

Midland Red (South) Limited

Financial statements for the year ended 30 April 2013

Registered number 01556310



Directors' report

For the year ended 30 April 2013

The directors present their report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 30 April 2013

Business review and principal activities

Midland Red (South) Limited operates a fleet of 269 buses, operating predominantly local bus services, and employs 586 people in and around Warwickshire. The Company also operates the budget intercity coach service Megabus.com

The results of the Company for the year ended 30 April 2013 show a pre-tax profit of £1,799,000 (2012: £8,900,000) and turnover of £43,578,000 (2012: £38,145,000). The Company has net assets of £3,695,000 (2012: net liabilities £5,000).

Business environment

The Company operates predominantly local bus services, carrying around 52,348 passengers a day. These services are mainly operated on a commercial basis in a largely deregulated market. We also operate tendered services, including school contracts, on behalf of local authorities and other public bodies. The Company benefits from being part of the UK Bus (regional operations) Division of Stagecoach Group plc, a nationwide public transport operator.

The Company operates in a competitive environment and differentiates itself from its competitors by

- improving operational and engineering facilities,
- focusing on recruitment and retention of drivers,
- investment in new vehicles, and
- strong focus on technology and innovation.

Strategy

The Company's overriding objective is to achieve attractive and sustainable rates of growth and returns through organic growth, supplemented by targeted acquisitions where appropriate.

There are several elements to the Company's strategy for growth. They are

- continued focus on value-for-money ticket offerings,
- investment in new vehicles to maximise our customer's experience,
- commitment to excellent customer service,
- strong focus on the safety and security of passengers and staff, and
- consistent excellent operational performance.

Directors' report (continued)

For the year ended 30 April 2013

Training and development

We have consistently sought to recruit and retain the best employees in the markets in which we operate. The Company invests significantly to ensure that our staff are properly trained and able to offer the best customer service.

The Company, under guidance from central UK Bus (regional operations) management, operates staff development, graduate trainee and apprentice engineer programmes.

Future outlook

The current financial year to 30 April 2014 has started well and trading is broadly in line with our expectations. The Company does, however, face strong headwinds in light of the ongoing economic situation and the effect of government spending cuts imposed on local authorities.

We believe our value fares, continued innovation, investment in our fleet, commitment to staff training and continuous monitoring of operational efficiency will enable us to maximise our performance in the future.

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 Group level, rather than at an individual business unit level. The principal risks and uncertainties of Stagecoach Group plc, which includes those of the Company, are discussed in the Operating and Financial Review (paragraph 2.3.6) of the Group's 2013 annual report which does not form part of this report.

Key performance indicators ("KPIs")

The directors of 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 Division of Stagecoach Group plc, which includes the Company, is discussed in the Operating and Financial Review (paragraph 2.3.7) of the Group's 2013 annual report which does not form part of this report.

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.

Directors' report (continued)

For the year ended 30 April 2013

Results and dividends

Profit on ordinary activities after taxation amounted to £1,529,000 (2012 £6,878,000) This amount has been appropriated as follows

	2013	2012
	£000	£000
Profit for the financial year	1,529	6,878
Interim dividend paid to parent company	(500)	(11,750)
Profit / (loss) transferred to profit and loss account	1,029	(4,872)

Directors

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

Mr L B Warneford (resigned 26/04/2013)

Mr C Brown

Mr R G Andrew

Mr R Montgomery

Mr M J Vaux

Mr S J Burd

Mr S Greer

Mr G Nolan (appointed 02/05/2013)

Directors' report (continued)

For the year ended 30 April 2013

Statement of directors' responsibilities

The directors are responsible for preparing the 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Donations

The Company does not make political contributions and accordingly there were no payments for political purposes during the year (2012: £Nil).

Disabled persons

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.

Employee involvement

The Company is committed to employee participation and uses a variety of methods to inform, consult and involve its employees. Employees participate directly in the success of the business through the Stagecoach Group's bonus and other remuneration schemes and are encouraged to invest through participation in share option schemes.

Directors' report (continued)

For the year ended 30 April 2013

Supplier payment policy

It is the Company's policy to settle the terms of payment with suppliers when agreeing each transaction or series of transactions, to ensure suppliers are aware of these terms and to abide by them. Responsibility for the payment of suppliers lies with Stagecoach Services Limited, a fellow group company, hence trade creditors outstanding at the year end represented Nil days (2012 Nil days)

Fixed assets

In the opinion of the directors there is no material difference between the book and current open market value of interests in land and buildings

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, PricewaterhouseCoopers 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 the Company

Other

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



M J Vaux
Company Secretary

Daw Bank
Stockport
CHESHIRE
SK3 0DU

16 September 2013

Independent auditors' report to the members of Midland Red (South) Limited

For the year ended 30 April 2013

Independent auditors' report to the members of Midland Red (South) Limited

We have audited the financial statements of Midland Red (South) Limited for the year ended 30 April 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds / (Deficit) and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 April 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of Midland Red (South) Limited (continued)

For the year ended 30 April 2013

Matters on which we are required to report by exception

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

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



Graham McGregor (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Glasgow

16 September 2013

Profit and loss account

For the year ended 30 April 2013

	Note	2013 £000	2012 £000
Turnover	2	43,578	38,145
Cost of sales		(42,117)	(30,229)
Other operating income	3	<u>360</u>	<u>554</u>
Operating profit		1,821	8,470
Finance (charges) / income (net)	4	<u>(22)</u>	<u>430</u>
Profit on ordinary activities before taxation	5	1,799	8,900
Taxation on profit on ordinary activities	9	<u>(270)</u>	<u>(2,022)</u>
Profit for the financial year	17	<u>1,529</u>	<u>6,878</u>

The results for the year arise wholly from continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and the historical cost equivalent

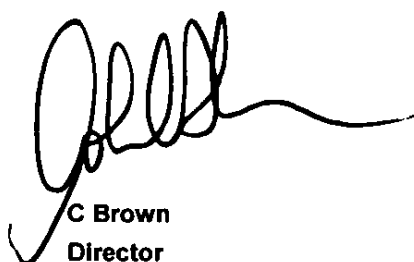
The Company has no gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented

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

Balance sheet
As at 30 April 2013

	Note	2013 £000	2012 £000
Fixed assets			
Tangible assets	10(a)	15,911	14,603
Investments	10(b)	-	-
		<u>15,911</u>	<u>14,603</u>
Current assets			
Stocks	11	186	171
Debtors	12	2,124	5,290
Cash at bank and in hand		<u>4,446</u>	<u>6,125</u>
		6,756	11,586
Creditors, amounts falling due within one year	13	<u>(14,180)</u>	<u>(21,256)</u>
Net current liabilities		<u>(7,424)</u>	<u>(9,670)</u>
Total assets less current liabilities		8,487	4,933
Creditors: amounts falling due after more than one year	13	(3,806)	(3,976)
Provisions for liabilities and charges	15	<u>(986)</u>	<u>(962)</u>
Net assets / (liabilities)		<u>3,695</u>	<u>(5)</u>
Capital and reserves			
Called up share capital	16	2,721	50
Contribution reserve	17	163	163
Profit and loss account	17	<u>811</u>	<u>(218)</u>
Total shareholders' funds / (deficit)		<u>3,695</u>	<u>(5)</u>

The financial statements on pages 8 to 25 were approved by the Board of Directors on 16 September 2013 and were signed on its behalf by



C Brown
Director

The accompanying notes form an integral part of this balance sheet

Reconciliation of movements in shareholders' funds / (deficit)

For the year ended 30 April 2013

	Note	2013 £000	2012 £000
Profit for the financial year		1,529	6,878
Credit in respect of equity settled shared based payments	7	-	17
Net proceeds of issue of ordinary share capital		2,671	-
Dividends	6	<u>(500)</u>	<u>(11,750)</u>
Net Increase / (decrease) in shareholder's funds		<u>3,700</u>	<u>(4,855)</u>
Opening shareholders' (deficit) / funds		<u>(5)</u>	<u>4,850</u>
Closing shareholders' funds / (deficit)		<u>3,695</u>	<u>(5)</u>

The accompanying notes form an integral part of this reconciliation

Notes to the financial statements

For the year ended 30 April 2013

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are

a) Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The Company is not required to prepare a cash flow statement under FRS 1 (revised), because it is a wholly owned subsidiary of Stagecoach Group plc, which prepares consolidated financial statements which are publicly available. The Company is a wholly-owned subsidiary of Stagecoach Group plc and is included in the consolidated financial statements of Stagecoach Group plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

At 30 April 2013, the Company had net current liabilities of £7,424,000. The directors have received confirmation of continuing financial support from the ultimate holding company. Accordingly, the financial statements have been prepared on the going concern basis.

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 10a.

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:

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

c) Fixed Asset Investments

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

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 year ended 30 April 2013

1 Accounting policies (continued)

e) *Taxation*

In accordance with FRS 16, Corporation tax is provided on taxable profits at the current rate. Tax charges and credits are accounted for through the same primary statement (either the profit and loss account or the statement of total recognised gains and losses) as the related pre tax item.

In accordance with FRS 19, full provision is made for deferred tax on a non-discounted basis.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

f) *Turnover*

Turnover represents fare revenue receivable in respect of the period. The directors regard the Company's business activities, which are carried out mainly in the United Kingdom with an immaterial amount being carried out in mainland Europe, as being of one class.

g) *Hire purchase and lease obligations*

Assets acquired under hire purchase contracts and finance leases are recorded in the balance sheet as an asset (at the equivalent of the purchase price) and as an obligation to pay future hire purchase capital instalments or finance lease rentals. Assets held under hire purchase arrangements are depreciated over their useful life.

Obligations from hire purchase contracts and finance 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 hire purchase and finance lease obligations are charged to the profit and loss account over the period of the hire purchase or finance lease.

Rentals under operating leases are charged on a straight-line basis over the lease term.

Notes to the financial statements (continued)

For the year ended 30 April 2013

1 Accounting policies (continued)

h) Pension costs and other post retirement benefits

The Company operates both a defined benefit and a defined contribution scheme. The Stagecoach Group Pension Scheme is a defined benefit scheme. For the purposes of FRS 17, the contributions paid by the Company are accounted for as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme.

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

i) Grants

Bus service operators grant is credited to operating costs. Other grants are credited to the profit and loss account as the expenditure is expensed.

j) 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.

k) Other operating income

Revenues incidental to the Company's principal activity are reported as other operating income, and are recognised in the profit and loss account in the period in which they are earned.

l) Share based payments

Certain of the Company's employees are granted equity settled share based payments by the parent company. The Company has applied the optional exemption contained within FRS 20, which allows it to apply the standard only to share options granted after the 7 November 2002 that have not vested by 1 May 2005.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period. Fair value for equity-settled share based payments is estimated by use of the Black-Scholes pricing model.

At each balance sheet date, before vesting, the cumulative expense is calculated based on management's best estimate of the number of equity instruments that will ultimately vest taking into consideration the likelihood of achieving non-market based vesting conditions. The movement in the cumulative expense is recognised in the profit and loss account, with a corresponding entry in reserves.

Notes to the financial statements (continued)

For the year ended 30 April 2013

2 Turnover

The turnover and profit on ordinary activities before taxation were derived wholly from the Company's principal activities which are carried out largely within the United Kingdom, with an immaterial amount relating to operations within mainland Europe

3 Other operating income

	2013	2012
	£000	£000
Commission income	246	434
Advertising income	97	85
Other miscellaneous revenue	17	35
	<u>360</u>	<u>554</u>

4 Finance (charges) / Income (net)

	2013	2012
	£000	£000
Bank interest receivable	80	535
Hire purchase and lease interest payable	(102)	(105)
	<u>(22)</u>	<u>430</u>

5 Profit on ordinary activities before taxation

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

	2013	2012
	£000	£000
Loss on sale of tangible fixed assets other than property	71	9
Depreciation		
- owned	1,436	1,200
- held under hire purchase and finance lease agreements	866	834
Operating lease charges		
- land and buildings	523	508
- plant and machinery	<u>343</u>	<u>111</u>

No auditors' fees have been settled directly by the Company. Audit fees of £2,340 (2012: £8,271) were paid by a fellow subsidiary undertaking on behalf of the Company in respect of audit work performed in the UK.

Notes to the financial statements (continued)

For the year ended 30 April 2013

6 Dividends

	2013 £000	2012 £000
Interim dividend paid to parent company £0.18 per ordinary share (2012: £235)	<u>500</u>	<u>11,750</u>

7 Staff costs

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

	2013 Number	2012 Number
Operations	524	478
Administration and supervisory	<u>62</u>	<u>50</u>
	<u>586</u>	<u>528</u>

	2013 £000	2012 £000
Aggregate remuneration comprised		
Wages and salaries	17,157	13,003
Social security costs	1,426	1,188
Other pension costs (see note 18)	634	784
Share based payment expense - equity settled (see note 20)	-	17
Share based payment expense - cash settled (see note 20)	<u>27</u>	<u>12</u>
	<u>19,244</u>	<u>15,004</u>

Notes to the financial statements (continued)

For the year ended 30 April 2013

8 Directors' remuneration

	2013	2012
	£000	£000
Emoluments of directors	197	167

The above details of directors' emoluments include an apportionment of the emoluments of Mr L B Warneford, Mr C Brown, Mr R G Andrew, Mr S Greer and Mr R Montgomery which are paid by fellow group undertaking, Stagecoach Holdings Limited £85,414 (2012 £45,759) of their total emoluments received is apportioned to their services as directors of Midland Red South Limited

No part of the remuneration of Mr M J Vaux is directly attributable to the Company

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

	2013	2012
	Number	Number
Defined benefit scheme	5	5
Defined contribution scheme	2	2
	7	7

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

	2013	2012
	Number	Number
Share option scheme	5	-

Notes to the financial statements (continued)

For the year ended 30 April 2013

9 Taxation on profit on ordinary activities

	2013 £000	2012 £000
a) Tax charge for the year		
Current tax		
UK corporation tax on profits of the year	283	1,959
Adjustments in respect of prior years	(37)	11
Total current tax	246	1,970
Deferred tax		
Origination and reversal of timing differences	(4)	43
Adjustments in respect of prior years	28	9
Total deferred tax charge (note 15)	24	52
Tax on profit on ordinary activities	270	2,022

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2012 lower) than the standard rate of corporation tax in the UK 23.92% (2012 25.84%). The differences are explained below

	2013 £000	2012 £000
Profit on ordinary activities before tax	1,799	8,900
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.92% (2012 25.84%)	430	2,300
<i>Effect of</i>		
Non tax deductible expenditure and other permanent differences	25	26
Treatment of inter company transactions	(133)	(248)
Capital allowances more than depreciation	(39)	(126)
Share based payments	-	7
Adjustments to tax charge in respect of prior years	(37)	11
Current tax charge for year	246	1,970

Notes to the financial statements (continued)

For the year ended 30 April 2013

9 Taxation on profit on ordinary activities (continued)

c) Factors that may affect future tax charges

Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012 which was substantively enacted in July 2012. The relevant deferred tax balances have been re-measured accordingly.

Further changes to the UK Corporation tax rates were enacted as part of Finance Act 2013 on 2 July 2013. These include further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The overall effect of these further changes, if applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £129,000.

Notes to the financial statements (continued)

For the year ended 30 April 2013

10 Fixed assets

a) *Tangible assets*

The movement in the year is summarised below

	Leasehold land & buildings £000	PSVs £000	Plant and equipment and furniture and fittings £000	Total £000
Cost				
Beginning of year	1,002	25,519	2,404	28,925
Additions	20	3,467	75	3,562
Disposals	-	(1,678)	(279)	(1,957)
Intercompany transfers	-	1,551	15	1,566
End of year	1,022	28,859	2,215	32,096
Accumulated depreciation				
Beginning of year	(413)	(11,989)	(1,920)	(14,322)
Charge for year	(100)	(2,032)	(170)	(2,302)
Disposals	-	1,506	270	1,776
Intercompany transfers	-	(1,321)	(16)	(1,337)
End of year	(513)	(13,836)	(1,836)	(16,185)
Net book value				
Beginning of year	589	13,530	484	14,603
End of year	509	15,023	379	15,911

The net book value of assets leased under finance leases and hire purchase agreements which have been capitalised and included in the above is PSVs £6,158,174 (2012 PSVs £6,323,841) Depreciation of PSVs £865,905 (2012 PSVs £834,072) has been charged in the year in respect of assets held under hire purchase or finance lease agreements

Notes to the financial statements (continued)

For the year ended 30 April 2013

10 Fixed assets (continued)

b) Investments

The Company owns the issued share capital of the following company, which is registered in England and Wales

Company	%	Principal activity
West Midlands Transport Services Limited	9	Provision of passenger transport information

The carrying value of this investment is nil

11 Stocks

	2013	2012
	£000	£000
Spares, consumables and fuel	<u>186</u>	<u>171</u>

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

12 Debtors

	2013	2012
	£000	£000
<i>Amounts falling due within one year</i>		
Prepayments and accrued income	596	661
Amounts due from fellow group undertakings	<u>1,528</u>	<u>4,629</u>
	<u>2,124</u>	<u>5,290</u>

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

Notes to the financial statements (continued)

For the year ended 30 April 2013

13 Creditors

	2013 £000	2012 £000
<i>Amounts falling due within one year</i>		
Hire purchase and finance lease obligations (note 14)	1,050	893
Amounts due to fellow group undertakings	9,922	15,513
UK corporation tax payable	284	1,959
Group relief payable	3	-
Other taxes and social security costs	340	410
Other creditors	12	18
Accruals and deferred income	2,569	2,463
	14,180	21,256
<i>Amounts falling due after more than one year</i>		
Hire purchase and lease obligations (note 14)	3,806	3,976

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

14 Obligations under hire purchase and finance lease agreements

Amounts are repayable as follows

	2013 £000	2012 £000
Amounts payable		
- within one year	1,050	893
- between one and two years	1,050	862
- between two and five years	2,756	3,114
	4,856	4,869

Notes to the financial statements (continued)

For the year ended 30 April 2013

15 Provisions for liabilities and charges

	2013 £000	2012 £000
Accelerated capital allowances	1,000	1,011
Other timing differences	(14)	(49)
Provision for deferred tax	<u>986</u>	<u>962</u>
Provision at start of year	962	910
Deferred tax charge in profit and loss account for year (note 9a)	<u>24</u>	<u>52</u>
Provision at end of year	<u>986</u>	<u>962</u>

16 Called up share capital

	2013 £000	2012 £000
<i>Authorised</i>		
2,721,000 Ordinary shares of £1 each	<u>2,721</u>	<u>50</u>
<i>Allotted, called up and fully paid</i>		
2,721,000 Ordinary shares of £1 each	<u>2,721</u>	<u>50</u>

During the year 2,671,160 ordinary shares were issued to Stagecoach Bus Holdings Limited for a consideration of £2,671,160

17 Reserves

The movement on reserves is summarised below

	Profit & loss account £000	Contribution reserve £000
At start of year	(218)	163
Profit for year	1,529	-
Dividend payments	(500)	-
End of year	<u>811</u>	<u>163</u>

Notes to the financial statements (continued)

For the year ended 30 April 2013

18 Pensions

The Company accounts for pensions in accordance with FRS 17 "Retirement Benefits"

The Stagecoach Group Pension scheme is a defined benefit scheme. The Company, together with a number of companies within the Group headed by Stagecoach Group plc, makes contributions to the Scheme. For the purposes of FRS 17, the contributions paid by the Company are accounted for as if the scheme was a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme. In the consolidated financial statements of Stagecoach Group plc, the scheme as a whole is accounted for as a defined benefit scheme. The consolidated financial statements of Stagecoach Group plc provide further details of the scheme.

The cost to the Company of contributions to the Group scheme amount to £463,000 (2012: £652,000), being 8.55% (2012: 11.85%) of pensionable salary during the year, and are based on pension costs across the Group as a whole. An actuarial valuation of the Stagecoach Group Pension Scheme was undertaken on 30 April 2011 and a surplus of £72.2 million was identified.

Additionally, contributions of £171,000 (2012: £132,000), were made to a defined contribution scheme by the Company. At 30 April 2013 there was a creditor of £36,000 (2012: £26,000) in relation to these contributions.

19 Guarantees and other financial commitments

a) Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2013 Land & buildings £000	2013 Other £000	2012 Land & buildings £000	2012 Other £000
Expiry date				
- within one year	-	173	1	32
- between one and five years	520	100	484	321
- after five years	15	-	27	-
	<u>535</u>	<u>273</u>	<u>512</u>	<u>353</u>

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.

c) Cross guarantees

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

Notes to the financial statements (continued)

For the year ended 30 April 2013

20 Share based payments

The Company operates a Buy as You Earn Scheme ("BAYE"), details of which are given below, and in the prior year also operated a Save as You Earn Scheme (SAYE)

All share options referred to relate to ordinary shares of Stagecoach Group plc, the ultimate parent company

Save as You Earn Scheme (SAYE)

In August 2008, all eligible employees were invited to participate in a new SAYE scheme with a three year duration commencing September 2008

Share based payment charges of £nil (2012 £11,887) have been recognised in the profit and loss account during the year in relation to the scheme

Buy as You Earn Scheme (BAYE)

BAYE enables eligible employees to purchase shares from their gross income. The Company provides two matching shares for every share 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

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 the trust within three years of award

At 30 April 2013, there were 129 (2012 120) participants in the BAYE scheme who have cumulatively purchased 30,543 (2012 9,657) shares with the Company contributing 12,340 (2012 3,500) matching shares on a cumulative basis. Dividends had been reinvested in a further 752 (2012 25) shares for these participants

Share based payment charges of £26,937 (2012 £11,770) have been recognised in the profit and loss account during the year in relation to the scheme

Notes to the financial statements (continued)

For the year ended 30 April 2013

21 Related party transactions

The Company has taken advantage of the exemptions granted under FRS 8 by not disclosing details of sales and purchases with other members of the group headed by Stagecoach Group plc. Details of amounts owed to and from group undertakings are disclosed in aggregate in notes 12 and 13.

The fellow group undertaking Scottish Citylink Coaches Limited is a 35% owned subsidiary of Stagecoach Group plc. For the year ended 30 April 2013, Midland Red (South) Limited included revenue to a value of £574,000 (2012 £606,000) and costs of £1,445,000 (2012 £1,842,000). As of 30 April 2013, the Company has a creditor of £20,367 (2012 £28,583) owed to Scottish Citylink Coaches Limited.

22 Ultimate parent company

The Company's immediate parent company is Stagecoach Bus Holdings Limited registered in Scotland (number SC176671). The Company's ultimate parent company is 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 at the following address:

Stagecoach Group plc
Group Headquarters
10 Dunkeld Road
Perth
PH1 5TW