

Company Registration No. 1961457

FIRST ESSEX BUSES LIMITED

Report and Financial Statements

30 March 2013

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FIRST ESSEX BUSES LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

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FIRST ESSEX BUSES LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the 52 weeks period ended 30 March 2013

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 2.5% compared to the prior period. It should also be noted that the current period is for 52 weeks (2012: 53 weeks). The increase in revenue is a reflection of fairly consistent activity levels and inflationary impacts. Operating profit has increased from £3.3 million to £3.6 million as a result of continued management of the cost base and increased service efficiency.

The balance sheet on page 8 of the financial statements shows the company's financial position at the period-end. Net assets have increased from £1.1 million to £3.7 million reflecting the recorded profit after tax.

Capital expenditure including intercompany transfers was £5.1 million in the period. Further details are set out in note 11.

Significant cost increases will 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. Management mitigates the competitive pressure by monitoring competitor's behaviour and strategies to ensure that the company acts appropriately under current market conditions. 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 and Group seek to minimise the operational and financial impact of such events through fixed price forward contracts entered into by First Group treasury 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.

FIRST ESSEX BUSES LIMITED

DIRECTORS' REPORT (continued)

Going concern

At 30 March 2013, the company had cash of £89,000, bank loans and overdrafts of £9,578,000, net current liabilities of £18,043,000 and net assets of £3,697,000. 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 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 had 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.

Following the strategic plan of the ultimate parent company FirstGroup plc, on 3 September 2013 the company directors announced a plan to restructure the South East and Midlands region into three smaller stronger business units. As a result First Essex Buses Limited will become a part of the new Essex business unit. The new structure has been implemented from 1 November 2013.

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.

No dividend was paid during the period (2012 £3.0 million).

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 30 March 2013 the company had 115 days' (2012: 59 days') purchases outstanding.

Financial instruments

The company's principal financial assets are bank balances, intercompany receivables 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 during the period and subsequently appointed are as follows:

S Wickers	(Resigned 1 November 2013)
J Groombridge	
N Barrett	(Resigned 2 December 2013)
M Branigan	(Resigned 1 November 2013)
D Marshall	
P Mhaghrh	(Resigned 14 April 2013)
K Doores	(Appointed 25 June 2012, resigned 1 November 2013)
D Squire	(Appointed 29 July 2013, resigned 1 November 2013)
A Jones	(Appointed 1 November 2013)
J Wenmar	(Appointed 1 November 2013)

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 requirements 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.

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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 / 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

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



D Marshall
Director

9 December 2013

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 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 ESSEX BUSES LIMITED

We have audited the financial statements of First Essex Buses Limited for the 52 weeks ended 30 March 2013 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholder's 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 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 30 March 2013 and of its profit for the 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.



Mark Tolley (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

9 December 2013

FIRST ESSEX BUSES LIMITED

PROFIT AND LOSS ACCOUNT

52 weeks ended 30 March 2013

		52 weeks ended 30 March 2013 £000	53 weeks ended 31 March 2012 £000
	Notes		
Turnover	2	47,528	46,360
Operating costs	3	<u>(43,972)</u>	<u>(43,036)</u>
Operating profit		3,556	3,324
Interest payable and similar charges	7	<u>(152)</u>	<u>(73)</u>
Profit on ordinary activities before taxation	8	3,404	3,251
Tax charge on profit on ordinary activities	9	<u>(873)</u>	<u>(682)</u>
Profit for the period, transferred to reserves	19	<u><u>2,531</u></u>	<u><u>2,569</u></u>

All activities relate to continuing operations

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

The accompanying notes are an integral part of this profit and loss account

FIRST ESSEX BUSES LIMITED

BALANCE SHEET At 30 March 2013

	Notes	£000	30 March 2013 £000	£000	31 March 2012 £000
Assets employed:					
Fixed assets					
Tangible assets	11		24,125		21,662
Investments	12		3		3
			<u>24,128</u>		<u>21,665</u>
Current assets					
Stocks	13	907		777	
Debtors	14	3,433		5,997	
Cash at bank and in hand		89		10,614	
		<u>4,429</u>		<u>17,388</u>	
Creditors amounts falling due within one year	15	(22,472)		(34,924)	
Net current liabilities			(18,043)		(17,536)
Total assets less current liabilities			<u>6,085</u>		<u>4,129</u>
Creditors amounts falling due after more than one year	15		(929)		(1,125)
Provisions for liabilities	16		(1,459)		(1,893)
Net assets			<u>3,697</u>		<u>1,111</u>
Financed by:					
Capital and reserves					
Called up share capital	18		550		550
Profit and loss account	19		3,147		561
Shareholder's funds			<u>3,697</u>		<u>1,111</u>

The accompanying notes are an integral part of this balance sheet

These financial statements (company registration number 1961457) were approved by the Board of Directors and authorised for issue on 9 December 2013 and were signed on its behalf by

D L Marshall

D Marshall
Director

FIRST ESSEX BUSES LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS **52 weeks ended 30 March 2013**

	30 March 2013 £000	31 March 2012 £000
Profit for the financial period	2,531	2,569
Share based payments (note 6)	55	62
Dividends paid (note 10)	-	(3,000)
	<hr/>	<hr/>
Net addition to / (reduction in) shareholder's funds	2,586	(369)
	<hr/>	<hr/>
Opening shareholder's funds	1,111	1,480
	<hr/>	<hr/>
Closing shareholder's funds	<u>3,697</u>	<u>1,111</u>

FIRST ESSEX BUSES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 30 March 2013

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 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 had 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 30 March 2013

1. Principal accounting policies (continued)

(f) Investments

Fixed asset investments are shown at cost less provision for impairment

(g) 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.

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.

(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. Ticket sales are recognised in the period in which the service is provided. 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.

FIRST ESSEX BUSES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

52 weeks ended 30 March 2013

1. Principal accounting policies (continued)

(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.

(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 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 30 March 2013 £000	53 weeks ended 31 March 2012 £000
Raw materials and consumables	10,140	8,553
Staff costs (note 4)	25,517	25,169
Other external charges	5,851	6,616
Depreciation	2,464	2,698
	<u>43,972</u>	<u>43,036</u>

4. Employee numbers and costs

	52 weeks ended 30 March 2013 No	53 weeks ended 31 March 2012 No
The average number of persons employed by the company (including directors) during the period was as follows		
Drivers	753	751
Maintenance and traffic	200	199
Administration	10	8
	<u>963</u>	<u>958</u>

FIRST ESSEX BUSES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

52 weeks ended 30 March 2013

4. Employee numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	52 weeks ended 30 March 2013 £000	53 weeks ended 31 March 2012 £000
Wages and salaries	21,686	21,485
Social security costs	2,020	1,847
Other pension costs	1,756	1,775
Share based payment	55	62
	<u>25,517</u>	<u>25,169</u>

5. Directors' remuneration

During the current period all directors (2012 all) received remuneration from other FirstGroup companies for services provided in their capacity as a director of First Essex Buses Limited. The amounts disclosed below represent the amounts recharged from those companies

	52 weeks ended 30 March 2013 £000	53 weeks ended 31 March 2012 £000
Aggregate emoluments (excluding pension contributions)	197	177
Company pension contributions to final salary scheme	29	32
	<u>226</u>	<u>209</u>

Retirement benefits accrue to 4 executive directors under defined benefit schemes (2012 4)

FIRST ESSEX BUSES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

52 weeks ended 30 March 2013

6. Share based payments

Save as you earn (SAYE)

The Group operates an HMRC approved savings related share option scheme. Grants were made as set out below. The scheme is based on eligible employees being granted options and their agreement to opening a sharesave account with a nominated savings carrier and to save weekly or monthly over a specified period. Sharesave accounts are held with Yorkshire Building Society. The right to exercise the option is at the employee's discretion at the end of the period previously chosen for a period of six months.

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

FIRST ESSEX BUSES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) 52 weeks ended 30 March 2013

6. Share based payments (continued)

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

	2013	2012
Weighted average share price (pence)		
- SAYE December 2011	-	319.2
- SAYE December 2012	188.9	-
Weighted average exercise price (pence)		
- SAYE December 2011	-	271.5
- SAYE December 2012	143.9	-
Expected volatility		
- SAYE December 2011	-	35%
- SAYE December 2012	35%	-
Expected life (years)		
- SAYE schemes	3	3
Rate of interest		
- SAYE December 2011	-	0.6%
- SAYE December 2012	0.4%	-
Expected dividend yield		
- SAYE December 2011	-	7.0%
- SAYE December 2012	12.5%	-

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.

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 £55,000 (2012: £62,000) relating to equity-settled share-based payment transactions.

FIRST ESSEX BUSES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) 52 weeks ended 30 March 2013

7. Interest payable and similar charges

	52 weeks ended 30 March 2013 £000	53 weeks ended 31 March 2012 £000
Unwinding of discount provision	122	73
Finance lease and hire purchase contracts	30	-
	<u>152</u>	<u>73</u>

8. Profit on ordinary activities before taxation

	53 weeks ended 31 March 2012 £000	53 weeks ended 31 March 2012 £000
Profit on ordinary activities before taxation is stated after charging / (crediting)		
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	31	31
Depreciation		
- owned assets	2,433	2,614
- held under finance leases and hire purchase contracts	31	84
Loss on disposal of fixed assets	58	41
Government grants	(3,309)	(3,981)
Rentals payable under operating leases		
- plant and machinery	21	-
- land and buildings	252	245
- other	21	-

There were no fees payable to Deloitte LLP and their associates for non-audit services to the company during the period (2012 £nil)

FIRST ESSEX BUSES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

52 weeks ended 30 March 2013

9. Tax charge on profit on ordinary activities

	52 weeks ended 30 March 2013 £000	53 weeks ended 31 March 2012 £000
Current taxation		
- Group relief payable	1,427	1,064
- Adjustments in respect of prior periods	34	(33)
Total current taxation	1,461	1,031
Deferred taxation		
- Origination and reversal of timing differences	(537)	(149)
- Adjustment in respect of prior periods	2	(23)
- Effect of decrease in tax rate on opening deferred tax balance	(53)	(177)
Total deferred taxation	(588)	(349)
Total tax charge on profit on ordinary activities	873	682

The standard rate of taxation for the period, based on the UK standard rate of corporation tax, is 24% (2012 26%) 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 30 March 2013 %	53 weeks ended 31 March 2012 %
Standard rate of taxation	24.0	26.0
Factors affecting charge		
- Expenses not deductible for tax purposes	1.1	1.7
- Capital allowances in excess of depreciation	16.7	4.3
- Other timing differences	0.1	0.7
- Prior periods' tax charge	1.0	(1.0)
Current taxation rate for the period	42.9	31.7

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

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

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

FIRST ESSEX BUSES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

52 weeks ended 30 March 2013

10. Dividends

	52 weeks ended 30 March 2013 £000	53 weeks ended 31 March 2012 £000
Amounts recognised as distributions to equity holders in the period		
Final dividend for period of £nil (2012 £5 45) per share	-	3,000

11. Tangible fixed assets

	Land and buildings £000	Passenger carrying vehicle fleet £000	Other plant and equipment £000	Total £000
Cost				
At 1 April 2012	10,207	40,803	2,860	53,870
Additions	-	3,049	1,237	4,286
Intra group transfers	-	1,203	-	1,203
Disposals	-	(3,585)	(6)	(3,591)
At 30 March 2013	10,207	41,470	4,091	55,768
Depreciation				
At 1 April 2012	1,204	28,351	2,653	32,208
Charge for period	154	2,184	126	2,464
Intra group transfers	-	411	-	411
Disposals	-	(3,434)	(6)	(3,440)
At 30 March 2013	1,358	27,512	2,773	31,643
Net book value				
At 30 March 2013	8,849	13,958	1,318	24,125
At 31 March 2012	9,003	12,452	207	21,662

FIRST ESSEX BUSES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

52 weeks ended 30 March 2013

11. Tangible fixed assets (continued)

The net book value of land and buildings comprises

	30 March 2013 £000	31 March 2012 £000
Freehold	8,326	8,449
Long leasehold	464	493
Short leasehold	59	61
	<u>8,849</u>	<u>9,003</u>

Depreciation is not provided on the land element of freehold property which amounts to £3.7 million (2012: £3.7 million)

£x million (2012: £1.3 million) of the net book value of the passenger carrying vehicle fleet was acquired under finance leases and hire purchase contracts. The depreciation charges on these assets during the period was £31,000 (2012: £84,000)

12. Fixed asset investments

	Subsidiary undertakings £000
Cost	
At 1 April 2012 and at 30 March 2013	<u>1,175</u>
Provisions for impairment	
At 1 April 2012 and at 30 March 2013	<u>(1,172)</u>
Net book value	
At 31 March 2012 and at 30 March 2013	<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	Ordinary shares	100%
Airport Coaches Limited	Great Britain	Dormant	Ordinary shares	100%
Lynton Bus & Coach Limited	Great Britain	Dormant	Ordinary shares	100%
Lynton Company Services Limited	Great Britain	Dormant	Ordinary shares	100%

13. Stocks

	30 March 2013 £000	31 March 2012 £000
Spare parts and consumables	<u>907</u>	<u>777</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 30 March 2013

14. Debtors

	30 March 2013 £000	31 March 2012 £000
Amounts due within one year		
Trade debtors	751	705
Amounts due from Group undertakings	477	4,703
Other debtors	567	416
Prepayments and accrued income	1,638	173
	<u>3,433</u>	<u>5,997</u>

15. Creditors

	30 March 2013 £000	31 March 2012 £000
Amounts falling due within one year		
Bank loans and overdrafts	9,578	-
Obligations under finance leases and hire purchase contracts	188	133
Trade creditors	5,032	2,469
Amounts owed to Group undertakings	3,274	28,257
Corporation tax	1	1
Other tax and social security	751	672
Other creditors	452	45
Accruals and deferred income	3,196	3,347
	<u>22,472</u>	<u>34,924</u>
Amounts falling due after more than one year		
Obligations under finance leases and hire purchase contracts	929	1,125
	<u>929</u>	<u>1,125</u>
Analysis of borrowings		
Obligations under finance leases and hire purchase contracts		
Due within one year	188	133
Due in more than one year but not more than two years	188	187
Due in more than two years but not more than five years	563	563
Due in more than five years	178	375
	<u>1,117</u>	<u>1,258</u>

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

All obligations under finance leases and hire purchase contracts have been settled post year.

FIRST ESSEX BUSES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

52 weeks ended 30 March 2013

16. Provisions for liabilities

	Insurance claims £000	Deferred tax £000	Total £000
At 1 April 2012	621	1,272	1,893
Charged / (credited) to the profit and loss account	590	(588)	2
Unwinding of discount	122	-	122
Utilised in the period / transferred to accruals	(558)	-	(558)
At 30 March 2013	<u>775</u>	<u>684</u>	<u>1,459</u>

Insurance claims accruals due within one year at 30 March 2013 amounted to £418,000 (2012 £334,000) 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.

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

17. Deferred taxation

	31 March 2012 £000	31 March 2012 £000
Provision for deferred taxation consists of the following amounts		
Capital allowances in excess of depreciation	804	1,411
Other timing differences	(120)	(139)
Deferred tax provision	<u>684</u>	<u>1,272</u>

18. Called up share capital

	31 March 2012 £000	31 March 2012 £000
Allotted, called up and fully paid 550,000 ordinary shares of £1 each	<u>550</u>	<u>550</u>

FIRST ESSEX BUSES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) 52 weeks ended 30 March 2013

19. Reserves

	Profit and loss account £000
At 1 April 2012	561
Profit for the financial period	2,531
Share based payments (note 6)	55
	<hr/>
At 30 March 2013	3,147
	<hr/>

20. Commitments

Capital expenditure

The company had no capital commitments at 30 March 2013 or 31 March 2012

Operating leases

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

	Land and buildings 30 March 2013 £000	31 March 2012 £000
Operating leases which expire		
In one year or less or on demand	84	107
In more than one year but not more than five years	23	35
In more than five years	148	110
	<hr/>	<hr/>
	255	252
	<hr/>	<hr/>

21. Contingent liabilities

The company participates in an overdraft facility with its parent company, FirstGroup plc and other group companies. The company has jointly and severally guaranteed the liabilities of the other parties under these arrangements.

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.

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 £11.0 million (2012: £31.8 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.

FIRST ESSEX BUSES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

52 weeks ended 30 March 2013

22. Pension schemes (continued)

First Group 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 Pension Scheme of £7.3 million (2012 £5.7 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 contributions paid to the schemes by the company in the period was £1,756,000 (2012 £1,775,000).

At 30 March 2013 contributions of £3,000 (2012 £nil) were outstanding at that date.

23. Related party transactions

The company is taking advantage of the exemption under Financial Reporting Standard 8 not to disclose transactions with wholly owned 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 6LG.