Registered No: 3949597

Go South Coast Limited

Report and Financial Statements

3 July 2010

Directors
K L Ludeman
A P Carter
M S Dolphin
N Swift
S J Hamilton
M Morgan-Huws
E Wills

Secretary
C Sephton

Auditor
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Directors' report

The directors present their report and financial statements for the year ended 3 July 2010

Results and dividends

The profit for the year after taxation amounted to £4,643,000 (2009 £2,775,000) Particulars of dividends paid and proposed are detailed in note 11 to the financial statements

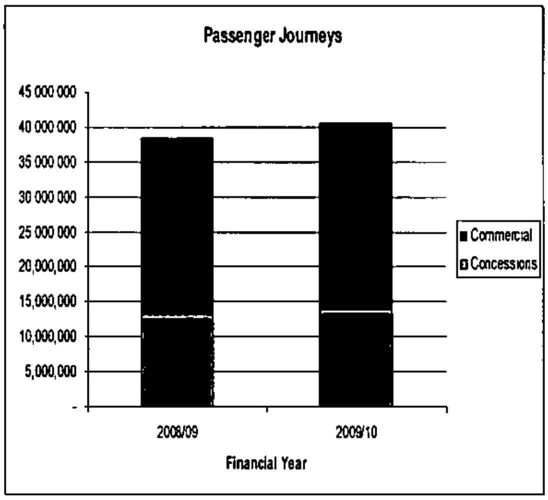
Principal activities and review of the business

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, however underperforming operations were addressed



The challenge of cost pressures has been mitigated through the use of group procurement contracts and initiatives including energy saving and fuel efficient driving styles

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

41 vehicles were introduced into the fleet at a cost of £3 7m, bringing the fleet size to 590, with an average age of 9 6 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

Directors' report (continued)

Directors

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

K L Ludeman	
A P Carter	
M S Dolphin	
A R Wickham	(resigned on 17 December 2009)
N Swift	
S J Hamilton	
M Morgan-Huws	(appointed on 1 June 2010)
E Wills	(appointed on 21 June 2010)

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 27 days (2009 - 16 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
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NE1 6EE

By order of the Board

C Sephton
Secretary

16 December 2010

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 3 July 2010 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 auditors
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 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 (APB'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

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 3 July 2010 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
Registered Auditor
Newcastle upon Tyne

17 December 2010

Go South Coast Limited

Profit and loss account

for the year ended 3 July 2010

	Notes	*2010* *£000*	*2009* *£000*
Turnover	2	74,659	71,450
Operating costs	3	67,392	66,618
Operating profit	4	7,267	4,832
Interest receivable and similar income	7	1	45
Interest payable and similar charges	8	(708)	(562)
Profit on ordinary activities before taxation		6,560	4,315
Tax on profit on ordinary activities	9	(1,917)	(1,540)
Profit for the financial year		4,643	2,775

All activities are continuing

Statement of total recognised gains and losses
for the year ended 3 July 2010

	2010 £000	2009 £000
Profit for the financial year	4,643	2,775
Recognition of opening pension liability net of deferred tax	-	(3,943)
Actuarial loss on pension schemes (note 19)	(4,515)	(5,294)
Deferred tax credit	1,264	1,296
Total recognised gains and losses relating to the year	1,392	(5,166)

Balance sheet
at 3 July 2010

Registered No: 3949597

	Notes	2010 £000	2009 £000
Fixed assets			
Intangible fixed assets	11	-	-
Tangible fixed assets	12	30,913	31,728
Investments	13	46,506	46,506
		77,419	78,234
Current assets			
Stocks		1,133	1,054
Debtors	14	7,344	6,524
Cash at bank		429	376
		8,906	7,954
Creditors amounts falling due within one year	15	(67,105)	(70,868)
Net current liabilities		(58,199)	(62,914)
Total assets less current liabilities		19,220	15,320
Creditors amounts falling due after more than one year	16	(971)	(1,664)
Provisions for liabilities and charges	18	(3,042)	(2,645)
Net assets excluding pension liability		15,207	11,011
Pension liability	19	(17,002)	(14,198)
Net liabilities including pension liability		(1,795)	(3,187)
Capital and reserves			
Share capital	23	1,977	1,977
Profit and loss account	24	(3,772)	(5,164)
	24	(1,795)	(3,187)

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

N Swift
Director

16 December 2010

Notes to the financial statements

at 3 July 2010

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 liabilities of £1,795,000 (2009 £3,187,000) and net current liabilities of £58,199,000 (2009 £62,914,000) including amounts owed to other group undertakings of £54,853,000 (2009 £58,048,000) 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 3 July 2010

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 third party insurance policies These provide individual claim cover subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits An accrual is made within "Creditors amounts falling due within one year" for the estimated cost to the company to settle claims for incidents occurring prior to the balance sheet date The estimation of the balance sheet insurance accrual is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but have not yet been reported to the company

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

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

1. Accounting policies (continued)

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

Notes to the financial statements
at 3 July 2010

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

	2010 *£000*	*2009* *£000*
United Kingdom	74,659	71,450

3. Operating costs

	2010 *£000*	*2009* *£000*
Materials and external charges	24,135	23,625
Staff costs	38,658	37,768
Depreciation and amortisation of fixed assets	4,599	4,521
Other operating costs	-	704
	67,392	66,618

4. Operating profit
This is stated after charging/(crediting)

		2010 *£000*	*2009* *£000*
Auditor's remuneration	- audit services	46	41
	- non-audit services	6	23
		52	64
Depreciation of owned fixed assets		3,032	2,118
Depreciation of assets held under finance lease and hire purchase contracts		1,567	2,321
		4,599	4,439
Profit on disposal of tangible assets		(160)	(179)
Amortisation of licence costs		-	82
Provision against intercompany debt		-	1,644
Operating lease rentals		286	345

Notes to the financial statements
at 3 July 2010

5. Staff costs

	2010	*2009*
	£000	*£000*
Wages and salaries	34,430	33,969
Social security costs	3,039	2,939
Other pension costs – defined benefit	1,092	798
– defined contribution	97	62
	38,658	37,768

Included in wages and salaries is a total expense of share-based payments of £10,000 (2009 £16,000), 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

	2010	*2009*
	No	*No*
Administration and supervision	25	22
Maintenance and engineering	320	346
Operations	1,134	1,126
	1,479	1,494

6. Directors' emoluments

	2010	*2009*
	£000	*£000*
Aggregate emoluments in respect of qualifying services	521	438

	2010	*2009*
	No	*No*
Number of directors accruing benefits under defined benefit schemes	5	4

None of the directors exercised share options during the year (2009 none)

The amounts in respect of the highest paid director are as follows

	2010	*2009*
	£000	*£000*
Emoluments	183	144

Notes to the financial statements
at 3 July 2010

7. Interest receivable and similar income

	2010 *£000*	*2009* *£000*
Other similar income receivable	1	45

8. Interest payable and similar charges

	2010 *£000*	*2009* *£000*
Finance charges payable under hire purchase contracts	225	417
Interest cost on defined benefit pension schemes	483	144
Interest on other loans	-	1
	708	562

9. Taxation on ordinary activities
(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2010 *£000*	*2009* *£000*
Current tax		
UK corporation tax	1,327	1,093
Total current tax (note 9(b))	1,327	1,093
Deferred tax		
Origination and reversal of timing differences (note 18)	416	447
Deferred tax charge on movement in FRS17 pension scheme liability	174	-
	590	447
Tax charge on profit on ordinary activities	1,917	1,540

Notes to the financial statements
at 3 July 2010

9. Taxation on ordinary activities (continued)

(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 28% (2009 28%)

The differences are reconciled below

	2010 *£000*	*2009* *£000*
Profit on ordinary activities before tax	6,560	4,315
Profit on ordinary activities by rate of tax	1,837	1,208
Capital allowances in excess of depreciation	(537)	(592)
Other permanent differences	9	(14)
Expenses not deductible for tax purposes	6	304
Other timing differences	12	187
Total current tax (note 9(a))	1,327	1,093

(c) Deferred tax

	2010 *£000*	*2009* *£000*
Capital allowances in advance of depreciation	3,172	2,566
Short term timing differences	(177)	13
Provision for deferred taxation (note 18)	2,995	2,579

(d) Factors affecting future tax charges

Following announcements in the Emergency Budget of 22 June 2010, it was proposed that the full rate of corporation tax be reduced by 1% per year from April 2011, ultimately bringing the corporation tax rate down to 24%

10. Dividends

	2010 *£000*	*2009* *£000*
Paid during the year		
Equity dividends on ordinary shares	-	-

Notes to the financial statements
at 3 July 2010

11. Intangible fixed assets

	Licences £000
Cost	
At 28 June 2009 and 3 July 2010	553
Amortisation	
At 28 June 2009 and 3 July 2010	553
Net book value	
At 28 June 2009 and 3 July 2010	-

12. Tangible fixed assets

	Leasehold property £000	*Plant & Equipment £000*	*Rolling Stock £000*	*Total £000*
Cost				
At 28 June 2009	84	4,971	66,788	71,843
Additions	-	182	3,732	3,914
Disposals	-	(256)	(5,730)	(5,986)
At 3 July 2010	84	4,897	64,790	69,771
Depreciation				
At 28 June 2009	84	3,857	36,174	40,115
Provided during the year	-	396	4,203	4,599
Disposals	-	(256)	(5,600)	(5,856)
At 3 July 2010	84	3,997	34,777	38,858
Net book value				
At 3 July 2010	-	900	30,013	30,913
At 28 June 2009	-	1,114	30,614	31,728

The net book value of assets above includes an amount of £6,007,000 (2009 £11,380,000) in respect of assets held under finance lease and hire purchase contracts

Capital commitments

	2010 £000	*2009 £000*
Contracted but not provided	-	-

Notes to the financial statements
at 3 July 2010

13. Investments

	Shares in group companies £000
Cost	
At 28 June 2009 and 3 July 2010	46,506

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

- The Southern Vectis Omnibus Company Limited (PCV operator)
- Solent Blue Line Limited (PCV operator)
- Marchwood Motorways (Southampton) Limited (subsidiary of Solent Blue Line Limited) (Coach operator)
- Marchwood Motorways (Services) Limited (subsidiary of Solent Blue Line limited) (PCV operator)
- Wilts & Dorset Investments Limited (Dormant)
- Wilts & Dorset (Holdings) Limited (subsidiary of Wilts & Dorset Investments Limited) (Dormant)
- Wilts & Dorset Bus Company Limited (PCV operator)
- Hants & Dorset Trim Limited (Bus and Coach refurbishment and repair)
- Tourist Coaches Limited (Coach operator)
- Hants & Dorset Motor Services Limited (Coach operator)
- Southern Vectis Commercials Limited (Dormant)
- Southern Vectis Coaches Limited (Dormant)

14. Debtors

	2010 £000	*2009 £000*
Trade debtors	4,923	3,713
Other debtors	713	685
Prepayments and accrued income	1,708	2,126
	7,344	6,524

15. Creditors: amounts falling due within one year

	2010 £000	*2009 £000*
Trade creditors	2,384	1,402
Accruals and deferred income	4,589	6,728
Amounts owed to group undertakings	54,853	58,048
Obligations under finance lease and hire purchase contracts (note 17)	720	2,179
Corporation tax	1,523	1,289
Other taxation and social security	1,160	981
Other creditors	1,876	241
	67,105	70,868

Notes to the financial statements
at 3 July 2010

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

	2010 *£000*	*2009* *£000*
Obligations under finance lease and hire purchase contracts (note 17)	971	1,664

17. Obligations under finance lease and hire purchase contracts

The maturity of these amounts is as follows

	2010 *£000*	*2009* *£000*
Amounts payable		
Within one year (note 15)	720	2,179
In two to five years	971	1,601
In over five years	-	63
	1,691	3,843

18. Provisions for liabilities and charges

	Deferred tax *£000*	*Onerous Lease Provision* *£000*	*Total* *£000*
At 28 June 2009	2,579	66	2,645
Deferred tax charge in profit and loss account	416	-	416
Utilised in year	-	(19)	(19)
At 3 July 2010	2,995	47	3,042

Notes to the financial statements
at 3 July 2010

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 (2009 £62,000) 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

19.1 The Wilts & Dorset Pension Scheme
The company participates in a scheme which is part of The Wilts & Dorset Pension Scheme ("the scheme") for the benefit of the employees The assets of the scheme are held separately from those of the company in an independently administered fund The valuation used for FRS17 has been based on a full actuarial valuation carried out as at 5 April 2008, using the projected unit method, and updated to 3 July 2010 and 27 June 2009 by Towers Watson LLP, a qualified independent actuary The next valuation is currently being undertaken as at 5 April 2011

The company has paid contributions to the scheme at 9 1% of pensionable salaries plus further costs of £847,000 to address the shortfall in scheme funding

Weekly paid members contributed at the rate of 6% of pensionable salaries and monthly paid members contributed at the rate 7% of pensionable salaries The contribution rate is subject to review at future actuarial valuations

The company's contributions made in the year were £1,591,000 (2009 - £1,188,000) There were no outstanding contributions due to the scheme at the balance sheet date The company expects to contribute £1,621,000 to its pension plan in 2010/11

The Trustee Valuation assumptions

Investment return pre retirement 7 00%
Investment return post retirement 5 30%
Pay growth 4 55%
Pension increase 3 55%

Summary of the latest actuarial valuation

Date of last valuation 5 April 2008
Market Value of assets £25,865,000
Funding level 73%

Major assumptions

	2010	*2009*	*2008*
	%	%	%
Rate of increase in salaries	4 3	4 4	5 3
Rate of increase in pensions in payment	3 4	3 4	3 5
Rate of increase in deferred pensions	3 3	3 4	3 8
Discount rate	5 3	6 3	6 2
Inflation assumption	3 3	3 4	3 8

Notes to the financial statements
at 3 July 2010

19. Pension commitments (continued)

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting deficit are

	Long-term rate of return expected %	2010 Value £000	Long-term rate of return expected %	2009 Value £000	Long-term rate of return expected %	2008 Value £000
Equities	7 9	19,438	8 5	16,281	8 4	17,377
Bonds (Government)	3 9	3,645	4 8	3,330	5 1	3,961
Bonds (Corporate)	5 3	3,828	6 2	3,297	6 7	3,826
Cash	3 9	777	4 4	260	5 3	135
Total market value of assets		27,688		23,168		25,299
Present value of scheme liabilities		(42,359)		(35,353)		(34,915)
Pension liability before deferred tax		(14,671)		(12,185)		(9,616)
Related deferred tax asset		4,108		3,412		2,692
Net pension liability		(10,563)		(8,773)		(6,924)

Changes in the present value of scheme liabilities during the year are as follows

	2010 £000	2009 £000
At start of year	(35,353)	(34,915)
Current service cost	(843)	(642)
Interest costs	(2,190)	(2,150)
Actuarial (losses)/gains	(5,379)	1,281
Member Contributions	(768)	(792)
Actual benefit payments	2,174	1,865
At end of year	(42,359)	(35,353)

Changes in fair value of scheme assets during the year are as follows

	2010 £000	2009 £000
At start of year	23,168	25,299
Expected return on assets	1,860	2,016
Actuarial gains/(losses)	2,475	(4,262)
Member Contributions	768	792
Company Contributions	1,591	1,188
Actual benefit payments	(2,174)	(1,865)
At end of year	27,688	23,168

Notes to the financial statements
at 3 July 2010

19. Pension commitments (continued)

An analysis of the defined benefit cost for the year ended 3 July 2010 is as follows

	2010 *£000*	*2009* *£000*
Current service cost	(843)	(642)
Total operating charge	(843)	(642)
Expected return on assets in the scheme	1,860	2,016
Interest costs	(2,190)	(2,150)
Net other finance costs	(330)	(134)

	2010 *£000*	*2009* *£000*
STRGL difference between expected and actual return on assets	2,475	(4,262)
STRGL experience losses arising from scheme liabilities	1,269	272
STRGL effect of changes in assumptions underlying the present value of scheme liabilities	(6,648)	1,009
Actuarial losses	(2,904)	(2,981)

A history of experience gains and losses is shown below

	2010	*2009*	*2008*	*2007*	*2006*
Difference between expected return and actual return on pension scheme assets					
- amount (£000)	2,475	(4,262)	(3,521)	927	1,586
- % of scheme assets	8 9	(18 4)	(13 9)	3 5	6 7
Experience gains/(losses) arising on scheme liabilities					
- amount (£000)	1,269	272	-	-	(1,196)
- % of the present value of scheme liabilities	3 0	0 8	0 0	0 0	(3 6)
Total actuarial (losses)/gains recognised in the statement of total recognised gains and losses					
- amount (£000)	(2,904)	(2,981)	(3,431)	2,785	408
- % of the present value of scheme liabilities	(6 9)	(8 4)	(9 8)	8 4	1 2

19.2 The Southern Vectis Group Pension Plan

The company participates in a scheme which is part of The Southern Vectis Group Pension Plan ("the scheme") for the benefit of the employees The assets of the scheme are held separately from those of the company in an independently administered fund The valuation used for FRS17 has been based on a full actuarial valuation carried out as at 5 April 2008, using the projected unit method, and updated to 3 July 2010 and 27 June 2009 by Towers Watson LLP, a qualified independent actuary The next valuation is currently being undertaken at 5 April 2010
The company has paid contributions to the scheme 7 3% of pensionable salaries plus further costs of £387,000 to address the shortfall in scheme funding

Weekly paid members contributed at the rate of 8 8% of gross salaries and monthly paid members contributed at the rate 11 3% of pensionable salaries The contribution rate is subject to review at future actuarial valuations

The company's contributions made in the year were £605,000 (2009 £421,000) There were no outstanding contributions due to the scheme at the balance sheet date The company expects to contribute £627,000 to its pension plan in 2010/11

Notes to the financial statements
at 3 July 2010

19. Pension commitments (continued)

19.2 The Southern Vectis Group Pension Plan (continued)

The Trustee Valuation assumptions

Investment return pre retirement 7 00%
Investment return post retirement 5 30%
Pay growth 4 55%
Pension increase 3 55%

Summary of the latest actuarial valuation

Date of last valuation 5 April 2008
Market Value of assets £20,498,000
Funding level 80%

Major assumptions

	2010 %	*2009* %	*2008* %
Rate of increase in salaries	4 3	4 4	5 3
Rate of increase in pensions in payment	2 9	3 0	3 2
Rate of increase in deferred pensions	3 3	3 4	3 8
Discount rate	5 3	6 3	6 2
Inflation assumption	3 3	3 4	3 8

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting deficit are

		2010		*2009*		*2008*
	Long-term rate of return expected %	*Value* £000	*Long-term rate of return expected* %	*Value* £000	*Long-term rate of return expected*	*Value* £000
Equities	7 9	13,702	8 5	11,557	8 4	12,310
Bonds (Government)	3 9	1,618	4 8	1,435	5 1	1,846
Bonds (Corporate)	5 3	5,007	6 2	4,316	6 7	5,352
Cash	3 9	70	4 4	42	5 3	54
Total market value of assets		20,397		17,350		19,562
Present value of scheme liabilities		(29,340)		(24,885)		(25,039)
Pension liability before deferred tax		(8,943)		(7,535)		(5,477)
Related deferred tax asset		2,504		2,110		1,534
Net pension liability		(6,439)		(5,425)		(3,943)

Notes to the financial statements
at 3 July 2010

19. Pension commitments (continued)

Changes in the present value of scheme liabilities during the year are as follows

	2010 *£000*	*2009* *£000*
At start of year	(24,885)	(25,039)
Current service cost	(249)	(156)
Interest costs	(1,532)	(1,534)
Actuarial (losses)/gains	(3,640)	1,121
Member Contributions	(313)	(328)
Actual benefit payments	1,279	1,051
At end of year	(29,340)	(24,885)

Changes in fair value of scheme assets during the year are as follows

	2010 *£000*	*2009* *£000*
At start of year	17,350	19,562
Expected return on assets	1,379	1,524
Actuarial gains/(losses)	2,029	(3,434)
Member Contributions	313	328
Company Contributions	605	421
Actual benefit payments	(1,279)	(1,051)
At end of year	20,397	17,350

An analysis of the defined benefit cost for the year ended 3 July 2010 is as follows

	2010 *£000*	*2009* *£000*
Current service cost	(249)	(156)
Total operating charge	(249)	(156)
Other finance cost expected return on assets in the scheme	1,379	1,524
Other finance cost interest cost	(1,532)	(1,534)
Net other finance costs	(153)	(10)
STRGL difference between expected and actual return on assets	2,029	(3,434)
STRGL experience gains arising from scheme liabilities	716	198
STRGL effect of changes in assumptions underlying the present value of scheme liabilities	(4,356)	923
Actuarial losses	(1,611)	(2,313)

Notes to the financial statements
at 3 July 2010

A history of experience gains and losses is shown below

	2010	*2009*	*2008*	*2007*	*2006*
Difference between expected return and actual return on pension scheme assets					
- amount (£000)	2,029	(3,434)	(2,795)	686	1,050
- % of scheme assets	9 9	(19 8)	(14 3)	3 3	5 4
Experience gains arising on scheme liabilities					
- amount (£000)	716	198	-	-	718
- % of the present value of scheme liabilities	2 4	0 8	0 0	0 0	2 8
Total actuarial (losses)/gains recognised in the statement of total recognised gains and losses					
- amount (£000)	(1,611)	(2,313)	(2,577)	2,191	1,377
- % of the present value of scheme liabilities	5 5	(9 3)	(10 3)	9 0	5 5

20. Commitments under operating leases
At 3 July 2010 the company had annual commitments under non-cancellable operating leases as set out below

	2010 *Other* *£000*	*2009* *Other* *£000*
Operating leases which expire		
In over five years	472	472

Included in other operating lease commitments is £472,000 (2009 £472,000) relating to obligations under finance lease with other group undertakings

21. Contingent liabilities
The company has granted a bond for £17,000 (2009 £31,000) 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

23. Share capital

	Allotted, called up and fully paid			
		2010		*2009*
	No	*£000*	*No*	*£000*
Ordinary shares of £0 10 each	19,770,020	1,977	19,770,020	1,977

Notes to the financial statements
at 3 July 2010

24. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	*Profit and loss account £000*	*Total share-holders' deficit £000*
At 29 June 2008	1,977	2	1,979
Recognition of pension liability	-	(3,943)	(3,943)
Retained profit for the year	-	2,775	2,775
Actuarial loss net of deferred tax	-	(3,998)	(3,998)
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 3 July 2010	1,977	(3,772)	(1,795)

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 3 July 2010 was £10,000 (2009 £16,000)

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

	No	*2010 WAEP pence*	*No*	*2009 WAEP pence*
Outstanding at the beginning of the year	16,541	16 51	-	
Transfers from other group undertakings	-		20,774	16 37
Forfeited during the year	(10,171)	14 88	(3,515)	16 54
Exercised during the year	(71)	14 62	(718)	-
Outstanding at the end of the year	6,299	19 14	16,541	16 51

The weighted average share price during the period was £13 43 (2009 £16 19)

For the share options outstanding as at 3 July 2010, the weighted average remaining contracted life is zero years (2009 0 4 years)

The range of exercise prices for options outstanding at the end of the year was £19 14 (2009 £14 62 - £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 3 July 2010

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