

Registered No: 3949597

Go South Coast Limited

Report and Financial Statements

2 July 2011

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COMPANIES HOUSE

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Directors

D A Brown
A P Carter
M S Dolphin
K Down
S J Hamilton
M Morgan-Huws
E Wills

Secretary

C Sephton

Auditor

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

Royal Bank of Scotland Plc
135 Bishopsgate
London
EC2M 3UR

Solicitors

Dickinson Dees LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 3UR

Registered office

3rd Floor
41 - 51 Grey Street
Newcastle upon Tyne
NE1 6EE

Go South Coast Limited

Directors' report

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The directors present their report and financial statements for the year ended 2 July 2011

Results and dividends

The profit for the year after taxation amounted to £7,151,000 (2010 £4,643,000) Particulars of dividends paid and proposed are detailed in note 10 to the financial statements

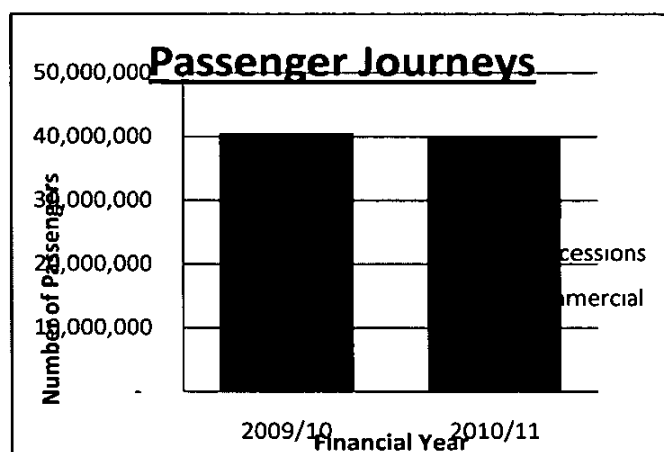
Principal activities and review of the business

The principal activities of the company are provision of the following services

- commercial local bus services throughout Dorset, Wiltshire and South West Hampshire, including the Isle of Wight
- tendered bus services to local authorities, including school transport
- contracted bus services to large organisations, including universities and supermarkets
- coach tours and private hire
- repair and refurbishment of PSV, including re-paints and seat re-trimming

Turnover, operating profit and the number of passenger journeys are the key financial and other performance indicators measured and monitored by management

The company enjoyed a relatively stable year in terms of service development, with focus given to the introduction of ITSO compliant ticket machines across the fleet These qualify for additional DFT BSOB rebate and allow the development of smartcards in the future



The numbers of Road Traffic Collisions and RIDDORs during the year have reduced and work is ongoing to further reduce the number of collisions

124 vehicles were introduced into the fleet at a cost of £10.8m, bringing the fleet size to 678, with an average age of 9 years

Financial risk management objectives and policies

The main risks associated with the company's financial assets and liabilities are set out below. Given that the majority of the risks below derive from transactions with other group companies, the company does not undertake any hedging activity locally. Significant financial risks from a group perspective are addressed on a case-by-case basis at group level.

Pension deficit risk

The company previously offered employees membership to two Defined Benefit Pension Schemes, the latest triennial valuations of which disclosed significant deficits. This has resulted in additional company contributions over a ten year period. Continued market decline and volatility could lead to further increased company contributions in the future. The schemes have now been closed to new members.

Revenue Reimbursement Risk

The company receives reimbursement from a number of Travel Concessionary Authorities (TCA) in relation to concessionary journeys undertaken as a result of the Government's National Concessionary Travel Scheme. The level of reimbursement is set by the TCA and this can be varied each year. There is an appeal process in place which can be used to challenge the reimbursement.

Directors' report (continued)

Interest rate risk

All surplus cash is swept by the ultimate parent company, which is invested at a group level. Interest is charged at a variable rate on group loans. Therefore financial assets, liabilities, interest income and interest charges and cash flows can be affected by movements in interest rates. However, the exposure is reduced because of the group control.

Price risk

There is no significant exposure to changes in the carrying value of financial liabilities because all of these bear interest at floating rates.

Credit risk

The majority of company debtors are with other group companies and the company does not consider these parties to be a significant credit risk.

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations in line with group policies. A cash sweeping facility exists with the ultimate parent company and therefore further information regarding the liquidity risk can be found in the group financial statements. Capital expenditure is approved at group level.

Foreign currency risk

The company has no foreign currency risk, all of the transactions, assets and liabilities are in sterling.

Management and staff

The company is committed to involve all employees in its performance and development. Employees are encouraged to discuss with management matters of interest to the employees and subjects affecting day-to-day operations of the company. Discussions take place regularly with trade unions representing the employees on a wide range of issues.

It is the company's policy to give full consideration to suitable applications for employment by disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees who become disabled to continue in their employment or to be trained for other positions in the company.

The company communicates with its staff both formally and informally on a variety of issues affecting them and the business, including

- A regular staff magazine with information relating to developments within the company
- Central consultation and negotiating committees are held regularly with recognised trade union officials, so that views of the employees can be taken into consideration

In addition, there are share save schemes in operation, to allow employees to participate in ownership of the group.

Go South Coast Limited

Directors' report (continued)

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Directors

The directors who served the company during the year were as follows

K L Ludeman (retired 2 July 2011)
D A Brown (appointed 1 April 2011)
A P Carter
M S Dolphin
N Swift (resigned 7 March 2011)
K Down (appointed 7 March 2011)
S J Hamilton
M Morgan-Huws
E Wills

Going Concern

The directors have considered the company's current and future prospects and its availability of financing, and are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For this reason, the directors continue to adopt the going concern basis of preparation for these financial statements.

Creditor payment policy and practice

Average creditor payment days are calculated at 55 days (2010 - 27 days)

Directors' responsibilities for audit information

In so far as the directors are aware

- There is no relevant audit information of which the company's auditors are unaware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

A resolution in accordance with Schedule 16 of the Companies Act 2006 to dispense with the obligation to appoint auditors annually was passed on 22 October 2005 and accordingly Ernst & Young LLP shall be deemed reappointed as auditors.

Registered office
3rd Floor
41 - 51 Grey Street
Newcastle upon Tyne
NE1 6EE

By order of the Board



C Sephton
Secretary

10 November 2011

Statement of directors' responsibilities

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 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 proper accounting records which 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 to 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Go South Coast Limited

We have audited the financial statements of Go South Coast Limited for the year ended 2 July 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 2 July 2011 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 by the Companies Act 2006

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

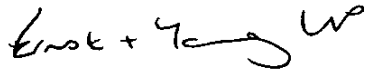
Independent auditor's report

to the members of Go South Coast Limited (continued)

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



Caroline Mulley (Senior, Statutory Auditor)
for and on behalf of Ernst & Young LLP Statutory Auditor
Newcastle upon Tyne

15 November 2011

Profit and loss account **for the year ended 2 July 2011**

	<i>Notes</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Turnover	2	77,095	74,659
Operating costs	3	67,237	67,392
Operating profit	4	9,858	7,267
Interest receivable and similar income	7	1	1
Interest payable and similar charges	8	(412)	(708)
Profit on ordinary activities before taxation		9,447	6,560
Tax on profit on ordinary activities	9	(2,296)	(1,917)
Profit for the financial year		7,151	4,643

All activities are continuing

Statement of total recognised gains and losses
for the year ended 2 July 2011

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Profit for the financial year	7,151	4,643
Actuarial gain/(loss) on pension schemes (note 19)	7,539	(4,515)
Deferred tax (charge)/credit	(2,433)	1,264
<i>Total recognised gains and losses relating to the year</i>	12,257	1,392

Balance sheet
 at 2 July 2011

Registered No: 3949597

	Notes	2011 £000	2010 £000 <i>Restated</i>
Fixed assets			
Intangible fixed assets	11	-	-
Tangible fixed assets	12	33,049	30,913
Investments	13	44,520	46,506
		77,569	77,419
Current assets			
Stocks		1,262	1,133
Debtors	14	8,426	7,344
Cash at bank		424	429
		10,112	8,906
Creditors amounts falling due within one year	15	(59,589)	(64,688)
Net current liabilities		(49,477)	(55,782)
Total assets less current liabilities		28,092	21,637
Creditors: amounts falling due after more than one year	16	(509)	(971)
Provisions for liabilities and charges	18	(5,639)	(5,459)
Net assets excluding pension liability		21,944	15,207
Pension liability	19	(11,482)	(17,002)
Net assets/(liabilities) including pension liability		10,462	(1,795)
Capital and reserves			
Share capital	23	1,977	1,977
Profit and loss account	24	8,485	(3,772)
	24	10,462	(1,795)

The financial statements were approved for issue by the Board of Directors and signed on their behalf by


K Down
Director

10 November 2011

Notes to the financial statements

at 2 July 2011

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Under the provision of section 400 of the Companies Act 2006 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity

The company has taken advantage of the exemption to prepare group financial statements on the basis that it is a wholly owned subsidiary undertaking of The Go-Ahead Group Plc and is included, together with subsidiary undertakings in the group financial statements of that company. These financial statements present information about the company as an individual undertaking and not about its group

Fundamental accounting concept

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due

The company has net assets of £10,462,000 (2010 net liabilities £1,795,000) and net current liabilities of £49,477,000 (2010 £55,782,000) including amounts owed to other group undertakings of £44,290,000 (2010 £54,853,000). The company is dependent on continuing financial support from its ultimate parent undertaking in order to ensure continued compliance with the franchise agreement

The directors have received confirmation from the company's ultimate parent undertaking that the necessary financial support will continue to be available to the company for the foreseeable future and, in particular, for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the directors of the company believe that it is appropriate to prepare the financial statements on a going concern basis. Should the financial support from the company's ultimate parent undertaking not be available, the going concern basis may be invalid and adjustments would have to be made to reduce the value of assets to their realizable amount, to provide any financial commitments or future liabilities which might arise and to reclassify fixed assets and long term liabilities to current assets and liabilities

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Fixed assets and depreciation

Tangible fixed assets are stated at cost

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Leasehold improvements	-	Life of lease
Plant and equipment	-	3 to 10 years
Rolling stock	-	8 to 15 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Notes to the financial statements

at 2 July 2011

1. Accounting policies (continued)

Deferred Taxation

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 Tax is provided for on all timing differences which have originated but not reversed at the balance sheet date. Except where otherwise required by accounting standards, no timing differences are recognised in respect of

- Gains on sale of assets where those gains have been rolled over into replacement assets, and
- Deferred tax assets except to the extent that it is more likely than not that they will be recovered

Deferred tax is calculated at the enacted rates at which it is estimated the tax will be payable. The deferred tax provision is not discounted to net present value.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Insurance

The Company limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits. An amount is recognised within Provisions for liabilities for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss.

The estimation of this liability is made after taking appropriate professional advice and is based on an assessment of the expected settlement of known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Company by the insurer.

The Company has accumulated considerable experience in the evaluation and management of such claims and has historically classified this liability as an accrual within current liabilities. As part of our regular review of reporting practices and policies, we have given full consideration to the classification of this liability in the balance sheet. In light of developing trends relating to the nature of claims and the increasing time involved in their resolution, the Company has determined that there is no longer a sufficient degree of certainty to classify all of this liability as an accrual rather than as a provision. As a result, this liability is now classified within provisions and accompanied by the disclosures relating to creation, utilisation and re-measurement of these obligations.

The Company believes that this change in presentation provides more relevant information. Comparatives had been restated to show the effect of this change. The impact of this reclassification in the balance sheet is set out in notes 15 and 18. There is no effect on amounts reported in the profit and loss account.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Intangible assets

Intangible assets are capitalised at cost and amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Pensions

The company is a member of The Wilts & Dorset Pension Scheme and Southern Vectis Group Pension Plan. The schemes were multi-employer schemes, however following the hive up of the operations of each of the company's subsidiaries in the current year all of the employees are now employed by this company and therefore the company accounts for the scheme under FRS17.

Notes to the financial statements

at 2 July 2011

1. Accounting policies (continued)

For the defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Investments

Investments in subsidiary companies are held at cost.

Share-based payment transactions

The company participates in equity-settled share option schemes operated by the ultimate parent undertaking (The Go-Ahead Group plc), under which options have been granted to employees (including directors). The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In valuing equity-settled options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of The Go-Ahead Group plc ('market conditions').

The cost of options is recognised in the profit and loss account over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in reserves. The cumulative cost recognised, at each reporting date, reflects the extent to which the period to vesting has expired and the director's best estimate of the number of options that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above.

No cost is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below.

	2011 £000	2010 £000
United Kingdom	77,095	74,659

3. Operating costs

	2011 £000	2010 £000
Materials and external charges	23,762	24,135
Staff costs	38,481	38,658
Depreciation and amortisation of fixed assets	4,994	4,599
Other operating costs	-	-
	67,237	67,392

Notes to the financial statements

at 2 July 2011

4. Operating profit

This is stated after charging/(crediting)

	2011 £000	2010 £000
Auditor's remuneration		
- audit services	41	46
- non-audit services	6	6
	47	52
Depreciation of owned fixed assets	3,786	3,032
Depreciation of assets held under finance lease and hire purchase contracts	1,208	1,567
	4,994	4,599
Profit on disposal of tangible assets	(467)	(160)
Profit on purchase of tangible assets	(331)	-
Profit on disposal of shares	(115)	-
Operating lease rentals	320	286

5. Staff costs

	2011 £000	2010 £000
Wages and salaries	33,907	34,430
Social security costs	3,024	3,039
Other pension costs – defined benefit	1,448	1,092
– defined contribution	102	97
	38,481	38,658

Included in wages and salaries is a total expense of share-based payments of £nil (2010 £10,000), all of which arises from transactions accounted for as equity settled share-based payment transactions (See note 25)

The monthly average number of employees during the year was as follows

	2011 No	2010 No
Administration and supervision	22	25
Maintenance and engineering	312	320
Operations	1,159	1,134
	1,493	1,479

Notes to the financial statements

at 2 July 2011

6. Directors' emoluments

	2011 £000	2010 £000
Aggregate emoluments in respect of qualifying services	508	521
Aggregate company contributions paid in respect of money purchase schemes	4	-
	2011 No	2010 No
Number of directors accruing benefits under defined benefit schemes	4	5
None of the directors exercised share options during the year (2010 none)		
The amounts in respect of the highest paid director are as follows		
	2011 £000	2010 £000
Emoluments	162	183

7. Interest receivable and similar income

	2011 £000	2010 £000
Other similar income receivable	1	1

8. Interest payable and similar charges

	2011 £000	2010 £000
Finance charges payable under hire purchase contracts	96	225
Interest cost on defined benefit pension schemes	316	483
	412	708

9. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2011 £000	2010 £000
<i>Current tax</i>		
UK corporation tax	2,164	1,327
Total current tax (note 9(b))	2,164	1,327
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 18)	13	416
Deferred tax charge on movement in FRS17 pension scheme liability	119	174
	132	590
Tax charge on profit on ordinary activities	2,296	1,917

Notes to the financial statements

at 2 July 2011

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 27.5% (2010 28%)

The differences are reconciled below

	2011 £000	2010 £000
Profit on ordinary activities before tax	9,447	6,560
Profit on ordinary activities by rate of tax	2,598	1,837
Capital allowances in excess of depreciation	(153)	(537)
Other permanent differences	(136)	9
Deferred tax movement due to rate change	(9)	-
Expenses not deductible for tax purposes	6	6
Other timing differences	(142)	12
Total current tax (note 9(a))	2,164	1,327

(c) Deferred tax

	2011 £000	2010 £000
Capital allowances in advance of depreciation	3,097	3,172
Short term timing differences	(89)	(177)
Provision for deferred taxation (note 18)	3,008	2,995

(d) Factors affecting future tax charges

A reduction in the UK corporation tax rate from 28% to 26% with effect from 1 April 2011 was enacted during the period. The Government has announced its intention to further reduce the UK corporation tax rate to 24% by 1 April 2014. If this reduction had been enacted by 2 July 2011 the company's deferred tax liability would have been reduced by a further £231,000 to £2,777,000.

The company's future tax charge will also be affected by the Government's intention to reduce the main rate of capital allowance from 20% to 18% and 10% to 8% with effect from 1 April 2012.

10. Dividends

	2011 £000	2010 £000
Paid during the year	-	-
Equity dividends on ordinary shares	-	-

Notes to the financial statements

at 2 July 2011

11. Intangible fixed assets

	<i>Licences</i> <i>£000</i>
Cost	
At 3 July 2010 and 2 July 2011	553
Amortisation	
At 3 July 2010 and 2 July 2011	553
Net book value	
At 3 July 2010 and 2 July 2011	-

12. Tangible fixed assets

	<i>Leasehold property £000</i>	<i>Plant & Equipment £000</i>	<i>Rolling Stock £000</i>	<i>Total £000</i>
Cost				
At 3 July 2010	84	4,897	64,790	69,771
Additions	-	29	6,404	6,433
Transfer from group undertakings	101	1,276	4,452	5,829
Disposals	-	(745)	(7,030)	(7,775)
At 2 July 2011	185	5,457	68,616	74,258
Depreciation				
At 3 July 2010	84	3,997	34,777	38,858
Provided during the year	8	363	4,623	4,994
Transfer from group undertakings	-	20	5,012	5,032
Disposals	-	(745)	(6,930)	(7,675)
At 2 July 2011	92	3,635	37,482	41,209
Net book value				
At 2 July 2011	93	1,822	31,134	33,049
At 3 July 2010	-	900	30,013	30,913

The net book value of assets above includes an amount of £4,699,000 (2010 £6,007,000) in respect of assets held under finance lease and hire purchase contracts

Capital commitments

	<i>2011 £000</i>	<i>2010 £000</i>
Contracted but not provided	6,330	-

Notes to the financial statements

at 2 July 2011

13. Investments

	Shares in group companies £000
Cost	
At 3 July 2010	46,506
Dividends from group undertakings	(1,986)
At 2 July 2011	44,520

The company owns 100% of the issued share capital of the companies listed below

- The Southern Vectis Omnibus Company Limited (Dormant)
- Solent Blue Line Limited (Dormant)
- Marchwood Motorways (Southampton) Limited (subsidiary of Solent Blue Line Limited) (Dormant)
- Marchwood Motorways (Services) Limited (subsidiary of Solent Blue Line limited) (Dormant)
- Wilts & Dorset Investments Limited (Dormant)
- Wilts & Dorset (Holdings) Limited (subsidiary of Wilts & Dorset Investments Limited) (Dormant)
- Wilts & Dorset Bus Company Limited (Dormant)
- Hants & Dorset Trum Limited (Dormant)
- Tourist Coaches Limited (Dormant)
- Hants & Dorset Motor Services Limited (Dormant)
- Southern Vectis Commercials Limited (Dormant)
- Southern Vectis Coaches Limited (Dormant)

14. Debtors

	2011 £000	2010 £000
Trade debtors	3,987	4,923
Other debtors	2,661	713
Prepayments and accrued income	1,778	1,708
	8,426	7,344

15. Creditors: amounts falling due within one year

	2011 £000	2010 £000 <i>Restated</i>
Trade creditors	6,784	2,384
Accruals and deferred income	2,663	2,172
Amounts owed to group undertakings	44,290	54,853
Obligations under finance lease and hire purchase contracts (note 17)	492	720
Corporation tax	2,360	1,523
Other taxation and social security	1,131	1,160
Other creditors	1,869	1,876
	59,589	64,688

As described in note 1, accruals for uninsured liabilities have been reclassified as provisions. Accordingly, the accruals and deferred income balance as at 3 July 2010 has been reduced by £2,417k relating to uninsured claims accruals in 2010 that have been reclassified to provisions.

Notes to the financial statements

at 2 July 2011

16. Creditors: amounts falling due after more than one year

	2011 £000	2010 £000
Obligations under finance lease and hire purchase contracts (note 17)	509	971

17. Obligations under finance lease and hire purchase contracts

The maturity of these amounts is as follows

	2011 £000	2010 £000
Amounts payable		
Within one year (note 15)	492	720
In two to five years	509	971
In over five years	-	-
	1,001	1,691

18. Provisions for liabilities and charges

	Uninsured claims £000	Deferred tax £000	Onerous Lease Provision £000	Total £000
At 4 July 2010 - restated	2,417	2,995	47	5,459
Provided in the year	622	13	-	635
Utilised in year	(455)			(455)
At 2 July 2011	2,584	3,008	47	5,639

Following a management review, it was decided that uninsured claims be classified as provisions given the expected timing and nature of these claims. Provisions at 3 July 2010 have been increased by the uninsured claims liability of £2.4m, previously included within creditors due within one year. The insurance accounting policy in note 1 describes the basis for this revised presentation.

19. Pension commitments

The company participates in both a defined contribution scheme and a defined benefit scheme.

Defined contribution

The company participates in the defined contribution scheme of The Go-Ahead Group Pension Plan. This scheme is not contracted-out of the State Second Pension Scheme and is open to new entrants. The expense recognised in these accounts for the year is £44,000 (2010: £44,000) being the contributions paid and payable.

The company also participates in a stakeholder scheme and the expense recognised in these accounts for the year is £58,000 (2010: £45,000) being the contributions paid and payable.

Defined benefit

The company participates in two schemes:

19.1 The Wilts & Dorset Pension Scheme

19.2 The Southern Vectis Group Pension Plan

Notes to the financial statements

at 2 July 2011

19. Pension commitments (continued)

19.1 The Wilts & Dorset Pension Scheme

The company participates in a defined benefit pension scheme which is part of The Wilts & Dorset Pension Scheme ("the scheme") providing benefits based on final salary. The scheme is externally funded and is contracted-out of the state second-tier of pension provision.

The last formal valuation of the scheme was performed as at 5 April 2008 and the next valuation is due with an effective date no later than 5 April 2011.

Assumptions

The financial assumptions used to calculate the scheme's liabilities under FRS17 are

	At 2 July 2011 % pa	At 3 July 2010 %pa
Retail Prices Index inflation	3.70	3.30
Consumer Prices Index inflation	2.70	n/a
Rate of increase in salaries	4.70	4.30
Pension increases in pensions in respect of		
- Service before 6 April 1997	4.00	4.00
- Service from 6 April 1997 to 28 May 2001	4.30	4.00
- Service from 29 May 2001 to 5 April 2006	3.55	3.15
- Service from 6 April 2006	2.30	2.30
Increases to deferred pensions before retirement	2.70	3.30
Discount rate	5.60	5.30

The most significant non-financial assumption is the assumed rate of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of a male pensioner aged 65 in 2008 and a male non-pensioner aged 65 in 2023.

	At 2 July 2011	At 3 July 2010
Pensioner	19.2	19.2
Non-pensioner	20.7	20.7

Scheme assets and expected rate of return

The expected return on assets has been derived from the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations. These have then been combined, based on the asset portfolio of the scheme, to determine the overall asset return assumption.

The assets in the scheme were

	At 2 July 2011 £000	At 3 July 2010 £000
Equities	23,266	19,438
Bonds (Government)	4,667	3,645
Bonds (Corporate)	4,743	3,828
Cash	367	777
Total	33,043	27,688

Notes to the financial statements

at 2 July 2011

19. Pension commitments (continued)

The expected long-term rates of return were

	At 2 July 2011 % pa	At 3 July 2010 % pa
Expected rate of return	7.55	7.35

Components of defined benefit expense

Period ending	2 July 2011 £000	3 July 2010 £000
Current service cost	1,111	843
Past service costs	-	-
Interest cost	2,235	2,190
Expected return on assets	(2,011)	(1,860)
Net benefit expense before special events	1,335	1,173
Cost of curtailment	-	-
Cost of settlement	-	-
Adjustment due to paragraph 37	-	-
Disclosed expense before deduction for tax	1,335	1,173
Analysis of amounts recognised in STRGL:		
Gain on assets	(3,157)	(2,475)
(Gain)/loss on liabilities	(1,432)	5,379
Effect of the limit in paragraph 37	-	-
Total (gain)/loss recognised in STRGL before adjustment for tax	(4,589)	2,904

History of experience gains and losses

Period ending	2011	2010	2009	2008	2007
(Gain)/loss on scheme assets					
Amount (£000)	(3,157)	(2,475)	4,262	(3,521)	(927)
Experience (gain)/loss on scheme liabilities:					
Amount (£000)	(673)	(1,269)	(272)	-	-
Total actuarial (gain)/loss recognised in STRGL:					
Amount (£000)	(4,589)	2,904	2,981	3,431	(2,785)

Cumulative actuarial (gain)/loss recognised in the statement of total actuarial gains and losses

	At 2 July 2011 £000	At 3 July 2010 £000
Cumulative actuarial (gains)/losses recognised at start of year	11,490	8,586
Cumulative actuarial (gains)/losses recognised at end of year	6,901	11,490

Notes to the financial statements

at 2 July 2011

19. Pension commitments (continued)

Reconciliation to the balance sheet

	At 2 July 2011 £000	At 3 July 2010 £000	At 27 June 2009 £000	At 28 June 2008 £000	At 30 June 2007 £000
Market Value of assets	33,043	27,688	23,168	25,299	26,683
Present value of liabilities	42,844	42,359	35,353	34,915	33,351
Deficit in the scheme	(9,801)	(14,671)	(12,185)	(9,616)	(6,668)
Unrecognised past service cost	-	-	-	-	-
Amount not recognised due to paragraph 37 restriction	-	-	-	-	-
Defined benefit liability at end of period	(9,801)	(14,671)	(12,185)	(9,616)	(6,668)

Reconciliation of present value of scheme liabilities

Period ending	2 July 2011 £000	3 July 2010 £000
Present value of scheme liabilities at the start of the year	42,359	35,353
Current service cost (net of member contributions)	1,111	843
Interest cost	2,235	2,190
Actual member contributions (including notional contributions)	761	768
Actuarial (gain)/loss	(1,432)	5,379
Actual benefit payments	(2,190)	(2,174)
Present value of scheme liabilities at the end of the year	42,844	42,359

*The actuarial gain of £1.4m in the year to 2 July 2011 includes the impact of an actuarial gain of £0.6m relating to the change from RPI to CPI

Reconciliation of the fair value of scheme assets

Period ending	2 July 2011 £000	3 July 2010 £000
Fair value of assets at the start of the year	27,688	23,168
Expected return on assets	2,011	1,860
Actuarial gain on assets	3,157	2,475
Actual company contributions	1,616	1,591
Actual member contributions (including notional contributions)	761	768
Actual benefit payments	(2,190)	(2,174)
Fair value of assets at the end of the year	33,043	27,688

Amounts included in the fair value of assets at the end of the year

Period ending	2 July 2011 £000	3 July 2010 £000
For each category of reporting enterprise's own financial instruments	-	-
For any property occupied by the reporting enterprise	-	-

Actual return on scheme assets

Period ending	2 July 2011 £000	3 July 2010 £000
Expected return on scheme assets	2,011	1,860
Asset gain	3,157	2,475
Actual return on scheme assets	5,168	4,335

Notes to the financial statements

at 2 July 2011

19. Pension commitments (continued)

Estimated contributions in Financial Year

Period starting	3 July 2011 £000
Estimated company contributions in Financial Year 2011/12*	1,719
Estimated employee contributions in Financial Year 2011/12	711
Estimated total contributions in Financial Year 2011/12	2,430

*From 6 April 2012 contracting out on a money purchase basis will no longer be possible. To date, the age related rebates received by the Wilts & Dorset Scheme as a result being contracted out on this basis have been included within the employee contributions. For the purpose of the above estimates, we have assumed that from 6 April 2012 the company will increase its contributions such that the total contributions are unchanged. However, the actual impact of this change on the contributions is currently unknown.

19.2 The Southern Vectis Group Pension Plan

The company participates in operates a defined benefit pension scheme known as the Southern Vectis Group Pension Plan (the Plan), providing benefits based on final salary. The plan is externally funded and is contracted-out of the state second-tier of pension provision.

The last formal valuation of the scheme was performed as at 6 April 2008 and the next valuation is due with an effective date no later than 6 April 2011.

Assumptions

The financial assumptions used to calculate the plan's liabilities under FRS17 are

	At 2 July 2011 % pa	At 3 July 2010 %pa
Retail Prices Index inflation	3.70	3.30
Consumer Prices Index inflation	2.70	n/a
Rate of increase in salaries	4.70	4.30
Pension increases in pensions in respect of		
- Service before 6 April 1997	3.00	3.00
- Service from 6 April 1997 to 14 November 2002	3.85	3.30
- Service from 14 November 2002 to 5 April 2006	3.55	3.15
- Service from 6 April 2006	2.30	2.30
Increases to deferred pensions before retirement	2.70	3.30
Discount rate	5.60	5.30

The most significant non-financial assumption is the assumed rate of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of a male pensioner aged 65 in 2008 and a male non-pensioner aged 65 in 2023.

	At 2 July 2011	At 3 July 2010
Pensioner	19.2	19.2
Non-pensioner	20.7	20.7

Notes to the financial statements

at 2 July 2011

19. Pension commitments (continued)

Plan assets and expected rate of return

The expected return on assets has been derived from the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations. These have then been combined, based on the asset portfolio of the Plan, to determine the overall asset return assumption.

The assets in the Plan were

	At 2 July 2011 £000	At 3 July 2010 £000
Equities	14,082	13,702
Bonds (Government)	3,274	1,618
Bonds (Corporate)	6,056	5,007
Cash	32	70
Total	23,444	20,397

The expected long-term rates of return were

	At 2 July 2011 % pa	At 3 July 2010 % pa
Expected rate of return	7.30	7.33

Components of defined benefit cost

Period ending	2 July 2011 £000	3 July 2010 £000
Current service cost	337	249
Past service costs	-	-
Interest cost	1,540	1,532
Expected return on assets	(1,472)	(1,379)
Net benefit expense before special events	405	402
Cost of curtailment	-	-
Cost of settlement	-	-
Adjustment due to paragraph 37	-	-
Disclosed expense before deduction for tax	405	402
Analysis of amounts recognised in STRGL:		
Gain on assets	(1,821)	(2,029)
(Gain)/loss on liabilities	(1,129)	3,640
Effect of the limit in paragraph 37	-	-
Total (gain)/loss recognised in STRGL before adjustment for tax	(2,950)	1,611

History of experience gains and losses

Period ending	2011	2010	2009	2008	2007
(Gain)/loss on Plan assets					
Amount (£000)	(1,821)	(2,209)	3,434	2,795	686
Experience gain on Plan liabilities:					
Amount (£000)	(390)	(716)	(198)	-	-
Total actuarial (gain)/loss recognised in STRGL:					
Amount (£000)	(2,950)	1,611	2,313	2,577	(2,191)

Notes to the financial statements

at 2 July 2011

19. Pension commitments (continued)

Cumulative actuarial (gain)/loss recognised in the statement of total actuarial gains and losses

	At 2 July 2011 £000	At 3 July 2010 £000
Cumulative actuarial (gains)/losses recognised at start of year	6,254	4,643
Cumulative actuarial (gains)/losses recognised at end of year	3,304	6,254

Reconciliation to the balance sheet

	At 2 July 2011 £000	At 3 July 2010 £000	At 27 June 2009 £000	At 28 June 2008 £000	At 30 June 2007 £000
Market Value of assets	23,444	20,397	17,350	19,562	21,073
Present value of liabilities	29,185	29,340	24,885	25,039	24,402
Deficit in the scheme	(5,741)	(8,943)	(7,535)	(5,477)	(3,329)
Unrecognised past service cost	-	-	-	-	-
Amount not recognised due to paragraph 37 restriction	-	-	-	-	-
Defined benefit liability at end of period	(5,741)	(8,943)	(7,535)	(5,477)	(3,329)

Reconciliation of present value of Plan liabilities

Period ending	2 July 2011 £000	3 July 2010 £000
Present value of Plan liabilities at the start of the year	29,340	24,885
Current service cost (net of member contributions)	337	249
Interest cost	1,540	1,532
Actual member contributions (including notional contributions)	294	313
Actuarial (gain)/loss	(1,129)	3,640
Actual benefit payments	(1,197)	(1,279)
Present value of Plan liabilities at the end of the year	29,185	29,340

*The actuarial gain of £1.1m in the year to 2 July 2011 includes the impact of an actuarial gain of £0.5m relating to the change from RPI to CPI

Reconciliation of the fair value of Plan assets

Period ending	2 July 2011 £000	3 July 2010 £000
Fair value of assets at the start of the year	20,397	17,350
Expected return on assets	1,472	1,379
Actuarial gain on assets	1,821	2,029
Actual company contributions	657	605
Actual member contributions (including notional contributions)	294	313
Actual benefit payments	(1,197)	(1,279)
Fair value of assets at the end of the year	23,444	20,397

Notes to the financial statements

at 2 July 2011

19. Pension commitments (continued)

Amounts included in the fair value of assets at the end of the year

Period ending	2 July 2011 £000	3 July 2010 £000
For each category of reporting enterprise's own financial instruments	-	-
For any property occupied by the reporting enterprise	-	-

Actual return on Plan assets

Period ending	2 July 2011 £000	3 July 2010 £000
Expected return on Plan assets	1,472	1,379
Asset gain or (loss)	1,821	2,029
Actual return on Plan assets	3,293	3,408

Estimated contributions in Financial Year

Period starting	3 July 2011 £000
Estimated company contributions in Financial Year 2011/12	634
Estimated employee contributions in Financial Year 2011/12	276
Estimated total contributions in Financial Year 2011/12	910

20. Commitments under operating leases

At 2 July 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2011 Other £000	2010 Other £000
Operating leases which expire In over five years	472	472

Included in other operating lease commitments is £472,000 (2010 £472,000) relating to obligations under finance lease with other group undertakings

21. Contingent liabilities

The company has granted a bond for £nil (2010 £17,000) in favour of the Confederation of Passenger Transport

22. Related party transactions

The company is a 100% subsidiary of The Go Ahead Group plc. Advantage has been taken of the exemptions in paragraph 3 of Financial Reporting Standard 8 and transactions with entities that are part of the group have not been disclosed

Notes to the financial statements

at 2 July 2011

23. Share capital

		2011	Alotted, called up and fully paid	
	No	£000	No	2010
				£000
Ordinary shares of £0.10 each	19,770,020	1,977	19,770,020	1,977

24. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Profit and loss	Total share-
	£000	account	holders' deficit
		£000	£000
At 27 June 2009	1,977	(5,164)	(3,187)
Retained profit for the year	-	4,643	4,643
Actuarial loss net of deferred tax	-	(3,251)	(3,251)
At 2 July 2010	1,977	(3,772)	(1,795)
Retained profit for the year	-	7,151	7,151
Actuarial gain net of deferred tax	-	5,106	5,106
At 3 July 2011	1,977	8,485	10,462

25. Share-based payments

Sharesave Scheme

The group operates an HM Revenue & Customs ('HMRC') approved savings-related share option scheme, known as The Go-Ahead Group plc Savings-Related Share Option Scheme 2003 (the 'Sharesave Scheme'). The Sharesave Scheme is open to all group employees (including executive directors) who have completed at least six months' service with a group company at the date they are invited to participate in the scheme. Qualifying employees are invited to save between £5 and £250 per month for a period of three to five years. At the end of that period, employees can apply the amounts saved, together with a bonus, in acquiring shares in the company at a minimum price equal to 80% of their market price at the time of invitation.

The expense recognised for these schemes during the year to 2 July 2011 was £nil (2010 £10,000).

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options for the SAYE

	No	2011 WAEP pence	No	2010 WAEP pence
Outstanding at the beginning of the year	6,299	19.14	16,541	16.51
Transfers from other group undertakings	-	-	-	-
Forfeited during the year	(6,299)	19.14	(10,171)	14.88
Exercised during the year	-	-	(71)	14.62
Outstanding at the end of the year	-	-	6,299	19.14

The weighted average share price during the period was £12.90 (2010 £13.43).

For the share options outstanding as at 2 July 2011, the weighted average remaining contracted life is zero years (2010 zero years).

The range of exercise prices for options outstanding at the end of the year was £Nil (2010 £19.14).

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The key assumptions input into the model are future share price volatility, future dividend yield, future risk free interest rate, forfeiture rate and option life.

Notes to the financial statements

at 2 July 2011

25. Share-based payments (continued)

Share Incentive Plan

The company participates in an HMRC approved share incentive plan, operated by the ultimate parent undertaking, known as The Go-Ahead Group plc Share Incentive Plan (the "SIP"). The SIP is open to all group employees (including executive directors) who have completed at least six month's service with a group company at the date they are invited to participate in the plan.

The SIP permits The Go-Ahead Group plc to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the group has, so far, made awards of partnership shares only. Under these awards, the group invites qualifying employees to apply between £10 and £125 per month in acquiring shares in the group at the prevailing market price. Under the terms of the scheme, certain tax advantages are available to the group and employees.

26. Ultimate parent company and controlling party

In the directors' opinion the company's ultimate parent company is The Go-Ahead Group plc which is also the parent undertaking of the group of undertakings for which group financial statements are drawn up. The Go-Ahead Group plc is registered in England and Wales and copies of its financial statements can be obtained from Companies House, Cardiff.