

First Travel Solutions Limited

Annual Report and Financial Statements

For the 53 week period ended 31 March 2018



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First Travel Solutions Limited

Report and financial statements 2018

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First Travel Solutions Limited

Strategic report

The directors have pleasure in submitting their strategic report for the 53 week period ended 31 March 2018.

Principal activities

The company's principal activities are the provision of bus and coach operations in the United Kingdom.

Business review

As shown in the company's profit and loss account, the company's turnover was £25.5 million, an increase of 41% on the prior period (2017: £18.1million). This increase reflected the success of contract tenders won in the period, including the Champions League Final and the IAAF Athletic Championships. A contract with South Western Railway to provide planned and emergency rail replacement services commenced in August 2017 which more than compensated for the loss of the London Midland Railway in December 2017 which ended due to rail franchise changes.

Operating profit increased from £0.7 million to £1.3 million. Sub-contractor costs, and staff numbers rose in line with the expansion of the business. The company has a flexible staffing model to support the periodic nature of the operations and a significant number of staff are on annualised hours contracts. The increase in staff numbers reflects the greater use of these staff at the sporting events and on the rail replacement operations. The directors continue to carry out regular detailed reviews of contract 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, leading to the improved operating profit position.

In March 2018, the senior management team was strengthened to ensure that the expanded business can continue to deliver high quality services, this restructure included the addition of a new role of Head of Operations.

The balance sheet shows the company's financial position at the period end. Net assets have increased from £14.7 million to £15.7 million, primarily due to the profit for the financial period being transferred to reserves.

The key performance indicators for the company are considered to be turnover, net assets and operating profit, which have been discussed above. 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. FirstGroup plc ("the group") manages its operations on a divisional basis. The performance of the UK Bus Division of FirstGroup plc, which includes the company, and the key performance indicators for the group as a whole are discussed in the group's Annual Report which does not form part of this report. Details of where the group's Annual Report can be found are set out in note 17.

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 customers and staff. Safety as a key performance indicator is discussed for the group as a whole in the group's Annual Report.

Future developments

The directors expect the general level of activity to remain fairly constant in the coming financial period. The company has retained all of its major contracts, and has won a new sporting event contract to operate transport of athletes, media and VIPs at the European Athletics Championships in Glasgow in July and August 2018.

The company remains well placed to capture opportunities extending its core business area, to include events and other transport solutions in a range of markets.

Going concern

At 31 March 2018, the company had cash of £17.5 million, net current assets of £15.8 million, net assets of £15.7 million and made a profit of £1.1 million. The directors have carried out a detailed review of the budgets for the period to 31 March 2018 and medium term plans, with due regard for the risks and uncertainties to which the business is exposed, 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 also taken into consideration the financial commitment from the ultimate parent company in forming this judgement.

The ultimate parent company has provided the directors of the company with a letter confirming that it has the intention to 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 ultimate 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.

First Travel Solutions 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

The company faces the risk of loss of customers through other bus companies providing improved services or more competitive pricing. 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.

Labour cost and employee relations and retention 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 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.

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 and 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.

First Travel Solutions Limited

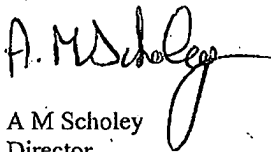
Strategic report (continued)

Principal risks and uncertainties (continued)

General Political Risk

The UK's departure from the European Union may adversely impact the UK's economic position which in turn may have an adverse impact on the company's operations. The group has formed a Brexit Steering Committee to monitor and manage the potential impact of Brexit.

Approved by the board of directors and signed on its behalf by:



A M Scholey
Director

18 December 2018

First Travel Solutions Limited

Directors' report

The directors have pleasure in submitting their annual report and audited financial statements for the 53 week period ended 31 March 2018.

Results and dividends

The results for the financial period are given in the profit and loss account on page 9.

No ordinary dividends were paid during the period (2017: £nil). The directors do not recommend the payment of a final dividend (2017: £nil).

Events after the balance sheet date

On 26 October 2018, the High Court ruled that guaranteed minimum pensions should be equalised between men and women. As a result pension scheme trustees will be obliged to adjust benefit payments in order that benefits received by male and female members with equivalent age, service and earnings histories are equal. We are working with the trustees of our UK pension schemes and our actuarial and legal advisors to fully understand the extent to which this ruling could crystallise additional liabilities in our UK pension schemes. We estimate that the impact could be significant and we anticipate that any adjustment will be recognised in the second half of the current financial year.

Directors

The directors who held office throughout the period and up to the date of this report, are as follows:

A M Scholey

J M White

R Kirk (Appointed 8 June 2017)

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.

Strategic report

In accordance with the Companies Act 2006, s.414C(1) the directors have chosen to include details of future developments in the strategic report rather than the directors' report.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

The company's principal financial assets are bank balances. The credit risk on liquid funds is limited because the counterparties are banks. The company's other financial assets are trade and intercompany debtors. The directors do not consider there to be any risk associated with intercompany balances as these are managed for the group as a whole by FirstGroup plc. 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 number of customers. Although certain risks, for example fuel price, are hedged on a group basis, the company does not directly enter into any derivative financial instruments.

Liquidity risk

In order to maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the company uses intercompany financing. 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.

First Travel Solutions Limited

Directors' report (continued)

Audit information

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

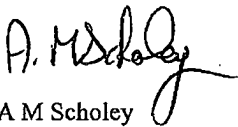
- as far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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

This confirmation is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the board of directors and signed on its behalf by:



A M Scholey

Director

18 December 2018

First Travel Solutions 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 TRAVEL SOLUTIONS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of First Travel Solutions Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the 53 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST TRAVEL SOLUTIONS LIMITED

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Mark Boxall (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

18 December 2018

First Travel Solutions Limited

Profit and loss account

53 week period ended 31 March 2018

	Note	53 weeks ended 31 March 2018 £000	52 weeks ended 25 March 2017 £000
Turnover	3	25,503	18,056
Operating costs	6	(24,205)	(17,344)
Operating profit		1,298	712
Net finance costs	7	(4)	(2)
Profit before taxation		1,294	710
Tax charge on profit	8	(239)	(142)
Profit for the period		1,055	568

All activities relate to continuing operations.

Statement of comprehensive income

53 week period ended 31 March 2018

	Note	53 weeks ended 31 March 2018 £000	52 weeks ended 25 March 2017 £000
Profit for the period		1,055	568
Remeasurement gain/(loss) recognised on net defined pension scheme	16	10	(131)
Movement on deferred tax relating to pension scheme	12	(2)	22
Reduced deferred tax asset arising from rate change		-	(1)
Total other comprehensive income/(loss)		8	(110)
Total comprehensive income for the period		1,063	458

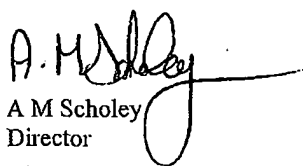
First Travel Solutions Limited

Balance Sheet As at 31 March 2018

		31 March 2018		25 March 2017	
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	9		88		86
			<u>88</u>		<u>86</u>
Current assets					
Debtors	10	6,956		3,787	
Cash at bank and in hand		17,498		17,466	
		<u>24,454</u>		<u>21,253</u>	
Creditors: amounts falling due within one period	11	(8,636)		(6,483)	
Net current assets			15,818		14,770
Total assets less current liabilities			15,906		14,856
Provisions for liabilities	13		(158)		(185)
Net assets			<u>15,748</u>		<u>14,671</u>
Capital and reserves					
Called-up share capital	14		251		251
Share premium account			4		4
Profit and loss account			15,493		14,416
Shareholder's funds			<u>15,748</u>		<u>14,671</u>

The financial statements of First Travel Solutions Limited (registration number 01966624) were approved by the board of directors and authorised for issue on 18 December 2018.

They were signed on its behalf by:


A M Scholey
Director

First Travel Solutions Limited

Statement of changes in equity 53 week period ended 31 March 2018

	Called-up share capital £000	Share premium reserve £000	Profit and loss account £000	Total £000
At 26 March 2016	251	4	13,950	14,205
Profit for the period	-	-	568	568
Other comprehensive loss	-	-	(110)	(110)
Total comprehensive income	-	-	458	458
Share-based payments	-	-	8	8
At 25 March 2017	251	4	14,416	14,671
Profit for the period	-	-	1,055	1,055
Other comprehensive income	-	-	8	8
Total comprehensive income	-	-	1,063	1,063
Share-based payments	-	-	14	14
At 31 March 2018	251	4	15,493	15,748

First Travel Solutions Limited

Notes to the financial statements 53 week period ended 31 March 2018

1. Principal accounting policies

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

General information and basis of preparation

First Travel Solutions Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The company's registered office is Unit 20 Time Technology Park, Blackburn Road, Simonstone, Burnley, BB12 7TG. The nature of the company's operations and its principal activities are set out in the strategic report.

The financial statements for the period ended 31 March 2018 include the results and financial position of the company for 53 weeks ended 31 March 2018.

The financial statements have been prepared under the historical cost convention and on a going concern basis as described in the going concern statement within the strategic report, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of First Travel Solutions Limited is pound sterling because that is the currency of the primary economic environment in which the company operates.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. The company is consolidated in the financial statements of its ultimate parent, FirstGroup plc, which may be obtained at 395 King Street, Aberdeen, AB24 5RP. Exemptions have been taken in relation to share-based payments, presentation of a cash flow statement, intra-group transactions, key management personnel and financial instrument disclosures.

Tangible fixed assets and depreciation

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

Depreciation is provided to write off the cost less residual value of tangible fixed assets over their estimated useful economic lives as follows:

Plant and equipment	3 to 15 years straight-line
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Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying value amount higher than the carrying value had no impairment been recognised.

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.

Government grants and subsidies

Rebates in respect of duty paid on fuel are netted off against operating costs.

Revenue recognition

The company's turnover principally comprises the total value of all charges to clients for provision of managed ground transport including coaches, taxi and co-ordination services. Sales are recognised in the period in which the service is provided.

First Travel Solutions Limited

Notes to the financial statements (continued)

53 week period ended 31 March 2018

1. Principal accounting policies (continued)

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 or substantively been enacted by the balance sheet date.

Pension costs

First UK Bus Pension Scheme

The company participates in a group defined benefit scheme, the First UK Bus Pension Scheme, which is held in separately administered funds. This scheme has been allocated across all participating employing entities based on the proportion of pensionable pay relating to the members employed by that entity. The amounts charged to operating profit regarding the defined benefit scheme are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on the assets are shown as a net amount as other financial costs or credits included within interest payable. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The last formal actuarial valuation was at 5 April 2016. The resulting defined benefit asset or liability is presented separately after other assets on the face of the balance sheet.

FirstGroup Pension Scheme

The company participates in a group multi-employer defined benefit scheme, the FirstGroup Pension Scheme. This scheme is disclosed in FirstGroup Holdings Limited's financial statements and is funded separately by defined contributions which have been expensed to the profit and loss account of FirstGroup Holdings Limited during the period to 31 March 2018. There is no charge in the company's profit and loss. The assets and liabilities of the scheme are held separately and cannot be allocated out, accordingly, the scheme is treated as a defined contribution scheme in the financial statements.

Defined contribution pension scheme

The company operates a defined contribution pension scheme. Payments to the defined contribution scheme are charged as an expense as they fall due. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments. There is no legal or constructive obligation to pay additional contributions into the defined contribution scheme if the fund has insufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

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 the 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. 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 £14,000 (2017: £8,000) relating to equity-settled share-based payment transactions.

First Travel Solutions Limited

Notes to the financial statements (continued)

53 week period ended 31 March 2018

1. Principal accounting policies (continued)

Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, financing arrangements from banks and other third parties and balances due to and from related parties.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

2. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the accounting policies which are described above, management has made the following judgments and estimates that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Defined benefit pension arrangements

Measurement of defined benefit pension obligations requires estimation of a suitable discount rate, the expected return on scheme assets, expected rate of inflation of future salary and pension costs along with assumptions about mortality rates. The most significant of these are the discount rate and inflation rate assumptions. The gross pension liability, before deferred tax, as at the balance sheet date was £158,000 (2017: £185,000) as set out in note 16.

Accruals

The supplier cost accrual is reviewed at each balance sheet date. After 9 months, if no invoices have been received from the coach or taxi operators, 90% of the outstanding value is written back and a provision for the remaining 10% is created. A further review of the 10% provision is carried out after 12 months. If no invoices have been received at that time, the remaining 10% is also written back.

The directors do not consider there to be any critical accounting judgements.

3. Turnover

Turnover represents the amounts receivable for services supplied to customers during the period. The whole of the turnover derives from the company's principal activities within the United Kingdom. The company has one principal class of business, namely the provision of bus and coach operations in the United Kingdom.

4. Employee numbers and costs

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

	53 weeks ended 31 March 2018 No.	52 weeks ended 25 March 2017 No.
Maintenance and traffic	74	33
Administration	76	71
	<hr/> 150	<hr/> 104

First Travel Solutions Limited

Notes to the financial statements (continued)

53 week period ended 31 March 2018

4. Employee numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	53 weeks ended 31 March 2018 £000	52 weeks ended 25 March 2017 £000
Wages and salaries	2,841	2,673
Social security costs	257	222
Pension costs	95	67
Share based payments	14	8
	<u>3,207</u>	<u>2,970</u>

The pension costs of £95,000 above include costs relating to participation in the First Group plc defined contribution scheme, as well as the defined benefit scheme set out in note 16.

5. Directors' remuneration

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

	53 weeks ended 31 March 2018 £000	52 weeks ended 25 March 2017 £000
Aggregate emoluments	313	346
Company contributions to pension schemes	21	20
	<u>334</u>	<u>366</u>

Retirement benefits accrue to two directors under defined benefit schemes (2017: none) and to no directors under defined contribution schemes (2017: one).

The emoluments of the highest paid director amounted to:

	53 weeks ended 31 March 2018 £000	52 weeks ended 25 March 2017 £000
Aggregate emoluments	<u>198</u>	<u>221</u>

The highest paid director exercised share options during the period and became entitled to receive shares under the FirstGroup long term incentive plan.

6. Operating costs

	53 weeks ended 31 March 2018 £000	52 weeks ended 25 March 2017 £000
Staff costs (note 4)	3,207	2,970
Other external charges	1,353	1,065
Sub-contractor costs	19,508	13,214
Depreciation (note 9)	29	16
Auditor's remuneration for audit of the company's financial statements	3	7
Operating lease rentals	105	72
	<u>24,205</u>	<u>17,344</u>

There were no fees payable to Deloitte LLP and their associates for non-audit services to the company during the period (2017: £nil).

First Travel Solutions Limited

Notes to the financial statements (continued)

53 week period ended 31 March 2018

7. Net finance costs

	53 weeks ended 31 March 2018 £000	52 weeks ended 25 March 2017 £000
Net interest on defined benefit pension scheme	4	2

8. Taxation

	53 weeks ended 31 March 2018 £000	52 weeks ended 25 March 2017 £000
Current taxation		
- Group relief payable	245	138
- Adjustments in respect of prior periods	(1)	(1)
Total current taxation	244	137
Deferred taxation		
- Origination and reversal of timing differences	2	5
- Adjustment in respect of prior periods	(7)	(1)
- Effect of decrease in tax rate on opening deferred tax balance	-	1
Total deferred taxation	(5)	5
Total tax on profit	239	142

The standard rate of tax applied to reported loss is 19% (2017: 20%). The applicable tax rate has changed following the substantive enactment of Finance Act No2 2015 which included provisions to reduce the UK corporation tax rate to 19% with effect from 1 April 2017. Finance Act 2016 introduced further legislation to reduce the main rate of corporation tax to 17% from 1 April 2020 and these rates have therefore been used to measure deferred tax assets and liabilities where applicable.

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:

	53 weeks ended 31 March 2018 £000	52 weeks ended 25 March 2017 £000
Profit before tax	1,294	710
Tax on profit on at standard UK corporation tax rate of 19% (2017: 20%)	246	142
Factors affecting charge:		
- Expenses not deductible for tax purposes	1	2
- Prior period adjustments	(8)	(2)
- Effect of decrease in tax rate on opening deferred tax balance	-	1
- Effect of decrease in tax rate on origination and reversal of timing differences	-	(1)
Total tax on profit	239	142

First Travel Solutions Limited

Notes to the financial statements (continued) 53 week period ended 31 March 2018

9. Tangible fixed assets

	Plant and equipment £000
Cost	
At 26 March 2017	105
Additions	31
At 31 March 2018	<u>136</u>
Depreciation	
At 26 March 2017	19
Charge for period	29
At 31 March 2018	<u>48</u>
Net book value	
At 31 March 2018	<u>88</u>
At 25 March 2017	<u>86</u>

10. Debtors

	2018 £000	2017 £000
Amounts due within one period		
Trade debtors	203	968
Amounts owed by fellow group undertakings	4,768	2,386
Amounts owed by ultimate parent undertaking	-	4
Prepayments and accrued income	1,934	388
Other debtors	7	-
Deferred tax asset	44	41
	<u>6,956</u>	<u>3,787</u>

Amounts owed by fellow group undertakings and ultimate parent undertaking are repayable on demand and are interest free.

11. Creditors

	2018 £000	2017 £000
Amounts falling due within one period		
Trade creditors	954	249
Amounts owed to fellow group undertakings	4,946	4,932
Amounts owed to ultimate parent undertaking	236	-
Other tax and social security	11	56
Other creditors	53	44
Accruals and deferred income	2,436	1,202
	<u>8,636</u>	<u>6,483</u>

Amounts owed to fellow group undertakings and ultimate parent undertaking are repayable on demand and are interest free.

First Travel Solutions Limited

Notes to the financial statements (continued)

53 week period ended 31 March 2018

12. Deferred taxation

The movements in the deferred taxation asset were as follows:

	Deferred taxation £000
At 26 March 2017	41
Credited to the profit and loss account	5
Charged to other comprehensive income	(2)
	<hr/>
At 31 March 2018	44
	<hr/>

The opening and closing deferred tax asset is included in note 10 within debtors.

Deferred taxation consists of the following amounts:

	2018 £000	2017 £000
Depreciation in excess of capital allowances	12	6
Other timing differences	5	4
Pension	27	31
	<hr/>	<hr/>
Deferred taxation asset	44	41
	<hr/>	<hr/>

13. Provisions for liabilities

	2018 £000	2017 £000
Provision for defined benefit scheme deficit (note 16)	158	185
	<hr/>	<hr/>

14. Called-up share capital and reserves

	2018 £000	2017 £000
Allotted and called-up		
250,000 (2017: 250,000) ordinary shares of £1 each fully paid	250	250
500 (2017: 500) 'A' ordinary shares of £1 each fully paid	1	1
	<hr/>	<hr/>
	251	251
	<hr/>	<hr/>

The same rights attach to both ordinary and class 'A' ordinary shares. Both class of ordinary share carry full voting, dividend and capital distribution rights.

The company's other reserves are as follows:

The share premium reserve relates to the premium arising on issue of equity shares.

The profit and loss reserve represents cumulative profits and losses net of dividends paid.

First Travel Solutions Limited

Notes to the financial statements (continued)

53 week period ended 31 March 2018

15. Commitments

Capital commitments

The company had committed to capital rebranding expenditure of £nil as at 31 March 2018 (2017: £55,000).

Operating leases

Total future minimum lease payments for land and buildings under non-cancellable operating leases are as follows:

	2018 £000	2017 £000
Within one period	88	72

Other commitments

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 amount outstanding at the end of the period under the guarantees was £nil (2017: £nil).

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

16. Pension schemes

First UK Bus Pension Scheme

The First UK Bus Pension Scheme is included as part of its disclosure under FRS 102 and has been based on the proportion of pensionable pay relating to First Travel Solutions Limited members. The scheme's assets are held and managed independently of the company's finances by independent investment managers appointed by trustees of the scheme.

The actuarial valuations are obtained at least triennially. The last formal actuarial valuation was at 5 April 2016. The valuations are updated at each balance sheet date for FRS 102 purposes.

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

	2018	2017
Rate of increase in salaries	2.05%	2.00%
Rate of increase of pensions in payment	2.05%	2.00%
Discount rate	2.70%	2.80%
Inflation	2.05%	2.00%
Post-retirement mortality (life expectancy in years):		
Current pensioners aged 65	19.8	20.1
Future pensioners at 65 aged 45 now	21.3	21.3

The assets in the scheme at the balance sheet date were:

	2018 £m	2017 £m
Equities	0.3	0.6
Bonds	0.4	0.7
Other return seeking assets	0.7	0.1
	1.4	1.4

First Travel Solutions Limited

Notes to the financial statements (continued)

53 week period ended 31 March 2018

16. Pension schemes (continued)

The balance sheet position for the company:

	2018 £m	2017 £m
Total fair value of assets	1.4	1.4
Present value of scheme liabilities	(1.6)	(1.6)
Deficit in the scheme	(0.2)	(0.2)

Amounts recognised in the profit and loss account:

	2018 £m	2017 £m
Net interest cost	-	(0.1)

Amounts recognised in the statement of comprehensive income:

	2018 £m	2017 £m
Actual return less expected return on pension scheme assets	-	0.1
Changes in assumptions underlying the present value of scheme liabilities	-	(0.3)
	-	(0.2)

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

	2018 £m	2017 £m
Opening position	1.6	1.3
Interest cost	0.1	0.1
Actuarial loss	-	0.3
Benefits paid	(0.1)	(0.1)
Closing position as at balance sheet date	1.6	1.6

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

	2018 £m	2017 £m
Opening position	1.4	1.3
Interest income	0.1	-
Actuarial gain	-	0.2
Benefits paid	(0.1)	(0.1)
Closing position as at balance sheet date	1.4	1.4

FirstGroup Pension Scheme

The company participates in a group multi-employer defined benefit scheme, the FirstGroup Pension Scheme. This scheme is disclosed in FirstGroup Holdings Limited's financial statements and is funded separately by defined contributions which have been expensed to the profit and loss account of FirstGroup Holdings Limited during the period to 31 March 2018. There is no charge in the company's profit and loss. The assets and liabilities of the scheme are held separately and cannot be allocated out, accordingly, the scheme is treated as a defined contribution scheme in the financial statements.

The surplus on the FirstGroup Pension Scheme of £11.9 million (2017: £13.9 million) is reported within FirstGroup Holdings Limited financial statements.

First Travel Solutions Limited

Notes to the financial statements (continued)

53 week period ended 31 March 2018

17. Ultimate parent company

The company's immediate parent company and controlling party is First Beeline Buses Limited.

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.

Copies of the financial statements of FirstGroup plc can be obtained on request from 395 King Street, Aberdeen, AB24 5RP, which is the registered office of FirstGroup plc.

18. Events after the balance sheet date

On 26 October 2018, the High Court ruled that guaranteed minimum pensions should be equalised between men and women. As a result pension scheme trustees will be obliged to adjust benefit payments in order that benefits received by male and female members with equivalent age, service and earnings histories are equal. We are working with the trustees of our UK pension schemes and our actuarial and legal advisors to fully understand the extent to which this ruling could crystallise additional liabilities in our UK pension schemes. We estimate that the impact could be significant and we anticipate that any adjustment will be recognised in the second half of the current financial year.

Entity name	Signing RI	Engagement Letter?	PSR Clearance	Directors Signed	Auditor Signed	Signing date	Filed with Rep letter CH	Rep letter received
1 H&D	SP	Yes	Yes					
2 Northampton	SP	Yes	Yes					
3 Mid Red	SP	Yes	Yes					
4 Potteries	SP	Yes	Yes					
5 EC	SP	Yes	Yes					
6 Essex	SP	Yes	Yes					
7 SW / Devon + Cornwall	SP	Yes	Yes					
8 Cymru	SP	Yes	Yes					
9 Beeline	SP	Yes	Yes					
10 West of England / S&A	SP							
11 Central Services (Bristol)	SP							
12 First West Yorkshire Ltd	MB	Yes	Yes		Yes			
13 First Manchester Ltd	MB	Yes	Yes		Yes			
14 First South Yorkshire Ltd	MB	Yes	Yes	Yes	Yes	19/12/2018	Yes	
15 First York Ltd	MB	Yes	Yes	Yes	Yes	18/12/2018	Yes	
16 First Aberdeen Ltd	MB	Yes	Yes		Yes			
17 Midland Bluebird Ltd	MB	Yes	Yes		Yes			
18 First travel Solutions Ltd	MB	Yes	Yes	Yes	Yes	18/12/2018	Yes	
19 First Glasgow No 1 Ltd	MB	Yes	Yes		Yes			
20 First Glasgow No 2 Ltd	MB	Yes	Yes		Yes			
21 First Pioneer Ltd	MB	Yes	Yes		Yes			
22 Rider Holdings Ltd	MB	Yes	Yes	Yes	Yes			18/12/2018
23 First Scotland East Ltd	MB	Yes	Yes		Yes			
24 First Northern Ireland Ltd	MB	Yes	Yes	Yes	Yes			19/12/2018
25 Aeroporto Ltd	MB	Yes	Yes		Yes			
26 Aircoach (T/A Last Passive) Ltd	MB	Yes	Yes		Yes			