

**Company Registration No. 1961457**

**First Essex Buses Limited**

**Report and Financial Statements**

**26 March 2011**

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**First Essex Buses Limited**

**Report and financial statements 2011**

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## **First Essex Buses Limited**

### **Directors' report**

The directors have pleasure in submitting their annual report and financial statements for the period ended 26 March 2011

#### **Principal activity**

The company's principal activities are the provision of bus and coach operations in Essex

#### **Business review**

As shown in the company's profit and loss account on page 7, the company's sales have increased by 5% over the prior period. This is mainly due to better negotiations of concessional revenue. On Bus Revenue saw a mixture of fare increases, service revisions and patronage movements. Operating profit has increased from £5.1 million to £6.3 million as a result of the revenue increase and robust cost management of raw materials and consumables.

The balance sheet on page 8 of the financial statements shows the company's financial position at the period-end. Net assets have decreased from £2.9 million to £1.5 million as the dividend declared in the year was in excess of the company's profit after tax.

Capital expenditure was £0.2 million in the period. No new vehicles have been purchased in the period.

Significant cost increases continue to place pressure on margins. The directors continue to carry out regular detailed reviews of route profitability to ensure that company resources are managed as efficiently as possible whilst matching service provision with demand and driving down unit costs through operational efficiencies and higher productivity.

Safety remains the highest priority. The directors are continuously developing and improving processes to ensure that a 'Safety First' culture is embedded throughout the company, and strive to make our services as safe as possible for our passengers and our staff.

FirstGroup plc manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the UK Bus Division of FirstGroup plc, which includes the company, is discussed in the group's Annual Report which does not form part of this Report.

#### **Risks and uncertainties**

There are a number of potential risks and uncertainties that could have an impact on the company's long-term performance. The directors have established an ongoing process for identifying, evaluating and managing the significant risks and uncertainties faced by the company, and continue to assess these on a regular basis in the light of internal and external events.

Specific business risks faced by the company include competitive pressures, legislation and regulation and increasing labour, fuel and insurance costs. The directors are aware of the continual change in laws and other regulations and the increasing costs of compliance. The directors conduct regular reviews of safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage and other areas to ensure they are appropriate and operating effectively. Labour costs represent the most significant element of the company's operating costs. The directors continue to monitor employee recruitment, training, personal development and remuneration to ensure the company attracts and retains the right people. Fuel costs also represent a significant proportion of the company's cost base. Fuel prices are directly influenced by international, political and economic circumstances as well as natural disasters. Wherever possible, the directors seek to minimise the operational and financial impact of such events through fixed price forward contracts and other operational efficiency measures. Finally, the promotion of a 'Safety First' culture at all levels throughout the business minimises insurance premiums and other related claims.

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## **First Essex Buses Limited**

### **Directors' report (continued)**

#### **Going concern**

The directors have considered the going concern assumption given the current uncertainties in economic climate and have formed the conclusion that there is a reasonable expectation that the company will continue to operate in the foreseeable future. The directors have considered the company forecasts and the financial commitment from the parent company in forming this judgement.

The parent company has provided the directors of the company with a letter confirming that it will make available such funds as may be required to enable the company to meet its obligations for a period of at least 12 months from signing the financial statements. The directors have made enquiries and understand that the parent company has adequate resources to be able to provide this financial support.

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

#### **Outlook**

The trading environment for the next 12 months is set to continue to be challenging. In spite of this, the directors remain optimistic about the current and future opportunities to grow the business, with innovative ideas, improved service quality and reliability while retaining a tight control on costs.

The directors remain confident that the company's activities will generate a satisfactory result in the coming period.

#### **Environmental**

FirstGroup plc recognises the importance of its environmental policies, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group's Annual Report, which do not form part of this Report. Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Through our core business activities we are committed to providing a safe, good quality, reliable and cost effective public transport to all our customers. Our core business strategy is to increase customer numbers and encourage a greater move towards the use of bus transport. This will support the needs of society to achieve more sustainable travel. We recognise the environmental impacts arising from our business activities and are committed to reducing these through effective environmental management.

#### **Employees**

Details of the number of employees and related costs can be found in note 4 to the financial statements.

#### **Financial matters**

The results for the financial period are given in the profit and loss account on page 7.

A final dividend of £6.0 million was paid prior to the period end (2010: £2.5 million). In accordance with FRS21 this has been recognised in the financial statements when approved.

#### **Fixed assets**

In the opinion of the directors, there were no material differences between the market values of the company's assets and their net book values.

## **First Essex Buses Limited**

### **Directors' report (continued)**

#### **Supplier payment policy**

It is the company's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions. A number of significant purchases, such as fuel and tyres and commitments under finance leases and hire purchase contracts and under operating leases are paid by direct debit. At 26 March 2011 the company had 63 days' (2010 - 51 days') purchases outstanding.

#### **Financial instruments**

The company's principal financial assets are bank balances and trade debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has no significant concentration of credit risk, with exposure spread over a large number of customers. The credit risk on liquid funds is limited because the counterparties are banks. Although certain risks, for example fuel price, are hedged on a group basis, the company does not directly enter into any derivative financial instruments. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses intercompany finance.

#### **Directors**

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

J Cato	(Resigned 4 October 2010)
S Little	(Resigned 9 April 2010)
S Wickers	
P Pannell	(Appointed 9 April 2010, resigned 2 May 2011)
J Groombridge	
N Barrett	(Appointed 16 August 2010)
M Branigan	(Appointed 2 May 2011)
A Pilbeam	(Resigned 2 May 2011)
D Marshall	(Appointed 30 November 2010)
P Mhaghr	(Appointed 15 August 2011)

#### **Employee involvement**

Communication with employees is effected mainly through regular briefing and negotiating meetings between the directors, the senior management and employee representatives on the central and depot negotiating committees. The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests.

#### **Disabled persons**

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

## First Essex Buses Limited

### Directors' report (continued)

#### Audit information

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

- so 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 ought to have taken as a director to make himself 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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting

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



Westway  
Chelmsford  
Essex  
CM1 3AR

D Marshall  
Director

21<sup>st</sup> DECEMBER 2011

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## **First Essex Buses Limited**

### **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 period. 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST ESSEX BUSES LIMITED**

We have audited the financial statements of First Essex Buses Limited for the 52 weeks ended 26 March 2011 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds, and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

As 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. 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 26 March 2011 and of its profit for the 52 week period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

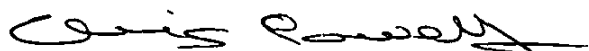
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period 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.



**Christopher Powell FCA (Senior Statutory Auditor)**

**For and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor

Leeds, United Kingdom

22 December 2011



## **First Essex Buses Limited**

### **Profit and loss account 52 weeks ended 26 March 2011**

		<b>52 weeks ended 26 March 2011 £000</b>	<b>52 weeks ended 27 March 2010 £000</b>
	<b>Notes</b>		
<b>Turnover</b>	2	46,141	43,806
Operating costs	3	<u>(39,818)</u>	<u>(38,688)</u>
<b>Operating profit</b>		6,323	5,118
Interest payable and similar charges	7	<u>(75)</u>	<u>(75)</u>
<b>Profit on ordinary activities before taxation</b>	8	6,248	5,043
Tax charge on profit on ordinary activities	9	<u>(1,742)</u>	<u>(1,393)</u>
<b>Profit for the period, transferred to reserves</b>	19	<u>4,506</u>	<u>3,650</u>

All activities relate to continuing operations

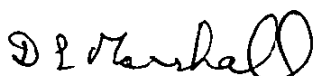
There were no gains and losses other than those in the profit and loss account and so no statement of total recognised gains and losses is presented

# First Essex Buses Limited

## Balance Sheet At 26 March 2011

	Notes	£000	26 March 2011 £000	£000	27 March 2010 £000
<b>Assets employed:</b>					
<b>Fixed assets</b>					
Tangible assets	11		22,268		23,439
Investments	12		3		3
			<u>22,271</u>		<u>23,442</u>
<b>Current assets</b>					
Stocks	13	829		705	
Debtors	14	1,474		1,300	
Cash at bank and in hand		10,718		4,142	
		<u>13,021</u>		<u>6,147</u>	
<b>Creditors</b> amounts falling due within one year	15	(31,688)		(24,343)	
<b>Net current liabilities</b>			<u>(18,667)</u>		<u>(18,196)</u>
<b>Total assets less current liabilities</b>			3,604		5,246
<b>Provisions for liabilities</b>	16		<u>(2,123)</u>		<u>(2,340)</u>
<b>Net assets</b>			<u>1,480</u>		<u>2,906</u>
<b>Financed by:</b>					
<b>Capital and reserves</b>					
Called up share capital	18		550		550
Profit and loss account	19		930		2,356
<b>Shareholder's funds</b>			<u>1,480</u>		<u>2,906</u>

These financial statements (company registration number 1961457) were approved by the Board of Directors and authorised for issue on 21<sup>st</sup> December 2011 and were signed on its behalf by



D Marshall  
Director

## **First Essex Buses Limited**

### **Reconciliation of Movements in Shareholders' Funds 52 weeks ended 26 March 2011**

	<b>52 weeks ended 26 March 2011 £000</b>	<b>52 weeks ended 27 March 2010 £000</b>
Profit for the financial period	4,506	3,650
Share based payments (note 6)	68	76
Dividends paid (note 10)	(6,000)	(2,500)
Net (reduction in) / addition to shareholder's funds	(1,426)	1,226
Opening shareholder's funds	2,906	1,680
Closing shareholder's funds	1,480	2,906

## **First Essex Buses Limited**

### **Notes to the Financial Statements 52 weeks ended 26 March 2011**

#### **1. Principal accounting policies**

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

##### **(a) Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The financial statements are made up to the Saturday nearest to the year end for each financial period.

##### **(b) Going concern**

The directors have considered the going concern assumption given the current uncertainties in economic climate and have formed the conclusion that there is a reasonable expectation that the company will continue to operate in the foreseeable future. The directors have considered the company forecasts and the financial commitment from the parent company in forming this judgement.

The parent company has provided the directors of the company with a letter confirming that it will make available such funds as may be required to enable the company to meet its obligations for a period of at least 12 months from signing the financial statements. The directors have made enquiries and understand that the parent company has adequate resources to be able to provide this financial support.

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

##### **(c) Group financial statements**

Under the provisions of section 401 of the Companies Act 2006, and in accordance with paragraphs 21b and 21c of Financial Reporting Standard 2, the company is exempt from preparing consolidated financial statements by virtue of the fact that the company is a subsidiary of another company which prepares Group financial statements. The financial statements therefore present information about the company as an individual undertaking and not as a group.

##### **(d) Cash flow statement**

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

##### **(e) 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 useful lives as follows:

Freehold buildings	-	50 years straight line
Long leasehold properties	-	50 years straight line
Short leasehold properties	-	period of lease
Passenger carrying vehicle		
Double and single decks	-	15 years straight line
Coaches	-	7 or 12 years straight line
Midibuses	-	12 years straight line
Minibuses	-	9 years straight line
Other plant and equipment	-	3 to 8 years straight line

No depreciation is provided on freehold land.

## **First Essex Buses Limited**

### **Notes to the Financial Statements (continued)**

**52 weeks ended 26 March 2011**

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

**(f) Investments**

Fixed asset investments are shown at cost less provision for impairment

**(g) Leases**

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

**(h) Government grants and subsidies**

Amounts receivable for tendered services and concessionary fare schemes are included in turnover. Rebates in respect of duty paid on fuel are netted off operating costs

**(i) Stocks**

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

**(j) 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 period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. 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

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 the tax rates and laws that have been enacted by the balance sheet date

**(k) Pension costs**

**Group schemes**

The company is unable to separately identify its share of the scheme assets and liabilities for the First UK Bus Pension Scheme and the FirstGroup Pension Scheme. It therefore accounts for the schemes as if they were defined contribution schemes and includes certain disclosures in the financial statements in respect of the Group schemes. Contributions are charged to the profit and loss account as they become payable

**(l) Turnover**

UK Bus turnover principally comprises amounts receivable from ticket sales and concessionary fare schemes. Concessionary amounts are recognised in the period in which the service is provided based on a predetermined formula as agreed with the relevant local authority. Other bus and services revenue from contracts with government bodies and similar organisations are recognised as the services are provided

**(m) Share based payments**

The company's parent issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of 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

## First Essex Buses Limited

### Notes to the Financial Statements (continued) 52 weeks ended 26 March 2011

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

##### (n) Insurance

FirstGroup plc's policy is to self-insure high frequency, low value claims within the businesses. To provide protection above these types of losses, cover is obtained through third-party insurance policies. Provision is made under FRS12 for the estimated cost of settling uninsured claims for incidents occurring prior to the balance sheet date.

#### 2. Turnover and profit on ordinary activities before taxation

Turnover represents the amounts receivable for services supplied to customers during the period.

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.

#### 3. Operating costs

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Raw materials and consumables	7,128	8,895
Staff costs (note 4)	23,529	23,778
Other external charges	6,464	3,546
Depreciation and other amounts written off tangible fixed assets	2,697	2,469
	<u>39,818</u>	<u>38,688</u>

#### 4. Employee numbers and costs

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

	52 weeks ended 26 March 2011 No	52 weeks ended 27 March 2010 No
Drivers	726	764
Maintenance and traffic	172	181
Administration	14	41
	<u>912</u>	<u>986</u>

# First Essex Buses Limited

## Notes to the Financial Statements (continued)

52 weeks ended 26 March 2011

### 4. Employee numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Wages and salaries	20,314	20,364
Social security costs	1,671	1,775
Other pension costs	1,476	1,563
Share based payment	68	76
	<u>23,529</u>	<u>23,778</u>

### 5. Directors' remuneration

The remuneration of the directors during the period was as follows

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Aggregate emoluments (excluding pension contributions)	225	167
Company pension contributions to final salary scheme	26	25
	<u>251</u>	<u>192</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

No directors exercised share options during the period

Retirement benefits accrue to 3 executive directors under defined benefit schemes (2010 - 3)

The emoluments of the highest paid director amounted to

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Aggregate emoluments (excluding pension contributions)	61	167
Company pension contributions to final salary scheme	-	25
	<u>61</u>	<u>192</u>
<i>Defined benefit scheme</i>		
Accrued pension at end of period	5	8
Accrued lump sum at end of period	26	40

# First Essex Buses Limited

## Notes to the Financial Statements (continued)

52 weeks ended 26 March 2011

### 6. Share based payments

#### Save as you earn (SAYE)

The Group operates an Inland Revenue 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 saving weekly or monthly over a specified period. Sharesave accounts are held with Lloyds TSB and Yorkshire Building Society. The right to exercise the option is at the employee's discretion at the end of the period previously chosen for a period of six months.

Details of the share options of the group outstanding during the period are as follows

	SAYE April 2006 Options No.	SAYE December 2006 Options No.	SAYE December 2007 Options No.	SAYE December 2008 Options No.	SAYE December 2009 Options No.	SAYE December 2010 Options No.
Outstanding at the beginning of the period	1,265	1,789,363	1,514,616	2,224,615	2,900,694	-
Awarded during the period	-	-	-	-	-	2,999,495
Exercised during the period	-	-	(1,595)	(2,878)	(3,093)	-
Lapsed during the period	(1,265)	(1,789,363)	(1,389,721)	(272,935)	(271,508)	(33,882)
Outstanding at the end of the period	-	-	123,300	1,948,802	2,626,093	2,965,613
Exercisable at the end of the period	-	-	123,300	-	-	-
Weighted average exercise price (pence)	325.0	444.0	583.0	371.0	310.0	319.0
Weighted average share price at date of exercise (pence)	N/A	N/A	376.8	382.1	369.3	N/A

The fair values of the options granted during the last two periods were measured using a Black-Scholes model. The inputs into the Black-Scholes model were as follows:

	2010
Weighted average share price (pence)	
SAYE December 2009	407.3
SAYE December 2010	-
Weighted average exercise price (pence)	
SAYE December 2009	371.0
SAYE December 2010	-
Expected volatility	
SAYE December 2009	30%
SAYE December 2010	-
Expected life	
SAYE schemes	3 years
Rate of interest	
SAYE December 2009	2.7%
SAYE December 2010	-
Expected dividend yield	
SAYE December 2009	3.0%
SAYE December 2010	-



# First Essex Buses Limited

## Notes to the Financial Statements (continued) 52 weeks ended 26 March 2011

### 6. Share based payments (continued)

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

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

The Group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme. The company has recognised a total expense of £68,000 (2010 - £76,000) relating to equity-settled share-based payment transactions.

### 7. Interest payable and similar charges

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Interest recharge from group undertakings	75	75

### 8. Profit on ordinary activities before taxation

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Profit on ordinary activities before taxation is stated after charging		
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	35	32
Depreciation and other amounts written off tangible fixed assets		
- owned assets	2,697	2,469
Rentals payable under operating leases		
- land and buildings	224	194
- other	10	22

There were no fees payable to Deloitte LLP and their associates for non-audit services to the company during the period (2010 - £nil).

# First Essex Buses Limited

## Notes to the Financial Statements (continued) 52 weeks ended 26 March 2011

### 9. Tax charge on profit on ordinary activities

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Current taxation		
- Group relief payable	1,988	1,479
- Adjustments in respect of prior periods	(31)	(278)
Total current taxation	1,957	1,201
Deferred taxation		
- Origination and reversal of timing differences	(185)	(55)
- Adjustment in respect of prior periods	37	247
- Effect of decrease in tax rate on opening deferred tax balance	(67)	-
Total deferred taxation	(215)	192
Total tax charge on profit on ordinary activities	1,742	1,393

The standard rate of taxation for the period, based on the UK standard rate of corporation tax, is 28% (2010 - 28%) The actual current tax charge for the current and previous period differed from the standard rate for the reasons set out in the following reconciliation

	52 weeks ended 26 March 2011 %	52 weeks ended 27 March 2010 %
Standard rate of taxation	28.0	28.0
Factors affecting charge		
- Capital allowances in excess of depreciation	2.8	0.8
- Other timing differences	0.6	0.5
- Prior periods' tax charge	(0.5)	(5.5)
Current taxation rate for the period	30.9	23.8

During the year the UK government enacted legislation to reduce the UK corporation tax rate reduced from 28% to 27% with effect from 1 April 2011. The effect of this reduction in the UK Corporation Tax rate was to reduce the deferred tax liability on UK timing differences.

The UK Government later announced that it would introduce legislation that would reduce the corporation tax rate to 26% with effect from 1 April 2011. This legislation was substantially enacted on the 29 March 2011, after the end of the financial period. The effective tax rate for the period to 31 March 2012 is expected to reduce accordingly.

The UK government has also announced the intention to subsequently reduce the UK corporation tax rate by 1% per annum to 23% with effect from 1 April 2014. This is likely to have the effect of reducing the effective tax rate in future years.

No deferred tax has been recognised on disposals where the gain has been rolled into replacement assets as such tax would only become payable if the replacement asset is sold without rollover relief being obtained. The tax which would be payable in such circumstances is estimated to be £0.7 million (2010 - £0.7 million).

# First Essex Buses Limited

## Notes to the Financial Statements (continued) 52 weeks ended 26 March 2011

### 10. Dividends

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Amounts recognised as distributions to equity holders in the period		
Final dividend for period of £10 91 (2010 - £4 55) per share	6,000	2,500

### 11. Tangible fixed assets

	Land and buildings £000	Passenger carrying vehicle fleet £000	Other plant and equipment £000	Total £000
<b>Cost</b>				
At 28 March 2010	10,085	36,466	2,827	49,378
Additions	-	109	123	232
Intra group transfers	-	4,826	-	4,826
Disposals	-	(2,574)	-	(2,574)
At 26 March 2011	10,085	38,827	2,950	51,862
<b>Depreciation</b>				
At 28 March 2010	911	22,787	2,241	25,939
Charge for period	134	2,335	228	2,697
Intra group transfers	-	3,517	-	3,517
Disposals	-	(2,559)	-	(2,559)
At 26 March 2011	1,045	26,080	2,469	29,594
<b>Net book value</b>				
At 26 March 2011	9,040	12,747	481	22,268
At 27 March 2010	9,174	13,679	586	23,439

## First Essex Buses Limited

### Notes to the Financial Statements (continued) 52 weeks ended 26 March 2011

#### 11. Tangible fixed assets (continued)

The net book value of land and buildings comprises

	26 March 2011 £000	27 March 2010 £000
Freehold	8,574	8,697
Long leasehold	403	412
Short leasehold	63	65
	<u>9,040</u>	<u>9,174</u>

Depreciation is not provided on the land element of freehold property which amounts to £3.7 million (2010 - £3.7 million)

#### 12. Fixed asset investments

	Subsidiary undertakings £000
<b>Cost</b>	
At 28 March 2010 and at 26 March 2011	<u>1,175</u>
<b>Provisions for impairment</b>	
At 28 March 2010 and at 26 March 2011	<u>(1,172)</u>
<b>Net book value</b>	
At 27 March 2010 and at 26 March 2011	<u>3</u>

The subsidiary undertakings at the end of the period, and the nature of their business are

Subsidiary undertakings	Country of incorporation	Principal activity	Holding %
Airport Buses Limited	Great Britain	Dormant	100%
Airport Coaches Limited	Great Britain	Dormant	100%
Lynton Bus & Coach Limited	Great Britain	Dormant	100%

#### 13. Stocks

	26 March 2011 £000	27 March 2010 £000
Spare parts and consumables	<u>829</u>	<u>705</u>

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

# First Essex Buses Limited

## Notes to the Financial Statements (continued) 52 weeks ended 26 March 2011

### 14. Debtors

	26 March 2011 £000	27 March 2010 £000
<b>Amounts due within one year</b>		
Trade debtors	1,100	649
Other debtors	369	287
Prepayments and accrued income	5	364
	<u>1,474</u>	<u>1,300</u>

### 15. Creditors

	26 March 2011 £000	27 March 2010 £000
<b>Amounts falling due within one year</b>		
Trade creditors	2,333	1,760
Amounts owed to Group undertakings	25,815	20,284
Corporation tax	1	1
Other tax and social security	728	657
Other creditors	28	41
Accruals and deferred income	2,783	1,600
	<u>31,688</u>	<u>24,343</u>

### 16. Provisions for liabilities

	Insurance claims £000	Deferred tax £000	Total £000
At 28 March 2010	504	1,836	2,340
Utilised in the period	(696)	-	(696)
Charged / (credited) to the profit and loss account	693	(215)	478
	<u>502</u>	<u>1,621</u>	<u>2,123</u>
At 26 March 2011			

Details of the deferred tax provision are given in note 17

Insurance claims accruals due within one year at 26 March 2011 amounted to £270,000 (2010 - £272,000) and are included in 'accruals and deferred income' within note 15. The amount included within provisions above represents the estimate of amounts due after more than one year.

The insurance claims provision arises from estimated exposures for incidents occurring prior to the balance sheet date. It is anticipated that the majority of such claims will be settled within the next six years.

# **First Essex Buses Limited**

## **Notes to the Financial Statements (continued)** **52 weeks ended 26 March 2011**

### **17. Deferred taxation**

	<b>26 March 2011 £000</b>	<b>27 March 2010 £000</b>
Provision for deferred taxation consists of the following amounts		
Capital allowances in excess of depreciation	1,748	1,960
Other timing differences	(127)	(124)
	<u>1,621</u>	<u>1,836</u>
Deferred tax provision	<u>1,621</u>	<u>1,836</u>

### **18. Called up share capital**

	<b>26 March 2011 £000</b>	<b>27 March 2010 £000</b>
Allotted, called up and fully paid 550,000 ordinary shares of £1 each	<u>550</u>	<u>550</u>

### **19. Reserves**

	<b>Profit and loss account £000</b>
At 28 March 2010	2,356
Profit for the financial period	4,506
Dividends (note 10)	(6,000)
Share based payments	68
	<u>930</u>
At 26 March 2011	<u>930</u>

## First Essex Buses Limited

### Notes to the Financial Statements (continued) 52 weeks ended 26 March 2011

#### 20. Commitments

##### Capital expenditure

The company had no capital commitments at 26 March 2011 or 27 March 2010

##### Operating leases

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

	<b>Land and buildings</b>	
	<b>26 March</b>	<b>27 March</b>
	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Operating leases which expire		
In one year or less or on demand	136	101
In more than one year but not more than five years	-	35
In more than five years	55	55
	<u>191</u>	<u>191</u>

#### 21. Contingent liabilities

The company is a member of a Value Added Tax ("VAT") group covering a number of subsidiary undertakings. All members of the VAT group are jointly and severally liable in respect of any VAT owed to HMRC.

The company is part of the group banking protocol where each company has joint and several liability for the others.

#### 22. Pension schemes

##### First UK Bus Pension Scheme

The company is unable to separately identify its share of the scheme assets and liabilities as contributions are set for the scheme as a whole rather than reflecting the underlying actuarial characteristics of the employees of the individual employer. It therefore accounts for the scheme as if it were a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable.

The deficit on the First UK Bus Pension Scheme of £52.4 million (2010 deficit of £61.9 million) will affect the company through periodic adjustments to the company's contribution rate as determined by the actuary. Additional disclosures required under Financial Reporting Standard 17 have been made on a group basis in the accounts of FirstGroup plc.

##### FirstGroup Pension Scheme

The company is unable to separately identify its share of the scheme assets and liabilities as contributions are set for the scheme as a whole rather than reflecting the underlying actuarial characteristics of the employees of the individual employer. It therefore accounts for the scheme as if it were a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable.

The deficit on the FirstGroup UK Bus Pension Scheme of £1.5 million (2010 deficit of £4.3 million) will affect the company through periodic adjustments to the company's contribution rate as determined by the actuary. Additional disclosures required under Financial Reporting Standard 17 have been made on a group basis in the accounts of FirstGroup plc.

The total pension cost in the period was £1,476,000 (2010 £1,563,000).

At 26 March 2011 contributions of £nil (2010 £nil) was outstanding at that date.

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## **First Essex Buses Limited**

### **Notes to the Financial Statements (continued)** **52 weeks ended 26 March 2011**

#### **23 Related party transactions**

The company is taking advantage of the exemption under Financial Reporting Standard 8 not to disclose transactions with group companies that are related parties

#### **24. Ultimate parent company**

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

The immediate parent of the company is FirstBus (South) Limited, a company incorporated in Great Britain

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