

East Kent Road Car Company Limited

Financial statements for the 52 week period ended 30 April 2022

Registered number: 00144585

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Strategic report

For the 52 week period ended 30 April 2022

The directors present their strategic report on the Company for the 52 week period ended 30 April 2022.

Review of the business

East Kent Road Car Company Limited ("the Company") is a public transport operator, operating predominantly local bus services in Kent and Sussex. The Company operates a fleet of 463 (2021: 474) buses and employs 1,265 (2021: 1,286) people.

Results and performance

The Company has delivered a solid set of results with revenue growth following the increase in passenger levels as demand for public transport increases as we move out of the COVID-19 pandemic.

The results of the Company for the period ended 30 April 2022 show a loss on ordinary activities before taxation of £128,000 (2021: profit £1,628,000) and revenue of £53,217,000 (2021: £41,045,000). The Company has net assets of £18,767,000 (2021: £13,191,000).

The Company continues to build on the commercial strategy of competitive fares, investment and high customer service which has maintained our presence in the region. However, the Company has been adversely impacted by the substantial fall in passenger demand for public transport in response to the COVID-19 pandemic.

Business environment

The Company operates predominantly local bus services, and carried around 78,000 (2021: 40,000) passengers a day. These services are mainly operated on a commercial basis in a largely deregulated market. We also operates tendered services, including school contracts, on behalf of local authorities and other public bodies. The Company works closely with local authorities, passengers and other stakeholders. The Company benefits from being part of the UK Bus (regional operations) Division of Stagecoach Group Limited (formerly Stagecoach Group plc) ("the Group"), a nationwide public transport operator.

Business culture

We are committed to conducting business in a socially responsible way and we believe this to be consistent with our business objectives and strategy. Indeed, by taking a responsible approach towards the environment and the wider community, we believe we will enhance our objective to deliver organic growth.

Strategy

The Company's absolute focus remains safety and operational excellence, which underpin our delivery of high quality public transport services. Providing good value travel and investing in our people, fleet and new technology is essential to enhancing our customers' experience. We also continue to take steps to improve the efficiency of our operations and maintain close control of costs.

Future outlook

We expect government funding arrangements to continue for at least part of the year ending 29 April 2023, enabling bus services to be maintained as customer demand continues to recover. With continuing forecasting uncertainty in relation to passenger demand, payments from government to support the continuation of services during that recovery phase, and cost inflation, it remains difficult to reliably predict financial performance for the new financial period ending 29 April 2023. While that could cause expectations for this year to change, it does not diminish our positive view of the long-term prospects for the business.

Strategic report (continued)

For the 52 week period ended 30 April 2022

Future outlook (continued)

We expect a lasting effect of the COVID-19 pandemic on travel patterns with an acceleration in trends of increased working from home, shopping from home, telemedicine and home education. We anticipate that it will be some time before demand for our public transport services returns to pre-COVID levels and we are planning for a number of scenarios. However, we continue to see positive long-term prospects for public transport. There is a large market opportunity to lock in the reduced volume of car traffic and lower carbon emissions seen during the COVID-19 pandemic and secure long-term economic, social, health and environmental benefits for the country. The Government has set ambitious targets to achieve bus patronage in England well above the levels seen pre-COVID and we share the Government's ambition for growth in bus patronage. We foresee an opportunity for modal shift from private cars to active travel and more sustainable public transport, which in time can see pre-COVID levels of demand surpassed.

The Company is now part of the portfolio of DWS Infrastructure, a leading asset management business that manages a range of transport and infrastructure interests. We remain positive on the long-term outlook for the Company and we look forward with confidence under our new ownership. DWS Infrastructure is a patient, long-term investor with a strong track record of unlocking value for all stakeholders. Public transport delivers the sustainable connectivity people need to access work, education, healthcare, shopping, leisure, and meeting family and friends. As we transition towards a post-pandemic world, we are focused on further rebuilding profitability and adapting our services to meet new and emerging travel patterns. We look forward to playing a central role in delivering government ambitions around decarbonisation, levelling up of communities, driving economic recovery, and securing better health outcomes for citizens. We have made a good start to the period ending 29 April 2023, and while there remains some uncertainty around the pace of recovery, we continue to see positive long-term prospects for the business. Strong partnership working between bus operators, national government and local transport authorities is critical if we are to maximise the opportunities ahead and we are pleased that this is reflected in the direction of public policy across the country.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The management and reporting of risk is undertaken at the Group level, rather than at an individual business unit level. The principal risks and uncertainties of Stagecoach Group Limited (formerly Stagecoach Group plc), which includes those of the Company, are discussed in the Group's 2022 Annual Report (paragraph 1.4.5 of the Strategic Review), which does not form part of this report.

Key performance indicators (KPI's)

The directors of Stagecoach Group Limited (formerly Stagecoach Group plc) manage the Group's performance on a divisional basis. For this reason, the Company's directors believe that analysis using KPI's for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the UK Bus (regional operations) Division of Stagecoach Group Limited (formerly Stagecoach Group plc), which includes the Company, is discussed in the Strategic Review (paragraph 1.4.6) of the Group's 2022 Annual Report which does not form part of this report.

Strategic report (continued)

For the 52 week period ended 30 April 2022

Financial risk management

The Company's activities expose it to a variety of financial risks including the effects of changes in interest rates, credit risk and commodity prices. The effects of changes in interest rates and commodity prices are managed at a group level by a central group treasury function. The Company has implemented policies which require appropriate credit checks to be performed on potential customers before sales are made. All credit checks are performed centrally by Stagecoach Services Limited, a fellow group company.

Section 172 statement

The Directors believe that in the decisions taken during the period ended 30 April 2022, they have acted, both individually and together, in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the Directors have had regard to, amongst other things, the matters set out in section 172(1)(a-f) of the Companies Act 2006.

Recognising their duty to have regard to stakeholders, the Board engages with, and receives updates from various stakeholders. The views of and impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions. Due to the number and distribution of both the Company's stakeholders and the Stagecoach Group, generally our stakeholder engagement takes place at an operational and group level. The culture and values upheld when engaging with stakeholders are consistent across the Group, whichever company is communicating with stakeholders.

From the perspective of the Board, as a result of the group governance structure, the matters that it is responsible for considering under section 172(1) of the Companies Act 2006 have been considered to an appropriate extent by the Stagecoach Group Limited (formerly Stagecoach Group plc) Board in relation to both the Group and the Company. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Board of Directors of Stagecoach Group Limited (formerly Stagecoach Group plc) has considered the matters set out in section 172 (for the Group and for the Company) is summarised on pages 42-43 of the Group's 2022 Annual Report, which does not form part of this report.

Employees

From the perspective of the Directors, as a result of the Group governance the Group Directors have taken the lead in carrying out the duties of a director in respect of the Company's employees, including engaging with them, having regard to their interests and the effect of that regard (including on the principal decisions taken by the Company during the financial period). The Directors have also considered relevant matters where appropriate. An explanation of how the Group Directors have carried out these responsibilities for the Company is set out on pages 42-43 of the Group's Annual Report, which does not form part of this report.

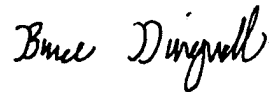
Other stakeholders

Similarly, from the perspective of the Directors, as a result of the Group governance structure, the Group Directors have taken the lead in carrying out the duties of a directors in respect of the Company's other stakeholders. The Directors have also considered relevant matters where appropriate. An explanation of how the Group's Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial period, is set out for both the Group and Company on pages 42-43 of the Group's Annual Report, which does not form part of this report.

Strategic report (continued)

For the 52 week period ended 30 April 2022

By order of the Board

A handwritten signature in black ink, reading "Bruce Dingwall". The signature is written in a cursive style with a large, stylized 'B' and 'D'.

BM Dingwall
Director

One Stockport Exchange
20 Railway Road
Stockport
SK1 3SW

26 October 2022

Directors' report

For the 52 week period ended 30 April 2022

The directors present their report on the affairs of the Company, together with the audited financial statements and independent auditor's report, for the 52 week period ended 30 April 2022 (52 week period ended 1 May 2021).

Results and dividends

The Company has delivered a solid set of results following the increase in passenger levels as demand for public transport increases as we move out of the COVID-19 pandemic.

The results of the Company for the 52 weeks ended 30 April 2022 show a loss on ordinary activities before taxation of £128,000 (2021: profit £1,628,000) and revenue of £53,217,000 (2021: £41,045,000). The Company declared dividends of £Nil in the current period (2021: £Nil), and that the loss for the financial period amounted to £744,000 (2021: profit £1,352,000) be transferred to reserves.

Future developments

Future developments have been discussed in future outlook section of the strategic report on pages 1 and 2.

Financial risk management

Financial risk management has been discussed in the strategic report on page 3.

Directors

The directors who held office during the year under review and up to the date of approval of these financial statements were:

CL Stockton-Jones

JR Mitchell

BM Dingwall

RM Cox

Appointed 02 May 2022

Employees

Human resources are key to the Company's business and the Company's relationship with its employees is fundamental to achieving its objectives. We aim to recruit and retain the best employees in our sector, which allows us to deliver good customer service. The Company invests significantly in the training and development of our people. We have strong, long-established working relationships with trade unions, pensions and other employee benefits, as well as areas such as new vehicle design and uniforms.

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

Refer to s.172 disclosure in the Strategic Report on page 3 for further details on the directors' engagement with employees.

Business relationships

The directors have had regard for the need to foster the Company's business relationships with suppliers, customers and others. Details of these activities are included as part of the s.172 disclosure in the Strategic Report.

Directors' report (continued)

For the 52 week period ended 30 April 2022

Energy and carbon reporting

Energy and carbon reporting for Stagecoach Group Limited (formerly Stagecoach Group plc), which includes the energy and carbon emissions figure for the Company, are disclosed in Stagecoach Group Limited's (formerly Stagecoach Group plc) 2022 Annual Report (paragraph 1.8.2 of the Strategic Report), which does not form part of this report.

Statement of corporate governance arrangements

On 20 May 2022, Inframobility UK Bidco Limited ("Bidco"), a company managed by DWS Infrastructure, took control of the Group and, on 28 June 2022, the Group's shares were de-listed. We are therefore in the process of transitioning to governance arrangements that reflect the new ownership status of the Group.

For the 52 week period ended 30 April 2022, the Company has prepared the financial statement in accordance with The Companies (Miscellaneous Reporting) Regulations 2018 (the "Reporting Regulations"). In complying with these requirements, the Company has elected not to apply a code because its ultimate parent for the period ended 30 April 2022, Stagecoach Group Limited (formerly Stagecoach Group plc), has applied the UK Corporate Governance Code (the "2018 Code"), which was applied throughout the Group.

Reflecting the structure of the Group, a number of corporate governance matters are reserved for the board of Stagecoach Group Limited (formerly Stagecoach Group plc). The principal responsibilities include agreeing the overall strategy and investment policy, to approve major capital expenditure, to monitor performance and risk management procedures of senior management, to ensure there are proper internal controls in place and to consider major acquisitions or disposals.

The Executive Directors of the Group maintain day-to-day contact and meet regularly face-to-face or in video conferences with senior management and Directors of the Company. The Company's managing director reports to one of four regional directors and is supported by his or her own management teams. The regional directors report to the UK Managing Director.

To the extent necessary for an understanding of the corporate governance arrangements applied across the Group, an explanation of is summarised on pages 55-62 of the Group's 2022 Annual Report, which does not form part of this report.

Donations

Donations to charitable organisations amounted to £2,560 (2021: £Nil).

The Company does not make political contributions and accordingly there were no payments for political purposes during the period (2021: £Nil).

Directors' report (continued)

For the 52 week period ended 30 April 2022

COVID-19

We believe our business model remains appropriate for a post COVID-19 world. Our business model adjusted during the pandemic, with more of our income being from COVID-19 grants from government. We expect our business model will continue to evolve to reflect the opportunities presented from changes in government policy and climate change, and to respond to an evolving relationship with government.

The Company is also receiving significant payments from government to ensure the continuation of public transport services in light of the COVID-19 situation. That includes continuing payments to some extent of concessionary revenue, tender revenue and bus operating grants. The Company has received grants under the COVID-19 Bus Services Support Grant ("CBSSG") and Bus Recovery Grant ("BRG") scheme during the period and is continuing to receive grants under BRG.

There is a risk that the extent of the payments available to the Company reduces faster than improvements in the underlying financial performance of its businesses. That could adversely affect the Company's financial performance and financial position.

The Company has received COVID-19 related payments from government for periods since mid-March 2020, which has enabled the continuation of transport services as customer demand has continued to recover. As anticipated, the COVID-19 Bus Services Support Grant Restart ("CBSSG") for local bus services came to an end on 31 August 2021. For the period from 1 September 2021 to October 2022, the Company has received Bus Recovery Grant ("BRG") support, whereby funding was allocated to operators with reference to revenue and mileage operated. On 19 August 2022, the Department for Transport has announced that further recovery funding will be available for bus services in England for a period of six months from October 2022 to March 2023.

Going concern

These financial statements have been prepared on a going concern basis. In applying the going concern basis, the Directors have taken into account of the recent change in the Company's ownership, recovery from the COVID-19 situation, and increased and uncertain cost inflation. The Company is in a net current liabilities and net assets position as at 30 April 2022. The directors have also considered the Company's cash position and forecast cash flows for a period of 12 months from the date of approval of these financial statements, arising from the services to be rendered.

The Directors have received confirmation from Stagecoach Group Limited (formerly Stagecoach Group plc), the Company's ultimate parent company, that Stagecoach Group Limited (formerly Stagecoach Group plc) intends to provide financial support to the Company, to assist the Company in meeting its liabilities as and when they fall due, to the extent that resources are not otherwise available to the Company to meet such liabilities. Stagecoach Group Limited (formerly Stagecoach Group plc) has confirmed that it has the ability to provide such support and intends to provide the support, as appropriate, for a period of 12 months from the date of approval of these financial statements. In applying the going concern basis, the Directors have also considered the past practice of Stagecoach Group Limited (formerly Stagecoach Group plc) in providing financial support to the Company and its fellow subsidiaries.

The Directors note that although Stagecoach Group Limited (formerly Stagecoach Group plc) has indicated its intention to provide financial support to the Company as appropriate, there is no legally binding commitment to provide such support. The Directors consider that the reliance on the letter of support with such limitations results in a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern.

Directors' report (continued)

For the 52 week period ended 30 April 2022

Going concern (continued)

The Directors cannot be absolutely certain that Stagecoach Group Limited (formerly Stagecoach Group plc) will provide the Company with financial support if required but, having taken account of Stagecoach Group Limited's (formerly Stagecoach Group plc) current intention, Stagecoach Group Limited's (formerly Stagecoach Group plc) past practice, the COVID-19 situation, and increased and uncertain cost inflation, the Directors have a reasonable expectation that the Company will continue to operate as a going concern for a period of 12 months from the date of approval of these financial statements. The financial statements do not reflect any adjustments that would be required to be made if they were prepared on basis other than going concern.

Refer to note 1(a) for further details on the going concern basis.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), Financial Reporting Standard 101. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditors and disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Annual General Meeting of Stagecoach Group Limited (formerly Stagecoach Group plc).

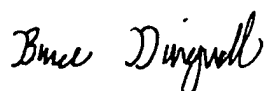
Directors' report (continued)

For the 52 week period ended 30 April 2022

Indemnification of Directors and officers

The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against its directors. The Company has indemnified each of its directors and other officers of the Company against certain liabilities that may be incurred as a result of their offices.

By order of the Board



BM Dingwall
Director

One Stockport Exchange
20 Railway Road
Stockport
SK1 3SW

26 October 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST KENT ROAD CAR COMPANY LIMITED

For the 52 week period ended 30 April 2022

Opinion

We have audited the financial statements of East Kent Road Car Company Limited for the period ended 30 April 2022 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as 30 April 2022 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates the intention of the ultimate parent company to provide financial support on a non-binding basis. As stated in Note 1, these events or conditions indicate a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST KENT ROAD CAR COMPANY LIMITED (CONTINUED)

For the 52 week period ended 30 April 2022

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST KENT ROAD CAR COMPANY LIMITED (CONTINUED)

For the 52 week period ended 30 April 2022

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant include compliance with applicable health & safety, environmental and data protection regulations, competition and consumer protection laws, labour regulations, employee rights laws, and to the reporting framework (FRS 101 and Companies Act 2006) and relevant tax compliance regulations in the UK.
- We understood how East Kent Road Car Company Limited is complying with those frameworks by making enquiries of management, those charged with governance, internal audit, those responsible for legal and compliance procedures. We corroborated our enquiries through reading board minutes and papers provided to the Group Audit Committee, as well as other correspondence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings. Where this risk was considered to be higher, we performed audit procedures to address the identified fraud risk. These procedures included testing journals indicating manual or unusual transactions based on our understanding of the business and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included reading board minutes to identify any non-compliance with laws and regulations and enquiries of senior management.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST KENT ROAD CAR COMPANY LIMITED (CONTINUED)

For the 52 week period ended 30 April 2022

Use of our report

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.

Ernst & Young LLP

Julie Cavin (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh

Date: 27 October 2022

Income statement

For the 52 week period ended 30 April 2022

		52 week period ended 30 April 2022 £000	Restated 52 week period ended 1 May 2021 £000
	Note		
Revenue	2	53,217	41,045
Cost of sales		<u>(64,598)</u>	<u>(57,957)</u>
Gross loss		(11,381)	(16,912)
Other operating income	3	<u>11,387</u>	<u>18,743</u>
Operating profit		6	1,831
Finance charges	4	<u>(134)</u>	<u>(203)</u>
(Loss)/profit on ordinary activities before taxation	5	(128)	1,628
Tax charge on (loss)/profit on ordinary activities	8	<u>(616)</u>	<u>(276)</u>
(Loss)/profit for the financial period		<u>(744)</u>	<u>1,352</u>

The results for both periods arise wholly from continuing operations.

Other operating income and operating costs have been restated to correct for a prior period error. See note 19 for further details.

The accompanying notes form an integral part of this income statement.

Statement of other comprehensive income

For the 52 week period ended 30 April 2022

	Note	52 week period ended 30 April 2022 £000	52 week period ended 1 May 2021 £000
(Loss)/profit for the financial period		(744)	1,352
Other comprehensive income:			
Actuarial gain on retirement benefit obligations	15	<u>7,331</u>	<u>6,243</u>
Other comprehensive income		7,331	6,243
Tax charge relating to actuarial gain on retirement benefit obligations	8(b), 13(a)	<u>(1,011)</u>	<u>(1,186)</u>
Other comprehensive income for the period, net of tax		6,320	5,057
Total comprehensive income for the period		5,576	6,409

The accompanying notes form an integral part of this statement of other comprehensive income.

Balance sheet
As at 30 April 2022

	Note	2022 £000	2021 £000
Non-current assets			
Tangible assets	9(a)	38,981	42,177
Right of use assets	9(b)	462	493
Retirement benefit assets		2,009	-
		41,452	42,670
Current assets			
Stocks	10	729	464
Debtors	11	4,325	3,609
Cash at bank and in hand		337	193
		5,391	4,266
Current liabilities			
Creditors: amounts falling due within one year	12	(24,608)	(26,184)
Corporation tax creditor		-	(430)
Provisions for liabilities and charges	13	(6)	(26)
		(24,614)	(26,640)
Net current liabilities		(19,223)	(22,374)
Total assets less current liabilities		22,229	20,296
Creditors: amounts falling due after more than one year	12	(383)	(382)
Provisions for liabilities and charges	13	(3,079)	(1,349)
Retirement benefit obligations	15	-	(5,374)
Net assets		18,767	13,191
Capital and reserves			
Called up share capital	14	1,550	1,550
Contribution reserve		142	142
Profit and loss account		17,075	11,499
Total shareholders' funds		18,767	13,191

The financial statements and accompanying notes on pages 14 to 46 were approved by the board of Directors on 26 October 2022 and were signed on its behalf by:

Bruce Dingwall

BM Dingwall
Director

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

Statement of changes in equity

For the 52 weeks ended 30 April 2022

	Called up share capital £000	Profit and loss account £000	Contribution reserve £000	Total equity £000
At 2 May 2020	1,550	5,090	142	6,782
Profit for the financial period	-	1,352	-	1,352
Other comprehensive income	-	5,057	-	5,057
Total comprehensive income for the period	-	6,409	-	6,409
At 1 May 2021	1,550	11,499	142	13,191
Loss for the financial period	-	(744)	-	(744)
Other comprehensive income	-	6,320	-	6,320
Total comprehensive income for the period	-	5,576	-	5,576
At 30 April 2022	1,550	17,075	142	18,767

Reference for called up share capital in note 14.

Notes to the financial statements

For the 52 week period ended 30 April 2022

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the 52 week period to 30 April 2022 and the preceding reporting period, are:

a) Basis of accounting

The Company is a private company limited by shares, incorporated and domiciled in the UK and registered in England. The address of the Company's registered office is shown on page 9 and a description of the Company's principal activities are set out on page 1. The registered number is 00144585.

These financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act).

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46-52 of IFRS 2, 'Share-based payment'
- Paragraphs 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets'
- Second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120-127, and 129 of IFRS 15 'Revenue from contracts with customers'
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraphs 10(d), 10(f), 16, 38A-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of financial statements'
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures'

The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements. The financial statements are prepared in Sterling which is the functional currency and presentational currency of the entity, and rounded to the nearest £'000.

Going concern

These financial statements have been prepared on a going concern basis. In applying the going concern basis, the Directors have taken into account of the recent change in the Company's ownership, recovery from the COVID-19 situation, and increased and uncertain cost inflation. The Company is in a net current liabilities and net assets position as at 30 April 2022. The directors have also considered the Company's cash position and forecast cash flows for a period of 12 months from the date of approval of these financial statements, arising from the services to be rendered. The Directors have received confirmation from Stagecoach Group Limited (formerly Stagecoach Group plc), the Company's ultimate parent company, that Stagecoach Group Limited (formerly Stagecoach Group plc) intends to provide financial support to the Company, to assist the Company in meeting its liabilities as and when they fall due, to the extent that resources are not otherwise available to the Company to meet such liabilities. Stagecoach Group Limited (formerly Stagecoach Group plc) has confirmed that it has the ability to provide such support and intends to provide the support, as appropriate, for at least 12 months from the date of approval of these financial statements. In applying the going

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

1 Accounting policies (continued)

a) Basis of accounting (continued)

Going concern (continued)

concern basis, the Directors have also considered the past practice of Stagecoach Group Limited (formerly Stagecoach Group plc) in providing financial support to the Company and its fellow subsidiaries. The Directors note that although Stagecoach Group Limited (formerly Stagecoach Group plc) has indicated its intention to provide financial support to the Company as appropriate, there is no legally binding commitment to provide such support. The Directors consider that the reliance on the letter of support with such limitations results in a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern. The Directors cannot be absolutely certain that Stagecoach Group Limited (formerly Stagecoach Group plc) will provide the Company with financial support if required but, having taken account of Stagecoach Group Limited's (formerly Stagecoach Group plc) current intention, Stagecoach Group Limited's (formerly Stagecoach Group plc) past practice, the COVID-19 situation, and increased and uncertain costs inflation, the Directors have a reasonable expectation that the Company will continue to operate as a going concern for a period of at least 12 months from the date of approval of these financial statements. The financial statements do not reflect any adjustments that would be required to be made if they were prepared on basis other than going concern.

The Group going concern assessment performed by Stagecoach Group Limited (formerly Stagecoach Group plc) (the "parent") was performed using financial forecasts for the period to 28 October 2023 and considering a wide range of downside scenarios.

The forecasts of the parent indicate that the Group is projected to operate within its cash balances and available facilities for the going concern period.

The broader political and economic uncertainty coupled with the potential future impact on the Group and parent undertaking, Stagecoach Group Limited (formerly Stagecoach Group plc) of the recent COVID-19 outbreak has been factored into the scenarios considered as part of the Group and parent's adoption of the going concern assumption.

In reaching its conclusion on the going concern assessment, the Directors also assessed the Group's assessment of severe but plausible downside scenarios related to its principal risks, including:

- passenger numbers at between 74% and 84% of pre-COVID levels in the year ending 29 April 2023 and for the remainder of the going concern period;
- commercial revenue at between 84% and 92% of pre-COVID levels in the year ending 29 April 2023;
- commercial revenue at between 92% and 101% of pre-COVID levels for the remainder of the going concern period;
- concessionary revenue at 91% of pre-COVID levels in the year ending 29 April 2023;
- concessionary revenue at 98% of pre-COVID levels for the remainder of the going concern period;
- vehicle mileage at 91% of pre-COVID levels for the duration of the going concern period;
- no additional government funding of zero emission buses, beyond awards already made.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

1 Accounting policies (continued)

a) Basis of accounting (continued)

Going concern (continued)

The accounts of the Group and parent undertaking, Stagecoach Group Limited (formerly Stagecoach Group plc), include more details of the downside scenarios, mitigating actions, funding requirements and liquidity headroom. In the downside scenarios modelled as set out above, liquidity headroom exists in the Group and parent undertaking throughout the going concern period after taking account of controllable, plausible mitigating actions.

i) New accounting standards adopted during the period

There have been no new accounting standards, amendments to standards and interpretations that are mandatory for the first time for the financial period beginning 2 May 2021 that have any significant effect on the financial statements.

ii) Other new standards

Other new standards, amendments to standards and interpretations that are mandatory for the first time for the financial period beginning 2 May 2021, do not have any significant effect on the financial statements and are listed below.

International Accounting Standards and Interpretations

Effective for annual periods
beginning on or after

Amendment to IFRS 16, COVID-19 Related Rent Concessions (issued on 28 May 2020)	01 June 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	01 January 2021
Amendments to IFRS 16, Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)	01 April 2021

b) Tangible fixed assets

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Land and buildings and other fixed assets are shown at cost, net of depreciation and any provision for impairment as set out in note 9(a).

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its estimated useful life, as follows:

Freehold buildings	10 to 50 years
Leasehold land and buildings	10 to 50 years
Public service vehicles (PSVs), depending on type	7 to 16 years
Other plant and equipment & furniture and fittings	3 to 10 years

Freehold land is not depreciated.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

1 Accounting policies (continued)

c) Leases

The Company leases many assets including properties, office and plant equipment. Rental contracts are typically made for a fixed period of 6 months to 100 years. Certain leases have extension options which the Company may choose to exercise.

For contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration, the Company recognises lease liabilities to make lease payments, and right-of-use assets representing the right to use the underlying asset.

Effect of lease extensions and break clauses on lease terms

Options to extend leases and break clauses are included in a number of the Company's leases. These are used by the Company to maximise flexibility in managing its assets and operations to meet passenger demands. The Company considers all the circumstances that create an economic incentive to exercise an extension option or not utilise a break clause. An extension option or the periods after a break clause are only included in a lease term if the lease is reasonably certain to be extended or if the break clause is reasonably certain not to be utilised.

For leases of properties, the Company considers the likely value of future rentals and anticipated changes in services operated from the property when considering whether it is reasonably certain to extend a lease or not to utilise a break clause.

Measurement of lease liabilities

Liabilities arising from a lease are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- Fixed lease payments, less any lease incentives receivable;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option;
- Payments to be made under reasonably certain extension options;
- Variable lease payments that are based on an on index or rate, initially measured using the index or rate at the commencement date.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Incremental borrowing rates are determined for each internal reporting period and applied to the leases entered into during each such period.

To determine the incremental borrowing rate, the Company:

- uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received;
- makes adjustments to the rate to reflect the terms and conditions specific to the lease. These will include adjustment for items such as the lease term and the right-of-use asset being leased.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

1 Accounting policies (continued)

c) Leases (continued)

Measurement of lease liabilities (continued)

The Company is exposed to potential future increases in variable lease payments for some properties based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. There are no leases with other forms of variable payment.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Contracts can contain lease and non-lease components. For all property leases, the Company has separated lease and non-lease components. For all other leases, the Company has elected not to separate lease and non-lease components but instead accounts for these as a single lease component. Non-lease components for properties are excluded from the projection of future lease payments and are treated as a separate expense on a straight-line basis within operating costs.

Lease terms are negotiated lease by lease resulting in a wide range of terms and conditions. The lease agreements do not generally impose any financial covenants. The principal restriction on assets held under lease or hire purchase agreements is a restriction on the right to dispose of the assets during the period of the agreement.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- dilapidation provisions.

Right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases and low-value assets

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets have a capital value, when new, of less than £4,500 and comprise principally IT equipment and small items of office equipment.

d) Stocks

Stocks of parts and consumables are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow moving items. Cost is determined using the first-in, first-out ("FIFO") method for fuel stocks and average cost method for all other stocks.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

1 Accounting policies (continued)

e) *Taxation*

Tax, current and deferred, is calculated using tax rates and laws enacted or substantively enacted at the balance sheet date.

Corporation tax is provided on taxable profits at the current rate applicable. Tax charges and credits are accounted for through the same primary statement as the related pre-tax item.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is measured at the rates that are expected to apply in periods in which the temporary differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Management estimates amounts relating to uncertain tax treatments based on the applicable law and regulations, historic outcomes of similar audits and discussions, independent, external specialist advice and consideration of the progress on, and nature of, current discussions with the tax authority. Where management determines that a greater than 50% probability exists that the tax authorities would accept the positions taken in the tax return, amounts are recognised in the financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Company recognises a liability or asset based on either: management's judgement of the most likely outcome or, when there is a wide range of possible outcomes, a probability weighted average approach.

f) *Revenue*

Revenue represents fare, concessionary income, contract revenues, fuel sales, commissions, engineering sales and lost property receipts receivable in respect of the period. The directors regard the Company's business activities, which are carried out wholly in the United Kingdom, as being of one class.

The Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the Company expects to be entitled in exchange for those goods or services. Performance obligations of the Company are generally clear and transaction prices are even over the period to which they relate and are time apportioned. Customer compensation is treated as a reduction in revenue.

The Company principally generates revenue from the provision of transport services to its customers.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

1 Accounting policies (continued)

f) Revenue (continued)

The Company has a number of revenue streams, as set out below. In general, revenue presented in the income statement is recognised at the fair value of the consideration received or receivable. Where appropriate, amounts are shown net of discounts, rebates, VAT and other sales taxes. The revenue is recognised as performance obligations are satisfied as described below for each significant revenue stream.

Commercial passenger revenue

Commercial passenger revenue primarily relates to ticket sales for travel on the Company's transport services. Passenger revenue is recognised in the income statement in the period in which the related travel occurs. This can involve some estimation – for example, revenue from the sale of season tickets and travelcards, that entitle individuals to use certain of our services during a specified period of time, is deferred within liabilities and recognised in the income statement over the period covered. The recognition of season ticket and travelcard income is recorded on a straight-line basis over the applicable period.

Concessionary revenue

In the UK, the Company receives concessionary revenue from public bodies, such as local authorities, for transporting certain qualifying individuals free of charge to the passenger. Although the revenue is received from a party other than the person receiving the service, the Company accounts for such revenue in accordance with IFRS 15, Revenue from Contracts with Customers, with the performance obligation being the provision of the free travel to those eligible. Amounts that are receivable from government bodies in respect of travel by individuals on the Company's transport services is recognised in the income statement in the period in which the related travel occurs.

Tendered and school revenue

Other amounts that the Company receives from government bodies to pay for the operation of transport services they consider to be socially desirable are included in revenue and recognised in the income statement in the period that the relevant payment relates to. This includes tender and school revenue receivable to financially support certain bus services the Company operates in the UK.

Contract revenue

Revenue receivable from government bodies and others to the Company for operating transport services under contract is recognised in the income statement in the period that the contracted services relate to. In general, the revenue in respect of any particular period can be clearly determined from the contract. Where there is a contingent element to contract revenue (for example, where additional amounts are payable or receivable based on the punctuality of transport services and/or other operational measures), revenue is recognised based on the applicable operational measures when the amount of revenue can be reliably estimated and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Other revenue and income

Revenue that is incidental to the Company's principal activity of providing transport services is reported as other revenue. Such revenue is recognised as the service is provided, the amount of revenue can be reliably estimated and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. This may include income undertaking maintenance work on other operators' vehicles and selling fuel to other transport operators.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

1 Accounting policies (continued)

f) Revenue (continued)

Contract liabilities

A contract liability is the obligation to provide services for a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company provides the services, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract. Customers include individuals, corporations and public bodies who pay the Company for transport services. Contract liabilities include amounts in respect of unexpired season tickets and other tickets giving the holder a right to travel on the Company's services after the balance sheet date.

g) Other operating income

Revenues incidental to the Company's principal activity are reported as other operating income, and are recognised in the income statement in the period in which they are earned. Income from other sources is reported as other operating income. These other sources include COVID-related grant income, selling advertising space on vehicles and premises that the Company operates and property rental.

h) Lease obligations

Assets acquired under leases are recorded in the balance sheet as an asset (at the equivalent of the purchase price) and as an obligation to pay future lease rentals. Obligations from leases within creditors represent the total of the capital payments outstanding at the balance sheet date. Future finance charges are not included.

The interest element of lease obligations are charged to the income statement over the period of the lease.

i) Dilapidations

A dilapidations provision is recognised when there is future obligation relating to the maintenance of leasehold assets. Provisions for dilapidations are recognised on a lease by lease basis and are based on the Company's best estimate of the future expected repair costs required to restore leased assets to the condition required at the end of their respective lease terms.

j) Pension costs and other post retirement benefits

The company participates in a defined benefit scheme, the Stagecoach Group Pension Scheme, and a defined contribution scheme.

In respect of the defined benefit scheme, obligations are measured at discounted present value whilst scheme assets are recorded at market value. The recognised net asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the scheme. An economic benefit is available to the Company if it is realisable during the life of the scheme or on settlement of the scheme liabilities.

The operating and financing costs of the defined benefit plan is included within operating profit and is disclosed separately in the notes to the financial statements; service costs are spread systematically over the working lives of employees and financing costs are recognised in the periods in which they arise.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

1 Accounting policies (continued)

j) Pension costs and other post retirement benefits (continued)

Actuarial gains and losses are recognised immediately in the statement of other comprehensive income. Mortality rates are considered when retirement benefit obligations are calculated.

Past service costs and adjustments are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period (the vesting period), in which case the past service costs are amortised using a straight-line method over the vesting period.

A full actuarial valuation is undertaken triennially for the scheme and updated annually using independent actuaries following the projected unit credit method. The present value of the scheme obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity equivalent to the terms of the related obligations. Experience adjustments and changes in assumptions which affect actuarial gains and losses are reflected in the actuarial gain or loss for the year.

For defined contributions schemes, the Company pays contributions to a separately administered pension scheme. Once the contributions have been paid the Company has no further obligations. The Company's contributions to defined contribution schemes are charged to the income statement in the period to which the contributions relate.

k) Grants

Grants from government are recognised where there is reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. Government grants relating to costs (or net losses) are deferred and recognised in the income statement over the period necessary to match them with the costs (or net losses) they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are recorded as liabilities and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Government grants received in excess of the amounts recognised in the income statement are held as deferred grant income within trade and other payables.

Bus service operators grant ("BSOG") is recognised as other operating income. Other grants are credited to the profit and loss account as the expenditure is expensed. COVID-19 related grants are government grants receivable in light of the ongoing COVID-19 situation. The amounts principally reflect grants receivable under the Coronavirus Job Retention Scheme ("CJRS"), the COVID-19 Bus Services Support Grant ("CBSSG") scheme and the Bus Recovery Grant ("BRG"). Under the CJRS, grant income may be claimed in respect of certain costs to the Company of furloughed employees. CJRS income is recognised in the income statement in the same period in which the related costs are incurred to the extent there is reasonable certainty that the grant will be received.

Under the CBSSG scheme, grant income may be claimed by operators of local bus services to close the shortfall of revenue earned by them during the period affected by COVID-19 and the costs incurred by them in that period. The estimation of the grant income involves significant uncertainty). Under Bus Recovery Grant ("BRG") support, funding was allocated to operators with reference to revenue and mileage operated. Income is recognised in the income statement in the same period in which the related shortfall of revenue over costs is incurred to the extent there is reasonable certainty that: (a) the Company will comply with the conditions attaching to the grant and (b) the grant will be received and retained by the Company, taking account of the potential adjustments to grant payments as a result of any reconciliation process.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

1 Accounting policies (continued)

l) Dividends

Dividends on ordinary shares are recorded in the financial statements in the period in which they are approved by the shareholders, or in the case of interim dividends, on the period in which they are paid.

m) Share based payments

The Group issues cash-settled share based payments to certain employees.

During the vesting period, a liability is recognised representing the estimated fair value of the award and the portion of the vesting period expired as at the balance sheet date. Changes in the carrying amount of the liability are recognised in the income statement for the period.

n) Cash flow statement

East Kent Road Car Company Limited is not required to prepare a cash flow statement under IAS 7, as it is a wholly owned subsidiary undertaking of Stagecoach Group Limited (formerly Stagecoach Group plc) whose consolidated financial statements, which are publicly available, include a consolidated cash flow statement in which the cash flows of the Company are included.

o) Financial instruments

The disclosure of the accounting policy that follows for financial instruments are those that apply under IAS 39 'Financial Instruments: Recognition and measurement' for.

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

Financial liabilities 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.

The Company has only entered into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other receivables and payables, financing arrangements with banks and other third parties and balances due from and to related parties.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Full details of the financial instruments policy of Stagecoach Group Limited (formerly Stagecoach Group plc) are discussed in note 1 of the Group's 2022 Annual Report.

p) Trade and other payables

Trade and other payables are generally not interest bearing and are stated at amortised cost which approximates to nominal value due to creditors days being relatively low.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

1 Accounting policies (continued)

q) Trade receivables

Trade receivables are recorded at their original amount less provision for expected credit losses. The Company has elected to apply the simplified version of the expected credit loss model permitted by IFRS 9 in respect of trade receivables. The lifetime expected credit losses are assessed for all balances. The Company has established a provision matrix that is based on its historical credit loss experience and is adjusted for specific forward-looking factors.

The carrying amount of the receivable is reduced through the use of a provision account and movements in the provision are recognised in the income statement within operating costs and other income. When a previously provided trade receivable is uncollectable, it is written off against the provision. Adjustments to this policy may be made in specific circumstances. At each reporting date, the Company assesses whether trade receivables are credit-impaired. This includes a review of whether the customer is in significant financial difficulty, the probability that the customer will enter bankruptcy or financial reorganisation, and any default or delinquency in payments.

r) Cash and cash equivalents

For the purposes of the balance sheet, cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short term highly liquid investments with maturities at the balance sheet date of twelve months or less that are available for meeting short-term cash commitments and subject to no significant penalty for early withdrawal.

s) Reserves

The Company has a number of reserve accounts.

Called up share capital represents the nominal value of the issued share capital of the Company.

Capital account represents capital contributions made prior to the Company adopting FRS 101.

Contribution reserve represents equity investments that have been made by the parent company.

The Profit and loss account is the cumulative retained loss of the Company.

t) Critical accounting policies and estimates

Preparation of the financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' requires Directors to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual outcomes could differ from those estimated. The Directors believe that the accounting policies and estimation techniques discussed below represent those that require the greatest exercise of judgement. The Directors have used their best judgement in determining the estimates and assumptions used in these areas but a different set of judgements could result in material changes to the Company's reported financial performance and/or financial position.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

1 Accounting policies (continued)

t) Critical accounting policies and estimates (continued)

The critical accounting policies summarised below cover the policies regarded by the Directors as critical to the Company's reporting in general.

i) Pensions

The determination of the Company's pension benefit obligation and expense for defined benefit pension schemes is dependent on the selection by the Directors of certain assumptions used by actuaries in calculating such amounts. Those assumptions include the discount rate, the annual rate of increase in future salary levels and mortality rates. The Directors' assumptions are based on actual historical experience and external data. While we believe that the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the pension obligation and future expense.

ii) Taxation

The Company's tax charge is based on the pre-tax profit for the year and tax rates in force. Estimation of the tax charge requires an assessment to be made of the potential tax consequences of certain items that will only be resolved when agreed by the relevant tax authorities. Assessment of the likely outcome is based on historical experience, professional advice from external advisors, and the current status of any judgemental issues. However, the final tax cost to the company may differ from the estimates.

iii) Property, plant and equipment

Property, plant and equipment, other than land, are depreciated on a straight-line basis to write off the cost or valuation less estimated residual value of each asset over their estimated useful lives. Useful lives are estimated based on a number of factors, including the expected usage of the asset, expected deterioration and technological obsolescence. If another depreciation method (for example, reducing balance) was used or different useful lives or residual values were applied, this could have a material effect on the Company's depreciation charge and net profit.

iv) COVID-19 support schemes

Under CBSSG and BRG, grant income may be claimed by operators of local bus services in England to close the shortfall of revenue earned by them during the period affected by COVID-19 and the costs incurred by them in that period. Estimating the amount of CBSSG and BRG receivable for the period ended 30 April 2022 involves significant estimation uncertainty. The extent to which certain costs are eligible for inclusion in claiming bus support grant income and how certain costs should be determined for the purposes of the schemes remains subject to reconciliation processes. That creates estimation uncertainty in determining the Group's bus support grant income. In the period ended 30 April 2022, the Company has recognised bus support scheme grant income of £7.088m (2021: £11.144m), being the amount in respect of which the Company considers there to be reasonable certainty that: (a) the Company will comply with the conditions attaching to the grant and (b) the grant will be received and retained by the Company, taking account of the potential adjustments to grant payments as a result of the schemes' reconciliation processes.

Full details of CBSSG and BRG are discussed in note 1 of the Group's 2022 Annual Report.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

2 Revenue

Due to the nature of the Company's business, the origin and destination of revenue (the United Kingdom) is the same in all cases. As the Company predominantly sells bus services to individuals, it has few customers that are individually "major". Its major customers are typically public bodies that subsidise or procure transport services - such customers include local authorities and transport authorities.

	2022	2021
	£000	£000
Commercial passenger revenue	28,152	15,539
Concessionary revenue	12,987	13,658
Tendered and school revenue	11,850	11,547
Contract and other revenue	228	301
	<u>53,217</u>	<u>41,045</u>

3 Other operating income

	2022	Restated 2021
	£000	£000
Government grant income	10,796	18,419
Advertising income	362	90
Property rental income	1	2
Departure charges income	46	29
Other miscellaneous revenue	182	203
	<u>11,387</u>	<u>18,743</u>

Government support grants in the form of BSOG, CJRS, CBSSG and BRG are reported as other operating income. Other operating income has been restated to correct for a prior period error. See note 19 for further details.

4 Finance charges

	2022	2021
	£000	£000
Bank interest payable	-	3
Net finance expense on pension liability (see note 15)	110	182
Lease interest expense	24	18
	<u>134</u>	<u>203</u>

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

5 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation for the period is stated after charging:

	2022	2021
	£000	£000
Redundancy costs	-	107
Loss on sale of tangible fixed assets other than land & buildings	49	61
Depreciation		
- owned	3,882	4,146
- right of use assets	115	110
Impairment of PSVs	200	-
Rentals payable on low-value and short-term leases	59	64

No auditor's fees have been settled directly by the Company. Audit fees of £11,250 (2021: £11,071) were paid by a fellow subsidiary undertaking on behalf of the Company in respect of audit work performed in the UK.

6 Staff costs

The average monthly number of persons employed by the Company (including executive directors) during the period was:

	2022	2021
	Number	Number
Operations	1,177	1,207
Administration and supervisory	88	79
	<u>1,265</u>	<u>1,286</u>

The aggregate remuneration comprised:

	2022	2021
	£000	£000
Wages and salaries	31,291	30,461
Social security costs	2,839	2,523
Pension costs (see note 15)	2,587	2,310
	<u>36,717</u>	<u>35,294</u>

7 Directors' remuneration

	2022	2021
	£000	£000
Emoluments of directors (including pension contributions)	<u>228</u>	<u>185</u>

The above details of directors' emoluments include an apportionment of the emoluments of CL Stockton-Jones, BM Dingwall and JR Mitchel (2021: CL Stockton-Jones, BM Dingwall, A M Threapleton and JR Mitchel) which are paid by fellow Group undertaking, Stagecoach Services Limited with the exception of BM Dingwall which are paid by Stagecoach Holdings Limited.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

7 Directors' remuneration (continued)

The highest paid director in the period received £195,000.

No part of the remuneration of RM Cox is directly attributable to the Company.

The number of directors who were members of pension schemes during the period was as follows:

	2022	2021
	Number	Number
Defined contribution scheme	<u>2</u>	<u>4</u>

Contributions made to defined contribution schemes in respect of the highest paid director in the period were £34,000.

The number of directors who exercised share options during the period was as follows:

	2022	2021
	Number	Number
Share option scheme	<u>1</u>	<u>2</u>

8 Tax charge on (loss)/profit on ordinary activities

a) Tax recognised in the income statement

	2022	2021
	£000	£000
Current tax:		
UK corporation tax on (loss)/profit of the period	-	430
Amounts receivable from fellow subsidiary in respect of group relief	(108)	-
Adjustments in respect of prior periods	<u>33</u>	<u>(35)</u>
Total current tax (credit)/charge	(75)	395
Deferred tax:		
Origination and reversal of timing differences	731	(152)
Adjustments in respect of prior periods	<u>(40)</u>	<u>33</u>
Total deferred tax (note 13a)	<u>691</u>	<u>(119)</u>
Total tax reported in the income statement	<u>616</u>	<u>276</u>

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

8 Tax charge on (loss)/profit on ordinary activities (continued)

b) Tax relating to items charged outside of the income statement

	2022	2021
	£000	£000
Tax on net actuarial gains on defined benefit pension schemes	<u>1,011</u>	<u>1,186</u>

c) Factors affecting the tax (credit)/charge for the period

The tax assessed for the period is higher (2021: lower) than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	2022	2021
	£000	£000
(Loss)/profit on ordinary activities before tax	<u>(128)</u>	<u>1,628</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(24)	309
<i>Effect of:</i>		
Non tax deductible expenditure and other permanent differences	47	49
Super deduction enhanced capital allowances	(60)	-
Treatment of inter-company transactions	(72)	(79)
Impact on deferred tax from change in UK corporation tax rate from 19% to 25%	732	-
Adjustments to tax charge in respect of previous periods	<u>(7)</u>	<u>(3)</u>
Total tax reported in the income statement	<u>616</u>	<u>276</u>

d) Factors that may affect future tax charges

The deferred tax balances have been calculated with reference to the enacted UK corporation tax rate as at balance sheet date of 30 April 2022 of 25%. On 24 May 2021, an increase in the rate to 25% from 1 April 2023 was substantively enacted.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

9 Fixed assets

a) Tangible assets

The movement in the period is summarised below:

	Freehold land and buildings £000	Leasehold land and buildings £000	PSVs £000	Plant and equipment and furniture and fittings £000	Total £000
Cost					
Beginning of period	16,881	803	65,200	4,617	87,501
Additions	-	-	1,054	-	1,054
Disposals	-	-	(1,276)	(16)	(1,292)
Intercompany transfers	-	3	(671)	70	(598)
End of period	16,881	806	64,307	4,671	86,665
Accumulated depreciation					
Beginning of period	(2,414)	(378)	(38,655)	(3,877)	(45,324)
Charge for period	(374)	(16)	(3,265)	(227)	(3,882)
Impairment	-	-	(200)	-	(200)
Disposals	-	-	1,218	16	1,234
Intercompany transfers	-	(3)	557	(66)	488
End of period	(2,788)	(397)	(40,345)	(4,154)	(47,684)
Net book value					
Beginning of period	14,467	425	26,545	740	42,177
End of period	14,093	409	23,962	517	38,981

There is no right of use assets included in the above.

Freehold land amounting to £5,107,000 (2021: £5,107,000) has not been depreciated.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

9 Fixed assets (continued)

b) Right of use assets

The movement in the period is summarised below:

	Leasehold land and buildings £000
Cost	
Beginning of period	693
Additions	84
End of period	777
Accumulated depreciation	
Beginning of period	(200)
Charge for period	(115)
End of period	(315)
Net book value	
Beginning of period	493
End of period	462

Cash outflows of £127,000 in relation to leases and related interest have taken place during the 52 week period to 30 April 2022 (52 week period to 1 May 2021: £92,000).

The income statement includes the following depreciation charges and other costs relating to leases:

	Note	2022 £000	2021 £000
Depreciation			
Land and buildings	9(b)	115	110
Total depreciation for right-of-use assets		115	110
Expense relating to short-term leases	5	49	54
Expense relating to low-value assets	5	10	10
Lease costs included within operating profit		174	174
Interest expense included in finance costs	4	24	18
Lease costs included within profit before tax		198	192

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

10 Stocks

	2022	2021
	£000	£000
Spares, consumables and fuel	<u>729</u>	<u>464</u>

In the opinion of the directors, the difference between the replacement cost of these stocks and their balance sheet value is not material.

The cost of stock recognised as an expense and included in operating costs during the period amounted to £13,964,000 (2021: £11,631,000).

11 Debtors

	2022	Restated 2021
	£000	£000
<i>Amounts falling due within one year:</i>		
Trade debtors	178	135
Amounts owed by group undertakings	690	219
Inter-company group relief receivable	108	-
Prepayments	187	205
Contract assets	340	329
Government grant receivable	<u>2,822</u>	<u>2,721</u>
	<u>4,325</u>	<u>3,609</u>

Amounts due from fellow group undertakings within one year accrue no interest and are repayable on demand.

Prior period has been restated to correct a prior period error. See note 19 for further details.

Contract assets represents amounts that have been earned by the Company prior to the balance sheet date which remain un-invoiced at the balance sheet date.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

12 Creditors

	2022 £000	2021 £000
<i>Amounts falling due within one year:</i>		
Lease liabilities	90	146
Amounts owed to group undertakings	16,226	17,134
PAYE and NIC payable	953	822
Accruals	3,140	3,598
Contract liabilities	1,575	1,547
Revenue grants	2,332	85
Bank overdraft	-	2,572
Pension creditor	292	280
	24,608	26,184
<i>Amounts falling due within one year:</i>		
Lease liabilities	383	382

Amounts due to fellow group undertakings within one year accrue no interest and are repayable on demand.

Contract liabilities represents amounts advanced by customers in respect of which the Company has not yet met the performance obligations to allow the recognition of the balance as revenue. These mainly relate to the season tickets held by passengers which cross over the year end date and concessionary payments received by the Company in respect of services that had yet to be performed.

The contract liabilities as at 30 April 2022 are expected to be recognised as revenue in the year to 30 April 2022. The contract liabilities at the previous balance sheet date were predominately recognised within revenue in the subsequent year.

Changes in the contract liabilities relating to customer contracts at each year-end principally reflect changes in the volume of season tickets purchased in advance of the respective year-end dates. The increase in the liabilities from 1 May 2021 to 30 April 2022 reflects the reduction of the impact of COVID-19 on ticket purchasing.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

13 Provisions for liabilities and charges

	2022	2021
	£000	£000
<i>Current:</i>		
Dilapidation provision (note 13b)	-	20
Litigation provision (note 13c)	6	6
	<u>6</u>	<u>26</u>
<i>Non-current:</i>		
Deferred tax liability (note 13a)	3,051	1,349
Dilapidation provision (note 13b)	28	-
	<u>3,079</u>	<u>1,349</u>
Total provisions	<u>3,085</u>	<u>1,375</u>

a) Deferred Tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

	2022	2021
	£000	£000
Deferred tax to be recovered after more than 12 months:		
Deferred tax liability	3,051	2,370
Pension temporary differences	-	(1,021)
Net deferred tax liability	<u>3,051</u>	<u>1,349</u>

The movement in deferred tax during the period was:

	2022	2021
	£000	£000
At beginning of period	1,349	282
Charged/(credited) to income statement (note 8a)	691	(119)
Charged to equity (note 8b)	1,011	1,186
At end of period	<u>3,051</u>	<u>1,349</u>

Deferred tax included in the Balance Sheet comprises:

	2022	2021
	£000	£000
Accelerated capital allowances	3,182	2,429
Other short term temporary differences	(131)	(59)
Pension temporary differences	-	(1,021)
Net deferred tax liability	<u>3,051</u>	<u>1,349</u>

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

13 Provisions for liabilities and charges (continued)

a) Deferred tax (continued)

The amount of deferred tax recognised in the income statement by type of temporary difference is as follows:

	2022	2021
	£000	£000
Accelerated capital allowances	754	(107)
Pension temporary differences	10	(45)
Other short term differences	(73)	33
Deferred tax charge/(credit)	<u>691</u>	<u>(119)</u>

b) Dilapidation provision

	2022	2021
	£000	£000
At start of period	20	44
Provision created in period	8	-
Utilised in the period	-	(24)
Provision at end of period	<u>28</u>	<u>20</u>

The provision in respect of dilapidations of £28,000 on its property at Cornfield Road, Eastbourne is expected to be utilised in full over the remaining terms of the lease.

c) Litigation provision

	2022	2021
	£000	£000
At start of period	6	-
Created in period	-	6
Provision at end of period	<u>6</u>	<u>6</u>

The provision, in respect of the Company's employment tribunals is expected to be utilised over the period to April 2023.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

14 Called up share capital

	2022 £000	2021 £000
<i>Authorised</i>		
1,550,000 (2021: 1,550,000) Ordinary shares of £1 each	<u>1,550</u>	<u>1,550</u>
<i>Allotted, called up and fully paid</i>		
1,550,000 (2021: 1,550,000) Ordinary shares of £1 each	<u>1,550</u>	<u>1,550</u>

Ordinary shares have the following rights, preferences and restrictions:

The ordinary shares carry a right to vote all general meetings of the Company, a right to share in any dividend issued, and a right to share in a distribution of capital of the Company.

15 Retirement benefit obligations

The Company participates in a defined benefit occupational pension scheme, the Stagecoach Group Pension Scheme, and in addition the Company contributes to defined contribution schemes for certain employees. Contribution costs of £2,558,000 (2021: £2,256,000), were recognised by the Company. At 30 April 2022 there was a creditor of £292,000 (2021: £280,000) in relation to these contributions.

The Stagecoach Group Pension Scheme ("SPS")

The Stagecoach Group Pension scheme is a defined benefit scheme. The scheme closed to future accrual in April 2017. The Company, together with a number of companies within the Group headed by Stagecoach Group Limited (formerly Stagecoach Group plc), made contributions to the Scheme. The Company accounts for its portion of the retirement benefit obligation, based on its share of contributions to the scheme.

In the consolidated financial statements of Stagecoach Group Limited (formerly Stagecoach Group plc), the scheme as a whole is accounted for as a defined benefit scheme. The consolidated financial statements of Stagecoach Group Limited (formerly Stagecoach Group plc) provide further details of the scheme. A full actuarial valuation of the scheme is normally carried out every 3 years. The last actuarial valuation of the Stagecoach Group Pension Scheme was completed as at 30 September 2021. The combined surplus across the then two sections on the Trustees' technical provisions basis was £48.7m, comprising scheme assets of £1,482.3m less benefit obligations of £1,433.6m. The weighted average discount rate applied in determining the value of those benefit obligations was 3.4%. The discount rate reflects the asset allocation of SPS and its strong track record of investment returns.

The management and reporting of the Stagecoach Group Pension Scheme is undertaken at Group level. A sensitivity analysis of significant actuarial assumptions is included within note 23 of the Group's 2022 Annual Report, which does not form part of this report.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

15 Retirement benefit obligations (continued)

The amounts recognised in the balance sheet were determined as follows:

	2022	2021
	£000	£000
Equities	36,541	37,381
Private equities	933	1,088
Bonds	10,915	10,345
Cash	2,007	1,944
Property	5,152	3,823
Fair value of plan assets	55,548	54,581
Present value of obligations	(52,457)	(59,955)
Surplus/(liability) before tax recognised in the balance sheet	3,091	(5,374)
Withholding tax provision on recoverable surplus	(1,082)	-
Surplus/(liability) net of withholding tax recognised in the balance sheet	2,009	(5,374)

At 30 April 2022, 89% (2021: 91%) of scheme assets were quoted on a recognised stock exchange or held in cash or assets readily convertible to cash and therefore considered to be liquid.

The amounts recognised in the income statement were as follows:

	2022	2021
	£000	£000
Past service cost	-	25
Administration cost	29	29
Interest cost	110	182
Total defined benefit cost	139	236
Defined contribution cost	2,558	2,256
Total income statement charge	2,697	2,492

The impact of the income statement charge can be analysed as follows:

	2022	2021
	£000	£000
Total included in staff costs (note 6)	2,587	2,310
Total included in finance charges (note 4)	110	182
	2,697	2,492

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

15 Retirement benefit obligations (continued)

The amounts recognised within the Statement of Other Comprehensive Income were as follows:

	2022 £000	2021 £000
Actual return less expected return on pension scheme assets	2,165	7,667
Experience losses arising on the scheme liabilities	(1,633)	(1,479)
Changes in assumptions underlying the present value of the scheme liabilities	7,881	55
Actuarial gain recognised in the statement of other comprehensive income	8,413	6,243
Withholding tax charge on distribution of recoverable surplus	(1,082)	-
Total actuarial gain recognised in the statement of other comprehensive income	7,331	6,243

The movement in the liability recognised in the balance sheet in respect of the defined benefit plan during the period under IAS 19 was:

	2022 £000	2021 £000
Liability at the beginning of the period	(5,374)	(11,380)
Total expense	(139)	(237)
Actuarial gain	8,413	6,243
Employers' contributions	191	-
Surplus/(liability) at end of period	3,091	(5,374)
Withholding tax provision on recoverable surplus	(1,082)	-
Surplus/(liability) net of withholding tax at end of the period	2,009	(5,374)

The movement in fair value of the plan assets during the period under IAS 19 is as follows:

	2022 £000	2021 £000
At beginning of period	54,581	48,533
Expected return on plan assets	2,165	7,667
Interest income	1,039	755
Employers' contributions	191	-
Administration costs	(29)	(29)
Benefits paid	(2,399)	(2,345)
At end of period	55,548	54,581

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

15 Retirement benefit obligations (continued)

The movement in the present value of obligations recognised in the balance sheet in respect of the defined benefit plan during the period under IAS 19 is as follows:

	2022	2021
	£000	£000
At beginning of period	59,955	59,913
Past service costs	-	25
Interest cost	1,149	938
Actuarial loss – experience gains and losses	1,633	1,479
Actuarial gain – changes in assumptions	(7,881)	(55)
Benefits paid	(2,399)	(2,345)
At end of period	52,457	59,955

The principal actuarial assumptions used were as follows:

	30 April	1 May
	2022	2021
	%	%
Rate of increase in pensionable salaries	N/a	N/a
Rate of increase of pension payment	2.9	2.9
Discount rate	3.2	2.0
Rate of inflation (RPI)	3.5	3.2
Consumer price inflation (CPI)	2.8	2.4

The life expectancy assumptions used for each scheme are periodically reviewed. The weighted average life expectancies announced at 30 April 2022 and 1 May 2021 were:

	30 April	1 May
	2022	2021
	Years	Years
Current pensioner aged 65 – male	19.1	19.1
Current pensioner aged 65 – female	22.5	22.4
Future pensioner at 65 (aged 45 now) – male	20.5	20.5
Future pensioner at 65 (aged 45 now) - female	24.0	24.0

16 Guarantees and other financial commitments

a) Lease commitments

The Company has commitments of £Nil (2021: £Nil) for short-term leases and £Nil (2021: £Nil) of low-value assets as at 30 April 2022.

b) Contingent liabilities

The Company, together with certain other group undertakings, is a member of a group for VAT purposes, and technically stands liable in the event of default by any other group undertaking.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

16 Guarantees and other financial commitments (continued)

c) Cross guarantees

The company is subject to a cross corporate guarantee in relation to the Stagecoach Group Limited (formerly Stagecoach Group plc) banking arrangements with the Bank of Scotland. There have been no instances where this guarantee has been called upon during the period and none are expected in the future.

17 Share based payments

The Company operated a Buy as You Earn Scheme ("BAYE") which enables eligible employees to purchase shares from their gross income. The Company provides two matching shares bought from the first £10 of monthly investment subject to a maximum Company contribution of shares to the value of £20 per employee per month. In light of the COVID-19 situation and in order to ensure fairness for all employees on the CJRS, since 6 April 2020, the Group has suspended share investments under the BAYE plan for the time being.

If the shares are held in trust for five years or more, no income tax and national insurance will be payable. The matching shares will be forfeited if the corresponding partnership shares are removed from trust within three years of award.

All share options referred to relate to ordinary shares of Stagecoach Group Limited (formerly Stagecoach Group plc), the ultimate parent company as at 30 April 2022.

At 30 April 2022 there were 168 (2021: 206) participants in the BAYE scheme who have cumulatively purchased 180,117 (2021: 227,109) shares with the Company contributing 86,620 (2021: 108,126) matching shares on a cumulative basis. Dividends had been reinvested in a further 47,289 (2021: 58,045) shares for these participants

Share based payment charges of £Nil (2021: £ Nil) have been recognised in the profit and loss account during the year in relation to the scheme.

18 Related party transactions

The Company has taken advantage of the exemptions granted under IAS 24 by not disclosing details of sales and purchases with other members of the group headed by Stagecoach Group Limited (formerly Stagecoach Group plc). Details of amounts owed to and from group undertakings are disclosed in aggregate in notes 11 and 12.

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

19 Prior period restatement

Income statement

In the prior period's financial statements, the Company recognised the Bus Service Operators Grant (BSOG) within operating costs as an offset to the fuel costs in error. In accordance with FRS 101, grant income should be presented gross as other operating income. This has since been presented as other operating income in the current period and restated in the prior period.

The effect of this prior period restatement is as follows:

	Operating costs	Other operating income	Profit and loss account
	£000	£000	£000
As at 1 May 2021 as previously reported	(54,173)	14,959	1,352
Impact of prior period error - BSOG	(3,784)	3,784	-
As at 1 May 2021 as restated	(57,957)	18,743	1,352

Balance sheet

The Company identified that the Bus Service Operator Grant (BSOG) debtor (£1,753,000) and COVID-19 support grants receivable (£968,000) have been incorrectly recorded as prepayments instead of Government grant receivable as at 01 May 2021. Additionally, contract assets had been incorrectly recorded in prepayments (£329,000) instead of being separately disclosed as contract assets as at 01 May 2021.

Therefore, the prior period comparatives have been restated in note 11.

There was no impact on the Net Assets or Profit for the 52 week period ended 1 May 2021 or on the reserves at 3 May 2020, being the beginning of the comparative period.

20 Ultimate parent company

The Company's immediate parent company is Stagecoach Bus Holdings Limited, registered in Scotland (registered number SC176671). The Company's ultimate parent company as at 30 April 2022 was Stagecoach Group plc, registered in Scotland (number SC100764), which heads the only group into which the results of the Company are consolidated. The financial statements of the ultimate parent company are available from the following address:

Stagecoach Group Limited (formerly Stagecoach Group plc)
Group Headquarters
10 Dunkeld Road
Perth
PH1 5TW

Notes to the financial statements (continued)

For the 52 week period ended 30 April 2022

21 Post balance sheet events

(i) Ultimate parent company

During the period ended 30 April 2022, and as at the balance sheet date of 30 April 2022, the Company's immediate parent company was Stagecoach Bus Holdings Limited, as disclosed in note 21. The Company's ultimate parent company during the period ended 30 April 2022 and as at 30 April 2022 was Stagecoach Group plc ("the Group"). The Group was not under the control of any single party or, parties acting in concert. On 9 March 2022, the boards of Inframobility UK Bidco Limited and Group announced that they had reached agreement on the terms of a recommended all-cash offer from Inframobility UK Bidco Limited for the entire issued share capital of the Group.

That offer became unconditional on 20 May 2022. Accordingly, with effect from 20 May 2022, Inframobility UK Bidco Limited controls the Group. As of 12 August 2022, Inframobility UK Bidco Limited controls 100% of the Group's issued ordinary shares (excluding shares held in treasury) and voting rights. DWS Infrastructure has management control of the Group from 20 May 2022, although its indirect ownership interest in the Group is less than 2%. The Group's immediate holding Company is therefore Inframobility UK Bidco Limited (registered number 13957417), registered in England. Its ultimate holding company is Pan-European Infrastructure III, SCSp ("PEIF III"), an infrastructure fund managed and advised by DWS Infrastructure. PEIF III is not under the control of any single party or, parties acting in concert.

The parent undertaking of the smallest group and the largest group, of which the company is a member and for which consolidated financial statements are expected to be prepared, is Inframobility UK Bidco Ltd, a company registered in England with registered number 13954049 and registered address at Solent Business Park, Forum 4 C/O Aztec Financial Services (UK) Limited, Parkway South, Whiteley, Fareham, United Kingdom, PO15 7AD. That company has yet to produce its first financial statements.

(ii) De-listing of shares

On 28 June 2022, the listing of the Group's shares on the premium listing segment of the Official List, and the trading of the Group's shares on the London Stock Exchange's main market for listed securities, were cancelled.

(iii) Ultimate parent company re-registration

On 17 October 2022, the company's ultimate parent company Stagecoach Group plc re-registered as a private limited company under the name Stagecoach Group Limited.