

East London Bus and Coach Company Limited

Financial statements for the year ended 30 April 2004

Registered number: 2328402



Directors' report

For the year ended 30 April 2004

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 2004.

Principal activity and business review

The principal activity is the provision of bus services in and around the Greater London area.

Turnover for the year ended 30 April 2004 was £109,304,000 (2003 - £92,537,000) and the profit on ordinary activities before taxation was £5,424,000 (2003 - £5,749,000).

Profit on ordinary activities after taxation amounted to £2,345,000 (2003 - £3,933,000). It is recommended that this amount be appropriated as follows:

	2004	2003
	£000	£000
Profit for the financial year	2,345	3,933
Dividends	(900)	(6,500)
	<u>1,445</u>	<u>(2,567)</u>

Directors and their interests

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

B E Arnold

B E Beckham

M A Griffiths

P Sumner

L B Warneford

Directors' report (continued)

For the year ended 30 April 2004

Directors and their interests (continued)

None of the directors had an interest in the issued share capital of the company during the year.

The interests of M A Griffiths are in the issued share capital of Stagecoach Group plc are disclosed in the financial statements of that company.

The interests of other directors in the issued share capital of Stagecoach Group plc are as follows:

	Ordinary Shares of 0.5p		Share options on ordinary shares	
	2004	2003	2004	2003
L B Warneford	62,079	60,069	1,570,860	1,266,006
B E Arnold	4,406	4,406	944,750	768,001
B E Beckham	729	729	15,833	15,833
P Sumner	51,236	51,236	15,833	15,833

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained in the Accounting Policies. They also confirm that the reasonable and prudent judgements and estimate have been made in preparing the financial statements and applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which 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 1985. 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.

Directors' report (continued)

For the year ended 30 April 2004

Disabled persons

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

Employee involvement

During the period under review, arrangements have been maintained whereby employees of the company are systematically provided with information on matters of concern to them as employees. Such matters have included the financial and economic factors affecting the performance of the company and likely future developments. Consultation with representatives of staff has also continued to take place on a regular basis, so that the views of employees can be taken fully into account in making decisions which are likely to affect their interests.

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. In November 2001 the responsibility for the payment of suppliers was transferred to Stagecoach Services Limited, a fellow group company, hence trade creditors outstanding at the year end represented Nil days' purchases (2003 – Nil days).

Fixed assets

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

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting

By order of the Board



A L Whitnall
Company Secretary

2-4 Clements Road
Ilford
Essex
IG1 1BA
27th October 2004

Auditors report

For the year ended 30 April 2004

Independent auditors' report to the members of East London Bus and Coach Company Limited:

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds, the note of historical cost profits and losses and the related notes which have been prepared under the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Auditors report (continued)

For the year ended 30 April 2004

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 30 April 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Glasgow

27th October 2004

Profit and loss account
For the year ended 30 April 2004

	Notes	2004 £000	2003 £000
Turnover – continuing operations	2	109,304	92,537
Operating costs		(104,580)	(87,482)
Other operating income		1,797	1,716
Operating profit – continuing operations		6,521	6,771
Finance charges (net)	3	(1,096)	(1,022)
Profit on ordinary activities before taxation	4	5,425	5,749
Taxation	8	(3,080)	(1,816)
Profit on ordinary activities after taxation		2,345	3,933
Dividends	5	(900)	(6,500)
Retained profit/(loss) for the year	16	1,445	(2,567)

There were no recognised gains or losses other than those in the profit and loss account shown above.

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

Balance sheet
As at 30 April 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Tangible assets	9	66,252	71,904
Current assets			
Stock	10	399	364
Debtors (including £9,412,000 (2003 - £53,536,000) due after one year)	11	14,235	58,609
Cash at bank and in hand		12,325	156
		26,959	59,129
Creditors: Amounts falling due within one year	12	(15,812)	(18,604)
Net current assets		11,147	40,525
Total assets less current liabilities		77,399	112,429
Creditors: Amounts falling due after more than one year	12	(57,772)	(93,700)
Provisions for liabilities and charges	14	(9,775)	(10,322)
Net assets		9,852	8,407
Capital and reserves			
Equity share capital	15	3,463	3,463
Share Premium Account	16	3,462	3,462
Revaluation Reserve	16	1,442	1,442
Profit and loss account	16	1,485	40
Shareholders' funds		9,852	8,407

Signed on behalf of the Board



M A Griffiths
Director

27th October 2004

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

Additional statements

As at 30 April 2004

Note of Historical Cost Profits and Losses

	2004	2003
	£000	£000
Reported profit on ordinary activities before taxation	5,425	5,749
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	Nil	34
Historical cost profit on ordinary activities before taxation	5,425	5,783
Historical cost profit/(loss) for the year retained after taxation and dividends	1,445	(2,533)

Reconciliation of movement in shareholders' funds

	2004	2003
	£000	£000
Profit for the financial year	2,345	3,933
Dividends	(900)	(6,500)
Net increase/(decrease) in shareholders' funds	1,445	(2,567)
Opening shareholders' funds	8,407	10,974
Closing shareholders' funds	9,852	8,407

The accompanying notes form an integral part of this reconciliation.

Notes to the financial statements

For the year ended 30 April 2004

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 have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards.

The company has taken advantage of the exemption from preparing consolidated financial statements and a cash flow statement because it is a wholly owned subsidiary of Stagecoach Group plc which prepares consolidated financial statements which are publicly available.

b) Intangible fixed assets and amortisation

Intangible fixed assets, including purchased goodwill arising on the acquisition of new routes or operations, are amortised over their useful economic lives.

c) Tangible fixed assets

Land and buildings and other fixed assets are shown at cost or valuation, net of depreciation and any provision for impairment as set out in note 9.

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

Freehold property	50 years
Public service vehicles (PSVs), depending on type	7 to 16 years
Plant and equipment	3 to 10 years
Motor cars and other vehicles	3 to 5 years
Furniture and fittings	3 to 10 years
Freehold land is not depreciated	

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.

e) Taxation

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

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

Notes to the financial statements (continued)

For the year ended 30 April 2004

1 Accounting policies (continued)

f) 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.

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 represents 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

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of the scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

i) Revaluation of properties

The company has taken advantage of the transitional provisions of FRS 15 and has retained the book amounts of certain freehold properties that were revalued prior to the implementation of that standard. The properties were last revalued at 30 April 1996 and the valuations have not been subsequently updated.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

2 Segmental information

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

Notes to the financial statements (continued)

For the year ended 30 April 2004

3 Finance charges (net)

	2004	2003
	£000	£000
Bank interest receivable	479	493
Hire Purchase and lease interest payable	(1,575)	(1,515)
	<u>(1,096)</u>	<u>(1,022)</u>

4 Profit on ordinary activities before taxation

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

	2004	2003
	£000	£000
Depreciation		
- owned	1,423	710
- held under hire purchase and finance lease agreements	3,543	4,466
Operating lease rentals		
- land and buildings	421	432
- other	3,653	319
ESOP costs	Nil	1,102
	<u> </u>	<u> </u>

Auditors' remuneration is borne by the ultimate parent company.

5 Dividends

	2004	2003
	£000	£000
Dividend payable to parent company - £0.26 per ordinary share (2003		
- £1.88 per ordinary share)	900	6,500
	<u> </u>	<u> </u>

6 Staff Costs

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

	2004	2003
	Number	Number
Operations	2,465	2,166
Administration and supervisory	46	172
	<u>2,511</u>	<u>2,338</u>

Notes to the financial statements (continued)

For the year ended 30 April 2004

6 Staff Costs (continued)

	2004	2003
	£000	£000
The aggregate remuneration comprised:		
Wages and Salaries	64,983	54,578
Social security costs	6,748	5,051
Other pension costs (see note 17b)	3,452	3,065
Redundancy payments	Nil	14
	<u>75,183</u>	<u>62,708</u>

7 Directors' remunerations

	2004	2003
	£000	£000
Emoluments of directors	<u>341</u>	<u>472</u>

The emoluments of M A Griffith are disclosed in the financial statements of Stagecoach Group plc. None of his remuneration is in respect of his duties as directors of this company.

The above details of directors emoluments do not include the emoluments of Les Warneford, which are paid by the ultimate parent company. £15,205 of his total emoluments received are apportioned to his services as a director of East London Bus and Coach Company Limited.

The emoluments of B E Arnold, B E Beckham and P Sumner are disclosed in full above, and include amounts paid as a director of South East London and Kent Bus Company Limited. Their emoluments are also disclosed in the financial statements of South East London and Kent Bus Company Limited.

The above amounts for remuneration include the following in respect of compensation for loss of office £Nil (2003: £127,074).

The above amounts for remuneration include the following in respect of the highest paid director £123,658 (2003: £123,749). Accrued pension at the end of the year was £18,895 (2003: £14,343) and the cash lump sum accrued was £56,684 (2003: £43,027).

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

	2004	2003
	Number	Number
Defined benefit scheme	<u>5</u>	<u>7</u>

Notes to the financial statements (continued)

For the year ended 30 April 2004

8 Taxation

	2004 £000	2003 £000
a) Charge for the year		
Current tax:		
UK corporation tax on profits for the year	644	Nil
Amount payable to fellow subsidiary in respect of tax saved by group relief	Nil	867
Adjustment in respect of previous years	2,981	Nil
Total current tax	3,625	867
Deferred tax:		
Origination and reversal of timing differences	985	949
Adjustments in respect of prior periods	(1,530)	Nil
Total deferred tax (note 14)	(545)	949
Tax on profit on ordinary activities	3,080	1,816

Corporation tax payable for the year has been reduced by £Nil (2003 - £866,982) because of group relief received from a fellow subsidiary for which payment of £Nil (2003 - £866,982) will be made.

b) Factors affecting the tax charge for the year

The effective tax rate for the period is reconciled to the actual tax charge as follows:	2004	2003
	£000	£000
Profit on ordinary activities before tax	5,425	5,749
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 - 30%)	1,627	1,725
Effect of:		
Expenses not deductible for tax purposes	2	91
Capital allowances for period in excess of depreciation	(985)	(1,096)
Other timing differences	Nil	147
Adjustments to tax charge in respect of previous years	2,981	Nil
Current tax charge for year	3,625	867

Notes to the financial statements (continued)

For the year ended 30 April 2004

9 Fixed assets

Tangible assets

The movement in the year is summarised below:

	Freehold land and buildings £000	PSVs £000	Plant and equipment and furniture and fittings £000	Total £000
Cost or valuation				
Beginning of year	11,915	74,848	3,279	90,042
Additions	1,053	4,228	701	5,982
Disposals	(507)	(901)	(64)	(1,472)
Transfers	Nil	(8,861)	Nil	(8,861)
End of year	<u>12,461</u>	<u>69,314</u>	<u>3,916</u>	<u>85,691</u>
Depreciation				
Beginning of year	606	14,862	2,670	18,138
Charge for year	109	4,589	268	4,966
Disposals	(32)	(578)	(62)	(672)
Transfers	Nil	(2,993)	Nil	(2,993)
End of year	<u>683</u>	<u>15,880</u>	<u>2,876</u>	<u>19,439</u>
Net book value				
Beginning of year	<u>11,309</u>	<u>59,986</u>	<u>609</u>	<u>71,904</u>
End of year	<u>11,778</u>	<u>53,434</u>	<u>1,040</u>	<u>66,252</u>

The net book value of assets leased under finance leases and hire purchase agreements which have been capitalised and included in the above is £39,646,615 (2003 - £ 53,959,007). Depreciation of £3,543,357 (2003 - £4,466,000) has been charged in the year in respect of assets held under hire purchase or finance lease agreements.

Freehold land amounting to £6,516,260 has not been depreciated (2003 - £ 6,535,750).

The company's properties were revalued by Oliver Liggins, Chartered Surveyors, on the basis of open market value for existing use. The valuation took place on 30 April 1996. Properties held surplus to requirements have been valued on the basis of open market value. If this and prior revaluations of land and buildings had not taken place, the historical cost and accumulated depreciation at 30 April 2004 would have been £10,335,000 and £652,000 respectively (2003 - £9,789,000 and £575,000).

Notes to the financial statements (continued)

For the year ended 30 April 2004

10 Stocks

	2004	2003
	£000	£000
Spares, consumables and fuel	399	364

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

11 Debtors

	2004	2003
	£000	£000
Prepayments and accrued income	4,823	5,073
Amounts owed by group undertakings	9,412	53,536
	<u>14,235</u>	<u>58,609</u>

Of the total shown above £ 9,412,000 (2003 - £53,536,000) falls due after more than one year.

12 Creditors

	2004	2003
	£000	£000
Amounts falling due within one year:		
Accruals and deferred income	4,621	5,194
Other taxes and social security costs	2,196	1,554
Hire purchase and lease obligations	8,351	11,474
Other creditors	Nil	382
Corporation tax creditor	644	Nil
	<u>15,812</u>	<u>18,604</u>
Amounts falling due after more than one year:		
Amounts owed to group undertakings	44,857	72,522
Hire purchase and lease obligations	12,915	21,178
	<u>57,772</u>	<u>93,700</u>

Notes to the financial statements (continued)

For the year ended 30 April 2004

13 Obligations under HP and finance lease agreements

Amounts are repayable as follows:

	2004 £000	2003 £000
Amounts payable:		
- within one year	8,351	11,474
- between one and two years	7,037	8,903
- between two and five years	5,878	12,275
	<u>21,266</u>	<u>32,652</u>

14 Provisions for liabilities and charges

	2004 £000	2003 £000
Accelerated capital allowances	9,861	10,477
Other timing differences	(86)	(155)
Provision for deferred tax	<u>9,775</u>	<u>10,322</u>

Position at start of year	10,322	9,373
Deferred tax charge in profit and loss account for year (note 8a)	<u>(545)</u>	<u>949</u>
Provision at end of year	<u>9,775</u>	<u>10,322</u>

15 Equity share capital

	2004 £000	2003 £000
<i>Authorised</i>		
18,000,000 Ordinary shares of £1 each	<u>18,000</u>	<u>18,000</u>
<i>Allotted, called up and fully paid</i>		
3,463,000 Ordinary shares of £1 each	<u>3,463</u>	<u>3,463</u>

Notes to the financial statements (continued)

For the year ended 30 April 2004

16 Reserves

The movement on reserves is summarised below:

<i>Distributable</i>	Profit and loss account £000	
At start of year		40
Retained profit for year		1,445
End of year		<u>1,485</u>
 <i>Non-distributable</i>		
	Share premium £000	Revaluation reserve £000
At start of year and end of year	<u>3,462</u>	<u>1,442</u>

17 Guarantees and other financial commitments

a) Lease commitments

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

	2004 Land & buildings £000	2004 Other £000	2003 Land & buildings £000	2003 Other £000
Expiry date				
- within one year	Nil	Nil	Nil	Nil
- between two and five years	Nil	942	Nil	Nil
- after five years	405	5,704	405	1,896
	<u>405</u>	<u>6,646</u>	<u>405</u>	<u>1,896</u>

Notes to the financial statements (continued)

For the year ended 30 April 2004

17 Guarantees and other financial commitments (continued)

b) Pensions

The company is a contributing employer in the Stagecoach Group Pension Scheme. Full details of this scheme are contained in the accounts of Stagecoach Group plc. Under the transitional arrangements for the implementation of FRS 17, Retirement Benefits, the company continues to account for pensions in accordance with SSAP 24, although the disclosures required by FRS 17 are provided below.

The Stagecoach Group Pension Scheme is a defined benefit scheme. For the purposes of FRS 17, the contributions paid by the company would be 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. The costs of contributions to the Group scheme amount to £3,452,000 (2003: £3,065,000), being 7.7% 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 5 April 2002 and a surplus of £17.0 million was identified

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.

18 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 11 and 12.

19 Ultimate parent company

The company's immediate parent company is Stagecoach Bus Holdings Limited, registered in Scotland (registered number SC176671). The company's ultimate parent company is Stagecoach Group plc, registered in Scotland (registered 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 to the public from the following address:

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