**Company Registration No. 05113733**

# First Greater Western Limited

**Report and Financial Statements**

**31 March 2013**

# First Greater Western Limited

## Report and financial statements 2013

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# First Greater Western Limited

## Directors' report

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 2013.

### 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.

### Business review and future outlook

Punctuality during the year was slightly down on last year, with our PPM MAA score standing at 89.1%, (2012: 90.6%). Severe weather, especially repeated flooding in the West Country, caused a number of Network Rail infrastructure failures impacting punctuality over a total of 21 days, and we have been working with them to help overcome these issues.

During the year we completed the introduction of 48 new carriages as part of the Department for Transport's (DfT's) High Level Output Specification programme. Refurbishments on the Class 180 fleet have also allowed us to trial Wi-Fi provision. In the past three years we have worked with the DfT to secure a total of 90 additional carriages, adding around ten per cent more space on trains for customers. This essential capacity increase has helped improve the customer experience and reduced the number of crowded trains that First Greater Western operates.

Major infrastructure work including gauge and signalling upgrades continues on the route, including an £850m improvement package at Reading station to ease the bottleneck and improve capacity at that key junction. From 2016 the vast majority of the eastern section of the route will be electrified, providing the opportunity for cleaner, longer and more reliable trains, and we are working with the DfT as that project begins.

The company made an operating loss of £20.6m (2012: £8.8m loss) on turnover of £1,130.3m (2012: £1,018.9m). Passenger receipts showed reported growth of 6.0% over the year (2012: 8%). The company will continue to focus on its addressable cost base in the year ahead.

The company recorded a provision in 2010/11 in respect of the franchise agreement. This provision reflected the company's best estimate of the likely losses on the franchise over the two years to 31 March 2013, which would arise due to the accelerated write-off of assets dedicated to the First Great Western franchise due to the company's decision not to exercise its option to extend the franchise agreement for a further three years beyond the original franchise end date. The company recorded a further provision of £9.9m in 2012/13 due to further anticipated incremental losses following the DfT exercising their option to extend the franchise by a further seven rail periods to October 2013.

The company is currently in negotiations with the DfT to extend the franchise period from October 2013 for an additional 25 railway periods to September 2015. A Request for Proposal has been issued and the company is currently preparing its response, which is due on 4 July 2013.

### Principal risks and uncertainties

### 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. 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.

## Directors' report (continued)

### Legislation and regulation

Our business is subject to numerous laws regulating safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage and other operating issues and considerations. These laws and regulations are constantly subject to change. The costs associated with complying with the adoption of new legislation, regulations or other laws could adversely impact the results of our operations. To help mitigate the risk of legislative or regulatory changes the company and FirstGroup plc regularly lobbies both government and transport bodies.

### Labour costs

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. To mitigate this risk, the company seeks to structure its recruitment and retain the right people.

### Fuel costs

Fuel prices and supply levels can be influenced significantly by international, political and economic circumstances. If fuel supply shortages were to arise 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 enters 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.

### Terrorism

Terrorist acts and the public's concerns about potential attacks could adversely affect demand for our services. More particularly if we were to be perceived as not taking all reasonable precautions to guard against potential terrorist acts this could adversely affect our reputation with the public. 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.

### Economy

The level of economic activity 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. The potential impact on the company is reduced due to the existence of a revenue support arrangement.

### Information technology

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

# First Greater Western Limited

## Directors' report (continued)

### Customer service

The company's revenues are at risk if it does not continue to provide the level of service expected by customers. Relevant staff undertake intensive training programmes to ensure they are aware of and abide by the levels of service that are required by our customers. On-going engagement with customers and community stakeholders takes place across the company, including through 'Meet the Manager' events, customer panels, consultations and local partnerships.

### Environmental

The company stores and manages large quantities of fuel at our maintenance sites, which presents a potential regulatory and financial risk in the event of significant loss or spillage and are subject to on-going changes in environmental regulations. Along with all businesses we face the challenge of addressing climate change, both managing its impact and reducing emissions. To mitigate these risks, fuel storage facilities are subject to regular inspection and we have detailed fuel handling procedures which are regularly audited. The company continues to target reductions in its emissions, including through behaviour change initiatives and investment in new technology.

### Litigation

The company has three main insurable risks: third party claims arising from passenger accidents, employee injuries and property damage. The company has a very strong focus on safety - it is one of our core values. The size of the company's operations is such that there are a number of low value injury claims which the company self-insures up to certain limits. It purchases insurance above these limits from reputable global insurance firms. Claims are managed by experienced claims handlers.

### Financial matters

The results for the year are given in the profit and loss account on page 9.

The directors have not recommended the payment of a final dividend (2012: £nil); no interim dividend was paid during the year (2012: £nil).

### Supplier payment policy

It is the company's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions. A number of significant purchases, such as fuel and commitments under operating leases, are paid by direct debit. At 31 March 2013 the company had 32 days' purchases outstanding (2012: 34 days).

### 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. Although certain risks, for example, fuel price, are hedged on a group basis, the company does not enter directly into any derivative financial instruments.

### Disabled persons

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

# First Greater Western Limited

## Directors' report (continued)

### Directors

The directors who held office throughout the year (except as noted) and subsequently appointed are as follows:

Directors who held office throughout the year:

Dr Benjamin Caswell
Kevin Gale (resigned 26th February 2013)
David Gausby
Andrew Mellors
Clive Burrows
Mark Hopwood
Martin Stoolman
Susan Evans
Matthew Golton
Hugh Clancy
Vernon Barker

Directors appointed after the year end: Benjamin Rule (appointed 12th June 2013)

### Employee involvement

Communication with employees is effected mainly through regular briefings and 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.

### Going concern

The directors have considered the current DfT notified franchise end date of 12 October 2013 as well as the extended Rail Franchising Programme announced in March 2013 by the DfT. The DfT has also announced its intention to enter into a Direct Agreement with the company, subject to a satisfactory negotiation, up to September 2015. The DfT issued a Request for Proposal in May 2013 and a response is due in early July 2013. Accordingly, the directors' 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 signing date of these financial statements. The directors have considered the current economic climate, company forecasts and the financial commitment from the parent company in forming this judgement. The parent company has provided the directors of the company with a written letter of support, confirming that it will make available such funds as may be required to enable the company to meet its obligations for a period of at least 12 months from the signing date of these financial statements. The directors have made enquiries and understand that the parent company has adequate resources to be able to provide this financial support.

After making 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

## Statement of directors' responsibilities

**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

Dr Benjamin Caswell
Director

Date: 21 June 2013

Milford House
1 Milford Street
Swindon
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). 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

We have audited the financial statements of First Greater Western Limited for the year ended 31 March 2013 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholder's deficit, the statement of total recognised gains and losses and the related notes 1 to 25. 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).

This report is made solely to the company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As more fully explained in the Statement of Directors' Responsibilities, 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 Practice Board's Ethical Standards for Auditors.

**Scope of the audit of 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 directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss 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.

**Opinion on other matter prescribed in the Companies Act 2006**

In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent auditor's report to the member of First Greater Western 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.

Mark Tolley

Mark Tolley (Senior Statutory Auditor)
**for and on behalf of Deloitte LLP**
Chartered Accountant and Statutory Auditor
London, United Kingdom
21 June 2013

# First Greater Western Limited

## Profit and loss account
## Year ended 31 March 2013

| | Notes | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Turnover** | 2 | 1,130,274 | 1,018,928 |
| Operating costs | | | |
| - General | | (1,140,976) | (1,027,696) |
| - Exceptional Items | 4 | (9,900) | - |
| Total operating costs (net) | 3 | (1,150,876) | (1,027,696) |
| **Operating loss** | | (20,602) | (8,768) |
| Net interest receivable | 8 | 10,613 | 8,836 |
| **(Loss)/profit on ordinary activities before taxation** | 9 | (9,989) | 68 |
| Tax credit on (loss)/profit on ordinary activities | 10 | 30 | 390 |
| **Retained (loss)/profit for the year, transferred (from)/to reserves** | 21 | (9,959) | 458 |

All activities relate to continuing operations.

## First Greater Western Limited

## Balance sheet
## At 31 March 2013

| | Notes | £'000 | 2013 £'000 | £'000 | 2012 £'000 |
|---|---|---|---|---|---|
| **Assets employed:** | | | | | |
| **Fixed assets** | | | | | |
| Intangible assets | 12 | | - | | - |
| Tangible assets | 13 | | 60,396 | | 82,948 |
| | | | 60,396 | | 82,948 |
| **Current assets** | | | | | |
| Stocks | 14 | 15,553 | | 11,109 | |
| Debtors – due within one year | 15 | 89,775 | | 97,601 | |
| Cash at bank and in hand | 16 | 20,294 | | 72,762 | |
| | | 125,622 | | 181,472 | |
| **Creditors: amounts falling due within one year** | 17 | (220,777) | | (283,415) | |
| **Net current liabilities** | | | (95,155) | | (101,943) |
| **Total assets less current liabilities** | | | (34,759) | | (18,995) |
| **Provisions for liabilities and charges** | 19 | | (2,024) | | (3,442) |
| **Net liabilities excluding pension liability** | | | (36,783) | | (22,437) |
| Pension liability | 23 | | (5,266) | | (9,166) |
| **Net liabilities** | | | (42,049) | | (31,603) |
| **Financed by:** | | | | | |
| **Capital and reserves** | | | | | |
| Called up share capital | 20 | | - | | - |
| Profit and loss account | 21 | | (42,049) | | (31,603) |
| **Shareholder's deficit** | | | (42,049) | | (31,603) |

The financial statements of First Greater Western Limited, registered number 05113733 were approved by the Board of Directors on 21 June 2013 and were signed on its behalf by:

BJ M

Dr Benjamin Caswell
Director

# First Greater Western Limited

## Reconciliation of movements in shareholder's deficit
## Year ended 31 March 2013

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| (Loss)/profit for the financial year | (9,959) | 458 |
| Other recognised (losses)/gains relating to the year (net) | (780) | 1,481 |
| | (10,739) | 1,939 |
| Share based payments | 293 | 312 |
| Net (addition)/reduction to shareholder's deficit | (10,446) | 2,251 |
| Opening shareholder's deficit | (31,603) | (33,854) |
| Closing shareholder's deficit | (42,049) | (31,603) |

## Statement of total recognised gains and losses
## Year ended 31 March 2013

| | £'000 | 2013<br>£'000 | £'000 | 2012<br>£'000 |
|---|---|---|---|---|
| (Loss)/profit for the financial year | | (9,959) | | 458 |
| Actuarial (loss)/gain relating to the pension scheme | (1,084) | | 1,853 | |
| UK deferred taxation attributable to actuarial gain/(loss) | 304 | | (372) | |
| | | (780) | | 1,481 |
| Total recognised (losses)/gains for the year | | (10,739) | | 1,939 |

# Notes to the financial statements
# Year ended 31 March 2013

## 1. Principal accounting policies

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

### (a) Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards on the historical cost basis and on a going concern basis as described in the going concern statement in the Directors' Report on page 4. In the prior year the accounts were prepared on a basis other than going concern given the directors' expectation that the current franchise would have ended on 31 March 2013 and the company would have ceased to trade, with a different First Group entity tendering for the new franchise. No material adjustments arose as a result of the change in the basis of preparation.

### (b) Cash flow statement

The company is a wholly owned subsidiary of FirstGroup plc, a company registered in Scotland. Accordingly, the company has taken advantage of the exemption offered by Financial Reporting Standard 1, enabling it not to produce a cash flow statement as the parent company has included a consolidated cash flow statement within its group financial statements.

### (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 their estimated useful economic lives or the duration of the franchise as follows:

| | | |
|---|---|---|
| Other plant and equipment | - | 3 to 10 years straight line |
| Passenger carrying vehicles | - | 2 to 10 years straight line |

### (d) Intangible fixed assets and depreciation

The rail franchise agreement intangible asset represents the part of the economic benefit derived from the rail franchise agreement that is realised as a result of recognising our share of the rail pension deficit.

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 their estimated useful economic lives as follows:

| | | |
|---|---|---|
| Intangible pension asset | - | 7 years straight line |

### (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. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

### (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.

### (g) Stocks

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

**1. Principal accounting policies (continued)**

**(h) 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 credit for taxation is based on the losst for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is not provided on timing 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.

**(i) Pension costs**

**Company specific schemes**

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

The amounts charged to operating loss 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 in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on the assets are shown as a net amount of other financial costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

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.

**(j) Turnover**

Turnover in UK Rail includes franchise agreement receipts from the Department for Transport ("DfT"). Payments to the DfT for amounts due under the terms of a franchise are included in operating costs. Turnover also 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. Where season tickets 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.

**(k) 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. Amounts due within 12 months of the balance sheet date are considered to be reliably measured and are therefore included within creditors falling due within one year.

### 1. Principal accounting policies (continued)

#### (l) Share-based payments

The company's 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. 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.

### 2. Turnover and (loss)/profit on ordinary activities before taxation

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

The whole of the turnover and (loss)/profit on ordinary activities before taxation is derived 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.

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| Passenger receipts | | |
| Support grants | 793,893 | 749,076 |
| Other revenue | 269,905 | 205,399 |
| | 66,476 | 64,453 |
| | 1,130,274 | 1,018,928 |

### 3. Total Operating costs (net)

| | Notes | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|---|
| Raw materials and consumables | | 97,939 | 81,358 |
| Staff costs | 5 | 239,379 | 223,410 |
| Other external charges | | 327,821 | 355,651 |
| Franchise payments | | 435,255 | 331,691 |
| Exceptional costs – onerous contract | 4 | 9,900 | - |
| Depreciation and other amounts written off tangible fixed assets and intangible fixed assets | | 73,432 | 38,551 |
| Utilisation of onerous contract provision | | (32,850) | (2,965) |
| | | 1,150,876 | 1,027,696 |

# Notes to the financial statements
# Year ended 31 March 2013

### 4. Exceptional Items - Contract provision

The company recorded a provision in 2010/11 in respect of the franchise agreement. This provision reflected the company's best estimate of the likely losses on the franchise over the two years to 31 March 2013, which would arise principally due to the accelerated write-off of assets dedicated to the First Great Western franchise due to the company's decision not to exercise its option to extend the franchise agreement for a further three years beyond the original franchise end date. The company recorded a further provision of £9.9m in 2012/13, charged to the profit and loss account, due to incremental losses following the DfT exercising their option to extend the franchise by a further seven rail periods to October 2013.

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Contract provision | 9,900 | - |
| | 9,900 | - |

### 5. Employee numbers and costs

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

| | 2013 No. | 2012 No. |
|---|---|---|
| Traincrew including traincrew management | 2,551 | 2,354 |
| Maintenance | 1,135 | 1,086 |
| Customer service | 1,186 | 1,206 |
| Administration | 209 | 202 |
| | 5,081 | 4,848 |

The aggregate payroll costs of these persons were as follows:

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Wages and salaries | 201,976 | 188,768 |
| Social security costs | 16,426 | 15,011 |
| Other pension costs | 20,977 | 19,631 |
| | 239,379 | 223,410 |

## Notes to the financial statements
## Year ended 31 March 2013

### 6. Directors' remuneration

Certain directors (David Gausby, Vernon Barker, Clive Burrows 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, details of which are disclosed in their report and accounts. 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:

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Aggregate emoluments (excluding pension contributions) | 1,277 | 1,318 |
| Compensation for loss of office | 162 | - |
| | 1,439 | 1,318 |

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.

| | 2013 Number | 2012 Number |
|---|---|---|
| **The number of directors who are:** | | |
| Members of a defined benefit pension scheme | 11 | 11 |

The emoluments of the highest paid director amounted to:

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Aggregate emoluments: | | |
| Basic | 198 | 194 |
| Bonus | 116 | 111 |
| Allowances | 10 | 10 |
| Benefits | 2 | 1 |
| | 326 | 316 |
| *Defined benefit scheme* | | |
| Accrued pension at end of year | 16 | 12 |
| Accrued lump sum at end of year | 9 | 7 |

The highest paid director is entitled to receive shares under the FirstGroup long-term incentive plan. No share options were awarded or exercised during the year.

**7. Share-based payments**

**Save as you earn (SAYE)**

The company's ultimate parent company operates an Inland Revenue approved savings-related share option scheme. Grants were made in December 2002, December 2003, December 2004, April 2006, December 2006, December 2007, December 2008, December 2009, December 2010, December 2011 and December 2012. 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 Yorkshire Building Society. 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 as follows:

| | SAYE Dec 2008 Options Number | SAYE Dec 2009 Options Number | SAYE Dec 2010 Options Number | SAYE Dec 2011 Options Number | SAYE Dec 2012 Options Number |
|---|---|---|---|---|---|
| Outstanding at the beginning of the year | 1,805,810 | 2,336,168 | 2,669,280 | 2,907,764 | |
| Awarded during the year | - | - | - | - | 2,986,775 |
| Exercised during the year | - | (819) | - | (54) | (11) |
| Lapsed during the year | (1,805,810) | (242,694) | (384,479) | (377,042) | (29,664) |
| Outstanding at the end of the year | - | 2,092,655 | 2,284,801 | 2,530,668 | 2,957,100 |
| Exercisable at the end of the year | - | 2,092,655 | - | - | |
| Weighted average exercise price (pence) | 371.0 | 310.0 | 319.0 | 271.5 | 143.9 |
| Weighted average share price at date of exercise (pence) | N/A | 197.3 | N/A | 204.9 | 193.0 |

The inputs into the Black-Scholes model are as follows:

| | SAYE 2013 Dec 20132 | SAYE 2012 Dec 2011 |
|---|---|---|
| Weighted average share price (pence) | 188.9 | 319.2 |
| Weighted average exercise price (pence) | 143.9 | 271.5 |
| Expected volatility | 35% | 35% |
| Expected life | 3 years | 3 years |
| Risk-free rate | 0.4% | 0.6% |
| Expected dividend yield | 12.5% | 7.0% |

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous five years. 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.

Allowances have been made for the SAYE schemes for the fact that, amongst a group of recipients some are expected to leave before an entitlement vests. The accounting charge is then adjusted over the vesting period to take account of actual forfeitures, so although the total charge is unaffected by the pre-vesting forfeiture assumption, the timing of the recognition of the expense will be sensitive to it. Fair values for the SAYE include a 10% p.a. pre-vesting leaver assumption whereas the Executive, LTIP and deferred share plans exclude any allowance for the pre-vesting forfeitures.

The group used the inputs noted above to measure the fair value of the new share options.

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 £293,000 (2012: £312,000) relating to equity-settled share-based payment transactions.

# Notes to the financial statements
## Year ended 31 March 2013

### 8. Net interest receivable

| | Note | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| *Interest payable and similar charges* | | | |
| Amounts payable to other group undertakings | | (2,245) | (2,873) |
| Other interest payable | | - | (1) |
| Interest on pension scheme liabilities (net) | | (13,703) | (15,899) |
| Unwinding of interest provision | | 2,245 | 2,873 |
| | | (13,703) | (15,900) |
| *Interest receivable and similar income* | | | |
| Bank interest | | 203 | 380 |
| Other interest receivable | | - | 1 |
| Return on pension scheme assets | | 24,113 | 24,355 |
| | | 24,316 | 24,736 |
| Net interest receivable | | 10,613 | 8,836 |

### 9. (Loss)/profit on ordinary activities before taxation

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| (Loss)/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 | 116 | 98 |
| - Deloitte LLP non-audit fee for other services | 5 | 4 |
| Depreciation and other amounts written off tangible fixed assets | | |
| - owned assets | 73,432 | 38,551 |
| Rentals payable under operating leases | | |
| - plant and machinery | 69,553 | 65,130 |
| - other operating leases | 138,655 | 135,893 |
| Net rents receivable from property | (5,656) | (5,853) |

### 10. Tax credit on (loss)/profit on ordinary activities

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| Current taxation | | |
| - UK corporation tax charge for the year | - | - |
| - Group relief receivable | (3,175) | (2,667) |
| - Adjustment in respect of prior years | 2,937 | (18,046) |
| Total current taxation | (238) | (20,713) |
| Deferred taxation | | |
| - Origination and reversal of timing differences | (824) | 1,549 |
| - Effect of decrease in tax rate on opening deferred tax balance | (76) | (158) |
| - Adjustment in respect of prior years | (518) | 17,498 |
| | (1,418) | 18,889 |
| Deferred taxation on pension schemes | | |
| - Origination and reversal of timing differences | 1,451 | 1,000 |
| - Effect of decrease in tax rate on opening deferred tax balance | 175 | 434 |
| | 1,626 | 1,434 |
| Total deferred taxation | 208 | 20,323 |
| Total tax credit on (loss)/profit on ordinary activities | (30) | (390) |

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 24% (2012: 26%). The actual current tax charge for the current and previous year differed from the standard rate for the reasons set out in the following reconciliation:

| | 2013<br>% | 2012<br>% |
|---|---|---|
| Standard rate of taxation | 24.0 | 26.0 |
| Factors affecting charge | | |
| - Capital allowances in excess of depreciation | (176.4) | (38.0) |
| - Other timing differences | 184.2 | (27.2) |
| - Adjustment in respect of prior years | (29.4) | (265.4) |
| Current taxation rate for the year | 2.4% | (304.6)% |

# Notes to the financial statements
# Year ended 31 March 2013

### 11. Tax credit on (loss)/profit on ordinary activities (continued)

During the period the UK government enacted legislation to reduce the main rate of UK corporation tax to 23% with effect from 1 April 2013. The impact of this rate reduction has reduced the deferred tax liability on UK timing differences.

It was expected that further legislation would be included within Finance Bill 2013 to reduce the rate further to 22% for the financial year commencing 1 April 2014. However, government has subsequently announced that the rate will instead be reduced to 21% from 1 April 2014 and then again to 20% from 1 April 2015. None of these expected future rate reductions have been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effective tax rate for the period to 31 March 2014 and 31 March 2015 is expected to reduce accordingly.

### 12. Intangible fixed assets

| | **Pension asset £'000** |
|---|---|
| **Cost** | |
| At 1 April 2012 and 31 March 2013 | 26,000 |
| **Amortisation** | |
| At 1 April 2012 and 31 March 2013 | (26,000) |
| **Net book value** | |
| At 31 March 2012 and 31 March 2013 | - |

First Greater Western Limited set up an intangible pension asset to the value of £26.0m. This was equivalent to the value of the deficit under FRS 17 on commencement of the franchise, in order to offset the liability arising prior to the franchise term. This asset was capitalised and was being written off on a straight-line basis over the initial franchise term of seven years prior to the accelerated amortisation fully writing down the asset in the prior year.

# Notes to the financial statements
# Year ended 31 March 2013

## 13. Tangible fixed assets

| | Passenger carrying vehicle fleet £'000 | Other plant and equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2012 | 183,430 | 37,340 | 220,770 |
| Additions | 42,567 | 8,313 | 50,880 |
| At 31 March 2013 | 225,997 | 45,653 | 271,650 |
| **Accumulated depreciation** | | | |
| At 1 April 2012 | 117,616 | 20,206 | 137,822 |
| Charge for year | 51,946 | 21,486 | 73,432 |
| At 31 March 2013 | 169,562 | 41,692 | 211,254 |
| **Net book value** | | | |
| At 31 March 2013 | 56,435 | 3,961 | 60,396 |
| At 31 March 2012 | 65,814 | 17,134 | 82,948 |

Included in Other plant and equipment is £1.8m (2012: £7.7m) of construction in progress assets, which are not depreciated until they are brought into use.

## 14. Stocks

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Spare parts and consumables | 15,553 | 11,109 |

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

### 15. Debtors

| | Notes | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Amounts falling due within one year:** | | | |
| Trade debtors | | 38,512 | 43,056 |
| Amounts owed by group undertakings | | 11,444 | 23,103 |
| VAT | | 4,413 | 3,185 |
| Other debtors | | 2,209 | 1,245 |
| Other prepayments and accrued income | | 33,197 | 27,012 |
| | | 89,775 | 97,601 |

### 16. Cash at bank and in hand

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Bank deposits | 20,294 | 72,762 |

Cash and cash equivalents includes ring-fenced cash of £20.3m (2012: £72.8m). 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.

## Notes to the financial statements
## Year ended 31 March 2013

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

| | Note | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| Trade creditors | | 59,584 | 66,060 |
| Amounts owed to group undertakings | | 26,875 | 41,487 |
| Other tax and social security | | 6,302 | 4,597 |
| Other creditors | | 23,580 | 21,784 |
| Contract provision | | 33,942 | 56,892 |
| Accruals and deferred income (including £0.2m (2012: £2.5m)) interest provision) | | 70,494 | 92,595 |
| | | 220,777 | 283,415 |

Amounts owed to group undertakings include a £26.6m (2012: £35.4m) loan from FirstGroup plc. This loan is repayable over seven years and was taken out to fund the high-speed train rolling stock refurbishment programme. The interest rate on the loan is fixed at 7%. This loan will be repaid on or before the franchise end date, which is currently 12th October 2013, and, accordingly, is presented within Creditors: amounts falling due within one year.

A contract provision of £56.89m was recorded in 2012. Following the DfT exercising their option to extend the franchise by a further seven rail periods to October 2013, an additional contract provision of £9.9m was recorded. In the current year, £32.85m of the contract provision has been utilised.

### 18. Deferred tax liability

| | Notes | £'000 |
|---|---|---|
| **Deferred tax liability** | | |
| At 1 April 2012 | | (3,442) |
| Credit to the profit and loss account | 10 | 1,418 |
| At 31 March 2013 | 18 | (2,024) |

The deferred tax liability consists of the following amounts:

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Capital allowances in excess of depreciation | (5,228) | (4,125) |
| Other timing differences | 3,204 | 683 |
| Deferred tax liability | (2,024) | (3,442) |

# Notes to the financial statements
# Year ended 31 March 2013

## 19. Provisions for liabilities and charges

| | Notes | Deferred tax £'000 | Total £'000 |
|---|---|---|---|
| At 1 April 2012 | | (3,442) | (3,442) |
| Credited in the year | 18 | 1,418 | 1,418 |
| At 31 March 2013 | | (2,024) | (2,024) |

## 20. Called up share capital

| | 2013 £ | 2012 £ |
|---|---|---|
| **Authorised** | | |
| 1,000 ordinary shares of £1 | 1,000 | 1,000 |
| **Allotted, called up and fully paid** | | |
| 1 ordinary share of £1 each | 1 | 1 |

## 21. Profit and loss account

| | £'000 |
|---|---|
| At 1 April 2012 | (31,603) |
| Share-based payments | 293 |
| Retained loss for the year | (9,959) |
| | (41,269) |
| Actuarial loss relating to the pension scheme | (1,084) |
| UK deferred taxation attributable to actuarial gain | 304 |
| At 31 March 2013 | (42,049) |

### 22. Commitments

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

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Contracted for but not provided | 24,507 | 57,457 |

**Operating leases**

Commitments for payments in the next year under operating leases are as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Land and buildings £'000 | Other £'000 | Land and buildings £'000 | Other £'000 |
| Operating leases which expire: | | | | |
| Within one year | 477 | 46,077 | 758 | 192,523 |
| Between one and two years | - | 135,925 | - | - |
| | 477 | 182,002 | 758 | 192,523 |

### 23. Pension liability

**Railways Pension Scheme – First Greater Western Section**

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. The valuation of the scheme was carried out by independent actuaries as at 31 December 2010 in respect of the costs used in these financial statements. The actuarial valuation was updated for 31 March 2013; at this date the market value of the scheme's assets totalled £531.9m. The actuarial value of these assets was sufficient to cover 73% (2012: 77%) 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 10.64% (2012: 10.2%) for employees and 15.96% (2012: 15.3%) for the employer.

The actuarial assumptions used in determining the last full actuarial valuation 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.

Under the terms of the Railways Pension Scheme (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 £21.0m.

### 23. Pension liability (continued)

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

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Rate of increase in salaries | 3.70% | 3.75% | 4.20% |
| Rate of increase of pensions in payment | 2.15% | 1.75% | 2.40% |
| Rate of increase of pensions in deferment | 2.15% | 1.75% | 2.40% |
| Discount rate | 4.50% | 4.65% | 5.50% |
| Inflation assumption - RPI | 3.20% | 2.75% | 3.20% |
| Inflation assumption - CPI | 2.15% | 1.75% | 2.40% |

The expected assets in the scheme and the expected rate of return were:

| | Expected rate of return | | | Value | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2013 £'000 | 2012 £'000 | 2011 £'000 |
| Equities | 8.00% | 8.40% | 8.85% | - | - | - |
| Bonds | 3.75% | 4.25% | 5.20% | 26,306 | 24,749 | 22,756 |
| Property | 6.50% | 6.40% | 6.85% | - | - | - |
| Cash Plus | 8.00% | 8.40% | 8.85% | 407,549 | 372,207 | 360,374 |
| Private Equity | 8.00% | 8.65% | 9.00% | 68,413 | 61,630 | 55,728 |
| Other | 7.75% | 7.72% | 7.50% | 29,592 | 22,732 | 22,604 |
| | | | | 531,860 | 481,318 | 461,462 |

The Railways Pension Scheme changed the asset allocation during July 2010 with equities held as part of the growth fund called "Cash Plus", which invests in different return seeking assets.

Amounts recognised in income in respect of these defined benefit schemes are as follows:

| | Notes | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| Current service costs | 5 | 20,977 | 19,631 |
| Interest cost | | 17,160 | 18,451 |
| Expected return on scheme assets | | (24,113) | (24,355) |
| Interest credit on franchise adjustment | | (3,457) | (2,552) |
| | | (10,410) | (8,456) |
| | | 10,567 | 11,175 |

Actuarial gains and losses have been reported in the statement of total recognised gains and losses. The actual loss on scheme assets was £0.9m (2012: loss £18.2m).

**23. Pension liability (continued)**

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit pension schemes is as follows:

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Fair value of schemes' assets | 531,860 | 481,318 |
| Present value of defined benefit obligations | (725,494) | (622,686) |
| Deficit in the scheme | (193,634) | (141,368) |
| Rail franchise adjustment (60%) | 110,835 | 74,340 |
| Adjustment from employee share of RPS deficits (40%) | 75,960 | 54,967 |
| Liability recognised in balance sheet | (6,839) | (12,061) |
| Related deferred tax asset | 1,573 | 2,895 |
| Net pension liability | (5,266) | (9,166) |

Movements in the present value of defined benefit obligations (DBO) were as follows:

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| At start of the year | 622,686 | 566,894 |
| Current service cost | 20,977 | 19,631 |
| Brass contribution adjustment | (500) | (500) |
| Interest cost | 17,160 | 18,451 |
| Employee share of change in DBO (not attributable to franchise adjustment) | 47,443 | 28,737 |
| Actuarial loss | 33,028 | 5,023 |
| Benefit payments | (15,300) | (15,550) |
| At end of the year | 725,494 | 622,686 |

Movements in the fair value of scheme assets were as follows:

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| At start of the year | 481,318 | 461,462 |
| Expected return on assets | 24,113 | 24,355 |
| Company contributions | 16,788 | 15,293 |
| Brass contributions | (500) | (500) |
| Employee contributions | 10,858 | 10,316 |
| Employee share of return on assets | 15,478 | 4,119 |
| Loss on assets | (895) | (18,177) |
| Benefits paid from schemes | (15,300) | (15,550) |
| At end of the year | 531,860 | 481,318 |

# First Greater Western Limited

# Notes to the financial statements
# Year ended 31 March 2013

**23. Pension liability (continued)**

Movements in the franchise adjustment were as follows:

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| At start of the year | (123,826) | (77,260) |
| Interest on franchise adjustment | (3,457) | (2,552) |
| Employee share of change in DBO | (24,330) | (18,626) |
| Actuarial gain on franchise adjustment | (33,039) | (25,388) |
| At end of the year | (184,652) | (123,826) |

History of experience adjustments is as follows:

| | 2013 £'000 | 2012 £'000 | 2011 £'000 | 2010 £'000 | 2009 £'000 |
|---|---|---|---|---|---|
| Fair value of scheme assets | 531,860 | 481,318 | 461,462 | 421,898 | 309,165 |
| Present value of defined benefit obligations | (725,494) | (622,686) | (566,894) | (583,945) | (407,765) |
| Rail franchise adjustment (60%) | 110,835 | 74,340 | 46,353 | 86,203 | 45,153 |
| Adjustment for employee share of RPS deficit (40%) | 75,960 | 54,967 | 40,998 | 63,698 | 38,683 |
| Deficit in the schemes | (6,839) | (12,061) | (18,081) | (12,146) | (14,764) |
| Experience gain or (loss) on scheme assets: | | | | | |
| Amount (£000) | (895) | (18,177) | (4,407) | 47,866 | (88,583) |
| Percentage of scheme assets (%) | (0.3%) | (6.3%) | (1.6%) | 18.9% | (47.5%) |
| Experience gain or (loss) on scheme liabilities: | | | | | |
| Amount (£000) | (2,797) | 2,563 | (4,128) | 11,301 | 31,787 |
| Percentage of the present value of scheme liabilities (%) | (0.6%) | 0.7% | (1.2%) | 3.2% | 13.0% |
| Experience gain or (loss) on scheme liabilities after franchise adjustment: | | | | | |
| Amount (£000) | 30,242 | 27,950 | (47,101) | 49,306 | 84,932 |
| Percentage of the present value of scheme liabilities (%) | 6.9% | 7.5% | (13.8%) | 14.1% | 34.7% |

# Notes to the financial statements
# Year ended 31 March 2013

**23. Pension liability (continued)**

The company recognises its share of deficit that it expects to fund over the term of its franchise. This is accounted for by way of a franchise adjustment. Had the company accounted for pensions as if the respective franchise had an indefinite duration, the impact on the financial statements would have been as follows:

| | 2013<br>£'000 | 2012<br>£'000 | 2011<br>£'000 |
|---|---|---|---|
| **Balance sheet** | | | |
| Pension deficit | (110,835) | (74,340) | (46,353) |
| Intangible assets | - | - | - |
| Deferred taxation | 25,492 | 17,842 | 12,052 |
| Impact on net assets | (85,343) | (56,498) | (34,301) |
| **Income statement** | | | |
| Unwinding of discount on franchise adjustment | (3,457) | (2,552) | (3,123) |
| Intangible asset amortisation | - | 612 | 11,143 |
| Deferred taxation | 795 | (314) | (4,032) |
| Impact on profit for the period from continuing operations | (2,662) | (2,254) | 3,988 |
| **Statement of recognised income and expense** | | | |
| Actuarial (gains)/losses on franchise adjustment | (33,039) | (25,388) | 42,973 |
| Deferred tax on actuarial (gains)/losses | 7,598 | 6,093 | (11,173) |
| | (25,441) | (19,295) | 31,800 |

**24. Related party transactions**

As a wholly owned member of the FirstGroup plc group, the company is taking advantage of the exemption under FRS8 not to disclose transactions with group companies that are related parties.

**25. 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 50 Eastbourne Terrace, Paddington, London, W2 6LG.