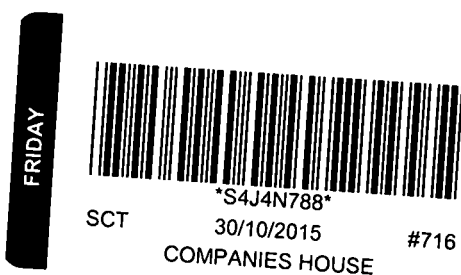


Company Registration No. 1961457

First Essex Buses Limited

Report and Financial Statements

28 March 2015



First Essex Buses Limited

Report and financial statements 2015

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First Essex Buses Limited

Strategic report

The directors, in preparing this strategic report for First Essex Buses Limited, have complied with s414C of the Companies Act 2006.

Principal activity

The company's principal activity is 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 2.8% compared to the prior period with a growth in passenger volumes following the significant fare reductions. Operating profit has increased from £1.9 million to £2.6 million due to increased revenues offset by increased costs arising from fuel usage and other inflationary increases in costs.

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 £5.2 million to £7.2 million.

Capital expenditure, including transfers from other group companies, was £5.7 million in the period. Further details are set out in note 10.

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.

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.

Going concern

At 28 March 2015, the company had cash of £2.0 million, bank loans of £16.5 million, net current liabilities of £22.0 million and net assets of £7.2 million. 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.

First Essex Buses Limited

Strategic report (continued)

Principal 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 the following:

Competition risk

Management mitigate the competitive pressure by monitoring competitors' behaviour and strategies to ensure that the company acts appropriately under current market conditions.

Legal and regulatory risk

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.

Litigation and claims risk

The company has three main insurance risks, third party claims arising from vehicle and general operations, employee injuries and property damage. FirstGroup plc has a very strong focus on safety, as one of its core values, the promotion of a 'Safety First' culture at all levels throughout the business minimises insurance premiums and other related claims.

Liquidity risk

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.

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.

Labour cost and employee relation risk

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.

To retain the right people the company believes that good 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.

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.

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

First Essex Buses Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Fuel cost risk

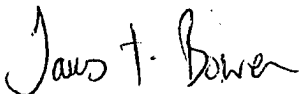
Fuel costs represent a significant proportion of the company's cost base. Fuel prices are directly influenced by international, political and economic circumstances as well as natural disasters. Wherever possible, the group seek to minimise the operational and financial impact of such events through fixed price forward contracts and other operational efficiency measures.

Environmental risk

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.

Approved by the Board of Directors and signed on its behalf by:



J T Bowen
Director
28 October 2015

First Essex Buses Limited

Directors' report

The directors have pleasure in submitting their annual report and financial statements for the 52 weeks period ended 28 March 2015.

Results and dividends

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

No dividend was paid during the period (2014: £nil).

Directors

The directors who held office during the period and subsequently appointed are as follows:

N J Barker	(Appointed 17 April 2014)
K J Belfield	(Appointed 18 August 2014, resigned 11 August 2015)
J T Bowen	(Appointed 11 July 2014)
M Branigan	(Appointed 20 January 2014, resigned 30 June 2015)
A C Green	(Appointed 1 October 2014)
J V Groombridge	(Resigned 10 October 2014)
A M Jones	
D L Marshall	(Resigned 11 July 2014)
S I Munro	(Resigned 5 June 2014)
D J Squire	(Appointed 20 January 2014, resigned 30 June 2015)
J M Weimar	(Resigned 10 April 2014)

Directors' and officers' liability insurance

Directors' and officers' liability insurance is taken out by FirstGroup plc, the company's ultimate parent undertaking, for the benefit of the directors and officers of the company.

Directors' indemnity

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) were in force during the period and up to and including the date of the directors' report for the benefit of the directors of the company.

Audit information

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

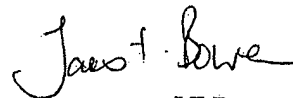
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor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

Auditor

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



J T Bowen
Director

28 October 2015

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 MEMBER OF FIRST ESSEX BUSES LIMITED

We have audited the financial statements of First Essex Buses Limited for the 52 week period ended 28 March 2015 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholder's funds, and the related notes 1 to 23. 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 member, 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 member 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 member 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 28 March 2015 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.



David Sweeney CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow, United Kingdom

29 October 2015

First Essex Buses Limited

Profit and loss account 52 weeks ended 28 March 2015

		52 weeks ended 28 March 2015 £000	52 weeks ended 29 March 2014 £000
	Notes		
Turnover	2	51,828	50,409
Operating costs	3	(49,194)	(48,541)
Operating profit		<u>2,634</u>	<u>1,868</u>
Interest payable and similar charges	7	(69)	(135)
Profit on ordinary activities before taxation	8	<u>2,565</u>	<u>1,733</u>
Tax charge on profit on ordinary activities	9	(608)	(263)
Profit for the period, transferred to reserves	18	<u><u>1,957</u></u>	<u><u>1,470</u></u>

All activities relate to continuing operations.

There were no gains or losses for the current or preceding financial period 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.

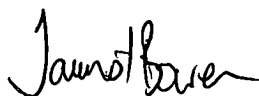
First Essex Buses Limited

Balance sheet At 28 March 2015

	Notes	£000	28 March 2015 £000	£000	29 March 2014 £000
Assets employed:					
Fixed assets					
Tangible assets	10		30,692		31,177
Investments	11		3		3
			<u>30,695</u>		<u>31,180</u>
Current assets					
Stocks	12	932		1,117	
Debtors	13	5,481		4,451	
Cash at bank and in hand		1,953		185	
		<u>8,366</u>		<u>5,753</u>	
Creditors: amounts falling due within one year	14	(30,411)		(30,121)	
Net current liabilities			<u>(22,045)</u>		<u>(24,368)</u>
Total assets less current liabilities			8,650		6,812
Provisions for liabilities	15		<u>(1,452)</u>		<u>(1,599)</u>
Net assets			<u><u>7,218</u></u>		<u><u>5,213</u></u>
Financed by:					
Capital and reserves					
Called up share capital	17		550		550
Profit and loss account	18		6,668		4,663
Shareholder's funds			<u><u>7,218</u></u>		<u><u>5,213</u></u>

The accompanying notes are an integral part of this balance sheet.

These financial statements (company registration number 01961457) were approved by the Board of Directors and authorised for issue on 28 October 2015 and were signed on its behalf by:



J T Bowen
Director

First Essex Buses Limited

Reconciliation of movements in shareholder's funds 52 weeks ended 28 March 2015

	52 weeks ended 28 March 2015 £000	52 weeks ended 29 March 2014 £000
Profit for the financial period	1,957	1,470
Share based payments (note 6)	48	46
Net increase in shareholder's funds	2,005	1,516
Opening shareholder's funds	5,213	3,697
Closing shareholder's funds	7,218	5,213

First Essex Buses Limited

Notes to the financial statements 52 weeks ended 28 March 2015

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

At 28 March 2015, the company had cash of £2.0 million, bank loans of £16.5 million, net current liabilities of £22.0 million and net assets of £7.2 million. 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 28 March 2015

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 28 March 2015

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 28 March 2015 £000	52 weeks ended 29 March 2014 £000
Raw materials and consumables	11,128	10,775
Staff costs (note 4)	29,979	27,679
Other external charges	4,647	6,685
Depreciation	3,440	3,402
	<u>49,194</u>	<u>48,541</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 28 March 2015 No	52 weeks ended 29 March 2014 No
Drivers	846	802
Maintenance and traffic	209	206
Administration	11	11
	<u>1,066</u>	<u>1,019</u>

First Essex Buses Limited

Notes to the financial statements (continued) 52 weeks ended 28 March 2015

4. Employee numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 28 March 2015 £000	52 weeks ended 29 March 2014 £000
Wages and salaries	25,222	23,371
Social security costs	2,304	2,096
Other pension costs	2,405	2,166
Share based payment (note 6)	48	46
	<u>29,979</u>	<u>27,679</u>

5. Directors' remuneration

Nine directors (2014: all) received remuneration from other FirstGroup companies totalling £978,000 (2014: £338,000); it is not considered practicable to allocate this between services provided to those companies, and services provided in their capacity as directors of First Essex Buses Limited.

The remuneration of the directors who were remunerated by the company during the period was as follows:

	28 March 2015 £000	29 March 2014 £000
Aggregate emoluments (excluding pension contributions)	70	-
Company pension contributions to final salary scheme	14	-
	<u>84</u>	<u>-</u>

Retirement benefits accrue to eight executive directors under defined benefit schemes (2014: eight).

Directors' remunerations 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.

The emoluments of the highest paid director are not disclosed for the current or preceding period as the disclosure limits have not been exceeded.

First Essex Buses Limited

Notes to the financial statements (continued) 52 weeks ended 28 March 2015

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 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

First Essex Buses Limited

Notes to the financial statements (continued) 52 weeks ended 28 March 2015

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:

	2015	2014
Weighted average share price (pence)		
- SAYE December 2013	-	116.0
- SAYE December 2014	108.9	-
Weighted average exercise price (pence)		
- SAYE December 2013	-	94.1
- SAYE December 2014	97.0	-
Expected volatility		
- SAYE December 2013	-	35%
- SAYE December 2014	35%	-
Expected life (years)		
- SAYE schemes	3	3
Rate of interest		
- SAYE December 2013	-	1.0%
- SAYE December 2014	0.9%	-
Expected dividend yield		
- SAYE December 2013	-	0.0%
- SAYE December 2014	0.0%	-

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 £48,000 (2014: £46,000) relating to equity-settled share-based payment transactions.

First Essex Buses Limited

Notes to the financial statements (continued) 52 weeks ended 28 March 2015

7. Interest payable and similar charges

	52 weeks ended 28 March 2015 £000	52 weeks ended 29 March 2014 £000
Unwinding of discount provision	69	114
Finance lease and hire purchase contracts	-	21
	<u>69</u>	<u>135</u>

8. Profit on ordinary activities before taxation

	52 weeks ended 28 March 2015 £000	52 weeks ended 29 March 2014 £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 financial statements	37	32
Depreciation		
- owned assets	3,440	3,402
Gain on disposal of fixed assets	(20)	-
Government grants	(3,440)	(3,635)
Rentals payable under operating leases		
- plant and machinery	9	-
- other	255	289

There were no fees payable to Deloitte LLP and their associates for non-audit services to the company during the period (2014: £nil).

First Essex Buses Limited

Notes to the financial statements (continued) 52 weeks ended 28 March 2015

9. Tax charge on profit on ordinary activities

	52 weeks ended 28 March 2015 £000	52 weeks ended 29 March 2014 £000
Current taxation		
- Group relief payable	487	242
- Adjustments in respect of prior periods	94	(63)
Total current taxation	581	179
Deferred taxation		
- Origination and reversal of timing differences	27	184
- Adjustment in respect of prior periods	-	(12)
- Effect of decrease in tax rate on opening deferred tax balance	-	(88)
Total deferred taxation	27	84
Total tax charge on profit on ordinary activities	608	263

The standard rate of taxation for the period, based on the UK standard rate of corporation tax, is 21% (2014: 23%). 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 28 March 2015 %	52 weeks ended 29 March 2014 %
Standard rate of taxation	21.0	23.0
Factors affecting charge		
- Expenses not deductible for tax purposes	1.3	2.2
- Capital allowances in excess of depreciation	(3.5)	(8.4)
- Other timing differences	0.2	(2.9)
- Prior periods' tax charge	3.7	(3.6)
Current taxation rate for the period	22.7	10.3

First Essex Buses Limited

Notes to the financial statements (continued) 52 weeks ended 28 March 2015

10. Tangible fixed assets

	Land and buildings £000	Passenger carrying vehicle fleet £000	Other plant and equipment £000	Total £000
Cost				
At 30 March 2014	10,529	50,529	4,308	65,366
Additions	-	3,274	329	3,603
Intra group transfers in	-	2,118	-	2,118
Intra group transfers out	-	(1,295)	(194)	(1,489)
Disposals	-	(3,971)	(8)	(3,979)
At 28 March 2015	10,529	50,655	4,435	65,619
Depreciation				
At 30 March 2014	1,524	29,681	2,984	34,189
Charge for period	168	2,983	289	3,440
Intra group transfers in	-	1,599	-	1,599
Intra group transfers out	-	(788)	(4)	(792)
Disposals	-	(3,501)	(8)	(3,509)
At 28 March 2015	1,692	29,974	3,261	34,927
Net book value				
At 28 March 2015	8,837	20,681	1,174	30,692
At 29 March 2014	9,005	20,848	1,324	31,177

The net book value of land and buildings comprises:

	28 March 2015 £000	29 March 2014 £000
Freehold	8,376	8,513
Long leasehold	406	435
Short leasehold	55	57
	8,837	9,005

Depreciation is not provided on the land element of freehold property which amounts to £3.7 million (2014: £3.7 million).

First Essex Buses Limited

Notes to the financial statements (continued) 52 weeks ended 28 March 2015

11. Fixed asset investments

	Subsidiary undertakings £000
Cost	
At 30 March 2014 and at 28 March 2015	1,175
Provisions for impairment	
At 30 March 2014 and at 28 March 2015	(1,172)
Net book value	
At 28 March 2015 and at 29 March 2014	3

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%
PTI (South East) Limited	Great Britain	Dormant	Ordinary shares	100%

12. Stocks

	28 March 2015 £000	29 March 2014 £000
Spare parts and consumables	932	1,117

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

13. Debtors

	28 March 2015 £000	29 March 2014 £000
Amounts due within one year		
Trade debtors	515	695
Amounts due from group undertakings	1,637	739
Other debtors	75	1,385
Prepayments and accrued income	3,254	1,632
	5,481	4,451

First Essex Buses Limited

Notes to the financial statements (continued) 52 weeks ended 28 March 2015

14. Creditors

	28 March 2015 £000	29 March 2014 £000
Amounts falling due within one year		
Bank loans	16,490	15,141
Trade creditors	2,525	3,381
Amounts owed to group undertakings	1,415	5,612
Other tax and social security	1,234	785
Other creditors	5,228	1,999
Accruals and deferred income	3,519	3,203
	<u>30,411</u>	<u>30,121</u>

15. Provisions for liabilities

	Insurance claims £000	Deferred tax £000	Total £000
At 30 March 2014	831	768	1,599
Charged to the profit and loss account	284	27	311
Unwinding of discount	69	-	69
Utilised in the period / transferred to accruals	(547)	-	(547)
At 28 March 2015	<u>637</u>	<u>795</u>	<u>1,432</u>

Insurance claims accruals due within one year at 28 March 2015 amounted to £343,000 (2014: £447,000) and are included in 'accruals and deferred income' within note 14. 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 16.

16. Deferred taxation

	28 March 2015 £000	29 March 2014 £000
Provision for deferred taxation consists of the following amounts:		
Capital allowances in excess of depreciation	1,204	1,178
Other timing differences	(409)	(410)
Deferred tax provision	<u>795</u>	<u>768</u>

17. Called up share capital

	28 March 2015 £000	29 March 2014 £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 28 March 2015**

21. Pension schemes (continued)

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 Pension Scheme of £7.0 million (2014: £10.1 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 financial statements of FirstGroup plc.

The total contributions paid to the schemes by the company in the period was £2,405,000 (2014: £2,166,000).

At 28 March 2015 contributions of £nil (2014: £5,000) was outstanding at that date.

22. 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.

23. 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 financial statements of FirstGroup plc can be obtained on request from Ground Floor, 50 Eastbourne Terrace, Paddington, London W2 6LG.

First Essex Buses Limited

Notes to the financial statements (continued) 52 weeks ended 28 March 2015

18. Reserves

	Profit and loss account £000
At 30 March 2014	4,663
Profit for the financial period	1,957
Share based payments (note 6)	48
	<hr/>
At 28 March 2015	7,218
	<hr/>

19. Commitments

Capital expenditure

The company had no capital commitments at 28 March 2015 or 29 March 2014.

Operating leases

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

	Land and buildings		Other	
	28 March 2015 £000	29 March 2014 £000	28 March 2015 £000	29 March 2014 £000
Operating leases which expire:				
In one year or less or on demand	111	132	-	-
In more than one year but not more than five years	-	-	9	-
In more than five years	144	110	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	255	242	9	-
	<hr/>	<hr/>	<hr/>	<hr/>

20. 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. The value of the group commitment owed to HMRC can be found within the FirstGroup plc financial statements.

21. 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 £55.4 million (2014: £92.7 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 financial statements of FirstGroup plc.