

TRAM OPERATIONS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2012

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COMPANIES HOUSE

**Company Registered
Number: 3097532**

TRAM OPERATIONS LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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DIRECTORS' REPORT
31 March 2012

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 2012

Principal activities

The company is part of FirstGroup plc and provides tram operating services to the concessionaire, Tramtrack Croydon Limited, and, ultimately, to Transport for London

Business review, future prospects and going concern

Tram services have operated satisfactorily in the year. Turnover increased by 13.52% (2011: 2.03%). Operating profit margin decreased to 9.98% (2011: 10.35%).

During the year the company received a tender from Transport for London to commission drivers and provide a new line 4 service operating between Elmers End and Therapia Lane. Transport for London and the London Borough of Croydon provided funding for the six new trams needed for this new line, which started on 24 June 2012. The company anticipates further improvements to its service in 2013.

In April 2012, the company agreed to novate its Tram Maintenance contracts to Transport for London.

There is currently uncertainty in the economic environment. However, the company operates a Retail Price Index ("RPI") linked government backed contract until at least 2030 with the ability to renegotiate for changes in the cost base every five years. At 31 March 2012 the company had cash at bank and in hand of £5,085,000 and net assets of £246,000. Hence, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in the financial statements.

Key performance indicators

In order to assist in the management of the business, the company monitors the following key performance indicator: operator controlled performance of scheduled kilometres in the year was 99.81% (2011: 99.84%).

Principal risks and uncertainties

To fully consider both opportunities and risks, the management team consult regularly. Risk is an inherent part of doing business. The management of the risks is based on a balance of risk and reward determined through careful consideration of both the potential likelihood and impact. The principal risks identified by the Board and the corresponding mitigating controls are set out below in no order of priority.

DIRECTORS' REPORT
31 March 2012

Principal risks and uncertainties (continued)***Business continuity and acts of terrorism***

A major incident or act of terrorism could impact on the company's ability to trade. In the event of a potentially disruptive incident, detailed plans are in place to maintain business continuity.

Legislation and regulation

The business is subject to numerous laws regulating safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage and other operating issues and considerations. These laws and regulations are constantly subject to change. The costs associated with complying with the adoption of new legislation, regulations or other laws could adversely impact the results of our operations. To help mitigate the risk of legislative or regulatory changes the company and FirstGroup plc regularly lobbies both government and transport bodies.

Business strategy

If the company adopts the wrong business strategy or does not implement its strategies effectively, the business may be negatively impacted. Strategic risk needs to be properly understood and managed to sustain long-term benefit for all stakeholders. A clear strategy is in place to regularly monitor costs and business performance.

Colleague engagement, retention and capability

The company employs around 175 colleagues who are critical to the success of our business. Maintaining good relations with colleagues and investing in their training and development is essential to the efficiency and sustainability of the company's operations. The company's employment policies and remuneration and benefits packages are regularly reviewed and designed to be competitive with other companies, as well as providing colleagues with fulfilling career opportunities. Colleague surveys, performance reviews, communications with trade unions and regular communication of business activities are some of the methods the company uses to understand and respond to colleagues' needs. Processes are also in place to identify talent and actively manage succession planning throughout the business.

Economic and market risks

The unprecedented economic slowdown and reducing job security is resulting in an increasing demand for value from our customers. Challenges to household/business disposable income and competitor pricing positions can affect the performance of the company in terms of costs only. Focus continues on delivering a punctual service with excellent customer service standards and mitigating any cost pressures. This is achieved through effective management of the businesses activities.

DIRECTORS' REPORT
31 March 2012

Financial matters

The results showed a profit before tax of £1,138,000 (2011 £1,040,000), which are detailed in the profit and loss account on page 8

The directors recommend the payment of a final dividend of £2,000,000 (2011 £500,000), which was paid on 21 June 2012

Financial risk management objectives and policies

The company's principal financial assets are bank balances, trade debtors and intercompany receivables. 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 sufficient processes in place to ensure debtors are collected in a timely manner. Management report to Group on a monthly basis, which includes variance analysis. This allows effective cash management.

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 March 2012 were equivalent to 53 days' purchases (2011 65 days).

Directors

The directors who held office throughout the year, and to the date of signing these financial statements, were as follows

Nick Chevis
John Rymer
Michael Steward
David Gausby
Adrian Wlodarski
Andrew James
Stephen Duckering
Vernon Barker

DIRECTORS' REPORT
31 March 2012

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 ought to have taken as a director in order 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 provision of section 418 of the Companies Act 2006

Auditor

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

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



A Wlodarski
Director

13th December 2012

Tramlink Depot
Coomber Way
Croydon
CRO 4TQ

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 TRAM OPERATIONS LIMITED

We have audited the financial statements of Tram Operations Limited for the year ended 31 March 2012, which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds, and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As more fully explained 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 Practice Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of financial statements

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAM
OPERATIONS LIMITED (continued)**

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed in the Companies Act 2006

In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Mark Tolley (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
13th December 2012

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2012

	Notes	2012 £000	2011 £000
Turnover	2	11,403	10,045
Operating costs	3	<u>(10,265)</u>	<u>(9,005)</u>
Profit on ordinary activities before taxation	7	1,138	1,040
Tax charge on profit on ordinary activities	8	<u>(297)</u>	<u>(295)</u>
Profit on ordinary activities after taxation and for the financial year	16	<u>841</u>	<u>745</u>

All activities in the current and preceding year relate to continuing operations

No separate Statement of Total Recognised Gains and Losses is given as all gains or losses for the current and preceding year passed through the profit and loss account

BALANCE SHEET
At 31 March 2012
Company Registered Number: 3097532

	Notes	2012	2011
		£000	£000
Assets employed:			
Fixed assets			
Tangible assets	10	54	29
Current assets			
Debtors	11	4,111	3,991
Cash at bank and in hand		5,085	5,223
		<u>9,196</u>	<u>9,214</u>
Creditors			
amounts falling due within one year	12	<u>(8,810)</u>	<u>(7,710)</u>
Net current assets		<u>386</u>	<u>1,504</u>
Total assets less current liabilities		440	1,533
Provisions for liabilities and charges	14	(194)	(140)
Net assets		<u>246</u>	<u>1,393</u>
Financed by:			
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account	16	246	1,393
Shareholders' funds		<u>246</u>	<u>1,393</u>

These financial statements of Tram Operations Limited registered number 3097532 were approved by the Board of Directors on 13th December 2012 and were signed on its behalf by



A Wlodarski
Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31 March 2012

	2012	2011
	£000	£000
Profit for the financial year	841	745
Dividends (note 9)	(2,000)	(500)
Credit to equity in respect of Share based payments	12	12
Net (reduction)/increase in shareholders' funds	(1,147)	257
Opening shareholders' funds	1,393	1,136
Closing shareholders' funds	246	1,393

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

1 Principal accounting policies

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

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice. They have been prepared on a going concern basis as described in the going concern statement in the Directors' Report on page 1.

(b) 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	-	2 to 8 years straight line
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(c) 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.

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

Deferred taxation is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

1 Principal accounting policies (continued)**(e) Pension costs**

The company participates in the FirstGroup UK Bus Pension Scheme and Flexible Benefits Scheme

The company is unable to separately identify its share of the schemes' assets and liabilities. It therefore accounts for the schemes as if they were defined contribution schemes. Contributions are charged to the profit and loss account as they become payable.

(f) Deferred contract costs

Deferred contract costs represent pre-contract expenditure incurred and are deferred and amortised over the contract term.

(g) Share based payment

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 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 (refer to note 6).

(h) Revenue recognition

Revenue is recognised by reference to the stage of completion of services provided under contractual arrangements as the proportion of total services to be provided.

2 Turnover

Turnover is stated net of VAT. The whole of the turnover derives within the United Kingdom and is based on an annual RPI inflated fee. The company has one principal class of business, namely, the provision of passenger transport services.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

3 Operating costs

	2012 £000	2011 £000
Staff costs (note 4)	7,586	6,674
External charges	2,663	2,321
Depreciation	16	10
	<u>10,265</u>	<u>9,005</u>

4 Employee numbers and costs

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

	2012 Number	2011 Number
Operations	161	151
Maintenance	1	1
Administration	13	13
	<u>175</u>	<u>165</u>

The aggregate payroll costs of these persons were as follows

	2012 £'000	2011 £'000
Wages and salaries	6,535	5,757
Social security costs	647	547
Other pension costs	392	358
FRS20 Share based payment charge	12	12
	<u>7,586</u>	<u>6,674</u>

5 Directors' remuneration

Certain directors received remuneration from other group companies, in the current and prior years, details of which are disclosed in their accounts. It is not considered practicable to allocate this between services provided to those companies, and services provided in their capacity as directors to Tram Operations Limited.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

5 Directors' remuneration (continued)

The remuneration of the directors during the year paid by Tram Operations Limited was as follows

	2012 £'000	2011 £'000
Aggregate emoluments (excluding pension contributions)	298	281
Company pension contributions to Final Salary schemes	43	41
	<u>341</u>	<u>322</u>

Retirement benefits accrue to three directors (2011 three) under a defined benefit scheme

Emoluments of the highest paid director amounted to

	£'000	£'000
Aggregate emoluments (excluding pension contributions)	134	116
Company pension contributions to Final Salary schemes	18	17
	<u>152</u>	<u>133</u>

Accrued pension balance and lump sum at the end of the year amounted to £25,059 (2011 £22,980) and £119,690 (2011 £106,378), respectively

6 Share based payments

Tram Operations Limited is part of the FirstGroup Share based payment scheme. The following disclosure is taken directly from FirstGroup plc's Financial Statements for the year ended 31 March 2012

Equity-settled share option plans

The Group recognised total expenses of £6.0m (2011 £7.7m, 2010 £5.5m) related to equity-settled share-based payment transactions

(a) Save as you earn (SAYE)

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

6 Share based payments (continued)

(a) Save as you earn (SAYE) (continued)

	SAYE Dec 2007 Options Number	SAYE Dec 2008 Options Number	SAYE Dec 2009 Options Number	SAYE Dec 2010 Options Number	SAYE Dec 2011 Options Number
Outstanding at the beginning of the year	123,300	1,948,802	2,626,093	2,965,613	-
Awarded during the year	-	-	-	-	2,947,057
Exercised during the year	(559)	(1,726)	(4,327)	(846)	-
Lapsed during the year	(122,741)	(141,266)	(285,598)	(295,487)	(39,293)
Outstanding at the end of the year	-	1,805,810	2,336,168	2,669,280	2,907,764
Exercisable at the end of the year	-	1,805,810	-	-	-
Weighted average exercise price (pence)	583 0	371 0	310 0	319 0	271 5
Weighted average share price at date of exercise (pence)	347 6	319 5	325 5	316 2	N/A

(b) Executive share option scheme (ESOS)

Options are exercisable between three and ten years of the date of grant provided that the pre-determined performance criteria are met

	ESOS 2001 Options Number	ESOS 2002 Options Number	ESOS 2003 Options Number	ESOS 2004 Options Number
Outstanding at the beginning of the year	48,229	75,142	279,625	275,606
Exercised during the year	-	-	(21,442)	(21,180)
Lapsed during the year	(48,229)	-	-	-
Outstanding at the end of the year	-	75,142	258,183	254,426
Exercisable at the end of the year	-	75,142	258,183	254,426
Weighted average exercise price (pence)	346 5	269 0	287 0	275 1
Weighted average share price at date of exercise (pence)	N/A	N/A	337 7	337 7

(c) Deferred bonus shares (DBS)

	DBS 2004 Options Number	DBS 2005 Options Number	DBS 2006 Options Number	DBS 2007 Options Number	DBS 2008 Options Number	DBS 2009 Options Number	DBS 2010 Options Number	DBS 2011 Options Number
Outstanding at the beginning of the year	12,680	52,028	553,483	408,068	317,983	285,271	432,576	-
Granted during the year	-	-	-	-	-	-	-	568,846
Forfeited during the year	-	-	-	(722)	-	(2,086)	(6,879)	(17,248)
Exercised during the year	(207)	(12,114)	(439,403)	(105,278)	(215,194)	(38,918)	(3,459)	(31,123)
Outstanding at the end of the year	12,473	39,914	114,080	302,068	102,789	244,267	422,238	520,475
Exercisable at the end of the year	12,473	39,914	114,080	-	-	-	-	-
Weighted average exercise price (pence)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Weighted average share price at date of exercise (pence)	323 6	344 7	332 2	271 4	336 1	287 0	321 2	333 6

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

6 Share based payments (continued)

(d) Buy As You Earn (BAYE) scheme

BAYE enables eligible employees to purchase shares from their gross income. The company provides two matching shares for every three shares bought by employees, subject to a maximum company contribution of shares to the value of £20 per employee per month. If the shares are held in trust for five years or more, no income tax and national insurance will be payable. The matching shares will be forfeited if the corresponding partnership shares are removed from trust within three years of award.

At 31 March 2012 there were 8,354 (2011 7,985, 2010 7,833) participants in the BAYE scheme who have cumulatively purchased 6,869,043 (2011 5,651,985, 2010 4,583,431) shares with the Company contributing 2,128,810 (2011 1,689,837, 2010 1,349,661) matching shares on a cumulative basis.

(e) Long Term Incentive Plan (LTIP)

Awards under the LTIP scheme vest over the three year periods to 31 March from year of award with 50% of the award being dependent upon EPS performance over the vesting period and the other 50% being dependent upon total shareholder return over the same period compared to the comparator group of 100 companies.

	LTIP 2008 Options Number	LTIP 2009 Options Number	LTIP 2010 Options Number	LTIP 2011 Options Number
Outstanding at the beginning of the year	1,458,398	3,381,147	3,963,610	-
Granted during the year	-	-	-	5,224,991
Forfeited during the year	-	(144,686)	(93,529)	(254,413)
Lapsed during the year	(1,458,398)	-	-	-
Outstanding at the year end	-	3,236,461	3,870,081	4,970,578

(f) Tim O'Toole retention award

	2012 Number	2011 Number	2010 Number	Award price (p)
At the end of the year	214,826	214,826	-	Nil

These options vest on 1 November 2013 subject to the Executive remaining in office until this date. There are no performance conditions attaching to these options.

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:

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

6 Share based payments (continued)

	2012	2011
Weighted average share price (pence)		
- DBS	351 8	384 0
- SAYE December 2010	-	387 0
- SAYE December 2011	319 2	-
- LTIP	337 8	383 3
- Tim O'Toole retention award	-	386 3
Weighted average exercise price (pence)		
- DBS	-	-
- SAYE December 2010	-	319 0
- SAYE December 2011	271 5	-
- LTIP	-	-
- Tim O'Toole retention award	-	-
Expected volatility		
- DBS	35%	35%
- SAYE December 2010	-	35%
- SAYE December 2011	35%	-
- LTIP	42 9%	35%
- Tim O'Toole retention award	-	35%
Expected life (years)		
- DBS	3	3
- SAYE schemes	3	3
- LTIP	3	3
- Tim O'Toole retention award	-	2 75
Rate of interest		
- DBS	1 5%	1 8%
- SAYE December 2010	-	1 4%
- SAYE December 2011	0 6%	-
- LTIP	1 3%	1 6%
- Tim O'Toole retention award	-	1 5%
Expected dividend yield		
- DBS	6 3%	5 0%
- SAYE December 2010	-	4 8%
- SAYE December 2011	7 0%	-
- LTIP	6 6%	5 0%
- Tim O'Toole retention award	-	4 8%

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

6 Share based payments (continued)

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

The company has recognised a total expense of £12,000 (2011 £12,000) relating to equity-settled share-based payment transactions

7 Profit on ordinary activities before taxation

	2012 £'000	2011 £'000
This is stated after charging		
Auditor's remuneration for audit of company's annual accounts (no other services were provided by Deloitte LLP in either year)	3	3
Depreciation	16	10
Rentals payable under operating leases		
- plant and machinery	28	27
- other	31	31

8 Tax charge on profit on ordinary activities

	2012 £000	2011 £000
Current taxation		
Group relief payable	299	294
Adjustment in respect of prior years	(33)	(3)
	266	291
Deferred taxation		
Origination and reversal of timing differences	(3)	(3)
Effect on decrease in tax rate on opening asset	2	4
Adjustment in respect of prior years	32	3
Total deferred taxation	31	4
Tax charge on profit on ordinary activities	297	295

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 26% (2011 28%) The actual current tax charge for the current and previous year differed from the standard rate for the reasons set out in the following reconciliation

Standard rate of taxation	26 0	28 0
Factors affecting charge		
- other timing differences	0 3	0 3
- prior years' tax charge	(2 9)	(0 3)
Current taxation rate for the year	23 4	28 0

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

8 Tax charge on profit on ordinary activities (continued)

A resolution passed by Parliament on 26 March 2012 has reduced the main rate of UK corporation tax to 24% from 1 April 2012. Legislation to reduce the main rate of UK corporation tax from 24% to 23% from 1 April 2013 was passed by Parliament on 17 July 2012. Further reductions to the main rate of UK corporation tax are proposed to reduce the rate to 22% from 1 April 2014. None of these expected future rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The effective rate for the period to 31 March 2013 and 31 March 2014 is expected to reduce accordingly.

9 Dividends

	2012 £000	2011 £000
Amounts recognised as distributions to equity shareholders in the period		
Final dividend for the year	<u>2,000</u>	<u>500</u>
Dividend per share	<u>1,000</u>	<u>250</u>

10 Tangible fixed assets

	Plant and equipment £'000
Cost	
At 1 April 2011	283
Additions	41
At 31 March 2012	<u>324</u>
Depreciation	
At 1 April 2011	254
Charge for the year	16
At 31 March 2012	<u>270</u>
Net book value	
At 31 March 2012	<u>54</u>
At 31 March 2011	<u>29</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

11 Debtors

	2012 £000	2011 £000
Amounts due within one year		
Trade debtors	1,401	1,253
Amounts owed by group undertakings	2,492	2,492
Deferred tax asset (note 13)	30	61
Prepayments and accrued income	36	24
	<u>3,959</u>	<u>3,830</u>
Amounts due after one year		
Deferred contract costs	152	161
Total Debtors	<u>4,111</u>	<u>3,991</u>

12 Creditors

	2012 £000	2011 £000
Amounts falling due within one year		
Trade creditors	389	413
Amounts owed to group undertakings	6,237	5,372
Corporation tax	1	1
Other creditors	286	233
Accruals and deferred income	1,897	1,691
	<u>8,810</u>	<u>7,710</u>

13 Deferred Tax

	Deferred tax £000
At 1 April 2011	61
Charged to the profit and loss account	(31)
At 31 March 2012	<u>(194)</u>

The deferred tax asset consists of the following amounts

	2012 £000	2011 £000
Depreciation in excess of capital allowances	4	4
Other timing differences	26	57
Deferred tax asset	<u>30</u>	<u>61</u>

The deferred tax balance is included within Debtors note 11

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

14 Provisions for liabilities and charges

	Insurance claims provision £000
At 1 April 2011	(140)
Charged to the profit and loss account	(54)
At 31 March 2012	<u>(194)</u>

15 Called up share capital

	2012 £000	2011 £000
Authorised:		
1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
2 Ordinary shares of £1 each	<u>-</u>	<u>-</u>

16 Profit and loss account

	£000
At 1 April 2011	1,393
Retained profit for the year	841
Dividend proposed	(2,000)
Share based payment charge	12
At 31 March 2012	<u>246</u>

17 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 (revised), 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

18 Operating leases

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

	2012		2011	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	31	-	15	-
Within two to five years	-	18	-	25

Subsequent to the year end, the lease for land and buildings was renewed for a further term of five years at an annual rental of £30,750

19 Pension scheme

Group scheme – FirstGroup UK Bus Pension Scheme and Flexible Benefits Scheme

The company is unable to separately identify its share of the schemes' assets and liabilities. It therefore accounts for the schemes as if they were defined contribution schemes. Contributions are charged to the profit and loss account as they become payable.

The deficit on the group schemes of £27.4m (2011: £30.1m) will affect the company through periodic adjustments to the company's contribution rate as determined by the actuary. Additional disclosures required under FRS17 have been made on a group basis in the accounts of FirstGroup plc.

The total pension cost in the year was £0.392m (2011: £0.358m) all of which relates to defined benefit schemes.

20 Capital commitments

There were no non-cancellable commitments for capital expenditure at 31 March 2012 (2011: £nil).

21 Related party transactions

The company is taking advantage of the exemption under FRS8 not to disclose transactions with group companies that are related parties.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

22 Ultimate and immediate parent company and controlling party

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

The company's immediate parent company is CentreWest Limited. CentreWest Limited is a wholly owned subsidiary of FirstGroup plc and therefore does not prepare consolidated accounts

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