

**Company Registration No. 05154485**

**First Rail Holdings Limited**

**Annual Report and Financial Statements**

**31 March 2022**



# **First Rail Holdings Limited**

## **Annual Report and financial statements 2022**

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# **First Rail Holdings Limited**

## **Officers and professional advisers**

### **Directors**

James Bowen  
Clive Burrows  
Hugh Clancy  
Stephen Montgomery  
Michael Nelson

### **Registered Office**

8<sup>th</sup> 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  
WD17 1JJ

# **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 and leases rolling stock to First Greater Western Limited.

### **BUSINESS REVIEW AND FUTURE OUTLOOK**

In line with the wider UK rail industry, passenger volumes in the company’s four principal trading subsidiaries are growing but have not yet returned to pre-pandemic levels, with the industry as a whole experiencing passenger numbers at around 75% of pre-pandemic levels. Although the leisure market has recovered strongly, key commuter flows, and especially those into London, are still behind December 2019 levels. These factors have not adversely impacted their financial performance as revenue risk was transferred to the Department for Transport (“DfT”).

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 DfT options to extend by up to a further two years. The DfT has exercised its option to extend the First MTR South West Trains Limited NRC by the full two years. First Greater Western Limited entered into its NRC effective from 26 June 2022, which has a three year term and a DfT option to extend by up to a further three years. First Trenitalia West Coast Rail Limited had its Emergency Recovery Measures Agreement initially extended to 31 March 2023 and then further extended to 15 October 2023 with negotiations ongoing to enter into an NRC.

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 are shown in their respective financial statements.

First Customer Contact Limited completed a third year of operations processing compensation claims from rail passengers whose journeys have been delayed on behalf of the rail operating subsidiaries. The company completed the first full year of providing additional customer contact activities including enquiries, complaints, passenger assistance and certain retail and refund activities. Further details are provided in its financial statements.

East Coast Trains Limited started to operate services between London and Edinburgh on the East Coast mainline from October 2021. Further details are provided in its financial statements.

The company provided management, IT and consultancy services to FirstGroup plc’s rail operations and leased rolling stock to First Greater Western Limited in the year ended 31 March 2022. These services continue in the forthcoming year. Some IT services were divested with effect from 1 April 2021 to subsidiary undertakings, Evolutionary Rail Limited and Mistral Data Limited, to accelerate their future development.

On 9 June 2022, the DfT launched a public consultation on the primary legislative changes required to deliver structural reforms for the railways. The consultation is focused across three key areas:

- The first is on the establishment of Great British Railways, including its proposed functions and duties and how the DfT proposes to legislate and work with stakeholders to enable Great British Railways to become the single guiding mind for the railways
- The second is focused on how the DfT will ensure clear accountabilities in the rail sector through a new governance framework, including the Regulator’s role in providing independent scrutiny and challenge
- The third centres on reform of wider industry structures and processes that are needed to deliver transformation of the railways and a new industry culture, including a new passenger champion role for Transport Focus and proposals for open data sharing.

The company’s senior management team are actively engaged with industry partners, including the DfT and Network Rail, on these matters.

# **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 and contracted business

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. 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 operate under a contract structure which is now concession-based with a fixed management fee plus performance incentives resulting in a far better balance of risk and reward. The company assists with DfT negotiations to ensure future commitments to UK rail will have an appropriate balance of potential risks and rewards for the company.

#### 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 longer 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:

- The UK Government lifted coronavirus restrictions over the course of the year under review. We have assisted our rail operating companies in working closely with the DfT, union leaders and employee representatives to review the implications of the lifting of these restrictions to enable them to revert to pre pandemic practices where it has been agreed to be safe and practicable to do so.
- Some IT services were divested with effect from 1 April 2021 to subsidiary undertakings, Evolutionary Rail Limited and Mistral Data Limited, to accelerate their future development.
- We assisted First Greater Western Limited and First Trenitalia West Coast Rail Limited with their NRC negotiations with the DfT.

## **First Rail Holdings Limited**

### **Strategic report**

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

The company made an operating profit of £4,442k (2021: £1,904k) on turnover of £51,769k (2021: £48,090k). The increase in profitability is mainly due to a focus on growing revenues and maintaining cost control.

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



Michael Nelson  
Director

8<sup>th</sup> Floor, The Point  
37, North Wharf Road  
London  
W2 1AF  
Date: 23 March 2023



# **First Rail Holdings Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2022. 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 were as follows:

James Bowen  
Clive Burrows  
Hugh Clancy  
Stephen Montgomery  
Michael Nelson

### **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 £65,000k were declared of which £20,000k was paid in the year with the balance paid after the year end (2021: £40,000k paid in the year). Dividends of £51,478k (2021: £27,050k) were received in the year.

### **Going concern**

At 31 March 2022, the company had cash of £44,531k (2021: £14,108k), net current liabilities of £457k (2021: net current assets of £10,585k) and net assets of £50,886k (2021: £60,490k).

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 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 potential impacts on financial and trading performance;
- the current expiry dates of customers' ERMA and NRC agreements with the DfT; and
- the timing of working capital flows

The company participates in a notional cash pool arrangement and overdraft facility with its ultimate parent company, FirstGroup plc, and other group companies. The company has jointly and severally guaranteed the liabilities of the other parties under these arrangements. Due to these arrangements, the company is dependent on its ultimate parent, FirstGroup plc, for support.

#### ***Significant going concern judgements***

In using the financial forecasts for the going concern assessment, the company directors have made significant judgements in forming assumptions regarding the continued operations of the DfT contracted train operating companies.

FirstGroup plc has provided the directors of the company with a letter confirming that it will provide support to the company, such that it is able to meet its obligations for a period of at least 12 months from the date of signing of these financial statements. The directors have made enquiries and understand that the parent company has adequate resources to be able to provide this financial support.

#### ***Going concern statement***

Based on their review of the financial forecasts, the support to the company from FirstGroup plc 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.

### **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.

# **First Rail Holdings Limited**

## **Directors' report**

### **Subsequent events**

Subsequent to the year end, a variation to the rolling stock lease agreement with First Greater Western Limited was made to extend the expiry date to 22 June 2025, co-terminous with First Greater Western Limited's NRC. The revised annual lease income is £1,213k.

The DfT exercised its option to extend the First MTR South West Trains Limited NRC by the full two years to 24 May 2025.

The DfT further extended First Trenitalia West Coast Rail Limited's Emergency Recovery Measures Agreement to 15 October 2023 with negotiations ongoing to enter into an NRC.

### **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 27 July 2022.

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



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

Date: 23 March 2023

## **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  
8<sup>th</sup> Floor, The Point  
37, North Wharf Road  
London  
W2 1AF

Date: 23 March 2023

# 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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: Balance sheet as at 31 March 2022; 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.

# **First Rail Holdings Limited**

## **Independent auditors' report**

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 2022 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 UK tax legislation, 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

# First Rail Holdings Limited

## Independent auditors' report

- 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](http://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 March 2023

**First Rail Holdings Limited**  
**Profit and loss account**  
**Year ended 31 March 2022**

	Notes	2022 £'000	2021 £'000
Turnover	5	51,769	48,090
Operating costs	6	(51,670)	(48,801)
Other operating income	7	4,343	2,615
<b>Operating profit</b>		<u>4,442</u>	<u>1,904</u>
Income from other fixed asset investments	11	51,478	27,050
<b>Profit before taxation</b>	12	<u>55,920</u>	<u>28,954</u>
Tax on profit	13	(524)	(84)
<b>Profit for the financial year</b>		<u><u>55,396</u></u>	<u><u>28,870</u></u>

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

**Statement of comprehensive income**  
**Year ended 31 March 2022**

	2022 £'000	2021 £'000
Profit for the financial year	55,396	28,870
Total comprehensive income for the year	<u><u>55,396</u></u>	<u><u>28,870</u></u>



**First Rail Holdings Limited**  
**Balance sheet**  
**At 31 March 2022**

	Notes	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Intangible assets	14	58	370
Tangible assets	15	4,869	6,785
Investments	16	46,416	46,416
		<u>51,343</u>	<u>53,571</u>
<b>Current assets</b>			
Debtors (including £1,036k (2021: £3,259k) due after one year)	17	26,414	18,170
Cash at bank and in hand		44,531	14,108
		<u>70,945</u>	<u>32,278</u>
<b>Creditors: amounts falling due within one year</b>	18	(70,562)	(21,343)
<b>Provisions for liabilities: amounts falling due within one year</b>	20	(840)	(350)
<b>Net current (liabilities) / assets</b>		<u>(457)</u>	<u>10,585</u>
<b>Total assets less current liabilities</b>		<u>50,886</u>	<u>64,156</u>
<b>Creditors: amounts falling due after more than one year</b>	21	-	(3,666)
<b>Net assets</b>		<u><u>50,886</u></u>	<u><u>60,490</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	-	-
Profit and loss account		50,886	60,490
<b>Total shareholder's funds</b>		<u><u>50,886</u></u>	<u><u>60,490</u></u>

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 March 2023.

Signed on behalf of the Board of Directors



Michael Nelson  
Director

**First Rail Holdings Limited**  
**Statement of changes in equity**  
**Year ended 31 March 2022**

	Notes	Called up share capital £'000	Profit and loss account £'000	Total £'000
<b>Balance at 1 April 2020</b>		-	71,620	71,620
Profit and total comprehensive income for the financial year		-	28,870	28,870
Dividend payments	23	-	(40,000)	(40,000)
<b>Balance at 31 March 2021</b>		-	60,490	60,490
Profit and total comprehensive income for the financial year		-	55,396	55,396
Dividend payments	23	-	(20,000)	(20,000)
Dividend payable	23	-	(45,000)	(45,000)
<b>Balance at 31 March 2022</b>		-	50,886	50,886

# **First Rail Holdings Limited**

## **Notes to the financial statements**

### **Year ended 31 March 2022**

#### **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 support from its ultimate parent, FirstGroup plc. FirstGroup plc has provided the directors of the company with a letter confirming that it will provide support to the company, such that it is able to meet its obligations for a period of at least 12 months from the date of signing of these financial statements. 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 2022**

**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 contract 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 and Section 12 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 2022**

**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 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.

**(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 more than 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.

**(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.

**First Rail Holdings Limited**  
**Notes to the financial statements**  
**Year ended 31 March 2022**

**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 a National Rail Contract where the DfT takes all revenue 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**

	2022	2021
	£'000	£'000
Management services	10,970	9,682
IT services	29,176	26,959
Consultancy services	9,142	6,533
Contact centre services	1,133	3,713
Lease of rolling stock	1,348	1,203
	<u>51,769</u>	<u>48,090</u>

**6. Operating costs**

	2022	2021
	£'000	£'000
Staff costs (see note 8 below)	21,110	21,257
Other external charges	25,955	24,493
Depreciation and amortisation of fixed assets	4,363	2,716
Rentals payable under operating leases	242	365
Gain on disposal of fixed assets	-	(30)
	<u>51,670</u>	<u>48,801</u>

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

**7. Other operating income**

	2022	2021
	£'000	£'000
Government grants	4,343	2,615
	<u>4,343</u>	<u>2,615</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.

# First Rail Holdings Limited

## Notes to the financial statements

### Year ended 31 March 2022

#### 8. Employee numbers and costs

Some of 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:

	2022 Number	2021 Number
Administration and management	189	201

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	17,531	17,924
Social security costs	2,463	2,135
Other pension costs	1,116	1,198
	21,110	21,257

#### 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:

	2022 £'000	2021 £'000
Aggregate emoluments (excluding pension contributions)	1,803	1,538

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 £6k (2021: £nil).

The emoluments of the highest paid director amounted to:

	2022 £'000	2021 £'000
Aggregate emoluments	608	451

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.

**First Rail Holdings Limited**  
**Notes to the financial statements**  
**Year ended 31 March 2022**

**10. Share-based payments (continued)**

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 £716,000 (2021: £1,211,000) relating to equity-settled share-based payment transactions.

**11. Income from other fixed asset investments**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Dividend income from subsidiary undertakings	51,478	27,050

**12. Profit before taxation**

Audit fees of £30,852 (2021: £7,352) were incurred during the year for the audit of the company's financial statements. PricewaterhouseCoopers LLP provided no other services during the current or prior years. The company was charged additional audit fees in the current year, which have been borne by the company on behalf of its subsidiary undertakings: £646k from PricewaterhouseCoopers LLP for the year ended 31 March 2021 and £600k from PricewaterhouseCoopers LLP for the year ended 31 March 2022.

**13. Tax on profit**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Current taxation		
- Group relief payable	767	510
- Adjustment in respect of prior years	32	(211)
Total current taxation	799	299
Deferred taxation		
- Origination and reversal of timing differences	(2)	(197)
- Increase in deferred tax asset arising from rate change	(248)	-
- Adjustment in respect of prior years	(25)	(18)
Total deferred taxation	(275)	(215)
Total tax charge on profit	524	84

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2021: 19%).



**First Rail Holdings Limited**  
**Notes to the financial statements**  
**Year ended 31 March 2022**

**13. Tax on profit (continued)**

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Legislation increasing the rate to 25% was substantively enacted on 24 May 2021 and deferred tax has been provided for at 25% for timing differences expected to unwind after 1 April 2023.

In the period commencing 1 April 2022, the net reversal of deferred tax assets is expected to decrease the corporation tax charge for the period by £57,000. 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:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation	55,920	28,954
Profit before taxation multiplied by the standard rate of Corporation Tax in the UK of 19% (2021:19%)	10,625	5,501
Factors affecting charge		
- Non-taxable income	(9,781)	(5,139)
- Tax relief in relation to employee share scheme	(79)	(49)
- Impact on deferred tax on opening balances arising from rate change	(248)	-
- Adjustment in respect of prior years	7	(229)
Total tax charge on profit	<u>524</u>	<u>84</u>

**14. Intangible assets**

	<b>Information technology</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>		
At 1 April 2021	578	578
Disposals	(500)	(500)
At 31 March 2022	<u>78</u>	<u>78</u>
<b>Accumulated depreciation</b>		
At 1 April 2021	208	208
Charge for the year	20	20
Disposals	(208)	(208)
At 31 March 2022	<u>20</u>	<u>20</u>
<b>Net book value</b>		
At 31 March 2022	<u>58</u>	<u>58</u>
At 31 March 2021	<u>370</u>	<u>370</u>

Disposals relate to the divestment of information technology assets to a fellow subsidiary undertaking, Evolutionary Rail Limited, effective from 1 April 2021. The consideration was equal to the net book value.

**First Rail Holdings Limited**  
**Notes to the financial statements**  
**Year ended 31 March 2022**

**15. Tangible assets**

	<b>Rolling stock £'000</b>	<b>Plant &amp; Equipment £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April 2021	14,501	957	1,297	16,755
Additions	2,427	-	-	2,427
Transfers	1,297	-	(1,297)	-
Disposals	-	(957)	-	(957)
At 31 March 2022	18,225	-	-	18,225
<b>Accumulated depreciation</b>				
At 1 April 2021	9,013	957	-	9,970
Charge for the year	4,343	-	-	4,343
Disposals	-	(957)	-	(957)
At 31 March 2022	13,356	-	-	13,356
<b>Net book value</b>				
At 31 March 2022	4,869	-	-	4,869
At 31 March 2021	5,488	-	1,297	6,785

Transfers relate to completion of improvements made to the rolling stock vehicles, which are leased to First Greater Western Limited.

**16. Investments**

<b>Cost</b>	<b>£'000</b>
At 1 April 2021	46,416
Disposals	-
At 31 March 2022	46,416
<b>Provisions for impairment</b>	
At 1 April 2021	-
Disposals	-
At 31 March 2022	-
<b>Net book value</b>	
At 31 March 2022 and 31 March 2021	46,416

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.

# First Rail Holdings Limited

## Notes to the financial statements

### Year ended 31 March 2022

#### 16. Investments (continued)

##### 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 8<sup>th</sup> 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 22 June 2025;  
First MTR South Western Trains Limited - 70% owned rail train operator with MTR Corporation (UK) Limited owning 30% operating from 20 August 2017 to 24 May 2025;  
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 15 October 2023;  
East Coast Trains Limited – open access rail operator operating from October 2021 (passenger services started) to May 2033;  
Evolutionary Rail Limited – provides track-to-train superfast rail-5G technology to rail companies  
Mistral Data Limited – provides data analytics services to rail companies

First Great Western Limited, First Caledonian Sleeper Limited (395 King Street, Aberdeen AB24 5RP), 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 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.

#### 17. Debtors: amounts falling due within one year

	Note	2022 £'000	2021 £'000
Trade debtors		408	30
Amounts owed by group undertakings		24,091	15,055
Deferred tax	19	1,036	761
Prepayments and accrued income		879	2,324
		<u>26,414</u>	<u>18,170</u>

Amounts owed by group undertakings includes £nil (2021: £2,498k) falling due after more than one year.

The deferred tax asset falls due after more than one year.

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

**First Rail Holdings Limited**  
**Notes to the financial statements**  
**Year ended 31 March 2022**

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

	2022	2021
	£'000	£'000
Trade creditors	2,022	5,420
Amounts owed to group undertakings	9,000	4,353
Dividend payable	45,000	-
Capital grants	4,896	3,751
Taxation and social security	1,361	589
Other creditors	-	446
Accruals and deferred income	8,283	6,784
	<u>70,562</u>	<u>21,343</u>

Capital grants have been received 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.

**19. Deferred tax asset**

	Note	£'000
At 1 April 2021		761
Credited to the profit and loss account	13	275
At 31 March 2022	17	<u>1,036</u>

The deferred tax asset consists of the following amounts:

	2022	2021
	£'000	£'000
Capital allowances in excess of depreciation	414	375
Other timing differences	622	386
Deferred tax asset	<u>1,036</u>	<u>761</u>

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

	Legal and Other
	£'000
At 1 April 2021	350
Charged to the profit and loss account	500
Utilisation	(10)
At 31 March 2022	<u>840</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 in respect of third party and employee injury claims.

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

	2022	2021
	£'000	£'000
Capital grants	-	3,666

Capital grants have been received 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 2022**

**22. Called up share capital**

	2022	2021
	£	£
<b>Authorised:</b>		
1,000 ordinary shares (2021: 1,000) of £1 each	1,000	1,000
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid:</b>		
1 ordinary share (2021: 1) of £1 each	1	1
	<u>          </u>	<u>          </u>

The company has one class of ordinary shares which carries no right to fixed income nor confers any rights of redemption.

**23. Dividend**

During the year, a dividend of £65,000k was declared to FirstGroup plc of which £20,000k was paid (2021: £40,000k declared and paid).

**24. Operating lease commitments**

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

	2022		2021	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
<b>Payments falling due:</b>				
Within one year	-	8	728	8
Between two and five years	-	16	-	24
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	-	24	728	32
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

	2022		2021	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
<b>Payments falling due:</b>				
Within one year	-	1,348	-	1,203
Between two and five years	-	-	-	2,406
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	-	1,348	-	3,609
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Subsequent to the year end, a variation to the rolling stock lease agreement with First Greater Western Limited was made to extend the expiry date to 22 June 2025, co-terminous with First Greater Western Limited's National Rail Contract. The revised annual lease income is £1,213k.

**25. Related party transactions**

The company is taking advantage of exemption under FRS102 paragraph 33.1A not to disclose transactions with wholly-owned group companies that are related parties.

First MTR South Western Trains Limited is 70% owned by the company. During the year the company sold £10,102k (2021: £8,503k) of services to First MTR South Western Trains Limited. At the year-end £2,571k (2021: £4,651k) was outstanding and included within debtors. During the year, the company purchased £2,005k (2021: £1,301k) of services from First MTR South Western Trains Limited. At the year-end £nil (2021: £nil) was outstanding.

# **First Rail Holdings Limited**

## **Notes to the financial statements**

### **Year ended 31 March 2022**

#### **25 Related party transactions (continued)**

First Trenitalia West Coast Rail Limited is 70% owned by the company. During the year the company sold £10,382k (2021: £7,969k) of services to First Trenitalia West Coast Rail Limited. At the year-end £4,494k (2021: £3,354k) was outstanding and included within debtors. During the year, the company purchased £1,075k (2021: £573k) of services from First Trenitalia West Coast Rail Limited. At the year-end £nil (2021: £nil) was outstanding.

#### **26. Contingent liabilities and other commitments**

The company has guaranteed liabilities of Hull Trains Company Limited in connection with its Section of the Railways Pension Scheme. The 31 December 2019 actuarial valuation showed a funding shortfall of £122,000 (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 value of the group commitment owed to HMRC can be found within the FirstGroup plc financial statements.

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.

The company participates in a notional cash pool arrangement and overdraft facility with its ultimate parent company, FirstGroup plc, and other group companies. The company has jointly and severally guaranteed the liabilities of the other parties under these arrangements.

#### **27. Subsequent events**

Subsequent to the year end, a variation to the rolling stock lease agreement with First Greater Western Limited was made to extend the expiry date to 22 June 2025, co-terminous with First Greater Western Limited's NRC. The revised annual lease income is £1,213k.

The DfT exercised its option to extend the First MTR South West Trains Limited NRC by the full two years to 24 May 2025.

The DfT further extended First Trenitalia West Coast Rail Limited's Emergency Recovery Measures Agreement to 15 October 2023 with negotiations ongoing to enter into an NRC.

#### **28. 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.