

**Company Registration No 25088**

**First Somerset & Avon Limited**

**Report and Financial Statements**

**26 March 2011**

WEDNESDAY



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# **First Somerset & Avon Limited**

## **Report and financial statements 2011**

<b>Contents</b>	<b>Page</b>
<b>Directors' report</b>	<b>1</b>
<b>Directors' responsibilities statement</b>	<b>5</b>
<b>Independent auditor's report</b>	<b>6</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Note of historical cost profits and losses</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Reconciliation of movements in shareholders' funds/(deficit)</b>	<b>9</b>
<b>Notes to the financial statements</b>	<b>10</b>

# **First Somerset & Avon Limited**

## **Directors' report**

The directors have pleasure in submitting their annual report and financial statements for the 52 week period ended 26 March 2011

### **Principal activities**

The company's principal activities are the provision of bus and coach operations in Somerset & Avon. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

### **Business review**

The directors of the business are pleased to report another year of successful trading, with tight cost constraints achieving savings in all areas of spend. Additionally, considerable reductions in fuel prices have been achieved. The business undertook a thorough review of route performance and early in 2010 reduced the network operated considerably. The resulting contraction in vehicle requirement allowed the business to reduce premise overheads and associated support costs considerably.

Net Assets have improved from liabilities of £(2,972,000) to assets of £2,928,000 primarily as result of a profit of £5,842,000 being made in the financial period.

The company continued to improve the safe working arrangements for its staff and customers. The directors have implemented new initiatives in order to make further progress making the company a safe place to work and its vehicles a safe and reliable environment in which to travel.

The company has become a fully integrated part of the South West and Wales region and the resulting management and reporting restructure. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the UK Bus Division of FirstGroup plc, which includes the company, is discussed in the Group's Annual Report which does not form part of this report.

Good relations have been maintained with the relevant local authorities and stake holders. This has been a period of consolidation and focus on improving customer satisfaction through improved service delivery.

The Directors believe that the company should continue to trade successfully in the year ahead, and is flexible enough to weather any deterioration that may occur in the economy.

### **Risks and uncertainties**

There are a number of potential risks and uncertainties that could have an impact on the company's long-term performance. The directors have established an ongoing process for identifying, evaluating and managing the significant risks and uncertainties faced by the company and continue to assess these on a regular basis in the light of internal and external events.

Specific business risks faced by the company include competitive pressures, legislation and regulation and increasing labour, fuel and insurance costs. The directors are aware of the continual change in laws and other regulations and the increasing costs of compliance. The directors conduct regular reviews of safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage and other areas to ensure that they are appropriate and operating effectively. Labour costs represent the most significant element of the company's operating costs. The directors continue to monitor employee recruitment, training, personal development and remuneration to ensure that the company attracts and retains the right people. Fuel costs also represent a significant proportion of the company's cost base. Fuel prices are directly influenced by international, political and economic circumstances as well as natural disasters. Wherever possible, the directors seek to minimise the operational and financial impact of such events through fixed price forward contracts and other operational efficiency measures. Finally, the promotion of a 'Safety First' culture at all levels throughout the business minimises insurance premiums and other related claims.

# **First Somerset & Avon Limited**

## **Directors' report (continued)**

### **Going concern**

The directors have considered the going concern assumption given the current uncertainty of the economic climate and have formed the conclusion that there is a reasonable expectation that the company will continue to operate in the foreseeable future. The directors have considered the company forecasts and the financial commitment from the parent company in forming this judgement.

The parent company has provided the directors of the company with a letter confirming that it will make available such funds as may be required to enable the company to meet its obligations for a period of at least 12 months from signing the financial statements. The directors have made enquiries and understand that the parent company has adequate resources to be able to provide this financial support.

After making enquiries and considering the above facts, the directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### **Outlook**

The trading environment for the next 12 months is set to continue to be challenging. This includes anticipated structural changes across the industry, driven by further reductions in local authority requirements for services, concessionary reimbursement driven by the DfT guidance, and statutory changes to Bus Services Operators Grant. In spite of this, the directors remain optimistic about the current and future opportunities to grow the business with innovative ideas, improved service quality and reliability while retaining a tight control on costs.

The directors remain confident that the company's activities will generate a satisfactory result in the coming financial period.

### **Environmental**

FirstGroup plc recognises the importance of its environmental policies, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The company operates in accordance with Group policies, which are described in the Group's Annual Report, which do not form part of this Report. Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Through our core business activities we are committed to providing a safe, good quality, reliable and cost effective public transport to all our customers. Our core business strategy is to increase customer numbers and encourage a greater move towards the use of bus transport. This will support the needs of society to achieve more sustainable travel. We recognise the environmental impacts arising from our business activities and are committed to reducing these through effective environmental management.

### **Employees**

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

### **Financial matters**

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

No dividends have been paid in the current period (2010: £nil) and the directors have not recommended payment of a final dividend.

### **Fixed assets**

In the opinion of the directors, there were no material differences between the market values of the company's assets and their net book values.

# **First Somerset & Avon Limited**

## **Directors' report (continued)**

### **Supplier payment policy**

It is the company's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions. A number of significant purchases, such as commitments under finance leases and hire purchase contracts and under operating leases are paid by direct debit. First Hampshire & Dorset Limited, First Devon & Cornwall Limited and First Bristol Limited subcontract certain purchases and payments to First Somerset & Avon Limited, which makes any calculation of creditors days meaningless and it is therefore not supplied.

### **Financial instruments**

The company's principal financial assets are bank balances and trade debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has no significant concentration of credit risk, with exposure spread over a large number of customers. The credit risk on liquid funds is limited because the counterparties are banks. Although certain risks, for example fuel price, are hedged on a group basis, the company does not directly enter into any derivative financial instruments. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses intercompany finance.

### **Directors**

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

S Cursio	(Resigned 20 May 2011)
J W Davies	
C P Jones	
D A Kaye	(Resigned 1 June 2010)
J M McLeod	(Resigned 11 November 2010)
A J McNiff	(Appointed 2 August 2010)
C Morgan	(Appointed 11 November 2010, Resigned 17 June 2011)
M A A Price	(Appointed 18 April 2011)
M C Reddy	(Appointed 20 May 2011)
K Willey	

### **Employee involvement**

Communication with employees is effected mainly through regular briefing and negotiating meetings between the directors, the senior management and employee representatives on the central and depot negotiating committees. The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests.

### **Disabled persons**

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirements which have to be met for certain grades of staff. Wherever reasonable and practicable, the company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

# **First Somerset & Avon Limited**

## **Directors' report (continued)**

### **Audit information**

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

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

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

### **Auditor**

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

Enterprise House  
Easton Road  
Bristol  
BS5 0DZ

Approved by the Board of Directors  
and signed by order of the board



J W Davies  
Director

16 December 2011

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## **First Somerset & Avon Limited**

### **Directors' responsibilities statement**

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF First Somerset & Avon Limited**

We have audited the financial statements of First Somerset & Avon Limited for the 52 week period ended 26 March 2011 which comprise the profit and loss account, note of historical cost profits and losses, the balance sheet, the reconciliation of movements in shareholders' funds/(deficit) and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 26 March 2011 and of its profit for the 52-week period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

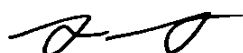
### **Opinion on other matter prescribed by the Companies Act 2006**

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.

### **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.



**James Boyle (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Edinburgh, United Kingdom  
16 December 2011



## First Somerset & Avon Limited

### Profit and loss account

52 weeks ended 26 March 2011

		52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
	Notes		
Turnover	2	45,854	47,215
Operating costs	3	(37,745)	(40,836)
<b>Operating profit</b>		8,109	6,379
Loss on disposal of fixed assets		(4)	(95)
<b>Profit on ordinary activities before interest</b>		8,105	6,284
Net interest payable and similar charges	7	(73)	(72)
<b>Profit on ordinary activities before taxation</b>	8	8,032	6,212
Tax on profit on ordinary activities	9	(2,190)	(1,839)
<b>Profit for the financial period</b>	18	5,842	4,373

All activities relate to continuing operations

There are no recognised gains and losses in either the current or previous financial period other than profit and accordingly, no separate statement of total recognised gains and losses has been prepared

### Note of historical cost profits and losses

52 weeks ended 26 March 2011

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Profit on ordinary activities before taxation	8,032	6,212
Differences between the historical cost depreciation charge and the actual depreciation charge for the period	8	7
<b>Historical cost profit on ordinary activities before taxation</b>	8,040	6,219
<b>Historical cost profit for the period retained after taxation</b>	5,850	4,380

# First Somerset & Avon Limited

## Balance sheet At 26 March 2011

	Notes	£000	26 March 2011 £000	£000	27 March 2010 £000
<b>Assets employed:</b>					
<b>Fixed assets</b>					
Tangible assets	10		26,774		30,138
Investments	11		-		-
			<u>26,774</u>		<u>30,138</u>
<b>Current assets</b>					
Stocks	12	942		717	
Debtors					
- due within one year	13	15,493		6,736	
- due after one year	13	-		73	
Cash at bank and in hand		8,943		497	
		<u>25,378</u>		<u>8,023</u>	
<b>Creditors</b> amounts falling due within one year	14	(46,560)		(38,035)	
<b>Net current liabilities</b>			<u>(21,182)</u>		<u>(30,012)</u>
<b>Total assets less current liabilities</b>			5,592		126
<b>Provisions for liabilities</b>	15		<u>(2,664)</u>		<u>(3,098)</u>
<b>Net assets/(liabilities)</b>			<u>2,928</u>		<u>(2,972)</u>
<b>Financed by:</b>					
<b>Capital and reserves</b>					
Called up share capital	17		5,500		5,500
Revaluation reserve	18		1,270		1,278
Profit and loss account	18		<u>(3,842)</u>		<u>(9,750)</u>
<b>Shareholders' funds/(deficit)</b>			<u>2,928</u>		<u>(2,972)</u>

The financial statements of First Somerset & Avon Limited (Company Registration Number 25088) were approved by the Board of directors and authorised for issue on 16 December 2011 and were signed on its behalf by

J W Davies  
Managing Director



## **First Somerset & Avon Limited**

### **Reconciliation of movements in shareholders' funds/(deficit) 52 weeks ended 26 March 2011**

	<b>52 weeks ended 26 March 2011 £000</b>	<b>52 weeks ended 27 March 2010 £000</b>
Profit for the financial period	5,842	4,373
Share-based payments	58	81
Net reduction in shareholders' deficit	5,900	4,454
Opening shareholders' deficit	(2,972)	(7,426)
Closing shareholders' funds/(deficit)	<u>2,928</u>	<u>(2,972)</u>

# First Somerset & Avon Limited

## Notes to the financial statements 52 weeks ended 26 March 2011

### 1. Principal accounting policies

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

#### (a) Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the revaluation of land and buildings, and in accordance with applicable United Kingdom accounting standards. The financial statements are made up to the Saturday nearest to the year-end for each financial period.

#### (b) Going concern

The directors have considered the going concern assumption given the current uncertainty of the economic climate and have formed the conclusion that there is a reasonable expectation that the company will continue to operate in the foreseeable future. The directors have considered the company forecasts and the financial commitment from the parent company in forming this judgement.

The parent company has provided the directors of the company with a letter confirming that it will make available such funds as may be required to enable the company to meet its obligations for a period of at least 12 months from signing the financial statements. The directors have made enquiries and understand that the parent company has adequate resources to be able to provide this financial support.

After making enquiries and considering the above facts, the directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### (c) Group financial statements

Under the provisions of section 401 of the Companies Act 2006, and in accordance with paragraphs 21b and 21c of Financial Reporting Standard 2, the company is exempt from preparing consolidated financial statements by virtue of the fact that the company is a subsidiary of another company which prepares Group financial statements. The financial statements therefore present information about the company as an individual undertaking and not as a group.

#### (d) Cash flow statement

The company is a wholly owned subsidiary of FirstGroup plc, a company registered in Scotland. Accordingly, the company has taken advantage of the exemption offered by Financial Reporting Standard 1 enabling it not to produce a cash flow statement as the parent company has included a consolidated cash flow statement within its Group financial statements.

#### (e) Tangible fixed assets and depreciation

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

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

Freehold buildings	-	50 years straight-line
Long leasehold properties	-	50 years straight-line
Short leasehold properties	-	period of lease
Passenger carrying vehicle		
Double and single decks	-	15 years straight-line
Coaches	-	7 or 12 years straight-line
Midibuses	-	12 years straight-line
Minibuses	-	9 years straight-line
Other plant and equipment	-	3 to 8 years straight-line

No depreciation is provided on freehold land.

# **First Somerset & Avon Limited**

## **Notes to the financial statements (continued)** **52 weeks ended 26 March 2011**

### **1. Principal accounting policies (continued)**

#### **(e) Tangible fixed assets and depreciation (continued)**

The company has taken advantage of the transitional provisions of FRS 15 "Tangible fixed assets" and retained the book amounts of certain freehold properties, which were revalued prior to implementation of that standard. The properties were last revalued in 1993 and the valuations have not subsequently been updated.

Surpluses or deficits arising on the revaluation of tangible fixed assets are credited or debited to a revaluation reserve. On a subsequent disposal of a revalued asset, the revaluation surplus or deficit relating to this asset is transferred to the profit and loss account reserve.

#### **(f) Leases**

All leases are operating leases and the rental charges are taken to the profit and loss account on a straight-line basis over the life of the lease.

#### **(g) Government grants and subsidies**

Amounts receivable for tendered services and concessionary fare schemes are included in turnover. Rebates in respect of duty paid on fuel are netted off operating costs. Amounts receivable with respect to purchase of capital assets are treated as deferred income and credited to the profit and loss account over the term of the agreement for the asset utilisation.

#### **(h) Stocks**

Stocks are valued at the lower of cost and net realisable value. Provision is made for obsolete and slow-moving or defective items where appropriate.

#### **(i) Taxation**

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The taxation liability is reduced wholly or in part by the surrender of losses by group undertakings. The tax benefits arising from Group relief are recognised in the financial statements of the surrendering undertaking.

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted by the balance sheet date.

#### **(j) Pension costs**

##### **Group scheme**

The company is unable to separately identify its share of the scheme assets and liabilities for the First UK Bus Pension Scheme and the FirstGroup Pension Scheme. It therefore accounts for the schemes as if they were defined contribution schemes and includes certain disclosures in the financial statements in respect of the Group schemes. Contributions are charged to the profit and loss account as they become payable.

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2011

### 1. Principal accounting policies (continued)

#### (k) Turnover

UK Bus turnover principally comprises amounts receivable from ticket sales and concessionary fare schemes. Concessionary amounts are recognised in the period in which the service is provided based on a predetermined formula as agreed with the relevant local authority. Other bus and services revenue from contracts with government bodies and similar organisations are recognised as the services are provided.

#### (l) Share-based payments

The company's parent issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and is adjusted for the effects of non-market based vesting conditions.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

#### (m) Insurance

FirstGroup plc's policy is to self-insure high frequency, low value claims within the businesses. To provide protection above these types of losses, cover is obtained through third party insurance policies. Provision is made under FRS 12 for the estimated cost of settling uninsured claims for incidents occurring prior to the balance sheet date.

### 2. Turnover and profit on ordinary activities before taxation

Turnover represents the amounts receivable for services supplied to customers during the period.

The whole of the turnover and profit on ordinary activities before taxation derives from the company's principal activities within the United Kingdom. The company has one principal class of business, namely the provision of passenger transport services.

### 3. Operating costs

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Raw materials and consumables	6,700	9,693
Staff costs (note 4)	25,130	25,450
Other external charges	3,416	3,024
Depreciation and other amounts written off tangible fixed assets	2,499	2,669
	<u>37,745</u>	<u>40,836</u>

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2011

### 4. Employee numbers and costs

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

	52 weeks ended 26 March 2011 No.	52 weeks ended 27 March 2010 No.
Drivers	778	799
Maintenance and traffic	231	249
Administration	62	91
	<u>1,071</u>	<u>1,139</u>

The aggregate payroll costs of these persons were as follows

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Wages and salaries	22,405	22,496
Social security costs	1,831	1,992
Other pension costs (note 21)	836	881
Share-based payments (note 6)	58	81
	<u>25,130</u>	<u>25,450</u>

### 5. Directors' remuneration

D A Kaye received remuneration from FirstGroup plc, the ultimate parent company, in the current period. It is not considered practicable to allocate remuneration between services provided to First Somerset & Avon Limited, and services provided in his capacity as director to other group companies.

The remuneration of the directors during the period was as follows

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Aggregate emoluments (excluding pension contributions)	341	93
Company pension contributions to defined benefit scheme	43	12
	<u>384</u>	<u>105</u>

## First Somerset & Avon Limited

### Notes to the financial statements (continued) 52 weeks ended 26 March 2011

#### 5. Directors' remuneration (continued)

Retirement benefits accrue to five directors under defined benefit schemes (2010 two directors)

Directors' emoluments include salary, fees, bonuses, sums paid by way of expense allowances subject to UK income tax and the money value of other non-cash benefits and exclude share options, company pension contributions and payments made under long-term incentive schemes

The emoluments of the highest paid director amounted to

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Aggregate emoluments	165	162
Company pension contributions to defined benefit scheme	20	20
	<u>185</u>	<u>182</u>
<i>Defined benefit scheme</i>		
Accrued pension at end of period	17	21
Accrued lump sum at end of period	82	101
	<u>99</u>	<u>122</u>

The highest paid director has been entitled to receive shares under the FirstGroup long-term incentive plan

#### 6. Share-based payments

##### Save as you earn (SAYE)

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



# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2011

### 6. Share-based payments (continued)

Details of the share options of the Group outstanding during the period are as follows

	SAYE April 2006 Options No.	SAYE December 2006 Options No.	SAYE December 2007 Options No.	SAYE December 2008 Options No.	SAYE December 2009 Options No.	SAYE December 2010 Options No.
Outstanding at the beginning of the period	1,265	1,789,363	1,514,616	2,224,615	2,900,694	-
Awarded during the period	-	-	-	-	-	2,999,495
Exercised during the period	-	-	(1,595)	(2,878)	(3,093)	-
Lapsed during the period	(1,265)	(1,789,363)	(1,389,721)	(272,935)	(271,508)	(33,882)
Outstanding at the end of the period	-	-	123,300	1,948,802	2,626,093	2,965,613
Exercisable at the end of the period	-	-	123,300	-	-	-
Weighted average exercise price (pence)	325 0	444 0	583 0	371 0	310 0	319 0
Weighted average share price at date of exercise (pence)	N/A	N/A	376 8	382 1	369 3	N/A

The fair values of the options granted during the last two years were measured using a Black-Scholes model. The inputs into the Black-Scholes model were as follows:

	2011	2010
Weighted average share price (pence)		
- SAYE December 2009	-	395 0
- SAYE December 2010	387 0	-
Weighted average exercise price (pence)		
- SAYE December 2009	-	310 0
- SAYE December 2010	319 0	-
Expected volatility		
- SAYE December 2009	-	35%
- SAYE December 2010	35%	-
Expected life		
- SAYE schemes	3 years	3 years
Rate of interest		
- SAYE December 2009	-	2 0%
- SAYE December 2010	1 4%	-
Expected dividend yield		
- SAYE December 2009	-	4 8%
- SAYE December 2010	4 8%	-

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

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

# First Somerset & Avon Limited

## Notes to the financial statements (continued)

### 52 weeks ended 26 March 2011

#### 6. Share-based payments (continued)

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

The Group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme. The company has recognised a total expense of £58,000 (2010 £81,000) relating to equity-settled share-based payment transactions

#### 7. Net interest payable and similar charges

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
<i>Interest payable</i>		
Other interest	(74)	(74)
	(74)	(74)
<i>Interest receivable</i>		
Other interest	1	2
	(73)	(72)

#### 8. Profit on ordinary activities before taxation

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Profit on ordinary activities before taxation is stated after charging		
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the company's annual accounts	21	18
Depreciation and other amounts written off tangible fixed assets		
- owned assets	2,499	2,669
Rentals payable under operating leases		
- plant and machinery	201	113
- other operating leases	294	322
Loss on disposal of fixed assets	4	95

There were no fees payable to Deloitte LLP and their associates for non-audit services to the company during the period (2010 £nil)

# First Somerset & Avon Limited

## Notes to the financial statements (continued)

### 52 weeks ended 26 March 2011

#### 9. Tax on profit on ordinary activities

	52 weeks ended 26 March 2011 £000	52 weeks ended 27 March 2010 £000
Current taxation		
- Group relief payable	2,561	2,097
- Adjustments in respect of prior periods	(67)	(268)
Total current taxation	2,494	1,829
Deferred taxation		
- Origination and reversal of timing differences	(224)	(265)
- Adjustment in respect of prior periods	12	275
- Effect of change in tax rate on opening tax balance	(92)	-
Total deferred taxation	(304)	10
Total tax charge on profit on ordinary activities	2,190	1,839

The standard rate of taxation for the period, based on the UK standard rate of corporation tax, is 28% (2010 28%) The actual current tax charge for the current and previous period differed from the standard rate for the reasons set out in the following reconciliation

	52 weeks ended 26 March 2011 %	52 weeks ended 27 March 2010 %
Standard rate of taxation	28.0	28.0
Factors affecting charge		
- Expenses not deductible for tax purposes	-	1.4
- Differences between depreciation and capital allowances	3.7	3.5
- Other timing differences	0.2	0.8
- Prior periods' tax charge	(0.8)	(4.3)
Current taxation rate for the period	31.1	29.4

During the year the UK Government enacted legislation to reduce the UK corporation tax rate from 28% to 27% with effect from 1 April 2011. The effect of this reduction in the UK corporation tax rate was to reduce the deferred tax liability on UK timing differences.

The UK Government later announced that it would introduce legislation that would reduce the corporation tax rate to 26% with effect from 1 April 2011. This legislation was substantively enacted on 29 March 2011, after the end of the financial period. The effective tax rate for the period to 31 March 2012 is expected to reduce accordingly.

The UK Government has also announced their intention to subsequently reduce the UK corporation tax rate by 1% per annum to 23% with effect from 1 April 2014. This is likely to have the effect of reducing the effective tax rate in future years.

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2011

### 10. Tangible fixed assets

	Land and buildings £000	Passenger carrying vehicle fleet £000	Other plant and equipment £000	Total £000
<b>Cost or valuation</b>				
At 27 March 2010	16,115	38,651	1,316	56,082
Intra Group transfers	-	373	25	398
Disposals	(97)	(2,428)	(26)	(2,551)
At 26 March 2011	16,018	36,596	1,315	53,929
<b>Depreciation</b>				
At 27 March 2010	3,309	21,582	1,053	25,944
Charge for period	330	2,077	92	2,499
Intra Group transfers	-	1,250	13	1,263
Disposals	(97)	(2,428)	(26)	(2,551)
At 26 March 2011	3,542	22,481	1,132	27,155
<b>Net book value</b>				
At 26 March 2011	12,476	14,115	183	26,774
At 27 March 2010	12,806	17,069	263	30,138

The net book value of land and buildings comprises

	26 March 2011 £000	27 March 2010 £000
Freehold	10,078	10,323
Long leasehold	2,354	2,415
Short leasehold	44	68
	12,476	12,806

Depreciation is not provided on the land element of freehold property which amounts to £2 0 million (2010 - £2 0 million)

# First Somerset & Avon Limited

## Notes to the financial statements (continued)

### 52 weeks ended 26 March 2011

#### 10. Tangible fixed assets (continued)

The assets which have been revalued comprise the following land and buildings

	26 March 2011 £000	27 March 2010 £000
At 1993 professional valuation	1,800	1,800
Aggregate depreciation thereon	(363)	(331)
<b>Net book value</b>	<b>1,437</b>	<b>1,469</b>
Historical cost of revalued assets	520	520
Aggregate depreciation based on historical cost	(353)	(329)
	<b>167</b>	<b>191</b>

Freehold and leasehold land and buildings were professionally valued by Chesterton International Limited, Chartered Surveyors, on the basis of open market value for existing use in 1993

#### 11 Fixed asset investments

	Subsidiary undertaking £000
<b>Cost and net book value</b>	
At 27 March 2010 and 26 March 2011	-

The subsidiary undertaking at the end of the period, and the nature of its business is as follows

Subsidiary undertaking	Country of incorporation	Principal activity	Holding	%
First Bristol Limited	Great Britain	Operation of bus services	£2	100

#### 12 Stocks

	26 March 2011 £000	27 March 2010 £000
Spare parts and consumables	942	717

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

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2011

### 13. Debtors

	<b>26 March 2011 £000</b>	<b>27 March 2010 £000</b>
<b>Amounts due within one year</b>		
Trade debtors	5,980	2,677
VAT	586	1,153
Amounts owed from group undertakings	1,978	-
Other debtors	659	560
Other prepayments and accrued income	6,290	2,346
	<u>15,493</u>	<u>6,736</u>
<b>Amounts due after one year</b>		
Other prepayments and accrued income	-	73
	<u>15,493</u>	<u>6,809</u>

### 14. Creditors

	<b>26 March 2011 £000</b>	<b>27 March 2010 £000</b>
<b>Amounts falling due within one year</b>		
Trade creditors	10,422	19,560
Amounts owed to group undertakings	22,540	7,819
Corporation tax	1	1,814
Other tax and social security	1,308	1,405
Other creditors	1,024	1,313
Accruals and deferred income	11,265	6,124
	<u>46,560</u>	<u>38,035</u>

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2011

### 15. Provisions for liabilities

	Deferred tax £000	Insurance claims £000	Total £000
At 29 March 2009	2,575	523	3,098
Utilised in the period	-	(647)	(647)
Charge to the profit and loss account	(304)	517	213
At 27 March 2010	<u>2,271</u>	<u>393</u>	<u>2,664</u>

Details of the deferred tax provision are given in note 16

Insurance claims accruals due within one year amounted to £212,000 (2010 £281,000) and are included in 'accruals and deferred income' within note 14. The amount included within provisions above represents the estimate of amounts due after more than one year.

The insurance claims provision arises from estimated exposures for incidents occurring prior to the balance sheet date. It is anticipated that the majority of such claims will be settled within the next six years.

### 16. Deferred taxation

Provision for deferred taxation consists of the following amounts

	26 March 2011 £000	27 March 2010 £000
Capital allowances in excess of depreciation	2,427	2,733
Other timing differences	(156)	(158)
Deferred tax provision	<u>2,271</u>	<u>2,575</u>

### 17. Called up share capital

	26 March 2011 £000	27 March 2010 £000
Allotted, called up and fully paid 5,500,000 ordinary shares of £1 each	<u>5,500</u>	<u>5,500</u>

# First Somerset & Avon Limited

## Notes to the financial statements (continued)

52 weeks ended 26 March 2011

### 18. Reserves

	Revaluation reserve £000	Profit and loss account £000
At 27 March 2010	1,278	(9,750)
Transfer of depreciation on revalued assets	(8)	8
Share-based payments	-	58
Profit for the financial period	-	5,842
At 26 March 2011	<u>1,270</u>	<u>(3,842)</u>

### 19. Capital commitments

#### Capital expenditure

The company had no capital commitments at 26 March 2011 or at 27 March 2010

#### Operating leases

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

	26 March 2011		27 March 2010	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	12	19	73	76
Between two and five years	107	65	8	3
After five years	137	2	46	-
	<u>256</u>	<u>86</u>	<u>127</u>	<u>79</u>

### 20. Contingent liabilities

The company is a member of a Value Added Tax ("VAT") group covering a number of subsidiary undertakings. All members of the VAT group are jointly and severally liable in respect of any VAT owed to HM Revenue & Customs.



# **First Somerset & Avon Limited**

## **Notes to the financial statements (continued)** **52 weeks ended 26 March 2011**

### **21. Pension scheme**

#### **First UK Bus Pension Scheme**

The company is unable to separately identify its share of the scheme assets and liabilities as contributions are set for the scheme as a whole rather than reflecting the underlying actuarial characteristics of the employees of the individual employer. It therefore accounts for the scheme as if it were a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable.

The deficit on the First UK Bus Pension Scheme of £52.4 million (2010: £61.9 million) will affect the company through periodic adjustments to the company's contribution rate as determined by the actuary. Additional disclosures required under Financial Reporting Standard 17 have been made on a group basis in the accounts of FirstGroup plc.

#### **FirstGroup Pension Scheme**

The company is unable to separately identify its share of the scheme assets and liabilities as contributions are set for the scheme as a whole rather than reflecting the underlying actuarial characteristics of the employees of the individual employer. It therefore accounts for the scheme as if it were a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable.

The deficit on the FirstGroup Pension Scheme of £1.5 million (2010: £4.3 million) will affect the company through periodic adjustments to the company's contribution rate as determined by the actuary. Additional disclosures required under Financial Reporting Standard 17 have been made on a group basis in the accounts of FirstGroup plc.

The total pension cost in the period was £836,000 (2010: £881,000), all of which relates to defined benefit schemes.

At 26 March 2011 contributions of £34,000 (2010: £24,000) were outstanding at that date.

### **22. Related party transactions**

The company is taking advantage of the exemption under FRS 8 not to disclose transactions with Group companies that are related parties.

### **23. Ultimate parent company**

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

The company's immediate controlling party is First Bus (South) plc.

Copies of the accounts of FirstGroup plc can be obtained on request from Ground Floor, 50 Eastbourne Terrace, London, W2 6LX.