Company Registration No. 05113733

First Greater Western Limited

Report and Financial Statements

31 March 2012

THURSDAY
A1LS0PO9
A03 15/11/2012 #384
COMPANIES HOUSE

First Greater Western Limited

Report and financial statements 2012

Contents

First Greater Western Limited

Directors' report

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 2012

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

We continue to drive further improvements in performance across our network Punctuality during the year has been improving, with our PPM MAA at 90 6%, (2011 90 3%) and we continue to challenge Network Rail to reduce infrastructure failures

We are committed to delivering further improvements for passengers and in December 2011 we agreed a major £28 9m deal with the DfT for 48 new carriages to be added to our High Speed Train fleet, providing an extra 4,500 seats for customers on peak services into and out of London As part of this agreement we leased five Class 180 trains to replace Turbo services on the Cotswold line between London Paddington and Hereford providing a more comfortable journey on this long-distance route

We continue to introduce further capacity across our network In the West of England we worked with the DfT to secure extra trains and carriages which will provide an additional 924 seats on Bristol peak services, while customers in Torbay and between Truro and Falmouth will see almost 650 additional seats on peak weekday services and 1,275 at weekends

There have also been major improvements to stations along the route The £10m redevelopment of Bath Spa station has continued and Exeter Central station has received a refresh, bringing the original ticket hall back into use and improving the station as a focal point Slough station has had a complete overhaul costing £1m, as a result of a joint project with Network Rail and the local council ahead of this summer when the station will also serve the Olympic rowing venue

The company made an operating loss of £8 8m (2011 £52 3m loss) after utilisation of £2 9m of the £59 9m onerous contract provision recognised in the prior year on turnover of £1,018 9m (2011 £902 8m) It is anticipated the remaining onerous contract provision of £56 9m will be utilised by the current franchise end date of 31 March 2013 Passenger receipts showed reported growth of 8 0% over the year (2012 £749 1m versus 2011 £693 8m) The company will continue to focus on its addressable cost base in the year ahead

Directors' report (continued)

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

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

First Greater Western Limited

Directors' report (continued)

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 (2011 £nil), no interim dividend was paid during the year (2011 £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 2012 the company had 34 days' purchases outstanding (2011 25 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

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
David Gausby
Andrew Mellors
Clive Burrows
Mark Hopwood
Martin Stoolman
Susan Evans
Matthew Golton
Hugh Clancy

Directors who were appointed during the year

Vernon Barker (appointed 5th October 2011)

Directors' report (continued)

Employee involvement

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

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

Basis other than Going concern

The directors have considered the current DfT notified franchise end date of 31 March, 2013, which points that the company will cease to trade Whilst there is a provision in the franchise agreement for the DfT to extend the franchise expiry date by up to seven rail reporting periods to October 2013, notice of this extension has not been given to date and must be given by 31 December 2012

Accordingly, in the absence of this notification, the financial statements have been prepared on a basis other than going concern as required by FRS 18 Accounting Policies No material adjustment arose as a result of ceasing to apply the going concern basis

First Greater Western Limited

Directors' report (continued)

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 auditors 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 22/6/12

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

(a) select suitable accounting policies and then apply them consistently,

(b) make judgements and estimates that are reasonable and prudent,

(c) state whether applicable UK accounting standards have been followed, and,

(d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

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

We have audited the financial statements of First Greater Western Limited for the year ended 31 March 2012 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 24 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 members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statements, 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

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

Opinion on matters 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 members 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 Accountants and Statutory Auditor
London, United Kingdom
22 June 2012

First Greater Western Limited

Profit and loss account
Year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	1,018,928	902,842
Operating costs			
- General		(1,027,696)	(884,115)
- Restructuring and other exceptional costs	4	-	(59,857)
- Intangible asset amortisation		-	(11,143)
Total operating costs	3	(1,027,696)	(955,115)
Operating loss		(8,768)	(52,273)
Net interest receivable / (payable)	8	8,836	(2,057)
Profit / (loss) on ordinary activities before taxation	9	68	(54,330)
Tax credit on profit / (loss) on ordinary activities	10	390	12,409
Retained profit / (loss) for the year, transferred to reserves	20	458	(41,921)

All activities relate to discontinued operations

First Greater Western Limited

Balance sheet
At 31 March 2012

	Notes	£'000	2012 £'000	£'000	2011 £'000
Assets employed:					
Fixed assets					
Intangible assets	11		-		-
Tangible assets	12		82,948		83,219
			82,948		83,219
Current assets					
Stocks	13	11,109		14,800	
Debtors					
- due within one year	14	97,601		73,888	
- due after one year	14	-		15,447	
Cash at bank and in hand	15	72,762		75,793	
		181,472		179,928	
Creditors amounts falling due within one year	16	(283,415)		(197,194)	
Net current liabilities			(101,943)		(17,266)
Total assets less current liabilities			(18,995)		65,953
Creditors: amounts falling due after more than one year	17		-		(35,429)
Provisions for liabilities and charges	18		(3,442)		(50,998)
Net liabilities excluding pension liability			(22,437)		(20,474)
Pension liability	22		(9,166)		(13,380)
Net liabilities			(31,603)		(33,854)
Financed by:					
Capital and reserves					
Called up share capital	19		-		-
Profit and loss account	20		(31,603)		(33,854)
Shareholder's deficit			(31,603)		(33,854)

These financial statements of First Greater Western Limited registered number 5113733 were approved by the Board of Directors on 22/6/12 2012 and were signed on its behalf by

Dr Benjamin Caswell
Director

First Greater Western Limited

Reconciliation of movements in shareholder's deficit
Year ended 31 March 2012

	2012 £'000	2011 £'000
Profit / (loss) for the financial year	458	(41,921)
Other recognised gains / (losses) relating to the year (net)	1,481	(5,844)
	1,939	(47,765)
Share based payments	312	334
Net addition / (reduction) to shareholder's (deficit) / funds	2,251	(47,431)
Opening shareholder's (deficit) / funds	(33,854)	13,577
Closing shareholder's deficit	(31,603)	(33,854)

Statement of total recognised gains and losses
Year ended 31 March 2012

	£'000	2012 £'000	£'000	2011 £'000
Profit / (loss) for the financial year		458		(41,921)
Actuarial gain / (loss) relating to the pension scheme	1,853		(8,218)	
UK deferred taxation attributable to actuarial gain / (loss)	(372)		2,374	
		1,481		(5,844)
Total recognised gains / (losses) for the year		1,939		(47,765)

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 basis other than that of a going concern basis as described in the going concern statement in the Directors' Report on page 4

(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

(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 charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred 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 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 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 profit / (loss) 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 profit / (loss) 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

	2012 £'000	2011 £'000
Passenger receipts	749,076	693,767
Support grants	205,399	141,281
Other revenue	64,453	67,794
	1,018,928	902,842

3. Operating costs

	Notes	2012 £'000	2011 £'000
Raw materials and consumables		81,358	74,891
Staff costs	5	223,410	204,264
Other external charges		355,651	325,247
Franchise payments		331,691	249,883
Restructuring and other exceptional costs	4	-	59,857
Profit on disposal of tangible fixed assets		-	(491)
Depreciation and other amounts written off tangible fixed assets and intangible fixed assets		38,551	41,464
Utilisation of contract provision		(2,965)	-
		1,027,696	955,115

4 Contract provision charge

There are no new restructuring or other exceptional costs during the year In the prior year exceptional contract provision costs of £59 9m were charged to the profit and loss account £2 9m of this provision has been utilised in the current year In addition, £2 9m has been utilised from the accelerated interest provision in the current year See note 18 for more details The exceptional costs included a contract provision principally relating to accelerated depreciation following our commercial decision not to take up an option to extend the franchise for a further three years At that time, provisions were also raised to account for intangible and interest charges for the remaining two years of the franchise to 31 March 2013 The provision continues to reflect our best estimate of the likely losses on the franchise over the two years to 31 March 2013

	Notes	2012 £'000	2011 £'000
Contract provision		-	59,857
Accelerated intangible asset charge	11	-	7,429
Accelerated interest charge	8	-	5,335
		-	72,621

5. Employee numbers and costs

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

	2012 No.	2011 No.
Traincrew including traincrew management	2,354	2,349
Maintenance	1,086	1,079
Customer service	1,206	1,172
Administration	202	184
	4,848	4,784

The aggregate payroll costs of these persons were as follows

	2012 £'000	2011 £'000
Wages and salaries	188,768	172,060
Social security costs	15,011	12,814
Other pension costs	19,631	19,390
	223,410	204,264

First Greater Western Limited
Notes to the financial statements
Year ended 31 March 2012

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

	2012 £'000	2011 £'000
Aggregate emoluments (excluding pension contributions)	1,318	1,253
Compensation for loss of office	-	88
	1,318	1,341

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

	2012 Number	2011 Number
The number of directors who:		
Are members of a defined benefit pension scheme	11	10

The emoluments of the highest paid director amounted to

	2012 £'000	2011 £'000
Aggregate emoluments		
Basic	194	184
Bonus	111	113
Allowances	10	10
Benefits	1	1
	316	308
Defined benefit scheme		
Accrued pension at end of year	7	9
Accrued lump sum at end of year	12	5

The highest paid director is entitled to receive shares under the FirstGroup long-term incentive plan

First Greater Western Limited
Notes to the financial statements
Year ended 31 March 2012

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 and December 2011 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 2007 Options Number	SAYE Dec 2008 Options Number	SAYE Dec 2009 Options Number	SAYE Dec 2010 Options Number	SAYE Dec 2011 Options Number
Outstanding at the beginning of the year	123,300	1,948,802	2,626,093	2,965,613	-
Awarded during the year	-	-	-	-	2,947,057
Exercised during the year	(559)	(1,726)	(4,327)	(846)	-
Lapsed during the year	(122,741)	(141,266)	(285,598)	(295,487)	(39,293)
Outstanding at the end of the year	-	1,805,810	2,336,168	2,669,280	2,907,764
Exercisable at the end of the year	-	1,805,810	-	-	-
Weighted average exercise price (pence)	583 0	371 0	310 0	319 0	271 5
Weighted average share price at date of exercise (pence)	347 6	319 5	325 5	316 2	N/A

The inputs into the Black-Scholes model are as follows

	SAYE 2012 Dec 2011	SAYE 2011 Dec 2010
Weighted average share price (pence)	319 2	387 0
Weighted average exercise price (pence)	271 5	319 0
Expected volatility	35%	35%
Expected life	3 Years	3 Years
Risk-free rate	0 6%	1 4%
Expected dividend yield	7 0%	4 8%

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

First Greater Western Limited
Notes to the financial statements
Year ended 31 March 2012

7. Share based payments (continued)

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 £312,000 (2011 £334,000) relating to equity-settled share-based payment transactions

8. Net interest receivable / (payable)

		2012	2011
Interest payable and similar charges	**Notes**	**£'000**	**£'000**
Amounts payable to other group undertakings		(2,873)	(4,232)
Other interest payable		(1)	(4)
Interest on pension scheme liabilities		(15,899)	(14,864)
Utilisation of interest provision (2011 Accelerated charge for future years)	4	2,873	(5,335)
		(15,900)	(24,435)
Interest receivable and similar income			
Bank interest		380	507
Other interest receivable		1	1
Return on pension scheme assets		24,355	21,870
		24,736	22,378
Net interest receivable / (payable)		8,836	(2,057)

9. Profit / (loss) on ordinary activities before taxation

	2012	2011
	£'000	**£'000**
Profit / (loss) on ordinary activities before taxation is stated after charging / (crediting)		
Auditors' remuneration		
- Deloitte LLP audit fee for the audit of the annual accounts	98	95
- Deloitte LLP non-audit fee for other services	-	4
Depreciation and other amounts written off tangible fixed assets		
- owned assets	38,551	30,321
Amortisation of intangible assets	-	11,143
Rentals payable under operating leases		
- plant and machinery	65,130	51,142
- other operating leases	135,893	132,317
Net rents receivable from property	(5,853)	(6,009)

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

	2012 £'000	2011 £'000
Current taxation		
- UK corporation tax charge for the year	-	5,195
- Group relief	(2,667)	-
- Adjustment in respect of prior years	(18,046)	2,974
Total current taxation	(20,713)	8,169
Deferred taxation		
- Origination and reversal of timing differences	1,549	(16,655)
- Effect of decrease in tax rate on opening deferred tax balance	(158)	(93)
- Adjustment in respect of prior years	17,498	(1,782)
	18,889	(18,530)
Deferred taxation on pension schemes		
- Origination and reversal of timing differences	1,000	(2,304)
- Effect of decrease in tax rate on opening deferred tax balance	434	256
	1,434	(2,048)
Total deferred taxation	20,323	(20,578)
Total tax (credit) on profit / (loss) on ordinary activities	(390)	(12,409)

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 26% (2011 28%) 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

	2012 %	2011 %
Standard rate of taxation	26 0	28 0
Factors affecting charge		
- Capital allowances less than / (in excess) of depreciation	(2,585 1)	0 2
- Other timing differences	(1,363 0)	(37 8)
- Adjustment in respect of prior years	(26,538 2)	(5 4)
Current taxation rate for the year	(30,460 3)	(15 0)

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

A resolution passed by Parliament on 26 March 2012 has reduced the main rate of UK corporation tax to 24% from 1April 2012 The impact of this rate reduction has reduced the deferred tax liability on UK timing differences

Legislation to reduce the main rate of UK corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Bill 2012 Further reductions to the main rate of UK corporation tax are proposed to reduce the rate to 22% from 1 April 2014 None of these expected future rate reductions had 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 2013 is expected to reduce accordingly

11. Intangible fixed assets

	Notes	Pension Asset £000
Cost		
At 1 April 2011 and 31 March 2012		26,000
Amortisation		
At 1 April 2011and 31 March 2012		26,000
Net book value		
At 31 March 2011 and 31 March 2012		-

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

12 Tangible fixed assets

	Passenger carrying vehicle fleet £'000	Other plant and equipment £'000	Total £'000
Cost			
At 1 April 2011	151,468	31,022	182,490
Additions	31,962	14,713	46,675
Disposals	-	(8,395)	(8,395)
At 31 March 2012	183,430	37,340	220,770
Depreciation			
At 1 April 2011	86,840	12,431	99,271
Charge for year	30,776	7,775	38,551
At 31 March 2012	117,616	20,206	137,822
Net book value			
At 31 March 2012	65,814	17,134	82,948
At 31 March 2011	64,628	18,591	83,219

Included in Other plant and equipment is £7 7m (2011 £6 0m) of construction in progress assets, which are not depreciated until they are brought into use

13. Stocks

	2012 £'000	2011 £'000
Spare parts and consumables	11,109	14,800

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

14. Debtors

Amounts falling due within one year	Notes	2012 £'000	2011 £'000
Trade debtors		43,056	39,296
Amounts owed by group undertakings		23,103	2,175
VAT		3,185	3,452
Other debtors		1,245	129
Other prepayments and accrued income		27,012	28,836
		97,601	73,888
Amounts falling due after more than one year			
Deferred tax		-	15,447

Deferred tax (liability) / asset

	Notes	£'000
At 1 April 2011		15,447
Debit to the profit and loss account	10	(18,889)
At 31 March 2012	18	(3,442)

The deferred tax (liability) / asset consists of the following amounts

	2012 £'000	2011 £'000
Capital allowances in excess of depreciation	(4,125)	(2,235)
Other timing differences	683	17,682
Deferred tax (liability) / asset	(3,442)	15,447

15. Cash at bank and in hand

	2012 £'000	2011 £'000
Bank deposits	72,762	75,793

Cash and cash equivalents includes ring-fenced cash of £72 8m (2011 £75 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

16. Creditors: amounts falling due within one year

	Notes	2012 £'000	2011 £'000
Trade creditors		66,060	42,404
Amounts owed to group undertakings		41,487	13,294
Group tax relief		-	2,651
Corporation tax		-	5,196
Other tax and social security		4,597	4,071
Other creditors		21,784	19,272
Contract provision	4	56,892	11,239
Accruals and deferred income (including £2 5m (2011 £3 0m) interest provision)		92,595	99,067
		283,415	197,194

Amounts owed to group undertakings include £35 4m (2011 £8 9m) of the £35 4m (2011 £44 3m) loan from FirstGroup plc (note 17) Prior year amounts owed to group undertakings included a loan of £41 0m from FirstGroup plc The £41 0m loan was repayable on demand to the extent that the company was not in breach of its financial ratios defined in its franchise agreement This loan was not drawn at 31 March 2012

17. Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Amounts owed to group undertakings	-	35,429
	-	35,429

Amounts owed to group undertakings included a loan of £35 429m (2011 £44 286m) 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 31 March 2013 and accordingly is presented within Creditors amounts falling due within one year in 2012

18. Provisions for liabilities and charges

	Note	Deferred tax £'000	Contract provision £'000	Accelerated interest provision £'000	Total £'000
At 1 April 2011		-	48,618	2,380	50,998
Provided in the year	14	(3,442)	-	-	(3,442)
Transferred to due in less than one year	16	-	(48,618)	(2,380)	(50,998)
At 31 March 2012		(3,442)	-	-	(3,442)

As detailed in note 4, a contract provision of £59 857m was recorded in 2011 Of the £59 857m, £11 239m was due within one year (note 16) and £48 618m was due after more than one year Of the £5 335m accelerated interest provision, £2 955m was due within one year (note 16) and £2 38m was due after more than one year In the current year, £2 965m of the contract provision and £2 873m of the accelerated interest provision have been utilised

19. Called up share capital

	2012 £	2011 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1 ordinary share of £1 each	1	1

20. Profit and loss account

	£'000
At 1 April 2011	(33,854)
Share based payments	312
Retained profit for the year	458
Profit and loss account excluding pension asset for the year	(33,084)
Actuarial gain / (loss) relating to the pension scheme	1,853
UK deferred taxation attributable to actuarial gain	(372)
At 31 March 2012	(31,603)

21. Commitments

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

	2012 £'000	2011 £'000
Contracted for but not provided	57,457	64,699

21. Commitments (continued)

Operating leases

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

	2012		2011	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	758	192,523	252	242
Between two and five years	-	-	273	185,596
	758	192,523	525	185,838

22. 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 2012, at this date the market value of the scheme's assets totalled £481 3m The actuarial value of these assets was sufficient to cover 77% (2011 81%) 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 2% (2011 10 2%) for employees and 15 3% (2011 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 £19 6m

The main financial assumptions used in this update were as follows

	2012	2011	2010
Rate of increase in salaries	3 75%	4 20%	4 40%
Rate of increase of pensions in payment	1 75%	2 40%	3 40%
Rate of increase of pensions in deferment	1 75%	2 40%	3 40%
Discount rate	4 65%	5 50%	5 60%
Inflation assumption - RPI	2 75%	3 20%	3 40%
Inflation assumption - CPI	1 75%	2 40%	-

First Greater Western Limited
Notes to the financial statements
Year ended 31 March 2012

22. Pension liability (continued)

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

	2012 Expected rate of return	2011 Expected rate of return	2010 Expected rate of return	2012 Value £'000	2011 Value £'000	2010 Value £'000
Equities	8 40%	8 85%	9 05%	-	-	279,457
Bonds	4 25%	5 20%	5 30%	24,749	22,756	43,387
Property	6 40%	6 85%	7 60%	-	-	37,181
Cash Plus	8 40%	8 85%	9 05%	372,207	360,374	38,557
Other	8 37%	7 50%	8 53%	84,362	78,332	23,316
				481,318	461,462	421,898

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	2012 £'000	2011 £'000
Current service costs	5	19,631	19,390
Interest cost		18,451	17,987
Expected return on scheme assets		(24,355)	(21,870)
Interest (credit) / charge on franchise adjustment		(2,552)	(3,123)
	8	(8,456)	(7,006)
		11,175	12,384

Actuarial gains and losses have been reported in the statement of recognised income and expense The actual loss on scheme assets was £18 2m (2011 loss £4 4m)

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

	2012 £'000	2011 £'000
Fair value of schemes' assets	481,318	461,462
Present value of defined benefit obligations	(622,686)	(566,894)
Deficit in the scheme	(141,368)	(105,432)
Rail franchise adjustment (60%)	74,340	46,353
Adjustment from employee share of RPS deficits (40%)	54,967	40,998
Liability recognised in balance sheet	(12,061)	(18,081)
Related deferred tax asset	2,895	4,701
Net pension liability	(9,166)	(13,380)

22. Pension liability (continued)

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

	2012 £'000	2011 £'000
At start of the year	566,894	583,945
Current service cost	19,631	19,390
Brass contribution adjustment	(500)	(600)
Interest cost	18,451	17,987
Employee share of change in DBO (not attributable to franchise adjustment	28,737	(1,257)
Actuarial loss / (gain)	5,023	(39,161)
Benefit payments	(15,550)	(13,410)
At end of the year	622,686	566,894

Movements in the fair value of scheme assets were as follows

	2012 £'000	2011 £'000
At start of the year	461,462	421,898
Expected return on assets	24,355	21,870
Company contributions	15,293	14,667
Brass contributions	(500)	(600)
Employee contributions	10,316	9,802
Employee share of return on assets	4,119	11,642
Loss on assets	(18,177)	(4,407)
Benefits paid from schemes	(15,550)	(13,410)
At end of the year	481,318	461,462

Movements in the franchise adjustment were as follows

	2012 £'000	2011 £'000
At start of the year	(77,260)	(143,677)
Interest on franchise adjustment	(2,552)	(3,123)
Employee share of change in DBO	(18,626)	26,567
Actuarial (gain) / loss on franchise adjustment	(25,388)	42,973
At end of the year	(123,826)	(77,260)

First Greater Western Limited
Notes to the financial statements
Year ended 31 March 2012

22. Pension liability (continued)

History of experience adjustments is as follows,

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of scheme assets	481,318	461,462	421,898	309,165	407,728
Present value of defined benefit obligations	(622,686)	(566,894)	(583,945)	(407,765)	(425,573)
Rail franchise adjustment (60%)	74,340	46,353	86,203	45,153	(7,481)
Adjustment for employee share of RPS deficit (40%)	54,967	40,998	63,698	38,683	6,977
Deficit in the schemes	(12,061)	(18,081)	(12,146)	(14,764)	(18,349)
Experience gain or (loss) on scheme assets					
Amount (£000)	(18,177)	(4,407)	47,866	(88,583)	(30,668)
Percentage of scheme assets (%)	(6 3%)	(1 6%)	18 9%	(47 5%)	(7 5%)
Experience gain or (loss) on scheme liabilities					
Amount (£000)	2,563	(4,128)	11,301	31,787	37,445
Percentage of the present value of scheme liabilities (%)	0 7%	(1 2%)	3 2%	13 0%	8 8%
Experience gain or (loss) on scheme liabilities after franchise adjustment					
Amount (£000)	27,950	(47,101)	49,306	84,932	2,734
Percentage of the present value of scheme liabilities (%)	7 5%	(13 8%)	14 1%	34 7%	0 6%

22. 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

	2012 £'000	2011 £'000	2010 £'000
Balance sheet			
Pension deficit	(74,340)	(46,353)	(86,203)
Intangible assets	-	-	(11,143)
Deferred taxation	17,842	12,052	27,257
Impact on net assets	(56,498)	(34,301)	(70,089)
Income statement			
Unwinding of discount on franchise adjustment	(2,552)	(3,123)	(3,048)
Intangible asset amortisation	612	11,143	3,714
Deferred taxation	(314)	(4,032)	(186)
Impact on profit for the period from continuing operations	(2,254)	3,988	480
Statement of recognised income and expense			
Actuarial (gains) / losses on franchise adjustment	(25,388)	42,973	(38,005)
Deferred tax on actuarial (gains) / losses	6,093	(11,173)	10,641
	(19,295)	31,800	(27,364)

23. 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

24. Ultimate parent company

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

The company's immediate 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