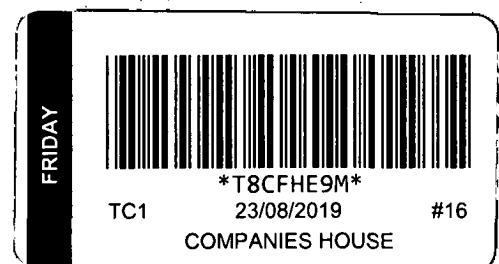


Company Registration No. 05113733

First Greater Western Limited

Report and Financial Statements

For the year ended 31 March 2019



First Greater Western Limited

Report and financial statements 2019

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First Greater Western Limited

Strategic Report

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

Principal activities

The company operates passenger railway services between London Paddington and South Wales, Bristol, the West of England and the Cotswolds, commuter services to Paddington from the Thames Valley and regional services in the West of England.

Market review and trends

First Greater Western (FGW) currently operates under a direct award which runs to the end of March 2020 following the Department for Transport's (DfT) decision to exercise an extension option. Discussions are ongoing regarding the DfT's stated intention to award a subsequent short-term contract to at least 2022.

FGW continued its profitable performance and its strong progress on the fleet and infrastructure projects in conjunction with industry partners. The company made an operating profit of £53.9m (2018: £43.0m) on turnover of £1,257.3m (2018: £1,019.6m). The increase in operating profit in part reflects payments associated with network unavailability due to the delays on infrastructure improvements and repairs across our network, as well as the resolution of certain historic claims in relation to Network Rail. Passenger receipts grew by 3.7% (2018: 2.2%) over the year (2019: £995.7m versus 2018: £960.6m), like for like passenger revenue growth accelerated during the year, benefitting in part from the additional capacity generated by the introduction into service of the Intercity Express Trains (IETs). Growth however across the industry continues to be affected by UK macroeconomic uncertainty, modal shift due to lower fuel prices and changing working practices.

We work closely with Network Rail, the DfT and all industry partners to deliver infrastructure upgrade projects while minimising disruption for passengers. Completion of these projects allows additional train capacity or services to be introduced, generating patronage growth that in turn drives passenger receipts. Network Rail's upgrade work on the Great Western mainline, including electrification, continues albeit to a different timescale than originally envisaged. FGW are working closely with our industry partners to ensure our franchise plans reflect extended delivery time. Suburban electrification has now been completed on FGW's Newbury line, which allows for further new electric trains and a new timetable to be introduced in January 2019. In turn, our transfer of suburban diesel trains to enhance capacity in Bristol and the West Country is ongoing. We have taken delivery of 93 IETs from Hitachi, enabling a 40% increase in seat numbers on long-distance services compared with 2015, with quicker journey times and more frequent services.

Our franchise covers a period during which there is significant change (major infrastructure work, electrification and resignalling, and introduction of new trains). These changes require careful planning, management and negotiation with industry partners, in particular where delays can impact the delivery of franchise assumptions. Failure to manage these risks adequately could result in financial and reputational impacts to the company.

During the year we were affected by the national rail industry decision to defer the December 2018 timetable changes, a significant and unforeseen change in circumstances which meant we could not deliver some additional services and other passenger benefits as originally scheduled under our franchise plans. Many of these timetable changes have now been deferred to December 2019 and our plans are being developed to ensure successful implementation of this major step change in benefits to our customers.

We have continued to invest in passenger convenience including initiatives to promote contactless payment, online and mobile ticketing and travel information improvements and other technology to streamline and enhance our operations and responsiveness to customers and other stakeholders. Meanwhile our commitment to the safety of our passengers, our employees and all third parties interacting with our business remains unwavering. Our approach to safety is focussed on innovative technology, external assurance and our behavioural change programme, Be Safe, all of which have made further progress in the year towards ensuring we are always operating to the highest standards.

At stations we are delivering additional car parking spaces, as well as new and upgraded customer information screens, and improved waiting, retail and interchange facilities.

First Greater Western Limited

Strategic Report (continued)

Responsible partnerships with our customers and communities

FGW continued to build on the success of the Customer and Communities improvement fund which works with community organisations across the network to give grants to projects. Electrification across parts of our route have contributed to a reduction in greenhouse gas emissions per passenger km in the past 3 years.

FGW were awarded Rail Team of the year jointly with Network Rail Western for the Western Alliance at the Rail Business awards. FGW were also awarded the Marketing and Communication Excellence award for our Famous Five campaign during 2018/19.

During the year FGW commenced the running of all operational aspects of Heathrow Express including the introduction of a dedicated fleet of trains by December 2019. FGW are also working with TfL and industry partners to prepare for the launch of the Elizabeth Line, during the year suburban stations along the line were transferred to TfL for operation.

During the year FGW implemented "Delay Repay 15" giving passengers improved compensation when services are disrupted.

Our priorities and outlook

We remain focused on working with our industry partners to deliver our plans for more capacity and better customer experiences, which in turn will drive patronage growth over time.

FGW continues to demonstrate significant strengths across the business, both operationally and from a fleet and infrastructure perspective. This is proving critical in managing the changes being delivered from a train and infrastructure perspective and ensuring minimum impact on our customers. It is through this investment in infrastructure, station, rolling stock and with new timetables that we will deliver substantial capacity improvements, which will transform the customer experience. Our work with Network Rail remains critical to delivery of this programme, and the close working relationship we have built as part of our local alliance agreement will continue to be a valuable tool in responding to the challenges in the future, helping fully deliver the Great Western Electrification.

In September 2018 the UK Government established the Williams Rail Review to look at the structure of the whole rail industry and the way passenger rail services are delivered. The independent review will make recommendations for reform that prioritise passengers' and taxpayers' interests. The review's findings and recommendations will be published in a government white paper in autumn 2019. Reform will begin in 2020.

Key Performance Indicators

Train operating performance decreased during 2018/19 versus 2017/18 with our public performance measure moving annual average score standing at 84.6% (2018: 85.6%). Significant challenges were posed in the first half of 2018/19 by Network Rail engineering works, electrification and the cascade of the new rolling stock across our network. In the second half of 2018/19 we saw a sustained improvement across key performance measures as the new trains, faster journey times and an enhanced driver recruitment programme delivered performance benefits, as well as improving the experience for customers.

In the latest independent Transport Focus National Rail Passenger Survey, FGW saw a year-on-year fall to 78% (2018: 79%). The result was heavily influenced by the performance issues experienced during 2018. The introduction of new fleets; IET and 387, along with the roll-out of new ticketing purchase channels and the performance upturn since the turn of 2019 is now making the transformation of the GWR network a reality for our customers. The next set of NRPS results should reflect this.

FGW's average headcount in the year increased to 5,949 (2018: 5,863), an increase of 1.5%. FGW commenced the operation of Heathrow Express during December 2018 resulting in additional Drivers and Station staff along with additional traincrew to operate the new 10-car Intercity Express Trains, this was partly offset by a decrease in engineering heads due to the restructuring of fleet depots.

First Greater Western Limited

Strategic report (continued)

Principal risks and uncertainties

We have 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 FGW'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.

FGW'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.

Rail franchise agreements

The company is required to comply with certain conditions as part of its rail franchise agreement. If it fails to comply with these conditions, it may be liable to penalties including the potential termination of the rail franchise agreement. This would result in the company losing the right to continue operating the affected operations and consequently, the related revenues or cash flows. The company may also lose some or all of the amounts set aside as security for its performance bond and the season ticket bond. As discussed in the business review and future outlook section of the Strategic Report, FGW currently operates under a direct award which runs to the end of March 2020 following the Department for Transport's (DfT) decision during 2017/18 to exercise an extension option. Throughout the franchise there will be significant change including major infrastructure work, electrification and re-signalling as well as the introduction of new trains, which will require careful planning and management. Failure to manage these risks adequately in accordance with our plans could result in financial and reputational risk to the company.

Compliance with franchise conditions are closely managed and monitored on a monthly basis by senior management and procedures are in place to minimise the risk of non-compliance.

Information technology (IT)

Our business relies on information technology in all aspects of its operations. Any significant disruption or failure, caused by external factors, denial of service, computer viruses or human error could result in a service interruption, accident or misappropriation of confidential information (including credit card and personal data). Process failure, security breach or other operational difficulties may also lead to revenue loss or increased costs, fines, penalties or additional insurance requirements. Prolonged failure of our sales website could also adversely affect revenues. Continued successful delivery and implementation of our IT transformation plan is required to improve yield management and drive future growth. Failure to properly manage the implementation of new IT systems may result in increased costs and/or lost revenue.

We focus on asset management and further enhanced our IT security processes and procedures to mitigate this risk.

Data security (including cyber security & GDPR)

All business sectors are targeted by increasingly sophisticated cyber security attacks. Across our business we are seeing increased use of mobile and internet sales channels which gather large amounts of data and therefore the risk of unauthorised access to, or loss of, data in respect of employees or our customers is growing. A failure to comply with the General Data Protection Regulation (GDPR), which came into force May 2018, could result in significant penalties and could have adverse impact on consumer confidence in our business.

We have threat detection systems across our business but continue to remain vigilant to security improvements when identified.

First Greater Western Limited

Strategic report (continued)

Political and regulatory issues

Our business is subject to numerous laws and regulations covering a wide range of matters including health and safety, equipment, employment (including working time, wage and hour, mandatory breaks and holiday pay), competition and anti-trust, data protection and security, bribery and corruption, environment, insurance coverage, consumer protection, and other operational issues. Failure to comply could have financial or reputational implications, could result in increased litigation and claims and have a negative impact on FGW. These laws and regulations are constantly subject to change, the impact of which could include increased compliance costs and/or a reduction in operational flexibility and efficiency.

To help mitigate the risk of legislative or regulatory changes the company and FirstGroup plc have embedded operating policies and procedures to ensure compliance with existing legislation and regulation. FirstGroup plc actively engages with the relevant bodies and policy makers to help ensure that we are properly positioned to respond to any proposed changes.

Competition

FGW's main competitors include private car and other public and private transport operators across our network. Emerging technologies such as Uber, ride sharing apps and price comparison websites make access to alternative solutions easier. Increased competition can result in lost business, revenue and reduced profitability.

To mitigate this risk the company continues to focus on service quality and performance as priorities in making our service attractive to passengers and other customers. In addition, we work with local and national bodies to promote measures aimed at increasing demand for our services. We have a dedicated Customer Experience Team focused on improving our service to customers and improving access to our services.

Customer service

FGW's revenues are at risk if it does not continue to provide the level of service expected by customers. Ongoing engagement with customers and community stakeholders takes place across our network, including through 'meet the manager' events, customer panels, consultations and local partnerships. The Board also monitors customer service KPIs to ensure that strict targets are being met.

Pension scheme funding

FGW primarily participates in a defined benefits pension scheme. Future cash contribution requirements may increase or decrease based on pension scheme investment performance, rates of interest and inflation and estimated life expectancy as well as changes in the underlying membership of the scheme. Other factors, such as changes to the relevant regulatory environments, can affect the pace of cash funding requirements.

At the previous year-end, we noted that The Pensions Regulator (TPR) had been in discussion with the Railways Pension Scheme (the Scheme) regarding the assumptions used to determine the Scheme's funding requirements. Discussions are ongoing, and the possibility remains of changes to contributions that could impact all rail operators sponsoring this industry-wide scheme.

TPR and the Department for Transport (DfT) had requested that the Rail Delivery Group (RDG) coordinate the Train Operators' involvement in an industry wide review of scheme funding. The RDG, comprising participants from each of the large owning groups, has been seeking to develop a framework which meets TPR, DfT, RPS and RDG objectives. There has been continuing engagement between the key parties during the year, and efforts to develop a framework to take forward to a formal consultation are ongoing.

Management continues to believe that the protections contained within current franchise agreements will allow the Scheme to continue with its current funding strategy in the short-term. Nevertheless, TPR believes that a higher level of funding is required in the longer term, and the Group has been engaged with the industry-wide project to consider the funding of the Scheme.

Management continues to believe that an approach that meets TPRs key objectives whilst maintaining stability and fairness, and retaining protection against unacceptable risk, for both operators and scheme members is achievable.

Under UK Rail franchise agreements FGW are not responsible for any residual deficit at the end of a franchise so there is only short-term cash flow risk within our franchise.

First Greater Western Limited

Strategic report (continued)

Compliance, litigation and claims, health and safety

FGW'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. FGW 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, employee surveys and the presence of an Employee Director (voted for by the employees to represent them) on the company's board.

Fuel costs

Fuel prices and supply levels can be influenced significantly by international, political and economic circumstances. If fuel supply shortages were to rise because of national strikes, world supply difficulties, disruption of refining capacity or oil imports the resultant higher fuel prices and disruption to services could adversely impact the company's operating results.

To mitigate the risks of rising fuel costs the company works with FirstGroup plc who regularly enter into forward contracts to buy fuel at fixed prices. In addition, the company seeks to limit the impact of unexpected fuel price rises through efficiency and pricing measures.

Disruption to infrastructure/operations

Across our network, we are experiencing greater and more frequent adverse weather disruption impacting our service levels. Severe weather can reduce profits, for example through lower demand for our services, increased costs and business disruption. We have severe weather action plans and procedures to manage the impact on our operations.

The threat from terrorism is enduring and continues to exist. Public transport continues to be regarded as an attractive and viable target. Across our business, we take all reasonable steps to help guard against such activity on the services we operate. An attack, or threat of attack, could lead to reduced public confidence in public transportation, and/or specifically in our security and safety record and could reduce demand for our service, increase costs and security requirements and cause operational disruption.

The company has a Head of Security who is responsible for improved security awareness, the application of good practice in the implementation of security measures, and the development and training of our employees so that they can respond effectively to any perceived threat or incident.

First Greater Western Limited

Strategic report (continued)

Environment and climate change

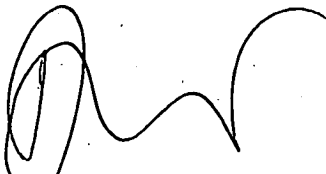
Environmental and climate change issues are key issues facing the transport sector and have the potential to carry significant risks. FGW are well positioned to mitigate against these risks through our environmental and sustainability strategy. FGW continues to build on the prestigious international standards for environmental and energy management by maintaining certification to ISO 14001:2015 and ISO 50001:2011. The introduction of the bi-mode Intercity Express Trains and 387 Electrostar Trains has brought a compelling reduction in carbon emissions. Two of our engineering depots have been subject to major enhancement works, the design featured several energy efficient technologies including rainwater harvesting and the recycling of the Old HST maintenance shed. Contracts and projects with suppliers with significant environmental risk are now evaluated by our Sustainability team and through the installation of Building Management Systems, FGW have been able to drive down electricity consumption across our stations.

Economic conditions including Brexit implications

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, or a disruptive exit from the EU 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.

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



Duncan Rimmer
Director
21 June 2019
Milford House
1 Milford Street
Swindon
Wiltshire, SN1 1HL

First Greater Western Limited

Directors' report

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 March 2019. 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 (except as noted) and to the date of this report are as follows:

Directors who held office throughout the year:

Dr Benjamin Caswell
Clive Burrows
Mark Hopwood
Kevin Gardner

Matthew Golton
Hugh Clancy
Stephen Montgomery

The following director resigned during the year; Richard Westcott 18 January 2019. There were no new directors appointed during the year. Duncan Rimmer was appointed as a director on the 17 June 2019 and Ben Caswell resigned as a director on the 17 June 2019.

Employee consultation

Communication with employees is effected mainly through regular briefing and negotiating meetings between the directors, the senior management and employee representatives on the central and depot negotiating committees. The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests. We also hold regular focus groups on pertinent issues. Our annual employee survey allows us to receive direct feedback from the employees in terms of their engagement with the business. This then leads into our action plans to build on our strengths and to address any weaknesses. Our Reward & Recognition schemes also seek to increase employee engagement.

Disabled persons

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirement, which must 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.

Going concern

In 2017-18 the DfT exercised a franchise extension option and extended the FGW franchise by one year to March 2020, discussions are ongoing with the DfT around a further extension to March 2022. The directors have considered the going concern assumption given the current economic climate and the Direct Agreement to at least 31 March 2020, and have formed the conclusion that there is a reasonable expectation that the company will continue to operate in the foreseeable future, being at least 12 months from the date of approving these financial statements. As stated above the current franchise ceases in less than 12 months from the date of signing of the accounts. In the scenario that no further extension was offered the company would cease to operate the franchise with most operating assets, liabilities and employees transferring to a successor operator under a transfer scheme. However there would be residual assets and liabilities that would be managed for at least a further 12 months after this date and the company would expect to continue to incur certain costs over this period and therefore would not cease to trade. The directors have considered the company forecasts, current level of capital commitment and the parent company commitment in forming this judgement. A Letter of Support has been provided by FirstGroup plc to state that it will provide the company with sufficient working capital to allow it to continue in business for at least twelve months from date of signing of the annual accounts with reference to the net current liabilities position of £75.7m on the balance sheet.

After making such enquiries and considering the above facts, the directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

First Greater Western Limited

Directors' report (continued)

Financial risk management objectives and policies

The company's principal financial assets are bank balances and trade 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 concentration of credit risk, with exposure spread over a large number of customers. The credit risk on liquid funds is limited because the counterparties are banks. Liquidity within the company remains strong and due to the nature of the rail industry with the vast majority of turnover transactions paid for in advance and the profitability of the company, liquidity is not considered a significant risk. This is demonstrated in cash and ring-fenced cash balances in note 14. Certain risks, for example, fuel price, are hedged on a group basis. The company does not enter directly into any derivative financial instruments.

Financial matters

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

During 2018/19 a final dividend was paid to First Rail Holdings Limited of £25.0m (2018: £40.0m), the company's immediate controlling entity. An interim dividend was paid during the year of £25.0m (2018: nil) to First Rail Holdings Limited, reference note 19.

Under FRS 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 First Rail Holdings Limited, the company's immediate controlling entity.

Directors' Indemnities

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

Auditor information

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

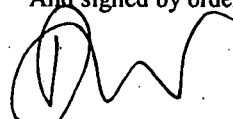
- as far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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

This confirmation is given and should be interpreted in accordance with the provision of s418(2) of the Companies Act 2006.

Auditor

The company has passed an elective resolution dispensing with the requirement to appoint an auditor annually. Deloitte LLP have indicated their willingness to continue as auditor of the company and are therefore deemed to be reappointed for a further term.

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



Duncan Rimmer
Director

21 June 2019

Milford House, 1 Milford Street
Swindon
Wiltshire
SN1 1HL

First Greater Western Limited

Statement of directors' responsibilities

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 Accountancy 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.

First Greater Western Limited

Independent auditor's report to the members of First Greater Western Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of First Greater Western Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2019 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;
- the related notes 1 to 22.

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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

First Greater Western Limited

Independent auditor's report to the members of First Greater Western Limited (continued)

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.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report

First Greater Western Limited

Independent auditor's report to the members of First Greater Western Limited (continued)

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 have 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 or the directors' report.

Matters on which we are required to report by exception

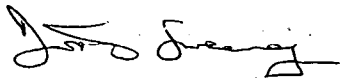
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



David Sweeney (Senior Statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
21 June 2019

First Greater Western Limited

Profit and Loss Account Year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Turnover	2	<u>1,257,285</u>	<u>1,019,613</u>
Operating costs			
- General		(1,200,825)	(974,562)
- Intangible asset amortisation		<u>(2,539)</u>	<u>(2,012)</u>
Total operating costs	3	<u>(1,203,364)</u>	<u>(976,574)</u>
Operating profit		53,921	43,039
Net interest receivable	7	<u>2,040</u>	<u>1,108</u>
Profit on ordinary activities before taxation	8	55,961	44,147
Tax charge on profit on ordinary activities	9	<u>(11,865)</u>	<u>(8,871)</u>
Retained profit for the year, transferred to reserves		<u>44,096</u>	<u>35,276</u>

All activities relate to continuing operations.

Statement of comprehensive income Year ended 31 March 2019

	Notes	£'000	2019 £'000	£'000	2018 £'000
Profit for the financial year			44,096		35,276
Actuarial loss due to scheme assets and liabilities	21	(74,000)		(46,800)	
Actuarial gain due to rail franchise adjustment and shared cost	21	<u>74,000</u>		<u>46,800</u>	
Total other comprehensive income			-		-
Total comprehensive income for the year			<u>44,096</u>		<u>35,276</u>

First Greater Western Limited

Balance sheet

As at 31 March 2019

	Notes	£'000	2019 £'000	£'000	2018 £'000
Assets employed:					
Fixed assets					
Intangible assets	10		866		3,293
Tangible assets	11		90,468		90,972
			<u>91,334</u>		<u>94,265</u>
Current assets					
Stocks	12	11,536		12,217	
Debtors	13	190,828		137,947	
Cash at bank and in hand	14	252,353		234,977	
			<u>454,717</u>	<u>385,141</u>	
Creditors: amounts falling due within one year	15	(505,958)		(425,465)	
Provisions for liabilities and charges: amounts falling due within one year	16	(24,428)		(27,264)	
Net current liabilities			<u>(75,669)</u>		<u>(67,588)</u>
Total assets less current liabilities			<u>15,665</u>		<u>26,677</u>
Provisions for liabilities and charges: amounts falling due after more than one year	17		-		(5,623)
Net assets excluding pension liability			<u>15,665</u>		<u>21,054</u>
Pension liability	21		-		-
Net assets			<u>15,665</u>		<u>21,054</u>
Financed by:					
Capital and reserves					
Called up share capital	18		-		-
Profit and loss account			<u>15,665</u>		<u>21,054</u>
Shareholder's funds			<u>15,665</u>		<u>21,054</u>

The financial statements of First Greater Western Limited, registered number 05113733 were approved by the Board of Directors on 21 June 2019 and were signed on its behalf by:


Duncan Kimmer
Director

First Greater Western Limited

Statement of changes in equity Year ended 31 March 2019

	Notes	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 31 March 2017		-	25,239	25,239
Total comprehensive income for the financial year		-	35,276	35,276
Dividend payments	19	-	(40,000)	(40,000)
Share-based payments		-	539	539
Balance at 31 March 2018		-	21,054	21,054
Total comprehensive income for the financial year		-	44,096	44,096
Dividend payments	19	-	(50,000)	(50,000)
Share-based payments		-	515	515
Balance at 31 March 2019		-	15,665	15,665

First Greater Western Limited

Notes to the financial statements Year ended 31 March 2019

1. Principal accounting policies

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

(a) General information and basis of accounting

First Greater Western Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The registered office address is Milford House, 1 Milford Street, Swindon, Wiltshire, SN1 1HL. 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 First Greater Western 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 under a historical cost convention and on a going concern basis as described in the going concern statement in the Directors' Report on page 8, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

First Greater Western 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 share-based payments, financial instruments, presentation of a cash-flow statement, intra group transactions and remuneration of key management personnel.

(c) Tangible fixed assets and depreciation

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

Depreciation is provided to write off the cost less residual value of tangible fixed assets over the shorter of their estimated useful economic lives or the duration of the franchise. Our depreciation policy is as follows:

Passenger carrying vehicles	- 2 to 10 years straight-line/duration of franchise
Other plant and equipment	- 3 to 10 years straight-line/duration of franchise

(d) Intangible fixed assets and depreciation

Intangible fixed assets are stated at cost, net of amortisation and any provision for impairment.

Amortisation is provided to write off the cost less residual value of intangible fixed assets over the shorter of their estimated useful economic lives or the duration of the franchise. Our amortisation policy is as follows:

Computer Software	- 3 to 5 years straight-line/duration of franchise
-------------------	--

(e) 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.

(f) Government grants and subsidies

Amounts receivable for tendered services and concessionary fare schemes are included in turnover. Government grants relating to property, plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned.

First Greater Western Limited

Notes to the financial statements (continued)

Year ended 31 March 2019

1. Principal accounting policies (continued)

(g) Stocks

Stocks are valued at the lower of weighted average cost and net realisable value. Provision is made for obsolete and slow moving or defective items where appropriate.

(h) Financial assets and liabilities

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

(i) 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 temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is not provided on temporary differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. 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.

(j) Pension costs

Company specific schemes

The company operates a defined benefit scheme, which is held in separately administered funds.

The amounts charged to operating profit regarding the defined benefit scheme are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. Where changes to the benefits in payment on defined benefit pension schemes require a change in scheme rules or ratification by the Trustees, the change is recognised as a past service charge or credit in the income statement. Where changes in assumptions can be made without changing the Trustee agreement these are recognised as a change in assumption in other comprehensive income. The interest cost on the net pension scheme liability is shown in net interest receivable/(payable). Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other assets on the face of the balance sheet.

First Greater Western Limited

Notes to the financial statements (continued)

Year ended 31 March 2019

1. Principal accounting policies (continued)

Rail franchise adjustment

In calculating the company's pension obligation in respect of the Railway Pension Scheme (RPS), the company's total pension deficit in accordance with FRS 102 Section 28 has been calculated. This deficit is reduced by a 'franchise adjustment' which is that portion of the deficit which is projected to exist at the end of the franchise and for which the company is not required to fund. The franchise adjustment, which has been calculated by FirstGroup's actuaries, is offset against the present value of the RPS liabilities so as to fairly present the financial performance, position and cash flow of the company's obligations. Allowance is also made in the preparation of the financial statements for the cost sharing nature of the benefit and in particular, only 60% of the total profit and loss charge and balance sheet position are attributed to the company and recognised in the accounts.

(k) Turnover

Turnover primarily includes amounts attributable to the train operating companies ("TOCs"), predominantly based on models of route usage, by the Railway Settlement Plan in respect of passenger receipts. Turnover from non-passenger receipts include on train catering income, commission on ticket sales and other sundry income.

(l) Future ticket deferral

Where season tickets or railcards are issued in excess of one week's duration, the attributable share of income is deferred within creditors and is recognised in the profit and loss account over the period covered by the season ticket or railcard. Income from advanced purchase and other ticket types is recognised in the profit and loss account on the date of travel.

(m) Provisions

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

(n) Share-based payments

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

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

First Greater Western Limited

Notes to the financial statements (continued)

Year ended 31 March 2019

1. Principal accounting policies (continued)

(o) Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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.

i) Critical accounting judgements

Defined benefits pension arrangements

Measurement of defined benefit pension obligations requires estimation of suitable discount rate, the expected return of assets, expected rate of inflation of future salary and pension costs along with assumptions about mortality rates. The most significant of these are the discount rate and the inflation rate assumption.

ii) Key sources of estimation uncertainty

Contract and franchise accounting

Estimates are made on an ongoing basis about the recoverability of amounts due and the carrying value of assets and liabilities arising from the company's franchise and long-term contracts. Regular forecasts are compiled on the outcome of these types of accounting estimates and contracts, which requires assessments and estimates relating to the expected level of revenue and costs included.

The useful economic life of assets is determined by reference to the length of the franchise and matched to the franchise end date. The residual value of the assets is determined by their condition at the franchise end date and the amount of maintenance that has been carried out during the period of operation.

First Greater Western Limited has a number of contractual relationships including those with the DfT and Network Rail. Due to the regulated nature of the rail industry, disputes and claims typically arise with such bodies as well as other TOCs where one or more TOC has access to shared infrastructure such as railway lines. Management is required to estimate the amount receivable and also payable taking account of the information available at the time.

First Greater Western Limited

Notes to the financial statements (continued)

Year ended 31 March 2019

2. Turnover and profit on ordinary activities before taxation

Turnover represents the amounts receivable for services supplied to customers during the year and includes amounts receivable for tendered services and concessionary fare schemes.

The whole of the turnover and profit on ordinary activities 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. FGW saw the transition from a premium to a subsidy in the year due to the increase cost of our new rolling stock, this is reflected in the Revenue subsidy line below.

	2019 £'000	2018 £'000
Passenger receipts	995,696	960,555
Revenue subsidy	193,766	-
Other revenue	67,823	59,058
	<u>1,257,285</u>	<u>1,019,613</u>

3. Operating costs

	Note	2019 £'000	2018 £'000
Raw materials and consumables		107,372	106,367
Staff costs	4	339,911	330,233
Other external charges		699,244	439,930
Net franchise payments		14,939	31,028
Grant amortisation releases		(29,411)	(15,940)
Depreciation and other amounts written off tangible fixed assets and intangible fixed assets		71,309	84,956
		<u>1,203,364</u>	<u>976,574</u>

The increase in other external charges versus prior year reflects the increase in train lease charges following the introduction of the new trains as well as an increase in track access charges versus prior year. Grant amortisation increased versus prior year as funded station and depot development programmes were completed and amortisation commenced.

4. Employee numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	2019 Actual Heads	2018 Actuals Heads	2019 FTE Heads	2018 FTE Heads
Traincrew including traincrew management	3,305	3,063	3,261	3,024
Maintenance	1,060	1,198	1,047	1,184
Customer service	1,382	1,377	1,301	1,301
Administration	414	418	340	354
	<u>6,161</u>	<u>6,056</u>	<u>5,949</u>	<u>5,863</u>

First Greater Western Limited

Notes to the financial statements (continued) Year ended 31 March 2019

4. Employee numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2019 £'000	2018 £'000
Wages and salaries	289,623	281,632
Social security costs	31,237	30,287
Other pension costs	19,051	18,314
	<u>339,911</u>	<u>330,233</u>

5. Directors' remuneration

Certain directors (Kevin Gardner, Clive Burrows, Stephen Montgomery and Hugh Clancy) received remuneration from FirstGroup plc, the ultimate parent company, and First Rail Holdings Limited, the immediate parent company, in the current and prior years. The directors have not performed any qualifying services on behalf of First Greater Western Limited during the current and prior year. 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 Greater Western Limited was as follows:

	2019 £'000	2018 £'000
Aggregate emoluments (excluding pension contributions)	1,106	1,103
	<u>1,106</u>	<u>1,103</u>

Directors' emoluments include salary, fees, bonuses, sums paid by way of expense allowances subject to UK income tax and the money value of other non-cash benefits and exclude share options, company pension contributions and payments made under long-term incentive schemes.

	2019 Number	2018 Number
The number of directors who: Were members of a defined benefit pension scheme	<u>4</u>	<u>6</u>

First Greater Western Limited

Notes to the financial statements (continued) Year ended 31 March 2019

5. Directors' remuneration (continued)

The emoluments of the highest paid director amounted to:

	2019 £'000	2018 £'000
Aggregate emoluments:		
Basic	259	248
Bonus	142	192
Allowances	10	10
Benefits	2	2
	<u>413</u>	<u>452</u>
<i>Defined benefit scheme</i>		
Accrued pension at end of year	46	40
Accrued lump sum at end of year	<u>22</u>	<u>19</u>

During the year the highest paid director exercised share options and received shares under the FirstGroup long-term incentive plan.

6. Share-based payments

Save as you earn (SAYE)

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

Buy as you earn (BAYE)

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

The group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme. The company has recognised a total expense of £515,000 (2018: £539,000) relating to equity-settled share-based payment transactions.

First Greater Western Limited

Notes to the financial statements (continued) Year ended 31 March 2019

7. Net interest receivable

	2019 £'000	2018 £'000
<i>Interest payable and similar charges</i>		
Bank interest payable	-	(3)
	<u>-</u>	<u>(3)</u>
<i>Interest receivable and similar income</i>		
Amounts receivable from group undertakings	1,228	429
Bank interest	812	682
	<u>2,040</u>	<u>1,108</u>
Net interest receivable		

8. Profit on ordinary activities before taxation

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditor's remuneration		
- Deloitte LLP audit fee for the audit of the annual accounts	296	214
- Deloitte LLP non-audit fee for other services	15	15
Depreciation on tangible and amortisation from intangible owned assets	71,309	84,956
Cost of stock recognised as an expense	96,360	96,677
Loss on disposal of fixed assets	-	1,050
Rentals payable under operating leases		
- plant and machinery	349,681	111,697
- other operating leases	143,970	104,826
Net rents receivable from property	<u>(3,896)</u>	<u>(3,652)</u>

First Greater Western Limited

Notes to the financial statements (continued)

Year ended 31 March 2019

9. Tax charge on profit on ordinary activities

	2019 £'000	2018 £'000
Current taxation		
- UK Corporation tax	1,889	-
- Group relief payable	9,243	9,480
- Adjustment in respect of prior years	(231)	438
Total current taxation	10,901	9,918
Deferred taxation		
- Origination and reversal of timing differences	(408)	(932)
- Adjustment in respect of prior years	1,372	(115)
	964	(1,047)
Total tax charge on profit on ordinary activities	11,865	8,871

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2018: 19%). The actual current tax charge on profit on ordinary activities for the current and previous year differed from the profit on ordinary activities multiplied by standard rate of corporation tax for the reasons set out in the following reconciliation:

	2019 £'000	2018 £'000
Profit before tax on ordinary activities	55,961	44,147
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom (19%) (2018: 19%)	10,633	8,388
Factors affecting charge		
- Expenses not deductible for tax purposes	48	62
- Prior year adjustments	1,141	323
- Effect of decrease in tax rate on origination and reversal of timing differences	43	98
Total tax charge on profit on ordinary activities (21.2%) (2018: 20.1%)	11,865	8,871

The UK Government enacted legislation to reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020.

First Greater Western Limited

Notes to the financial statements (continued) Year ended 31 March 2019

10. Intangible fixed assets

	Computer Software £'000	Total £'000
Cost		
At 1 April 2018	5,338	5,338
Additions	112	112
At 31 March 2019	5,450	5,450
Accumulated amortisation		
At 1 April 2018	2,045	2,045
Charge for year	2,539	2,539
At 31 March 2019	4,584	4,584
Net book value		
At 31 March 2019	866	866
At 31 March 2018	3,293	3,293

Computer Software is recognised separately as an intangible asset and is carried at cost less accumulated amortisation. Costs include software licenses, website development, costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to the software.

First Greater Western Limited

Notes to the financial statements (continued) Year ended 31 March 2019

11. Tangible fixed assets

	Passenger carrying vehicle fleet £'000	Other plant and equipment £'000	Total £'000
Cost			
At 1 April 2018	158,817	182,130	340,947
Additions	20,187	48,079	68,266
Disposals	(21,076)	(856)	(21,932)
At 31 March 2019	<u>157,928</u>	<u>229,353</u>	<u>387,281</u>
Accumulated depreciation			
At 1 April 2018	144,086	105,889	249,975
Charge for year	23,474	45,296	68,770
Disposals	(21,076)	(856)	(21,932)
At 31 March 2019	<u>146,484</u>	<u>150,329</u>	<u>296,813</u>
Net book value			
At 31 March 2019	<u>11,444</u>	<u>79,024</u>	<u>90,468</u>
At 31 March 2018	<u>14,731</u>	<u>76,241</u>	<u>90,972</u>

Included in Other plant and equipment is £1.5m (2018: £0.9m) of construction in progress assets, which are not depreciated until they are brought into use. This relates to train modification works.

12. Stocks

	2019 £'000	2018 £'000
Spare parts and consumables	<u>11,536</u>	<u>12,217</u>

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

First Greater Western Limited

Notes to the financial statements (continued) Year ended 31 March 2019

13. Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	78,225	57,202
Provision on trade debtors	(249)	(500)
Amounts owed by group undertakings	716	695
VAT	24,717	21,416
Other debtors	34,511	22,897
Accrued Income	5,016	2,258
Prepayments	39,248	24,371
Deferred tax	8,644	9,608
	<u>190,828</u>	<u>137,947</u>

Other debtors and prepayments increased versus prior year due to the timing on settlement of receipts.

	Note	£'000
Deferred tax asset		
At 1 April 2018		9,608
Charge to the profit and loss account	9	(964)
At 31 March 2019	13	<u>8,644</u>

The deferred tax asset consists of the following amounts:

	2019 £'000	2018 £'000
Capital allowances in excess of depreciation	7,631	(1,537)
Other timing differences	1,013	11,145
Deferred tax asset	<u>8,644</u>	<u>9,608</u>

During the year beginning 1 April 2019, the net reversal of deferred tax assets is expected to decrease the charge to corporation tax for the year by £1,550,000, mainly due to depreciation, capital allowances and capital grant amortisation.

14. Cash at bank and in hand

	2019 £'000	2018 £'000
Bank deposits	<u>252,353</u>	<u>234,977</u>

Cash and cash equivalents include ring-fenced cash of £226.8m (2018: £205.4m). Under the terms of the franchise agreement, the company can only distribute cash either up to the amount of retained profits or the amount determined by prescribed liquidity ratios. The ring-fenced cash represents that which is not available for distribution or the amount required to satisfy the liquidity ratios at the balance sheet date.

First Greater Western Limited

Notes to the financial statements (continued) Year ended 31 March 2019

15. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	54,897	56,829
Amounts owed to group undertakings	6,440	9,317
Group tax relief	1,013	1,918
Corporation tax	1,889	-
Other tax and social security	8,014	7,648
Other creditors	27,953	26,343
Deferred Income	34,427	25,574
Accruals and capital grant income	371,325	297,836
	<u>505,958</u>	<u>425,465</u>

Amounts owed to group undertakings relate primarily to charges owed to First Rail Holdings Limited and First Rail Support. Payment terms on all intercompany transactions are immediate.

16. Provisions for liabilities and charges: amounts falling due within one year

	Legal & Other £'000	Total £'000
At 1 April 2018	27,264	27,264
Charged to the profit and loss account	4,528	4,528
Utilised in the year	(12,987)	(12,987)
Transfer from provisions greater than one year	5,623	5,623
At 31 March 2019	<u>24,428</u>	<u>24,428</u>

Provisions for liabilities and charges falling due within one year relate to planned restructuring £8.0m, rolling stock dilapidations £11.5m and property dilapidations £4.9m. The utilization of £13.0m represents payments made against the prior year provision in the current year, which relates primarily to planned restructuring and rolling stock dilapidations. The £4.5m charged to the profit and loss account during the year relates primarily to additional rolling stock dilapidation provisions.

17. Provisions for liabilities and charges: amounts falling due after more than one year

	Legal & Other £'000	Total £'000
At 1 April 2018	5,623	5,623
Transfer to provisions less than one year	(5,623)	(5,623)
At 31 March 2019	<u>-</u>	<u>-</u>

The provision as at 1 April 2018 relates to rolling stock dilapidations, which is expected to be fully utilised by 31 March 2020. This balance has been transferred to provisions less than one year, see note 16.

First Greater Western Limited

Notes to the financial statements (continued) Year ended 31 March 2019

18. Called up share capital

	2019 £	2018 £
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>

19. Dividend

Dividend distribution to the company shareholder First Rail Holdings Limited is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company shareholders. During 2018/19 a final dividend was paid to First Rail Holdings Limited of £25.0m (2018: £40.0m), the company's immediate controlling entity. An interim dividend was paid during the year of £25.0m (2018: Nil) also to First Rail Holdings Limited.

20. Commitments

Capital commitments at the end of the year for which no provision has been made are as follows:

	2019 £'000	2018 £'000
Contracted for but not provided	<u>56,107</u>	<u>101,681</u>

Capital commitments primarily relate to the exam schedule on our train vehicles, fleet depot development and station upgrade programmes. Commitments have decreased versus prior year due to the exam schedule on our train vehicles.

Operating leases

Minimum lease payments made under operating leases recognised in the income statement for the year:

	2019 £'000	2018 £'000
Plant and machinery	776	1,061
Track and station access	142,221	103,120
Hire of rolling stock	348,906	110,636
Other assets	<u>1,748</u>	<u>1,706</u>
	<u>493,651</u>	<u>216,523</u>

First Greater Western Limited

Notes to the financial statements (continued) Year ended 31 March 2019

20. Commitments (continued)

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	536,737	521,485
In the second to fifth years inclusive	234	414,877
	<u>536,971</u>	<u>936,362</u>

Included in the above commitments are contracts held with Network Rail for access to the railway infrastructure track, stations and depots of £150.4m (2018: £235.1m). Commitments also exist to lease rolling stock of £384.4m (2018: £695.6m). The existing franchise ceases 1 April 2020 resulting in operating lease commitments decreasing against prior year values. There are a few property and equipment leases which have lease expiry dates beyond 1 April 2020.

21. Pension liability

Railways Pension Scheme – First Greater Western Section

Defined contribution schemes

The company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the profit and loss account in the year ended 31 March 2019 was £0.3m (2018: £0.4m).

Defined benefit schemes

The company is a member of a defined benefit pension scheme, which is funded. All eligible employees are offered membership of the Railways Pension Scheme (RPS).

Under the terms of the RPS the employer (60%) and the employees (40%) share any fund deficit. The current service pension cost relating to this scheme in the year was £16.8m (2018: £15.7m).

The scheme is valued triennially, when the cost of future service is calculated and the funding position established. The last valuation of the scheme was carried out by independent actuaries as at 31 December 2013 by James C Wintle in respect of the costs used in these financial statements. A draft actuarial valuation at 31 December 2016 was completed during 2017 and there is a legal obligation to finalise the valuations and schedules of contributions before the statutory deadline of 31 March 2018. Discussions with the Pensions Regulator, and other stakeholders, in relation to the Pensions Act valuation for all Railway Pension Schemes for the Train Operating Companies are still ongoing and this process is likely to continue for some time. Until the valuation is complete, the investment strategy and the cash contributions remain unchanged from those agreed as part of the 2013 valuation. The actuarial valuation was updated for 31 March 2019; at this date the market value of the scheme's assets totalled £991.4m. The actuarial value of these assets was sufficient to cover 61% (2018: 64%) of the benefits, which had accrued to the scheme's members.

Contributions are paid to the scheme at rates recommended by the actuaries and the assets of the scheme are held in a separately administered trust. The scheme's assets are held and managed independently of the company's finances by independent investment managers appointed by the trustees of the scheme. The current contribution rate is 8.04% (2018: 8.04%) for employees and 12.06% (2018: 12.06%) for the employer.

First Greater Western Limited

Notes to the financial statements (continued)

Year ended 31 March 2019

21. Pension liability (continued)

The actuarial assumptions used in determining the last full actuarial valuation (31 December 2013) were that the rate of return on investments will be 7.59% per annum; the rate of earnings increase will be 4.23% per annum and the rate of inflation will be (RPI/CPI) 3.2%/2.4% per annum. The valuation was made using the projected unit method.

Financial assumptions

The main financial assumptions used in this update were as follows:

	2019	2018
Rate of increase in salaries	3.40%	3.30%
Rate of increase of pensions in payment	2.15%	2.05%
Rate of increase of pensions in deferment	2.15%	2.05%
Discount rate	2.40%	2.70%
Inflation assumption - RPI	3.15%	3.05%
Inflation assumption - CPI	2.15%	2.05%

Mortality assumptions

The assumptions made for current mortality reflect broadly the current experience. This takes into account size of pension and geographic location. An allowance is made for future improvements, based on information currently available on mortality trends. The post-retirement mortality (life expectancy in years) current rate for pensioners at 65 is 21.1 years (2018: 20.6 years). Future pensioners aged 65 (45 now) will have a rate of 22.3 years (2018: 21.9).

The breakdown of the asset fair value by asset type is as follows:

	2019 £'000	2018 £'000
Equities	95,800	86,300
Property	14,000	19,200
Cash and cash equivalents	3,800	-
Other return seeking assets	877,800	783,200
	<u>991,400</u>	<u>888,700</u>

The section is invested in Railpen pooled funds. The main investment is in the Growth Pooled Fund, the purpose of which is to invest in a wide range of return-seeking assets across different financial markets and economies in order to deliver high long-term real returns (RPI + 4% pa) over a rolling 5 to 10-year period.

First Greater Western Limited

Notes to the financial statements (continued)

Year ended 31 March 2019

21. Pension liability (continued)

Reconciliation of movements

	Assets £m	Liabilities £m	Shared Cost £m	Franchise Impact £m	Net £m
At 1 April 2017	869.6	(1,280.6)	164.4	246.6	-
Income Statement					
Operating					
Service cost	-	(60.5)	24.2	20.6	(15.7)
Admin cost	-	(2.3)	-	-	(2.3)
Total Operating	-	(62.8)	24.2	20.6	(18.0)
Financing	24.4	(35.1)	4.3	6.4	-
Total Income Statement	24.4	(97.9)	28.5	27.0	(18.0)
Amounts paid to/(from) scheme					
Employer contributions	17.6	-	(7.1)	7.1	17.6
BRASS matching contributions	0.4	-	-	-	0.4
Employee contributions	11.8	-	(4.7)	(7.1)	-
Benefits Paid	(28.5)	28.5	-	-	-
Total	1.3	28.5	(11.8)	-	18.0
Expected closing position	895.3	(1,350.0)	181.1	273.6	-
Gains/(loss)					
Change in actuarial assumptions	-	(26.8)	10.7	16.1	-
Return on assets in excess of discount rate	(6.6)	-	2.6	4.0	-
Experience	-	(13.4)	6.2	7.2	-
Total	(6.6)	(40.2)	19.5	27.3	-
At 31 March 2018	888.7	(1,390.2)	200.6	300.9	-

First Greater Western Limited

Notes to the financial statements (continued) Year ended 31 March 2019

21. Pension liability (continued)

Reconciliation of movements

	Assets	Liabilities	Shared Cost	Franchise Impact	Net
	£m	£m	£m	£m	£m
At 1 April 2018	888.7	(1,390.2)	200.6	300.9	-
Income Statement					
Operating					
Service cost	-	(66.0)	26.2	23.0	(16.8)
Admin cost	-	(3.7)	1.5	-	(2.2)
Past service gain including curtailments	-	(1.4)	0.6	0.8	-
Total Operating	-	(71.1)	28.3	23.8	(19.0)
Financing	23.9	(36.9)	5.2	7.8	-
Total Income Statement	23.9	(108.0)	33.5	31.6	(19.0)
Amounts paid to/(from) scheme					
Employer contributions	18.7	-	(7.6)	7.6	18.7
BRASS matching contributions	0.3	-	-	-	0.3
Employee contributions	12.4	-	(4.9)	(7.5)	-
Benefits Paid	(45.1)	45.1	-	-	-
Total	(13.7)	45.1	(12.5)	0.1	19.0
Expected closing position	898.9	(1,453.1)	221.6	332.6	-
Gains/(loss)					
Change in actuarial assumptions	-	(133.0)	53.2	79.8	-
Change in demographic assumptions	-	(28.5)	11.4	17.1	-
Return on assets in excess of discount rate	92.5	-	(37.0)	(55.5)	-
Experience	-	(5.0)	2.1	2.9	-
Total	92.5	(166.5)	29.7	44.3	-
At 31 March 2019	991.4	(1,619.6)	251.3	376.9	-

22. Ultimate parent company

The directors regard FirstGroup plc, a company incorporated in the United Kingdom 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 controlling party is First Rail Holdings Limited.

Copies of the accounts of FirstGroup plc can be obtained on request from 8th Floor, The Point, 37 North Wharf Road, Paddington, London, W2 1AF.