

**Company Registration No. 01961457**

**First Essex Buses Limited**

**Annual Report and Financial Statements**

**For the 52 week period ended 26 March 2022**

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# **First Essex Buses Limited**

## **Annual report and financial statements**

<b>Contents</b>	<b>Page</b>
<b>Strategic report</b>	<b>1</b>
<b>Directors' report</b>	<b>5</b>
<b>Independent auditors' report</b>	<b>8</b>
<b>Profit and loss account</b>	<b>11</b>
<b>Statement of comprehensive income</b>	<b>11</b>
<b>Balance sheet</b>	<b>12</b>
<b>Statement of changes in equity</b>	<b>13</b>
<b>Notes to the financial statements</b>	<b>14</b>

# First Essex Buses Limited

## Strategic report

The directors have pleasure in submitting their strategic report for the 52 week period ended 26 March 2022.

### Principal activities

The company's principal activity is the provision of bus and coach operations in Essex.

### Business review

As shown in the company's profit and loss account, the company's turnover was £50.0 million, compared to £50.1 million in the previous period. Although turnover has been bolstered by an increase in underlying passenger numbers from prior period, which was impacted by the sudden and substantial reductions in service volumes and passenger numbers due to the coronavirus outbreak, there was still a slight decrease on the prior period due to decline in government funding received. Therefore, turnover levels aren't directly comparable year on year as they continue to be supported by changing government funding schemes, as discussed below.

Operating profit decreased from £4.0 million to £1.1 million. As in the prior period, the company was able to claim funding under the COVID-19 Bus Service Support Grant (CBSSG) scheme, which ended in August 2021. This enabled the company to run services at pre-pandemic levels, without recognising any significant profit or loss. The terms of the scheme allow for claiming cash outflows, such as pension deficit payments and cost of capital, which do not hit the profit and loss account. From August 2021, the CBSSG scheme was replaced by the Bus Recovery Grant (BRG), which does not allow for claiming cash outflows but instead provides operators with a far greater level of commercial flexibility including fare changes, but still requires certain levels of pre-COVID mileage to be maintained. The Coronavirus Job Retention Scheme (CJRS) ended on 30 September 2021, meaning staff costs were not offset by Government funding for six months of the current period. The combined result is a significantly decreased operating profit for the year. Government funding under the CBSSG/BRG of £10.0 million (2021: £ 22.5 million) is included within turnover, as disclosed in note 3.

Other operating income of £3.6 million (2021: £6.1 million), as set out in note 6, includes additional government funding in respect of the Bus Service Operators Grant (BSOG), and the Coronavirus Job Retention Scheme (CJRS).

The balance sheet shows the company's financial position at the period end. Net assets have increased from £11.3 million to £17.1 million in the current period. This is due to the profit after taxation for the period of £0.4 million and an actuarial gain of £5.4 million (after deferred taxation) in relation to the defined benefit pension scheme being transferred to reserves.

Capital expenditure in the period, including transfers from other group companies, was £0.7 million (2021: £0.5 million). Further details are set out in note 11.

The key performance indicators for the company are considered to be turnover, net assets and operating profit, which have been discussed above, and sustainability and safety KPIs discussed below. 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. FirstGroup plc ("the group") manages its operations on a divisional basis. The performance of the UK Bus Division of FirstGroup plc, which includes the company, and the key performance indicators for the group as a whole are discussed in the group's Annual Report which does not form part of this report. Details of where the group's Annual Report can be found are set out in note 21.

Safety remains the highest priority. The directors are continuously developing and improving processes to ensure that a 'Safety First' culture is embedded throughout the company and strive to make our services as safe as possible for our customers and staff. Safety as a key performance indicator is discussed for the group as a whole in the group's Annual Report.

Sustainability is also a focus for the group. As part of the Mobility Beyond Today sustainability framework, the UK Bus Division is committed to operating a zero emission First Bus fleet by 2035. Sustainability as a key performance indicator is discussed for the group and division in the group's Annual Report.

### Future developments

The trading environment for the next 12 months is set to be relatively challenging while we continue to recover from the coronavirus pandemic, as it is now clear there has been a marked change in customer travel patterns and the cost of living crisis is having an impact.

The directors are hopeful of a resilient financial performance whilst funding streams continue to support the company's revenues. The BRG scheme enabled the company to establish commercially viable routes and networks throughout the current period and it is anticipated that this new operating model will allow for a return of a self-supporting business longer term once BRG funding ends in March 2023. The company continues to work very closely with local authority partners to ensure the necessary network resets are undertaken in the most sustainable way to continue to serve our communities, with constant adjustment likely as the macroeconomic and funding positions evolve.

# First Essex Buses Limited

## Strategic report (continued)

### Future developments (continued)

Digital transformation data will be fundamental in enabling the company to shape its networks to align with evolving customer needs and trends while being commercially sustainable, provide real-time information to customers to improve customer experience, and continue development on ticketing innovations.

Targeted network changes, support for modal shift and increasing bus patronage provided by the National Bus Strategy (NBS) published in March 2021, and a new data-driven pricing strategy will also contribute to the company's expectation that volumes will recover well over time. It is clear however that the current economic climate will have further impact on travel patterns, driver availability and operating costs in the short to medium term as part of the global corrections following the pandemic.

### Going concern

At 26 March 2022, the company had cash of £3.2 million (2021: £6.0 million overdraft), net current liabilities of £5.0 million (2021: £0.4 million), net assets of £17.1 million (2021: £11.3 million) and made a profit after taxation of £0.4 million (2021: £3.0 million).

A going concern assessment has been performed for the UK Bus Division as a whole, which shows positive operating cashflows for a period of at least 12 months from the date of signing the financial statements. The base case assumes a gradual recovery in passenger volume as a result of natural return to daily patronage, supported by trends seen since government restrictions ended, but that passenger volumes remain below pre-pandemic levels. A severe but plausible downside scenario was also considered with passenger recoveries being slowed and continued inflation risk. No funding is assumed in either scenario, however our new pricing strategy mitigates passenger recovery risk.

The assessment is performed at a divisional level, as while there are standalone entities, the division, of which the company forms part, operates as a whole. A letter of support has been received from the ultimate parent company, FirstGroup plc ("the group"), that allows for the flow of funds around the group. Therefore, there is the intention to 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 company benefitted from, and continues to benefit from, support from the BRG. The company is in receipt of material levels of support to ensure the ongoing delivery of services throughout the pandemic recovery and provide a reasonable platform from which to continue unsupported in future.

### Section 172 statement

The directors have a duty to promote the success of the company for the benefit of its members as a whole. The directors understand the need to have regard to the views and interests of wider stakeholders when assessing the consequences of a decision over the longer term.

FirstGroup plc's key stakeholders, as identified in the group's Annual Report are customers, investors, government, our people, communities and strategic partners and suppliers. The directors of First Essex Buses Limited confirm that its key stakeholders are the same as those of FirstGroup plc.

Further details on how the directors engage with them are set out below.

- **Customers**

The company conducts regular customer and passenger satisfaction surveys to identify what customers feel is done well and what can be improved, and has robust customer feedback processes through online and traditional channels.

- **Investors**

FirstGroup plc engages with investors through various means, including monthly updates from the Chief Executive and regular communications on the website. The group also has an Investor Relations team who are available to discuss the Group's strategy with major shareholders at any time. The company provides input into the engagement that FirstGroup plc has with investors where relevant.

- **Government**

The company works closely with local authorities to pursue formal and informal partnerships which help to deliver better services through measures which cut road congestion and give priority to buses. Other key areas of focus for the directors are compliance with laws and regulations and health and safety. The board is updated on legal and regulatory developments and takes these into account when considering future actions. The company made no political donations in the current or previous period.

# First Essex Buses Limited

## Strategic report (continued)

### Section 172 statement (continued)

- **Our people**

Engagement with our people is achieved through formal and informal consultation meetings with both employees and trade union representatives (where appropriate), and the inclusion of an employee director on FirstGroup plc's board of directors. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Further details can be found in the Directors' Report.

- **Community**

At a group level engagement with the community is driven through targeted engagement plans and activities, community investment, charitable engagement and employee volunteering. Feedback from the community is achieved through regular surveys at group and local level where applicable.

- **Strategic partners and suppliers**

The company understands that collaboration with strategic partners and suppliers enables best practice to be established. The company engages with partners and suppliers through regular formal and informal dialogue, collaboration in cross-industry forums and by adhering to the highest ethical and sustainability standards. The group has responded rapidly to mitigate potential disruption to our supply chain during the coronavirus pandemic, and a dedicated procurement taskforce was set up to review and manage coronavirus risks to our supply chains across the group.

Further details on how the group as a whole has discharged their duties under section 172 can be found in the group's Annual Report which does not form part of this report. Details of where the group's Annual Report can be found are set out in note 21.

### 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*

The company faces the risk of loss of customers through other bus companies providing improved services or more competitive pricing. Management mitigates 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.

#### *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 seeks to minimise the operational and financial impact of such events through fixed price forward contracts and other operational efficiency measures.

# First Essex Buses Limited

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### *Labour cost and employee relations and retention 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 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 requirements 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 4 to the financial statements.

#### *Environmental risk (including climate change)*

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 and 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.

#### *Economic risk*

The less certain economic outlook as a result of emerging from the coronavirus pandemic coupled with inflated costs of living could have a negative impact on our businesses in terms of reduced demand and reduced opportunities for growth. The uncertainty around appetite for return to travel post-pandemic and consumer means may result in reduced demand for public transportation due to people travelling less for both business and pleasure. Whilst we have considered that volumes will not return to pre-pandemic numbers, there remains a significant risk of reduced service demand if our local markets don't rebound as anticipated. To an extent, the company is able to modify services to react to market changes and to focus on controlling costs to ensure it remains competitive.

Approved by the board of directors and signed on its behalf by:



C Brown  
Director

13 January 2023

# **First Essex Buses Limited**

## **Directors' report**

The directors have pleasure in submitting their annual report and audited financial statements for the period ended 26 March 2022.

### **Results and dividends**

The results for the financial period are given in the profit and loss account on page 11.

No ordinary dividends were paid during the period (2021: £nil). The directors do not recommend the payment of a final dividend (2021: £nil).

### **Directors**

The directors who held office throughout the period and up to the date of signing the financial statements are as follows:

C Brown  
P D S J Marlow  
S T Greenwood  
A S Jarvis  
G J Nicholass  
J A Thompson  
T Backman  
D B Alexander

Appointed 21 November 2022  
Appointed 1 June 2021, Resigned 21 November 2022  
Appointed 1 June 2021, Resigned 21 November 2022  
Appointed 1 June 2021, Resigned 21 November 2022  
Resigned 21 May 2021

### **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, which remained in place throughout the period and up to the date of signing of the financial statements.

### **Strategic report**

In accordance with the Companies Act 2006, section 414C(11) the directors have chosen to include details of future developments and going concern in the strategic report rather than the directors' report.

### **Research and development**

The company undertakes Research and Development (R&D) activities, primarily in the engineering department, with the support of the centralised functions in the UK Bus Division and the group. External advisors are contracted to review such activities by consulting with project managers in order to confirm R&D activity for Research and Development Expenditure Credit (RDEC) claims. The company incurs R&D costs primarily within staffing costs, utilities and consumables directly attributable to each qualifying project in accordance with the Department for Business, Energy and Industrial Strategy (BEIS) R&D Guidelines.

### **Financial risk management objectives and policies**

The company's activities expose it to a number of financial risks including credit risk and liquidity risk.

#### ***Credit risk***

The company's principal financial assets are bank balances, trade and other debtors.

The credit risk on liquid funds is limited because the counterparties are banks. The directors do not consider there to be any immediate risk associated with intercompany balances as these are managed for the group as a whole by FirstGroup plc.

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 many customers. Although certain risks, for example fuel price, are hedged on a group basis, the company does not directly enter into any derivative financial instruments.

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

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses intercompany finance.

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 operating leases are paid by direct debit.

# **First Essex Buses Limited**

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

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group and the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### **Stakeholder engagement**

#### ***Employees***

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group and the company. This is achieved through formal and informal consultation meetings with both employees and trade union representatives (where appropriate), and the inclusion of an employee director on FirstGroup plc's board of directors. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

A HMRC approved Share Incentive Plan (SIP) share plan is operated which is open to all employees. This allows employees to purchase FirstGroup plc shares each month from gross earnings. Matching shares are awarded on a two for three basis on the first £30 contributed each month.

#### ***Other stakeholders***

The directors of the company understand the need to have regard to the views and interests of customers, investors, government, our people, communities and strategic partners and suppliers when assessing the consequences of a decision over the longer term. Details of how the company engages with them is included within the strategic report.

### **Streamlined energy and carbon reporting (SECR)**

The company is exempt from the Streamlined Energy and Carbon Reporting (SECR) regulations on the basis that it is a UK subsidiary whose results are included in the group's Annual Report. Details of where the group's Annual Report can be found are set out in note 21.

### **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 auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006.

### **Independent auditors**

PricewaterhouseCoopers LLP, the company's independent auditors, have expressed a willingness to continue as independent auditors for the year commencing 27 March 2022, and have been re-appointed from this date.



# **First Essex Buses Limited**

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

### **Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

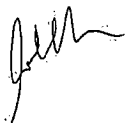
Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Approved by the board of directors and signed on its behalf by:



C Brown

Director

13 January 2023

# Independent auditors' report to the members of First Essex Buses Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, First Essex Buses Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 26 March 2022 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 26 March 2022; the profit and loss account, the statement of comprehensive income and the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

# Independent auditors' report to the members of First Essex Buses Limited (continued)

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 26 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK employment law, public service vehicle operator licensing and health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements.

# Independent auditors' report to the members of First Essex Buses Limited (continued)

We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, the Coronavirus Job Retention Scheme, the Covid-19 Bus Service Support Grant, the Bus Recovery Grant and UK tax laws. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias in determining significant accounting estimates. Audit procedures performed by the engagement team included:

- Enquiring with management and those charged with governance to understand the relevant laws and regulations applicable to the company, and their assessment of fraud related risks;
- Evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- Identifying and testing journal entries using a risk-based targeting approach for unusual account combinations that could impact revenue and EBITDA;
- Challenging assumptions and judgements made by management in determining significant accounting estimates including insurance provisions, the useful lives of property, plant and equipment, the assumptions within the property, plant and equipment impairment assessments, and the assumptions underpinning the defined benefit pension obligation; and
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Sarah Allen (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
13 January 2023

## First Essex Buses Limited

### Profit and loss account

For the 52 week period ended 26 March 2022

	Note	2022 £000	2021 £000
Turnover	3	50,036	50,089
Operating costs		(52,601)	(52,174)
Other operating income	6	3,625	6,055
<b>Operating profit</b>	7	<u>1,060</u>	<u>3,970</u>
Finance costs	8	(176)	(234)
<b>Profit before taxation</b>		<u>884</u>	<u>3,736</u>
Tax on profit	9	(502)	(757)
<b>Profit for the financial period</b>		<u><u>382</u></u>	<u><u>2,979</u></u>

All activities relate to continuing operations.

### Statement of comprehensive income

For the 52 week period ended 26 March 2022

	Note	2022 £000	2021 £000
Profit for the financial period		382	2,979
Remeasurement gain/(loss) recognised on net defined pension asset/(liability)	20	6,167	(5,371)
Movement on deferred tax relating to pension (asset)/liability	17	(784)	1,020
<b>Total other comprehensive income/(expense)</b>		<u>5,383</u>	<u>(4,351)</u>
<b>Total comprehensive income/(expense) for the period</b>		<u><u>5,765</u></u>	<u><u>(1,372)</u></u>

# First Essex Buses Limited

## Balance sheet

As at 26 March 2022

	Note	26 March 2022		27 March 2021	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	10		3		6
Tangible assets	11		27,293		29,458
Investments	12		3		3
			<u>27,299</u>		<u>29,467</u>
<b>Current assets</b>					
Stocks	13	931		795	
Debtors	14	5,655		16,641	
Pension asset - due after one year	20	7,217		-	
Cash at bank and in hand		<u>3,198</u>		<u>223</u>	
		17,001		17,659	
<b>Creditors: amounts falling due within one year</b>	15	<u>(21,965)</u>		<u>(18,054)</u>	
<b>Net current liabilities</b>			<u>(4,964)</u>		<u>(395)</u>
<b>Total assets less current liabilities</b>			22,335		29,072
<b>Creditors: amounts falling due after more than one year</b>	15		(2,235)		(2,449)
<b>Provisions for liabilities</b>	16		(3,001)		(2,673)
<b>Pension liability</b>	20		-		(12,634)
<b>Net assets</b>			<u>17,099</u>		<u>11,316</u>
<b>Capital and reserves</b>					
Called-up share capital	18		20,550		20,550
Profit and loss account	18		(3,451)		(9,234)
<b>Shareholder's funds</b>			<u>17,099</u>		<u>11,316</u>

The notes on pages 14 to 30 are an integral part of these financial statements.

The financial statements on pages 11 to 30 were approved by the board of directors on 13 January 2023 and signed on its behalf by:



C Brown  
Director

# First Essex Buses Limited

## Statement of changes in equity

For the 52 week period ended 26 March 2022

	Called-up share capital £000	Profit and loss account £000	Total £000
As at 29 March 2020	20,550	(7,911)	12,639
Profit for the financial period	-	2,979	2,979
Other comprehensive expense	-	(4,351)	(4,351)
Total comprehensive expense	-	(1,372)	(1,372)
Share-based payments	-	49	49
As at 27 March 2021 and 28 March 2021	20,550	(9,234)	11,316
Profit for the financial period	-	382	382
Other comprehensive income	-	5,383	5,383
Total comprehensive income	-	5,765	5,765
Share-based payments	-	18	18
As at 26 March 2022	20,550	(3,451)	17,099

# First Essex Buses Limited

## Notes to the financial statements

### For the 52 week period ended 26 March 2022

#### 1. Principal accounting policies

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

##### General information and basis of preparation

First Essex Buses Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The company's registered office is Bus Depot, Westway, Chelmsford, Essex, CM1 3AR. The nature of the company's operations and its principal activities are set out in the strategic report.

The financial statements for the period ended 26 March 2022 include the results and financial position of the company as at and for the 52 weeks ended 26 March 2022.

The financial statements have been prepared under the historical cost convention, modified to include items at fair value.

The financial statements have been prepared under the historical cost convention, modified to include items at fair value. The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council, and in accordance with the requirements of the Companies Act 2006.

The functional currency of First Essex Buses Limited is pound 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. The company is consolidated in the financial statements of its ultimate parent, FirstGroup plc, which may be obtained at 395 King Street, Aberdeen, AB24 5RP.

The company has elected to take the following exemptions:

- not to present the company statement of cash flows, on the basis that FirstGroup plc includes the company's cash flows in its consolidated financial statements [1.12(b)];
- a reconciliation of the number of shares outstanding at the beginning and end of the period [4.12(a)(iv)];
- financial instrument disclosures as included in FirstGroup plc consolidated financial statements [11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A];
- disclosure requirements of Section 26 in respect of share-based payments as provided in FirstGroup plc consolidated financial statements [26.18(b), 26.19–26.21, and 26.23]; and
- key management personnel compensation in total [33.7].

The numerical references in the bullet points above refer to the disclosure requirements in the respective paragraphs under FRS 102.

##### Going concern

At 26 March 2022, the company had cash of £3.2 million (2021: £6.0 million overdraft), net current liabilities of £5.0 million (2021: £0.4 million), net assets of £17.1 million (2021: £11.3 million) and made a profit after taxation of £0.4 million (2021: £3.0 million).

A going concern assessment has been performed for the UK Bus Division as a whole, which shows positive operating cashflows for a period of at least 12 months from the date of signing the financial statements. The base case assumes a gradual recovery in passenger volumes as a result of natural return to daily patronage, supported by trends seen since government restrictions ended, but that passenger volumes remain below pre-pandemic levels. A severe but plausible downside scenario was also considered with passenger recoveries slowed and continued inflation risk. No funding is assumed in either scenario, however our new pricing strategy mitigates passenger recovery risk.

The assessment is performed at a divisional level, as while there are standalone entities, the division, of which the company forms part, operates as a whole. A letter of support has been received from the ultimate parent company, FirstGroup plc ("the group"), that allows for the flow of funds around the group. Therefore, there is the intention to 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.



# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 1. Principal accounting policies (continued)

#### Going concern (continued)

The company benefitted from, and continues to benefit from, support from the BRG. The company is in receipt of material levels of support to ensure the ongoing delivery of services throughout the pandemic recovery and provide a reasonable platform from which to continue unsupported in future.

#### Group financial statements

Under the provisions of section 401 of the Companies Act 2006, and in accordance with section 9.3 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

#### Tangible assets and depreciation

Tangible assets are stated at cost net of depreciation and any provision for impairment. Transfers in from other group companies have net book value as the deemed cost. Transfers out to other group companies are at gross cost and accumulated depreciation.

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

Freehold buildings	-	50 years straight-line
Long leasehold buildings	-	50 years straight-line
Short leasehold buildings	-	period of lease
Passenger carrying vehicle fleet:		
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
Plant and equipment	-	3 to 15 years straight-line

No depreciation is provided on freehold land.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

#### Intangible assets

Computer software is recognised separately as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Costs include software licences, website development, costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to the software.

Intangible assets have a residual value of nil and are amortised on a straight-line basis over their estimated useful economic lives of 5 years.

#### Investments

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

#### Impairment of tangible assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss previously recognised for assets, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

# **First Essex Buses Limited**

## **Notes to the financial statements (continued) For the 52 week period ended 26 March 2022**

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

#### **Capital grants**

Capital grants relating to tangible assets are held in creditors and released to the profit and loss statement through grant amortisation over the expected useful lives of the assets concerned. Capital grants are not recognised until there is a reasonable assurance that the company will comply with the conditions to them and that the grant will be received.

#### **Government grants and subsidies**

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Amounts receivable for tendered services and concessionary fare schemes are included in turnover. Grant income is credited to deferred income and is released to the profit and loss account over the estimated useful lives of the assets to which they relate. The grant income is netted off against operating costs.

The CBSSG was in place from 17 March 2020 for English bus operators, and replaced by the BRG in August 2021. They are both grants payable to bus operators in respect of commercial services in return for making available sufficient capacity to run an agreed level of commercial miles. The grant income is shown as other turnover.

The company received funds to cover payroll costs under the Coronavirus Job Retention Scheme (CJRS). The level of costs eligible under the scheme is determined by the terms and conditions set out by the UK government. This is recognised within other operating income.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### **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.

#### **Group schemes**

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

The company participates in a group defined benefit scheme, the First UK Bus Pension Scheme, which is held in separately administered funds. The funding level of the scheme on 5 April 2017 failed to reach a pre-agreed funding level, and as such, the scheme closed to defined benefit accrual on 5 April 2018.

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 as at 31 March 2018.

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 as 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 for the purposes of inclusion in the financial statements under FRS 102. The last formal actuarial valuation was at 5 April 2021.

# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 1. Principal accounting policies (continued)

#### Pension costs (continued)

##### *Group schemes (continued)*

##### *FirstGroup Pension Scheme*

The company participates in a group multi-employer defined benefit scheme, the FirstGroup Pension Scheme. 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 of FirstGroup Holdings Limited during the period to 26 March 2022. There is no charge in the company's profit and loss. The assets and liabilities of the scheme are held separately and cannot be allocated out; accordingly, the scheme is treated as a defined contribution scheme in the financial statements.

##### *Defined contribution pension scheme*

The company operates a defined contribution pension scheme. Payments to the defined contribution scheme are charged as an expense as they fall due. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments. There is no legal or constructive obligation to pay additional contributions into the defined contribution scheme if the fund has insufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

#### Pension costs

For all schemes, in some periods the balance sheet date may differ from the valuation date but, where the difference is immaterial, no adjustment is made.

#### Revenue recognition

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, and refunds recognised as paid. 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.

CBSSG and BRG are recognised within turnover as 'other turnover'. CBSSG and BRG income is recognised in the period in which the services are provided and relevant costs incurred, based on the terms and conditions set out by the UK government.

#### Other operating income

Income from the Coronavirus Job Retention Scheme (CJRS) and Bus Service Operators Grant (BSOG) is recognised within other operating income. CJRS income is recognised in the period in which the relevant staff costs are incurred, based on the terms and conditions set out by the UK government. BSOG is recognised in the period in which the relevant fuel costs are incurred.

#### 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 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.

#### Cash at bank and in hand

Cash at bank and in hand comprise cash at banks, with a maturity of less than three months, cash in hand and in transit.

# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 1. Principal accounting policies (continued)

#### Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

#### 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 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.

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 in the statement of changes in equity of £18,000 (2021: £49,000) relating to equity-settled share-based payment transactions.

#### Insurance provision

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. The total provision is allocated to each subsidiary company based on the estimated cost of settling uninsured claims for incidents occurring prior to the balance sheet date within that company.

#### Financial instruments

Financial instruments are accounted for using Sections 11 & 12 of Financial Reporting Standard 102 - 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 balance sheet 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 estimates and judgements

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.

#### *Critical accounting estimates*

##### Useful lives of assets

At the end of each financial reporting period, management review the useful lives of both intangible and tangible assets. This review considers any changes in their condition, technology and other factors, that might impact the remaining useful lives.

##### Inter-company debtors

Management assesses the recoverability of the inter-company debtors, based on the financial position of each company and the support provided by the group to assess if the debts are likely to be repaid.

# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 2. Critical accounting estimates and judgements (continued)

#### *Critical accounting estimates (continued)*

##### **Trade and other debtors**

Management assesses at the end of each year, the recoverability of trade and other debtors, and the need for any provisions, to ensure the year end values are the best estimates available.

##### **Provision for doubtful debts**

Trade and other debtors are categorised by age and risk each period. A sliding percentage scale is assigned to calculate the provision for each debt at intervals of greater than three months, six months and 12 months. Management will then assess the calculation to adjust for circumstances in which each specific debtor should have greater or less provision booked.

##### **Impairment of tangible assets**

The carrying values of the company's tangible 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 the asset is estimated. An impairment is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of the UK Bus Divisional cash-generating unit (CGU) was determined using a value-in-use calculation which required the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the directors covering a two-year period. Cash flows beyond the two-year period are extrapolated using an estimated growth rate.

The key sources of estimation uncertainty include growth rate, passenger numbers and future costs due to the impact of inflation. The key assumption in the value-in-use calculation is the budgeted operating margin.

The carrying value of the company's tangible assets is £27.3 million (2021: £29.5 million).

##### **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 current market volatility and fundamental economic uncertainties have resulted in difficulties in valuing certain assets of the pension schemes that are not listed on public markets (e.g. property, infrastructure, private debt). Where asset valuations were not provided prior to the production of this report, we have consulted with investment managers and actuarial advisers in estimating adjustments to asset values where appropriate. Further details are set out in note 20.

The net pension asset, before deferred tax, as at the balance sheet date was £7.2 million (2021: liability of £12.6 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 as at the balance sheet date were £2.8 million (2021: £2.5 million) as set out in note 16.

#### *Critical accounting judgements*

##### **Treatment of government funding- CBSSG and BRG schemes**

The income received from the CBSSG and BRG scheme is treated as turnover rather than other operating income. The basis of the funding is driven by the principal activity of the company, the provision of bus operations, and so it is considered appropriate to treat this as revenue.

# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 2. Critical accounting estimates and judgements (continued)

#### *Critical accounting judgements (continued)*

##### **UK Bus Division as a cash-generating unit**

The determination of a cash-generating unit (CGU) for assessing fixed asset recoverable value requires judgement. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Assets, primarily passenger carrying vehicles, move freely within the division and are frequently transferred between statutory entities according to each entity's operational requirements. A cascade plan is managed and determined divisionally. Furthermore, the group considers the cash flows of the total division in monthly management reviews.

It is therefore the directors' judgement that cash flows in each entity are not considered to be largely independent due to the assets being transferred between entities, and therefore the UK Bus Division is considered to be the lowest level CGU.

### 3. Turnover

Turnover represents the amounts receivable for services supplied to customers during the period and amounts receivable for tendered services and concessionary fare schemes. Other turnover represents government funding received through the CBSSG and BRG schemes of £10,044,000 and miscellaneous turnover of £719,000.

The whole of the turnover derives from the company's principal activities within the United Kingdom.

	52 weeks ended 26 March 2022 £000	52 weeks ended 27 March 2021 £000
Provision of passenger transport services	39,273	27,577
Other turnover	10,763	22,512
	<u>50,036</u>	<u>50,089</u>

### 4. Employee numbers and costs

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

	52 weeks ended 26 March 2022 No.	52 weeks ended 27 March 2021 No.
Drivers	722	792
Maintenance and traffic	111	122
Administration	16	16
	<u>849</u>	<u>930</u>

# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 4. Employee numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 26 March 2022 £000	52 weeks ended 27 March 2021 £000
Wages and salaries	25,757	25,139
Social security costs	2,425	2,118
Other pension costs- defined benefit schemes	187	290
Other pension costs- defined contribution schemes	1,848	1,848
Share-based payments	18	49
	<u>30,235</u>	<u>29,444</u>

The total pension costs above include costs relating to participation in the FirstGroup plc defined contribution scheme, as well as the defined benefit schemes set out in note 20.

### 5. Directors' remuneration

Three directors (2021: four) are employed by other FirstGroup companies, for which their apportioned qualifying services to the company total £57,000 (2021: £145,000). Of this amount, £1,000 was compensation for loss of office.

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

	52 weeks ended 26 March 2022 £000	52 weeks ended 27 March 2021 £000
Aggregate emoluments	<u>354</u>	<u>2</u>

Of the directors remunerated by the company, retirement benefits accrue to no directors (2021: none) under defined benefit schemes and to no directors (2021: none) under defined benefit contribution schemes.

Of the directors remunerated by the company, no directors (2021: none) exercised share options during the period and no directors (2021: none) became entitled to receive shares under the FirstGroup long term incentive plan.

### 6. Other operating income

	52 weeks ended 26 March 2022 £000	52 weeks ended 27 March 2021 £000
Coronavirus Job Retention Scheme	604	2,732
Bus Service Operators Grant	3,021	3,323
	<u>3,625</u>	<u>6,055</u>

# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 7. Operating profit

Operating profit is stated after charging/(crediting):

		52 weeks ended 26 March 2022 £000	52 weeks ended 27 March 2021 £000
	Note		
Raw materials and consumables		10,423	10,191
Staff costs	4	30,235	29,444
Other external charges		8,925	8,866
Amortisation of intangible assets	10	3	3
Depreciation	11	2,734	3,295
Impairment of tangible assets		-	251
Restructuring costs (note 16)		-	(137)
Auditors' remuneration		45	43
Loss on disposal of tangible assets		100	48
Impairment of stock recognised/(reversed)		26	(4)
Government grants		(371)	(247)
Operating lease rentals		433	421
Impairment of receivables reversed		(1)	-
Dilapidations charge		49	-
		<u>52,601</u>	<u>52,174</u>

There were no fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services to the company during the period (2021: £nil). Included within operating costs is an auditor's remuneration of £14,000 relating to fees for prior period agreed after the date of signing of the prior period financial statements.

Government grants disclosed above relate to the release of capital grants. See note 6 for other government grants.

### 8. Finance costs

#### Other finance costs

	52 weeks ended 26 March 2022 £000	52 weeks ended 27 March 2021 £000
Unwinding of discount on provision	24	13
Net interest on net defined benefit pension scheme	118	187
Other interest	34	34
	<u>176</u>	<u>234</u>

### 9. Tax on profit

	52 weeks ended 26 March 2022 £000	52 weeks ended 27 March 2021 £000
Current taxation		
- Group relief	(589)	428
- Adjustment in respect of prior periods	(36)	(19)
Total current taxation	<u>(625)</u>	<u>409</u>
Deferred taxation		
- Origination and reversal of timing differences	1,075	342
- Impact on deferred tax arising from rate change	30	-
- Adjustment in respect of prior periods	22	6
Total deferred taxation	<u>1,127</u>	<u>348</u>
Total tax charge on profit	<u>502</u>	<u>757</u>



# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 9. Tax on profit (continued)

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Legislation increasing the rate to 25% was substantively enacted on 24 May 2021 and deferred tax has been provided for at 25% (2021: 19%) for timing differences expected to unwind after 1 April 2023.

In the period commencing 27 March 2022, the net reversal of deferred tax asset is expected to decrease the corporation tax charge for the period by £742,000. This is primarily due to depreciation, capital allowances, pensions and capital grant amortisation.

There is no expiry date on timing differences, unused tax losses or tax credits.

The actual tax charge for the current and previous period differs from the standard rate for the reasons set out in the following reconciliation:

	52 weeks ended 26 March 2022 £000	52 weeks ended 27 March 2021 £000
Profit before tax	884	3,736
Tax on profit at standard UK corporation tax rate of 19% (2021: 19%)	167	710
Factors affecting charge		
- Expenses not deductible for tax purposes	61	60
- Adjustment in respect of prior periods	(14)	(13)
- Impact on deferred tax arising from rate change	30	
- Impact of rate change on origination and reversal of timing differences	258	-
Total tax charge on profit	502	757

### 10. Intangible assets

	Computer software £000
<b>Cost</b>	
At 28 March 2021 and 26 March 2022	16
<b>Accumulated amortisation</b>	
At 28 March 2021	10
Charge for period	3
At 26 March 2022	13
<b>Net book value</b>	
At 26 March 2022	3
At 27 March 2021	6

Amortisation of intangible assets is included in operating expenses.

# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 11. Tangible assets

	Land and buildings £000	Passenger carrying vehicle fleet £000	Plant and equipment £000	Total £000
<b>Cost</b>				
At 28 March 2021	13,763	49,661	2,484	65,908
Additions	54	21	48	123
Intra group transfers in	-	561	-	561
Intra group transfers out	-	(140)	-	(140)
Disposals	-	(2,447)	(6)	(2,453)
At 26 March 2022	13,817	47,656	2,526	63,999
<b>Accumulated depreciation</b>				
At 28 March 2021	2,804	31,348	2,298	36,450
Charge for period	231	2,439	64	2,734
Intra group transfers out	-	(140)	-	(140)
Disposals	-	(2,332)	(6)	(2,338)
At 26 March 2022	3,035	31,315	2,356	36,706
<b>Net book value</b>				
At 26 March 2022	10,782	16,341	170	27,293
At 27 March 2021	10,959	18,313	186	29,458

The net book value of land and buildings comprises:

	2022 £000	2021 £000
Freehold	9,804	9,991
Long leasehold	907	934
Short leasehold	71	34
	10,782	10,959

Depreciation is not provided on the land element of freehold property. The value of the land element of freehold property is £3.8 million (2021: £3.8 million).

In the current period £nil (2021: £1.9 million) of passenger carrying vehicles were either acquired or reclassified under finance lease contracts. The depreciation charges on these assets during the period were £0.1 million (2021: £0.1 million).

The net carrying amount of assets held under finance leases included in the passenger carrying vehicle fleet is £1.8 million (2021: £1.6 million).

# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 12. Investments

	Subsidiary undertakings £000
<b>Cost</b>	
At 28 March 2021 and 26 March 2022	1,175
<b>Provisions for impairment</b>	
At 28 March 2021 and 26 March 2022	(1,172)
<b>Net book value</b>	
At 26 March 2022 and 27 March 2021	3

The subsidiary undertakings at the end of the period, and the nature of their business are:

Subsidiary undertakings	Registered office	Principal activity	Holding	%
Airport Buses Limited	Bus Depot, Westway, Chelmsford, Essex, CM1 3AR	Dormant	Ordinary shares	100%
Airport Coaches Limited	As above	Dormant	Ordinary shares	100%
Lynton Bus & Coach Limited	As above	Dormant	Ordinary shares	100%
Lynton Company Services Limited	As above	Dormant	Ordinary shares	100%

### 13. Stocks

	2022 £000	2021 £000
Spare parts and consumables	931	795

There is no material difference between the balance sheet value of the stocks and their replacement cost in the current or previous period.

### 14. Debtors

	2022 £000	2021 £000
Trade debtors	1,212	2,700
Amounts owed by group undertakings	228	2,189
Other debtors	2,300	7,804
Accrued income	886	1,183
VAT debtor	281	-
Deferred taxation asset (note 17)	415	2,326
Prepayments	333	439
	5,655	16,641

Amounts owed by group undertakings are repayable on demand and are interest free.

#### Amounts falling due after one year

Debtors includes a deferred tax asset of £415,000 (2021: £2,326,000).

# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 15. Creditors

	2022 £000	2021 £000
<b>Amounts falling due within one year</b>		
Bank loans and overdrafts	-	6,011
Trade creditors	2,293	2,619
Obligations under finance leases and hire purchase contracts	264	259
Amounts owed to group undertakings	15,855	5,474
Amounts owed to ultimate parent undertaking	3	3
Other tax and social security	612	464
Other creditors	407	163
Accruals	1,635	1,258
Deferred income	896	1,803
	<u>21,965</u>	<u>18,054</u>
<b>Amounts falling due after more than one year</b>		
Obligations under finance leases and hire purchase contracts	1,142	1,406
Deferred income	1,093	1,043
	<u>2,235</u>	<u>2,449</u>
<b>Analysis of borrowings</b>		
<b>Obligations under finance leases and hire purchase contracts</b>		
Due in less than one period	264	259
Due in greater than one period	1,142	1,406
	<u>1,406</u>	<u>1,665</u>

Amounts owed to group undertakings and the ultimate parent undertaking are repayable on demand and are interest free.

Finance lease contract liabilities are secured on the assets to which they relate. The contracts are for seven years and are on normal commercial terms at negotiated rates. The goods must always be covered by comprehensive insurance, and there is an option-to-purchase fee for a negligible amount at the end of the lease term.

Included within deferred income are grants received for the acquisition of buses which are amortised over the life of the bus.

The amount of deferred income falling due after more than five periods is £208,000 (2021: £250,000).

### 16. Provisions for liabilities

	Dilapidations charge £000	Insurance claims £000	Total £000
At 28 March 2021	200	2,473	2,673
Charged to the profit and loss account	49	1,003	1,052
Unwinding of discount	-	24	24
Utilised in the period	-	(748)	(748)
At 26 March 2022	<u>249</u>	<u>2,752</u>	<u>3,001</u>

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.

# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 17. Deferred taxation

The movements in the deferred taxation asset were as follows:

	<b>Deferred taxation £000</b>
At 28 March 2021	2,326
Charged to the profit and loss account	(1,127)
Movement in other comprehensive income	(784)
	<hr/>
At 26 March 2022	415
	<hr/>

Deferred taxation consists of the following amounts:

	<b>2022 £000</b>	<b>2021 £000</b>
Capital allowances in excess of depreciation	(875)	(454)
Defined pension asset	805	2,400
Other timing differences	485	380
	<hr/>	<hr/>
Deferred tax asset	415	2,326
	<hr/>	<hr/>

The defined benefit pension asset above represents the deferred tax liability on the surplus net of the deferred tax asset on contributions which will be relieved in the future.

The opening and closing deferred tax asset is included in note 14 within debtors.

### 18. Capital and reserves

	<b>2022 £000</b>	<b>2021 £000</b>
<b>Allotted, called-up and fully paid</b>		
20,550,000 (2021: 20,550,000) ordinary shares of £1 each	20,550	20,550
	<hr/>	<hr/>

The company has one class of ordinary shares which carry full voting, dividend and capital distribution rights.

The company's other reserves are as follows:

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

# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 19. Commitments

#### *Capital commitments*

The company had no capital commitments at 26 March 2022 or 27 March 2021.

#### *Operating leases*

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2022		2021	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Not later than one period	126	276	118	242
Later than one period and not later than five periods	377	198	403	277
Later than five periods	516	-	500	-
	<u>1,019</u>	<u>474</u>	<u>1,021</u>	<u>519</u>

#### *Other commitments*

The company participates in a notional cash pool arrangement and overdraft facility with its ultimate 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 schemes

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

The First UK Bus Pension Scheme is included as part of its disclosure under FRS 102. The scheme closed to defined benefit accrual on 5 April 2018 and so the disclosure has been based on the proportion of pensionable pay relating to First Essex Buses Limited members as at 31 March 2018. 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 actuarial valuations are obtained at least triennially. The last formal actuarial valuation was at 5 April 2021. The valuations are updated at each balance sheet date for FRS 102 purposes. In the prior year the valuation was updated as at 31 March 2021 but there were no material differences to 27 March 2021 reflected in the figures quoted below.

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

	2022	2021
	%	%
Rate of increase in salaries	n/a	2.55
Rate of increase of pensions in payment	2.82	2.55
Discount rate	2.95	2.05
Inflation	2.94	2.55
Post-retirement mortality (life expectancy in years):	Years	Years
Current pensioners aged 65	19.9	19.1
Future pensioners at 65 aged 45 now	21.4	20.6

# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 20. Pension schemes (continued)

#### First UK Bus Pension Scheme (continued)

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

	2022 £m	2021 £m
Equities	16.9	16.9
Fixed income/liability driven investment	42.3	44.3
Property	0.1	1.8
Cash	1.8	1.0
Other return seeking assets	29.6	14.1
	<u>90.7</u>	<u>78.1</u>

The balance sheet position for the company:

	2022 £m	2021 £m
Total fair value of assets	90.7	78.1
Present value of scheme liabilities	(83.5)	(90.7)
Surplus/(deficit) in the scheme	<u>7.2</u>	<u>(12.6)</u>

Amounts recognised in the profit and loss account:

	2022 £m	2021 £m
Net interest cost	(0.1)	(0.2)
Administrative cost (chargeable as operating cost)	(0.2)	(0.3)
	<u>(0.3)</u>	<u>(0.5)</u>

Amounts recognised in the statement of comprehensive income:

	2022 £m	2021 £m
Actual return on pension scheme assets	0.3	7.4
Experience (loss)/gain arising on scheme liabilities	(1.8)	1.2
Changes in assumptions	7.7	(14.0)
	<u>6.2</u>	<u>(5.4)</u>

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

	2022 £m	2021 £m
Opening position	90.7	78.9
Administrative cost	0.2	0.3
Interest cost	1.8	1.9
Actuarial (gain)/loss	(5.9)	12.8
Benefits paid	(3.3)	(3.2)
Closing position as at balance sheet date	<u>83.5</u>	<u>90.7</u>

# First Essex Buses Limited

## Notes to the financial statements (continued) For the 52 week period ended 26 March 2022

### 20. Pension schemes (continued)

#### First UK Bus Pension Scheme (continued)

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

	2022 £m	2021 £m
Opening position	78.1	70.4
Interest income	1.7	1.7
Employer contributions	14.0	1.8
Actuarial gain	0.3	7.4
Benefits paid	(3.4)	(3.2)
Closing position as at balance sheet date	90.7	78.1

#### FirstGroup Pension Scheme

The company participates in a group multi-employer defined benefit scheme, the FirstGroup Pension Scheme. 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 of FirstGroup Holdings Limited during the period to 26 March 2022. There is no charge in the company's profit and loss. The assets and liabilities of the scheme are held separately and cannot be allocated out, accordingly, the scheme is treated as a defined contribution scheme in the financial statements.

The surplus on the FirstGroup Pension Scheme of £37.8 million (2021: £24.0 million) is reported within FirstGroup Holdings Limited financial statements.

### 21. Ultimate parent company

The company's immediate parent is FirstBus (South) Limited.

The directors regard FirstGroup plc, a company incorporated in the United Kingdom 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.

Copies of the financial statements of FirstGroup plc can be obtained on request from 395 King Street, Aberdeen, AB24 5RP, which is the registered office of FirstGroup plc.

### 22. Events after the balance sheet date

Subsequent to the balance sheet date, the company has monitored the business performance, internal actions, and other relevant external factors (such as changes in any of the government restrictions and policy guidance).

Subsequent to the year end, the company's funding under the Coronavirus Bus Services Support Grant (CBSSG) was finalised with the Department for Transport (DfT). The conclusion of this position provided clarity on the appropriate assumptions to be used in determining the balance sheet position as at 26 March 2022, which has been reflected in these financial statements.

No adjustments to the key estimates and judgements that impact the balance sheet as at 26 March 2022 have been identified.