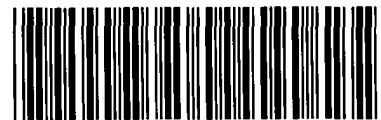
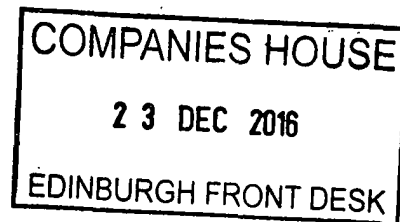


**First Somerset & Avon Limited**

**Report and Financial Statements**

**26 March 2016**



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COMPANIES HOUSE

# **First Somerset & Avon Limited**

## **Report and financial statements 2016**

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# **First Somerset & Avon Limited**

## **Strategic report**

The directors, in preparing this strategic report for First Somerset & Avon Limited, have complied with s414C of the Companies Act 2006.

### **Principal activities**

The company's principal activities are the provision of bus and coach operations in Somerset & Avon.

### **Business review**

As shown in the company's profit and loss account on page 7, the company's sales showed a 4.7% increase on the prior period with a growth in commercial revenue. Operating loss increased from £1.3 to £2.2 million which has been mainly due to increased staff costs, partially offset by lower recharges from other group companies.

The balance sheet on page 8 of the financial statements shows the company's financial position at the period end. Net assets have decreased from £0.4 million to net liabilities of £2.0 million as a result of the loss for the period being transferred from reserves.

Capital expenditure, including transfers from other group companies, was £6.8 million in the period. Further details are set out in note 10.

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.

FirstGroup plc manages its operations on a divisional basis. 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 stakeholders. This has been a period of consolidation and focus on improving customer satisfaction through improved service delivery.

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

### **Outlook**

The trading environment for the next 12 months is set to continue to be challenging. 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.

### **Going concern**

At 26 March 2016, the company had cash of £3.1 million, net current liabilities of £26.4 million and net liabilities of £2.0 million. 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 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.

# **First Somerset & Avon Limited**

## **Strategic report (continued)**

### **Principal risks and uncertainties**

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

Specific business risks faced by the company include the following:

#### ***Competition risk***

Management mitigate the competitive pressure by monitoring competitors' behaviour and strategies to ensure that the company acts appropriately under current market conditions.

#### ***Legal and regulatory risk***

The directors are aware of the continual change in laws and other regulations and the increasing costs of compliance. The directors conduct regular reviews of safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage and other areas to ensure they are appropriate and operating effectively.

#### ***Litigation and claims risk***

The company has three main insurance risks, third party claims arising from vehicle and general operations, employee injuries and property damage. FirstGroup plc has a very strong focus on safety, as one of its core values, the promotion of a 'Safety First' culture at all levels throughout the business minimises insurance premiums and other related claims.

#### ***Liquidity risk***

The company's principal financial assets are bank balances, trade debtors and intercompany receivables. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has 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.

#### ***Labour cost and employee relation risk***

Labour costs represent the most significant element of the company's operating costs. The directors continue to monitor employee recruitment, training, personal development and remuneration to ensure the company attracts and retains the right people.

To retain the right people the company believes that good communication with employees is effected 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.

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

Details of the number of employees and related costs can be found in note 5 to the financial statements.

#### ***Fuel cost risk***

Fuel costs represent a significant proportion of the company's cost base. Fuel prices are directly influenced by international, political and economic circumstances as well as natural disasters. Wherever possible, the group seek to minimise the operational and financial impact of such events through fixed price forward contracts and other operational efficiency measures.

# **First Somerset & Avon Limited**

## **Strategic report (continued)**

### **Principal risks and uncertainties (continued)**

#### ***Environmental risk***

FirstGroup plc recognises the importance of its environmental policies, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the Group's Annual Report, 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.

Approved by the Board of Directors and signed on its behalf by:



J Freeman  
Director  
15 December 2016

# 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 2016. The company's financial risk management objectives, policies and future developments are discussed in the Strategic report on page 2.

### Results and dividends

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

The directors do not recommend the payment of a dividend for the current period (2015: £nil).

### Directors

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

D B Alexander	(Appointed 3 May 2016)
N J Barker	(Resigned 3 May 2016)
K J Belfield	(Resigned 5 August 2015)
J T Bowen	(Resigned 3 May 2016)
K Doores	(Resigned 3 May 2016)
G Frape	(Appointed 1 July 2016)
J Freeman	
K L Willey	(Resigned 1 July 2016)

### Directors' and officers' liability insurance

Directors' and officers' liability insurance is taken out by FirstGroup plc, the company's ultimate parent undertaking, for the benefit of the directors and officers of the company.

### Directors' indemnity

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) were in force during the period and up to and including the date of the directors' report for the benefit of the directors of the company.

### 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.

### Approval of reduced disclosures

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

### Auditor

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

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



J Freeman  
Director  
15 December 2016

# **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 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), including Financial Reporting Standard 102 (applicable in the UK and Republic of Ireland). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF FIRST SOMERSET & AVON LIMITED**

We have audited the financial statements of First Somerset & Avon Limited for the 52 week period ended 26 March 2016 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 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), including Financial Reporting Standard 102 (applicable in the UK and Republic of Ireland).

This report is made solely to the company's member, 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 member those matters we are required to state to it 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 member, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 and of its loss for the 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 matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## **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.



David Sweeney CA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Glasgow, United Kingdom

21 December 2016



# First Somerset & Avon Limited

## Profit and loss account

52 weeks ended 26 March 2016

		52 weeks ended 26 March 2016 £000	Restated 52 weeks ended 28 March 2015 £000
	Notes		
Turnover	3	35,289	33,699
Operating costs	4	(37,458)	(35,016)
<b>Operating loss</b>		(2,169)	(1,317)
Interest payable and similar charges	7	(166)	(257)
<b>Loss on ordinary activities before taxation</b>	8	(2,335)	(1,574)
Tax credit / (charge) on loss on ordinary activities	9	454	(3)
<b>Loss for the financial period</b>		(1,881)	(1,577)
<b>Loss for the financial period attributable to:</b>			
Equity shareholders of the parent company		(1,881)	(1,577)

Details of the restatement are disclosed in note 23.

All activities relate to continued operations.

The accompanying notes are an integral part of this profit and loss account.

## Statement of comprehensive income

52 weeks ended 26 March 2016

	52 weeks ended 26 March 2016 £000	Restated 52 weeks ended 28 March 2015 £000
Loss for the financial period	(1,881)	(1,577)
Remeasurement (loss) / income recognised on defined pension scheme (note 20)	(627)	1,481
Movement on deferred tax relating to pension scheme	113	(296)
Reduced deferred tax arising from rate change	(49)	-
<b>Total other comprehensive (cost) / income</b>	(563)	1,185
<b>Total comprehensive cost for the period</b>	(2,444)	(392)

Details of the restatement are disclosed in note 23.

# First Somerset & Avon Limited

## Balance sheet At 26 March 2016

			26 March 2016 £000	Restated 28 March 2015 £000
	Note	£000	£000	£000
<b>Assets employed:</b>				
<b>Fixed assets</b>				
Tangible assets	10		28,419	25,714
Investments	11		-	-
			<u>28,419</u>	<u>25,714</u>
<b>Current assets</b>				
Stocks	12	628		612
Debtors	13	17,643		20,757
Cash at bank and in hand		3,133		2,247
		<u>21,404</u>		<u>23,616</u>
<b>Creditors: amounts falling due within one period</b>	14	<u>(47,767)</u>	<u>(44,853)</u>	
<b>Net current liabilities</b>			<u>(26,363)</u>	<u>(21,237)</u>
<b>Total assets less current liabilities</b>			2,056	4,477
<b>Creditors: amount falling due after more than one period</b>	14		(420)	(687)
<b>Provisions for liabilities</b>	15		<u>(3,594)</u>	<u>(3,365)</u>
<b>Net (liabilities) / assets</b>			<u><u>(1,958)</u></u>	<u><u>425</u></u>
<b>Financed by:</b>				
<b>Capital and reserves</b>				
Called up share capital	17		5,500	5,500
Other reserve			1,230	1,238
Profit and loss account			<u>(8,688)</u>	<u>(6,313)</u>
<b>Shareholder's (deficit) / funds</b>			<u><u>(1,958)</u></u>	<u><u>425</u></u>

Details of the restatement are disclosed in note 23.

The accompanying notes are an integral part of this balance sheet.

The financial statements of First Somerset & Avon Limited (registration number 00025088) were approved by the Board of Directors and authorised for issue on 15 December 2016. They were signed on its behalf by:



J Freeman  
Director

# First Somerset & Avon Limited

## Statement of changes in equity 52 weeks ended 26 March 2016

	Called up share capital £000	Other reserve £000	Profit and loss account £000	Total £000
At 29 March 2014 as previously stated	5,500	1,246	(1,412)	5,334
Changes on transition to FRS 102 (note 23)	-	-	(4,552)	(4,552)
At 29 March 2014 as restated	5,500	1,246	(5,964)	782
Loss for the financial period	-	-	(1,577)	(1,577)
Transfer of amount equivalent to additional depreciation on properties	-	(8)	8	-
Other comprehensive income	-	-	1,185	1,185
	5,500	1,238	(6,348)	390
Share based payments	-	-	35	35
At 28 March 2015	5,500	1,238	(6,313)	425
Loss for the financial period	-	-	(1,881)	(1,881)
Transfer of amount equivalent to additional depreciation on properties	-	(8)	8	-
Other comprehensive cost	-	-	(563)	(563)
	5,500	1,230	(8,749)	(2,019)
Share based payments	-	-	61	61
At 26 March 2016	5,500	1,230	(8,688)	(1,958)

# **First Somerset & Avon Limited**

## **Notes to the financial statements 52 weeks ended 26 March 2016**

### **1. Principal accounting policies**

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

#### **(a) General information and basis of preparation**

First Somerset & Avon Limited is a company incorporated in the United Kingdom under the Companies Act. Its registered office is Enterprise House, Easton Road, Bristol, BS5 0DZ. The nature of the company's operations and its principal activities are set out in the strategic report on page 1.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The financial statements are made up to the Saturday nearest to the year end for each financial period.

The prior period financial statements were restated for material adjustments on adoption of FRS 102 in the current period. For more information see note 22.

The functional currency of First Somerset & Avon Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to share-based payments, presentation of a cash-flow statement, intra-group transactions, key management personnel and financial instrument disclosures.

#### **(b) Going concern**

At 26 March 2016, the company had cash of £3.2 million, net current liabilities of £26.1 million and net liabilities of £2.2 million. 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 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 paragraph 1.12 of Financial Reporting Standard 102, 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.

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2016

### 1. Principal accounting policies (continued)

#### (d) 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
Passenger carrying vehicle:		
Double and single decks	-	15 to 17 years straight line
Coaches	-	7 or 12 years straight line
Midibuses	-	12 or 15 years straight line
Minibuses	-	9 years straight line
Other plant and equipment	-	3 to 15 years straight line

No depreciation is provided on freehold land.

The company has taken advantage of the transitional provisions of FRS 102 and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard.

Surpluses arising on the revaluation of tangible fixed assets are credited to other reserves. On the subsequent disposal or recognition of a provision for impairment of a revalued fixed asset, the revaluation surplus relating to this asset is transferred to the profit and loss account reserve. The difference arising from the revalued amount and the cost is transferred from the other reserve to the profit and loss reserve on an annual basis.

As a result of an assessment performed during the year the useful economic lives of certain assets have been revised to reflect their anticipated use:

Double and single decks – 15 years have been revised to 15-17 years

Other plant and equipment – 3 to 8 years have been revised to 3 to 15 years

#### (e) Investments

Fixed asset investments are shown at cost less provision for impairment.

#### (f) Leases and hire purchase

Assets held under finance leases, which are those leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and under hire purchase contracts are recorded in the balance sheet as tangible fixed assets. Depreciation is provided on these assets over their estimated useful lives or lease term, as appropriate.

Future obligations under finance leases and hire purchase contracts are included in creditors, net of finance charges. Payments are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligations. The finance charges are calculated in relation to the reducing amount of obligations outstanding and are charged to the profit and loss account on the same basis.

All other 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 the 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.

# **First Somerset & Avon Limited**

## **Notes to the financial statements (continued)** **52 weeks ended 26 March 2016**

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

#### **(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 result 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 schemes**

##### **FirstGroup UK Bus Scheme**

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

##### **FirstGroup Pension Scheme**

The company participates in a Group defined benefit scheme, the FirstGroup Pension Scheme, which is held in separately administered funds. This scheme is disclosed in FirstGroup Holdings Limited's financial statements and is funded separately by defined contributions which have been expensed to the profit and loss account during the period to 26 March 2016, accordingly there is no charge in First Somerset & Avon Limited profit and loss.

#### **(k) Turnover**

UK Bus turnover principally comprises amounts receivable from ticket sales and concessionary fare schemes. Ticket sales are recognised in the period in which the service is provided. 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.

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2016

### 1. Principal accounting policies (continued)

#### (l) Share-based payments (continued)

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

The group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme. The company has recognised a total expense of £61,000 (2015: £35,000) relating to equity-settled share-based payment transactions.

#### (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 102 paragraph 21 for the estimated cost of settling uninsured claims for incidents occurring prior to the balance sheet date.

#### (n) Financial instruments

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

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

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

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

### 2. Critical accounting judgements and key sources of estimation uncertainty

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

#### Defined benefit pension arrangements

Measurement of defined benefit pension obligations requires estimation of a suitable discount rate, the expected return on scheme assets, expected rate of inflation of future salary and pension costs along with assumptions about mortality rates. The most significant of these are the discount rate and inflation rate assumptions. The gross pension liability, before deferred tax, as at the balance sheet date was £2.8 million (2015: £2.4 million) as set out in note 20.

#### Self-insurance

Provision is made for all known incidents for which there is self-insurance using management's best estimate of the likely settlement of these incidents. The estimated settlement is reviewed on a regular basis with independent actuarial advice and the amount provided is adjusted as required. The entity's total self-insurance provisions, including those classified within accruals, as at the balance sheet date were £1.2 million (2015: £0.7 million) as set out in note 15.

#### Impairment of fixed assets

The carrying values of the company's fixed assets, including passenger carrying vehicles, are reviewed at each balance sheet date to determine whether there is any indication of impairment. Particularly in relation to passenger carrying vehicles, management consider the future plans for the company and fellow subsidiaries in determining whether there is a use for the asset in the future. If any indication of impairment exists, the recoverable amount of

# First Somerset & Avon Limited

## Notes to the financial statements (continued)

### 52 weeks ended 26 March 2016

the asset is estimated. An impairment is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

#### 3. Turnover and loss on ordinary activities before taxation

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

The whole of the turnover and loss 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.

#### 4. Operating costs

	52 weeks ended 26 March 2016 £000	Restated 52 weeks ended 28 March 2015 £000
Raw materials and consumables	7,655	7,308
Staff costs (note 5)	25,660	23,848
Other external charges	1,588	1,522
Depreciation	2,555	2,338
	<u>37,458</u>	<u>35,016</u>

Details of the restatement are disclosed in note 23.

#### 5. 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 2016 No.	52 weeks ended 28 March 2015 No.
Drivers	578	581
Maintenance and traffic	159	158
Administration	147	140
	<u>884</u>	<u>879</u>

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 26 March 2016 £000	Restated 52 weeks ended 28 March 2015 £000
Wages and salaries	22,593	20,756
Social security costs	1,892	1,763
Other pension costs (note 20)	1,114	1,294
Share-based payments	61	35
	<u>25,660</u>	<u>23,848</u>

Details of the restatement are disclosed in note 23.



# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2016

### 6. Directors' remuneration

Two directors (2015: three) received remuneration from other FirstGroup companies totalling £179,000 (2015: £208,000); it is not considered practicable to allocate this between services provided to those companies, and services provided in their capacity as directors of First Somerset & Avon Limited.

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

	52 weeks ended 26 March 2016 £000	52 weeks ended 28 March 2015 £000
Aggregate emoluments (excluding pension contributions)	726	671
Company pension contributions to defined benefit scheme	117	109
	<u>843</u>	<u>780</u>

Retirement benefits accrue to four directors under defined benefit schemes (2015: five), and no director under defined contribution schemes (2015: nil).

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 2016 £000	52 weeks ended 28 March 2015 £000
Aggregate emoluments	266	252
Company pension contributions to defined benefit scheme	40	37
	<u>306</u>	<u>289</u>

### 7. Interest payable and similar charges

	52 weeks ended 26 March 2016 £000	Restated 52 weeks ended 28 March 2015 £000
<i>Interest payable</i>		
Unwinding of discount on provision (note 15)	65	65
Finance lease and hire purchase contracts	29	38
Net interest on defined benefit pension scheme (note 20)	72	154
	<u>166</u>	<u>257</u>

Details of the restatement are disclosed in note 23.

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2016

### 8. Loss on ordinary activities before taxation

	52 weeks ended 26 March 2016 £000	52 weeks ended 28 March 2015 £000
Loss on ordinary activities before taxation is stated after charging / (crediting):		
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	27	27
Government grants	(2,686)	(2,595)
Depreciation	2,555	2,338
Gain on disposal of fixed assets	(13)	(13)
Impairment of stocks	34	37
Operating lease rentals	881	912

There were no fees payable to Deloitte LLP and their associates for non-audit services to the company during the period (2015: £nil).

### 9. Tax (credit) / charge on loss on ordinary activities

	52 weeks ended 26 March 2016 £000	Restated 52 weeks ended 28 March 2015 £000
Current taxation		
- Group relief payable / (receivable)	(2)	(169)
- Adjustments in respect of prior periods	(35)	(280)
Total current taxation	(37)	(449)
Deferred taxation		
- Origination and reversal of timing differences	(344)	(49)
- Reduced deferred tax asset arising from rate change	(105)	-
- Adjustment in respect of prior periods	32	501
	(417)	452
Total tax (credit) / charge on loss on ordinary activities	(454)	3

The standard rate of taxation for the period, based on the UK standard rate of corporation tax, is 20% (2015: 21%).

During the period the UK Government enacted legislation to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017, plus a further reduction to 18% from 1 April 2020. Subsequent to the year end the UK Government announced a further reduction to the standard rate of corporation tax from 1 April 2020 to 17%.

The impact of this rate reduction to 18% has reduced the deferred tax asset on UK timing differences.

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2016

### 9. Tax (credit) / charge on loss on ordinary activities (continued)

The actual current tax (credit) / 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 2016 £000	Restated 52 weeks ended 28 March 2015 £000
Loss on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 20% (2015:21%)	(467)	(331)
Factors affecting charge		
- Expenses not deductible for tax purposes	83	113
- Prior year adjustments	(3)	221
- Effect of decrease in tax rate on origination and reversal of timing difference	38	-
- Effect of decrease in tax rate on opening deferred tax balance	(105)	-
Total tax (credit) / charge on loss on ordinary activities	<u>(454)</u>	<u>3</u>

### 10. Tangible fixed assets

	Land and buildings £000	Passenger carrying vehicle fleet £000	Other plant and equipment £000	Total £000
<b>Cost</b>				
At 29 March 2015	16,118	30,461	2,386	48,965
Additions	8	1,952	494	2,454
Intra group transfers in	1,197	9,497	40	10,734
Intra group transfers out	-	(4,284)	-	(4,284)
Disposals	-	(2,481)	(12)	(2,493)
At 26 March 2016	<u>17,323</u>	<u>35,145</u>	<u>2,908</u>	<u>55,376</u>
<b>Depreciation</b>				
At 29 March 2015	4,715	17,091	1,445	23,251
Charge for period	330	1,981	244	2,555
Intra group transfers in	-	6,320	42	6,362
Intra group transfers out	-	(2,718)	-	(2,718)
Disposals	-	(2,481)	(12)	(2,493)
At 26 March 2016	<u>5,045</u>	<u>20,193</u>	<u>1,719</u>	<u>26,957</u>
<b>Net book value</b>				
At 26 March 2016	<u>12,278</u>	<u>14,952</u>	<u>1,189</u>	<u>28,419</u>
At 28 March 2015	<u>11,403</u>	<u>13,370</u>	<u>941</u>	<u>25,714</u>

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2016

### 10. Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	26 March 2016 £000	28 March 2015 £000
Freehold	10,179	9,255
Long leasehold	2,099	2,148
	<u>12,278</u>	<u>11,403</u>

Depreciation is not provided on the land element of freehold property which amounts to £2.0 million (2015: £2.0 million).

£1.2 million (2015: £1.3 million) of the net book value of the passenger carrying vehicle fleet was acquired under finance leases and hire purchase contracts. The depreciation charges on these assets during the period was £125,000 (2015: £126,000).

### 11. Fixed asset investments

	Subsidiary undertaking £
<b>Cost and net book value</b>	
At 26 March 2016 and 28 March 2015	<u>1</u>

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	Ordinary shares	100

### 12. Stocks

	26 March 2016 £000	28 March 2015 £000
Spare parts and consumables	<u>628</u>	<u>612</u>

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 2016

### 13. Debtors

	26 March 2016 £000	28 March 2015 £000
<b>Amounts due within one period</b>		
Trade debtors	4,604	6,421
Amounts owed from group undertakings	10,225	12,347
Other debtors	44	12
VAT	1,129	1,386
Other prepayments and accrued income	1,641	591
	<u>17,643</u>	<u>20,757</u>

Financial assets are repayable on demand and are interest free.

### 14. Creditors

	26 March 2016 £000	Restated 28 March 2015 £000
<b>Amounts falling due within one period</b>		
Bank overdraft	-	9,671
Obligations under finance leases and hire purchase contracts	267	258
Trade creditors	28,656	11,928
Amounts owed to group undertakings	7,609	15,940
Other tax and social security	2,045	1,797
Other creditors	6,376	2,904
Accruals and deferred income	2,814	2,356
	<u>47,767</u>	<u>44,854</u>
<b>Amounts falling due after more than one period</b>		
Obligations under finance leases and hire purchase contracts	420	687
	<u>420</u>	<u>687</u>
<b>Analysis of borrowings</b>		
<b>Obligations under finance leases and hire purchase contracts</b>		
Due in less than one period	267	258
Due in more than one period but not more than two periods	277	267
Due in more than two periods but not more than five periods	143	420
	<u>687</u>	<u>945</u>

Financial liabilities are repayable on demand and are interest free.

Finance lease contract liabilities are secured on the assets to which they relate. The contracts vary in length between four and ten years and are on normal commercial terms at negotiated rates.

Details of the restatement are disclosed in note 23.

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2016

### 15. Provisions for liabilities

	Deferred tax £000	Insurance claims £000	Total £000
At 29 March 2015	523	476	999
Charge to the profit and loss account	(417)	607	190
Movement in SOCI	(64)	-	(64)
Unwinding of discount provision (note 7)	-	65	65
Utilised in the period / transferred to accruals	-	(366)	(366)
At 26 March 2016	42	782	824
Provision for net defined benefit scheme deficit (2015: £2.4 million) (note 20)			2,770
At 26 March 2016			3,594

Details of the deferred tax provision are given in note 16.

Insurance claims accruals due within one year amounted to £421,000 (2015: £257,000) 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

Deferred taxation consists of the following amounts:

	26 March 2016 £000	28 March 2015 £000
Capital allowances in excess of depreciation	665	1,156
Other timing differences	(124)	(159)
Pension	(499)	(474)
Deferred tax provision	42	523

### 17. Called up share capital and reserves

	26 March 2016 £000	28 March 2015 £000
Allotted, called up and fully paid 5,500,000 ordinary shares of £1 each	5,500	5,500

The company's other reserves are as follows:

The other reserve represents the surplus created when assets were revalued.

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

### 18. Capital commitments

#### Capital expenditure

The company had no capital commitments at 26 March 2016 and 28 March 2015.

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2016

### 18. Capital commitments (continued)

#### Operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	26 March 2016		28 March 2015	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases:				
Within one period	176	529	391	507
Between two and five periods	679	852	901	1,295
After five periods	1,971	-	2,157	-
	<u>2,826</u>	<u>1,381</u>	<u>3,449</u>	<u>1,802</u>

### 19. Contingent liabilities

The company participates in an overdraft facility with its parent company, FirstGroup plc, and other group companies. The company has jointly and severally guaranteed the liabilities of the other parties under these arrangements.

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

### 20. Pension scheme

#### First UK Bus Pension Scheme

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

The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out in 2016 using the projected unit method. The valuation will be updated at each financial period end for FRS 102 purposes.

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

	2016	2015	2014
Rate of increase in salaries	1.75%	1.85%	2.10%
Rate of increase of pensions in payment	1.75%	1.85%	2.10%
Rate of increase of pensions in deferment	1.75%	1.85%	2.10%
Discount rate	3.70%	3.50%	4.40%

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2016

### 20. Pension scheme (continued)

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

	2016	2015	2014
	Value £m	Value £m	Value £m
Equities	17.3	8.5	9.6
Bonds	17.8	22.7	17.3
Property	1.1	1.6	1.4
Other		3.6	3.5
Cash	11.2	12.5	9.4
	<u>47.4</u>	<u>48.9</u>	<u>41.2</u>

The balance sheet position for the company:

	2016 £m	2015 £m	2014 £m
Total fair value of assets	47.4	48.9	41.2
Present value of scheme liabilities	<u>(50.2)</u>	<u>(51.3)</u>	<u>(45.2)</u>
Deficit in the scheme	(2.8)	(2.4)	(4.0)
Related deferred tax asset	<u>0.5</u>	<u>0.5</u>	<u>0.8</u>
Net pension deficit	<u>(2.3)</u>	<u>(1.9)</u>	<u>(3.2)</u>

Analysis of amount charged to operating profit:

	2016 £m	Restated 2015 £m
Current service costs	<u>0.5</u>	<u>0.6</u>
Total operating charge	<u>0.5</u>	<u>0.6</u>

Amounts charged to the profit and loss account:

	2016 £m	Restated 2015 £m
Interest income on assets	1.7	1.8
Interest cost	<u>(1.8)</u>	<u>(2.0)</u>
Net interest cost (chargeable as finance cost)	(0.1)	(0.2)
Current service cost (chargeable as operating cost)	<u>(0.5)</u>	<u>(0.6)</u>
Net pension expense	<u>(0.6)</u>	<u>(0.8)</u>



# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2016

### 20. Pension scheme (continued)

Amounts recognised in the statement of comprehensive income:

	2016 £m	Restated 2015 £m
Actual return less expected return on pension scheme assets	(2.9)	6.4
Experience gains and losses arising on scheme liabilities	(0.6)	0.5
Changes in assumptions underlying the present value of scheme liabilities	2.8	(5.4)
	<u>(0.7)</u>	<u>1.5</u>

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income before and since the adoption of FRS 102 is a charge of £0.8 million (2015: £1.5million).

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

	2016 £m	Restated 2015 £m
At 29 March 2015	51.3	45.2
Current service cost	0.5	0.6
Interest cost	1.8	2.0
Employee share of change to defined benefit obligations	0.4	0.3
Actuarial (gain) / loss	(2.2)	4.9
Benefits paid	<u>(1.6)</u>	<u>(1.7)</u>
At 26 March 2016	<u>50.2</u>	<u>51.3</u>

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

	2016 £m	2015 £m
At 29 March 2015	48.9	41.2
Actual return on scheme assets	1.7	1.8
Employer contributions	0.8	0.8
Employee contributions	0.5	0.4
Actuarial (loss) / gain	(2.9)	6.4
Benefits paid	<u>(1.6)</u>	<u>(1.7)</u>
At 26 March 2016	<u>47.4</u>	<u>48.9</u>

### FirstGroup Pension Scheme

The company participates in a Group defined benefit scheme, the FirstGroup Pension Scheme, which is held in separately administered funds. This scheme is disclosed in FirstGroup Holdings Limited's financial statements and is funded separately by defined contributions which have been expensed to the profit and loss account during the period to 26 March 2016, accordingly there is no charge in First Somerset & Avon Limited profit and loss.

The surplus on the FirstGroup Pension Scheme of £14.2 million (2015: deficit £7.0 million) is reported within FirstGroup Holdings Limited financial statements.

### 21. Related party transactions

The company is taking advantage of the exemption under FRS 102 paragraph 33.1A not to disclose transactions with wholly owned group companies that are related parties.

# First Somerset & Avon Limited

## Notes to the financial statements (continued) 52 weeks ended 26 March 2016

### 22. 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 financial statements of FirstGroup plc can be obtained on request from: Ground Floor, 50 Eastbourne Terrace, Paddington, London, W2 6LG.

### 23. Explanation of transition to FRS 102

This is the first period that the company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the 52 week period ended 28 March 2015 and the date of transition was therefore 30 March 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard. Details of exemptions taken can be found in note 1.

#### Reconciliation of loss for the financial period ended 28 March 2015

	£000
Loss for the financial period under previous UK GAAP	(1,397)
1. UK Bus pension scheme adjustment	(4)
2. Interest on UK Bus pension scheme	(154)
3. Deferred tax on UK Bus pension scheme	(22)
	<hr/>
Restated loss for the financial period	<u>(1,577)</u>

#### Reconciliation of equity

	29 March 2014 £000	28 March 2015 £000
Equity reported under previous UK GAAP	5,334	3,972
1. Brought forward adjustment from prior period	-	(4,552)
2. UK Bus pension scheme adjustment	(1,386)	(269)
3. Pension liability on UK Bus pension scheme	(3,958)	1,592
4. Deferred tax asset on UK Bus pension scheme	792	(318)
	<hr/>	<hr/>
Restated equity for the financial period	<u>782</u>	<u>425</u>

The restatement of the profit and loss account and the balance sheet relate to the inclusion of the FirstGroup UK Bus pension scheme as the multi-employer exemption permissible under UK GAAP (FRS 17) is no longer available under FRS 102. The above tables show the previous periods adjustments of the pension deficit.