

Stagecoach (South) Limited

Financial statements for the year ended 30 April 2012

Registered number 1673542



Directors' report

For the year ended 30 April 2012

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 2012

Business review and principal activities

Stagecoach (South) Limited operates a fleet of 784 buses and employs 1,902 people in Surrey, Sussex, Hampshire, Northamptonshire and Bedfordshire

The results of the Company for the year ended 30 April 2012 show a pre-tax profit of £13,518,000 (2011 £15,824,000) and turnover of £92,551,000 (2011 £91,588,000). The Company has net assets of £4,188,000 (2011 £5,485,000)

Business environment

The Company operates predominantly local bus services, carrying around 176,000 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 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 customers' 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 2012

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 2013 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 reductions imposed in Bus Service Operators Grant

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 Group's 2012 annual report (paragraph 2.3.6 of the Operating and Financial Review), which does not form part of this report

Key performance indicators (KPI's)

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 (regional operations) 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 2012 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 2012

Results and dividends

The profit on ordinary activities after taxation amounted to £10,645,000 (2011 £11,915,000). It is recommended that this amount be appropriated as follows

	2012	2011
	£000	£000
Profit for the financial year	10,645	11,915
Interim dividend paid to parent company	<u>(12,000)</u>	<u>(10,000)</u>
(Loss)/profit transferred to profit and loss account	<u>(1,355)</u>	<u>1,915</u>

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

Mr A W Dyer

Mr C Brown

Mr R G Andrew

Mr R Montgomery

Mr M J Vaux

Mr S Greer

Directors' report (continued)

For the year ended 30 April 2012

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.

Disabled persons

The Company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirements that 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 2012

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' purchases (2011 Nil days)

Fixed assets

In the opinion of the directors there is no material difference between the book value 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

6 September 2012

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

For the year ended 30 April 2012

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

We have audited the financial statements of Stagecoach (South) Limited for the year ended 30 April 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds 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 Statement of 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 annual report 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 2012 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 Stagecoach (South) Limited (continued)
For the year ended 30 April 2012

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

6 September 2012

Profit and loss account

For the year ended 30 April 2012

	Notes	2012 £000	2011 £000
Turnover	2	92,551	91,588
Cost of sales		(79,595)	(76,565)
Other operating income	3	<u>576</u>	<u>623</u>
Operating profit		13,532	15,646
Loss on sale of land and buildings	4	<u>(361)</u>	-
Profit on Ordinary activities before interest		13,171	15,646
Finance income (net)	5	<u>347</u>	<u>178</u>
Profit on ordinary activities before taxation	6	13,518	15,824
Taxation on profit on ordinary activities	10	<u>(2,873)</u>	<u>(3,909)</u>
Profit for the financial year	18	<u>10,645</u>	<u>11,915</u>

The results for each year arise wholly from continuing operations

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

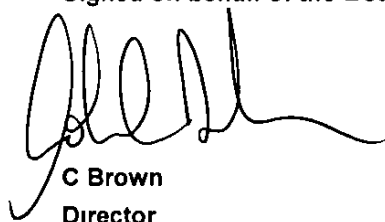
The Company has no gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented

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

Balance sheet
As at 30 April 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Intangible assets	11(a)	-	-
Tangible assets	11(b)	46,979	43,433
Investments	11(c)	50	50
		<u>47,029</u>	<u>43,483</u>
Current assets			
Stocks	12	620	568
Debtors	13	8,941	6,757
Cash at bank and in hand		5,180	36,338
		<u>14,741</u>	<u>43,663</u>
Creditors Amounts falling due within one year	14	(44,432)	(64,345)
Net current liabilities		<u>(29,691)</u>	<u>(20,682)</u>
Total assets less current liabilities		17,338	22,801
Creditors Amounts falling due after more than one year	14	(9,127)	(14,548)
Provisions for liabilities and charges	16	(4,023)	(2,768)
Net assets		<u>4,188</u>	<u>5,485</u>
Capital and reserves			
Called up share capital	17	495	495
Contribution reserve	18	679	621
Profit and loss account	18	3,014	4,369
Total shareholders' funds		<u>4,188</u>	<u>5,485</u>

Signed on behalf of the Board



C Brown
Director

6 September 2012

The accompanying notes form an integral part of this balance sheet

Reconciliation of movements in shareholders' funds

For the year ended 30 April 2012

		2012	2011
	Notes	£000	£000
Profit for the financial year		10,645	11,915
Credit in respect of equity settled share based payments	8	58	136
Dividends	7	(12,000)	(10,000)
Net (decrease)/increase in shareholders' funds		(1,297)	2,051
Opening shareholders' funds		5,485	3,434
Closing shareholders' funds		4,188	5,485

The accompanying notes form an integral part of these statements

Notes to the financial statements

For the year ended 30 April 2012

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 2012, the Company had net current liabilities of £29,691,000. 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) Intangible fixed assets

Purchased goodwill (representing the excess of the fair value of consideration paid over the fair value of the separable net assets acquired) and the costs of acquiring new businesses are amortised over their useful economic life as follows

Goodwill	10-15 years
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The Company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

c) 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 11(b).

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

Notes to the financial statements (continued)

For the year ended 30 April 2012

1 Accounting policies (continued)

d) *Fixed asset investments*

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

e) *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

f) *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.

g) *Turnover*

Turnover represents fare revenue receivable in respect of the period. The directors regard the Company's business activities, which are carried out wholly in the United Kingdom, as being of one class.

h) *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.

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

Notes to the financial statements (continued)

For the year ended 30 April 2012

1 Accounting policies (continued)

i) 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.

j) 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.

k) 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.

l) Dividends

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

m) Share based payments

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.

Notes to the financial statements (continued)

For the year ended 30 April 2012

1 Accounting policies (continued)

m) Share based payments (continued)

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.

2 Turnover

The turnover and profit on ordinary activities before taxation were derived wholly from the Company's principal activity within the United Kingdom.

3 Other operating income

	2012 £000	2011 £000
Advertising income	362	370
Property rental income	87	124
Other miscellaneous revenue	127	129
	<u>576</u>	<u>623</u>

4 Loss on sale of land and buildings

During the year, the Company transferred land and buildings at a net book value of £858,790 to a fellow group subsidiary company, Scoto Limited, incurring a loss on disposal of £361,448. The company also simultaneously entered into a 7 year operating lease with Scoto Limited for the land and buildings.

5 Finance income (net)

	2012 £000	2011 £000
Bank interest receivable	680	593
Hire purchase and lease interest payable	(333)	(415)
	<u>347</u>	<u>178</u>

Notes to the financial statements (continued)

For the year ended 30 April 2012

6 Profit on ordinary activities before taxation

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

	2012	2011
	£000	£000
Loss on sale of tangible fixed assets other than property	226	71
Depreciation		
- owned	3,487	2,825
- held under hire purchase and finance leases agreements	2,114	2,416
Amortisation of goodwill	40	271
Operating lease rentals		
- land and buildings	1,431	1,427
- other	242	212

No auditors' fees have been settled directly by the Company. Audit fees of £8,271 (2011 £7,800) were paid by a fellow subsidiary undertaking on behalf of the Company in respect of audit work performed in the UK.

7 Dividends

	2012	2011
	£000	£000
Interim dividend paid to parent company £24.24 per ordinary share (2011 £20.20 per ordinary share)	12,000	10,000

Notes to the financial statements (continued)

For the year ended 30 April 2012

8 Staff costs

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

	2012 Number	2011 Number
Operations	1,765	1,781
Administration and supervisory	137	144
	<u>1,902</u>	<u>1,925</u>

The aggregate remuneration comprised

	2012 £000	2011 £000
Wages and salaries	39,484	38,531
Social security costs	3,595	3,518
Other pension costs (see note 19b)	3,194	3,548
Redundancy payments	60	-
Share based payment expense – cash settled (see note 20)	37	-
Share based payment expense – equity settled (see note 20)	58	136
	<u>46,428</u>	<u>45,733</u>

Notes to the financial statements (continued)

For the year ended 30 April 2012

9 Directors' remuneration

	2012	2011
	£000	£000
Emoluments of directors	<u>108</u>	<u>103</u>

The above details of directors' emoluments include the emoluments of M L B Warneford, Mr C Brown, Mr R G Andrew, Mr S Greer and Mr R Montgomery which are paid by Stagecoach Holdings Limited £45,759 (2011 £41,109) of their total emoluments received is apportioned to their services as directors of Stagecoach (South) Limited

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

The number of directors who served during the year and were members of pension schemes at the year end was as follows

	2012	2011
	Number	Number
Defined benefit scheme	6	6
Defined contribution scheme	<u>1</u>	<u>1</u>
	<u>7</u>	<u>7</u>

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

	2012	2011
	Number	Number
Share option scheme	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

For the year ended 30 April 2012

10 Taxation on profit on ordinary activities

	2012 £000	2011 £000
<i>a) Charge for the year</i>		
Current tax		
UK corporation tax on profits of the year	3,023	3,529
Adjustments in respect of prior years	<u>(1,405)</u>	<u>1,819</u>
Total current tax	1,618	5,348
Deferred tax		
Origination and reversal of timing differences	(71)	345
Adjustments in respect of prior years	<u>1,326</u>	<u>(1,784)</u>
Total deferred tax (note 16)	1,255	(1,439)
Tax on profit on ordinary activities	<u>2,873</u>	<u>3,909</u>

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2011 higher) than the standard rate of corporation tax in the UK. The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	13,518	15,824
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.84% (2011 27.84 %)	3,493	4,405
<i>Effect of</i>		
Non tax deductible expenditure and other permanent differences	183	51
Treatment of inter-company transactions	(405)	(410)
Capital allowances more than depreciation	(272)	(554)
Share based payments	24	38
Adjustment to tax charge in respect of previous years	<u>(1,405)</u>	<u>1,818</u>
Current tax charge for year	<u>1,618</u>	<u>5,348</u>

c) Factors that may effect future tax charges

In the 2012 budget on 21 March 2012, the UK Government announced its intention to further reduce the UK Corporate Income Tax rate by another 1% to 22% (having previously stated the rate would reduce to 23% by 1% per annum over a three-year period). At 30 April 2012, the change in the rate of tax to 23% was not substantively in law, but a 1% decrease in the rate to 23% is expected to be enacted in the year ending 30 April 2013. Had this change of rate to 23% been substantively enacted as of the balance sheet date, the estimated impact on the balance sheet would be a reduction in the deferred tax liability of £167,615 from £4,022,765 to £3,855,150.

Notes to the financial statements (continued)

For the year ended 30 April 2012

11 Fixed Assets

a) *Intangible assets*

Intangible assets consist of purchased goodwill arising on the acquisition of new routes or operations. The movement for the year was as follows:

	£000
Cost	
Beginning of year	1,017
Additions	<u>40</u>
	<u>1,057</u>
Accumulated amortisation	
Beginning of year	(1,017)
Charge for year	<u>(40)</u>
End of year	<u>(1,057)</u>
Net book value	
Beginning and end of year	<u>-</u>

Notes to the financial statements (continued)

For the year ended 30 April 2012

11 Fixed Assets (continued)

b) Tangible assets

The movement in the year is summarised below

	Leasehold Land and buildings £000	PSVs £000	Other Plant and equipment and furniture and fittings £000	Total £000
Cost or valuation				
Beginning of year	6,145	71,891	7,148	85,184
Additions	322	10,174	332	10,828
Disposals	(1,079)	(2,741)	(212)	(4,032)
Reclassification	-	(37)	37	-
Intercompany transfers	2	(960)	13	(945)
End of year	5,390	78,327	7,318	91,035
Accumulated depreciation				
Beginning of year	(1,849)	(35,154)	(4,748)	(41,751)
Charge for year	(298)	(4,801)	(502)	(5,601)
Disposals	221	2,461	201	2,883
Reclassification	-	682	(682)	-
Intercompany transfers	-	423	(10)	413
End of year	(1,926)	(36,389)	(5,741)	(44,056)
Net book value				
Beginning of year	4,296	36,737	2,400	43,433
End of year	3,464	41,938	1,577	46,979

The net book value of PSV assets leased under finance leases and hire purchase agreements, which have been capitalised and included in the above is £14,647,026 (2011 £22,600,069) Depreciation of £2,114,343 (2011 £2,415,807) has been charged in the year in respect of these assets held under hire purchase or finance lease agreements

Notes to the financial statements (continued)

For the year ended 30 April 2012

11 Fixed assets (continued)

c) Investments

	Shares in subsidiary undertakings at cost £000
At beginning and end of year	<u>50</u>

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

The Company owns 100% of the issued share capital of the following companies, which are all registered in England and Wales

Company	Principal activity
Formia Limited	Dormant
Hastings & District Transport Limited (owned indirectly through Formia Limited)	Dormant
Stagecoach Rail Replacement (South) Limited (formerly Yellow Taxibus Limited)	Trading

12 Stocks

	2012 £000	2011 £000
Spares, consumables and fuel	<u>620</u>	<u>568</u>

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

13 Debtors

	2012 £000	2011 £000
Amounts falling due within one year:		
Amounts due from fellow group undertakings	5,114	4,201
Prepayments and accrued income	<u>3,827</u>	<u>2,556</u>
	<u>8,941</u>	<u>6,757</u>

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

Notes to the financial statements (continued)

For the year ended 30 April 2012

14 Creditors

	2012	2011
	£000	£000
Amounts falling due within one year.		
Bank overdraft	3,641	-
Hire purchase and finance lease obligations (note 15)	1,841	2,779
Amounts due to fellow group undertakings	26,545	44,733
UK corporation tax payable	3,023	3,529
Inter company group relief payable	-	5,387
Other taxes and social security costs	1,407	1,364
Accruals and deferred income	7,975	6,553
	<u>44,432</u>	<u>64,345</u>

Amounts falling due after more than one year

Hire purchase and finance lease obligations (note 15)	<u>9,127</u>	<u>14,548</u>
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Amounts due to fellow group undertakings within one year accrue no interest and are repayable on demand

15 Obligations under hire purchase and finance lease agreements

Amounts are repayable as follows

	2012	2011
	£000	£000
Amounts payable,		
- within one year	1,841	2,779
- between one and two years	1,780	2,545
- between two and five years	7,347	12,003
	<u>10,968</u>	<u>17,327</u>

16 Provisions for liabilities and charges

Deferred Tax	2012	2011
	£000	£000
Accelerated capital allowances	4,121	2,865
Other timing differences	(98)	(97)
Provision for deferred tax	<u>4,023</u>	<u>2,768</u>
Provision at start of year	2,768	4,207
Deferred tax charge/(credit) in profit and loss account for year (note 10a)	<u>1,255</u>	<u>(1,439)</u>
Provision at end of year	<u>4,023</u>	<u>2,768</u>

Notes to the financial statements (continued)

For the year ended 30 April 2012

17 Called up share capital

	2012 £000	2011 £000
<i>Authorised</i>		
495,000 Ordinary shares of £1 each	<u>495</u>	<u>495</u>
<i>Allotted, called up and fully paid</i>		
495,000 Ordinary shares of £1 each	<u>495</u>	<u>495</u>

18 Reserves

The movement on reserves is summarised below

	Contribution reserve £000	Profit and loss account £000
At start of year	621	4,369
Profit for year	-	10,645
Dividends	-	(12,000)
Credit in respect of equity settled share based payments	<u>58</u>	<u>-</u>
End of year	<u>679</u>	<u>3,014</u>

19 Guarantees and other financial commitments

a) Lease commitments

Annual commitments under non-cancellable operating leases are as follows

	2012 Land and Buildings £000	2012 Other £000	2011 Land and Buildings £000	2011 Other £000
Expiry date				
- within one year	20	28	40	36
- between one and five years	1,238	200	94	139
- after five years	<u>26</u>	<u>-</u>	<u>1,202</u>	<u>-</u>
	<u>1,284</u>	<u>228</u>	<u>1,336</u>	<u>175</u>

Notes to the financial statements (continued)

For the year ended 30 April 2012

19 Guarantees and other financial commitments (continued)

b) 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 FRS17, 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 costs of contributions to the Group scheme amount to £2,744,000 (2011 £3,208,000), being 11.85% (2011 12.1%) of pensionable salary, 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 £450,000 (2011 £340,000), were made to a defined contribution scheme by the Company. At 30 April 2012 there was a creditor of £298,000 (2011 £404,000) in relation to these contributions.

c) 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 2012

20 Share based payments

The Company operates both a Save as You Earn Scheme ("SAYE") and a Buy as You Earn Scheme ("BAYE") details of which are given below

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

Save as You Earn (SAYE) Scheme

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

Share based payment charges of £57,414 (2011 £136,395) have been recognised in the profit and loss account during the year in relation to the scheme

Grant Date	September 2008
Share price at grant date (£)	3 2750
Exercise price (£)	2 5178
Shares under option at 30 April 2012	477
Vesting period (years)	3
Expected volatility	30%
Option life (years)	3 5
Expected life (years)	3
Risk free rate	4 43%
Expected dividends expressed as an average annual dividend yield	1 37%
Expectations of meeting performance criteria	100%
Fair value per option at grant date (£)	1 14
Option pricing Model	Black-Scholes

One issue from the SAYE scheme was in operation during the year as follows

Issue	Option Grant Date	Savings contract start date	Exercise price	Date from which exercisable	Expiry date
E	1 September 2008	1 October 2008	251 775p	1 October 2011	31 March 2012

The expiry date of any individual SAYE option can be extended to be up to 6 months following the date of payment of the final amount due under the related savings account, but may be no later than six months after the exercise date shown above

Notes to the financial statements (continued)

For the year ended 30 April 2012

20 Share based payments (continued)

The changes in the number of options over ordinary shares were as follows

	Issue E Ordinary shares under option
At start of year	332,123
Cancelled	(276,976)
Exercised	(51,162)
Forfeited	(3,508)
End of year	<u>477</u>

Buy as You Earn (BAYE) Scheme

BAYE enables eligible employees to purchase shares from their gross income. The Company provides two matching shares bought from the first £10 of monthly investment subject to a maximum Company contribution of shares to the value of £20 per employee per month.

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

At 30 April 2012 there were 445 (2011: 0) participants in the BAYE scheme who have cumulatively purchased 35,028 (2011: 0) shares with the Company contributing 13,298 (2011: 0) matching shares on a cumulative basis. Dividends had been reinvested in a further 83 (2011: 0) shares for these participants.

Share based payment charges of £36,599 (2011: £Nil) have been recognised in the profit and loss account during the year in relation to the scheme.

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 13 and 14.

The fellow group undertaking National Transport Tokens Limited is a 99.9% owned subsidiary of Stagecoach Group plc. For the year ended 30 April 2012, National Transport Tokens Limited redeemed tokens presented by the Company with a value of £13,620 (2011: £16,687).

Notes to the financial statements (continued)

For the year ended 30 April 2012

22 Ultimate parent company

The Company's immediate parent undertaking is Magicbus Scotland Limited, registered in Scotland (number SC102049). The 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 from the following address:

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