

**Midland Red (South) Limited**

Financial statements for the year ended 30 April 2016

Registered number: 01556310

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# Strategic report

For the year ended 30 April 2016

The directors present their strategic report on the Company for the year ended 30 April 2016.

## Review of the business

Midland Red (South) Limited is a public transport operator, operating both local bus services in and around Warwickshire and the budget intercity coach service Megabus.com both in the UK and including links to cities within continental Europe. The Company operates a fleet of 482 buses and employs 1,582 people.

## Results and performance

The results of the Company for the year ended 30 April 2016 show a loss on ordinary activities before taxation of £3,893,000 (2015: profit £1,419,000) and revenue of £87,506,000 (2015: £73,165,000). The Company has net liabilities of £1,284,000 (2015: assets £748,000). During the current year, the loss is the result of on-going expansion of the inter-city coach services into mainland Europe incurring significant set up costs.

The Company's business is built on a successful commercial formula of low fares, investment and high customer service which has delivered continued passenger volume growth. The results for the year reflect a continuation of our successful strategy to grow revenue and passenger volumes organically.

## Business environment

The Company operates both local bus services and budget intercity coach services throughout the UK and in continental Europe, carrying around 118,000 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 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 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.

## Strategic report (continued)

For the year ended 30 April 2016

### 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.

### Future outlook

Trading in the current financial year to 30 April 2017 is broadly in line with our expectations. The Company does, however, face strong headwinds in light of the effect of Government spending cuts imposed on local authorities.

We do not expect significant short-term growth in concessionary and tendered revenue as local authorities look to minimise concessionary reimbursement amounts and bus tenders in light of their budget constraints. Our focus is therefore to seek to continue to deliver good growth in commercial revenue to offset inflationary cost pressures.

Intercity coach services operated under the Megabus.com brand continue to grow in the UK. On 30 June 2016, the Group have confirmed the sale of the megabus.com inter-city coach retailing operations for journeys involving mainland Europe. That retailing business has been sold to FlixBus, a retailer of inter-city coach services across a number of countries in Europe. The Group's Megabus.com services within the UK are not part of the sale. The Group will continue to operate a number of inter-city coach services on behalf of FlixBus.

Our assessment of the longer term outlook for the Company is positive. Market conditions are good with a combination of a rising population, increasing road congestion, and widespread concern for the natural environment providing good potential for increased bus usage across the UK.

Furthermore, 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 continue to achieve high levels of customer satisfaction and 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 Group's 2016 annual report (paragraph 1.4.6 of the Strategic Review), which does not form part of this report.

## Strategic report (continued)

For the year ended 30 April 2016

### 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 KPIs 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 Strategic Review (paragraph 1.4.7) of the Group's 2016 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.

By order of the Board



**M J Vaux**

**Company Secretary**

Daw Bank  
Stockport  
Cheshire  
SK3 0DU

5 September 2016

## **Directors' report**

For the year ended 30 April 2016

The directors present their report on the affairs of the Company, together with the audited financial statements and independent auditors' report, for the year ended 30 April 2016.

### **Results and dividends**

The results of the Company for the year ended 30 April 2016 show a loss on ordinary activities before taxation of £3,893,000 (2015: profit £1,419,000) and revenue of £87,506,000 (2015: £73,165,000). The directors recommend that no dividend be paid (2015: £Nil), and that the loss for the financial year amounted to £4,071,000 (2015: profit £1,360,000) be transferred to reserves.

### **Future developments**

Future developments have been discussed in the strategic report on page 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:

Mr C Brown

Mr R G Andrew

Mr R Montgomery

Mr M J Vaux

Mr S J Burd

Mr S Greer

Mr G Nolan

Mrs E Burd (Resigned 19/02/2016)

Mr E Hodgson (Appointed 19/02/2016)

## **Directors' report (continued)**

For the year ended 30 April 2016

### **Employees**

Employees are central to the Company's strategy to deliver its business plan. A well motivated and engaged workforce will in turn create optimum performance and efficiency within the business. The business objectives are achieved through training, developing and engaging employees in delivering an excellent service to customers and maintaining high operational standards.

#### *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 management, operates staff development, graduate trainee and apprentice engineer programmes.

#### *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.

#### *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.

### **Donations**

Donations to charitable organisations amounted to £3,994 (2015: £5,843).

The Company does not make political contributions and accordingly there were no payments for political purposes during the year (2015: £Nil).

### **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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 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 of the profit or loss of the Company for that period.

## **Directors' report (continued)**

For the year ended 30 April 2016

### **Statement of directors' responsibilities (continued)**

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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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.

### **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.

Following Stagecoach Group's external audit tender process, Ernst & Young LLP shall become the Company's auditors in the next financial year.

## **Directors' report (continued)**

For the year ended 30 April 2016

### **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**



**M J Vaux**  
**Company Secretary**

Daw Bank  
Stockport  
CHESHIRE  
SK3 0DU

5 September 2016



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

For the year ended 30 April 2016

## Report on the financial statements

### ***Our opinion***

In our opinion, Midland Red (South) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 30 April 2016 and of its loss 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.

### ***What we have audited***

The financial statements, included within the financial statements (the "Annual Report") comprise:

- the balance sheet as at 30 April 2016;
- the income statement and the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Other matters on which we are required to report by exception**

#### ***Adequacy of accounting records and information and explanations received***

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Midland Red (South) Limited (continued)  
For the year ended 30 April 2016

**Other matters on which we are required to report by exception (continued)**

***Directors' remuneration***

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit**

***Our responsibilities and those of the directors***

As explained more fully in the Statement of Directors' Responsibilities set out on pages 5 - 6, 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) ("ISAs (UK & 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.

***What an audit of financial statements involves***

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

Independent auditors' report to the members of Midland Red (South) Limited (continued)  
For the year ended 30 April 2016

**Responsibilities for the financial statements and the audit (continued)**

***What an audit of financial statements involves (continued)***

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



**Martin Cowie (Senior Statutory Auditor)**  
**For and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
Glasgow

5 September 2016

# Income statement

For the year ended 30 April 2016

	Note	2016 £000	2015 £000
<b>Revenue</b>	2	<b>87,506</b>	73,165
Operating costs		<u>(94,160)</u>	<u>(71,910)</u>
<b>Gross (loss)/profit</b>		<b>(6,654)</b>	1,255
Other operating income	3	<u>2,862</u>	<u>420</u>
<b>Operating (loss)/profit</b>		<b>(3,792)</b>	1,675
Finance charges (net)	4	<u>(101)</u>	<u>(241)</u>
Loss on sale of properties		<u>-</u>	<u>(15)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>	5	<b>(3,893)</b>	1,419
Tax on (loss)/profit on ordinary activities	8	<u>(178)</u>	<u>(59)</u>
<b>(Loss)/profit for the financial year</b>		<b>(4,071)</b>	1,360

The results for the year arise wholly from continuing operations.

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

# Statement of other comprehensive income

For the year ended 30 April 2016

	Note	2016 £000	2015 £000
<b>(Loss)/profit for the financial year</b>		<b>(4,071)</b>	1,360
<b>Other comprehensive income/(expenses):</b>			
Actuarial gain/(loss) on retirement benefit obligations	16	<u>2,628</u>	<u>(3,278)</u>
<b>Other comprehensive income/(expenses)</b>		<b>2,628</b>	<b>(3,278)</b>
Tax (charge)/credit relating to actuarial gain/(loss) on retirement benefit obligations	14	<u>(589)</u>	<u>656</u>
Other comprehensive income/(expenses) for the year, net of tax		<u>2,039</u>	<u>(2,622)</u>
<b>Total comprehensive expenses for the year</b>		<b><u>(2,032)</u></b>	<b><u>(1,262)</u></b>

**Balance sheet**  
As at 30 April 2016

	Note	2016 £000	2015 £000
<b>Non-current assets</b>			
Tangible assets	9a	41,829	43,779
Investments	9b	-	-
		<u>41,829</u>	<u>43,779</u>
<b>Current assets</b>			
Stocks	10	265	269
Debtors: amounts falling due within one year	11	14,063	5,421
Cash at bank and in hand		537	458
		<u>14,865</u>	<u>6,148</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(51,267)</u>	<u>(40,521)</u>
<b>Net current liabilities</b>		<u>(36,402)</u>	<u>(34,373)</u>
<b>Total assets less current liabilities</b>		5,427	9,406
<b>Creditors: amounts falling due after more than one year</b>	12	(1,139)	(2,293)
<b>Provisions for liabilities and charges</b>	14	(2,025)	(571)
<b>Retirement benefit obligations</b>	16	(3,547)	(5,794)
<b>Net (liabilities)/assets</b>		<u>(1,284)</u>	<u>748</u>
<b>Capital and reserves</b>			
Called up share capital	15	2,721	2,721
Contribution reserve		163	163
Profit and loss account		(4,168)	(2,136)
<b>Total shareholders' (deficit)/funds</b>		<u>(1,284)</u>	<u>748</u>

The financial statements on pages 11 to 39 were approved by the Board of Directors on 5 September 2016 and were signed on its behalf by:

  
**C Brown**  
Director

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

**Statement of changes in equity**  
For the year ended 30 April 2016

	Called up share capital £000	Contribution reserve £000	Profit and loss account £000	Total shareholders' (deficit)/funds £000
<b>As at 1 May 2014</b>	<b>2,721</b>	<b>163</b>	<b>(874)</b>	<b>2,010</b>
Profit for the financial year	-	-	1,360	1,360
Other comprehensive loss for the year	-	-	(2,622)	(2,622)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(1,262)</b>	<b>(1,262)</b>
<b>As at 30 April 2015</b>	<b>2,721</b>	<b>163</b>	<b>(2,136)</b>	<b>748</b>
Loss for the financial year	-	-	(4,071)	(4,071)
Other comprehensive gain for the year	-	-	2,039	2,039
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(2,032)</b>	<b>(2,032)</b>
<b>As at 30 April 2016</b>	<b>2,721</b>	<b>163</b>	<b>(4,168)</b>	<b>(1,284)</b>

# Notes to the financial statements

For the year ended 30 April 2016

## 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 Company is a private limited company registered in England. The address of the Company's registered office is shown on page 7 and a description of the Company's principal activities are set out on page 1.

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 Company's date of transition from UK Generally Accepted Accounting Practice (UK GAAP) to FRS 101 was 1 May 2014. The effect of transition from the Company's previously adopted accounting policies in accordance with UK GAAP are disclosed in note 21.

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'
- IFRS 7, 'Financial Instruments: Disclosures'
- 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 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.*

At 30 April 2016, the Company had net current liabilities of £36,402,000 (2015: £34,373,000). 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.



## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 1 Accounting policies (continued)

#### *b) Tangible fixed assets and depreciation*

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 9a.

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.

#### *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.

#### *f) Revenue*

Revenue represents fare and contract revenues 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.

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 1 Accounting policies (continued)

#### *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.

#### *h) 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. 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.

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 1 Accounting policies (continued)

#### *h) Pension costs and other post retirement benefits (continued)*

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.

#### *i) Grants*

Bus service operators grant is credited to operating costs. Other grants are credited to the income statement as the expenditure is expensed.

#### *j) 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.

#### *k) Share based payments*

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

The cost of the cash-settled transactions is measured at fair value. Fair value is estimated initially at the grant date and at each balance sheet date thereafter until the awards are settled. Market based performance are taken into account when determining fair value.

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.

#### *l) Foreign currencies*

Foreign currency transactions arising during the year are translated into sterling at the rate of exchange ruling on the date of the transaction. Foreign currency monetary assets and liabilities are retranslated into sterling at the rate of exchange ruling at the year end. Any exchange differences so arising are dealt with through the profit and loss account.

#### *m) Cash flow statement*

Midland Red (South) Limited is not required to prepare a cash flow statement under IAS 7, as it is a wholly owned subsidiary undertaking of 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.

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 1 Accounting policies (continued)

#### *n) Critical accounting policies and estimates*

Preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union 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.

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 the shorter of their estimated useful lives or the franchise period. 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.

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 1 Accounting policies (continued)

#### *o) Financial statements not consolidated*

The Company is a wholly owned subsidiary of Stagecoach Bus Holdings Limited and of its ultimate parent, Stagecoach Group Plc. It is included in the consolidated financial statements of Stagecoach Group Plc which are publicly available. Therefore, the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

### 2 Revenue

The revenue 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

	2016	2015
	£000	£000
Commission income	146	93
Advertising income	259	175
Exchange rate gain	736	-
Management recharges	-	117
PSV operating lease income	849	-
Other rental income	802	-
Other miscellaneous revenue	70	35
	<u>2,862</u>	<u>420</u>

### 4 Finance charges (net)

	2016	2015
	£000	£000
Inter-company loan interest receivable	494	-
Inter-company loan interest payable	(300)	-
Hire purchase and lease interest payable	(51)	(77)
Net finance charge on pension liability (note 16)	<u>(244)</u>	<u>(164)</u>
	<u>(101)</u>	<u>(241)</u>

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 5 Profit on ordinary activities before taxation

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

	2016	2015
	£000	£000
Loss on sale of tangible fixed assets other than property	32	23
Loss on disposal of fixed assets investments	-	3
Depreciation		
- owned	5,216	3,350
- held under hire purchase and finance lease agreements	916	911
Operating lease charges		
- land and buildings	1,016	979
- plant and machinery	588	420
- other	121	110

No auditors' fees have been settled directly by the Company. Audit fees of £3,540 (2016: £3,027) 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 year was:

	2016	2015
	Number	Number
Operations	1,395	892
Administration and supervisory	187	104
	1,582	996

	2016	2015
	£000	£000
Aggregate remuneration comprised:		
Wages and salaries	38,171	29,226
Social security costs	3,235	2,442
Other pension costs (see note 16)	1,947	1,471
Share based payment expense - cash settled (see note 18)	57	41
	43,410	33,180

# Notes to the financial statements (continued)

For the year ended 30 April 2016

## 7 Directors' remuneration

	2016	2015
	£000	£000
Emoluments of directors	<u>252</u>	<u>203</u>

The above details of directors' emoluments include an apportionment of the emoluments of Mr C Brown, Mr R G Andrew, Mr S Greer, Mr R Montgomery and Mr G Nolan which are paid by fellow group undertaking, Stagecoach Holdings Limited. £52,362 (2015: £44,071) 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:

	2016 Number	2015 Number
Defined benefit scheme	4	5
Defined contribution scheme	<u>3</u>	<u>3</u>
	<u>7</u>	<u>8</u>

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

	2016 Number	2015 Number
Share option scheme	<u>7</u>	<u>6</u>

## Notes to the financial statements (continued)

For the year ended 30 April 2016

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

	2016	2015
	£000	£000
<b>a) Tax recognised in the income statement</b>		
Current tax:		
Amounts receivable from fellow subsidiary in respect of group relief	(1,126)	(531)
Adjustments in respect of prior years	439	(7)
Total current tax	(687)	(538)
Deferred tax:		
Origination and reversal of timing differences	(41)	623
Adjustments in respect of prior years	906	(26)
Total deferred tax charge (note 14)	865	597
Total tax reported in the income statement	178	59

### b) Factors affecting the tax (credit)/charge for the year

The tax assessed for the year is higher (2015: lower) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.92%). The differences are explained below:

	2016	2015
	£000	£000
(Loss)/profit on ordinary activities before taxation	(3,893)	1,419
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.92%)	(779)	297
<i>Effect of:</i>		
Non tax deductible expenditure and other permanent differences	44	17
Treatment of intercompany transactions	(143)	(191)
Impact of reduction in UK tax rate on current year's deferred tax	(25)	(31)
Impact of reduction in UK tax rate on prior year's deferred tax	(264)	-
Adjustments to tax charge in respect of prior years	1,345	(33)
Total tax charge for the year reported in the income statement	178	59

### c) Factors that may affect future tax charges

Reductions in the tax rate to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax liability at 30 April 2016 has been calculated based on this rate. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. Had the reduction to 19% been substantively enacted the estimated impact of this reduction on the deferred tax liability would have been a reduction of £112,521.



**Notes to the financial statements (continued)**

For the year ended 30 April 2016

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

**d) Tax on items taken directly or transferred from equity**

The components of tax on items taken directly to or transferred from equity are shown in the statement of comprehensive income on page 12.

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 9 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
<b>Cost</b>				
Beginning of year	2,124	65,860	4,575	72,559
Additions	153	9,259	281	9,693
Disposals	-	(2,171)	(326)	(2,497)
Intercompany transfers	(55)	(5,302)	(106)	(5,463)
End of year	<b>2,222</b>	<b>67,646</b>	<b>4,424</b>	<b>74,292</b>
<b>Accumulated depreciation</b>				
Beginning of year	(1,307)	(23,610)	(3,863)	(28,780)
Charge for year	(198)	(5,717)	(217)	(6,132)
Disposals	-	1,822	320	2,142
Intercompany transfers	1	287	19	307
End of year	<b>(1,504)</b>	<b>(27,218)</b>	<b>(3,741)</b>	<b>(32,463)</b>
<b>Net book value</b>				
Beginning of year	817	42,250	712	43,779
End of year	<b>718</b>	<b>40,428</b>	<b>683</b>	<b>41,829</b>

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 £4,126,000 (2015: PSVs £6,365,000). Depreciation of PSVs £916,000 (2015: PSVs £911,000) 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 2016

### 9 Fixed assets (continued)

#### b) Investments

	Shares in subsidiary undertaking £000
<b>Cost and net book value</b>	
At beginning of year	-
Disposals	-
At end of year	-

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The Company owns the stated percentage of the issued share capital of the following company, registered in England and Wales:

Company	Percentage	Principal activity
West Midlands Transport Information Services Limited	9.9	Provision of passenger transport information

### 10 Stocks

	2016 £000	2015 £000
Spares, consumables and fuel	265	269

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

# Notes to the financial statements (continued)

For the year ended 30 April 2016

## 11 Debtors

	2016	2015
	£000	£000
<i>Amounts falling due within one year:</i>		
Amounts owed by group undertakings	177	2,516
Inter-company group relief receivable	1,126	531
Inter-company loan receivable	9,854	-
Prepayments and accrued income	2,906	2,343
Other debtors	-	31
	<b>14,063</b>	<b>5,421</b>

Amounts owed by group undertakings with the exception of the inter-company loan receivable due within one year accrue no interest and are repayable on demand. The inter-company loan accrues interest at LIBOR plus 5%.

## 12 Creditors

	2016	2015
	£000	£000
<i>Amounts falling due within one year:</i>		
Bank overdraft	75	15,122
Hire purchase and finance lease obligations (note 13)	873	1,377
Amounts owed to group undertakings	13,626	17,129
Inter-company loan payable	30,000	-
Other taxation and social security costs	1,044	983
Other creditors	203	196
Accruals and deferred income	5,446	5,714
	<b>51,267</b>	<b>40,521</b>
<i>Amounts falling due after more than one year:</i>		
Hire purchase and lease obligations (note 13)	1,139	2,293

Amounts owed to group undertakings due within one year with the exception of the inter company loan payable amount accrue no interest and are repayable on demand. The inter company loan accrues interest at LIBOR plus 5%.

The Company's overdraft is repayable on demand and is subject to the rights of offset in the Group's bank offset arrangement as discussed in the Group's 2016 annual report (note 20 of the notes to the consolidated financial statements), which does not form part of the report.

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 13 Obligations under hire purchase and finance lease agreements

Amounts are repayable as follows:

	2016 £000	2015 £000
Amounts payable:		
- within one year	873	1,377
- between one and two years	680	1,064
- between two and five years	459	1,229
	<u>2,012</u>	<u>3,670</u>

### 14 Provisions for liabilities and charges

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:

#### Deferred tax

Deferred tax to be recovered after more than 12 months:

	2016 £000	2015 £000
Deferred tax liability	2,664	1,730
Pension temporary differences	(639)	(1,159)
Net deferred tax provision	<u>2,025</u>	<u>571</u>

The movement in deferred tax during year was:

	2016 £000	2015 £000
At start of year	571	630
Charged to income statement (note 8a)	865	597
Charged/(credited) to equity	589	(656)
At end of year	<u>2,025</u>	<u>571</u>

# Notes to the financial statements (continued)

For the year ended 30 April 2016

## 14 Provisions for liabilities and charges (continued)

### Deferred tax (continued)

Deferred tax included in the balance sheet comprises:

	2016	2015
	£000	£000
Accelerated capital allowances	2,715	1,741
Pension temporary differences	(639)	(1,159)
Other timing differences	(51)	(11)
Net deferred tax provision	<u>2,025</u>	<u>571</u>

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

	2016	2015
	£000	£000
Accelerated capital allowances	974	633
Pension temporary differences	(69)	(38)
Other short term differences	(40)	2
Deferred tax charged to income statement (note 8a)	<u>865</u>	<u>597</u>

## 15 Called up share capital

	2016	2015
	£000	£000
<i>Authorised</i>		
2,721,000 (2015: 2,721,000) Ordinary shares of £1 each	<u>2,721</u>	<u>2,721</u>
<i>Allotted, called up and fully paid</i>		
2,721,000 (2015: 2,721,000) Ordinary shares of £1 each	<u>2,721</u>	<u>2,721</u>

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 16 Retirement benefit obligations

On transition to FRS 101, IAS 19 (2011 revised) Employee Benefits has been adopted in place of FRS 17 Retirement Benefits.

The Company participates in a defined benefit occupational pension scheme, the Stagecoach Group Pension Scheme ("SGPS"), and in addition, the Company contributes to defined contribution schemes for certain employees. Contributions to defined contribution schemes during the year amounted to £1,002,000 (2015: £769,000). At 30 April 2016 there was a creditor of £100,000 (2015: £96,000) in relation to these contributions.

#### The Stagecoach Group Pension Scheme ("SGPS")

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 101, IAS 19 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 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 amounts recognised in the balance sheet were determined as follows:

	2016	2015
	£000	£000
Equities	37,630	29,117
Bonds	10,578	8,507
Cash	2,689	2,649
Property	4,969	2,631
Fair value of plan assets	55,866	42,904
Present value of obligations	(59,413)	(48,698)
Liability recognised in the balance sheet	(3,547)	(5,794)

The amounts recognised in the income statement were as follows:

	2016	2015
	£000	£000
Defined benefit obligation		
Current service cost	911	668
Administration cost	34	34
Interest cost	244	164
Total defined benefit cost	1,189	866
Defined contribution cost	1,002	769
Total income statement charge	2,191	1,635

# Notes to the financial statements (continued)

For the year ended 30 April 2016

## 16 Retirement benefit obligations (continued)

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

	2016	2015
	£000	£000
Total included in staff costs (note 6)	1,947	1,471
Total included in interest receivable and similar charges (note 4)	244	164
	<u>2,191</u>	<u>1,635</u>

The amounts recognised within the statement of other comprehensive income were as follows:

	2016	2015
	£000	£000
Actual return less expected return on pension scheme assets	12,704	17,557
Experience gains and losses arising on the scheme liabilities	1,151	2
Changes in assumptions underlying the present value of the scheme liabilities	(11,227)	(20,837)
Total actuarial gain/(loss) recognised	<u>2,628</u>	<u>(3,278)</u>

Actuarial gain as a percentage of scheme assets and liabilities were as follows:

	2016	2015
	%	%
Actual return less expected return on pension scheme assets as a percentage of scheme assets	1.5	5.6
Experience gains and losses arising on the scheme liabilities as a percentage of scheme liabilities	32.4	0.0
Total actuarial (loss)/gain recognised in the other comprehensive income		
Statement as a percentage of the present value of scheme liabilities	7.0	12.8

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

	2016	2015
	£000	£000
Liability at the beginning of the year	(5,794)	(2,328)
Total expense	(1,189)	(866)
Employer's contributions	808	678
Actuarial gain/(loss)	2,628	(3,278)
Liability at end of the year	<u>(3,547)</u>	<u>(5,794)</u>



## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 16 Retirement benefit obligations (continued)

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

	2016	2015
	£000	£000
At beginning of year	42,904	24,667
Expected return on plan assets	12,704	17,557
Interest income	2,016	1,742
Administration costs	(34)	(34)
Employer's contributions	808	678
Members' contributions	17	14
Benefits paid	(2,549)	(1,720)
At end of year	<u>55,866</u>	<u>42,904</u>

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

	2016	2015
	£000	£000
At beginning of year	48,698	26,995
Current service costs	911	668
Interest cost	2,260	1,906
Members' contributions	17	14
Actuarial gain - experience gains and losses	(1,151)	(2)
Actuarial loss - changes in assumptions	11,227	20,837
Benefits paid	(2,549)	(1,720)
At end of year	<u>59,413</u>	<u>48,698</u>

A full actuarial valuation of the scheme is carried out every 3 years. The last actuarial valuation of the Stagecoach Group Pension Scheme was undertaken on 30 April 2014, and showed that the scheme was 111% funded on the Trustee's technical provisions basis.

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 25 of the Group's 2016 annual report, which does not form part of this report.

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 16 Retirement benefit obligations (continued)

The principal actuarial assumptions used were as follows:

	30 April 2016	30 April 2015
	%	%
Rate of increase in pensionable salaries	2.2	3.2
Rate of increase of pension payment	1.7	1.9
Discount rate	3.7	3.7
Rate of inflation (RPI)	3.0	3.2

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

	2016 Years	2015 Years
Current pensioner aged 65 - male	19.0	19.0
Current pensioner aged 65 - female	23.6	23.5
Future pensioner at 65 (aged 45 now) - male	20.9	20.9
Future pensioner at 65 (aged 45 now) - female	25.2	25.1

### 17 Guarantees and other financial commitments

#### a) Lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2016 Land & buildings £000	2016 Other £000	2015 Land & buildings £000	2015 Other £000
Expiry date				
- not later than one year	921	105	1,048	161
- later than one year but not later than five years	3,330	205	457	158
- later than five years	3,663	-	929	-
	<b>7,914</b>	<b>310</b>	<b>2,434</b>	<b>319</b>

#### 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 year ended 30 April 2016

### 17 Guarantees and other financial commitments (continued)

#### 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.

### 18 Share based payments

The Company operates a Buy as You Earn Scheme ("BAYE"), which 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.

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

At 30 April 2016, there were 313 (2015: 292) participants in the BAYE scheme who have cumulatively purchased 165,654 (2015: 119,533) shares with the Company contributing 53,524 (2015: 42,684) matching shares on a cumulative basis. Dividends had been reinvested in a further 12,270 (2015: 6,559) shares for these participants.

Share based payment charges of £56,999 (2015: £40,889) have been recognised in the profit and loss account during the year in relation to the scheme.

### 19 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 plc. Details of amounts owed to and from group undertakings are disclosed in aggregate in notes 11 and 12.

The fellow group undertaking Scottish Citylink Coaches Limited is a 35% owned subsidiary of Stagecoach Group plc. For the year ended 30 April 2016, Midland Red (South) Limited included revenue to a value of £Nil (2015: £5,000) and costs of £9,000 (2015: £8,000) relating to operating contracts on behalf of Scottish Citylink Coaches Limited. As of 30 April 2016, the Company has a creditor of £Nil (2015: £Nil) owed to Scottish Citylink Coaches Limited.

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 20 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

### 21 Transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 April 2016, the comparative information presented in these financial statements for the year ended 30 April 2015 and in the preparation of an opening FRS 101 balance sheet at 1 May 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

# Notes to the financial statements (continued)

For the year ended 30 April 2016

## 21 Transition to FRS 101 (continued)

	As at 30 April 2015			As at 30 April 2014		
	UK GAAP	Effect of transition to FRS 101	FRS 101	UK GAAP	Effect of transition to FRS 101	FRS 101
	£000	£000	£000	£000	£000	£000
<b>Fixed assets</b>						
Tangible assets	43,779	-	43,779	20,927	-	20,927
Investments	-	-	-	3	-	3
	<u>43,779</u>	<u>-</u>	<u>43,779</u>	<u>20,930</u>	<u>-</u>	<u>20,930</u>
<b>Current assets</b>						
Stocks	269	-	269	174	-	174
Debtors: amounts falling due within one year	5,421	-	5,421	3,175	-	3,175
Cash at bank and in hand	458	-	458	4,848	-	4,848
	<u>6,148</u>	<u>-</u>	<u>6,148</u>	<u>8,197</u>	<u>-</u>	<u>8,197</u>
<b>Creditors: amounts falling due within one year</b>	<u>(40,521)</u>	<u>-</u>	<u>(40,521)</u>	<u>(21,507)</u>	<u>-</u>	<u>(21,507)</u>
<b>Net current liabilities</b>	<u>(34,373)</u>	<u>-</u>	<u>(34,373)</u>	<u>(13,310)</u>	<u>-</u>	<u>(13,310)</u>
<b>Total assets less current liabilities</b>	9,406	-	9,406	7,620	-	7,620
<b>Creditors: amounts falling due after more than one year</b>	(2,293)	-	(2,293)	(2,652)	-	(2,652)
Provisions for liabilities and charges	(1,725)	1,155	(570)	(1,089)	459	(630)
Retirement benefit obligations	-	(5,794)	(5,794)	-	(2,328)	(2,328)
<b>Net assets</b>	<u>5,388</u>	<u>(4,639)</u>	<u>749</u>	<u>3,879</u>	<u>(1,869)</u>	<u>2,010</u>
<b>Capital and reserves</b>						
Share capital	2,721	-	2,721	2,721	-	2,721
Contribution reserve	163	-	163	163	-	163
Income statement	2,504	(4,639)	(2,135)	995	(1,869)	(874)
<b>Total shareholders' funds</b>	<u>5,388</u>	<u>(4,639)</u>	<u>749</u>	<u>3,879</u>	<u>(1,868)</u>	<u>2,010</u>

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 21 Transition to FRS 101 (continued)

#### *Restatement of equity from UK GAAP to FRS 101*

##### *1 Current and deferred tax*

IFRS defines deferred tax in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the income statement; therefore an adjustment required:

- to recognise assets that were previously eligible for the now obsolete Industrial Building Allowances for which no deferred tax was recognised under UK GAAP. The impact has been an increase in the deferred tax liability as follows:
- to recognise the tax impact of pension transition adjustments (see sub note 2 below). The impact is an increase in the deferred tax liability as follows:

	2015 £000	2014 £000
Provisions for liabilities and charges - Deferred tax liability (fixed assets)	(4)	(6)
Provisions for liabilities and charges - Deferred tax liability (pension)	<u>1,159</u>	<u>466</u>
	<u>1,155</u>	<u>460</u>

##### *2 Retirement benefit obligation*

On transition to FRS 101, IAS 19 (2011 revised) Employee Benefits has been adopted in place of 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 101, 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 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.

An actuarial valuation of the Stagecoach Group Pension Scheme was undertaken on 30 April 2014, and showed that the scheme was 111% funded on the Trustee's technical provisions basis.

Notes to the financial statements (continued)  
For the year ended 30 April 2016

**21 Transition to FRS 101 (continued)**

	30 April 2015 £000	30 April 2014 £000
Retirement benefit obligations	<u>(5,794)</u>	<u>(2,328)</u>

*Effect on the income statement for the year ended 30 April 2015:*

	Note	UK GAAP £000	Effect of transition to FRS 101 £000	FRS 101 £000
<b>Revenue</b>	2	73,165	-	73,165
Operating costs		<u>(71,886)</u>	<u>(24)</u>	<u>(71,910)</u>
<b>Gross profit</b>		1,279	(24)	1,255
Other operating income	3	<u>420</u>	<u>-</u>	<u>420</u>
<b>Operating profit</b>		1,699	(24)	1,675
Finance charges (net)	4	(77)	(164)	(241)
Loss on sale of property		<u>(15)</u>	<u>-</u>	<u>(15)</u>
<b>Profit on ordinary activities before taxation</b>	5	1,607	(188)	1,419
Taxation on profit on ordinary activities	8	<u>(98)</u>	<u>39</u>	<u>(59)</u>
<b>Profit for the financial year</b>		<u>1,509</u>	<u>(149)</u>	<u>1,360</u>

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 21 Transition to FRS 101 (continued)

#### *Reconciliation of profit for the year ended 30 April 2015*

The effect of all measurement differences on the reported profit of the Company for the year ended 30 April 2015 is as follows:

	<b>£000</b>
<b>Profit for the year ended 30 April 2015 under UK GAAP</b>	<b>1,509</b>
<b>Retirement benefit obligations</b>	
Remeasurement of pension scheme financial income under IAS 19	678
Remeasurement of pension service cost under IAS 19	(866)
Deferred tax on IAS 19 remeasurements	38
<b>Total of defined benefit obligation remeasurements</b>	<b>(150)</b>
<b>Current and deferred tax</b>	
Deferred tax on eligible assets for Industrial Buildings Allowances	1
	1
<b>Profit for the year ended 30 April 2015 under FRS 101</b>	<b>1,360</b>