

Company Registration No. 07900320

FIRST MTR SOUTH WESTERN TRAINS LIMITED

Annual Report and Financial Statements

For the Year ended 31 March 2018



First MTR South Western Trains Limited

Strategic report	2
Directors' report	6
Statement of directors' responsibilities	8
Independent auditor's report	9
Profit and loss account	12
Statement of comprehensive income	12
Balance sheet	13
Statement of changes in equity	14
Notes to the financial statements	15

First MTR South Western Trains Limited

Strategic Report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006. The company is registered in England and Wales and is a subsidiary of First Rail Holdings Limited by virtue of a 70% shareholding. MTR Corporation Limited (MTR) has a non-controlling interest of 30%.

Principal activities

On 27 March 2017, the Department for Transport (DfT) announced its intention to award the South Western rail franchise to the Company. The franchise commenced operations on 20 August 2017 and has an expiry date of 18 August 2024. After this period, the Secretary of State has the right to extend the contract up to 21 June 2025.

The principal activity of the Company is the provision of passenger railway services. The South Western rail franchise operates some of the busiest routes in the country, providing nearly 1,700 services each weekday and carries more than 200 million passenger journeys a year. The franchise covers urban, suburban, regional and long-distance routes to and from London Waterloo and south western England, including the cities of Bristol, Exeter and Portsmouth. The Company also operates the rail services on the Isle of Wight and manages the operation of 9 train depots and 183 stations, following the transfer of the operating responsibilities for Clapham Junction and Guildford stations to Network Rail on 1 April 2018.

Business review and future outlook

The Company is focussed on working with the Department for Transport, Network Rail and other industry partners to deliver more capacity and better customer experiences to drive sustainable patronage growth. Key initiatives in the year have revolved around the delivery of Committed Obligations and other plans, including:

- Enhancements to our capacity management systems that has enabled us to provide best value Advance Purchase fares to more destinations.
- Establishment of 'virtual gatelines' at several stations to make it easier for customers to tap in and out of the network.

Customers

We have introduced a variety of opportunities to enable us to better understand the needs of our customers, including a programme of Meet the Manager sessions at both stations and on train and an online forum to gain customer feedback on various topics. Understanding our customers' views prior to implementing change builds trust and helps us deliver their key priorities.

A variety of ticketing enhancements are planned, which will make the customer experience more seamless. The further expansion of SMART ticketing, a replacement of our ticket issuing system and development of mobile tickets are just 3 of the investments that will make the purchase of our product simpler in future. Protecting our revenue is of equal importance, and we are introducing new automatic ticket gates at 13 new locations to help reduce the number of users of our service travelling without a valid ticket.

Fleet Investment

We are planning a significant change in the fleet of trains we operate during the first half of the franchise, with £1bn being invested in the refurbishment and modification of existing fleets, and the introduction of new and newly refurbished trains.

Class 707 trains have now been fully introduced, providing 150 extra vehicles for passenger services, and we are working with Siemens to continue to improve operational performance of this fleet.

Class 158 and 159 trains are currently undergoing an overhaul and modification programme, which includes renewed interior soft furnishings and an exterior repaint. This program will continue through to 2020 to include the provision of more seats and at-seat power.

Class 444 and 450 trains have also commenced their refurbishment, with the £65m programme due to be completed by March 2019.

First MTR South Western Trains Limited

Strategic Report (continued)

Class 442 trains will be re-introduced into service during 2018, with the fleet being refurbished. This £35m programme will see the trains look and feel as new and will include a replacement of the traction and brake equipment in 2019 to enhance reliability.

New Class 701 trains are due to be introduced into service between August 2019 and December 2020, replacing the Class 455, 456, 458 and 707 trains currently in use. This £900m project is well underway, having commenced prior to franchise start to ensure delivery by December 2020, and is currently on track to deliver on time.

All these investments form part of our wider programme to provide more capacity for our customers .

Employees

Our people are our greatest assets and are vital to delivering an excellent customer experience every day. At the start of the franchise we undertook a successful TUPE process to transfer over 5,000 employees into the organisation and we are now working towards a diverse, inclusive and engaged workforce that has tools and training to perform effectively.

Our work over the past financial year has included the identification of several apprenticeship opportunities, helping us develop people with skills that the business will require in the future. Employee wellbeing is key to an engaged and productive workforce, and we have introduced health kiosks to provide mini health MOTs to all colleagues at their place of work.

We have also introduced FirstGroup's 'Disciplined Operations' area of expertise; in particular for our engineering depots and servicing locations, this translates into investment in training and tools for our teams to enable them to communicate more effectively and to undertake their work more safely and efficiently. We have commenced with this investment, with depot communications rooms being introduced and Business Improvement Technique training now underway for all our maintenance staff.

Safety is a priority and, in addition to the Group wide Be Safe commitment, we have introduced a two-year safety strategy for the Engineering Team, which was launched in March 2018 with a roadshow attending each location. A location specific action plan has been designed to deliver the improvements identified in the strategy.

We recognise the valued contribution of our employees with our annual Be First awards for employees who have made a significant contribution to our business over the past year.

Looking ahead, we are introducing a new uniform in consultation with our staff and will continue to invest in employee accommodation, wellbeing and development.

Key Performance Indicators

The industry standard measure for operational performance – public performance measure (PPM) – for the year to 31 March 2018 was 84.3% (this being the moving annual average score which includes 5 months of results from the previous franchise operator). Plans are in place to improve operational performance, both of the train fleet and the infrastructure through Network Rail.

The latest independent Transport Focus National Rail Passenger Survey for Spring 2018 showed an overall satisfaction score of 80%. This is an increase of 5% from the Autumn 2017 score of 75%.

Results and dividends

Revenue for the 32 weeks of trading in the year ending 31 March 2018 was £650.50m (2017: £nil). This includes a period of trade during August 2018 significant Waterloo platform extension works. Profit for the 32 weeks of trading in the year ending 31 March 2018 was £6.98m (2017: £nil). No Interim dividends have been declared or paid (2017: £nil). The results include Franchise Premia of £117.7m (2017: £nil). The company acquired various assets from the previous franchise operator and at 31 March 2018 the company had cash at bank or in hand of £140.5m (2017: £nil). The company ended the year with net assets of £7.25m (2017: £nil).

First MTR South Western Trains Limited

Strategic Report (continued)

Principal risks and uncertainties

We have a risk management methodology which we use throughout the business to allow us to identify and manage the principal risks which could:

- adversely impact the safety and security of the company's employees, customer and/or assets;
- have a material impact on the financial or operational performance of the company;
- impede achievement of our strategic objectives and financial targets; and/or
- adversely impact the company's reputation or stakeholder expectations.

The Company's principal risks are set out below. These risks have been assessed considering their potential impact (both financial and reputational), the likelihood of occurrence and any change to this compared to the prior year and the reduced risk after the implementation of controls.

Rail franchise agreements

The franchise covers a period during which there will be significant change including major infrastructure work, re-signalling as well as the introduction of new trains, which require careful planning and management. Failure to manage these risks adequately in accordance with our plans could result in financial and reputational impacts.

Political and regulatory issues

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

Competition

Our main competitors include private car and other public and private transport operators across our network. Emerging technologies such as Uber, ride sharing apps and price comparison websites make access to alternative solutions easier. Increased competition can result in lost business, revenue and reduced profitability. The Company continues to focus on service quality and performance as priorities in making our service attractive to passengers and other customers. In addition, we work with local and national bodies to promote measures aimed at increasing demand for our services.

Customer service

Our revenues are at risk if we do not continue to provide the level of service expected by customers. Payments from our new customer compensation mechanism are also exclusively driven by the performance of our train service. Ongoing engagement with customers and community stakeholders takes place across our network, including through 'meet the manager' events, customer panels, consultations and local partnerships.

Pensions

The Company primarily participates in a defined benefit pension scheme. Future cash contribution requirements may increase or decrease based upon financial markets, notably investment returns/valuations, the rates used to value the liabilities and through changes to life expectancy and could result in material changes in the accounting cost and cash contributions required. Under the terms of the franchise agreement, the Company is not responsible for any residual deficit at the end of a franchise so there is only short-term cash flow risk within our franchise.

First MTR South Western Trains Limited

Strategic Report (continued)

Employee costs and relations

Labour costs represent a significant component of the Company's operating costs. Labour shortages, or low unemployment rates, could hinder the Company's ability to recruit and retain qualified employees leading to a higher than expected increase in the cost of recruitment, training and other staff costs. Industrial action could adversely impact customer service and have a financial impact on the Company's operations. To mitigate this risk, the Company seeks to structure its recruitment and retention policies, training schemes and working practices. Our employees are key to service delivery and therefore it is important that good employee relations are maintained. Our working practices include building communication and engagement with trade unions and the wider workforce. Examples of this engagement include regular leadership conferences, employee surveys and the presence of an Employee Director (voted for by the employees to represent them) on the Company's board.

Fuel costs

Fuel prices and supply levels can be influenced significantly by international, political and economic circumstances. If fuel supply shortages were to rise because of national strikes, world supply difficulties, disruption of refining capacity or oil imports the resultant higher fuel prices and disruption to services could adversely impact the Company's operating results. To mitigate the risks of rising fuel costs the Company works with FirstGroup plc who regularly enter into forward contracts to buy fuel at fixed prices. In addition, the Company seeks to limit the impact of unexpected fuel price rises through efficiency and pricing measures.

Severe weather and significant incidents

Across our network, we are experiencing greater and more frequent adverse weather disruption impacting our services. Severe weather can reduce profits, for example through lower demand for our services, increased costs and business disruption and we have action plans and procedures to mitigate and manage the impact on our operations. However, we have experienced a number of adverse incidents since the start of the franchise and have further reviewed the command and control structure of major performance incidents with Network Rail to focus more on reducing the impact of any incidents.

Economy and Brexit implications

The UK's departure from the European Union (Brexit) may impact the economy, with a related effect on passenger numbers, and potentially on the public funding availability for transport services. The same economic factors also affect our key suppliers.

Data security (including cyber security & GDPR)

All business sectors are targeted by increasingly sophisticated cyber security attacks. Across our business we are seeing increased use of mobile and internet sales channels which gather large amounts of data. As part of our plans to comply with the General Data Protection Regulation (GDPR), which came into force May 2018, we have introduced threat detection systems across our business but continue to remain vigilant to security improvements when identified.

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



K McPhail
Director

20/7/2018

First MTR South Western Trains Limited

Directors' report

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 March 2018. A review of the business and the future developments are set out in the Strategic report.

Directors

The directors who held office during the year and up to the date of signing the accounts are as follows:

H Clancy	
J Long	
S Montgomery	
C Burrows	(appointed 10 July 2017)
C Donaldson	(appointed 10 July 2017)
K Gardner	(appointed 10 July 2017)
A James	(appointed 10 July 2017)
M Nelson	(appointed 10 July 2017)
A Mellors	(appointed 20 August 2017)
J Reynolds	(appointed 29 November 2017)
K McPhail	(appointed 20 March 2018)

Donations

The company has not made any donations to a registered political party, or other political organisation in the year.

Employee consultation

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

Disabled persons

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

Financial risk management objectives and policies

The company's principal financial assets are bank balances and trade debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has no significant concentration of credit risk, with exposure spread over a large number of customers. The credit risk on liquid funds is limited because the counterparties are banks. Liquidity within the company remains strong and due to the nature of the rail industry with the vast majority of turnover transactions paid for in advance and the profitability of the company, liquidity is not considered a significant risk. This is demonstrated in cash and ring-fenced cash balances in note 14. Certain risks, for example, fuel price, are hedged on a group basis, the company does not enter directly into any derivative financial instruments.

Financial matters

The results for the year are given in the profit and loss account on page 12. During the year ended 31 March 2018 no final dividend was paid to First Rail Holdings Limited (2017: £nil), the company's immediate controlling entity.

First MTR South Western Trains Limited

Directors' report (continued)

Under FRS 102 the company has taken advantage of several reduced disclosures. Further information is available within the principal accounting policies section. This position has been agreed with First Rail Holdings Limited, the company's immediate controlling entity.

Directors' Indemnities

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

Auditor information

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

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

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

Auditor

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

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



K McPhail
Director

2017/2018

First MTR South Western Trains Limited

Statement of directors' responsibilities

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

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

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

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

First MTR South Western Trains Limited

Independent auditor's report to the members of First MTR South Western Trains Limited

Report on the audit of the financial statements

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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of First MTR South Western Trains Limited (the 'company') which comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 22.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

First MTR South Western Trains Limited

Independent auditor's report to the members of First MTR South Western Trains Limited (continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

First MTR South Western Trains Limited
Independent auditor's report to the members of
First MTR South Western Trains Limited
(continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Lucy Openshaw (Senior Statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
20 July 2018

First MTR South Western Trains Limited

Profit and Loss Account Year ended 31 March 2018

	Notes	2018 £'000 (32 weeks trading)	2017 £'000
Turnover	2	650,500	-
Operating costs			
- General		(640,606)	-
- Intangible asset amortisation		(248)	-
Total operating costs	3	(640,854)	-
Operating profit		9,646	-
Net interest payable	7	(1,043)	-
Profit on ordinary activities before taxation	8	8,603	-
Tax charge on result on ordinary activities	9	(1,627)	-
Profit for the year		6,976	-

Trading commenced 20 August 2017.

All activities relate to continuing operations.

Statement of comprehensive income For the Year ended 31 March 2018

	£'000	2018 £'000	£'000	2017 £'000
Profit for the financial year		6,976		-
Actuarial (loss)/gain due to scheme assets and liabilities	20	(51,900)	-	-
Actuarial gain/(loss) due to rail franchise adjustment		51,900	-	-
		-		-
Total comprehensive income/result for the year		6,976		-

First MTR South Western Trains Limited

Balance sheet

As at 31 March 2018

	Notes	£'000	31 March 2018 £'000	£'000	31 March 2017 £'000
Fixed assets					
Intangible assets	10		1,339		-
Tangible assets	11		15,534		-
			<u>16,873</u>		<u>-</u>
Current assets					
Stocks	12	2,614		-	
Debtors	13	126,022		-	
Cash at bank and in hand	14	140,485		-	
			<u>269,121</u>	<u>-</u>	
Creditors: amounts falling due within one year	15	(276,906)		-	
Provisions for liabilities and charges: amounts falling due within one year	16	(1,836)		-	
Net current liabilities			<u>(9,621)</u>		<u>-</u>
Total assets less current liabilities			<u>7,252</u>		<u>-</u>
Creditors: amounts falling due after more than one year			-		-
Net assets excluding pension liability			<u>7,252</u>		<u>-</u>
Pension liability	20		-		-
Net assets			<u>7,252</u>		<u>-</u>
Financed by:					
Capital and reserves					
Called up share capital	17		-		-
Profit and loss account			<u>7,252</u>		<u>-</u>
Shareholder's funds			<u>7,252</u>		<u>-</u>

The financial statements of First MTR South Western Trains Limited, registered number 07900320 were approved by the Board of Directors on 20th July 2018 and were signed on its behalf by:



K McPhail
Director

20/7/18

First MTR South Western Trains Limited

Statement of changes in equity **Year ended 31 March 2018**

	Notes	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 01 April 2016		-	-	-
Total comprehensive income/result for the financial year		-	-	-
Dividend payments	18	-	-	-
Share-based payments		-	-	-
		<hr/>	<hr/>	<hr/>
Balance at 31 March 2017		-	-	-
Total comprehensive income for the financial year		-	6,976	6,976
Dividend payments	18	-	-	-
Share-based payments		-	276	276
		<hr/>	<hr/>	<hr/>
Balance at 31 March 2018		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

First MTR South Western Trains Limited

Notes to the financial statements Year ended 31 March 2018

1. Principal accounting policies

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

(a) General information and basis of accounting

First MTR South Western Trains Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act. The registered office address is 4th Floor Capital House, 25 Chapel Street, London, United Kingdom, NW1 5DH. The nature of the company's operations and its principal activities are set out in the Strategic report on page 2. The functional currency of First MTR South Western Trains Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

(b) Basis of preparation

The financial statements have been prepared under a historical cost convention and on a going concern basis as described in the Directors' Report on page 7, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

First MTR South Western Trains Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash-flow statement, intra group transactions and remuneration of key management personnel.

(c) Intangible fixed assets and depreciation

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

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

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

(d) Tangible fixed assets and depreciation

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

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

Plant and equipment	- 3 to 10 years straight-line/duration of franchise
Assets under construction	- Nil

(e) Leases and hire purchase

All leases are operating leases and the rental charges are taken to the profit and loss account on a straight-line basis over the life of the lease.

(f) Government grants and subsidies

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

First MTR South Western Trains Limited

Notes to the financial statements (continued) Year ended 31 March 2018

1. Principal accounting policies (continued)

(g) Stocks

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

(h) Financial assets and liabilities

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

(i) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The taxation liability is reduced wholly or in part by the surrender of losses by group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the surrendering undertaking.

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is not provided on temporary differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(j) Pension costs

Company specific schemes

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

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

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

First MTR South Western Trains Limited

Notes to the financial statements (continued)

Year ended 31 March 2018

1. Principal accounting policies (continued)

Pension costs (continued)

Rail franchise adjustment

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

(k) Turnover

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

(l) Future ticket deferral

Attributable share of income from season tickets or railcards is deferred within creditors and is recognised in the profit and loss account over the period covered by the season ticket or railcard. Income from advanced purchase and other ticket types is recognised in the profit and loss account on the date of travel.

(m) Provisions

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

(n) Share-based payments

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

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

First MTR South Western Trains Limited

Notes to the financial statements (continued) **Year ended 31 March 2018**

1. Principal accounting policies (continued)

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

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

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

i) Key sources of estimation uncertainty

Defined benefits pension arrangements

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

ii) Contract and franchise accounting

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

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

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

2. Turnover and profit on ordinary activities before taxation

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

The whole of the turnover and profit on ordinary activities before taxation derives from the company's principal activities within the United Kingdom. The company has one principal class of business, namely, the provision of passenger transport services.

First MTR South Western Trains Limited

Notes to the financial statements (continued)

Year ended 31 March 2018

	2018 £'000 (32 weeks trading)	2017 £'000
Passenger receipts	621,713	-
Other revenue	28,787	-
	<u>650,500</u>	<u>-</u>

The company commenced trade on 20 August 2017.

3. Operating costs

	Note	2018 £'000	2017 £'000
Raw materials and consumables		39,767	-
Staff costs	4	159,684	-
Other external charges		320,887	-
Net franchise payments		117,672	-
Depreciation		2,596	-
Other amounts written off tangible fixed assets and intangible fixed assets		248	-
		<u>640,854</u>	<u>-</u>

4. Employee numbers and costs

The average number of persons employed by the company (including directors) during the period from commencement of trade on 20 August 2017 was as follows:

	2018 Number	2017 Number
Traincrew including traincrew management	3,869	-
Maintenance	494	-
Customer service	176	-
Administration	497	-
	<u>5,036</u>	<u>-</u>

First MTR South Western Trains Limited

Notes to the financial statements (continued) Year ended 31 March 2018

4. Employee numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries	136,214	-
Social security costs	13,603	-
Other pension costs	9,867	-
	<u>159,684</u>	<u>-</u>

5. Directors' remuneration

Certain directors (C Burrows, S Montgomery and H Clancy) received remuneration from FirstGroup plc, the ultimate parent company, and First Rail Holdings Limited, the immediate parent company, in the current and prior years. The directors have not performed any qualifying services on behalf of First MTR South Western Trains 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 MTR South Western Trains Limited was as follows:

	2018 £'000	2017 £'000
Aggregate emoluments (excluding pension contributions)	185	-
Compensation for loss of office	-	-
	<u>185</u>	<u>-</u>

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

	2018 Number	2017 Number
The number of directors who: Were members of a defined benefit pension scheme	<u>2</u>	<u>-</u>

First MTR South Western Trains Limited

Notes to the financial statements (continued) Year ended 31 March 2018

5. Directors' remuneration (continued)

The emoluments of the highest paid director amounted to:

	2018 £'000	2017 £'000
Aggregate emoluments:		
Basic	128	-
Bonus	18	-
Allowances	5	-
Benefits	-	-
	<u>151</u>	<u>-</u>
<i>Defined benefit scheme</i>		
Accrued pension at end of year	79	-
Accrued lump sum at end of year	64	-
	<u>143</u>	<u>-</u>

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

6. Share-based payments

Save as you earn (SAYE)

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

Buy as you earn (BAYE)

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

First MTR South Western Trains Limited

Notes to the financial statements (continued) Year ended 31 March 2018

7. Net interest (payable)/receivable

	2018 £'000	2017 £'000
<i>Interest payable and similar charges</i>		
Amounts payable to group undertakings	(716)	-
Bank and other interest payable	(552)	-
	<u>(1,268)</u>	<u>-</u>
<i>Interest receivable and similar income</i>		
Amounts receivable from group undertakings	-	-
Bank interest	225	-
	<u>-</u>	<u>-</u>
Net interest payable	<u>(1,043)</u>	<u>-</u>

8. Profit on ordinary activities before taxation

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditor's remuneration		
- Deloitte LLP audit fee for the audit of the annual accounts	143	-
- Deloitte LLP non-audit fee for other services	-	-
Depreciation on tangible and amortisation from intangible owned assets	2,844	-
Cost of stock recognised as an expense	39,767	-
Rentals payable under operating leases		
- plant and machinery	110,557	-
- other operating leases	98,651	-
Net rents receivable from property	<u>(5,137)</u>	<u>-</u>

First MTR South Western Trains Limited

Notes to the financial statements (continued)

Year ended 31 March 2018

9. Tax charge on profit on ordinary activities

	2018 £'000	2017 £'000
Current taxation		
- Group relief payable	1,562	-
Total current taxation	1,562	-
Deferred taxation		
- Origination and reversal of timing differences	65	-
	65	-
Total tax charge on profit on ordinary activities	1,627	-

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2017: 20%). The actual current tax charge on profit on ordinary activities for the current and previous year differed from the profit on ordinary activities multiplied by standard rate of corporation tax for the reasons set out in the following reconciliation:

	2018 £'000	2017 £'000
Profit before tax on ordinary activities	8,603	-
Tax on Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom (19%) (2017: 20%)	1,635	-
Factors affecting charge		
- Expenses not deductible for tax purposes	-	-
- Prior year adjustments	-	-
- Effect of decrease in tax rate on opening deferred tax balance	-	-
- Effect of decrease in tax rate on origination and reversal of timing differences	(8)	-
Total tax charge on profit on ordinary activities (18.9%)	1,627	-

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

First MTR South Western Trains Limited

Notes to the financial statements (continued) **Year ended 31 March 2018**

10. Intangible fixed assets

	Computer Software £'000
Cost	
At 1 April 2017	-
Additions	1,587
Transfers	-
At 31 March 2018	<u>1,587</u>
Accumulated amortisation	
At 1 April 2017	-
Charge for year	248
Transfers	-
At 31 March 2018	<u>248</u>
Net book value	
At 31 March 2018	<u><u>1,339</u></u>
At 31 March 2017	<u><u>-</u></u>

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

First MTR South Western Trains Limited

Notes to the financial statements (continued) Year ended 31 March 2018

11. Tangible fixed assets

	Assets under construction £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2017	-	-	-
Additions	363	17,815	18,178
Transfers	-	-	-
At 31 March 2018	363	17,815	18,178
Accumulated depreciation			
At 1 April 2017	-	-	-
Charge for year	-	2,644	2,644
Transfers	-	-	-
At 31 March 2018	-	2,644	2,644
Net book value			
At 31 March 2018	363	15,171	15,534
At 31 March 2017	-	-	-

12. Stocks

	2018 £'000	2017 £'000
Spare parts and consumables	2,614	-

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

13. Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	54,903	-
Provision on trade debtors	(75)	-
VAT	27,929	-
Other debtors	27,575	-
Prepayments and accrued income	15,690	-
	126,022	-

First MTR South Western Trains Limited

Notes to the financial statements (continued) Year ended 31 March 2018

14. Cash at bank and in hand

	2018 £'000	2017 £'000
Bank deposits	140,485	-

Cash and cash equivalents include ring-fenced cash of £126.6m (2017:£nil). 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 at the balance sheet date.

15. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	35,134	-
Amounts owed to group undertakings	28,408	-
Group relief	1,562	-
Deferred tax	65	-
Other tax and social security	9,632	-
Other creditors	37,785	-
Accruals and deferred income	164,320	-
	276,906	-

Angel Trains Limited, a supplier, registered a fixed charge on 17 August 2017 on amounts owed to them. At the balance sheet date the company was owed £nil (2017: £nil).

	£'000
Deferred tax creditor	
At 1 April 2017	-
Debit to the profit and loss account	65
At 31 March 2018	65
The deferred tax liability consists of the following amounts:	
	2018 £'000
Capital allowances in excess of depreciation	112
Other timing differences	(47)
Deferred tax liability	65

First MTR South Western Trains Limited

Notes to the financial statements (continued) Year ended 31 March 2018

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

	Legal & Other £'000
At 1 April 2017	-
Charged to the profit and loss account	1,836
Utilised in the year	-
Transfer from provisions greater than one year	-
	<hr/>
At 31 March 2018	1,836
	<hr/>

The company receives claims from customers and employees for incidents resulting in personal injury. A provision is made for the estimated cost to the company to settle claims for incidents that fall below the insurance deductible.

The company also makes provision for insurance costs in relation to premium and rolling stock operating company claims.

17. Called up share capital

	2018 £	2017 £
Authorised		
70 "A" ordinary shares of £1 each	70	70
30 "B" ordinary shares of £1 each	30	30
	<hr/>	<hr/>
Allotted, called up and fully paid		
70 "A" ordinary share of £1 each	70	70
30 "B" ordinary share of £1 each	30	30
	<hr/>	<hr/>

The A and B ordinary shares of £1 each rank pari passu in respect of entitlements to the profits of the company and on a return of capital. They do not confer any rights of redemption. 99 ordinary shares of £1 each were issued in the year at par value. First Rail Holdings Limited is the holder of the "A" ordinary shares and MTR Corporation (UK) Limited is the holder of the "B" ordinary shares.

18. Dividend

Dividend distributions to the company shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved. During the year no interim or final dividend was paid (2017: £nil).

First MTR South Western Trains Limited

Notes to the financial statements (continued) Year ended 31 March 2018

19. Commitments

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

	2018 £'000	2017 £'000
Contracted for but not provided	76,587	-

Capital commitments primarily relate to the exam schedule on our train vehicles, fleet depot development and car park expansion programmes.

Operating leases

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

	2018 £'000	2017 £'000
Plant and machinery	247	-
Track and station access	42,188	-
Hire of rolling stock	105,067	-
	147,502	-

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

	2018 £'000	2017 £'000
Within one year	274,467	-
In the second to fifth years inclusive	1,088,375	-
After five years	366,815	-
	1,729,657	-

Included in the above commitments are contracts held with Network Rail for access to the railway infrastructure track, stations and depots of £651.9m (2017: £nil). Commitments also exist to lease rolling stock of £1,074.9m (2017: £nil).

20. Pension liability

Both South West Trains and Island Line operated under the terms of a franchise agreement that expired on 4 February 2007 and from that date they operated under one, new franchise agreement. The pension scheme moved to the company as part of the business acquisition of the previous franchise on 20 August 2017.

First MTR South Western Trains Limited

Notes to the financial statements (continued) Year ended 31 March 2018

20. Pension liability (continued)

Railways Pension Scheme – SWR Section

Defined contribution schemes

The company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the profit and loss in the period ended 31 March 2018 was £0.4m for SWR and £nil for Island Line (2017: SWR: £nil, Island Line: £nil).

Defined benefit schemes

The company is a member of a defined benefit pension scheme, which is funded. All eligible employees are offered membership of the Railways Pension Scheme (RPS). The scheme is valued triennially, when the cost of future service is calculated, and the funding position established. The actuarial valuation was updated for 31 March 2018; at this date the market value of the scheme's assets totalled £824.6m. The actuarial value of these assets was sufficient to cover 64% (2017: 0%) of the benefits, which had accrued to the scheme's members.

Contributions are paid to the scheme at rates recommended by the actuaries and the assets of the scheme are held in a separately administered trust. The scheme's assets are held and managed independently of the company's finances by independent investment managers appointed by the trustees of the scheme. The current contribution rate is 8.04% (2017: 0%) for employees and 12.06% (2017: 0%) 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) 3.05%/2.05% per annum. The valuation was made using the projected unit method.

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

Under the terms of the RPS the employer (60%) and the employees (40%) share any fund deficit. The pension cost relating to this scheme in the year was £9.9m.

Financial assumptions

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

	2018	2017
Rate of increase in salaries	3.05%	-
Rate of increase of pensions in payment	2.05%	-
Rate of increase of pensions in deferment	2.05%	-
Discount rate	2.70%	-
Inflation assumption - RPI	3.05%	-
Inflation assumption - CPI	2.05%	-

First MTR South Western Trains Limited

Notes to the financial statements (continued)

Year ended 31 March 2018

20. Pension liability (continued)

Mortality assumptions

The assumptions made for current mortality reflect broadly the current experience. This takes into account size of pension and geographic location. An allowance is made for future improvements, based on information currently available on mortality trends. The post-retirement mortality (life expectancy in years) current rate for pensioners at 65 is 20.6 years (2017: 20.6 years). Future pensioners aged 65 (45 now) will have a rate of 21.9 years (2017: 21.9 years).

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

	2018 £'000	2017 £'000
Equities	65,900	-
Property	18,800	-
Cash Plus	739,900	-
Other	-	-
	<u>824,600</u>	<u>-</u>

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

First MTR South Western Trains Limited

Notes to the financial statements (continued) Year ended 31 March 2018

20. Pension liability (continued)

Reconciliation of movements:

	Assets £m	Liabilities £m	Shared Cost £m	Franchise Impact £m	Net £m
At 1 April 2017	-	-	-	-	-
Business acquisition	854.7	(1,246.4)	156.6	235.1	-
Profit and loss account					
Operating					
Service cost	-	(35.7)	14.3	13.2	(8.2)
Admin cost	-	(1.7)	-	-	(1.7)
Total Operating	-	(37.4)	14.3	13.2	(9.9)
Financing	13.5	(19.5)	2.4	3.6	-
Total Income Statement	13.5	(56.9)	16.7	16.8	(9.9)
Amounts paid to/from scheme					
Employer contributions	9.5	-	(3.9)	3.9	9.5
BRASS matching contributions	0.4	-	-	-	0.4
Employee contributions	6.4	-	(2.6)	(3.8)	-
Benefits Paid	(19.4)	19.4	-	-	-
Total	(3.1)	19.4	(6.5)	0.1	9.9
Expected closing position	865.1	(1,283.9)	166.8	252	-
Gains/loss					
Change in financial assumptions	-	0.7	(0.3)	(0.4)	-
Return on assets in excess of discount rate	(40.5)	-	16.2	24.3	-
Experience	-	(12.1)	5.5	6.6	-
Total	(40.5)	(11.4)	21.4	30.5	-
At 31 March 2018	824.6	(1,295.3)	188.2	282.5	-

21. Related parties

MTR Corporation Limited, a company registered in Hong Kong, has a 30% non-controlling interest in the company. MTR Corporation Limited provided a loan of £9m at the commencement of the franchise. Interest on the loan is charged on an arm's length basis and in accordance with the franchise agreement. MTR Corporation Limited provided no other services in the year. As at 31 March 2018 the company owed MTR Corporation Limited £9.31m (2017: £nil).

MTR (UK) Limited, a company registered in England and Wales, and a wholly owned subsidiary of MTR Corporation Limited, provided services totalling £0.67m during the year. As at 31 March 2018 the company owed MTR (UK) Limited £nil (2017: £nil).

First MTR South Western Trains Limited

Notes to the financial statements (continued) Year ended 31 March 2018

22. 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. FirstGroup plc heads the smallest and largest group that includes the company's results and for which group financial statements are prepared.

First Rail Holdings Limited is the immediate parent company.

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