Directors' Report & Group Financial Statements

For the year ended 24 December 2011

TRANSDEV BLAZEFIELD LIMITED

Registered number 2605399 (England and Wales)

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COMPANY INFORMATION

DIRECTORS	N Stevens (Chairman) M Gilbert (Chief Executive) J K Wallace R G Revill M P Mullins N Eggleton P Brogden
SECRETARY	J K Wallace
REGISTERED OFFICE	Prospect Park Broughton Way Starbeck Harrogate HG2 7NY
REGISTERED NUMBER	2605399 (England and Wales)
AUDITORS	Ernst Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
BANKERS	The Royal Bank of Scotland plc Turnpike House 123 High Street Crawley West Sussex RH10 1DQ
SOLICITORS	Osborne Clarke 50 Queen Charlotte Street Bristol BS1 4HE

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 24 DECEMBER 2011

The Directors present their report with the consolidated financial statements of Transdev Blazefield Limited (the Group) for the year ended 24 December 2011

PRINCIPAL ACTIVITY

The principal activity of the Group is the operation of scheduled bus services in Yorkshire and Lancashire The company is a holding company and a lessor of buses

RESULTS AND REVIEW OF THE YEAR

As the Group's income statement on page 7 shows Group turnover of £52 7 million for 2011 increased by 0 7% over the prior year Profit before tax was maintained at £3 2 million with an operating profit representing 6 1% of revenues The balance sheet on page 9 of the financial statements shows the Group's financial position at the year end The Group has overall net assets of £4 1 million

As part of the wider Veolia Transdev Group the directors believe that the key performance indicators relevant at this entity level are turnover and profit after tax as discussed above Key performance indicators for the wider group are discussed in the annual report published by Veolia Transdev SA Transdev Blazefield senior management monitor weekly KPI's on passenger levels, revenue and key costs including fuel mpg ,drivers hours etc

FUTURE DEVELOPMENTS

The Directors will continue to focus on developing the business through investment and general quality improvements The Directors consider that market conditions in its operating areas will continue to be difficult given the overall economic situation and increasing in 2012 with fuel costs in particular However, the Group's continuing focus on all aspects of the business will enable the Group to generate a satisfactory result this year As a result the going concern basis of accounting has been adopted

POST BALANCE SHEET EVENTS

The company acquired parts of the local bus business of York Pullman Limited in February 2012 for £0 9m

EMPLOYMENT POLICIES

The Group strives to meet its business objectives by motivating and encouraging its employees to be responsive to the needs of its customers and continually improve operational performance The Group is committed to providing equality of opportunity to employees and potential employees This applies to appropriate training, career development and promotion for all employees regardless of physical ability, gender, sexual orientation, religion or ethnic origin

EMPLOYEE CONSULTATION

The Group encourages employee involvement in its affairs The Group and its subsidiary companies produce a range of internal newsletters and circulars which keep employees abreast of developments Employees are encouraged to discuss matters of interest to them and subjects affecting day to day operations with management Dialogue takes place regularly with trade unions, other employee representatives and employees generally on a wide range of issues The Group welcomes staff participation in all these forums

DISABLED EMPLOYEES

The Group's policy in respect of disabled persons is that their applications for employment are always fully and fairly considered, bearing in mind the aptitudes and abilities of the applicant concerned In the event of a member of staff becoming disabled, every effort is made to ensure that employment with the Group continues and where necessary, appropriate training is arranged It is the Group's policy that training, career development and promotion of disabled persons should, as far as possible, be identical with that of all other employees in similar position

CORPORATE RESPONSIBILITY

Safety and security are of paramount importance to the Group, both for our employees and our customers The Group and each operating subsidiary have a Health and Safety plan which supports the objective of continuous improvement in safety management We closely monitor the frequency of accidents and focus resources and training to reduce those accidents which are preventable Over 70% of our bus fleet is equipped with CCTV coverage for the safety and security of our customers and staff On the back of the Disability Discrimination Act (DDA) we continue to incorporate many DDA compliant features into our buses and facilities and work closely with suppliers to achieve this

Testing for the use of alcohol and drugs by employees is carried out regularly within our operations

It is a condition of employment that all drivers employed by the Group are subject to, and cleared by, Criminal Records Bureau checks

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have established a continuing process of risk management within the Group to evaluate, monitor and manage any potential risks and uncertainties that could have an impact upon the Group's long term performance The Directors have also established a strong culture of safety and security both for our staff and our passengers The specific principal risks facing the Group include increasing labour and fuel costs through twenty per cent reduction in Bus Service Operators Grant (BSOG) as well as competitive pressures from Local Government funding cuts

Fuel costs are heavily influenced by external factors However, where possible and if appropriate the Group will manage the impact with the use of fixed price contracts and forward contracts and swaps as well as improving fuel consumption through engineering maintenance and embracing the latest bus technology through the Group's bus procurement policy

The Group's activities expose it to certain financial risks These include price risk related primarily to interest rate risk The Group is not significantly exposed to foreign exchange risk, credit risk or other cash flow risk Management reviews financial risks regularly in accordance with Group policies The Group currently uses a limited number of financial instruments to manage certain risks but does not hold financial instruments for speculative reasons

The Group is also exposed to insurance costs Details of provision against claims can be found in note 22 to the financial statements

FINANCIAL INSTRUMENTS

The Group's activities expose it to certain financial risks These include price risk primarily related to fuel prices The management review financial risks regularly in accordance with group policies The Company participates in the Transdev UK policy of hedging fuel price fluctuations

DIVIDENDS

A dividend of £2,236,000 was paid to Transdev plc during the year (2010 £950,000)

CHARITABLE AND POLITICAL CONTRIBUTIONS

No charitable or political donations were made during the current year

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 24 DECEMBER 2011

DIRECTORS

The Directors of the Company at the date of this report are given on page 1 The following directors served during the year,

N Stevens
M Gilbert
J K Wallace
R G Revill
M P Mullins
P Brogden
N Eggleton
C Beaumont (Resigned 10 May 2011)

None of the Directors had an interest in the share capital of the Company or any of its subsidiaries at the end of the year

DIRECTORS LIABILITY

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period In preparing those financial statements, the Directors are required to

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have 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

AUDITORS

During the year Mazars LLP resigned as auditors and Ernst & Young LLP were appointed in their place Ernst Young LLP have indicated their willingness to continue in office

By order of the Board

Mr J K Wallace – Secretary Dated 21 Sept 12

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TRANSDEV BLAZEFIELD LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSDEV BLAZEFIELD LIMITED

We have audited the financial statements of Transdev Blazefield Limited for the year ended 24 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and Expense, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes 1 to 32 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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 set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and parent 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 Directors' Report and Group Financial Statements 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 group's and of the parent company's affairs as at 24 December 2011 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TRANSDEV BLAZEFIELD LIMITED (CONTINUED)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, 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

Ernst & Young LLP

Eddie Diamond
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

21 September 2012

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 24 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Continuing operations			
Revenue	1	52,710	52,294
Cost of sales		(49,003)	(48,340)
Operating profit	2	3,707	3,954
Investment income	5	-	3
Finance costs	6	(525)	(777)
Profit before tax		3,182	3,180
Tax	7	(990)	(943)
Profit for the year attributable to equity holders		2,192	2,237

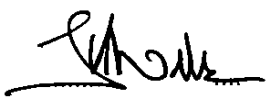
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 24 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Profit for the period attributable to equity holders		2,192	2,237
Other recognised income and expense			
Net fair value (losses) / gains on cash flow hedges	31	(1,123)	701
Reclassification adjustments for gains recognised in profit or loss		922	(43)
Actuarial (losses) / gains on retirement benefit schemes	26	(3,081)	1,549
Tax relating to items taken directly to equity	7	805	(705)
Other comprehensive (loss)/ income net of tax		(2,477)	1,502
Prior year adjustment (see basis of accounting)		(845)	-
Total comprehensive (loss)/income for the year attributable to equity holders of the parent company		(1,130)	3,739

CONSOLIDATED BALANCE SHEET
AS AT 24 DECEMBER 2011

	Notes	2011 £'000	*Restated* 2010 £'000	*Restated* 2009 £'000
Non-current assets				
Goodwill	8	5,322	5,322	5,322
Other intangible assets	9	75	127	247
Property, plant and equipment	10	19,182	19,780	21,700
Deferred tax assets	23	2,210	2,028	2,803
		26,789	27,257	30,072
Current assets				
Inventories	14	573	618	558
Trade and other receivables	15	2,945	2,649	1,737
Other financial assets	13	301	502	-
Cash and cash equivalents	17	436	1,919	1,078
		4,255	5,688	3,373
Total assets		31,044	32,945	33,445
Current liabilities				
Trade and other payables	16	(5,416)	(5,081)	(4,361)
Bank loans	18	(1,550)	(500)	(500)
Tax liabilities		(1,739)	(846)	(328)
Obligations under hire purchase agreements	21	(424)	(672)	(2,093)
Current provisions	22	(2,098)	(2,118)	(2,247)
Other financial liabilities		-	-	(156)
		(11,227)	(9,217)	(9,685)
Net current liabilities		(6,972)	(3,529)	(6,312)
Non-current liabilities				
Bank loans	18	-	(1,550)	(2,050)
Other payables	19	(4,480)	(4,480)	(4,717)
Obligations under hire purchase agreements	21	(7)	(431)	(66)
Deferred tax	23	(2,433)	(3,177)	(3,463)
Retirement benefit obligation	26	(8,837)	(7,511)	(9,672)
		(15,757)	(17,149)	(19,968)
Total liabilities		(26,984)	(26,366)	(29,653)
Net assets		4,060	6,579	3,792
Equity				
Share capital	24	50	50	50
Reserves		4,010	6,529	3,742
Total equity		4,060	6,579	3,792

The financial statements were approved by the board of directors and authorised for issue on 21 September 2012 They were signed on its behalf by



J K Wallace - Director

COMPANY BALANCE SHEET
AS AT 24 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Non-current assets			
Property, plant and equipment	10	15,855	16,627
Investment in subsidiary	12	6,794	6,846
Deferred tax asset	23	2,210	1,993
		24,859	25,466
Current assets			
Trade and other receivables	15	1,093	1,369
Other financial assets	13	301	502
Cash and cash equivalents	17	-	344
		1,394	2,215
Total assets		26,253	27,681
Current liabilities			
Trade and other payables	16	(1,062)	(1,302)
Bank loans and overdrafts	18	(1,875)	(500)
Obligations under hire purchase agreements	21	(424)	(672)
Current provisions	22	(2,098)	(2,118)
		(5,459)	(4,592)
Net current liabilities		(4,065)	(2,377)
Non-current liabilities			
Bank loans	18	-	(1,550)
Other payables	19	(13,459)	(8,336)
Obligations under hire purchase agreements	21	(7)	(431)
Deferred tax	23	(2,359)	(2,574)
Retirement benefit obligation	26	(8,837)	(7,511)
		(24,662)	(20,402)
Total liabilities		(30,121)	(24,994)
Net (liabilities) / assets		(3,868)	2,687
Equity			
Share capital	24	50	50
Reserves		(3,918)	2,637
Total equity		(3,868)	2,687

The financial statements were approved by the board of directors and authorised for issue on 21 September 2012 They were signed on its behalf by

M J Gilbert – Director

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 24 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Net cash inflow from operating activities	29	3,946	4,588
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,377)	(1,238)
Proceeds on disposal of property, plant and equipment		356	231
Interest received		-	3
Net cash used in investing activities		(2,021)	(1,004)
Cash flows from financing activities			
Repayment of borrowings		(500)	(500)
Repayment of obligations under hire purchase agreements (Note 21)		(672)	(1,056)
Dividend paid (Note 25)		(2,236)	(950)
Increase/(decrease) in loan from parent company		-	(237)
Net cash used in financing activities		(3,408)	(2,743)
Net increase in cash and cash equivalents		(1,483)	841
Cash and cash equivalents at 1 January		1,919	1,078
(Decrease) / Increase in cash in the year		(1,483)	841
At 24 December and 31 December		436	1,919

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 24 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Net cash (outflow)/inflow from operating activities	29	(848)	873
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,550)	(901)
Proceeds on disposal of property, plant and equipment		14	234
Interest received		-	3
Net cash used in investing activities		(1,536)	(664)
Cash flows from financing activities			
Repayment of borrowings		(175)	(994)
Repayment of obligations under hire purchase agreements (Note 21)		(672)	(1,047)
Dividend paid (Note 25)		(2,236)	(950)
Intercompany loans		5,123	3,363
Increase/(decrease) in loan from parent company		-	(237)
Net cash used in financing activities		2,040	135
Net increase in cash and cash equivalents		(344)	344
Cash and cash equivalents at 1 January		344	-
(Decrease)/increase in cash in the year		(344)	344
At 24 December and 31 December		-	344

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 24 DECEMBER 2011

Group	Notes	Equity share capital £'000	Revaluation reserve £'000	Cash flow hedging reserve £'000	Pension Reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2010							
As previously stated		50	1,185	(113)	(2,837)	6,352	4,637
Prior year adjustment		-	(845)	-	-	-	(845)
As restated		50	340	(113)	(2,837)	6,352	3,792
Profit for the year		-	-	-	-	2,237	2,237
Actuarial gains on retirement benefit schemes		-	-	-	1,497	(475)	1,022
Net fair value gains on cash flow hedges		-	-	478	-	-	478
		50	340	365	(1,340)	8,114	7,529
Dividend paid to parent company	25	-	-	-	-	(950)	(950)
At 1 January 2011		50	340	365	(1,340)	7,164	6,579
Profit for the year		-	-	-	-	2,192	2,192
Actuarial losses on retirement benefit schemes		-	-	-	(2,347)	11	(2,336)
Net fair value losses on cash flow hedges		-	-	(139)	-	-	(139)
		50	340	226	(3,687)	9,367	6,296
Dividend paid to parent	25	-	-	-	-	(2,236)	(2,236)
Balance at 24 December 2011		50	340	226	(3,687)	7,131	4,060

Revaluation reserve
The revaluation reserve is used to record the movement in the market value of freehold land and buildings This reserve is not distributable

Cash flow hedging reserve
The Cash flow hedging reserve is disclosed in financial instruments note 31

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 24 DECEMBER 2011

Company	Notes	Equity share capital £'000	Revaluation reserve £'000	Cash flow hedging reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2010		50	-	(113)	3,721	3,658
Loss for the year		-	-		(1,521)	(1,521)
Actuarial gains on retirement benefit schemes		-	-	-	1,022	1,022
Other comprehensive income		-	-	478	-	478
		50	-	365	3,222	3,637
Dividend paid to parent company	25	-	-		(950)	(950)
At 1 January 2011		50	-	365	2,272	2,687
Loss for the year		-	-	-	(1,833)	(1,833)
Actuarial losses on retirement benefit schemes		-	-	-	(2,347)	(2,347)
Net fair value losses on cash flow hedges		-	-	(139)	-	(139)
		50	-	226	(1,908)	(1,632)
Dividend paid to parent company	25	-	-	-	(2,236)	(2,236)
Balance at 24 December 2011		50	-	226	(4,144)	(3,868)

PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 24 DECEMBER 2011

Transdev Blazefield Limited is a Company incorporated and domciled in the United Kingdom under the Companies Act 2006 The address of the registered office is given on page 1 The nature of the Company's operations and its principal activities are set out in Director's Report on page 2

These financial statements incorporate the financial statements of both the Group and the Company The financial statements of the Group and Company are drawn up to 24 December

These financial statements of both the Group and the Company are presented in pounds sterling The functional currency of the Company is considered to be pounds sterling as this is the currency of the primary economic environment in which the Company operates The Company does not have any foreign operations

No income statement is presented for the Company as permitted by Section 408 of the Companies Act 2006 The Company's loss for the year after taxation was £856,000 (2010 (£1,521,000))

The financial statements are rounded to the nearest thousand (£'000)

PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

The financial statements have been prepared on a going concern basis based on the cash flow forecast which assumes that the group will continue in operation The directors have received confirmation of continuing financial support from Transdev plc Accordingly, the financial statements have been prepared on the going concern basis

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below The principal accounting policies adopted are set out below

Restatement of the prior year and the year ending 31 December 2009

The Group approach to the tax treatment of Industrial Buildings Allowances (IBAs) has altered in the year ended 24 December 2011 Previously the Group recognised a deferred tax asset recoverable on the sale of the buildings, as well as a deferred tax liability only based on the difference between the net book value of industrial buildings and the remaining IBAs that are available ('dual basis') The Group has amended this approach to remove the deferred tax asset and recognise the liability only as there is insufficient evidence to support the recoverability of the asset This change in treatment has been applied retrospectively, which has resulted in the opening reserves at 1 January 2010 being restated

There is no impact on the comparative income statement or the balance sheet for the year ended 31 December 2010

The effect of the restatement on the comparative for the year ended 31 December 2009 is to increase deferred tax liabilities by £845,000 and decrease reserves by 845,000 There is no impact on the comparative income statement for the year ended 31 December 2009

BASIS OF CONSOLIDATION

The Group financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) and the Group's share of interests in joint ventures and associates under acquisition accounting principles from the date control passes Control is achieved where the Group has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities

PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 24 DECEMBER 2011

BASIS OF CONSOLIDATION (CONTINUED)

Subsidiaries

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible potential voting rights, or by way of contractual agreement The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies All intragroup balances and transactions, including unrealised profits arising from them are eliminated in full

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction If the Group loses control over a subsidiary, it (i) derecognises the assets (including goodwill) and liabilities of the subsidiary, (ii) derecognises the carrying value of any non-controlling interest, (iii) derecognises the cumulative translation differences, recorded in equity, (iv) recognises the fair value of the consideration received, (v) recognises the fair value of any investment retained, (vi) recognises any surplus or deficit in profit or loss, (vi) reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

GOING CONCERN

The financial statements have been prepared on a going concern basis which assumes that the group will continue in operation The validity of this assumption is dependent upon a continued support of Transdev PLC, who have confirmed that it is their intention to provide the necessary financial support for at least 12 months from the date of approval of these Financial Statements

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations adopted by the Group

The following new and amended IFRS and IFRIC interpretations are mandatory as of 1 January 2011 unless otherwise stated and the impact is described below

IAS 24 Related Party Disclosures (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity The adoption of the amendment did not have any impact on the financial position or performance of the Group or the Company

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment) (effective 1 February 2010)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency The amendment has had no effect on the financial position or performance of the Group or the Company because neither the Group nor Company holds these types of instruments

PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 24 DECEMBER 2011

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset There has been no impact on the financial position or performance of the Group or the Company

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid The equity instruments issued are measured at their fair value In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished Any gain or loss is recognised immediately in profit or loss There has been no impact on the financial position or performance of the Group or the Company

Improvements to IFRS (issued in May 2010)
In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording There are separate transitional provisions for each standard The adoption of the following amendments resulted in changes to accounting policies but no impact on the financial position or performance of the Group

- IFRS 7 *Financial Instruments – Disclosures* The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments Financial instruments have been disclosed in note 30
- IAS 1 *Presentation of Financial Statements* The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements The Group and the Company provide this analysis in the statement of changes in equity

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group or the Company

- IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 IFRS 3 *Business Combinations* (Measurement of non-controlling interests)
- IFRS 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 *Consolidated and Separate Financial Statements*

IAS 34 Interim Financial Statements
The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Company

- IFRIC 13 *Customer Loyalty Programmes* (determining the fair value of award credits)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

REVENUE RECOGNITION
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and Company and the revenue can be reliably measured

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from operating scheduled bus services and income from other commercial services, net of VAT

PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 24 DECEMBER 2011

REVENUE RECOGNITION (CONTINUED)

The following criteria must also be met before revenue is recognised

Rendering of services

The revenue of the Group comprises income from road passenger transport Bus revenue comprises amounts receivable from tickets sales and revenue generated from services provide on behalf of from local authorities and similar contracts

Revenue is recognized by reference to the stage of completion of the customer's journey or for other services based on the proportion of the services provided The attributable share of season ticket or travel card income is deferred within liabilities and released to the income statement over the life of the relevant season ticket or travel card

Income from advertising and other activities is recognised as the income is earned

Interest income

Interest income is accrued using the effective interest rate The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to its net carrying amount

Dividends

Income from dividends is recognised when the Group or Company's right to receive payment is established

Lessor
Assets leased out under operating leases are included in buses, property, plant and equipment and depreciated over their estimated useful lives Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term
Where the Group transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments As payments fall due, finance income is recognised in the income statement so as to achieve a constant rate of return on the remaining net investment in the lease

BUSINESS COMBINATIONS AND GOODWILL
All business combinations are accounted for by applying the purchase method

On acquisition, the assets and liabilities and contingent liabilities of an acquired entity are measured at their fair value

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss

At the acquisition date of a subsidiary, goodwill acquired is recognised as an asset Goodwill arising on the acquisition of joint ventures and associates is included within the carrying value of the investment

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units that are expected to benefit from that business combination

PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 24 DECEMBER 2011

BUSINESS COMBINATIONS AND GOODWILL (CONTINUED)
Recoverable amounts of the cash-generating units are based on value in use, which is calculated from value in use calculations The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money Changes in fare and contract prices and direct costs are based on past experience and expectations of future changes in the market

Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised Any impairment is recognised immediately in the income statement and is not subsequently reversed

Goodwill arising on acquisitions before 1 January 2005 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date Goodwill written off to reserves under UK GAAP prior to 1998 has not been restated and will not be included in determining any subsequent profit or loss on disposal

FIXED ASSET INVESTMENTS
Fixed asset investments are stated at cost less provision for any impairment

PROPERTY, PLANT AND EQUIPMENT
Depreciation is charged so as to write off the cost (or valuation) of assets, other than freehold land, over their estimated useful lives, using the straight line method on the following bases

Freehold buildings	50 years
Leasehold land and buildings improvements	6-10 years
Buses	7-15 years
Plant and equipment	3-10 years

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement

INTANGIBLE ASSETS
Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss

Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives The estimated useful lives of intangible assets are as follows

Other intangible long term contracts	- between 1 and 5 years

GOVERNMENT GRANTS
A government grant is recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received The grant is recognised as income over the period necessary to match it with the related costs, for which they are intended to compensate, on a systematic basis A grant relating to assets is recognised by deducting the grant from the asset's carrying amount and a grant relating to income is deducted from the related expense

Grants have been received by the group to contribute towards the refurbishment of buses and a new bus depot

PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 24 DECEMBER 2011

INVENTORIES
Inventories consist of parts, materials and fuel required for the operation and maintenance of buses These materials are valued at cost less allowance for obsolete and slow moving items

FINANCIAL INSTRUMENTS
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate The Company determines the classification of its financial assets at initial recognition

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate The Company determines the classification of its financial liabilities at initial recognition

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument

The Group's financial assets include cash, trade and other receivables and derivative financial instruments

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments

Trade and other receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts

Subsequently, trade and other receivables are carried at amortized cost using the effective interest rate method

Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank, cash in hand and demand deposits and are subject to an insignificant risk of change in value

Trade payables
Trade payables are initially measured at fair value, and are not interest bearing

Subsequently, trade payables are carried at amortized cost using the effective interest rate method

Derivative financial instruments and hedge accounting
The Group's activities expose it to certain financial risks including changes in fuel prices The Group uses forward contracts to hedge these exposures when considered appropriate The Group does not use derivative financial instruments for speculative purposes

The use of financial derivatives is governed by Group's policies

PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 24 DECEMBER 2011

FINANCIAL INSTRUMENTS (CONTINUED)
Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss

Hedge accounting is discontinued when the hedging instrument expire or is sold, terminated, or exercised, or no longer qualifies for hedge accounting

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise

Interest-Bearing Borrowings
Interest-bearing loans are initially recorded at the value of the amount received, net of attributable transaction costs Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowing on an effective interest rate

Interest-bearing borrowings are classified as current liabilities unless the Group or Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

RETIREMENT BENEFIT COSTS
The Company operates two defined benefit retirement schemes These plans are funded schemes with values determined by actuarial calculations

The defined benefit schemes are multi-employer plans The defined benefit plans define an amount of pension that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation

The liability recognised in the balance sheet in respect to defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs The defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates or high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms of the related pension liability

Actuarial gains and losses arising are charged or credited to other comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period) In this case, the past-service costs are amortised on a straight-line basis over the vesting period

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in scheme membership or a reduction of future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant claim gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs

PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 24 DECEMBER 2011

RETIREMENT BENEFIT COSTS (CONTINUED)
The Group also operates a number of defined contribution retirement schemes The contributions to these schemes are recognised as an expense when they fall due

PROVISIONS
A provision is recognised in the balance sheet when the Group or the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation Provisions are recognised at the directors' best estimate of the expenditure required to settle the Group or Company's liability

TAXATION
The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures expect where the Group is able to contract the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when there is a legally-enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group or Company intends to settle is current tax assets and liabilities on a net basis

PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 24 DECEMBER 2011

LEASING

Leases are classified as hire purchase agreements whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases

Assets held under hire purchase agreements are recognised as assets of Group and Company at their fair value or if lower, at the present value of minimum lease payments, each determined at the inception of the lease The corresponding liability is included in the balance sheet as a hire purchase agreement obligation Lease payments are apportioned between finance charges and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability Finance charges are charged to the income statement

Rentals payable under operating leases are charges to the income statement on a straight line basis over the term of the relevant lease

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards and interpretations have an effective date after the date of these financial statements and Company has not early adopted them

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (effective 1 July 2012

The amendments to IAS 1 change the grouping of items presented in OCI Items that could be reclassified (or "recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified The amendment will affect presentation only and has no impact on the Group or the Company's financial position or performance

IAS 12 Income Taxes – Recovery of Underlying Assets (effective 1 January 2012)

The amendment clarified the determination of deferred tax on investment property measured at fair value The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale Further, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis The Group and the Company are currently assessing the full impact of the amendments

IAS 19 Employee Benefits (Amendment) (effective 1 January 2013)

The IASB has issued numerous amendments to IAS 19 These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording There will be no impact on the Group or the Company from the removal of the corridor mechanism as the Group and the Company recognise actuarial gains and losses in the period in which they occur

IAS 27 Separate Financial Statements (as revised in 2011) (effective 1 January 2013)

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements The Company is currently assessing the full impact of these amendments

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) (effective 1 January 2013)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates The Group and the Company are currently assessing the full impact of the amendments

PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 24 DECEMBER 2011

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE (CONTINUED)

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (effective 1 July 2011)
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets The amendment affects disclosure only and has no impact on the Group or the Company's financial position or performance

IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2015)
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39 In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group and the Company's financial assets The Group and the Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture

IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities

IFRS 10 establishes a single control model that applies to all entities including special purpose entities The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27 The Group is currently assessing the full impact of this standard

IFRS 11 Joint Arrangements (effective 1 January 2013)
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method JCEs under current IAS 31 that will be classified as joint ventures under IFRS 11, will transition from proportionate consolidation to the equity method by aggregating the carrying values previously recorded, testing that amount for impairment and then using that amount as deemed cost for applying the equity method going forward

The application of this new standard will not impact the financial position of the Group or the Company

IFRS 12 Disclosure of Involvement with Other Entities (effective 1 January 2013)
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities A number of new disclosures are also required

PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 24 DECEMBER 2011

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE (CONTINUED)

IFRS 13 Fair Value measurement (effective 1 January 2013)
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted The Group and the Company is currently assessing the impact that this standard will have on the financial position and performance

IFRS 7 & IAS 32 Offsetting of Financial Instruments The amendments to IAS 32 and IFRS 7 on offsetting of financial instruments are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice The clarifying amendments to IAS 32 are effective for the annual periods beginning on or after 1 January 2014 The new disclosures in IFRS 7 are required for annual periods beginning on or after 1 January 2013 The Group and the Company is currently assessing the impact that these amendments will have on the financial position

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

The following judgements have the most significant effect on amounts recognized in the financial statements

Operating leases
The Group has entered into commercial property and vehicle leases as a lessee The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet For further information on the Group's material operating lease commitments refer to note 22 The company hold title to all fleet and charge rentals to the subsidiary companies as appropriate

Revaluation of property plant and equipment
The Group carries its interest in freehold land and buildings at revalued amounts, with changes in fair values being credited or charged to other comprehensive income In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income The Group engaged independent valuation specialists to determine fair value as at 31 December 2009

PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 24 DECEMBER 2011

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of non-financial assets
The Group's impairment test for goodwill and is based either on a value in use calculation The value in use calculation is based on a discounted cash flow model The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in note 8

Taxation
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies Further details are contained in note 7

Pensions and other employment benefits
The cost of defined benefit pensions plans and other post employment medical benefits are determined using actuarial valuations The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds Future salary increases and pension increases are based on expected future inflation rates Further details are given in note 26

Uninsured liabilities
The Group limits its exposure to the cost of motor and public liability claims through insurance policies issued by third parties These provide individual claim cover, subject to high excess A liability is recognised for the estimated cost to the Group to settle claims for incidents occurring prior to the balance sheet date, subject

The estimation of this liability is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Group by the insurer

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2011

1. REVENUE

All of the Company's turnover and profit before taxation derives from the Group's principal activity operating scheduled bus services and is generated in the UK

2. PROFIT FROM OPERATIONS

The profit before taxation is stated after charging/ (crediting)

		2011 £'000	2010 £'000
Auditors' remuneration	- audit of financial statements	63	66
	- other assurance services	7	30
Depreciation	- property, buses, plant and equipment	2,582	2,840
	- property, buses, plant and equipment held under hire purchase agreements	216	216
Amortisation of intangible assets		52	120
Profit on disposal of property, plant and equipment		(54)	(2)
Release of capital grants		(125)	(128)
Operating leases	- land and buildings	742	531
	- other	2,396	2,234
Reimbursement of fuel tax		(4,832)	(4,428)
Cost of inventories recognised as an expense		8,535	8,126

3. STAFF COSTS

The average number of persons employed during the year was as follows

	Group 2011	2010
Drivers and conductors	847	872
Maintenance and engineers	197	162
Office and management	127	123
	1,171	1,157

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

3. STAFF COSTS (continued)

Their aggregate remuneration comprised

	2011 £'000	2010 £'000
Wages and salaries	25,592	24,916
Social security costs	2,355	2,171
Other pension costs	1,766	1,959
Redundancy/medical severance	68	34
	29,781	29,080

4. EMOLUMENTS OF DIRECTORS

	2011 £'000	2010 £'000
Aggregate emoluments	438	444
Company contributions to defined benefit pension scheme	-	28
Company contributions to defined contribution pension scheme	35	19
	473	491
Emoluments of highest paid director		
Aggregate emoluments	99	95
Company contributions to defined contribution pension scheme	13	13
	112	108

At 24 December 2011, no Directors (2010 2) had retirement benefits accruing under a defined benefit pension scheme 4 Directors (2010 3) had retirement benefits accruing under a defined contribution pension scheme

5. INVESTMENT INCOME

	2011 £'000	2010 £'000
Interest on bank deposits	-	3
	-	3

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

6. FINANCE COSTS

	2011 £'000	2010 £'000
On bank loans and overdrafts and other loans	7	149
	6	
On hire purchase agreements	9	154
	8	
Other finance charges, including relating to defined benefit pension schemes	351	474
	525	777

7. TAXATION

The tax charge on the profit for the year was as follows

	2011 £'000	2010 £'000
Corporation Tax		
Current tax	465	1,157
Prior year	646	-
Deferred taxation		
Current year	131	(214)
Prior year	(252)	-
	990	943

Corporation tax is calculated at 26 5% (2010 28%) of the estimated assessable profit for the year

The 2011 Budget announced a number of changes to the corporation tax rate These included

- A reduction in the UK corporation tax rate from 27% to 26% effective from 1 April 2011
- A further reduction in the UK corporation tax rate to 25% effective from 1 April 2012

The rate reduction to 26% was substantively enacted on 29 March 2011, the further reduction to 25% was substantively enacted on 5 July 2011 Deferred tax has therefore been provided at 25%

Proposed further changes to reduce the rate of UK corporation tax to 23% by 2014 were also included in the budget but these changes have not yet been substantively enacted by the balance sheet date If these changes had been substantially enacted at the balance sheet date, the deferred tax assets at 24 December 2011 would have reduced by £162,000 and the deferred tax liabilities would have reduced by £189,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

7. TAXATION (continued)

The charge for the year can be reconciled to the profit per the income statement as follows

	2011 £'000	2010 £'000
Profit before tax	**3,182**	3,180
Profit multiplied by the standard rate of corporation tax in the UK of 26 5% (2010 28%)	**842**	890
Effect of change in deferred tax rate	**(83)**	92
Prior year adjustment to current tax	**646**	-
Group relief claimed for no payment	**(233)**	-
Prior year adjustment to deferred tax on accelerated capital allowances	**(252)**	-
Expenses not deductible for tax purposes	**84**	(8)
Others	**(14)**	(31)
Total tax charge	**990**	943

Disclosure of tax effects relating to each component of other comprehensive income

	2011 Before tax amount £'000	2011 Tax (expense)/ benefit £'000	2011 After tax amount £'000	2010 Before tax amount £'000	2010 Tax (expense)/ benefit £'000	2010 After tax amount £'000
Cash flow hedges	(201)	61	(140)	658	(178)	480
Actuarial gains/(losses) on defined benefit pension schemes	(3,081)	744	(2,337)	1,549	(527)	1,022
	(3,282)	805	(2,477)	2,207	(705)	1,502

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2011

8 GOODWILL

GROUP Cost	Total £'000
At 1 January 2010, 31 December 2010 & at 24 December 2011	6,078
Impairment	
At 1 January 2010	756
Charge for year	-
At 31 December 2010	756
Charge for year	-
At 24 December 2011	756
Carrying amount	
At 24 December 2011	5,322
At 31 December 2010	5,322
At 1 January 2010	5,322

For the purposes of carrying out the impairment tests for goodwill, all goodwill arising from business combinations has been allocated to the Group's cash-generating assets on a business segmental basis, to which the benefit is expected to arise

The analysis of goodwill by segmental analysis is as follows

	2011 £'000	2010 £'000
UK North cash generation unit	5,322	5,322

The recoverable amount of a cash generation unit is determined based on a value in use calculation These calculations have used key assumptions to assess the projected future expected cash flows over the next five years, based on financial budgets that have been approved by management Goodwill impairment testing was performed for all CGUs in 2011 The long-term growth rates used for these tests was 2% Five year projected cash flow budget / forecasts approved by management were used The discount rate used was 11 6%

The key assumptions that have been used in the value in use calculations are detailed in the accounting policies

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2011

9. INTANGIBLE ASSETS

GROUP	Other Intangibles £'000
COST	
At 1 January 2010, at 31 December 2010 & at 24 December 2011	526
DEPRECIATION	
At 1 January 2010	279
Charge for the period	120
At 31 December 2010	399
Charge for the period	52
At 24 December 2011	451
CARRYING AMOUNT	
At 24 December 2011	75
At 31 December 2010	127
At 1 January 2010	247

Other intangibles comprise the benefit of contracts acquired The amortisation charge is included in cost of sales

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2011

10. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land and buildings £'000	Leasehold land and buildings improvem'ts £'000	Buses £'000	Plant and equipment £'000	Deferred capital grants £'000	Total £'000
COST						
At 1 January 2010	3,810	1,087	34,632	4,015	(995)	42,549
Additions	118	37	661	426	-	1,242
Disposals	-	-	(1,040)	(86)	-	(1,126)
At 31 December 2010	3,928	1,124	34,253	4,355	(995)	42,665
Additions	-	602	1,261	514	-	2,377
Disposals	(347)	-	(320)	(82)	-	(749)
Transfer	(58)	28	2	129	-	101
At 24 December 2011	3,523	1,754	35,196	4,916	(995)	44,394
DEPRECIATION						
At 1 January 2010	93	544	17,595	2,794	(177)	20,849
Charge for the year	86	60	2,449	462	(128)	2,929
On disposals	-	-	(809)	(84)	-	(893)
At 31 December 2010	179	604	19,235	3,172	(305)	22,885
Charge for year	45	94	2,223	436	(125)	2,673
On disposals	(76)	-	(318)	(53)	-	(447)
Transfer	(30)	10	(2)	123	-	101
At 24 December 2011	118	708	21,138	3,678	(430)	25,212
CARRYING AMOUNT						
At 24 December 2011	3,405	1,046	14,058	1,238	(565)	19,182
At 31 December 2010	3,749	520	15,018	1,183	(690)	19,780
At 1 January 2010	3,717	543	17,037	1,221	(818)	21,700

Land and buildings were revalued in December 2009 by Rydens, independent property valuers, on the basis of market value The directors have updated this valuation as at 24 December 2011and confirmed that the existing valuation is appropriate Had the land and buildings of the group been carried at historical cost less accumulative depreciation and accumulative impairment losses, their carrying amount would have been £3,224,000 (2010 £3,556,000)

The revaluation surplus is disclosed in the statement of changes in equity

The carrying amount of buses includes an amount of £2,004,000 (2010 £2,191,000) in respect of assets held under hire purchase agreements The equivalent figure for the carrying amount of plant and equipment is £86,000 (2010 £116,000)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2011

10. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY

	Freehold property £'000	Buses £'000	Plant and equipment £'000	Deferred capital grants £'000	Total £'000
COST					
At 1 January 2010	1,733	34,649	1,458	(995)	36,845
Additions	-	644	257	-	901
Disposals	-	(1,040)	(86)	-	(1,126)
At 31 December 2010	1,733	34,253	1,629	(995)	36,620
Additions	-	1,261	289	-	1,550
Disposals	-	(320)	(45)	-	(365)
At 24 December 2011	1,733	35,194	1,873	(995)	37,805
DEPRECIATION					
At 1 January 2010	12	17,597	900	(177)	18,332
Charge for the year	12	2,447	223	(128)	2,554
On disposals	-	(809)	(84)	-	(893)
At 31 December 2010	24	19,235	1,039	(305)	19,993
Charge for year	12	2,222	211	(125)	2,320
On disposals	-	(318)	(45)	-	(363)
At 24 December 2011	36	21,139	1,205	(430)	21,950
CARRYING AMOUNT					
At 24 December 2011	1,697	14,055	668	(565)	15,855
At 31 December 2010	1,709	15,018	590	(690)	16,627
At 1 January 2010	1,721	17,052	558	(818)	18,513

Land and buildings were revalued in December 2009 by Rydens, independent property valuers, on the basis of market value At 24 December 2011, had the land and buildings of the Company been carried at historical cost less accumulative depreciation and accumulative impairment losses, their carrying amount would have been £1,915,000 (2010 £1,890,000)

The carrying amount of buses includes an amount of £2,004,000 (2010 £2,191,000) in respect of assets held under hire purchase agreements The equivalent figure for the carrying amount of plant and equipment is £86,000 (2010 £116,000)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

11. CAPITAL COMMITMENTS

Capital expenditure on new buses contracted but not provided for by the Group and Company at the end of the financial year totalled £nil (2010 £nil)

12. FIXED ASSET INVESTMENTS

	Group Fixed asset investments £'000	Company Shares in subsidiary undertakings £'000
VALUATION		
At 1 January 2010, 31 December 2010 & 24 December 2011	50	7,698
PROVISION		
At 1 January 2010	50	761
Impairment	-	91
At 31 December 2010	50	852
Impairment	-	52
At 24 December 2011	50	904
CARRYING AMOUNT		
At 24 December 2011	-	6,794
At 31 December 2010	-	6,846

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

12. FIXED ASSET INVESTMENTS (continued)

The Company has direct or indirect* investments in the following subsidiary undertakings at 24 December 2011

Name	Country of incorporation	Class of shares held	Percentage of shares held %	Nature of business
Keighley & District Travel Limited	England and Wales	Ordinary	100*	Bus operator
Harrogate & District Travel Limited	England and Wales	Ordinary	100*	Bus operator
Yorkshire Coastliner Limited	England and Wales	Ordinary	100*	Bus operator
Lancashire United Limited	England and Wales	Ordinary	100*	Bus operator
Burnley & Pendle Travel Limited	England and Wales	Ordinary	100	Bus operator
Transdev York Limited	England and Wales	Ordinary	100	Bus operator
Transdev Claims Investigations Limited	England and Wales	Ordinary	100*	Claims handling agent
Blazefield Travel Group Limited	England and Wales	Ordinary	100	Holding company
Blazefield Buses Limited	England and Wales	Ordinary	100*	Holding company
Transdev Northern Blue Limited	England and Wales	Ordinary	100	Dormant
Heathrow Coach Services Limited	England and Wales	Ordinary	100*	Dormant

13. OTHER FINANCIAL ASSETS

		Company 2011 £'000	2010 £'000
Derivatives used for hedging			
Amounts owed by group undertakings	(note 30)	301	502

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

14. INVENTORIES

	Group	
	2011 £'000	2010 £'000
Materials	**269**	259
Fuel	**304**	359
	573	618

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade receivables	**624**	529	**6**	34
Other receivables	**932**	254	**112**	1
Prepayments	**1,386**	1,778	**408**	395
Tax recoverable	**3**	88	**567**	939
	2,945	2,649	**1,093**	1,369

The directors consider that the carrying amount of trade and other receivables approximates to their fair value

	Group		Company	
Ageing analysis of trade receivables	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Neither past due or impaired	44	40	-	8
< 30 days	297	194	-	1
30 – 60 days	188	184	5	5
60 – 90 days	35	100	1	20
90 – 120 days	60	7	-	-
> 120 days	-	4	-	-
	624	529	6	34

Credit Risk
The Group's principal financial assets are bank balances and cash and trade and other receivables There is no concentration of credit risk

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade payables	**2,277**	2,398	**584**	619
Other taxation and social security	**587**	778	**39**	89
Accruals and deferred income	**1,433**	1,165	**427**	578
Other payables	**741**	373	**12**	16
Holiday Pay	**378**	367	**-**	-
	5,416	5,081	**1,062**	1,302

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 40 days (2010 42 days)

The directors consider the carrying amount of trade payables approximates to their fair value

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Cash at bank and in hand	**436**	1,919	**-**	344

	2011	2010
The weighted average interest rate received was as follows	**0.5%**	0 5%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2011

18. BORROWINGS

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Due within one year				
Bank loans and overdrafts	1,550	500	1,875	500
Hire purchase agreements	424	672	424	672
	1,974	1,172	2,299	1,172
Due from one to two years				
Bank loans	-	500	-	500
Hire purchase agreements	7	424	7	424
	7	924	7	924
Due from two to five years				
Bank loans	-	1,050	-	1,050
Hire purchase agreements	-	7	-	7
	-	1,057	-	1,057
Total borrowings	1,981	3,153	2,306	3,153

Bank overdrafts and bank loans are secured by fixed and floating charges over the assets of Group companies incorporating an unlimited inter company composite guarantee between Group companies, debentures by all Group companies and first legal charges over Group freehold properties Hire purchase agreements are secured on the related assets purchased

19. NON CURRENT LIABILITIES: OTHER PAYABLES

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts owed to parent undertakings	4,480	4,480	4,480	4,480
Amounts owed to group undertakings	-	-	8,979	3,856
	4,480	4,480	13,459	8,336

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

20. OPERATING LEASE COMMITMENTS

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

	Land & buildings 2011 £'000	Motor & other vehicles 2011 £'000	Other 2011 £'000	Land & buildings 2010 £'000	Motor & other vehicles 2010 £'000	Other 2010 £'000
Group						
Payments falling due						
Within one year	759	2,575	30	636	2,292	19
Between two and five years	2,701	5,797	28	1,879	6,547	24
In over five years	8,407	442	-	7,000	324	-
	11,867	8,814	58	9,515	9,163	43
Company						
Payments falling due						
Within one year	-	2,575	30	-	2,292	19
Between two and five years	-	5,797	28	-	6,547	24
In over five years	-	442	-	-	324	-
	-	8,814	58	-	9,163	43

The company which owns all the buses and incurs the cost of ownership, but not the cost of running, recharges out the cost of ownership to its subsidiary companies depending upon which company is using the assets This recharge is calculated at the actual cost to the company and no profit element is included

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2011

21. OBLIGATIONS UNDER HIRE PURCHASE AGREEMENTS

Group	Minimum lease payments		Present value of minimum lease payments	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts payable under hire purchase agreements				
Within one year	**449**	712	**424**	672
In the second to fifth years inclusive	**8**	457	**7**	431
	457	1,169	**431**	1,103
Less future finance charges	**(26)**	(66)		
Present value of lease obligations	**431**	1,103		
Amount due for settlement within 12 months (shown under current liabilities)			**424**	672
Amount due for settlement after 12 months			**7**	431

Company	Minimum lease payments		Present value of minimum lease payments	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts payable under hire purchase agreements				
Within one year	**449**	712	**424**	672
In the second to fifth years inclusive	**8**	457	**7**	431
	457	1,169	**431**	1,103
Less future finance charges	**(26)**	(66)		
Present value of lease obligations	**431**	1,103		
Amount due for settlement within 12 months (shown under current liabilities)			**424**	672
Amount due for settlement after 12 months			**7**	431

All financial leases are hire purchase agreements where the Company or Group will take ownership of the assets at the end of their term

Amounts due on hire purchase agreements are secured on the underlying assets

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2011

22. PROVISIONS FOR LIABILITIES AND CHARGES

	Third Party Accidents £'000
Group	
At 1 January 2010	2,247
Credited to the income statement	(129)
At 1 January 2011	2,118
Credited to the income statement	(20)
At 24 December 2011	2,098

	Third Party Accidents £'000
Company	
At 1 January 2010	2,247
Credited to the income statement	(129)
At 1 January 2011	2,118
Credited to the income statement	(20)
At 24 December 2011	2,098

Third Party Accidents
Provision is made for claims against the Company to the extent that they are not covered by insurance policies

23. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting period

Group	Accelerated tax depreciation £'000	Revaluation of building £'000	Cash flow hedging obligation £'000	Retirement benefit obligations £'000	Total £'000
At 1 January 2010					
As previously stated	3,441	(876)	(42)	(2,708)	(185)
Prior year adjustment	-	845	-	-	845
As restated	3,441	(31)	(42)	(2,708)	660
(Credit) / charge to income	(370)	-	-	154	(216)
(Credit) / charge to equity	(30)	31	178	526	705
At 1 January 2011	3,041	-	136	(2,028)	1,149
(Credit) / charge to income	(683)	-	-	562	(121)
(Credit) / charge to equity	-	-	(61)	(744)	(805)
At 24 December 2011	2,358	-	75	(2,210)	223

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

23. DEFERRED TAX (continued)

Company	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Total £'000
At 1 January 2010	2,581	(2,723)	(142)
(Credit) / charge to income	(7)	204	197
Credit to equity	-	526	526
At 1 January 2011	2,574	(1,993)	581
(Credit) / charge to income	(215)	414	199
Charge to equity	-	(631)	(631)
At 24 December 2011	2,359	(2,210)	149

Deferred tax assets and liabilities have been offset where they are expected to reverse in the same time period and relate to the same tax authorities

The following is an analysis of the deferred tax balances for financial reporting purposes

	Group restated		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Deferred tax liabilities	2,359	3,177	2,359	2,574
Deferred tax assets	(2,210)	(2,028)	(2,210)	(1,993)
	149	1,149	149	581

24. CALLED UP SHARE CAPITAL

	2011 & 2010 £'000
Authorised share capital	
Ordinary shares of £1 each	50
Issued share capital	
Called up, allotted and fully paid ordinary shares of £1 each	50

25. DIVIDENDS

	2011 £'000	2010 £'000
Amounts recognised as distributions to equity holders in the period		
Dividend for the period of £44 72 (2010 £19 00) per share	2,236	950

Dividends paid after the year end but before the approval of the financial statements amounted to £nil

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2011

26. PENSIONS

The Group operates two pension schemes providing benefits based on final pensionable salary The pension cost for the period for both schemes is £1,061,000 (2010 £1,959,000) and the pension creditor at the period end is £nil (2010 £98,000) Both these defined benefit schemes were effectively closed at 31 December 2010 with the majority of members joining the existing defined contribution scheme

The current deficits on the two defined benefit schemes are

	Year ended 2011 £'000	Year ended 2010 £'000
Blazefield Holdings Limited Plan	(6,920)	(5,894)
Blazefield (2001) Pension Scheme	(1,917)	(1,617)
	(8,837)	(7,511)

(a) Blazefield Holdings Ltd Pension Plan

The Group operates a defined benefit scheme for all qualifying employees, with the assets of the scheme held separately from the Group The scheme is subject to triennial valuation by independent qualified actuaries, the last valuation was carried out on 31 December 2009 and has been updated to 24 December 2011 The principal assumptions used by the actuary were

	2011 %	2010 %
Discount rate	5 4	5 4
Expected return on scheme assets	6 11	6 38
Expected rate of salary increases	3 9	3 9
Future pension increases	3 4	3 4

	Year ended 2011 £'000	Year ended 2010 £'000
Current service cost	-	314
Interest cost	1,801	1,857
Expected return on scheme assets	(1,592)	(1,492)
Effect of curtailments or settlements	(482)	-
	(273)	679

The actual return on scheme assets was (£748,000) (2010 £3,775,000)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows

	2011 £'000	2010 £'000
Present value of defined benefit obligations	(33,836)	(34,419)
Fair value of scheme assets	26,916	28,525

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

Deficit in scheme recognised in the balance sheet	(6,920)	(5,894)

The above deficit includes a cumulative amount of £2,692,000 actuarial losses recognised in the statement of comprehensive income (2010 £602,000 actuarial losses)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

26. PENSIONS (continued)

(a) Blazefield Holdings Ltd Pension Plan (continued)

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

	2011 £'000	2010 £'000
At 1 January	34,419	32,872
Service cost	-	314
Interest cost	1,801	1,857
Actuarial (gains) / losses	(717)	289
Curtailment gains	(482)	-
Member contributions, net of benefit paid	(1,185)	(913)
At 24 December and 31 December	33,836	34,419

Movements in the fair value of scheme assets were as follows

	2011 £'000	2010 £'000
At 1 January	28,525	24,536
Expected return on scheme assets	1,592	1,492
Actuarial (losses) / gains	(2,857)	2,283
Employer contributions	841	1,127
Member contributions, net of benefit paid	(1,185)	(913)
At 24 December and 31 December	26,916	28,525

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows

	Expected return		Fair value of assets	
	2011 %	2010 %	2011 £'000	2010 £'000
Equity instruments	7 30	7 30	15,757	17,536
Debt instruments	4 30	4 30	9,169	8,772
Property	6 80	6 80	1,200	1,194
Other assets	0 50	0 50	1,306	1,023
	6 11	6 38	27,432	28,525

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2011

26. PENSIONS (continued)

(a) Blazefield Holdings Ltd Pension Plan (continued)

The five year history of experience adjustments is as follows

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of defined benefit obligations	(33,836)	(34,419)	(32,872)	(28,222)	(29,560)
Fair value of scheme assets	26,916	28,525	24,536	20,537	24,660
Deficit in the scheme	(6,920)	(5,894)	(8,336)	(7,685)	(4,900)
Experience adjustments on scheme liabilities					
Amount (£'000)	717	(289)	(3,497)	2,665	2,026
Percentage of scheme liabilities (%)	2%	(1%)	(12%)	9%	8%
Experience adjustments on scheme assets					
Amount (£'000)	(2,857)	2,283	2,532	(5,957)	425
Percentage of scheme assets (%)	(10%)	8%	10%	(29%)	2%

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £681,000

(b) Blazefield (2001) Pension Scheme

The Group operates a defined benefit scheme for all qualifying employees, with the assets of the scheme held separately from the Group The scheme is subject to triennial valuation by independent qualified actuaries, the last valuation was carried out on 31 December 2009 and has been updated to 24 December 2011 The principal assumptions used by the actuary were

	2011 %	2010 %
Discount rate	5 4	5 4
Expected return on scheme assets	6 5	6 64
Expected rate of salary increases	3 9	3 8
Future pension increases	3 4	3 3

	Year ended 2011 £'000	Year ended 2010 £'000
Current service cost	-	558
Interest cost	459	413
Expected return on scheme assets	(384)	(308)
Effect of curtailments or settlements	(353)	-
	(278)	663

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2011

26 PENSIONS (continued)

(b) Blazefield (2001) Pension Scheme (continued)

The actual return on scheme assets was (£614,000) (2010 £968,000)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows

	2011 £'000	2010 £'000
Present value of defined benefit obligations	(8,521)	(8,994)
Fair value of scheme assets	6,604	7,377
Deficit in scheme recognised in the balance sheet	(1,917)	(1,617)

The above deficit includes a cumulative amount of £2,193,000 actuarial losses recognised in the statement of comprehensive income and expense (2010 £1,486,000 actuarial losses)

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

	2011 £'000	2010 £'000
At 1 January	8,994	6,976
Service cost	-	558
Interest cost	459	413
Actuarial (gains)/losses	(291)	1,064
Curtailment gains	(353)	-
Member contributions, net of benefits paid	(288)	(17)
At 24 December and 31 December	8,521	8,994

Movements in the fair value of scheme assets were as follows

	2011 £'000	2010 £'000
At 1 January	7,377	5,640
Expected return on scheme assets	384	308
Actuarial (losses) / gains	(1,232)	660
Employer contributions	363	786
Member contributions, net of benefits paid	(288)	(17)
At 24 December and 31 December	6,604	7,377

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2011

26. PENSIONS (continued)

(b) Blazefield (2001) Pension Scheme (continued)

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows

	Expected return		Fair value of assets	
	2011 %	2010 %	2011 £'000	2010 £'000
Equity instruments	7 30	7 30	5,632	6,039
Debt instruments	4 30	4 30	865	826
Property	6 80	6 80	54	16
Other assets	0 50	0 50	287	496
	6 63	6 51	6,838	7,377

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio

The five year history of experience adjustments is as follows

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of defined benefit obligations	(8,521)	(8,994)	(6,976)	(4,900)	(4,556)
Fair value of scheme assets	6,604	7,377	5,640	3,860	4,196
Deficit in the scheme	(1,916)	(1,617)	(1,336)	(1,040)	(360)
Experience adjustments on scheme liabilities					
Amount (£'000)	291	(1,064)	(1,231)	570	209
Percentage of scheme liabilities (%)	3%	(12%)	(18%)	12%	5%
Experience adjustments on scheme assets					
Amount (£'000)	(1,232)	660	678	(1,393)	101
Percentage of scheme assets (%)	(19%)	9%	12%	(36%)	2%

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £161,000

The Group also operates two defined contribution pension schemes The charge to the income statement for pension contributions to these schemes in the year was £838,000 (2010 £360,000) Included in Group and Company other creditors is £101,000 (2010 £46,000) in respect of unpaid contributions

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

27. RELATED PARTY TRANSACTIONS

Income and expenditure	Management charges paid		Dividend paid		Interest Paid	
Group	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Transdev plc - parent	1,079	1,020	2,236	950	67	71

	Claims Handling charges received		Secondment paid	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
London Sovereign Limited – fellow subsidiary	33	11	-	-
Greet Tomato Cars Limited – fellow subsidiary	5	-	-	-
Transdev plc – parent	-	-	100	100
	47	129	100	100

Balances	Other liabilities		Other financial assets		Loans owed to related parties	
Group	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Transdev plc – parent	(215)	-	301	433	(4,480)	(4,480)

Income and expenditure	Management charges paid		Dividend paid		Interest Paid	
Company	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Transdev plc – parent	1,079	1,020	2,236	950	67	71

	Secondment paid	
	2011 £'000	2010 £'000
Transdev plc – parent	100	100

Balances	Other liabilities		Other financial assets		Loans owed to related parties	
Company	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Transdev plc - parent	(215)	-	321	433	(4,480)	(4,480)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

27. RELATED PARTY TRANSACTIONS (continued)

No provisions have been made for doubtful debts in respect of amounts owed by related parties

Of the tax payable balance, group relief payable to fellow group companies is as follows

London Sovereign Ltd	£76,000	(2010 £175,000)
Transdev PLC	£1,198,000	(2010 £91,000)

M Gilbert, a Director of the Company, is remunerated by Transdev plc

During the year ended 24 December 2011, the Group paid property operating lease rentals to the Blazefield Holdings Pension Plan totalling £68,000 (2010 £68,000) Of this amount, £nil (2010 £nil) is included in Group prepayments and accrued income at the balance sheet date

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures

	Year ended 2011 £'000	Year ended 2010 £'000
Short-term employee benefits	338	344
Post-employment benefits	35	47
	373	391

Directors' transactions

There were no loans, quasi-loans or other transactions with Directors (or other key management personnel) which meet the requirements of Schedule 6 of the Act and IAS 24

28. PARENT UNDERTAKING

Transdev plc is the immediate parent undertaking Until 3 March 2011, the ultimate parent undertaking was Caisse des Dépôts et Consignations, a French public sector financial institution On 3 March 2011 as part of a business combination, the parent undertaking of Transdev plc, Transdev SA, was purchased by a newly set up company, Veolia Transdev SA Veolia Transdev SA is a joint venture between Caisse des Dépôts et Consignations and Veolia Environnement S A, a company incorporated in France The directors therefore regard Caisse des Dépôts et Consignations and Veolia Environnement S A as the ultimate controlling parties

The consolidated financial statements of Veolia Environnement S A are available from 36-38 Avenue Kleber, 75116 Paris, France The consolidated financial statements of Caisse des Dépôts et Consignations are available at 56 Rue de Lille, 75 356 Paris

The parent undertaking of the smallest group of undertakings for which Group accounts are drawn up and of which the Company is a member is Transdev plc, a company registered in England and Wales

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2011

29. NOTES TO THE CASH FLOW STATEMENT

Group	**2011 £'000**	2010 £'000
Profit from continuing operations	3,707	3,954
Adjustments for		
Depreciation of property, plant and equipment	2,798	3,057
Charge on intangible assets	52	120
Gain on disposal of property, plant and equipment	(54)	(2)
Release of capital grants	(125)	(128)
Movement in provisions	(2,202)	(571)
Operating cash flows before movement in working capital	4,176	6,430
Decrease/(increase) in inventories	45	(60)
Increase in receivables	(381)	(1,326)
Increase in payables	335	673
Decrease in other financial asset	201	-
Cash generated by operations	4,376	5,717
Tax received/(paid)	95	(352)
Interest paid	(525)	(777)
Net cash flow from operating activities	3,946	4,588

Company	**2011 £'000**	**2010 £'000**
Loss from continuing operations	(944)	(1,644)
Adjustments for		
Depreciation of property, plant and equipment	2,445	2,682
Release of capital grants	(125)	(128)
Investment impairment	52	91
Gain on disposal of property, plant and equipment	(12)	(1)
Movement in provisions	(1,888)	(129)
Operating cash flows before movement in working capital	(472)	871
Increase in receivables	(96)	(281)
(Decrease)/increase in payables	(240)	435
Decrease in other financial asset	201	-
Cash generated by operations	(607)	1,025
Tax received	-	150
Interest paid	(241)	(302)
Net cash flow from operating activities	(848)	873

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

30. FINANCIAL INSTRUMENTS

Financial risk management objectives

The Group's activities expose it to certain financial risks These include price risk related primarily to interest rate risk The Group is not significantly exposed to foreign exchange risk, credit risk or other cash flow risk Management reviews financial risks regularly in accordance with Group policies The Group currently uses a limited number of financial instruments to manage certain risks but does not hold financial instruments for speculative reasons

Categories of financial instruments

	Carrying value 2011 £'000	Carrying value 2010 £'000
Financial assets		
Loans and receivables		
- Trade and other receivables	1,556	783
- Cash and cash equivalents	436	1,919
	1,992	2,702
Derivatives used for hedging	301	502
	2,293	3,204
Financial liabilities		
Other Financial liabilities of Amortised Cost		
- Borrowings	1,550	2,050
- Trade and other payables	3,018	2,771
- Amounts owed to group undertakings	4,480	4,480
- Finance lease liabilities	431	1,103
	9,479	10,404

There is no material difference between the carrying value and fair value of the financial instruments in 2011 or 2010

Interest rate risk

The group is exposed to interest rate risk as it borrows funds at floating interest rates During 2011 the Group's borrowings were in GBP

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date

	2011 £'000	2010 £'000
Group		
Total floating rate borrowings	6,030	6,529
Company		
Total floating rate borrowings	6,030	6,529

The analysis is prepared assuming the amount of liability outstanding at the balance sheet was outstanding for the whole year A 50 basis points (2010 50 basis points) increase or decrease represents the management's assessment of the reasonably possible change interest rates

If interest rates had been 50 basis points (2010 50 basis points) higher/lower and all other variables were held constant at the balance sheet date

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

30. FINANCIAL INSTRUMENTS (CONTINUED)

Group

Profit or loss would increase/decrease by £30,000 (2010 £32,000) This is attributable to the Group's exposure to interest rates on its variable rate borrowings

Company:

Profit or loss would increase/decrease by £30,000 (2010 £32,000) This is attributable to the Group's exposure to interest rates on its variable rate borrowings

Credit Risk

The Group's principal financial assets are bank balances and cash and trade and other receivables, the balance at 31 December 2010 and 24 December 2011 represents the Group's maximum disclosure to credit risk The bank balances are held with a small number of financial institutions, the Group mitigates this concentration by only using high quality financial institutions

Liquidity Risk

The trade receivables balance primarily represents the amounts owing from local government transport organisations These sums are contractually agreed and are received according to the terms of the individual contracts Therefore there is no significant credit risk exposure or any significant payment delay beyond contractual terms

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance The capital structures of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity

The table below summarises the maturity profile of the Group's financial liabilities at 24 December 2011 based contracted undiscounted payments

	On demand £'000	< 3 months £'000	3 – 12 months £'000	1 – 5 years £'000	Total £'000
2011					
Borrowings	-	125	1,425	4,480	6,030
Trade and other payables	-	1,167	389	-	1,556
Finance lease liabilities	-	168	256	7	431
	-	1,460	2,070	4,487	8,017

	On demand £'000	< 3 months £'000	3 – 12 months £'000	1 – 5 years £'000	Total £'000
2010					
Borrowings	-	125	375	6,030	6,530
Trade and other payables	-	587	196	-	783
Finance lease liabilities	-	168	504	431	1,103
	-	880	1,075	6,461	8,416

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

30. FINANCIAL INSTRUMENTS (CONTINUED)

The table below summarises the maturity profile of the Company's financial liabilities at 24 December 2011 based contracted undiscounted payments

	On demand £'000	< 3 months £'000	3 – 12 months £'000	1 – 5 years £'000	Total £'000
2011					
Borrowings	-	450	1,425	4,480	6,355
Trade and other payables	-	596	-	-	596
Finance lease liabilities	-	168	256	7	431
	-	1,214	1,681	4,487	7,382

	On demand £'000	< 3 months £'000	3 – 12 months £'000	1 – 5 years £'000	Total £'000
2010					
Borrowings	-	125	375	6,030	6,530
Trade and other payables	-	456	179	-	635
Finance lease liabilities	-	168	504	431	1,103
	-	749	1,058	6,461	8,268

31. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to commodity price risk The Company does not hold or issue derivative financial instruments for speculative purposes The company's transport operations consume 10 4 million litres of diesel fuel per annum As a result, the company's profits are exposed to the movement in the underlying price of crude oil, which is the major driver of diesel prices The Group manages the volatility in its fuel costs by maintaining an ongoing fuel-hedging programme whereby derivatives are used to fix or cap the variable unit cost of anticipated fuel consumption The Veolia Transdev treasury management programme advises on the percentage of future fuel consumption to hedge against

Derivative financial instruments are classified on the balance sheet as at 24 December 2011 as set out below

	2011 £'000	2010 £'000
Fuel derivatives		
Current assets	301	502
Total financial assets	301	502
Current liabilities	-	-
Total financial liabilities	-	-
Net financial asset	301	502

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

31 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING (CONTINUED)

The fair value of the derivative financial instruments at 24 December 2011 is set out below

	Fair value of derivative financial liabilities £'000	Notional amount of fuel covered by derivative financial liabilities
At 24 December 2011		
Derivatives held as cash flow hedges		
Fuel Derivatives	301	7,527,606 litres

	2011 £'000	2011 £'000	2011 £'000	2010 £'000
Fuel derivatives	**Swap**	**Collar**	**Total**	**Total**
Fair values as at 1 January	502	-	502	(156)
Changes in fair value during the year taken to cash flow hedging reserve	(201)	-	(201)	658
Fair value as at 24 December	301	-	301	502

There were no embedded derivatives as at 24 December 2011 which IAS 39 requires to be separately accounted for

Cash flow hedges
The fuel derivatives hedge the underlying commodity price risk (denominated in $US) The fuel derivatives include fixed price swaps and collars The collars are hedges against the price of fuel being above a certain capped level or below a certain floor level The range of swap prices contracted during the current financial year was between £392 and £538 per metric ton There were no call option hedges transacted in the current financial year

The fair value of fuel derivatives as at 24 December 2011 was an asset of £301,000 (2010 £502,000) and a deferred tax liability of £75,000 (2010 £136,000)

The fair value of the fuel derivatives as at 24 December 2011 split by maturity is as follows

	Fair value of assets	
	2011 £'000	2010 £'000
At December 31		
Within one year	301	397
1 to 2 years	-	105
	301	502

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 DECEMBER 2011

31 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING (CONTINUED)

The movements in the cash flow hedging reserve all of which relate to the above fuel derivatives in the year ending 24 December 2011 are as follows

	£'000
Cash flow hedging reserve	
Fair value as at 1 January 2010	(113)
Changes in fair value during the year taken to cash flow hedging reserve	658
Tax effect of cash flow hedges	(178)
Cash flow hedging reserve as at 31 December 2010	367
Changes in fair value during the year taken to cash flow hedging reserve	(201)
Tax effect of cash flow hedges	60
Cash flow hedging reserve as at 24 December 2011	226

32 POST BALANCE SHEET EVENTS

The company acquired parts of the local bus business of York Pullman Limited in February 2012 for £0 9m