

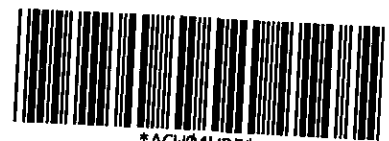
Company Registration No. 01669417

First South West Limited

Annual Report and Financial Statements

For the 52 week period ended 25 March 2023

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First South West Limited

Annual report and financial statements 2023

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First South West Limited

Strategic report

The directors have pleasure in submitting their strategic report for the 52 week period ended 25 March 2023.

Principal activities

The company's principal activities are the provision of bus and coach operations in the South West region.

Business review

As shown in the company's profit and loss account, the company's turnover was £31.3 million compared to £33.2 million in the prior period.

Passenger volumes have benefited from the £2 fare cap scheme which has stimulated demand since its introduction in January 2023. Under the scheme, operators agree a reimbursement schedule in advance with the Department for Transport (DfT) based on the projected cost to the operator for charging a flat £2 fare for journeys that would otherwise have cost more. Turnover received from the DfT in respect of the scheme was £0.3 million (2022: £nil). However, this has been offset by a significant decrease in government funding. Therefore, turnover levels aren't directly comparable year on year as they continue to be supported by changing government funding schemes, as discussed below.

The company received dividend income of £nil (2022: £0.9 million) from Somerset Passenger Solutions Limited.

Operating profit decreased from £nil to a £4.6 million operating loss. This is mainly due to the decrease in government funding. Costs also increased due to high inflation- particularly affecting fuel, utilities and staff costs.

The company was able to claim funding under the Bus Recovery Grant (BRG) in the period. This replaced the COVID-19 Bus Service Support Grant in August 2021. Government funding under the BRG of £1.8 million (2022: CBSSG/BRG of £9.2 million) is included within turnover, as disclosed in note 3.

Other operating income of £1.7 million (2022: £2.3 million), as set out in note 7, includes government funding in respect of the Bus Service Operators Grant (BSOG), and, in the prior period only, the Coronavirus Job Retention Scheme (CJRS).

The balance sheet shows the company's financial position at the period end. Net liabilities increased from £12.2 million to £17.5 million in the current period due to the loss after taxation of £3.8 million and an actuarial loss in relation to the defined benefit pension scheme of £1.5 million (after associated deferred taxation) being transferred to reserves.

Capital expenditure in the period, including transfers from other group companies, was £4.8 million (2022: £0.4 million). Further details are set out in note 12.

The key performance indicators for the company are turnover, net assets and operating profit or loss, which have been discussed above, and sustainability and safety KPIs discussed below. The company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance, or position of the business. FirstGroup plc ("the group") manages its operations on a divisional basis. The performance of the UK Bus Division of FirstGroup plc, which includes the company, and the key performance indicators for the group are discussed in the group's Annual Report which does not form part of this report. Details of where the group's Annual Report can be found are set out in note 22.

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

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

Future developments

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

The directors are hopeful of a resilient financial performance despite the fact that the government funding streams introduced to support the company's revenues during the pandemic have now ceased. The company undertook a new operating model as part of the BRG scheme, focusing on commercially viable routes and leading to a stronger business coming out of the funding period. The company continues to work very closely with local authority partners to ensure the necessary network resets are undertaken in the most sustainable way to continue to serve our communities, with constant adjustment likely as the macroeconomic positions change and evolve.

The success of the government backed £2 fare cap scheme is expected to continue, with the announcement that this scheme will be extended until December 2024.

It is clear however that the current economic climate, including the high rate of inflation and cost of living crisis, will have further impact on travel patterns, driver availability and operating costs in the short to medium term.

First South West Limited

Strategic report (continued)

Going concern

At 25 March 2023 the company had cash of £0.1 million (2022: £5.2 million), net current liabilities of £42.0 million (2022: £34.3 million), net liabilities of £17.5 million (2022: £12.2 million) and made a loss after taxation of £3.8 million (2022: profit after taxation of £0.7 million).

A going concern assessment has been performed for the UK Bus Division as a whole, which shows positive operating cashflows for a period of at least 12 months from the date of signing the financial statements. The base case assumes growth in passenger volumes as a result of the natural return to daily patronage that has been witnessed post-pandemic. A severe but plausible downside scenario was also considered with passenger volume growth being slowed and continued inflation risk. The directors believe that the likelihood of an extreme downside scenario leading to failure by the company to meet its obligations as they fall due is remote.

The assessment is performed at a divisional level, as while there are standalone entities, the division, of which the company forms part, operates as a whole. A letter of support has been received from the ultimate parent company, FirstGroup plc ("the group"), that allows for the flow of funds around the group. Therefore, there is the intention to make available such funds as may be required to enable the company to meet its obligations for a period of at least 12 months from signing of the financial statements.

Section 172(1) statement

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

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

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

- **Customers**

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

- **Investors**

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

- **Government**

The company works closely with local authorities to pursue formal and informal partnerships which help to deliver better services through measures which cut road congestion and give priority to buses. Other key areas of focus for the directors are compliance with laws and regulations and health and safety. The board is updated on legal and regulatory developments and takes these into account when considering future actions.

- **Our people**

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

- **Community**

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

First South West Limited

Strategic report (continued)

Section 172(1) statement (continued)

- **Strategic partners and suppliers**

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

Further details on how the group as a whole has discharged their duties under section 172(1) are discussed in the group's Annual Report which does not form part of this report. Details of where the group's Annual Report can be found are set out in note 22.

Principal risks and uncertainties

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

Specific business risks faced by the company include the following:

Competition risk

The company faces the risk of loss of customers through other bus companies providing improved services or more competitive pricing. Management mitigates the competitive pressure by monitoring competitors' behaviour and strategies to ensure that the company acts appropriately under current market conditions.

Environmental risk (including climate change)

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

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

Litigation and claims risk

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

Fuel cost risk

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

First South West Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Labour cost and employee relations and retention risk

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

To retain the right people the company believes that good communication with employees is affected through regular briefing and negotiating meetings between the directors, the senior management and employee representatives on the central and depot negotiating committees. The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests.

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

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

Economic risk

Economic risks to the business include increased costs due to inflation, changing customer needs, declining passenger demand and reduced operations due to industrial actions. The less certain economic outlook could have a negative impact on our businesses in terms of reduced demand and reduced opportunities for growth. Whilst passenger demand has been stable and is continuing to improve from the impact of the pandemic, there is no certainty of passenger volumes continuing to recover. The company will continue to focus on innovative transport solutions, by adapting to market uncertainties and to drive demand, and to focus on controlling costs to ensure it remains competitive.

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



C Brown
Director

12 December 2023

First South West Limited

Directors' report

The directors have pleasure in submitting their annual report and financial statements for the 52 week period ended 25 March 2023.

Results and dividends

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

No ordinary dividends were paid during the period (2022: £nil). The directors do not recommend the payment of a final dividend (2022: £nil).

Directors

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

C Brown	
S I Goff	
A S Jarvis	Appointed 21 November 2022
S Wade	Appointed 21 November 2022
J A Thompson	Resigned 21 November 2022

Directors' and officers' liability insurance

Directors' and officers' liability insurance is taken out by FirstGroup plc, the company's ultimate parent undertaking, for the benefit of the directors and officers of the company, which remained in place throughout the period and up to the date of signing of the financial statements.

Strategic report

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

Research and development

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

Financial risk management objectives and policies

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

Credit risk

The company's principal financial assets are intercompany debtors.

The directors do not consider there to be any immediate risk associated with intercompany balances as these are managed for the group as a whole by FirstGroup plc.

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has no significant concentration of credit risk, with exposure spread over many customers. Although certain risks, for example fuel price, are hedged on a group basis, the company does not directly enter into any derivative financial instruments.

Liquidity risk

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

It is the company's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions. A number of significant purchases, such as commitments under operating leases are paid by direct debit

First South West Limited

Directors' report (continued)

Disabled employees

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

Stakeholder engagement

Employees

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

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

Other stakeholders

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

Streamlined energy and carbon reporting (SECR)

The company is exempt from the Streamlined Energy and Carbon Reporting (SECR) regulations on the basis that it is a UK subsidiary whose results are included in the group's Annual Report. Details of where the group's Annual Report can be found are set out in note 22.

Statement of directors' responsibilities in respect of the financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

First South West Limited
Directors' report (continued)

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



C Brown
Director

12 December 2023

First South West Limited

Profit and loss account

For the 52 week period ended 25 March 2023

	Note	52 weeks ended 25 March 2023 £000	52 weeks ended 26 March 2022 £000
Turnover	3	31,270	33,208
Operating costs	6	(37,536)	(35,470)
Other operating income	7	1,698	2,305
Operating (loss)/profit		(4,568)	43
Income from associated company	8	-	860
Finance income/(costs)	9	48	(39)
(Loss)/profit before taxation		(4,520)	864
Tax on (loss)/profit	10	755	(210)
(Loss)/profit for the financial period		(3,765)	654

All activities relate to continued operations.

Statement of comprehensive income

For the 52 week period ended 25 March 2023

	Note	52 weeks ended 25 March 2023 £000	52 weeks ended 26 March 2022 £000
(Loss)/profit for the financial period		(3,765)	654
Remeasurement (loss)/gain recognised on net defined pension asset	21	(2,053)	1,868
Movement on deferred tax relating to pension asset	17	513	(237)
Other comprehensive (expense)/income		(1,540)	1,631
Total comprehensive (expense)/income for the period		(5,305)	2,285

First South West Limited

Balance sheet

As at 25 March 2023

		25 March 2023		26 March 2022	
	Note	£000	£000	£000	£000
Fixed assets					
Intangible assets	11		-		1
Tangible assets	12		15,949		13,635
Investments	13		<u>10,163</u>		<u>10,163</u>
			26,112		23,799
Current assets					
Stocks	14	806		736	
Debtors	15	13,772		9,607	
Pension asset - due after one year	21	130		2,185	
Cash at bank and in hand		<u>136</u>		<u>5,239</u>	
		14,844		17,767	
Creditors: amounts falling due within one year	16	<u>(56,843)</u>		<u>(52,076)</u>	
Net current liabilities			<u>(41,999)</u>		<u>(34,309)</u>
Total assets less current liabilities			(15,887)		(10,510)
Creditors: amounts falling due after more than one year	16		-		(801)
Provisions for liabilities	17		(1,619)		(890)
Net liabilities			<u>(17,506)</u>		<u>(12,201)</u>
Capital and reserves					
Called up share capital	19		27,000		27,000
Revaluation reserve			74		81
Profit and loss account			(44,580)		(39,282)
Total shareholders' deficit			<u>(17,506)</u>		<u>(12,201)</u>

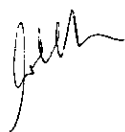
For the period ending 25 March 2023 the company was entitled to exemption from audit by parent guarantee under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The notes on pages 11 to 27 are an integral part of these financial statements.

The financial statements on pages 8 to 27 were approved by the board of directors on 12 December 2023 and signed on its behalf by:



C Brown
Director

First South West Limited
Statement of changes in equity
For the 52 week period ended 25 March 2023

	Called up share capital £000	Revaluation reserve £000	Profit and loss account £000	Total shareholders' deficit £000
As at 28 March 2021	27,000	88	(41,589)	(14,501)
Profit for the period	-	-	654	654
Other comprehensive income	-	-	1,631	1,631
Total comprehensive income	-	-	2,285	2,285
Share-based payments	-	-	15	15
Transfer of additional depreciation on property	-	(7)	7	-
As at 26 March 2022 and 27 March 2022	27,000	81	(39,282)	(12,201)
Loss for the period	-	-	(3,765)	(3,765)
Other comprehensive expense	-	-	(1,540)	(1,540)
Total comprehensive expense	-	-	(5,305)	(5,305)
Transfer of additional depreciation on property	-	(7)	7	-
As at 25 March 2023	27,000	74	(44,580)	(17,506)

First South West Limited

Notes to the financial statements For the 52 week period ended 25 March 2023

1. Principal accounting policies

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

General information and basis of preparation

First South West Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The company's registered office is Union Street, Camborne, Cornwall, TR14 8HF. The nature of the company's operations and its principal activities are set out in the strategic report.

The financial statements for the period ended 25 March 2023 include the results and financial position of the company as at and for the 52 weeks ended 25 March 2023.

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

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council, and in accordance with the requirement of the Companies Act 2006.

The functional currency of First South West Limited is pound sterling because that is the currency of the primary economic environment in which the company operates.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. The company is consolidated in the financial statements of its ultimate parent, FirstGroup plc, which may be obtained at 395 King Street, Aberdeen, AB24 5RP.

The company has elected to take the following exemptions:

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

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

Going concern

At 25 March 2023 the company had cash of £0.1 million (2022: £5.2 million), net current liabilities of £42.0 million (2022: £34.3 million), net liabilities of £17.5 million (2022: £12.2 million) and made a loss after taxation of £3.8 million (2022: profit after taxation of £0.7 million).

A going concern assessment has been performed for the UK Bus Division as a whole, which shows positive operating cashflows for a period of at least 12 months from the date of signing the financial statements. The base case assumes growth in passenger volumes as a result of the natural return to daily patronage that has been witnessed post-pandemic. A severe but plausible downside scenario was also considered with passenger volume growth being slowed and continued inflation risk. The directors believe that the likelihood of an extreme downside scenario leading to failure by the company to meet its obligations as they fall due is remote.

The assessment is performed at a divisional level, as while there are standalone entities, the division, of which the company forms part, operates as a whole. A letter of support has been received from the ultimate parent company, FirstGroup plc ("the group"), that allows for the flow of funds around the group. Therefore, there is the intention to make available such funds as may be required to enable the company to meet its obligations for a period of at least 12 months from signing of the financial statements.

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

1. Principal accounting policies (continued)

Group financial statements

Under the provisions of section 400 of the Companies Act 2006, and in accordance with paragraph 1.12 of Financial Reporting Standard 102, the company is exempt from preparing consolidated financial statements by the company is a subsidiary of another company which prepares group financial statements. The financial statements therefore present information about the company as an individual undertaking and not as a group.

Tangible assets and depreciation

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

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

Buildings:

Freehold buildings	-	50 years straight-line
Short leasehold buildings	-	period of lease
Passenger carrying vehicle fleet:		
Double and single decks	-	15 or 17 years straight-line
Coaches	-	7 or 12 years straight-line
Midibuses	-	12 or 15 years straight-line
Minibuses	-	9 years straight-line
Other plant and equipment	-	3 to 15 years straight-line

No depreciation is provided on freehold land.

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

Intangible assets

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

Intangible assets have a residual value of nil and are amortised on a straight-line basis over their estimated useful economic lives of 3-5 years.

Impairment of tangible assets

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

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

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

Investments in subsidiary companies

Investments in subsidiary companies are shown at cost less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

1. Principal accounting policies (continued)

Capital grants

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

Leases

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

Stocks

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

Government grants and subsidies

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

CBSSG was replaced by BRG in August 2021. BRG is a grant payable to bus operators in respect of commercial services in return for making available sufficient capacity to run an agreed level of commercial miles. The grant income is shown as other turnover.

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

Income from fixed asset investments

Dividend income from fixed asset investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably).

Pension costs

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

Group schemes – First UK Bus Pension Scheme

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

This scheme has been allocated across all participating employing entities based on the proportion of pensionable pay relating to the members employed by that entity as at 31 March 2018.

The amounts charged to operating profit regarding the defined benefit scheme are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on the assets are shown as a net amount of other financial costs or credits included within interest payable. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities.

The actuarial valuations are obtained at least triennially and are updated at each balance sheet date for the purposes of inclusion in the financial statements under FRS 102. The last formal actuarial valuation was at 5 April 2021.

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

1. Principal accounting policies (continued)

Pension costs (continued)

Group schemes - FirstGroup Pension Scheme

The company participates in a group multi-employer defined benefit scheme, the FirstGroup Pension Scheme. This scheme is disclosed in FirstGroup Holdings Limited's financial statements and is funded separately by defined contributions which have been expensed to the profit and loss account of FirstGroup Holdings Limited during the period to 25 March 2023. There is no charge in the company's profit and loss. The assets and liabilities of the scheme are held separately and cannot be allocated out; accordingly, the scheme is treated as a defined contribution scheme in the financial statements.

Defined contribution pension scheme

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

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The taxation liability is reduced wholly or in part by the surrender of losses by group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the surrendering undertaking.

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

Deferred tax assets and liabilities are not discounted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Turnover recognition

UK Bus turnover principally comprises amounts receivable from ticket sales and concessionary fare schemes. Ticket sales are recognised in the period in which the service is provided, and refunds recognised as paid. Concessionary amounts are recognised in the period in which the service is provided based on a predetermined formula as agreed with the relevant local authority. Other bus and services revenue from contracts with government bodies and similar organisations, including the £2 fare cap scheme, are recognised as the services are provided.

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

The income received from the CBSSG, BRG and £2 fare cap schemes is treated as turnover rather than other operating income. The basis of the funding is driven by the principal activity of the company, the provision of bus operations, and so it is considered appropriate to treat this as revenue.

Other operating income

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

Insurance provision

FirstGroup plc's policy is to self-insure high frequency, low value claims within the businesses. To provide protection above these types of losses, cover is obtained through third-party insurance policies. The total provision is allocated to each subsidiary company based on the estimated cost of settling uninsured claims for incidents occurring prior to the balance sheet date within that company.

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

1. Principal accounting policies (continued)

Provisions

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

Share-based payments

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

The group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme. The company has recognised a total expense in the statement of changes in equity of £nil (2022: £15,000) relating to equity-settled share-based payment transactions.

Financial instruments

Financial instruments are accounted for using Sections 11 & 12 of Financial Reporting Standard 102 - Financial Instruments.

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

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

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

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

Accrued income

Services provided during the financial period, which are not yet invoiced to the customer, are recognised as accrued income.

Inter-company debtors

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

Trade and other debtors

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

Provision for doubtful debts

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

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

2. Critical accounting estimates and judgements

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

Critical accounting estimates

Useful lives of assets

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

Impairment of tangible assets

The carrying values of the company's tangible assets, including passenger carrying vehicles, are reviewed at each balance sheet date to determine whether there is any indication of impairment. Particularly in relation to passenger carrying vehicles, management consider the future for the company and fellow subsidiaries in determining whether there is a use for the asset in the future. If any indication of impairment exists, the recoverable amount of the asset is estimated. An impairment is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

Key sources of estimation uncertainty include growth rate and passenger numbers. The key assumption in the value-in-use calculation is the budgeted operating margin.

The carrying value of the company's tangible assets is £15.9 million (2022: £13.6 million).

Defined benefit pension arrangements

Measurement of defined benefit pension obligations requires estimation of a suitable discount rate, the expected return on scheme assets, expected rate of inflation of future salary and pension costs along with assumptions about mortality rates. The most significant of these are the discount rate and inflation rate assumptions.

The current market volatility and fundamental economic uncertainties have resulted in difficulties in valuing certain assets of the pension schemes that are not listed on public markets (e.g., property, infrastructure, private debt). Where asset valuations were not provided prior to the production of this report, we have consulted with investment managers and actuarial advisers in estimating adjustments to asset values where appropriate. Further details are set out in note 21.

The net pension asset, before deferred tax, as at the balance sheet date was £0.1 million (2022: £2.2 million) as set out in note 21.

Self-insurance

Provision is made for all known incidents for which there is self-insurance using management's best estimate of the likely settlement of these incidents. The estimated settlement is reviewed on a regular basis with independent actuarial advice and the amount provided is adjusted as required.

The entity's total self-insurance provisions as at the balance sheet date were £0.8 million (2022 £0.3 million) as set out in note 17.

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

2. Critical accounting estimates and judgements (continued)

Critical accounting judgements

UK Bus Division as a cash-generating unit

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

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

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

3. Turnover

Turnover represents the amounts receivable for services supplied to customers during the period and amounts receivable for tendered services and concessionary fare schemes. Included within turnover is £267,000 (2022: £nil) received from the DfT in respect of the £2 fare cap scheme.

Other turnover represents government funding received through the CBSSG and BRG schemes of £1,837,000 (2022: £9,242,000) and miscellaneous turnover of £322,000 (2022: £340,000).

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

	52 weeks ended 25 March 2023 £000	52 weeks ended 26 March 2022 £000
Provision of passenger transport services	28,844	23,626
Funding in respect of £2 fare cap	267	-
Other turnover	2,159	9,582
	<hr/> 31,270 <hr/>	<hr/> 33,208 <hr/>

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

4. Employee numbers and costs

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

	52 weeks ended 25 March 2023	52 weeks ended 26 March 2022
	No.	No.
Drivers	517	504
Maintenance and traffic	139	147
Administration	14	13
	<u>670</u>	<u>664</u>

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 25 March 2023	52 weeks ended 26 March 2022
	£000	£000
Wages and salaries	18,233	17,634
Social security costs	1,690	1,583
Other pension costs- defined benefit schemes	67	56
Other pension costs- defined contribution schemes	558	548
Share-based payments	-	15
	<u>20,548</u>	<u>19,836</u>

5. Directors' remuneration

Four directors (2022: five) are employed by other FirstGroup companies, for which their apportioned qualifying services to the company total £155,000 (2022: £120,000). Of this amount, £nil (2022: £1,000) was compensation for loss of office.

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

	52 weeks ended 25 March 2023	52 weeks ended 26 March 2022
	£000	£000
Aggregate emoluments	<u>3</u>	<u>4</u>

Of the directors remunerated by the company, retirement benefits accrue to no directors (2022: none) under defined benefit schemes and to no directors (2022: none) under defined benefit contribution schemes.

Of the directors remunerated by the company, no directors (2022: none) exercised share options during the period and no directors (2022: none) became entitled to receive shares under the FirstGroup long term incentive plan.

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

6. Operating costs

Operating (loss)/profit is stated after charging/(crediting):

	52 weeks ended 25 March 2023 £000	52 weeks ended 26 March 2022 £000
Raw materials and consumables	7,470	7,410
Staff costs (note 4)	20,548	19,836
Other external charges	6,653	5,344
Amortisation of intangible assets (note 11)	1	3
Depreciation (note 12)	2,361	1,760
Impairment of intercompany receivable reversed	(107)	-
Auditors' remuneration	-	30
Loss/(gain) on sale of tangible assets	14	(57)
Government grants	(92)	(50)
Operating lease rentals	437	835
Impairment of stock reversed	(12)	(4)
Impairment of receivables recognised/(reversed)	91	(14)
Dilapidations charge (note 17)	172	377
	<u>37,536</u>	<u>35,470</u>

There were no fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services to the company in the current period (2022: £nil).

Government grants disclosed above relate to the release of capital grants. See notes 3 and 7 for other government grants.

7. Other operating income

	52 weeks ended 25 March 2023 £000	52 weeks ended 26 March 2022 £000
Coronavirus Job Retention Scheme	-	269
Bus Service Operators Grant	1,698	2,036
	<u>1,698</u>	<u>2,305</u>

8. Income from associated company

	52 weeks ended 25 March 2023 £000	52 weeks ended 26 March 2022 £000
Income from fixed asset investments	-	860

Income from fixed asset investments represents dividend income received from Somerset Passenger Solutions Limited.

9. Finance income/(costs)

	52 weeks ended 25 March 2023 £000	52 weeks ended 26 March 2022 £000
<i>Other finance income/(costs)</i>		
Unwinding of discount on provision	(17)	(3)
Net interest on defined benefit pension scheme	65	(36)
	<u>48</u>	<u>(39)</u>

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

10. Tax on (loss)/profit

	52 weeks ended 25 March 2023 £000	52 weeks ended 26 March 2022 £000
Current taxation		
- Group relief	(1,216)	(312)
- Adjustments in respect of prior periods	(79)	2
Total current taxation	<u>(1,295)</u>	<u>(310)</u>
Deferred taxation		
- Origination and reversal of timing differences	447	443
- Adjustments in respect of prior periods	-	6
- Impact on deferred tax arising from rate change	93	71
Total deferred taxation	<u>540</u>	<u>520</u>
Total tax (credit)/charge on (loss)/profit	<u>(755)</u>	<u>210</u>

From 1 April 2023 the corporation tax rate will increase to 25%. Deferred tax has been provided for at 25% (2022: 25%).

In the period commencing 26 March 2023, the net increase in the deferred tax liability is expected to decrease the corporation tax charge for the period by £159,000 (2022: £228,000). This is primarily due to depreciation, capital allowances and pensions.

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

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

	52 weeks ended 25 March 2023 £000	52 weeks ended 26 March 2022 £000
(Loss)/profit before taxation	<u>(4,520)</u>	<u>864</u>
Tax on (loss)/profit at standard UK corporation tax rate of 19% (2022: 19%)	(859)	164
Factors affecting charge		
- Tax relief in relation to super deduction/ Expenses not deductible for tax purposes	(17)	24
- Adjustments in respect of prior periods	14	8
- Non-taxable income	-	(163)
- Impact on deferred tax on opening balances arising from rate change	-	71
- Impact on deferred tax arising from rate change	107	106
Total tax (credit)/charge on (loss)/profit	<u>(755)</u>	<u>210</u>

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

11. Intangible assets

	Total £000
Cost	
At 27 March 2022 and 25 March 2023	13
Accumulated amortisation	
At 27 March 2022	12
Charge for period	1
At 25 March 2023	13
Net book value	
At 25 March 2023	-
At 26 March 2022	1

Amortisation of intangible assets is included in operating expenses.

12. Tangible assets

	Land and buildings £000	Passenger carrying vehicle fleet £000	Other plant and equipment £000	Total £000
Cost				
At 27 March 2022	1,996	27,482	1,983	31,461
Additions	999	1,499	461	2,959
Intra group transfers in	-	1,810	-	1,810
Intra group transfers out	-	(253)	-	(253)
Disposals	-	(5,717)	(8)	(5,725)
At 25 March 2023	2,995	24,821	2,436	30,252
Accumulated depreciation				
At 27 March 2022	773	15,404	1,649	17,826
Charge for period	69	2,205	87	2,361
Intra group transfers out	-	(205)	-	(205)
Disposals	-	(5,671)	(8)	(5,679)
At 25 March 2023	842	11,733	1,728	14,303
Net book value				
At 25 March 2023	2,153	13,088	708	15,949
At 26 March 2022	1,223	12,078	334	13,635

The net book value of land and buildings comprises:

	2023 £000	2022 £000
Freehold	2,148	1,222
Short leasehold	5	1
	<u>2,153</u>	<u>1,223</u>

Depreciation is not provided on the land element of freehold property which amounts to £368,000 (2022: £368,000).

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

13. Investments

	Total £000
Cost	
At 27 March 2022 and 25 March 2023	11,107
Provision for impairment	
At 27 March 2022 and 25 March 2023	944
Net book value	
At 26 March 2022 and 25 March 2023	<u>10,163</u>

The subsidiary undertakings at the end of the period, and the nature of their business, is as follows:

Subsidiary undertaking	Registered office	Principal activity	Holding	%
Specialist Passenger Solutions Limited	J24 Hinkley Point C Park And Ride, Huntworth Business Park, Bridgwater, United Kingdom, TA6 6TS	Provision of passenger transport	Ordinary shares	100
Truronian Limited	8th Floor The Point, 37 North Wharf Road, London, United Kingdom, W2 1AF	Non-trading	Ordinary shares	100

14. Stocks

	2023 £000	2022 £000
Spare parts and consumables	<u>806</u>	<u>736</u>

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

15. Debtors

	2023 £000	2022 £000
Trade debtors	2,838	2,330
Amounts owed by group undertakings	6,067	576
Other debtors	1,004	3,177
VAT debtor	320	195
Prepayments	389	320
Accrued income	3,154	3,009
	<u>13,772</u>	<u>9,607</u>

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

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

16. Creditors

	2023 £000	2022 £000
Amounts falling due within one year		
Bank overdrafts	4,437	-
Trade creditors	2,274	1,792
Amounts owed to group undertakings	47,651	47,734
Amounts owed to ultimate parent undertaking	34	34
Taxation and social security	446	449
Other creditors	427	1,016
Accruals	893	835
Deferred income	681	216
	<u>56,843</u>	<u>52,076</u>

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

	2023 £000	2022 £000
Amounts falling due after more than one year		
Deferred income	-	801
	<u>-</u>	<u>801</u>

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

17. Provisions for liabilities

	Deferred tax £000	Dilapidations charge £000	Insurance £000	Total £000
At 27 March 2022	248	377	265	890
Charged to the profit and loss account	540	172	702	1,414
Movement in comprehensive income	(513)	-	-	(513)
Unwinding of discount	-	-	17	17
Utilised in the period	-	-	(189)	(189)
	<u>275</u>	<u>549</u>	<u>795</u>	<u>1,619</u>
At 25 March 2023	275	549	795	1,619

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

First South West Limited
Notes to the financial statements (continued)
For the 52 week period ended 25 March 2023

18. Deferred taxation

The movements in deferred taxation were as follows:

	Deferred taxation £000
At 27 March 2022	248
Charged to the profit and loss account	540
Movement in other comprehensive income	(513)
	<hr/>
At 25 March 2023	275
	<hr/> <hr/>

Deferred taxation consists of the following amounts:

	2023 £000	2022 £000
Capital allowances in excess of depreciation	734	560
Other timing differences	(35)	(76)
Defined benefit pension asset	(424)	(236)
	<hr/>	<hr/>
Deferred taxation (note 17)	275	248
	<hr/> <hr/>	<hr/> <hr/>

From 1 April 2023 the corporation tax rate will increase to 25%. Deferred tax has been provided for at 25% (2022: 25%).

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

19. Called up share capital and reserves

	2023 £000	2022 £000
Allotted, called up and fully paid		
27,000,002 (2022: 27,000,002) ordinary shares of £1 each	27,000	27,000
	<hr/> <hr/>	<hr/> <hr/>

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

The company's other reserves are as follows:

The revaluation reserve represents the surplus created when assets were historically revalued.

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

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

20. Commitments

Capital commitments

The company had no capital commitments at 25 March 2023 or at 26 March 2022.

Operating leases

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

	2023		2022	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Not later than one period	148	275	126	267
Later than one period and not later than five periods	252	381	261	432
Later than five periods	59	-	82	-
	<u>459</u>	<u>656</u>	<u>469</u>	<u>699</u>

Other commitments

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

The company is a member of a Value Added Tax ("VAT") group covering a number of subsidiary undertakings. All members of the VAT group are jointly and severally liable in respect of any VAT owed to HMRC. The value of the group commitment owed to HMRC can be found within the FirstGroup plc financial statements.

21. Pension scheme

First UK Bus Pension Scheme (FGUK)

The First UK Bus Pension Scheme is included as part of its disclosure under FRS 102. The scheme closed to defined benefit accrual on 5 April 2018 and so the disclosure has been based on the proportion of pensionable pay relating to First South West Limited members as at 31 March 2018. The scheme's assets are held and managed independently of the company's finances by independent investment managers appointed by trustees of the scheme.

The actuarial valuations are obtained at least triennially. The last formal actuarial valuation was at 5 April 2021. The valuations are updated at each balance sheet date for FRS 102 purposes.

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

	2023	2022
	%	%
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment	2.34	2.82
Discount rate	4.68	2.95
Inflation (CPI)	2.53	2.94
Post-retirement mortality (life expectancy in years):	Years	Years
Current pensioners aged 65	20.7	19.9
Future pensioners at 65 aged 45 now	22.2	21.4

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

21. Pension scheme (continued)

First UK Bus Pension Scheme (FGUK) (continued)

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

	2023 £m	2022 £m
Equities	2.8	5.1
Bonds	15.5	12.8
Property	-	0.1
Cash	0.2	0.5
Other return seeking assets	0.8	9.0
	<u>19.3</u>	<u>27.5</u>

The balance sheet position for the company:

	2023 £m	2022 £m
Total fair value of assets	19.3	27.5
Present value of scheme liabilities	(19.2)	(25.3)
Surplus in the scheme	<u>0.1</u>	<u>2.2</u>

Amounts recognised in the profit and loss account:

	2023 £m	2022 £m
Net interest	0.1	(0.1)
Administrative cost (chargeable as operating cost)	(0.1)	(0.1)
Recognised in the profit and loss account	<u>-</u>	<u>(0.2)</u>

Amounts recognised in the statement of comprehensive income:

	2023 £m	2022 £m
Actual return on pension scheme assets	(8.0)	0.1
Experience loss arising on scheme liabilities	(1.1)	(0.5)
Changes in assumptions	7.0	2.3
	<u>(2.1)</u>	<u>1.9</u>

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

	2023 £m	2022 £m
Opening position	25.3	27.5
Administrative cost	0.1	0.1
Interest cost	0.7	0.5
Actuarial gain	(5.9)	(1.8)
Benefits paid	(1.0)	(1.0)
Closing position as at balance sheet date	<u>19.2</u>	<u>25.3</u>

First South West Limited

Notes to the financial statements (continued) For the 52 week period ended 25 March 2023

21. Pension scheme (continued)

First UK Bus Pension Scheme (FGUK) (continued)

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

	2023 £m	2022 £m
Opening position	27.5	23.7
Interest income	0.8	0.5
Employer contributions	-	4.2
Actuarial (loss)/gain	(8.0)	0.1
Benefits paid	(1.0)	(1.0)
	<hr/>	<hr/>
Closing position as at balance sheet date	19.3	27.5
	<hr/> <hr/>	<hr/> <hr/>

FirstGroup Pension Scheme

The company participates in a group multi-employer defined benefit scheme, the FirstGroup Pension Scheme. This scheme is disclosed in FirstGroup Holdings Limited's financial statements and is funded separately by defined contributions which have been expensed to the profit and loss account of FirstGroup Holdings Limited during the period to 25 March 2023. There is no charge in the company's profit and loss. The assets and liabilities of the scheme are held separately and cannot be allocated out, accordingly, the scheme is treated as a defined contribution scheme in the financial statements.

The surplus on the FirstGroup Pension Scheme of £8.9 million (2022: £37.8 million) is reported within FirstGroup Holdings Limited financial statements.

22. Ultimate parent company

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

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

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