

**EAST LONDON BUS AND COACH COMPANY LIMITED**  
**REGISTERED NO : 2328402**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30TH APRIL 1997**  
**TOGETHER WITH**

**DIRECTORS' & AUDITORS' REPORTS**



EAST LONDON BUS AND COACH COMPANY LIMITED

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**EAST LONDON BUS AND COACH COMPANY LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 30TH APRIL 1997**

The Directors present their annual report on the affairs of the Company, together with the Financial Statements and Auditors' Report for the year ended 30th April 1997.

**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 for that period. In preparing those financial statements, the Directors are required to :

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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.

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The Company's principal activity continues to be the provision of road passenger transport services within the Greater London area.

During the year, the Company operated with an average of 629 buses. At 30th April 1997 garages were located at Romford, Barking, Upton Park, Leyton, Bow and Stratford.

## **RESULTS AND DIVIDENDS**

The profit before and after taxation for the year to 30th April 1997 was £8,360,000 (30th April 1996 £7,902,000). A dividend of £5,500,000 was paid during the year (30th April 1996 £3,500,000). The Directors recommend that the remaining profit for the year be retained. For details of the reserve movements in the year, see Note 14 to the Financial Statements.

## **FUTURE DEVELOPMENTS**

The Directors do not envisage any significant change in the Company's operation in the near future.

## **DIRECTORS AND THEIR INTERESTS**

The Directors who held office during the year were as follows :-

R W Bowker  
B E Arnold  
P Duff  
M H Stoggell  
K R Cochrane  
D Scott  
B J Cox

Resigned      29/05/96

No Director had an interest in the share capital of the Company during this year. The interests of K R Cochrane and B J Cox in the issued share capital of the ultimate parent company, Stagecoach Holdings plc, are disclosed in the Financial Statements of that Company. The interests of the other Directors in the issued share capital of Stagecoach Holdings plc are as follows :

Name of Director	Ordinary Shares of 2.5p	
	30/04/97	30/04/96
R W Bowker	76	51
B E Arnold	76	51
P Duff	75	51
M H Stoggell	68	51

In addition, R W Bowker has been granted 17,250 options over the share capital of Stagecoach Holdings plc.

### **HEALTH AND SAFETY**

The health, safety and welfare of its employees and passengers is of the utmost importance to the Company. Audits of safety performance were frequently undertaken during the year. Full support was given to joint consultation and employee participation on safety matters.

### **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 abide by them. The average number of supplier days outstanding for balances at 30th April 1997 was 35 days.

### **DISABLED EMPLOYEES**

The Company's policy in respect of disabled persons is that their applications for employment are always fully and fairly considered, bearing in mind the abilities of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that employment with the Company continues and where necessary appropriate training is arranged. It is the Company's policy that training, career development and promotion of disabled persons should, as far as possible, be identical with that of all other employees in similar gradings.

### **EMPLOYEE CONSULTATION**

The Directors and Managers of the Company place considerable value on the consultative meetings with employees. Information on matters affecting employees and on various factors affecting the performance of the Company is disseminated through meetings, newsletters and training programmes. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

### **AUDITORS**

The Auditors, Arthur Andersen, are willing to continue in office and a resolution proposing their re-appointment will be submitted to the Annual General Meeting.

By Order of the Board



M H Stoggell  
Company Secretary  
2-4 Clements Road  
Ilford, Essex IG1 1BA

22nd July 1997

## **REPORT OF THE AUDITORS**

### **TO THE SHAREHOLDERS OF EAST LONDON BUS AND COACH COMPANY LIMITED**

We have audited the Financial Statements on pages 7 to 23 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 10 to 12.

#### **Respective responsibilities of directors and auditors**

As described on page 3 the Company's Directors are responsible for the preparation of the Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those Financial Statements and to report our opinion to you.

#### **Basis of 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.

#### **Opinion**

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company at 30th April 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Arthur Andersen*

Arthur Andersen  
Chartered Accountants and Registered Auditors  
199 St Vincent Street, Glasgow G2 5QD  
22nd July 1997

**EAST LONDON BUS AND COACH COMPANY LIMITED**

**PROFIT & LOSS ACCOUNT**

**FOR THE YEAR ENDED 30TH APRIL 1997**

	Notes	Year Ended 30th April 1997 £000's	Year Ended 30th April 1996 £000's
Turnover	1	56,811	56,156
Operating Costs (net)		(49,498)	(49,031)
Other Operating Income		672	485
Operating profit		<u>7,985</u>	<u>7,610</u>
Interest receivable and similar income		<u>375</u>	<u>292</u>
Profit on ordinary activities before taxation	1,2	8,360	7,902
Taxation	10	<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation		8,360	7,902
Dividends paid and proposed	13	(5,500)	(3,500)
Retained profit for the year		<u><u>2,860</u></u>	<u><u>4,402</u></u>

The above results in each year are wholly derived from continuing operations.

Movements in reserves are set out in Note 14 to these Financial Statements.

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

# STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year Ended 30th April 1997 £000's	Year Ended 30th April 1996 £000's
Profit for the financial year	8,360	7,902
Surplus on revaluation of fixed assets	-	2,227
Total recognised gains and losses relating to the year	<u>8,360</u>	<u>10,129</u>

# NOTE OF HISTORICAL COST PROFITS AND LOSSES

	Year Ended 30th April 1997 £000's	Year Ended 30th April 1996 £000's
Reported profit on ordinary activities before taxation	8,360	7,902
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,190	1,192
Historical cost profit on ordinary activities before taxation	<u>9,550</u>	<u>9,094</u>
Historical cost profit for the year retained after taxation and dividends	<u>4,050</u>	<u>5,594</u>

The accompanying notes are an integral part of these statements.




**EAST LONDON BUS AND COACH COMPANY LIMITED**  
**BALANCE SHEET**  
**AS AT 30TH APRIL 1997**

	Notes	30th April 1997 £000's	30th April 1996 £000's
<u>Fixed Assets</u>			
Tangible assets	5	27,398	27,007
Investments	5	100	100
		<u>27,498</u>	<u>27,107</u>
<u>Current Assets</u>			
Debtors	6	3,511	3,566
Cash at bank and in hand		1,806	1,720
		<u>5,317</u>	<u>5,286</u>
<u>Creditors</u> : Amounts falling due within one year	7	(8,284)	(7,497)
		<u>(2,967)</u>	<u>(2,211)</u>
<u>Net Current Liabilities</u>			
		<u>(2,967)</u>	<u>(2,211)</u>
<u>Total Assets less Current Liabilities</u>		24,531	24,896
<u>Creditors</u> : Amounts falling due after more than one year	8	(1,864)	(5,087)
Net Assets		<u>22,667</u>	<u>19,809</u>
<u>Capital and Reserves</u>			
Called-up share capital	12	3,463	3,463
Share premium account	14	3,462	3,462
Revaluation reserve	14	5,030	6,222
Profit and loss account	14	10,712	6,662
Equity Shareholders' Funds		<u>22,667</u>	<u>19,809</u>

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

The Financial Statements were approved by the Board of Directors on 22nd July 1997  
and were signed on its behalf by :



R W BOWKER  
MANAGING DIRECTOR

## EAST LONDON BUS AND COACH COMPANY LIMITED

### PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year is set out below.

#### a) Basis of Accounting

The Financial Statements of the Company have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

#### b) Tangible Fixed Assets

Tangible fixed assets are included at cost or subsequent valuation as set out in note 5, less accumulated depreciation.

Depreciation is charged on assets from the date they are brought into use and is provided so as to write off the cost or valuation less estimated residual value of assets on a straight-line basis over their estimated useful lives, at the following rates :-

Freehold buildings	50 years
Public service vehicles, depending on type	7-17 years
Plant and equipment	1-10 years

Freehold land is not depreciated.

Surpluses or deficits arising on the revaluation of individual tangible fixed assets are credited or debited to a non-distributable reserve known as the revaluation reserve. Depreciation charges based on the revalued amount are charged to the profit and loss account in subsequent years. Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from this reserve to the profit and loss account below the profit or loss for the financial period. On the disposal of a revalued fixed asset, any revaluation surplus corresponding to the item is also transferred to the profit and loss account below the profit or loss for the period.

#### c) Investments

Fixed asset investments are shown at cost less amounts written off. Provisions are made for permanent reductions in value. Provisions for temporary fluctuations in value are made if material.

## Principal Accounting Policies (continued)

### d) Leased Assets

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

### e) Stocks

Stocks, representing spare parts and consumable fuel and oil stocks, have been valued at the lower of cost or net realisable value on a first-in, first-out basis.

### f) Taxation

All corporation and deferred tax (including unprovided deferred tax) is accounted for by the ultimate parent company.

### g) Pension Costs

The pension cost charged to the profit and loss account for the defined contribution scheme represents contributions payable in the period by the Company to the fund. Contributions in respect of defined benefit schemes are charged to the profit and loss account so as to produce a substantially level percentage of the current and future pensionable payroll.

See note 17 for further information on these schemes.

### h) Cash Flow Statement

As permitted by FRS 1, no cash flow statement has been prepared for the Company as it is a subsidiary undertaking of an EC registered parent whose group accounts include a consolidated cash flow statement.

### i) Related party transactions

The company has taken advantage of the FRS 8 exemption from having to provide details of transactions with fellow group undertakings.

### j) Turnover

Turnover comprises gross revenue earned from road passenger transport and ancillary services in the United Kingdom, net of VAT, and excludes future payments received on account. Amounts received for tendered services and concessionary fare schemes are included as part of turnover.

### k) Grants

Fuel duty rebate is credited to operating costs as it is earned.

Principal Accounting Policies (continued)

l) Holiday Pay

The holiday year runs to 31 December. The provision for holiday pay is made in respect of employees who joined before 1975 and who did not receive their full entitlement in the year of joining, together with a provision for outstanding Bank Holidays.

### NOTE 3 DIRECTORS' REMUNERATION

#### Directors' remuneration

#### Remuneration

The remuneration of the directors was as follows :

	1997 £000's	1996 £000's
Emoluments	187	182
Pension schemes	10	9
	<u>197</u>	<u>191</u>

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes. During the year one director exercised options to acquire shares in the ultimate parent company, Stagecoach Holdings plc. Details of this exercise are disclosed in the accounts/financial statements of that company.

#### Pensions

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

	1997 Number	1996 Number
Defined benefit schemes	3	3
	<u>3</u>	<u>3</u>

### SHARE OPTIONS

During the year R W Bowker was granted an option to subscribe for 17250 shares, for NIL consideration.

As at May 1996	Granted	As at 20th April 1997	Exercise Price	Date for which Exercisable	Expiry Date
NIL	17,250	17,250	£5.65	11th Oct 1999	11th Oct 2006

**EAST LONDON BUS AND COACH COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH APRIL 1997**

**NOTE 1 SEGMENT INFORMATION**

All of the Company's turnover and profit before taxation derives from the provision of road passenger transport services in the Greater London area.

**NOTE 2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The profit on ordinary activities before taxation for the year has been arrived at after charging the following amounts :-

	Year Ended 30th April 1997 £000's	Year Ended 30th April 1996 £000's
Staff costs (see note 4)	34,074	34,118
Loss on sale of fixed assets	34	65
Other operating lease rentals	94	153
Depreciation	2,845	2,716
Redundancy costs	-	47

Auditors' remuneration has been borne by the ultimate parent company in both years.

#### NOTE 4 STAFF COSTS

Particulars of staff (including Executive Directors) are shown below.

Staff costs during the year amounted to :-

	Year Ended 30th April 1997 £000's	Year Ended 30th April 1996 £000's
Wages and Salaries	29,742	29,793
Social Security Costs	2,337	2,325
Other Pension Costs (note 17)	1,995	2,000
	<u>34,074</u>	<u>34,118</u>

The average monthly number of persons employed by the Company, including Directors, during the year was as follows :

	Year Ended 30th April 1997 Number	Year Ended 30th April 1996 Number
Traffic Operations	1,647	1,638
Engineering and Maintenance	197	210
Administration	<u>47</u>	<u>44</u>
	<u>1,891</u>	<u>1,892</u>

## NOTE 5 FIXED ASSETS

### Tangible Fixed Assets

The movement in the year to 30th April 1997 was as follows :-

	Buses	Freehold Land and Building	Plant & Other	Total
<u>Cost or Valuation</u>	£000's	£000's	£000's	£000's
At beginning of year	39,982	6,411	2,394	48,787
Additions	4,075	38	178	4,291
Inter-Company Transfers	(2,121)	-	-	(2,121)
Disposals	(309)	-	(155)	(464)
At end of year	41,627	6,449	2,417	50,493
<u>Depreciation</u>				
At beginning of year	20,220	-	1,560	21,780
Charge for the year	2,548	66	231	2,845
Inter-Company Transfers	(1,179)	-	-	(1,179)
Disposals	(197)	-	(154)	(351)
At end of year	21,392	66	1,637	23,095
<u>Net Book Value</u>				
At end of year	20,235	6,383	780	27,398
At beginning of year	19,762	6,411	834	27,007



The Company's principal operating properties were revalued by Oliver Liggins, Chartered Surveyors, on an open market existing use basis. As at 30th April 1996. Additions to the valuation are at cost, as follows :

	Freehold Land and Buildings £000's
Historic Cost including additions	38
1996 Valuation by Oliver Liggins	6,411
	<u>6,449</u>

When the Company was acquired by Stagecoach Holdings plc on 6th September 1994, its PSV Fleet was revalued by the Directors bringing them in line with Stagecoach Holdings plc's depreciation policies.

Had the above revaluations not taken place, the value of fixed assets would be :

	Land and Buildings £000's	Buses £000's
30th April 1996		
Cost	4,260	39,121
Depreciation	(183)	(23,515)
Net Book Value	<u>4,077</u>	<u>15,606</u>
30th April 1997		
Cost	4,298	40,766
Depreciation	(249)	(24,546)
Net Book Value	<u>4,049</u>	<u>16,220</u>

Operational properties were originally transferred from London Buses Limited to East London Bus and Coach Company Limited at an existing use valuation on 3rd December 1993. If these properties are sold above this value within 10 years from transfer, clawback arrangements are in place such that a proportion of any surplus is repayable to London Regional Transport. The Company does not intend to dispose of any of these properties.

#### Investments

The fixed asset investment of £100,000 (1996 £100,000) represents a holding of 10% of the issued Ordinary Shares in Routemaster Reinsurance Limited, a company registered in Eire.

#### NOTE 6 DEBTORS

	30th April 1997 £000's	30th April 1996 £000's
Trade debtors	2,672	2,677
Amounts owed by other group undertakings	6	-
Prepayments and accrued income	340	389
Stocks	493	500
	<u>3,511</u>	<u>3,566</u>

All Debtors are due within one year.

NOTE 7 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	30th April 1997 £000's	30th April 1996 £000's
Trade creditors	2,833	2,972
Receipts in advance	45	44
Salary and wages accrual	643	644
Social security and PAYE	578	568
Other Accruals	1,530	1,543
Holiday Pay	437	437
Fuel Duty Rebate	184	43
Insurance Accrual	2,034	1,246
	<u>8,284</u>	<u>7,497</u>

NOTE 8 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30th April 1997 £000's	30th April 1996 £000's
Amounts owed to other group undertakings	<u>1,864</u>	<u>5,087</u>

NOTE 9 OPERATING LEASE COMMITMENTS

The Company leases certain land and buildings on short and long term operating leases. The rental for the year to 30th April 1997 was £92,000 (year to 30th April 1996 - £153,000). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Company pays all insurance, maintenance and repairs of these properties.

The annual commitments under non-cancellable operating leases are as follows :-

	Land & Buildings	
	30th April 1997 £000's	30th April 1996 £000's
<u>Operating leases which expire :</u>		
Within two to five years	<u>94</u>	<u>78</u>

#### NOTE 10 TAXATION

All corporation tax is dealt with in the Financial Statements of Stagecoach Holdings plc.

#### NOTE 11 DEFERRED TAXATION

The full potential deferred tax liability, including timing differences which will probably not reverse, is dealt with in the Financial Statements of the ultimate parent company, Stagecoach Holdings plc.

#### NOTE 12 CALLED-UP SHARE CAPITAL - EQUITY

	30th April 1997 £000's	30th April 1996 £000's
Authorised share capital		
Ordinary Shares of £1 each	18,000	18,000
Called-up, allotted and fully paid		
Ordinary Shares of £1 each	3,463	3,463

#### NOTE 13 DIVIDENDS PAID AND PROPOSED

	Year Ended 30th April 1997 £000's	Year Ended 30th April 1996 £000's
Interim paid of 158.8p (year ended 30th April 1996 - 101.1p)	5,500	3,500
	5,500	3,500

## NOTE 14 RESERVES

Of the total reserves shown in the Company's balance sheet, the following amounts are regarded as distributable or otherwise :

	30th April 1997 £000's	30th April 1996 £000's
Distributable		
Profit and loss account	10,712	6,662
Non-distributable		
Share premium account	3,462	3,462
Revaluation reserve	5,030	6,222
	<u>19,204</u>	<u>16,346</u>

### Revaluation reserve

	£000's
At beginning of year	6,222
Revaluation surplus	(2)
Amortisation of revaluation surplus	(1,190)
At end of year	<u>5,030</u>

### Profit and Loss Account

	£000's
At beginning of year	6,662
Retained profit for the financial year	2,860
Amortisation of revaluation surplus	1,190
At end of year	<u>10,712</u>

## NOTE 15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	£000's
Opening Balance at 1st May 1996	19,809
<u>Movements</u>	
Revaluation Surplus	(2)
Profit for the financial year	8,360
Dividends paid	(5,500)
Closing Balance at 30th April 1997	<u>22,667</u>

## NOTE 16 CAPITAL COMMITMENTS

At 30th April 1997, the Company had £36,797 capital commitments (30th April 1996 £Nil)

## NOTE 17 PENSION ARRANGEMENTS

Until its acquisition by Stagecoach Holdings plc on 6th September 1994 the company funded contributions to the London Regional Transport Pension Fund.

The Company's employees are now eligible to participate in the Stagecoach Holdings Group Retirement and Death Benefits Scheme. Full details of this Scheme are provided in the Financial Statements of the ultimate parent company, Stagecoach Holdings plc.

Pensions costs and liabilities are determined in accordance with actuarial advice. The pension cost for the year ended 30th April 1997 was £1,995,000 (year to 30th April 1996 £2,000,000).

## NOTE 18 GUARANTEES

The Company is a party to certain bank guarantees in respect of guarantee and overdraft facilities provided to certain group undertakings and other UK group borrowings, of which £52,200,000 was standing at 30th April 1997 (30th April 1996 £89,813,000) and provides cross guarantees to certain group undertakings under VAT group provisions.

#### NOTE 19 PARENT COMPANY

The Company's ultimate parent Company is Stagecoach Holdings plc, registered in Scotland (Number 100764), which heads the only group in which the results of the Company are consolidated.

The financial statements of the ultimate parent company are available from the following address :

Stagecoach Holdings plc  
Charlotte House  
20 Charlotte Street  
Perth PH1 5LL  
Scotland