

Company Registration No. 05154485

First Rail Holdings Limited

Annual Report and Financial Statements

31 March 2020



First Rail Holdings Limited

Annual Report and financial statements 2020

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	6
Directors' responsibilities statement	10
Independent auditor's report	11
Profit and loss account	13
Statement of comprehensive income	13
Balance sheet	14
Statement of changes in equity	15
Notes to the accounts	16

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

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

Company Secretary

Barbara Salter

Auditor

Deloitte LLP
Statutory Auditor
London

First Rail Holdings Limited

Strategic report

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

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND FUTURE OUTLOOK

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

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 unprecedentedly low levels but has picked up with the lockdown easings from April 2021. 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.

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 successful first year of operations processing compensation claims from rail passengers whose journeys have been delayed on behalf of the rail operating subsidiaries. In the year ending 31 March 2021, this company has taken on additional customer contact activities previously managed by First Rail Holdings Limited through an outsourced provider. Further details are provided in its financial statements.

The company continues its preparations to operate 5 services a day between London and Edinburgh on the East Coast mainline starting in Autumn 2021. It is intended that the subsidiary undertaking East Coast Trains Limited will operate these services.

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

In the year ending 31 March 2021, the company continues to provide contracted services to its trading subsidiaries albeit web retailing services are at reduced activity levels. Certain functions provided by FirstGroup Holdings Limited to trading subsidiaries, a fellow subsidiary undertaking, are now provided by the company, including property, IT and HR services.

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.

First Rail Holdings Limited

Strategic report

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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.

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 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.

First Rail Holdings Limited

Strategic report

Companies Act 2006 Section 172 Statement (continued)

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.

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

First Rail Holdings Limited

Strategic report

Companies Act 2006 Section 172 Statement (continued)

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 company's successful bid for the West Coast franchise, which started operations from December 2019, was a significant event for the company during the 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.

FINANCIAL MATTERS AND KEY PERFORMANCE INDICATORS

The company made an operating loss of £2.1m (2019: £1.8m operating profit) on turnover of £21.5m (2019: £24.4m). The fall in profitability is mainly due to one-time supplier settlements in the prior year.

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



Michael Nelson
Director

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

Date: 30 June 2021

First Rail Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2020. 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' indemnities and liability insurance

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

Employee involvement

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

Disabled persons

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

Financial matters

The results for the year are given in the profit and loss account on page 13.

Dividends of £20m were paid in the year (2019: £60m). Dividends of £40m (2019: £50m) were received in the year.

Under Financial Reporting Standard 102 the company has taken advantage of a number of reduced disclosures. Further information is available within the principal accounting policies section. This position has been agreed with FirstGroup plc, the company's immediate and ultimate controlling entity.

Going concern

At 31 March 2020, the company had cash of £3.5m (2019: £15.3m), net current assets of £16.8m (2019: net current liabilities of £2.5m) and net assets of £71.6m (2019: £53.3m).

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.

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.

First Rail Holdings Limited

Directors' report

Going concern (continued)

Background for going concern (continued)

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, 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.

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

These financial forecasts assume continued support from FirstGroup plc with certain revenue streams dependent on a return to more normal levels of passenger demand, although this is unlikely to result in smooth growth as actions to address local and national hotspots of Covid-19 cause short term falls and rises in passenger numbers.

Given the extent to which current FirstGroup plc support underpins the business at present levels of passenger demand and restrictions on social distancing, it was not considered necessary to run alternative stress tests.

A letter of support has been provided by the ultimate parent company FirstGroup plc stating that it will provide the company with sufficient funding to enable it to continue in business for at least a period of twelve months from the signing of the annual accounts. The directors have made enquiries and note that the FirstGroup plc 2020 Annual Report and Accounts state that material uncertainties also exist in its ability to continue as a going concern in the event of certain circumstances (as explained in pages 72 to 73 of the FirstGroup plc 2020 Annual Report and Accounts). This has been taken into account in the going concern assessment for the company (see below). The group's half year results for the six months to 30 September 2020 (published on 10 December 2020) continue to disclose that there are a number of risks, when combined (set out below), which indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. The group's downside model indicates that both the minimum liquidity and net debt to EBITDA covenants have low headroom at certain points within the going concern review period. The downside model also indicates that additional funding may be required during 2021. Such additional funding, whether through drawdown of the group's existing uncommitted facilities or through the group securing new facilities, may not be available at that time. Given the reliance on group support, this has the ability to directly impact the company and, therefore, the company has a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and may be unable to realise its assets and discharge its liabilities in the normal course of business.

This has been taken into account in the going concern assessment for the company (see below).

First Rail Holdings Limited

Directors' report

Going concern (continued)

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.

Material uncertainty related to going concern

The company directors consider that the risks set out below indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The material uncertainty relates to:

- whether passenger volumes recover to the levels necessary to sustain the company's business without the current parent company financial support;
- the group's timing of cash flows, including movements in working capital and the timing of receipts of financial support;
- materially lower service levels and revenue recovery in the group's First Student division, if the impact of the pandemic is more severe or protracted than assumed;
- the impact on future demand for the group's passenger revenue-based divisions, First Bus and First Greyhound, being worse than anticipated; and
- the group being unable to complete its refinancing arrangements as planned, or the availability of its uncommitted facilities and the receipt of covenant waivers if required.

In addition to funding arrangements, the continuation of FirstGroup is critical to the future of the company, given its management and infrastructure are closely linked with that of the Group.

The half year results of FirstGroup plc provide significant additional detail to the above, including mitigating actions identified by the group, and are publicly available. If the impact on the group of the pandemic were to be more protracted than assumed, the group would reduce and defer planned growth capital expenditure and further reduce costs in line with a lower operating environment to the extent that the essential services the group operates are not required to be run for the governments and communities the group supports.

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 (including the material uncertainty referred to above) 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.

First Rail Holdings Limited

Directors' report

Post balance sheet events

Coronavirus continues to have an adverse impact on both the rail industry and the wider economy of the United Kingdom. Until the vaccine is substantially deployed it appears these impacts will continue. Therefore, there is an ongoing material uncertainty relating to the ability of the ultimate parent company, FirstGroup plc, to fulfil its obligations to provide funding as more fully explained on pages 72 to 73 of the FirstGroup plc 2020 Annual Report and Accounts and the group's half year results for the six months to 30 September 2020 (published on 10 December 2020). This impacts the future measurement of the significant receivables from fellow subsidiary undertakings.

There is no adjusting event.

Audit information

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

Auditor

The company has passed an elective resolution dispensing with the requirement to appoint an auditor annually. During the year FirstGroup plc undertook a full audit tender process to select a new audit firm to succeed Deloitte, who have been the Group's auditors since 1999. As a result, PricewaterhouseCoopers LLP has indicated their willingness to act as auditor to the company from the date of these Accounts and are therefore deemed appointed.

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



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

Date: 30 June 2021

First Rail Holdings Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the company relies on support from FirstGroup plc which has a material uncertainty over its ability to continue as a going concern. A material uncertainty exists at a Group level regarding FirstGroup plc's reliance on government support while passenger demand for transportation services is reduced and regarding the Group's ability to continue to access sufficient funding during the going concern period. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Edward Salter (Senior Statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
30 June 2021

First Rail Holdings Limited
Profit and Loss account
Year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Turnover	2	21,542	24,392
Operating costs (net)			
- General		(27,376)	(23,323)
- Bid costs (net)		(3,782)	(5,750)
- Management recharges		7,514	6,473
	3	<u>(23,644)</u>	<u>(22,600)</u>
Operating (loss) / profit		(2,102)	1,792
Income from fixed asset investments	7	<u>40,000</u>	<u>50,000</u>
Profit before tax	6	37,898	51,792
Tax charge on profit	8	<u>383</u>	<u>(367)</u>
Retained profit for the year, transferred to reserves		<u><u>38,281</u></u>	<u><u>51,425</u></u>

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

Statement of comprehensive income
Year ended 31 March 2020

	2020 £'000	2019 £'000
Profit for the financial year	38,281	51,425
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>38,281</u></u>	<u><u>51,425</u></u>

First Rail Holdings Limited
Balance Sheet
At 31 March 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments	9	46,416	46,416
Intangible assets	10	392	492
Tangible assets	11	8,038	8,642
		<u>54,846</u>	<u>55,550</u>
Current assets			
Debtors	12	39,638	8,638
Cash at bank and in hand	13	3,475	15,348
		<u>43,113</u>	<u>23,986</u>
Creditors: amounts falling due within one year	14	<u>(26,339)</u>	<u>(26,197)</u>
Net current assets / (liabilities)		<u>16,774</u>	<u>(2,211)</u>
Total assets less current liabilities		<u>71,620</u>	<u>53,339</u>
Provisions for liabilities and charges	15	<u>-</u>	<u>-</u>
Net assets		<u>71,620</u>	<u>53,339</u>
Financed by:			
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		<u>71,620</u>	<u>53,339</u>
Shareholder's funds		<u>71,620</u>	<u>53,339</u>

The financial statements of First Rail Holdings Limited, registered number 05154485, were approved by the Board of Directors on 30 June 2021.

Signed on behalf of the Board of Directors



Michael Nelson
Director

First Rail Holdings Limited
Statement of Changes in Equity
Year ended 31 March 2020

	Notes	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2018		-	61,914	61,914
Total comprehensive income for the financial year		-	51,425	51,425
Dividend payments	17	-	(60,000)	(60,000)
Balance at 31 March 2019		-	53,339	53,339
Total comprehensive income for the financial year		-	38,281	38,281
Dividend payments	17	-	(20,000)	(20,000)
Balance at 31 March 2020		-	71,620	71,620

First Rail Holdings Limited

Notes to the accounts

Year ended 31 March 2020

1. Principal accounting policies

The following accounting policies have been applied consistently throughout the current and preceding year in dealing with items which are considered material in relation to the company's financial statements.

General Information and basis of accounting

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

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

First Rail Holdings Limited meets the definition of a qualifying entity under FRS 102 because its parent company publishes consolidated accounts which give a true and fair view and has therefore taken disclosure exemptions in respect of its separate financial statements. The company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement and intra-group transactions.

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.

Going concern

At 31 March 2020, the company had cash of £3.5m (2019: £15.3m), net current assets of £16.8m (2019: net current liabilities of £2.5m) and net assets of £71.6m (2019: £53.3m).

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.

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, 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.

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 company 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.

First Rail Holdings Limited

Notes to the accounts

Year ended 31 March 2020

1. Principal accounting policies (continued)

Going concern (continued)

Background for going concern (continued)

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

These financial forecasts assume continued support from FirstGroup plc with certain revenue streams dependent on a return to more normal levels of passenger demand, although this is unlikely to result in smooth growth as actions to address local and national hotspots of Covid-19 cause short term falls and rises in passenger numbers.

Given the extent to which current FirstGroup plc support underpins the business at present levels of passenger demand and restrictions on social distancing, it was not considered necessary to run alternative stress tests.

A letter of support has been provided by the ultimate parent company FirstGroup plc stating that it will provide the company with sufficient funding to enable it to continue in business for at least a period of twelve months from the signing of the annual accounts. The directors have made enquiries and note that the FirstGroup plc 2020 Annual Report and Accounts state that material uncertainties also exist in its ability to continue as a going concern in the event of certain circumstances (as explained in pages 72 to 73 of the FirstGroup plc 2020 Annual Report and Accounts). This has been taken into account in the going concern assessment for the company (see below). The group's half year results for the six months to 30 September 2020 (published on 10 December 2020) continue to disclose that there are a number of risks, when combined (set out below), which indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. The group's downside model indicates that both the minimum liquidity and net debt to EBITDA covenants have low headroom at certain points within the going concern review period. The downside model also indicates that additional funding may be required during 2021. Such additional funding, whether through drawdown of the group's existing uncommitted facilities or through the group securing new facilities, may not be available at that time. Given the reliance on group support, this has the ability to directly impact the company and, therefore, the company has a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and may be unable to realise its assets and discharge its liabilities in the normal course of business.

This has been taken into account in the going concern assessment for the company (see below).

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.

First Rail Holdings Limited

Notes to the accounts

Year ended 31 March 2020

1. Principal accounting policies (continued)

Going concern (continued)

Material uncertainty related to going concern

The company directors consider that the risks set out below indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The material uncertainty relates to:

- whether passenger volumes recover to the levels necessary to sustain the company's business without the current parent company financial support;
- the group's timing of cash flows, including movements in working capital and the timing of receipts of financial support;
- materially lower service levels and revenue recovery in the group's First Student division, if the impact of the pandemic is more severe or protracted than assumed;
- the impact on future demand for the group's passenger revenue-based divisions, First Bus and First Greyhound, being worse than anticipated; and
- the group being unable to complete its refinancing arrangements as planned, or the availability of its uncommitted facilities and the receipt of covenant waivers if required.

In addition to funding arrangements, the continuation of FirstGroup is critical to the future of the company, given its management and infrastructure are closely linked with that of the Group.

The half year results of FirstGroup plc provide significant additional detail to the above, including mitigating actions identified by the group, and are publicly available. If the impact on the group of the pandemic were to be more protracted than assumed, the group would reduce and defer planned growth capital expenditure and further reduce costs in line with a lower operating environment to the extent that the essential services the group operates are not required to be run for the governments and communities the group supports.

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 (including the material uncertainty referred to above) 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.

Investments

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

Group accounts

Group accounts are not presented as the company is a wholly-owned subsidiary undertaking of FirstGroup plc, which is incorporated in Great Britain and registered in Scotland. In accordance with Section 400 of the Companies Act 2006, no consolidated accounts have been prepared. Accordingly, these accounts present information about the company as an individual undertaking and not about its group.

Tangible and intangible fixed assets

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

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

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

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2020

1. Principal accounting policies (continued)

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.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The taxation liability is reduced wholly or in part by the surrender of losses by group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the surrendering undertaking.

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases and hire purchase

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

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

Financial assets and liabilities

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

Pension costs

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

Turnover

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

The whole of the turnover and profit before taxation derives from the company's principal activities within the United Kingdom. The company has one principal class of business, namely, the provision of management services and asset leases to other group companies.

Dividend distribution

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

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2020

1. Principal accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the company's accounting policies as described above, management have made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements.

Investments

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

2. Turnover

	2020	2019
	£'000	£'000
Lease of rolling stock	1,493	1,533
Group management services	20,049	22,859
	<u>21,542</u>	<u>24,392</u>

3. Operating costs (net)

	2020	2019
	£'000	£'000
General:		
Staff costs (see note below)	6,915	6,155
Other external charges	18,768	15,436
Management recharges	(7,514)	(6,473)
Bid and mobilisation costs (see note below)	3,782	5,827
Depreciation	3,903	2,322
Grant amortisation	(2,273)	(740)
Rentals payable under operating leases: other	63	73
	<u>23,644</u>	<u>22,600</u>

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

In the year ended 31 March 2020 the company was engaged in bidding activity principally in relation to the West Coast franchise (2019: bidding activity for West Coast).

The company incurred bid and mobilisation costs of £3.8m (2019: £5.8m). The tax effect of the bid and mobilisation costs was a credit of £0.7m (2019: £1.1m credit). The bid and mobilisation costs include staff costs of £5.9m (2019: £5.2m), cost recoveries of £3.7m (2019: £nil) and office lease costs. The total office lease costs, including the bid offices, was £0.3m (2019: £0.1m).

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2020

4. Employee numbers and costs

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

	2020	2019
	No.	No.
Administration and management	102	101

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	10,696	9,321
Social security costs	1,402	1,361
Pension costs	744	628
	12,842	11,310

5. Directors' remuneration

Certain directors received remuneration from FirstGroup plc, the ultimate parent company, in the current and prior years, details of which are disclosed in its accounts. It is not considered practicable to allocate this between services provided to that company, and services provided in their capacity as directors to First Rail Holdings Limited. Details of retirement benefits accruing to the directors under the group defined benefit schemes are detailed in the financial statements of FirstGroup plc.

The remuneration of the directors during the year paid by First Rail Holdings Limited was as follows:

	2020	2019
	£'000	£'000
Aggregate emoluments (excluding pension contributions)	1,616	1,381

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 (2019: £nil).

The emoluments of the highest paid director amounted to:

	2020	2019
	£'000	£'000
Aggregate emoluments	531	505

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

6. Profit before taxation

Audit fees of £19,559 (2019: £23,713) were incurred during the year. Deloitte LLP provided no other services in either year.

7. Income from fixed asset investments

	2020	2019
	£'000	£'000
Dividend income from subsidiary undertakings	40,000	50,000

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2020

8. Tax charge on profit

	2020	2019
	£'000	£'000
Current taxation		
- Group relief payable	(97)	377
- Adjustment in respect of prior years	159	207
	<hr/>	<hr/>
Total current taxation	62	584
	<hr/>	<hr/>
Deferred taxation		
- Origination and reversal of timing differences	(302)	(32)
- Adjustment in respect of prior years	(117)	(185)
- Impact on deferred tax arising from rate change	(26)	5
	<hr/>	<hr/>
Total deferred taxation	(445)	(217)
	<hr/>	<hr/>
Total tax charge on profit	<u>(383)</u>	<u>367</u>

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2019: 19%).

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:

	2020	2019
	£'000	£'000
Profit multiplied by the standard rate of Corporation Tax in the UK of 19% (2019: 19%)	7,201	9,840
Factors affecting charge		
- Non-taxable income	(7,600)	(9,500)
- Expenses not deductible	-	1
- Prior year adjustments	42	22
- Impact on deferred tax arising from rate change	(26)	5
- Effect of decrease in tax rate on origination and reversal of timing difference	-	4
	<hr/>	<hr/>
Total tax charge on profit	<u>(383)</u>	<u>367</u>

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2020

9. Fixed asset investments

Cost	£'000
At 1 April 2019	46,416
Disposals	-
	<hr/>
At 31 March 2020	46,416
	<hr/>
Provisions for impairment	
At 1 April 2019	-
Disposals	-
	<hr/>
At 31 March 2020	-
	<hr/>
Net book value	
At 31 March 2020 and 31 March 2019	46,416
	<hr/>

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

Subsidiary undertakings

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

First Capital Connect Limited - rail franchise operated to 14 September 2014 and no longer trading;
First 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 franchise 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 franchise 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.

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

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

Group accounts are not presented as the company is a wholly-owned subsidiary undertaking of FirstGroup plc, which is incorporated in Great Britain and registered in Scotland. Accordingly, these accounts present information about the company as an individual undertaking and not about its group.

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

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2020

10. Intangible fixed assets

	Information technology £'000	Total £'000
Cost		
At 1 April 2019	500	500
Additions	-	-
At 31 March 2020	500	500
Accumulated depreciation		
At 1 April 2019	8	8
Charge for the year	100	100
At 31 March 2020	108	108
Net book value		
At 31 March 2020	392	392
At 31 March 2019	492	492

11. Tangible fixed assets

	Rolling stock £'000	Plant & Equipment £'000	Total £'000
Cost			
At 1 April 2019	28,870	957	29,827
Additions	3,199	-	3,199
At 31 March 2020	32,069	957	33,026
Accumulated depreciation			
At 1 April 2019	20,375	810	21,185
Charge for the year	3,656	147	3,803
At 31 March 2020	24,031	957	24,988
Net book value			
At 31 March 2020	8,038	-	8,038
At 31 March 2019	8,495	147	8,642

12. Debtors: amounts due within one year

	Note	2020 £'000	2019 £'000
Trade debtors		1,009	-
Amounts owed by subsidiary undertakings		37,439	7,798
Prepayments and accrued income		644	739
Deferred tax	15	546	101
		39,638	8,638

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

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2020

13. Cash at bank and in hand

	2020	2019
	£'000	£'000
Bank deposit	3,475	15,348

14. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	6,397	3,643
Amounts owed to fellow subsidiary undertakings	371	1,026
VAT	235	661
Capital grants	6,389	15,601
Accruals	12,947	5,266
	<u>26,339</u>	<u>26,197</u>

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

15. Provisions for liabilities and charges

	Note	Deferred tax asset £'000
At 1 April 2019		(101)
Credited to the profit and loss account		(445)
At 31 March 2020	12	<u>(546)</u>

Provision for deferred taxation consists of the following amounts:

	2020	2019
	£'000	£'000
Capital allowances in excess of depreciation	(440)	(101)
Other timing differences	(106)	-
Deferred tax asset	<u>(546)</u>	<u>(101)</u>

16. Called up share capital

	2020	2019
	£	£
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

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

17. Dividend

Dividend distributions to the company shareholder FirstGroup plc are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company shareholders. During the year, a final dividend of £nil (2019: £nil) was paid to FirstGroup plc, the company's immediate controlling entity. An interim dividend of £20m (2019: £60m) was paid during the year to FirstGroup plc.

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2020

18. Commitments

Capital commitments at the end of the year were £nil (2019: £1m). The company entered into a contract for conversion works to certain of its rolling stock vehicles to enable their continued use on the UK Rail network.

Operating leases

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

	2020		2019	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Payments falling due:				
Within one year	926	5	654	9
Between one and five years	667	-	-	5
	<u>1,593</u>	<u>5</u>	<u>654</u>	<u>14</u>

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

	2020		2019	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Payments falling due:				
Within one year	-	1,203	-	1,468
Between one and five years	-	2,406	-	-
	<u>-</u>	<u>3,609</u>	<u>-</u>	<u>1,468</u>

19. Contingent liabilities

The company has guaranteed liabilities of Hull Trains Company Limited in connection with its Section of the Railways Pension Scheme. The 31 December 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.

20. Post balance sheet events

Coronavirus continues to have an adverse impact on both the rail industry and the wider economy of the United Kingdom. Until the vaccine is substantially deployed it appears these impacts will continue. Therefore, there is an ongoing material uncertainty relating to the ability of the ultimate parent company, FirstGroup plc, to fulfil its obligations to provide funding as more fully explained on pages 72 to 73 of the FirstGroup plc 2020 Annual Report and Accounts and the group's half year results for the six months to 30 September 2020 (published on 10 December 2020). This impacts the future measurement of the significant receivables from fellow subsidiary undertakings.

There is no adjusting event.

First Rail Holdings Limited
Notes to the accounts
Year ended 31 March 2020

21. Ultimate parent company

The directors regard FirstGroup plc, a company incorporated in Great Britain and registered in Scotland, as the ultimate and immediate parent and controlling company, which is the smallest and largest group that includes the company's results and for which group financial statements are prepared.

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