

FIRST SCOTRAIL LIMITED
REPORT AND FINANCIAL STATEMENTS

31 MARCH 2017

**Company Registered
Number: SC185018**

Registered Office:

**395 King Street
Aberdeen
AB24 5RP**

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FIRST SCOTRAIL LIMITED

REPORT AND FINANCIAL STATEMENTS 2017

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STRATEGIC REPORT

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006. The Company has adopted FRS 102 under which it has taken advantage of a number of reduced disclosures. Further information is available within the accounting policies section.

Principal activities

The principal activity of the company was the operation of passenger railway services in Scotland and sleeper services to and from London. These activities ceased by 1 April 2015.

Business review and future outlook

On 31 March 2015, the sleeper services were transferred to Serco Caledonian Sleepers Limited and on 1 April 2015, the passenger railway services in Scotland were transferred to Abellio ScotRail Limited. As a result, the company is no longer a going concern and ceased to trade from 1 April 2015. The transfer schemes resulted in all significant operating assets and liabilities of the company passing to Serco Caledonian Sleepers Limited and Abellio ScotRail Limited, including employees, and final financial settlements were made in the current year. The company continues to deal with residual issues. The settlement of return condition obligations under lease arrangements with rolling stock companies have largely been completed. There remain some contractual matters to conclude with Network Rail Infrastructure Limited. Estimates of remaining liabilities have been included in these financial statements.

Operating profit in the year to 31 March 2017 was £1.5m (2016 - £2.1m).

Turnover was £nil (2016 - £1.6m).

Principal Risks and Uncertainties

The company's principal risks and uncertainties were significantly reduced after the transfers of operations to Serco Caledonian Sleepers Limited on 31 March 2015 and Abellio ScotRail Limited on 1 April 2015. The company remains liable for events up to those dates.

Legal and regulatory issues

The business is subject to numerous laws and regulations covering a wide range of matters including health and safety, equipment, employment (including working time, wage and hour, mandatory breaks and holiday pay), competition and anti-trust, data protection and security, bribery and corruption, environment, insurance coverage, consumer protection, and other operational issues. Failure to comply could have financial or reputational implications, could result in increased litigation and claims and have a negative impact on the company. These laws and regulations are constantly subject to change, the impact of which could include increased compliance costs and/or a reduction in operational flexibility and efficiency. To help mitigate the risk of legislative or regulatory changes the company and FirstGroup plc have embedded operating policies and procedures to ensure compliance with existing legislation and regulation. FirstGroup actively engages with the relevant bodies to help ensure that the company is properly positioned to respond to any proposed changes.

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



395 King Street
Aberdeen
AB24 5RP

Andrew James
Director

21 December 2017

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and audited financial statements for the year ended 31 March 2017. A review of the business and the future developments are set out in the Strategic report on page 1.

Directors

The directors who held office throughout the year and to the date of this report (except as noted) are as follows:

David Gausby (resigned 31 December 2016)

Andrew James

Stephen Montgomery (appointed 31 December 2016)

Directors' and officers' liability insurance

Directors' and officers' liability insurance is taken out by FirstGroup plc, the company's ultimate parent undertaking, for the benefit of the directors and officers of the company.

Basis other than going concern

The directors have considered the going concern assumption given the franchise end date with the company ceasing to trade at 01:59 on 1 April 2015. Accordingly, the financial statements have been prepared on a basis other than going concern. No material adjustment has arisen as a result of ceasing to apply the going concern basis.

Financial matters

The results for the year are set out in the profit and loss account on page 6. The directors have not recommended payment of a final dividend. Interim dividends of £nil (2016 - £11.6m) were paid.

Financial risk management

The company's principal financial assets are bank balances and trade and group debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has no significant credit risk, with exposure mainly on rail industry partners. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company's principal financial liabilities are trade and group creditors.


Auditor

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

- as 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 provisions of s418 of the Companies Act 2006. The company has passed an elective resolution dispensing with the requirement to appoint an auditor annually. Deloitte LLP has indicated its willingness to continue as auditor of the company and is therefore deemed to be reappointed for a further term.

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



395 King Street
Aberdeen
AB24 5RP

Andrew James
Director
21 December 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with the 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST SCOTRAIL LIMITED

We have audited the financial statements of First ScotRail Limited for the year ended 31 March 2017 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 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Opinion 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;
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements; and
- 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST SCOTRAIL LIMITED
(continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Jennifer Chase

Jennifer Chase FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

21 December 2017

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2017

	Notes	2017 £000	2016 £000
Turnover	2	<u>-</u>	<u>1,551</u>
Net operating costs			
- General		1,496	557
Total net operating costs	3	<u>1,496</u>	<u>557</u>
Operating profit		1,496	2,108
Interest receivable	6	3	11
Profit before taxation	7	<u>1,499</u>	<u>2,119</u>
Tax charge on profit	8	<u>(291)</u>	<u>(1,283)</u>
Profit for the year		<u>1,208</u>	<u>836</u>

All activities relate to discontinued operations.

The notes on pages 9 to 12 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017

	2017 £'000	2016 £'000
Profit for the financial year	<u>1,208</u>	<u>836</u>
Total comprehensive income for the year	<u>1,208</u>	<u>836</u>

BALANCE SHEET
At 31 March 2017

	Notes	2017 £000	2016 £000
Current assets			
Debtors	10	3,559	5,363
Cash at bank and in hand		87	3,207
		<u>3,646</u>	<u>8,570</u>
Creditors: amounts falling due within one year	11	(1,585)	(7,717)
Net current assets		<u>2,061</u>	<u>853</u>
Total assets less current liabilities		<u>2,061</u>	<u>853</u>
Net assets		<u>2,061</u>	<u>853</u>
Equity and reserves			
Called up share capital	13	2,061	853
Profit and loss account		<u>2,061</u>	<u>853</u>
Shareholder's funds		<u>2,061</u>	<u>853</u>

The notes on pages 9 to 12 form an integral part of these financial statements.

The financial statements of First ScotRail Limited, company registered number SC185018, were approved by the Board of Directors on 21 December 2017 and were signed on its behalf by:

Andrew James

Andrew James
Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2017

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2015	-	11,617	11,617
Total comprehensive income for the financial year	-	836	836
Dividend payments	-	(11,600)	(11,600)
Balance at 31 March 2016	-	853	853
Total comprehensive income for the financial year	-	1,208	1,208
Balance at 31 March 2017	-	2,061	2,061

NOTES TO THE FINANCIAL STATEMENTS

1 Principal accounting policies

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

(a) General information and basis of accounting

First ScotRail Limited is a company limited by shares, incorporated in the United Kingdom under the Companies Act and registered in Scotland. The registered office address is 395 King Street, Aberdeen AB24 5RP. The nature of the company's operations and its principal activities are set out in the Strategic report on page 1. The functional currency of First ScotRail Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis and on a basis other than going concern as described in the Directors' Report on page 2, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

First ScotRail Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and intra-group transactions.

(c) Taxation

UK corporation tax is provided at amounts expected to be paid 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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future has occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

(d) Financial assets and liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

1 Principal accounting policies (continued)**(e) Turnover and revenue recognition**

Turnover represents the amounts receivable for services supplied to customers during the year.

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 passenger transport services.

(f) 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.

Contract accounting

The company had a contractual relationship with Network Rail Infrastructure Limited. Due to the regulated nature of the rail industry, disputes and claims typically arise. Judgement is required by management as to the amount receivable and payable taking account of the information available at the time.

Self-insurance

Provision is made for all known incidents for which there is self-insurance using management's best estimate of the likely settlement of these incidents. The estimated settlement is reviewed on a regular basis with independent actuarial advice and the amount provided is adjusted as required.

2 Turnover

	2017 £000	2016 £000
Passenger income	-	(111)
Other income	-	1,662
	<u>-</u>	<u>1,551</u>

3 Total net operating costs

	2017 £000	2016 £000
Raw materials and consumables	(41)	(757)
Staff costs	75	628
Other external charges	<u>(1,530)</u>	<u>(428)</u>
	<u>(1,496)</u>	<u>(557)</u>

4 Employee numbers and costs

There were no persons employed by the company in either year. There have been residual movements in payroll creditor balances giving rise to aggregate payroll costs as follows:

	2017 £000	2016 £000
Wages and salaries	-	464
Other staff costs	<u>75</u>	<u>164</u>
	<u>75</u>	<u>628</u>

Other staff costs include agency staff, hired-in train crew and employee expenses.

NOTES TO THE FINANCIAL STATEMENTS

5 Directors' remuneration

The directors received no remuneration in either year.

6 Interest receivable

	2017	2016
	£000	£000
Interest receivable	-	11
Bank interest	-	-
Amounts receivable from other group undertakings	3	-
	<u>3</u>	<u>11</u>

7 Profit before taxation

Audit fees of £5,000 (2016: £5,000) have been borne by the immediate parent company, First Rail Holdings Limited.

8 Tax charge on profit

	2017	2016
	£000	£000
Current taxation		
- Group relief payable / (receivable)	300	(2,757)
- Adjustments in respect of prior years	(9)	747
Total current taxation	<u>291</u>	<u>(2,010)</u>
Deferred taxation		
- Origination and reversal of timing differences	-	2,993
- Effect of a decrease in tax rate on opening deferred balance	-	333
- Adjustment in respect of prior years	-	(33)
Total deferred taxation	<u>-</u>	<u>3,293</u>
Total tax charge	<u>291</u>	<u>1,283</u>

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 20% (2016: 20%).

The UK Government enacted legislation to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017, plus a further reduction to 17% from 1 April 2020.

The actual current tax charge 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:

	2017	2016
	£000	£000
Profit multiplied by the standard rate of Corporation Tax in the UK of 20% (2016: 20%)	300	424
Factors affecting charge		
- Expenses not deductible for tax purposes	-	145
- Prior year adjustments	(9)	714
- Effect of decrease in tax rate on origination and reversal of timing difference	-	(333)
- Effect of decrease in tax rate on opening deferred tax balance	-	333
Total tax charge	<u>291</u>	<u>1,283</u>

NOTES TO THE FINANCIAL STATEMENTS

9 Dividends

	2017 £000	2016 £000
Interim dividend for the year ended 31 March 2017 of £nil (2016: £11.6m) per 2 ordinary shares		11,600

No interim dividends were paid in the year to First Rail Holdings Limited (2016: £11.6m). No final dividend is proposed.

10 Debtors

	2017 £000	2016 £000
Amounts due within one year		
Trade debtors	551	537
Amounts owed by group undertakings	3,008	3,182
Group relief receivable		1,644
	<u>3,559</u>	<u>5,363</u>

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

11 Creditors

	2017 £000	2016 £000
Amounts falling due within one year		
Trade creditors	246	521
Amounts owed to group undertakings	79	3,243
Other tax and social security	60	246
Other creditors		1,199
Accruals and other deferred income	1,200	2,508
	<u>1,585</u>	<u>7,717</u>

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

12 Deferred tax asset

The deferred tax asset consists of the following amounts:

	2017 £000	2016 £000
Deferred tax asset at 1 April		3,293
(Charged) / credited to profit and loss account (note 8)		(3,293)
Deferred tax asset at 31 March		

13 Called up share capital

	2017 £	2016 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

14 Ultimate parent company

The directors regard FirstGroup plc, a company incorporated in Great Britain and registered in Scotland, as the ultimate 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.

The company's immediate parent company is First Rail Holdings Limited, which is registered in England and Wales.

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