Company Registration No. 1990370

First West Yorkshire Limited

Report and Financial Statements

31 March 2012

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Report and financial statements 2012
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Directors' report

The directors have pleasure in submitting their annual report and financial statements for the 53 week period ended 31 March 2012.

Principal activities

The company's principal activities are the provision of bus and coach operations in the United Kingdom.

Business review

As shown in the company's profit and loss account on page 7, the company's sales showed a 1.3% increase on the prior period whilst operating profit decreased by 7.9% to £25.6 million. There has been an increase in the level of concessionary support offset by a reduction in revenue from subsidised services. Costs have increased by 3.8% compared to the prior period. Increased fuel costs and higher inflation has been partially offset by cost efficiency measures.

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 £56.3 million to £48.6 million in the current period, primarily as a result of the dividend and movements in actuarial assumptions in relation to the defined benefit pension scheme. The net pension asset recognised on the company's balance sheet has decreased from £15.1 million to £11.3 million.

Capital expenditure, including transfers from other Group companies, was £3.5 million in the period, being predominately for the purchase of 16 new hybrid vehicles. Further details are set out in note 12.

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.

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.

Risks and uncertainties

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

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

Directors' report (continued)

Going concern

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

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

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

Outlook

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

Environmental

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

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

Employees

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

Financial matters

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

A final dividend of £25.0 million was paid prior to the period end (2011: £25.0 million). In accordance with FRS 21 this was recognised in the financial statements when approved.

Fixed assets

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

Supplier payment policy

It is the company's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions. A number of significant purchases, such as commitments under finance leases and hire purchase contracts and under operating leases are paid by direct debit. At 31 March 2012 the company had 76 days' (2011: 65 days') purchases outstanding.

Financial instruments

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

Directors

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

I Humphreys	(Resigned 16 May 2011, reappointed 1 March 2012)
R Harris	(Resigned 16 May 2011)
D B Alexander	
B T Gilligan	
R Ward	
A R Foster	
T M Broxton	(Appointed 16 May 2011)
R Hamilton	(Appointed 16 May 2011, resigned 17 April 2012)
A J Pike	(Appointed 6 June 2011, resigned 13 February 2012)
R J Eames	(Appointed 18 January 2012)
S D Pearson	(Appointed 1 January 2012)
R M Soper	(Appointed 18 January 2012)
D M Aspinall	(Appointed 27 March 2012)

Employee involvement

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

Disabled persons

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical 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.

First West Yorkshire Limited

Directors' report (continued)

Audit information

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

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

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

Auditor

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

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

T M Broxton
Director

29 August 2012

First West Yorkshire Limited

Directors' responsibilities statement

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF *FIRST WEST YORKSHIRE LIMITED*

We have audited the financial statements of First West Yorkshire Limited for the 53 week period ended 31 March 2012 which comprise the profit and loss account, the balance sheet, the reconciliation of movement in shareholders' funds, the statement of total recognised gains and losses and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express and opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the 53 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial 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.

James Boyle CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom
29 August 2012

First West Yorkshire Limited

Profit and loss account
53 weeks ended 31 March 2012

	Notes	53 weeks ended 31 March 2012 £000	52 weeks ended 26 March 2011 £000
Turnover	2	136,601	134,793
Operating costs	3	(111,033)	(107,019)
Operating profit		25,568	27,774
Net interest receivable	7	12,131	11,912
Profit on ordinary activities before taxation	8	37,699	39,686
Tax on profit on ordinary activities	9	(8,008)	(10,482)
Profit for the period, transferred to reserves	19	29,691	29,204

All activities relate to continuing operations.

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

First West Yorkshire Limited

Balance Sheet
At 31 March 2012

	Notes	£000	31 March 2012 £000	£000	26 March 2011 £000
Assets employed:					
Fixed assets					
Goodwill	11		708		776
Tangible assets	12		75,050		80,800
			75,758		81,576
Current assets					
Stocks	13	1,517		1,661	
Debtors	14	15,478		10,914	
Cash at bank and in hand		87,733		104,856	
		104,728		117,431	
Creditors: amounts falling due within one year	15	(113,234)		(124,156)	
Net current liabilities			(8,506)		(6,725)
Total assets less current liabilities			67,252		74,851
Creditors: amounts falling due after more than one year	15		(19,595)		(21,786)
Provisions for liabilities	16		(10,293)		(11,863)
Net assets excluding pension asset			37,364		41,202
Pension asset	22		11,281		15,075
Net assets including pension asset			48,645		56,277
Financed by:					
Capital and reserves					
Called up share capital	18		16,717		16,717
Share premium account	19		1,251		1,251
Other reserves	19		14,702		14,702
Profit and loss account	19		15,975		23,607
Shareholders' funds			48,645		56,277

The accompanying notes are an integral part of this balance sheet.
These financial statements (Company Registration Number 1990370) were approved by the Board of directors on 29 August 2012 and were signed on its behalf by:

T M Broxton
Director

First West Yorkshire Limited

Reconciliation of movements in shareholders' funds
53 weeks ended 31 March 2012

	53 weeks ended 31 March 2012 £000	52 weeks ended 26 March 2011 £000
Profit for the financial period	29,691	29,204
Share based payments (note 6)	152	180
Other recognised gains and losses relating to the period (net)	(12,475)	5,948
Dividends paid (note 10)	(25,000)	(25,000)
Net (decrease) / increase to shareholders' funds	(7,632)	10,332
Opening shareholders' funds	56,277	45,945
Closing shareholders' funds	48,645	56,277

First West Yorkshire Limited

Statement of total recognised gains and losses
53 weeks ended 31 March 2012

	53 weeks ended 31 March 2012 £000	52 weeks ended 26 March 2011 £000
Profit for the financial period	29,691	29,204
Actuarial (loss) / gain relating to the pension scheme (note 22)	(16,020)	8,400
UK deferred taxation attributable to actuarial loss / (gain)	3,845	(2,268)
Reduced deferred tax liability arising from decrease in tax rate	(300)	(184)
Total recognised gains and losses for the period and since last report	17,216	35,152

1. Principal accounting policies

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

(a) Basis of preparation

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

(b) Going concern

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

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

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

(c) Cash flow statement

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

(d) Tangible fixed assets and depreciation

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

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

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

No depreciation is provided on freehold land.

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

(e) **Goodwill**

Purchased goodwill is capitalised and classified as an intangible fixed asset on the balance sheet. Prior to 1 April 1998, purchased goodwill was written off to reserves in the year it was acquired. This goodwill has not been reinstated. On disposal of the businesses concerned this goodwill is included in determining the gain or loss on disposal in the profit and loss account.

All capitalised goodwill in the balance sheet at the period end is being amortised over a period of 20 years on a straight line basis.

(f) **Leases and hire purchase**

Assets held under finance lease, 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. Grant income is credited to other creditors 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 shown net of operating costs.

(h) **Stocks**

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

(i) **Taxation**

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

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

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

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

1. Principal accounting policies (continued)

(j) Pension costs

Company specific schemes

The company operates a defined benefit scheme (West Yorkshire Superannuation Fund), which is held in separately administrated funds.

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 total recognised gains and losses.

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 or 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.

Group schemes

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

(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 payment

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

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

(m) Insurance

FirstGroup plc's policy is to self-insure high frequency, low value claims within the businesses. To provide protection above these types of losses, cover is obtained through third party insurance policies. Provision is made under FRS12 for the estimated cost of settling uninsured claims for incidents occurring prior to the balance sheet date.

Notes to the Financial Statements (continued)
53 weeks ended 31 March 2012

2. Turnover and profit on ordinary activities before taxation

Turnover represents the amounts receivable for services supplied to customers during the period and amounts receivable for tendered services and concessionary fare schemes.

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

3. Operating costs

	53 weeks ended 31 March 2012 £000	52 weeks ended 26 March 2011 £000
Raw materials and consumables	21,046	19,139
Staff costs (note 4)	68,226	64,129
Other external charges	12,638	14,576
Depreciation and other amounts written off tangible fixed assets	9,055	9,108
Amortisation of goodwill	68	67
	111,033	107,019

4. Employee numbers and costs

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

	53 weeks ended 31 March 2012 No.	52 weeks ended 26 March 2011 No.
Drivers	1,841	1,864
Maintenance and traffic	490	514
Administration	87	55
	2,418	2,433

Notes to the Financial Statements (continued)
53 weeks ended 31 March 2012

4. Employee numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	53 weeks ended 31 March 2012 £000	52 weeks ended 26 March 2011 £000
Wages and salaries	58,577	54,458
Social security costs	4,652	4,326
Other pension costs	4,845	5,165
Share based payments	152	180
	68,226	64,129

5. Directors' remuneration

Three directors (2011: two) received remuneration from other FirstGroup companies totalling £325,000 (2011: £83,000), it is not considered practicable to allocate this between services provided to those companies, and services provided in their capacity as directors of First West Yorkshire Limited.

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

	53 weeks ended 31 March 2012 £000	52 weeks ended 26 March 2011 £000
Aggregate emoluments (excluding pension contributions)	656	491

Retirement benefits accrued to no directors under the company defined benefit schemes (2011: 1) and to 5 directors under other FirstGroup plc defined benefit schemes, treated as money purchase schemes (2011: 3).

Directors' emoluments include salary, fees, bonuses, company contributions to money purchase pension schemes, 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, other company pension contributions and payments made under long-term incentive schemes.

No directors exercised share options during the current or preceding period.

Notes to the Financial Statements (continued)
53 weeks ended 31 March 2012

5. Directors' remuneration (continued)

The emoluments of the highest paid director amounted to:

	53 weeks ended 31 March 2012 £000	52 weeks ended 26 March 2011 £000
Aggregate emoluments	265	212
Defined benefit scheme		
Accrued pension at end of period	8	5
Accrued lump sum at end of period	38	26

The highest paid director exercised no share options during the period but did become entitled to receive shares under the FirstGroup long term incentive plan.

6. Share based payments

Save as you earn (SAYE)

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

	SAYE Dec 2007 Options Number	SAYE Dec 2008 Options Number	SAYE Dec 2009 Options Number	SAYE Dec 2010 Options Number	SAYE Dec 2011 Options Number
Outstanding at the beginning of the period	123,300	1,948,802	2,626,093	2,965,613	-
Awarded during the period	-	-	-	-	2,947,057
Exercised during the period	(559)	(1,726)	(4,327)	(846)	-
Lapsed during the period	(122,741)	(141,266)	(285,598)	(295,487)	(39,293)
Outstanding at the end of the period	-	1,805,810	2,336,168	2,669,280	2,907,764
Exercisable at the end of the period	-	1,805,810	-	-	-
Weighted average exercise price (pence)	583.0	371.0	310.0	319.0	271.5
Weighted average share price at date of exercise (pence)	347.6	319.5	325.5	316.2	N/A

6. Share based payments (continued)

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

	2012	2011
Weighted average share price (pence)		
- SAYE December 2010	-	387.0
- SAYE December 2011	319.2	-
Weighted average exercise price (pence)		
- SAYE December 2010	-	319.0
- SAYE December 2011	271.5	-
Expected volatility		
- SAYE December 2010	-	35%
- SAYE December 2011	35%	-
Expected life (years)		
- SAYE schemes	3	3
Rate of interest		
- SAYE December 2010	-	1.4%
- SAYE December 2011	0.6%	-
Expected dividend yield		
- SAYE December 2010	-	4.8%
- SAYE December 2011	7.0%	-

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

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

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

The Group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme. The company has recognised a total expense of £152,000 (2011: £180,000) relating to equity-settled share-based payment transactions.

7. Net interest receivable and similar income

	53 weeks ended 31 March 2012 £000	52 weeks ended 26 March 2011 £000
Interest payable		
Interest recharge from Group undertakings	(325)	(395)
Interest on pension scheme liabilities	(12,700)	(12,900)
Finance leases and hire purchase contracts	(544)	(393)
	(13,569)	(13,688)
Interest receivable		
Return on pension scheme assets	25,700	25,600
	12,131	11,912

8. Profit on ordinary activities before taxation

	53 weeks ended 31 March 2012 £000	52 weeks ended 26 March 2011 £000
Profit 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 accounts	88	94
Depreciation and other amounts written off tangible fixed assets		
- owned assets	6,761	7,366
- held under finance leases and hire purchase contracts	2,294	1,742
Amortisation of goodwill	68	67
Government grants	(533)	(600)
Rentals payable under operating leases		
- plant and machinery	170	124
- land and buildings	338	346

There were no fees payable to Deloitte LLP and their associates for non-audit services to the company during the period (2011: £nil).

Notes to the Financial Statements (continued)
53 weeks ended 31 March 2012

9. Tax charge on profit on ordinary activities

	53 weeks ended 31 March 2012 £000	52 weeks ended 26 March 2011 £000
Current taxation		
- Group relief payable	7,624	8,559
- Adjustments in respect of prior periods	361	(193)
Total current taxation	7,985	8,366
Deferred taxation		
- Origination and reversal of timing differences	(283)	78
- Adjustment in respect of prior periods	(164)	137
- Effect of decrease in tax rate on opening deferred tax balance	(1,061)	(355)
	(1,508)	(140)
- Deferred taxation on pension scheme movements	2,451	2,471
- Effect of decrease in tax rate on opening deferred tax balance	(920)	(215)
	1,531	2,256
Total deferred taxation	23	2,116
Total tax charge on profit on ordinary activities	8,008	10,482

The standard rate of taxation for the period, based on the UK standard rate of corporation tax, is 26% (2011: 28%). The actual current tax charge for the current and previous period differed from the standard rate for the reasons set out in the following reconciliation:

	53 weeks ended 31 March 2012 %	52 weeks ended 26 March 2011 %
Standard rate of taxation	26.0	28.0
Factors affecting charge		
- Expenses not deductible for tax purposes	0.2	0.1
- Capital allowances less than depreciation / (in excess of)	0.5	(0.1)
- Other timing differences	(6.5)	(6.4)
- Prior periods' tax charge	1.0	(0.5)
Current taxation rate for the period	21.2	21.1

9. Tax charge on profit on ordinary activities (continued)

During the period the UK government enacted legislation to reduce the main rate of UK corporation tax to 26% with effect from 1 April 2011.

Subsequently a resolution passed by Parliament on 26 March 2012 has reduced the main rate of UK corporation tax to 24% from 1 April 2012. The impact of this rate reduction has reduced the deferred tax liability on UK timing differences.

Legislation to reduce the main rate of UK corporation tax from 24% to 23% from 1 April 2013 has been included in Finance Bill 2012. Further reductions to the main rate of UK corporation tax are proposed to reduce the rate to 22% from 1 April 2014. None of these expected future rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effective tax rate for the period to 31 March 2013 and 31 March 2014 is expected to reduce accordingly.

10. Dividends

	53 weeks ended 31 March 2012 £000	52 weeks ended 26 March 2011 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the period	25,000	25,000

11. Goodwill

	£000
Cost	
At 27 March 2011 and 31 March 2012	1,507
Amortisation	
At 27 March 2011	731
Charge for period	68
At 31 March 2012	799
Net book value	
At 31 March 2012	708
At 26 March 2011	776

Notes to the Financial Statements (continued)
53 weeks ended 31 March 2012

12. Tangible fixed assets

	Land and buildings £000	Passenger carrying vehicle fleet £000	Other plant and equipment £000	Total £000
Cost				
At 27 March 2011	4,680	127,878	15,558	148,116
Additions	125	3,242	11	3,378
Intra Group transfers in	-	433	-	433
Intra Group transfers out	-	(592)	(15)	(607)
Disposals	(115)	(3,783)	(88)	(3,986)
At 31 March 2012	4,690	127,178	15,466	147,334
Depreciation				
At 27 March 2011	1,123	54,058	12,135	67,316
Charge for period	95	8,290	670	9,055
Intra Group transfers in	-	356	-	356
Intra Group transfers out	-	(555)	(9)	(564)
Disposals	(57)	(3,751)	(71)	(3,879)
At 31 March 2012	1,161	58,398	12,725	72,284
Net book value				
At 31 March 2012	3,529	68,780	2,741	75,050
At 26 March 2011	3,557	73,820	3,423	80,800

The net book value of land and buildings comprises:

	31 March 2012 £000	26 March 2011 £000
Freehold	3,336	3,482
Long leasehold	125	-
Short leasehold	68	75
	3,529	3,557

Depreciation is not provided on the land element of freehold property which amounts to £967,000 (2011: £967,000).

£24.3 million (2011: £23.2 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 £2.3 million (2011: £1.7 million).

Notes to the Financial Statements (continued)
53 weeks ended 31 March 2012

13. Stocks

	31 March 2012 £000	26 March 2011 £000
Spare parts and consumables	1,517	1,661

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

14. Debtors

	31 March 2012 £000	26 March 2011 £000
Amounts due within one year		
Trade debtors	549	656
Amounts owed by group undertakings	11,079	7,094
Other debtors	1,850	1,855
Other prepayments and accrued income	2,000	1,309
	15,478	10,914

15. Creditors

	31 March 2012 £000	26 March 2011 £000
Amounts falling due within one year		
Obligations under finance leases and hire purchase contracts	4,859	5,741
Trade creditors	7,039	6,908
Amounts owed to group undertakings	94,815	103,134
Corporation tax	1	1
Other tax and social security	1,960	2,163
Other creditors	1,011	2,200
Accruals and deferred income	3,549	4,009
	113,234	124,156
Amounts falling due after more than one year		
Obligations under finance leases and hire purchase contracts	15,003	16,560
Other creditors	4,592	5,226
	19,595	21,786

Other creditors are grants received for the acquisition of buses and is amortised over the life of the bus. The balance will unwind over the next 10 years.

Analysis of borrowings		
Obligations under finance leases and hire purchase contracts		
Due in more than one year but not more than two years	3,609	2,912
Due in more than two years but not more than five years	9,614	10,226
Due in more than five years	1,780	3,422
	15,003	16,560

Finance lease and hire purchase contracts are secured on the assets to which they relate.

Notes to the Financial Statements (continued)
53 weeks ended 31 March 2012

16. Provisions for liabilities

	Insurance claims £000	Deferred tax £000	Total £000
At 27 March 2011	2,190	9,673	11,863
Charge / (credit) to the profit and loss account	2,201	(1,508)	693
Utilised in the period	(2,263)	-	(2,263)
At 31 March 2012	2,128	8,165	10,293

Details of the deferred tax provision (excluding deferred tax in the pension asset) are given in note 17.

Insurance claims accruals due within one year at 31 March 2012 amounted to £1,145,000 (2011: £1,179,000) and are included in 'accruals and deferred income' within note 15. 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.

17. Deferred taxation

Provision for deferred taxation consists of the following amounts:

	31 March 2012 £000	26 March 2011 £000
Capital allowances in excess of depreciation	8,674	9,678
Other timing differences	(509)	(5)
Deferred tax provision	8,165	9,673

18. Called up share capital

	31 March 2012 £000	26 March 2011 £000
Allotted, called up and fully paid		
16,717,000 ordinary shares of £1 each	16,717	16,717

19. Reserves

	Share premium account £000	Other reserves £000	Profit and loss account £000
At 27 March 2011	1,251	14,702	23,607
Other recognised gains and losses	-	-	(12,475)
Dividends paid	-	-	(25,000)
Share based payments (note 6)	-	-	152
Profit for the period	-	-	29,691
At 31 March 2012	1,251	14,702	15,975
Profit and loss reserve excluding pension asset			4,694
Pension asset			11,281
At 31 March 2012			15,975

The cumulative amount of goodwill arising from the acquisition of businesses written off in prior years is £0.5 million (2011: £0.5 million). This goodwill had been eliminated against reserves as a matter of accounting policy and will be charged to the profit and loss account on the disposal of the business to which it relates.

20. Commitments

Capital commitments, contracted for at the end of the period for which no provision has been made are £18.8 million (2011: £4.7 million).

Commitments for payments in the next financial period under operating leases are as follows:

	31 March 2012		26 March 2011	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	8	73	36	6
Between two and five years	13	53	70	88
After five years	291	-	227	-
	312	126	333	94

21. Other commitments

The company has guaranteed the bank overdrafts of certain fellow subsidiary undertakings. The amount outstanding at the end of the period under the guarantees was £nil (2011: £nil).

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.

Together with certain other Group companies, the company has guaranteed the bank loans of its holding company under various term facilities. The amount of guaranteed bank loans at the end of the period was £407 million (2011: £654.5 million).

22. Pension scheme

West Yorkshire Superannuation Pension Fund (WYSF)

The company is a member of a defined benefit pension scheme, which is funded. The scheme's assets are held and managed independently of the company's finances by independent investment managers appointed by the trustees of the scheme.

The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out in 2010 using the projected unit method.

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

	2012	2011	2010
Rate of increase in salaries	3.75%	4.20%	4.40%
Rate of increase of pensions in payment	1.75%	2.40%	3.40%
Rate of increase of pensions in deferment	1.75%	2.40%	3.40%
Discount rate	4.65%	5.50%	5.60%
Inflation assumption – RPI	2.75%	3.20%	3.40%
Inflation assumption – CPI	1.75%	2.40%	-

The assets in the scheme and the expected rate of return were:

	2012 Expected Rate of Return	2011 Expected Rate of Return	2010 Expected Rate of Return	2012 Value £m	2011 Value £m	2010 Value £m
Equities	8.4%	8.85%	9.05%	191.1	227.5	221.3
Bonds	4.25%	5.20%	5.30%	55.6	50.0	51.8
Property	6.4%	6.85%	7.60%	11.2	11.5	15.2
Other	6.26%	6.87%	6.36%	37.5	39.8	35.3
				295.4	328.8	323.6

The expected rate of return has been based on the long term expectation of the return against the asset classifications. The return on assets differs from the discount rate because the standard requires that the discount rate be set with reference to the yield on corporate bonds. Typically, the assets actually held will be expected to provide a return that is higher than the discount rate.

22. Pension scheme (continued)

The balance sheet position for the company:

	2012 £m	2011 £m	2010 £m
Total fair value of assets	295.4	328.8	323.6
Present value of scheme liabilities	(278.4)	(238.5)	(320.5)
Irrecoverable surplus	(2.2)	(69.6)	-
Surplus in the scheme	14.8	20.7	3.1
Related deferred tax liability	(3.5)	(5.6)	(0.9)
Net pension asset	11.3	15.1	2.2

Analysis of amount charged / (credited) to operating profit:

	2012 £m	2011 £m
Current service costs	2.9	3.5
Total operating charge	2.9	3.5

Amounts charged to the profit and loss account:

	2012 £m	2011 £m
Expected return on pension scheme assets	25.7	25.6
Interest on pension scheme liabilities	(12.7)	(12.9)
Net return (chargeable as finance cost)	13.0	12.7
Current service cost (chargeable as operating cost)	(2.9)	(3.5)
Net pension income	10.1	9.2

Amounts recognised in the statement of total recognised gains and losses:

	2012 £m	2011 £m
Actual return less expected return on pension scheme assets	(44.1)	(6.5)
Experience gains and losses arising on scheme liabilities	(24.0)	71.7
Changes in assumptions underlying the present value of scheme liabilities	(15.3)	12.8
Movement in irrecoverable surplus	67.4	(69.6)
	(16.0)	8.4

The irrecoverable surplus represents the amount of the surplus that the Company could not recover through reducing future cash contributions to the West Yorkshire Superannuation Pension Fund.

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS17 is a charge of £12.8 million (2011: £28.8 million).

22. Pension scheme (continued)

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

	2012 £m	2011 £m
At 27 March 2011	238.5	320.5
Current service cost	2.9	3.5
Interest cost	12.7	12.9
Employee share of change to defined benefit obligations	0.8	0.9
Actuarial loss / (gain)	39.3	(84.5)
Benefits paid	(15.8)	(14.8)
At 31 March 2012	278.4	238.5

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

	2012 £m	2011 £m
At 27 March 2011	328.8	323.6
Expected return on scheme assets	25.7	25.6
Employee contributions	0.8	0.9
Actuarial loss	(44.1)	(6.5)
Benefits paid	(15.8)	(14.8)
At 31 March 2012	295.4	328.8

History of experience gains and losses

	2012	2011	2010	2009	2008
Present value of defined benefit obligations (£m)	(278.4)	(238.5)	(320.5)	(245.0)	(246.8)
Fair value of scheme assets (£m)	295.4	328.8	323.6	249.8	313.6
Irrecoverable surplus (£m)	(2.2)	(69.6)	-	-	(30.7)
Surplus in the scheme (£m)	14.8	20.7	3.1	4.8	36.1
Experience adjustments on scheme liabilities					
Amount (£m)	24.0	71.7	0.2	(7.2)	(1.1)
Percentage of scheme liabilities	(8.6)	(30.1)	(0.1)	2.9	0.4
Experience adjustments on scheme assets					
Amount (£m)	(44.1)	(6.5)	65.0	(78.9)	(31.5)
Percentage of scheme assets	(14.9)	(2.0)	20.1	(31.6)	(10.0)

The estimated amounts of contributions expected to be paid to the scheme during the current financial period is £0.8 million (2011: £0.9 million).

22. Pension scheme (continued)

First UK Bus Pension Scheme

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

The deficit on the Group scheme of £31.8 million (2011: £52.4 million) will affect the company through periodic adjustments to the company's contribution rate as determined by the actuary. Additional disclosures required under Financial Reporting Standard 17 have been made on a group basis in the accounts of FirstGroup plc.

The total contributions paid to the scheme by the company in the period was £1.8 million (2011: £1.8 million).

At the 31 March 2012 £0.1 million (2011: £0.1 million) was outstanding as at that date.

The estimated amounts of contributions expected to be paid to the scheme during the current financial period is £1.8 million (2011: £1.8 million).

FirstGroup Pension Scheme

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

The deficit on the Group scheme of £5.7 million (2011: £1.5 million) will affect the company through periodic adjustments to the company's contribution rate as determined by the actuary. Additional disclosures required under Financial Reporting Standard 17 have been made on a group basis in the accounts of FirstGroup plc.

The total contributions paid to the scheme by the company in the period was £0.1 million (2011: £0.1 million).

At the 31 March 2012 £nil (2011: £nil) was outstanding as at that date.

The estimated amounts of contributions expected to be paid to the scheme during the current financial period is £0.1 million (2011: £0.1 million).

23. Related party transactions

The company is taking advantage of the exemption under FRS8 not to disclose transactions with wholly owned Group companies that are related parties.

24. 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 North Limited.

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