FIRST SCOTRAIL LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2015

Company Registered Number: SC185018

Registered Office:

**395 King Street
Aberdeen
AB24 5RP**

FIRST SCOTRAIL LIMITED

REPORT AND FINANCIAL STATEMENTS 2015

Contents

Contents	Pages
Strategic report	1 - 4
Directors' report	5 - 6
Directors' responsibilities statement	7
Independent auditor's report	8
Profit and loss account	9
Balance sheet	10
Reconciliation of movements in shareholders' funds	11
Statement of total recognised gains and losses	11
Notes to the financial statements	12 - 28

STRATEGIC REPORT

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

Principal activities

The principal activity of the company during the year was the operation of passenger railway services in Scotland and sleeper services to and from London.

Business Review and future outlook

The franchise to operate passenger railway services commenced on 17 October 2004, and following a 3-year extension, was to continue until November 2014. Transport Scotland subsequently agreed to continue the franchise to 31 March 2015.

The original commitment to invest £40m in station enhancements, increased CCTV and passenger information coverage and additional ticket issuing facilities, was completed with £42.5m of investment since the start of the franchise. The investment commitment of £70m agreed as part of the 3-year extension agreement has been delivered, also. The franchise continuation to March 2015 included further investment commitments in Smartcards, Commonwealth Games facilities at stations (which was held in Glasgow in summer 2014), Ryder Cup facilities at Gleneagles station, Wi-Fi at 25 stations and on the Class 380 trains and automatic ticket gates at Inverness and Perth stations, all of which have been completed.

Operating profit in the year to 31 March 2015 was £18.4m (2014 - £17.0m).

Turnover was £672.0m (2014 - £855.2m), including £289.4m (2014 - £506.4m) of Revenue Grant from Transport Scotland. The Revenue Grant decrease principally relates to the decrease in Track Access charges payable to Network Rail, as determined by the Office of Rail and Road (ORR). Passenger Income for this period was £342.0m (2014 - £316.8m), an increase of 7.9%. There has been a continued focus on service delivery, customer service and revenue protection throughout the year.

Profit after tax for the year was £19.3m (2014 - £17.3m). Net assets on the balance sheet have decreased to £11.6m (2014 - £12.5m), after payment of interim dividends in the year of £22.0m (2014 - £21.0m); capital contributions in respect of share based payments £0.2m (2014 - £0.2m); actuarial gain relating to the pension scheme of £2.0m (2014 – gain of £3.9m), offset by related deferred tax of £0.4m (2014 – £0.7m) and profit after tax of £19.3m (2014 - £17.3m).

Key Performance Indicators

	2012-13	2013-14	2014-15
Safety			
Passenger FWI[1] per Million journeys	0.02	0.02	0.03
Customer satisfaction			
National Rail Passenger Autumn Survey - Overall satisfaction	90.0%	87.0%	88.0%
Performance			
Public Performance Measure (PPM) – Moving Annual Average	93.0%	91.3%	90.5%
Employees			
Staff Engagement	75%	77%	N/A
Environmental			
g of CO2e per passenger km	82.9	78.1	65.5

(1) FWI = Fatalities & Weighted Injuries and is the industry benchmark for measuring the consequences of accidents.

Key Performance Indicators (continued)

Safety trends were mixed in the year with improvement in employee safety offset by deterioration in passenger injuries.

Our Autumn 2014 National Rail Passenger Survey (NRPS) results on Customer satisfaction increased to 88%. The Spring 2015 results recently published recorded 87%.

Public Performance Measurement (PPM) of reliability and punctuality fell to 90.5% PPM (MAA) with service delivery for the 2014 Commonwealth Games compromising on time arrivals.

Staff Engagement survey was not conducted in the latter part of the year as the loss of the franchise was known at that time.

The company improved on its Environmental targets to reduce its carbon footprint through a variety of measures.

Outlook

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

Principal Risks and Uncertainties

The company has a well-established risk management methodology which it uses throughout the business to allow it to identify and manage the principal risks which could:

- adversely affect the safety and security of its employees, passengers and/or assets;
- have a material impact on the financial or operational performance of the company;
- impede achievement of its 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 taking into account their potential impact, the likelihood of occurrence and any change to this compared to the prior year and the reduced risk after the implementation of controls.

The principal risks and uncertainties faced by the company were significantly reduced from the transfer date of 1 April 2015. The company remains liable for events up to that date and the risks and uncertainties below are those that applied to the company during the operating period.

Rail franchise agreements

The company was required to comply with certain conditions as part of its rail franchise agreement. If it failed to comply with these conditions, it may have been liable to penalties including the potential termination of the rail franchise agreement. This would have resulted 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 periodic basis by senior management and procedures are in place to minimise the risk of non-compliance.

Principal Risks and Uncertainties (continued)

Information Technology

The business relies on information technology in all aspects of its business. Any significant disruption or failure, caused by external factors, denial of service, computer viruses or human error could result in a service interruption, accident or misappropriation of confidential information (including credit card and personal data). Process failure, security breach or other operational difficulties may also lead to revenue loss. Prolonged failure of our sales website could also adversely affect revenues. As a result of the continued treat of cyber-attacks our operations are implementing new threat detection systems. The company has increased its focus on asset management and further enhanced its IT security processes and procedures during the year.

Political and regulatory issues

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

Competition

The company's main competitors include private car and other public and private transport operators across the network. 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 its service attractive to passengers and other customers. In addition the company works with local and national bodies to promote measures aimed at increasing demand for its services.

Customer Service

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

Pensions

The company participates in a defined benefits 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 UK Rail franchise agreements the company is not responsible for any residual deficit at the end of its franchise so there is only short term cash flow risk within the franchise.

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. To mitigate this risk, the company seeks to structure its recruitment and retain the right people. Employees are key to service delivery and therefore it is important that good employee relations are maintained. 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.

STRATEGIC REPORT

Principal Risks and Uncertainties (continued)

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 natural disasters

Across the network the company is experiencing greater and more frequent adverse weather disruption impacting its service levels. Severe weather can reduce profits, for example through lower demand for services, increased costs and business disruption. The company has severe weather action plans and procedures to manage the impact on its operations.

Terrorism

Terrorist acts and the public's concerns about potential attacks could adversely affect demand for services. More particularly if the company was to be perceived as not taking all reasonable precautions to guard against potential terrorist acts this could adversely affect its 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 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 operations. A downturn in economic conditions could have a negative impact on business in terms of reduced demand and reduced opportunities for growth. The same factors could also affect key suppliers.

Financial instruments

The company's principal financial assets are bank balances and trade and group debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has no significant credit risk, with exposure mainly on rail industry partners. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Although certain risks, for example fuel price, are hedged on a group basis, the company does not directly enter into any derivative financial instruments. The company's principal financial liabilities are trade and group creditors and maintenance bond liabilities (see note 1(j)).

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

Dave Gausby
Director
15th December 2015

395 King Street
Aberdeen
AB24 5RP

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and audited financial statements for the year ended 31 March 2015.

Directors

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

Clive Burrows
Hugh Patrick Clancy
Jacqueline Dey (resigned 30 March 2015)
David Clement Gausby
Kenneth Allan McPhail (resigned 30 March 2015)
Vernon Ian Barker (resigned 17 April 2015)
Sean Duffy (resigned 30 March 2015)
Stephen Montgomery (resigned 30 March 2015)
Gary Stewart (resigned 30 March 2015)
Kenneth James Docherty (resigned 30 March 2015)

Employee involvement

On 31 March 2015 the sleeper services were transferred to Serco Caledonian Sleepers Limited and on 1 April 2015 the passenger railway services in Scotland were transferred to Abellio ScotRail Limited. This included the transfer of employees. 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 going concern assumption given the franchise end date with the company ceasing to trade at 01:59 on 1 April 2015.

Accordingly, the financial statements have been prepared on a basis other than going concern as required by FRS 18 'Accounting Policies'. Assets have been written down to recoverable amounts where required. No material adjustment has arisen as a result of ceasing to apply the going concern basis.

Financial matters

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

The directors have not recommended payment of a final dividend but interim dividends of £22m (2014 - £21m) were paid.

Auditor

Each of the persons who are 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 provisions of s418 of the Companies Act 2006.

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

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

395 King Street
Aberdeen
AB24 5RP

Dave Gausby
Director
15th December 2015

DIRECTORS' RESPONSIBILITIES STATEMENT

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 financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting 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 these financial statements, the directors are required to:

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

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

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

We have audited the financial statements of First ScotRail Limited for the year ended 31 March 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion 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.

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

15th December 2015

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2015

	Notes	2015 £000	2014 £000
Turnover	2	672,018	855,164
Net operating costs			
- General		(652,547)	(837,164)
- Intangible asset amortisation	11	(1,029)	(1,028)
Total net operating costs	3	(653,576)	(838,192)
Operating profit		18,442	16,972
Net interest receivable	7	8,623	8,685
Profit on ordinary activities before taxation	8	27,065	25,657
Tax charge on profit on ordinary activities	9	(7,725)	(8,311)
Profit on ordinary activities after taxation	19	19,340	17,346

All activities relate to discontinued operations.

The notes on pages 12 to 28 form an integral part of these financial statements.

BALANCE SHEET
At 31 March 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Intangible assets	11	-	1,029
Tangible assets	12	5,920	23,716
		5,920	24,745
Current assets			
Stocks	13	7,165	6,190
Debtors	14	70,560	45,540
Cash at bank and in hand		21,756	102,264
		99,481	153,994
Creditors: amounts falling due within one year	15	(93,784)	(164,233)
Net current assets / (liabilities)		5,697	(10,239)
Total assets less current liabilities		11,617	14,506
Net pension liability	22	-	(2,002)
Net assets including pension liability		11,617	12,504
Financed by:			
Equity and reserves			
Called up share capital	18	-	-
Profit and loss account	19	11,617	12,504
Shareholders' funds		11,617	12,504

The notes on pages 12 to 28 form an integral part of these financial statements.

The financial statements of First ScotRail Limited, company registered number SC185018, were approved by the Board of Directors on 15th December 2015 and were signed on its behalf by:

David Gausby
Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2015

	2015 £000	2014 £000
Profit for the financial year	19,340	17,346
Actuarial gain relating to pension scheme (note 22)	1,964	3,945
UK deferred taxation attributable to actuarial gain	(412)	(680)
Total recognised gains and losses for the year	20,892	20,611

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31 March 2015

	2015 £000	2014 £000
Profit for the financial year	19,340	17,346
Dividends paid in the year	(22,000)	(21,000)
Actuarial gain on pension scheme (net of deferred tax)	1,552	3,265
Capital contribution in respect of share based payments	221	213
Net reduction in shareholders' funds	(887)	(176)
Opening shareholders' funds	12,504	12,680
Closing shareholders' funds	11,617	12,504

1 Principal accounting policies

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

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis and on a basis other than going concern as described in the Directors' Report on page 5, and in accordance with applicable United Kingdom accounting standards.

(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 the company 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 as follows:

Buildings	-	5 to 10 years straight line
Plant and Machinery	-	3 to 10 years straight line
Fixtures and Fittings	-	3 to 10 years straight line
Computer Equipment	-	4 years straight line
Leased Assets	-	3 to 10 years straight line

The majority of assets were being depreciated to the end of the franchise with some items of plant and machinery being depreciated between 2 and 10 years where management believe they have an extended useful life.

Assets under construction start depreciating once a project is completed.

(d) Deferred capital grants

Income received in relation to fixed assets acquisitions is recognised as Deferred capital grants within creditors and is amortised over the useful life of the asset.

(e) Leases and hire purchase

Assets held under finance leases, which are those leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and under hire purchase contracts are recorded in the balance sheet as tangible fixed assets. Depreciation is provided on these assets over their estimated useful lives or lease term, as appropriate.

Future obligations under finance leases and hire purchase contracts are included in creditors, net of finance charges. Payments are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligations. The finance charges are calculated in relation to the reducing amount of obligations outstanding and are charged to the profit and loss account on the same basis.

1 Principal accounting policies (continued)

(e) Leases and hire purchase (continued)

All other 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 and financial support receivable from Transport Scotland are included in turnover (see note 1 (m) below).

(g) Stocks

Stocks are valued at the lower of cost and net realisable value.

(h) Taxation

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

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

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

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

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

(i) Intangible fixed assets

Franchise goodwill arises on transition of a rail franchise in relation to the fair value of the proportion of the pension scheme deficit the company is expected to fund over the franchise term, a liability which is assumed without additional consideration or payment receivable. The balance was being amortised on a straight line basis over the period to 31 March 2015.

(j) Maintenance bond

At the start of the franchise, funds were received from the Strategic Rail Authority and Strathclyde Passenger Transport for future maintenance of some of the Class 170 trains.

1 **Principal accounting policies (continued)**

(j) **Maintenance bond (continued)**

The cash deposits received are secured as a bond in respect of future rolling stock maintenance. The receipts are recorded within Debtors under Amounts owed by group undertakings and the Maintenance Bond is recorded within Creditors. All maintenance payments made are subsequently deducted from this bond and interest receivable on these funds is calculated on a daily basis and applied against the maintenance bond. The maintenance bond from the Strategic Rail Authority has now expired.

(k) **Pension costs**

Company specific scheme

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. 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 within interest payable and interest receivable respectively. 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.

The deficit reflected in the balance sheet reflects only that portion of the deficit that is expected to be funded over the franchise term, net of deferred tax. A "franchise adjustment" is made to the deficit on this basis. The franchise adjustment is the projected deficit to the end of the franchise term which the company will not be required to fund, discounted back to present value. On transition of a rail franchise, an intangible asset is recognised as set out in note 1 (i) above, which exactly offsets the initial recognition of the portion of the deficit the company is expected to fund. This intangible asset was being amortised on a straight line basis over the revised franchise term to 31 March 2015.

(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 company's estimate of shares 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.

1 Principal accounting policies (continued)

(m) Turnover and revenue recognition

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 in the period. Revenue is recognised in the period it is earned. Revenue which relates to future periods is deferred and released to the profit and loss account over the relevant period that the revenue is earned. Amounts received in respect of performance regimes are recorded within operating costs.

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.

2 Turnover

	2015	2014
	£000	£000
Passenger income	341,969	316,800
Revenue grant	289,363	506,433
Other income	40,686	31,931
	672,018	855,164

3 Total net operating costs

	2015	2014
	£000	£000
Raw materials and consumables	178,687	168,794
Staff costs	217,366	201,129
Other external charges	244,727	459,581
Depreciation of tangible fixed assets	28,293	18,113
Amortisation of deferred capital grants	(16,526)	(10,453)
Intangible asset amortisation	1,029	1,028
	653,576	838,192

Included within staff costs are redundancy costs of £175,000 (2014: £695,000).

4 Employee numbers and costs

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

	2015 No.	2014 No.
Drivers	1,115	1,103
On train staff	1,170	1,114
Station staff	1,178	1,164
Fleet maintenance staff	885	870
Management and administrative	562	530
	4,910	4,781

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	175,463	160,708
Social security costs	13,436	12,495
Other pension costs	22,344	21,721
Redundancy costs	175	695
Other staff costs	5,948	5,510
	217,366	201,129

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

5 Directors' remuneration

The remuneration of the directors during the year was as follows:

	2015 £000	2014 £000
Aggregate emoluments (excluding pension contributions)	1,422	1,183
Company pension contributions	86	83
	1,508	1,266

Retirement benefits accrue to 7 (2014 - 7) directors under a defined benefit scheme.

The emoluments of the highest paid director amounted to:

	2015 £000	2014 £000
Aggregate emoluments	481	382
Company pension contributions to defined benefit scheme	27	26
	508	408
Defined benefit scheme		
Accrued annual pension at end of year	99	94
Accrued lump sum at end of year	57	54

6 **Share based payments**

Details of the share options outstanding across the FirstGroup plc group during the year are as follows:

(a) Save As You Earn (SAYE)

The Group operates an HM Revenue & Customs 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 Sharesave account with a nominated savings carrier and to save weekly or monthly over a specified period. Sharesave 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.

	SAYE Dec 2010 Options Number	SAYE Dec 2011 Options Number	SAYE Dec 2012 Options Number	SAYE Dec 2013 Options Number	SAYE Dec 2014 Options Number
Outstanding at the beginning of the year	2,176,392	2,508,759	3,099,150	7,360,136	-
Awarded during the year	-	-	-	-	7,493,154
Exercised during the year	-	-	(4,598)	(43,981)	-
Lapsed during the year	(2,176,392)	(521,026)	(625,076)	(1,306,802)	(63,309)
Outstanding at the end of the year	-	1,987,733	2,469,476	6,009,353	7,429,845
Exercisable at the end of the year	-	1,987,733	-	-	-
Weighted average exercise price (pence)	260.1	221.4	117.3	94.1	97.0
Weighted average share price at date of exercise (pence)	N/A	N/A	122.5	105.9	N/A

(b) Deferred bonus shares (DBS)

	DBS 2004 Options Number	DBS 2005 Options Number	DBS 2006 Options Number	DBS 2007 Options Number	DBS 2008 Options Number
Outstanding at the beginning of the year	7,345	34,922	103,230	188,000	86,481
Exercised during the year	-	(5,450)	(28,514)	(20,667)	(8,830)
Lapsed during the year	(7,345)	-	-	-	-
Outstanding at the end of the year	-	29,472	74,716	167,333	77,651
Exercisable at the end of the year	-	29,472	74,716	167,333	77,651
Weighted average exercise price (pence)	Nil	Nil	Nil	Nil	Nil
Weighted average share price at date of exercise (pence)	N/A	101.4	134.4	129.3	134.8

	DBS 2009 Options Number	DBS 2010 Options Number	DBS 2011 Options Number	DBS 2012 Options Number	DBS 2013 Options Number	DBS 2014 Options Number
Outstanding at the beginning of the year	85,129	218,448	562,104	1,025,209	2,030,756	-
Granted during the year	-	-	-	-	-	2,239,418
Forfeited during the year	(1,571)	-	-	(7,321)	(18,060)	(11,879)
Exercised during the year	(15,411)	(44,459)	(338,674)	(53,133)	(36,675)	(23,023)
Outstanding at the end of the year	68,147	173,989	223,430	964,755	1,976,021	2,204,516
Exercisable at the end of the year	68,147	173,989	223,430	-	-	-
Weighted average exercise price (pence)	Nil	Nil	Nil	Nil	Nil	Nil
Weighted average share price at date of exercise (pence)	132.3	121.5	131.5	119.2	120.5	114.7

6 Share based payments (continued)

(c) Buy As You Earn (BAYE) scheme

BAYE enables eligible employees to purchase shares from their gross income. The Company provides two matching shares for every three shares bought by employees, subject to a maximum Company contribution of shares to the value of £20 per employee per month. If the shares are held in trust for five years or more, no income tax and 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.

At 31 March 2015 there were 7,338 (2014: 7,903; 2013: 8,306) participants in the BAYE scheme who have cumulatively purchased 11,916,378 (2014: 9,201,084; 2013: 6,159,479) shares with the Company contributing 3,931,908 (2014: 2,998,927; 2013: 1,936,789) matching shares on a cumulative basis.

(d) Long Term Incentive Plan (LTIP)

Awards under the LTIP scheme vest over the three year periods to 31 March from year of award with 50% of the award being dependent upon Adjusted EPS performance over the vesting period and the other 50% being dependent upon total shareholder return over the same period compared to a comparator group.

	LTIP 2011 Options Number	LTIP 2012 Options Number	LTIP 2013 Options Number	LTIP 2014 Options Number
Outstanding at the beginning of the year	4,833,223	6,508,137	12,562,325	-
Granted during the year	-	-	-	11,743,628
Forfeited during the year	-	(186,832)	(913,001)	(691,754)
Lapsed during the year	(4,833,223)	-	-	-
Outstanding at the end of the year	-	6,321,305	11,649,324	11,051,874
Weighted average share price at date of exercise (pence)	Nil	Nil	Nil	Nil

The inputs into the FirstGroup plc Black-Scholes model were as follows:

	2015	2014
Weighted average share price at grant date (pence)		
- DBS	**139.6**	127.4
- SAYE December 2013	**-**	116.0
- SAYE December 2014	**108.9**	-
- LTIP	**129.1**	119.0
Weighted average exercise price at grant date (pence)		
- DBS	**-**	-
- SAYE December 2013	**-**	94.1
- SAYE December 2014	**97.0**	-
- LTIP	**-**	-
Expected volatility		
- DBS	**N/A**	N/A
- SAYE December 2013	**-**	35%
- SAYE December 2014	**35%**	-
- LTIP	**45%**	48%
Expected life (years)		
- DBS	**3**	3
- SAYE schemes	**3**	3
- LTIP	**3**	2
Rate of interest		
- DBS	**N/A**	N/A
- SAYE December 2013	**-**	1.0%
- SAYE December 2014	**0.9%**	-
- LTIP	**1.2%**	0.6%
Expected dividend yield		
- DBS	**0%**	0%
- SAYE December 2013	**-**	0%
- SAYE December 2014	**0%**	-
- LTIP	**0%**	0%

6 Share based payments (continued)

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five years. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

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

	2015	2014
Weighted average fair value of options at grant date (pence)		
- DBS	**139.6**	127.4
- SAYE December 2013	**-**	39.5
- SAYE December 2014	**39.0**	-
- LTIP	**104.7**	81.9

The Group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the schemes. The company has recognised a total expense of £221,000 (2014: £213,000) relating to equity-settled share-based payment transactions.

7 Net interest receivable

	2015 £000	2014 £000
Interest payable		
Finance leases and hire purchase contracts	(3)	(21)
Amounts payable under Maintenance Bond	(1,231)	(962)
Interest on pension scheme liabilities	(12,574)	(11,720)
	(13,808)	(12,703)
Interest receivable		
Bank interest	624	96
Amounts receivable from other group undertakings	1,230	962
Return on pension scheme assets	20,577	20,330
	22,431	21,388
Net interest receivable	8,623	8,685

8 Profit on ordinary activities before taxation

	2015 £000	2014 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditor's remuneration		
- Deloitte LLP audit fee	66	66
- Deloitte LLP regulatory reporting	-	5
Depreciation and other amounts written off tangible fixed assets		
- owned assets	28,184	17,903
- held under finance leases and hire purchase contracts	109	210
Amortisation of deferred capital grants	(16,526)	(10,453)
Amortisation of franchise goodwill	1,029	1,028
Government grants	(289,363)	(506,433)
Rentals receivable under operating leases		
- property	(2,105)	(2,105)
Rentals payable under operating leases		
- land and buildings	3,964	3,883
- other operating leases	119,118	421,357

9 Tax charge on profit on ordinary activities

	2015 £000	2014 £000
Current taxation		
- UK Corporation tax	7,480	6,847
- Adjustments in respect of prior years	565	261
Total current taxation	8,045	7,108
Deferred taxation		
- Origination and reversal of timing differences	(1,891)	213
- Effect of a decrease in tax rate on opening deferred balance	-	320
- Adjustment in respect of prior years	1,725	133
	(166)	666
Deferred taxation on pension schemes		
- Origination and reversal of timing differences	(154)	(40)
- Effect of a decrease in tax rate on opening deferred balance	-	248
- Adjustment in respect of prior years	-	329
	(154)	537
Total deferred taxation	(320)	1,203
Total tax charge on profit on ordinary activities	7,725	8,311

9 Tax charge on profit on ordinary activities (continued)

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 21% (2014: 23%). 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:

	2015 %	2014 %
Standard rate of taxation	21.0	23.0
Factors affecting charge		
- Expenses not deductible for tax purposes	(0.2)	-
- Capital allowances less than depreciation	18.8	13.0
- Other timing differences	(12.0)	(9.3)
- Adjustment to prior years' tax charge	2.1	1.0
Current taxation rate for the year	29.7	27.7

10 Dividends

	2015 £000	2014 £000
Interim dividend for the year ended 31 March 2015 of £22.0m (2014: £21.0m) per 2 ordinary shares	22,000	21,000

Interim dividends were paid in the year of £22m to First Rail Holdings Limited. No final dividend is proposed.

11 Intangible assets

	Franchise goodwill £000
Cost	
At 1 April 2014 and 31 March 2015	16,900
Amortisation	
At 1 April 2014	15,871
Charge for year	1,029
At 31 March 2015	16,900
Net book value	
At 31 March 2015	-
At 31 March 2014	1,029

Franchise goodwill arises on the transition of a rail franchise, representing the fair value of the proportion of the pension scheme deficit the company is expected to fund over the franchise term.

12 Tangible fixed assets

	Buildings £000	Plant & Machinery £000	Fixtures & Fittings £000	Computer Equipment £000	Leased Assets £000	Assets under Construction £000	Total £000
Cost							
At 1 April 2014	39,497	56,548	6,252	11,331	2,227	819	116,674
Additions	2,686	742	941	768	-	6,583	11,720
Disposals	-	(1,223)	-	-	-	-	(1,223)
Transfers	736	6,071	-	(144)	-	(6,663)	-
At 31 March 2015	42,919	62,138	7,193	11,955	2,227	739	127,171
Depreciation							
At 1 April 2014	33,101	45,341	5,612	6,786	2,118	-	92,958
Charge for year	9,724	14,540	1,516	2,404	109	-	28,293
Disposals	-	-	-	-	-	-	-
At 31 March 2015	42,825	59,881	7,128	9,190	2,227	-	121,251
Net book value							
At 31 March 2015	94	2,257	65	2,765	-	739	5,920
At 31 March 2014	6,396	11,207	640	4,545	109	819	23,716

Transfers relate to moving assets under construction into one of the other categories above on completion.

Assets held under finance leases:

	Plant & Machinery £000	Computer Equipment £000	Total £000
Cost			
At 1 April 2014 and 31 March 2015	2,139	88	2,227
Depreciation			
At 1 April 2014	2,030	88	2,118
Charge for year	109	-	109
At 31 March 2015	2,139	88	2,227
Net book value			
At 31 March 2015	-	-	-
At 31 March 2014	109	-	109

13 Stocks

	2015 £000	2014 £000
Spare parts and consumables	7,165	6,190

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

14 Debtors

	2015	2014
	£000	£000
Amounts due within one year		
Trade debtors	39,141	9,973
Amounts owed by group undertakings	16,294	20,846
VAT	10,879	6,127
Other debtors	787	40
Prepayments and accrued income	166	5,427
Deferred tax asset (note 16)	3,293	3,127
	70,560	45,540

15 Creditors

	2015	2014
	£000	£000
Amounts falling due within one year		
Obligations under finance leases and hire purchase contracts	-	145
Trade creditors	16,825	53,733
Corporation tax	6,261	4,115
Other tax and social security	4,227	3,606
Other creditors	7,057	7,466
Deferred capital grants	1,125	12,547
Maintenance bond	20,843	21,133
Accruals and other deferred income	37,446	61,488
	93,784	164,233

Deferred capital grants at 1 April 2014	12,547
Received during the year	5,104
Credited to profit and loss account	(16,526)
Deferred capital grants at 31 March 2015	1,125

Finance lease and hire purchase contract liabilities are secured on the assets to which they relate. The contracts vary in length between three and ten years and are on normal commercial terms at negotiated rates.

16 Deferred tax asset

The deferred tax asset consists of the following amounts:

	2015	2014
	£000	£000
Deferred tax asset at 1 April	3,127	3,793
(Charged)/Credited to profit and loss account (note 9)	166	(666)
Deferred tax asset at 31 March	3,293	3,127

The closing balance is included within Debtors (note 14).

Details of the deferred tax asset are given in note 17.

17 Deferred taxation

	2015 £000	2014 £000
Capital allowances less than depreciation	2,763	205
Other timing differences	530	2,922
Deferred tax asset	3,293	3,127

18 Called up share capital

	2015 £	2014 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

19 Reserves

	Profit and loss account £000
At 1 April 2014	12,504
Profit for the year	19,340
Dividends paid in the year	(22,000)
Actuarial gain on pension deficit net of deferred tax	1,552
Capital contribution in respect of share based payment	221
At 31 March 2015	11,617

20 Commitments

Capital expenditure

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

	2015 £000	2014 £000
Contracted for but not provided	-	3,724

21 Operating leases

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

	2015		2014	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
- within one year	-	-	22,246	173,886

22 Pension scheme

The company applies Financial Reporting Standard 17 – Retirement Benefits, as set out below.

Railway Pension Scheme – First ScotRail Section

The company is a member of a defined benefit pension scheme, which is funded. All eligible employees are offered membership of the Railway Pension Scheme. The last full actuarial valuation of the scheme was carried out by independent actuaries as at 31 December 2013. The actuarial valuation was updated for 31 March 2015; at this date the market value of the scheme's assets totalled £525.1m (2014: £461.9m). The actuarial value of these assets was sufficient to cover 72.5% (2014: 77.5%) 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 schemes' 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 10.28% (2014: 10.28%) for employees and 15.42% (2014: 15.42%) for employers.

The actuarial assumptions used in determining the last full actuarial valuation were that the rate of earnings increase would be 4.23% per annum and the rate of inflation would 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), any fund deficit is shared by the employer (60%) and the employees (40%).

The current service pension cost relating to this scheme in the year was £22.3m (2014 - £21.7m).

The valuation has been updated for FRS17 purposes at 31 March 2015. The key assumptions used in the FRS 17 valuation were as follows:

	2015 %	2014 %
Discount rate	3.50	4.4
Expected rate of salary increases	3.45	3.7
Inflation	2.95	3.2
Future pension increases	1.85	2.1

Amounts recognised in the profit and loss account in respect of this defined benefit scheme are as follows:

	2015 £m	2014 £m
Current service cost	22.3	21.7
Interest cost	16.0	14.6
Expected return on scheme assets	(20.6)	(20.3)
Interest on franchise adjustment	(3.4)	(2.8)
	14.3	13.2

Actuarial gains and losses have been reported in the statement of recognised gains and losses.

The actual return on scheme assets was £54.5m (2014: £23.2m).

22 Pension scheme (continued)

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

	2015 £m	2014 £m
Fair value of scheme assets	525.1	461.9
Present value of defined benefit obligations	(724.2)	(595.7)
Rail franchise adjustment (60%)	119.5	78.0
Adjustment for employee share of RPS deficits (40%)	79.6	53.5
Deficit in scheme	-	(2.3)
Related deferred tax asset	-	0.3
Net pension liability recognised in the balance sheet	-	(2.0)

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

	2015 £m	2014 £m
At 1 April	595.7	544.8
Current service cost	22.3	21.7
BRASS[1] contribution adjustment	(0.6)	(0.6)
Interest cost	16.0	14.6
Employee share of change in DBO (not attributable to franchise adjustment)	57.6	25.4
Actuarial loss	48.5	2.6
Benefit payments	(15.3)	(12.8)
At 31 March	724.2	595.7

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

	2015 £m	2014 £m
At 1 April	461.9	428.9
Expected return on assets	20.6	20.2
Company contributions	14.6	14.0
BRASS[1] contribution adjustment	(0.6)	(0.6)
Employee contributions	10.0	9.3
Employee share of return on assets	21.8	8.9
Gain/(loss) on assets	12.1	(6.0)
Benefits paid from schemes	(15.3)	(12.8)
At 31 March	525.1	461.9

Movements in the franchise adjustment prior to cost sharing were as follows:

	2015 £m	2014 £m
At 1 April	(130.0)	(104.8)
Interest on franchise adjustment	(3.4)	(2.8)
Employee share of change in DBO (attributable to franchise adjustment)	(27.6)	(10.1)
Actuarial gain on franchise adjustment	(38.0)	(12.3)
At 31 March	(199.0)	(130.0)

22 Pension Scheme (continued)

The analysis of the scheme assets were as follows:

	Fair value of assets 2015 £m	Fair value of assets 2014 £m
Cash Plus[2]	411.7	362.9
Infrastructure	23.7	21.7
Private Equity	63.8	53.2
Debt instruments	25.4	22.9
Cash	0.5	1.2
	525.1	461.9

The history of experience adjustments is as follows:

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Fair value of scheme assets	525.1	461.9	428.9	384.1	363.4
Present value of defined benefit obligations	(724.2)	(595.7)	(544.8)	(465.4)	(423.9)
Rail franchise adjustment (60%)	119.5	78.0	62.9	36.6	13.5
Adjustment for employee share of RPS deficits (40%)	79.6	53.5	46	32.1	24.2
Deficit in the scheme	-	(2.3)	(7.0)	(12.6)	(22.8)
Experience gain/(loss) on scheme assets					
- Amount (£m)	12.1	6.0	1.8	(12.6)	(1.4)
- Percentage of scheme assets (%)	3.8	2.2	0.7	(5.5)	(0.6)
Experience gain/(loss) on scheme liabilities					
- Amount (£m)	5.2	1.3	(0.6)	2.1	(1.4)
- Percentage of scheme liabilities (%)	1.2	0.4	(0.2)	0.8	(0.6)

The estimated amounts of contributions expected to be paid to the scheme during the financial year to 31 March 2016 is £nil (year to 31 March 2015: £26.9m).

Note

[1] BRASS is the Railway Pension Scheme in-house additional voluntary contribution (AVCs) arrangement.

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

22 Pension Scheme (continued)

The pension deficit is what the company expects to fund over the term of the franchise. This is accounted for by way of a franchise adjustment.

Had the company accounted for pensions as if the franchise had an indefinite duration, the impact on the financial statements would have been as follows:

	2015	2014
Balance Sheet	£m	£m
Pension deficit	(119.5)	(78.0)
Intangible assets	-	(0.7)
Deferred taxation	23.9	16.5
Impact on net assets	(95.6)	(62.2)
Profit and loss account		
Unwinding of discount of franchise adjustment	(3.4)	(2.8)
Intangible asset amortisation	0.7	1.3
Deferred taxation	0.5	0.3
Impact on profit for the year	(2.2)	(1.2)
Statement of recognised gains and losses		
Actuarial gains on franchise adjustment	(38.0)	(12.3)
Deferred tax on actuarial gains	7.6	2.5
	(30.4)	(9.8)

23 Related party transactions

The company is taking advantage of the exemption under FRS8 not to disclose transactions with wholly owned group companies.

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 parent company is First Rail Holdings Limited.

Copies of the accounts of FirstGroup plc can be obtained on request from Ground Floor, 50 Eastbourne Terrace, London W2 6LG.

25 Subsequent events

On 1 April 2015 the passenger railway services in Scotland were transferred to Abellio ScotRail Limited.