of uncertainty than would usually be the case in making the key judgements and assumptions that underpin the financial forecasts.

The coronavirus pandemic is unprecedented and the long-term effect it will have on the wider economy or demand for our services is very difficult to predict.

Going concern statement

Based on their review of the financial forecasts and having regard to the risks and uncertainties to which the company is exposed the company directors believe that the company has adequate resources to continue in operational existence for the 12 month period from the date on which the financial statements were approved. Accordingly, the financial statements have been prepared on a going concern basis.

First Rail Holdings Limited

Directors' report

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 with a minimum "A" credit rating.

Cash flow and liquidity risk

The company undertakes detailed regular cash re-forecasting processes and considers that the facilities it has access to provide sufficient liquidity to meet its obligations.

Audit information

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- 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 Section 418 of the Companies Act 2006.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment was passed at FirstGroup plc's Annual General Meeting on 13 September 2021.

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



Michael Nelson
Director
8th Floor, The Point
37, North Wharf Road
London
W2 1AF

Date: 23 September 2022

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 regulation.

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

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

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

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

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

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



Michael Nelson
Director
8th Floor, The Point
37, North Wharf Road
London
W2 1AF

Date: 23 September 2022

Independent auditors' report to the members of First Rail Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, First Rail Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2021; the Profit and loss Account, Statement of Comprehensive Income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate financial performance. Audit procedures performed by the engagement team included:

- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations;
- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims, litigation, and instances of fraud; and
- Identifying and testing journal entries to assess whether any of the journals appeared unusual.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
23 September 2022

First Rail Holdings Limited
Profit and loss account
Year ended 31 March 2021

			Restated *
	Notes	2021 £'000	2020 £'000
Turnover	5	48,090	37,397
Operating costs (net)			
- General		(48,801)	(37,990)
- Bid costs (net)		-	(3,782)
	6	<u>(48,801)</u>	<u>(41,772)</u>
Other operating income	7	2,615	2,273
Operating profit/ (loss)		<u>1,904</u>	<u>(2,102)</u>
Income from other fixed asset investments	11	27,050	40,000
Profit before taxation	12	<u>28,954</u>	<u>37,898</u>
Tax on profit	13	(84)	383
Profit for the financial year		<u><u>28,870</u></u>	<u><u>38,281</u></u>

* Details of the restatements are disclosed in notes 5, 6 and 7.

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

Statement of comprehensive income
Year ended 31 March 2021

	2021 £'000	2020 £'000
Profit for the financial year	<u>28,870</u>	<u>38,281</u>
Total comprehensive income for the year	<u><u>28,870</u></u>	<u><u>38,281</u></u>

First Rail Holdings Limited
Balance sheet
At 31 March 2021

	Notes	2021 £'000	2020 Restated * £'000
Fixed assets			
Intangible assets	14	370	392
Tangible assets	15	6,785	8,038
Investments	16	46,416	46,416
		<u>53,571</u>	<u>54,846</u>
Current assets			
Debtors: amounts falling due within one year	17	15,672	39,638
Debtors: amounts falling due after more than one year	17	2,498	-
Cash at bank and in hand		14,108	3,475
		<u>32,278</u>	<u>43,113</u>
Creditors: amounts falling due within one year	18	(21,343)	(22,209)
Provisions for liabilities: amounts falling due within one year	20	(350)	-
Net current assets		<u>10,585</u>	<u>20,904</u>
Total assets less current liabilities		<u>64,156</u>	<u>75,750</u>
Creditors: amounts falling due after more than one year	21	(3,666)	(4,130)
Net assets		<u><u>60,490</u></u>	<u><u>71,620</u></u>
Capital and reserves			
Called up share capital	22	-	-
Profit and loss account		60,490	71,620
Total shareholder's funds		<u><u>60,490</u></u>	<u><u>71,620</u></u>

* Details of the restatement are disclosed in notes 18 and 21.

The accompanying notes on pages 17 to 28 form an integral part of these financial statements.

The financial statements of First Rail Holdings Limited, registered number 05154485, on pages 14 to 28 were approved by the Board of Directors on 23 September 2022.

Signed on behalf of the Board of Directors



Michael Nelson
Director

First Rail Holdings Limited
Statement of changes in equity
Year ended 31 March 2021

	Notes	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2019		-	53,339	53,339
Total comprehensive income for the financial year		-	38,281	38,281
Dividend payments	23	-	(20,000)	(20,000)
Balance at 31 March 2020		-	71,620	71,620
Total comprehensive income for the financial year		-	28,870	28,870
Dividend payments	23	-	(40,000)	(40,000)
Balance at 31 March 2021		-	60,490	60,490

First Rail Holdings Limited

Notes to the financial statements

Year ended 31 March 2021

1. General information

First Rail Holdings Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 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.

2. Statement of compliance

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

3. Principal accounting policies

The following accounting policies have been applied consistently throughout the current and preceding year.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, modified to include certain items at fair value in accordance with FRS 102.

Group financial statements 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 financial statements have been prepared. Accordingly, these financial statements present information about the company as an individual undertaking and not about its group.

The functional and presentation currency of First Rail Holdings Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

(b) Going Concern

The company currently meets its day-to-day working capital requirements through its cash balances and is not dependent on its ultimate parent FirstGroup plc for support at present. The company's business modelling forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash balances. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Exemptions for qualifying entities under FRS 102

The company meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions in relation to share-based payments, financial instruments, capital management, preparation of a cashflow statement and remuneration of key management personnel, which have been disclosed in FirstGroup plc's financial statements. Also, the company has taken disclosure exemptions in relation to intra-group transactions.

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.

(d) Investments

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

First Rail Holdings Limited
Notes to the financial statements
Year ended 31 March 2021

3. Principal accounting policies (continued)

(e) 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	- 3 years or franchise length
Plant & Equipment	- 5 years
Information technology	- 3 to 5 years

Assets under construction are stated at cost. These assets are not depreciated until they are available for use. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(f) 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.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

(g) 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.

(h) 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.

(i) Financial assets and liabilities

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

First Rail Holdings Limited
Notes to the financial statements
Year ended 31 March 2021

3. Principal accounting policies (continued)

(j) Impairment of financial assets

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

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

(k) Pension costs

The company participates in defined contribution schemes for employees that have contracts of employment with the company itself. Such contributions are charged to the profit and loss account as they become payable.

Employment costs are recharged by the other group companies for the services provided to the company.

(l) Turnover

The whole of the turnover and profit before taxation derives from the company's principal activities within the United Kingdom. The company has several principal classes of business, which include the provision to other group companies of management, IT, consultancy and contact centre services and lease of rolling stock.

Turnover is recognised at the fair value of the consideration received or receivable from third party contracts as well as assets leased to FirstGroup plc's rail operations and is shown net of VAT where appropriate.

Turnover is recognised in the period by reference to the stage of completion of each class of services provided.

As part of its IT services, the company has been involved in the development of next generation onboard 5G WIFI technology and has begun providing these services to one of its fellow group companies during the year. These services will allow rail passengers to enjoy consistent fast WI-FI connectivity on train for streaming, rapid browsing, and connectivity to cloud-based applications and are recognised as turnover in the period by reference to the stage of completion, as well.

(m) Dividends

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.

(n) Provisions

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

(o) Government grants

Government grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to rolling stock are recognised in "other operating income" within profit or loss on a systematic basis over the expected useful life of the assets concerned. Other than as disclosed in note 7, the company has not directly benefited from any other forms of government assistance.

First Rail Holdings Limited
Notes to the financial statements
Year ended 31 March 2021

3. Principal accounting policies (continued)

(p) Share-based payments

The company's ultimate parent issues equity-settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of share that will eventually vest and is adjusted for the effects of non-market based vesting conditions.

Fair value is measured by use of a Black-Scholes model or other appropriate valuation models. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

4. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the company's accounting policies as described above, management has made a critical accounting judgement on the company acting as a principal for goods and services provided to customers. The customer contracts specify the goods and services to be provided. The company has primary responsibility for the goods and services meeting the customer specifications and on that basis the directors consider that the company is deemed as a principal.

The estimate that has the most significant effect on the amounts recognised in the financial statements is as follows.

Impairment of fixed asset investments

Determining whether a fixed asset investment is impaired requires an estimation of the cash generation of that investment. First Greater Western Limited operates under an Emergency Measures Agreement where the DfT takes all revenue and substantially all cost risk. The DfT has indicated First Greater Western Limited will move to a National Rail Contract, where it takes all revenue risk and substantially all cost risk. There is a fixed management fee and the opportunity to earn an additional performance fee. An estimation is made of the most likely performance fee to be earned by First Greater Western Limited.

5. Turnover

	2021	2020
	£'000	Restated *
		£'000
Management services	9,682	7,854
IT services	26,959	17,587
Consultancy services	6,533	-
Contact centre services	3,713	10,463
Lease of rolling stock	1,203	1,493
	<u>48,090</u>	<u>37,397</u>

* Turnover in the year ended 31 March 2020 has been grossed up for Management services of £7,514k (previously £340k and restated to £7,854k) and IT services of £8,341k (previously £9,246k and restated to £17,587k). These amounts were previously shown in Operating costs (net). This restatement has been made to reflect the fact the company is acting as a principal in providing these services to fellow subsidiary undertakings rather than as an agent.

First Rail Holdings Limited
Notes to the financial statements
Year ended 31 March 2021

6. Operating costs (net)

	2021	Restated *
	£'000	£'000
Staff costs (see note below)	21,257	6,915
Other external charges	24,493	27,109
Bid and mobilisation costs (see note below)	-	3,782
Depreciation and amortisation of fixed assets	2,716	3,903
Rentals payable under operating leases	365	63
Gain on disposal of fixed assets	(30)	-
	<u>48,801</u>	<u>41,772</u>

* Details of the restatement are disclosed in notes 5 and 7. Operating costs (net) for the year ended 31 March 2020 were previously stated at £23,644k. There has been a gross-up to Turnover of £15,855k and a gross-up to Other operating income of £2,273k. The restated amount is £41,772k.

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

The company incurred bid and mobilisation costs of £nil (2020: £3.8m). The tax effect of the bid and mobilisation costs was a credit of £nil (2020: £0.7m credit). The bid and mobilisation costs include staff costs of £nil (2020: £5.9m), cost recoveries of £nil (2020: £3.7m) and office lease costs. The total office lease costs, including the bid offices, was £0.4m (2020: £0.3m).

7. Other operating income

	2021	Restated
	£'000	£'000
Government grants	2,615	2,273
	<u>2,615</u>	<u>2,273</u>

Other operating income represents government grants relating to rolling stock expenditure shown in tangible assets. Grant income is recognised in the period in which the relevant depreciation charges are incurred. Prior year numbers have been restated to present the amortisation of government grants in the profit and loss account within "Other operating income" instead of a credit to "Operating costs (net)" in note 6.

8. 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:

	2021	2020
	No.	No.
Administration and management	<u>201</u>	<u>102</u>

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	17,924	10,696
Social security costs	2,135	1,402
Other pension costs	1,198	744
	<u>21,257</u>	<u>12,842</u>

First Rail Holdings Limited
Notes to the financial statements
Year ended 31 March 2021

9. Directors' remuneration

Certain directors received remuneration from other group companies in the current and prior years, details of which are disclosed in their financial statements. 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:

	2021	2020
	£'000	£'000
Aggregate emoluments (excluding pension contributions)	1,538	1,616

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 (2020: £nil).

The emoluments of the highest paid director amounted to:

	2021	2020
	£'000	£'000
Aggregate emoluments	451	531

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

10. Share-based payments

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

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

Long-Term Incentive Plan (LTIP): LTIP awards have TSR, ROCE and EPS targets and vest over a three-year period following the financial year that they relate to and are settled by equity where an award exceeds a performance target.

Deferred bonus shares (DBS): DBS awards vest over a three-year period following the financial year that they relate to and are typically settled by equity.

Executive Share Plan (ESP): ESP awards vest over a three-year period following the financial year that they relate to and are typically settled by equity.

The group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in these schemes. The company has recognised a total expense of £1,211,000 (2020: £560,000) relating to equity-settled share-based payment transactions.

First Rail Holdings Limited
Notes to the financial statements
Year ended 31 March 2021

11. Income from other fixed asset investments

	2021	2020
	£'000	£'000
Dividend income from subsidiary undertakings	27,050	40,000

12. Profit before taxation

Audit fees of £7,352 (2020: £19,559) were incurred during the year. PricewaterhouseCoopers LLP provided no other services during the current year and Deloitte LLP provided no other services in prior year.

13. Tax on profit

	2021	2020
	£'000	£'000
Current taxation		
- Group relief payable	510	(97)
- Adjustment in respect of prior years	(211)	159
Total current taxation	299	62
Deferred taxation		
- Origination and reversal of timing differences	(197)	(302)
- Adjustment in respect of prior years	(18)	(117)
- Impact on deferred tax arising from rate change	-	(26)
Total deferred taxation	(215)	(445)
Total tax charge/(credit) on profit	84	(383)

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2020: 19%).

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

In the period commencing 1 April 2021, the net reversal of deferred tax assets is expected to decrease the corporation tax charge for the period by £228,000. This is primarily due to capital allowances and other timing differences.

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:

	2021	2020
	£'000	£'000
Profit before taxation	28,954	37,898
Profit before taxation multiplied by the standard rate of Corporation Tax in the UK of 19% (2020: 19%)	5,501	7,201
Factors affecting charge		
- Non-taxable income	(5,139)	(7,600)
- Tax relief in relation to employee share scheme	(49)	-
- Adjustment in respect of prior years	(229)	42
- Impact on deferred tax arising from rate change	-	(26)
Total tax charge/(credit) on profit	84	(383)

First Rail Holdings Limited
Notes to the financial statements
Year ended 31 March 2021

14. Intangible assets

	Information technology £'000	Total £'000
Cost		
At 1 April 2020	500	500
Additions	78	78
At 31 March 2021	578	578
Accumulated depreciation		
At 1 April 2020	108	108
Charge for the year	100	100
At 31 March 2021	208	208
Net book value		
At 31 March 2021	370	370
At 31 March 2020	392	392

15. Tangible assets

	Rolling stock £'000	Plant & Equipment £'000	Assets Under Construction £'000	Total £'000
Cost				
At 1 April 2020	32,069	957	-	33,026
Additions	66	-	1,297	1,363
Disposals	(17,634)	-	-	(17,634)
At 31 March 2021	14,501	957	1,297	16,755
Accumulated depreciation				
At 1 April 2020	24,031	957	-	24,988
Charge for the year	2,616	-	-	2,616
Disposals	(17,634)	-	-	(17,634)
At 31 March 2021	9,013	957	-	9,970
Net book value				
At 31 March 2021	5,488	-	1,297	6,785
At 31 March 2020	8,038	-	-	8,038

First Rail Holdings Limited
Notes to the financial statements
Year ended 31 March 2021

16. Investments

Cost	£'000
At 1 April 2020	46,416
Disposals	-
	<hr/>
At 31 March 2021	46,416
	<hr/>
Provisions for impairment	
At 1 April 2020	-
Disposals	-
	<hr/>
At 31 March 2021	-
	<hr/>
Net book value	
At 31 March 2021 and 31 March 2020	46,416
	<hr/>

On 9 October 2013 the company made a one-off cash contribution of £46,416k 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 8th Floor, The Point, 37 North Wharf Road, London W2 1AF, unless stated otherwise, were:

First Capital Connect Limited - rail franchise operated to 14 September 2014 and no longer trading;
First Customer Contact Limited - provides customer contact services to rail operating companies;
First Greater Western Limited, Milford House, 1 Milford Street, Swindon SN1 1HL - rail franchise will continue to be operated to at least 31 March 2023;
First MTR South Western Trains Limited - 70% owned rail train operator with MTR Corporation (UK) Limited owning 30% operating from 20 August 2017 to at least 27 May 2023;
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 train operator, operating from 1 April 2016 to at least 27 May 2023;
First Trenitalia West Coast Rail Limited - 70% owned rail franchise with Trenitalia UK Limited owning 30% operating from 8 December 2019 to at least 31 March 2031.
East Coast Trains Limited – open access rail operator operating from October 2021 to 2031

First Great Western Limited, First Caledonian Sleeper Limited (395 King Street, Aberdeen AB24 5RP), First East Anglia Limited (renamed Mistral Data 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 (renamed Evolutionary Rail Limited), First Trenitalia East Midlands 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 financial statements 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 financial statements present information about the company as an individual undertaking and not about its group.

Copies of the financial statements 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 financial statements
Year ended 31 March 2021

17. Debtors: amounts falling due within one year

	Note	2021 £'000	2020 £'000
Trade debtors		30	1,009
Amounts owed by group undertakings		12,557	37,439
Deferred tax	19	761	546
Prepayments and accrued income		2,324	644
		<u>15,672</u>	<u>39,638</u>

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

Debtors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Amounts owed by group undertakings	2,498	-
	<u>2,498</u>	<u>-</u>

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

18. Creditors: amounts falling due within one year

	2021 £'000	2020 Restated * £'000
Trade creditors	5,420	6,397
Amounts owed to group undertakings	4,353	371
Capital grants	3,751	2,259
Taxation and social security	589	235
Other creditors	446	-
Accruals and deferred income	6,784	12,947
	<u>21,343</u>	<u>22,209</u>

* Capital grants in the year ended 31 March 2020 falling due after more than one year was previously shown within "Creditors: amounts falling due within one year". This incorrect presentation has been restated to show capital grants falling due after more than one year within note 21 "Creditors: amounts falling due after more than one year". Capital grants in the year ended 31 March 2020 falling due within one year has been restated from £6,389k to £2,259k.

Capital grants have been received from the DfT to fund improvements to rolling stock, which is leased to First Greater Western Limited.

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

First Rail Holdings Limited
Notes to the financial statements
Year ended 31 March 2021

19. Deferred tax asset

	Note	£'000
At 1 April 2020		546
Credited to the profit and loss account	13	215
At 31 March 2021	17	<u>761</u>

Provision for deferred taxation consists of the following amounts:

	2021 £'000	2020 £'000
Capital allowances in excess of depreciation	375	440
Other timing differences	386	106
Deferred tax asset	<u>761</u>	<u>546</u>

In the period commencing 1 April 2021, the net reversal of deferred tax assets is expected to decrease the corporation tax charge for the period by £228,000. This is primarily due to capital allowances and other timing differences.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the net deferred tax asset by £240,000.

20. Provisions for liabilities: amounts falling due within one year

	Legal and Other £'000
At 1 April 2020	-
Charged to the profit and loss account	350
At 31 March 2021	<u>350</u>

Legal and other provisions relate to estimated exposures for cases filed or thought highly likely to be filed for incidents that occurred prior to the balance sheet date.

21. Creditors: amounts falling due after more than one year

	2021 £'000	2020 Restated * £'000
Capital grants	3,666	4,130
	<u>3,666</u>	<u>4,130</u>

* Capital grants in the year ended 31 March 2020 falling due after more than one year was previously shown within "Creditors: amounts falling due within one year". This incorrect presentation has been restated to show the amount of capital grants falling due after more than one year separately.

Capital grants have been received from the DfT to fund improvements to rolling stock, which is leased to First Greater Western Limited.

First Rail Holdings Limited
Notes to the financial statements
Year ended 31 March 2021

22. Called up share capital

	2021	2020
	£	£
Authorised:		
1,000 ordinary shares (2020: 1,000) of £1 each	1,000	1,000
Allotted, called up and fully paid:		
1 ordinary share (2020: 1) of £1 each	1	1

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

23. Dividend

During the year, a dividend of £40,000k (2020: £20,000k) was paid to FirstGroup plc.

24. Operating lease commitments

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

	2021		2020	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Payments falling due:				
Within one year	728	8	926	5
Between two and five years	-	24	667	-
	<u>728</u>	<u>32</u>	<u>1,593</u>	<u>5</u>

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

	2021		2020	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Payments falling due:				
Within one year	-	1,203	-	1,203
Between two and five years	-	2,406	-	2,406
	<u>-</u>	<u>3,609</u>	<u>-</u>	<u>3,609</u>

25. 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.

The company has provided guarantees to Angel Leasing Company Limited and DfT to ensure First Rail Procurement Limited meets its performance obligations under its contract with Angel Leasing Company Limited to supply standard class seats as part of the Pendolino fleet refurbishment.

26. 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 financial statements of FirstGroup plc can be obtained on request from its registered address: 395 King Street, Aberdeen AB24 5RP.