East London Bus & Coach Company Limited

Financial statements for year ended 30 April 2014

Registered number: 2328402

Contents

Corporate information
For the year ended 30 April 2014

Directors

C Brown
R G Andrew
S Greer
R Montgomery
A M Threapleton
M J Vaux
G Nolan (Appointed 02 May 2013)

Company Secretary and registered office

M J Vaux
Daw Bank
Stockport
Cheshire
SK3 0DU

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
141 Bothwell Street
Glasgow
G2 7EQ

Bankers

Bank of Scotland
38 St Andrew Square
Edinburgh
EH2 2YR

Royal Bank of Scotland
St Andrew Square
Edinburgh
EH2 2YR

Strategic report

For the year ended 30 April 2014

The directors present their strategic report on the Company for the year ended 30 April 2014.

Review of the business

East London Bus & Coach Company Limited is a public transport operator, operating primarily contract services within the Greater London area. The Company operates a fleet of 708 buses and employs 2,410 people.

Results and performance

The results of the Company for the year ended 30 April 2014 show a profit on ordinary activities before taxation of £3,511,000 (2013: loss £2,792,000) and turnover of £157,402,000 (2013: £150,795,000). The Company has net liabilities of £41,925,000 (2013: £51,688,000).

During the previous year the Company transitioned from EU-adopted IFRS to FRS 101 "Reduced Disclosure Framework" and has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking, Stagecoach Group plc, was notified of, and did not object to, the use of the EU-adopted IFRS disclosure exemptions. There were no material recognition or measurement differences arising on the adoption of FRS 101.

The directors have received a guarantee of financial support from Stagecoach Group plc and therefore the directors consider the going concern assumption for the preparation of these financial statements is appropriate.

Business environment

Along with fellow subsidiaries South East London & Kent Bus Company Limited ("Selkent") and East London Bus Limited ("ELB"), the Company provides public transport services, primarily under contract to Transport for London ("TfL"), under a number of five-year contracts with varying termination dates, which are extendable if qualitative metrics are achieved for a further two years at the Company's discretion.

TfL offer around 700 such contracts, and most of the significant national transport operators are active to a greater or lesser extent in the London bus marketplace.

TfL monitors the activities of operators closely, with particular emphasis on timekeeping and customer service standards. The contracts it awards generally have an incentive/penalty regime to promote quality delivery.

The Company benefits from being part of the UK Bus (London) Division of Stagecoach Group plc, a nationwide public transport operator.

Strategy

A full review of the business was undertaken prior to, and following, its acquisition in 2010, and a significant opportunity was identified to add value through a turnaround of the under-performing business and through synergies with the other UK Bus operations within Stagecoach Group. The strategy was initially focused on addressing the structurally high cost base at the acquired business and on bidding for contracts that would earn a realistic return. We have now achieved our aspirations for mid to upper single-digit operating margins and our focus is now on maintaining tight control of costs while seeking to bid competitively for new contracts.

Future outlook

The bus passenger environment in London is expected to continue to provide opportunity for growth. Bus operators are expected to continue to invest in new vehicles and improve profitability through operational efficiencies.

The directors believe the continued investment in the fleet, the administration and wages restructuring, commitment to staff training and continuous monitoring of operational efficiency will enable the Company to improve its level of performance in the future.

We are encouraged by the continuing signs that our restructured business is more competitive in the tendered market and has now achieved contract wins on realistic profit margins. We are pleased with progress to date, and are optimistic on the prospects for future profit growth.

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 2014 annual report (paragraph 2.3.6 of the Strategic Review), which does not form part of this report.

The principal risks and uncertainties for the Group that are also applicable to the Company are:

Insurance and claims environment

The Group receives claims in respect of traffic incidents and employee claims. The Group protects itself against the cost of such claims through third party insurance policies. An element of the claims is not insured as a result of the "excess" on insurance policies. There is a risk that the number or magnitude of claims are not as expected and that the cost to the Group of settling these claims is significantly higher or lower than expected.

Fuel price fluctuations

The cost of fuel is a significant expense for the Company and the price can fluctuate widely in the market place. The Group seeks to minimise its exposure in this area through the use of fuel hedge contracts by fixing the price of a proportion of estimated fuel purchases throughout the term of the contracts with TfL.

Key performance indicators ("KPIs")

The directors of Stagecoach Group plc manage the Group's performance on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the UK Bus (London) Division of Stagecoach Group plc, which includes the Company, is discussed in the Strategic Review (paragraph 2.3.7) of the Group's 2014 annual report which does not form part of this report.

Strategic report (continued)
For the year ended 30 April 2014

Financial risk management

The Company's activities expose it to a variety of financial risks including the effects of changes in interest rates, credit risk and commodity prices. The effects of changes in interest rates and commodity prices are managed at a Group level by a central Group treasury function. The Company has implemented policies, which require appropriate credit checks to be performed on potential customers before sales are made. All credit checks are performed centrally by Stagecoach Services Limited, a fellow group company.

By order of the Board

M J Vaux
Company Secretary
22 September 2014

Directors' report
For the year ended 30 April 2014

The directors present their report on the affairs of the Company, together with the audited financial statements and independent auditors' report, for the year ended 30 April 2014.

Results and dividends

The results of the Company for the year ended 30 April 2014 show a profit on ordinary activities before of £3,511,000 (2013: loss £2,792,000) and turnover of £157,402,000 (2013: £150,795,000). The profit for the financial year amounted to £2,909,000 (2013: loss £2,021,000). The directors do not recommend the payment of a dividend (2013: Nil).

Future Developments

Future developments have been discussed in the strategic report on page 4.

Financial Risk Management

Financial risk management has been discussed in the strategic report on page 5.

Directors and their interests

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

C Brown
R G Andrew
S Greer
R Montgomery
A M Threapleton
M J Vaux
G Nolan (Appointed 02 May 2013)

Employees

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

Training and development

We have consistently sought to recruit and retain the best employees in the markets in which we operate. The Company invests significantly to ensure that our staff are properly trained and able to offer the best customer service. The Company, under guidance from central UK Bus (London) management, operates staff development, graduate trainee and apprentice engineer programmes.

Employee involvement

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

Employees (continued)

Disabled persons

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

Donations

Donations to charitable organisations amounted to £220 (2013: £2,436).

The Company does not make political contributions and accordingly there were no payments for political purposes during the year (2013: Nil).

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of Directors' responsibilities (continued)

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

Independent auditors and disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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.

Indemnification of Directors and officers

The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against its directors. The Company has indemnified each of its directors and other officers of the Company against certain liabilities that may be incurred as a result of their offices.

By order of the Board

M Vaux
Company Secretary

Daw Bank
Stockport
Cheshire
SK3 0DU

22 September 2014

Independent auditors' report to the members of East London Bus & Coach Company Limited
For the year ended 30 April 2014

Report on the financial statements
Our opinion
In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 30 April 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The financial statements, which are prepared by East London Bus & Coach Company Limited, comprise:

- the balance sheet as at 30 April 2014;
- the profit and loss account and statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

Independent auditors' report to the members of East London Bus & Coach Company Limited (continued)

For the year ended 30 April 2014

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 7 to 8, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Graham McGregor (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

22 September 2014

Profit and loss account

For the year ended 30 April 2014

	Note	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
Turnover	3	**157,402**	150,795
Cost of sales		**(157,274)**	(156,681)
Gross profit/(loss)	4	**128**	(5,886)
Other operating income	3	**1,653**	2,100
Restructuring costs	5	**-**	(46)
Operating profit/(loss)		**1,781**	(3,832)
Interest receivable and similar income	8	**3,026**	2,680
Interest payable and similar charges	8	**(1,296)**	(1,640)
Profit/(loss) on ordinary activities before tax		**3,511**	(2,792)
Tax on profit/(loss) on ordinary activities	9	**(602)**	771
Profit/(loss) for the financial year		**2,909**	(2,021)

All activities relate to continuing operations.

The notes on pages 15 to 37 form an integral part of these financial statements

Statement of other comprehensive income

For the year ended 30 April 2014

	Note	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
Profit/(loss) for the year		**2,909**	(2,021)
Other comprehensive income:			
Actuarial gain/(loss) on retirement benefit obligations	**17**	**9,414**	(39,912)
Other comprehensive income/(loss)		**9,414**	(39,912)
Tax (charge)/credit relating to actuarial gain/loss on retirement benefit obligations	**16**	**(2,560)**	9,322
Other comprehensive income/(loss) for the year, net of tax		**6,854**	(30,590)
Total comprehensive income/(loss) for the year		**9,763**	(32,611)

Balance sheet

As at 30 April 2014

	Note	30 April 2014 £'000	30 April 2013 £'000
Fixed assets			
Property, plant and equipment	10	**20,738**	26,775
Current assets			
Stocks	11	**599**	609
Debtors: amounts falling due within one year	12	**7,902**	12,936
Cash at bank and in hand	13	**556**	79
Deferred tax asset	16	**2,357**	5,426
		11,414	19,050
Total assets		**32,152**	45,825
Creditors: amounts falling due within one year			
Trade and other payables	14	**(62,781)**	(51,384)
Retirement benefit liabilities	17	**(9,943)**	(22,575)
Borrowings	15	**-**	(21,919)
		(72,724)	(95,878)
Creditors: amounts falling due after more than one year			
Provisions for liabilities	18	**(1,353)**	(1,635)
Total liabilities		**(74,077)**	(97,513)
Net liabilities		**(41,925)**	(51,688)
Capital and reserves			
Called up share capital	19	**4,263**	4,263
Share premium account	19	**10,662**	10,662
Revaluation reserve		**128**	132
Profit and loss account		**(56,978)**	(66,745)
Total shareholders' deficit		**(41,925)**	(51,688)

The financial statements on pages 11 to 37 were approved by the board of directors on 22 September 2014 and were signed on its behalf by:

C Brown
Director

Statement of changes in equity

As at 30 April 2014

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Revaluation reserve £'000	Total shareholders' deficit £'000
At 1 May 2012	4,263	10,662	(34,138)	136	(19,077)
Loss for the financial year	-	-	(2,021)	-	(2,021)
Transfer from revaluation reserve	-	-	4	(4)	-
Other comprehensive loss for the year	-	-	(30,590)	-	(30,590)
Total comprehensive income for the year	**-**	**-**	**(32,607)**	**(4)**	**(32,611)**
At 30 April 2013	**4,263**	**10,662**	**(66,745)**	**132**	**(51,688)**
Profit for the financial year	-	-	2,909	-	2,909
Transfer from revaluation reserve	-	-	4	(4)	-
Other comprehensive gain for the year	-	-	6,854	-	6,854
Total comprehensive income for the year	**-**	**-**	**9,767**	**(4)**	**9,763**
At 30 April 2014	**4,263**	**10,662**	**(56,978)**	**128**	**(41,925)**

Notes to the financial statements
For the year ended 30 April 2014

1 Principal accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the year, unless otherwise stated.

1.1 Basis of accounting
These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 22 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The Company's date of transition from EU-adopted IFRS to FRS 101 was 1 May 2012. The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The impact of these amendments to the Company's previously adopted accounting policies in accordance with EU-adopted IFRS was not material in terms of the shareholders' equity as at the date of transition and as at 30 April 2014 and on the profit for the year ended 30 April 2014.

At 30 April 2014, the Company had net liabilities of £41,925,000 (Year ended 30 April 2013: £51,688,000). 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.

1.2 Functional and presentational currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'sterling' ('£'), which is the Company's functional and presentational currency.

1.3 Revenue recognition
Revenue principally comprises of revenue from the operation of contracted bus services in London and the South East of the United Kingdom ('Turnover'). Turnover is shown net of value-added tax, rebates and discounts. Revenues incidental to the Company's principal activity (including advertising income) are reported as other operating income.

(a) Sales of services
The Company recognises revenue when the amount of revenue can be reliably measured. Performance based incentives are recognised in the year in which they become certain by reference to data provided by TfL

1. Principal accounting policies (continued)

1.3 Revenue recognition (continued)

(b) Interest income

Interest income is recognised on an accruals basis.

1.4 Property, plant and equipment

All public service vehicles are stated at cost less accumulated depreciation on the adoption of IFRS under the IFRS 1 transition rules. Land and buildings are stated in the balance sheet at cost, or their revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation. Other fixed assets are shown at cost, net of depreciation and any provision for impairment.

Depreciation on revalued buildings is charged to income. 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 subsequent sale or scrappage of a revalued property the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to the profit and loss reserve.

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 buildings	50 years
Leasehold land and buildings	over the period of lease
Public service vehicles ('PSVs')	7 to 12 years
Plant and equipment	3 to 10 years
Furniture and fittings	3 to 10 years

Freehold land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses) in the profit and loss account.

Public service vehicles ('PSVs') are generally depreciated over periods ranging from 7 to 12 years after making allowances for estimated residual values.

1 Principal accounting policies (continued)

1.5 Stocks

Stock comprises of fuel and vehicle spare parts and is stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

1.6 Financial assets

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company classifies its financial assets in the following category:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost and gains and losses are recognised in the profit and loss account. They are included in current assets. The most significant financial assets under this category are 'debtors due within one year' and 'cash at bank and in hand'.

1.7 Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1.8 Ordinary shares

Ordinary shares are classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1.9 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless at the balance sheet date, the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1 Principal accounting policies (continued)

1.11 Pensions and retirement benefit obligations

Certain employees of the Company are members of the East London & Selkent pension scheme, a defined benefit pension scheme that is also open to certain employees of other Group companies. It is funded through payments to a trustee-administered fund, determined by periodic actuarial calculations. The Company also contributes to a defined contribution scheme.

For the period until acquisition by Stagecoach Bus Holdings Limited, the retirement benefit obligation was held by a fellow group company and as the Company was unable to identify its share of the underlying assets and liabilities, the contributions paid by the Company are accounted for as if the scheme was a defined contribution scheme.

On acquisition by Stagecoach Bus Holdings Limited, the assets and liabilities of the East London & Selkent pension scheme were recognised.

In respect of the defined benefit scheme, obligations are measured at discounted present value whilst scheme assets are recorded at market value. The recognised net asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the scheme. An economic benefit is available to the Company if it is realisable during the life of the scheme or on settlement of the scheme liabilities.

The operating and financing costs of the defined benefit plan is included within operating profit and is disclosed separately in the notes to the financial statements; service costs are spread systematically over the working lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income. Mortality rates are considered when retirement benefit obligations are calculated.

Past service costs and adjustments are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period (the vesting period), in which case the past service costs are amortised using a straight-line method over the vesting period.

A full actuarial valuation is undertaken triennially for the scheme and updated annually using independent actuaries following the projected unit credit method. The present value of the scheme obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity equivalent to the terms of the related obligations. Experience adjustments and changes in assumptions which affect actuarial gains and losses are reflected in the actuarial gain or loss for the year.

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

1 Principal accounting policies (continued)

1.12 Share-based payment transactions

The company operates a "Buy as You Earn Scheme" (BAYE). BAYE enables eligible employees to purchase shares from their gross income. The Company provides two matching shares for every share bought from the first £10 of monthly investment, subject to a maximum Company contribution of shares to the value of £20 per employee per month.

1.13 Provisions for liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that the Company will be required to settle that obligation and the amount has been reliably estimated. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to the present value where the effect is material. The increase in the provision due to passage of time is recognised as interest expense

1.14 Tax

The tax expense represents the sum of the income tax charge for the year and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be paid (or recovered) to tax authorities, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are generally recognised on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. However such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill, or from the initial recognition (other than a business combination) of other assets and liabilities that affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset or liability is settled.

The income tax effects of items recorded in either other comprehensive income or equity are recognised in the statement of other comprehensive income or the statement of changes in equity respectively. Otherwise, income tax is recognised in the profit and loss account.

1 Principal accounting policies (continued)

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease expense. Operating lease payments are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

Under finance leases and hire purchase contracts, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, the assets acquired 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.

1.16 Dividend distribution

A dividend distribution is recognised as a liability in the financial year in which the payment of these dividends is approved by the Company's shareholders.

2 Segment information

Management has determined that there is only one reportable operating segment.

3 Turnover and other operating income

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
Contracted services	**157,402**	150,795
Advertising income	**1,600**	1,692
Property rental	**15**	287
Tyre sales	**10**	81
Other operating income	**28**	40
Total income	**159,055**	152,895

All the above income is generated in the United Kingdom. Due to the nature of the Company's business, the origin and destination of turnover is the same in all cases. The Company provides services primarily to Transport for London and the directors consider that this represents one business segment.

4 Gross profit/loss

Gross profit/loss is stated after charging:

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
Staff costs (note 7)	**86,886**	91,212
Loss on disposal of vehicles, plant & equipment	**119**	78
Depreciation		
- owned	**4,600**	5,317
Operating lease rentals		
- land and buildings	**3,355**	3,353
- other	**4,336**	4,317
PSV intercompany rental charges	**3,665**	3,504

From 15 October 2010, no auditors' fees have been settled directly by the Company. Audit fees of £2,517 (2013:£2,340) were paid by a fellow subsidiary undertaking on behalf of the Company in respect of audit work performed in the UK.

Notes to the financial statements (continued)
For the year ended 30 April 2014

5 Restructuring costs

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
Restructuring costs	-	46

Restructuring costs
These are additional costs outside its normal business activities that the Company incurred in its attempt to restructure the business, and tackle the structurally high cost base of the company.

The tax effect of restructuring costs in the year ended 30 April 2014 is £nil (year ended 30 April 2013: £11,000).

6 Directors' remuneration

	Year ended 30 April 2014 £000	Year ended 30 April 2013 £000
Emoluments of directors	**135**	151

The above details of directors' emoluments include an apportionment of the emoluments of C Brown, R G Andrew, R Montgomery, S Greer, G Nolan and A M Threapleton which are paid by a fellow subsidiary, Stagecoach Holdings Limited. £134,801 (year ended 30 April 2013: £130,697) of their total emoluments received is apportioned to their services as directors of East London Bus Limited. The emoluments of Mr LB Warneford included in the above are £Nil (2013: £20,484)

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

There were 6 directors (2013: 6 directors) who accrued benefits under a defined benefit pension scheme during the year.

7 Staff costs

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

	Year ended 30 April 2014 Number	Year ended 30 April 2013 Number
By activity		
Operations	**2,167**	2,311
Administration & supervisory	**243**	220
	2,410	2,531

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
The aggregate remuneration comprised:		
Wages and salaries	**73,817**	79,935
Social security costs	**7,536**	8,044
Other pension costs (see note 17)	**5,425**	3,117
Share based payments - cash settled (see note 21)	**108**	116
	86,886	91,212

8 Interest (payable)/receivable and similar (charges)/income

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
Interest payable and similar charges		
Intercompany loan interest	**(1,296)**	(1,395)
Bank interest payable	**-**	(245)
	(1,296)	(1,640)
Interest receivable and similar income		
Net finance income on pension asset (see note 17)	**3,026**	2,680
Net interest receivable	**1,730**	1,040

9 Tax on profit/(loss) on ordinary activities

a) Charge/(credit) for the year

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
Current tax:		
UK corporation tax on profits of the year	**27**	-
Amounts receivable from fellow subsidiary in respect of group relief	**-**	(1,531)
Adjustments in respect of prior year	**66**	(1,019)
Total current tax	**93**	(2,550)
Deferred tax:		
Origination and reversal of timing differences	**674**	859
Adjustments in respect of prior years	**(165)**	920
Total deferred tax (note 16)	**509**	1,779
Tax charge/(credit)	**602**	(771)

The tax assessed for the year is lower (year ended 30 April 2013: lower) than the standard rate of corporation tax in the UK 22.84% (2013: 23.92%). The differences are explained below:

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

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
The effective tax rate for the year is reconciled to the actual tax credit as follows:		
Profit/(loss) on ordinary activities before tax	**3,511**	(2,792)
Profit/(loss) on ordinary activities multiplied by standard rate of income tax in the UK of 22.84% (2013: 23.92%)	**802**	(668)
Effect of:		
Non tax deductible expenditure and other permanent differences	**72**	74
Treatment of inter-company transactions	**(136)**	(60)
Impact of reduction in UK tax rate on current year's deferred tax	**(89)**	(34)
Impact of reduction in UK tax rate on prior year's deferred tax	**52**	16
Adjustments to tax charge in respect of prior years	**(99)**	(99)
Tax charge/(credit) for the year	**602**	(771)

9 Tax on profit/(loss) on ordinary activities (continued)

c) Factors that may affect future tax charges

During the year, a change in the UK corporation tax rate from 23% to 21% was enacted on 23 July 2013 and became effective from 1 April 2014.

In addition, legislation to reduce the main rate of corporation tax from 21% to 20% from 1 April 2015 was included in the Finance Act 2013, which was substantively enacted on 2 July 2013. The impact of this change has been reflected in the closing deferred tax balance.

Notes to the financial statements (continued)

For the year ended 30 April 2014

10 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Public service vehicles £'000	Plant and equipment and furniture and fittings £'000	Total £'000
Cost or valuation					
At 1 May 2013	1,412	2,650	48,195	7,332	59,589
Additions	175	639	96	38	948
Disposals	-	-	(1,433)	(11)	(1,444)
Reclassification	455	(455)	-	-	-
Intercompany transfers	-	-	(5,784)	(25)	(5,809)
At 30 April 2014	**2,042**	**2,834**	**41,074**	**7,334**	**53,284**
Accumulated depreciation					
At 1 May 2013	(478)	(906)	(25,271)	(6,159)	(32,814)
Charge for the year	(136)	(157)	(3,851)	(456)	(4,600)
Disposals	-	-	1,321	11	1,332
Reclassification	(10)	10	-	-	-
Intercompany transfers	-	-	3,512	24	3,536
At 30 April 2014	**(624)**	**(1,053)**	**(24,289)**	**(6,580)**	**(32,546)**
Net book value at 30 April 2014	**1,418**	**1,781**	**16,785**	**754**	**20,738**
Net book value at 30 April 2013	934	1,744	22,924	1,173	26,775

Land and buildings were revalued at 30 April 1996 by Oliver Liggins, Chartered Surveyors, independent valuers not connected with the company, on the basis of open market value for existing use.

At 30 April 2014 had the land and buildings of the company been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately £3,071,000 (30 April 2013: £2,547,000).

The net book value of assets held under finance leases and hire purchase agreements included above is £Nil (30 April 2013: £Nil).

Notes to the financial statements (continued)

For the year ended 30 April 2014

11 Stocks

	30 April 2014 £'000	30 April 2013 £'000
Finished goods	**599**	609

In the opinion of the directors, there is no material difference between the balance sheet value of stock and the replacement cost.

Movement on provision for impairment of stocks

	30 April 2014 £'000	30 April 2013 £'000
Provision at beginning of the year	**2**	8
Amount written off to provision	**-**	(6)
Provision at end of the year	**2**	2

12 Debtors: amounts falling due within one year

	30 April 2014 £'000	30 April 2013 £'000
Amounts owed by group undertakings	**3,419**	7,334
Intercompany group relief receivable	**-**	1,531
Prepayments and accrued income	**4,483**	4,071
	7,902	12,936

From 13 December 2010, responsibility for the collection of trade receivables lies with Stagecoach Services Limited, a fellow group company.

13 Cash at bank and in hand

	30 April 2014 £'000	30 April 2013 £'000
Cash at bank and in hand	**556**	79

14 Trade and other payables

	30 April 2014 £'000	30 April 2013 £'000
Current		
Amounts owed to group undertakings	**45,632**	32,734
Corporation tax payable	**27**	-
Social security and other taxes	**2,124**	2,009
Accruals and deferred income	**14,998**	16,641
	62,781	51,384

Of the above amounts owed to group undertakings, £26,786,111 (2013: £25,668,820) incur interest at a rate of 5% above the six month London Inter Bank Offered Rate (LIBOR). All other amounts accrue no interest and are repayable on demand.

There is no significant difference between the net book amount and the fair value of current trade and other payables due to the short term nature.

15 Borrowings

The carrying value of borrowings was as follows:

	30 April 2014 £'000	30 April 2013 £'000
Current		
Bank borrowings	-	21,919

Repayment profile

Borrowings are repayable as follows:

	30 April 2014 £'000	30 April 2013 £'000
On demand		
Bank overdraft (unsecured)	-	21,919

The Company's overdraft is subject to the rights of offset in the Group's bank offset arrangement as discussed in the Group's 2014 annual report (note 20 of the Notes to the consolidated financial statements), which does not form part of this report.

16 Deferred tax asset

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

	30 April 2014	30 April 2013
	£'000	£'000
Deferred tax to be recovered after more than 12 months		
Deferred tax asset	**368**	234
Pension temporary differences	**1,989**	5,192
Net deferred tax asset	**2,357**	5,426

The gross movement on the deferred income tax account is as follows:

	30 April 2014	30 April 2013
	£'000	£'000
At beginning of year	**5,426**	(2,117)
Charged to profit and loss (note 9)	**(509)**	(1,779)
Credited to equity	**(2,560)**	9,322
At end of year	**2,357**	5,426

The deferred tax included in the balance sheet comprises:

	2014	2013
	£'000	£'000
Deferred tax liability:		
Accelerated capital allowances	-	(37)
	-	(37)
Deferred tax asset:		
Accelerated capital allowances	**60**	-
Pension temporary differences	**1,989**	5,192
Other short-term temporary differences	**308**	271
	2,357	5,463
Net deferred tax asset	**2,357**	5,426

16 Deferred tax asset (continued)

The amount of deferred tax recognised in the profit and loss account by type of temporary differences is as follows:

	2014 £'000	2013 £'000
Accelerated capital allowances	**(97)**	73
Pension temporary differences	**643**	714
Other short-term temporary differences	**(37)**	992
Deferred tax expense	**509**	1,779

17 Retirement benefit liability

The Company contributes to the East London & Selkent pension scheme which is a defined benefit scheme under common control of the group entities.

Until acquisition by Stagecoach Bus Holdings Limited, under IAS 19 the East London Bus & Selkent pension scheme was accounted for as a defined benefit plan in the financial statements of the Group's ultimate UK parent company, East London Bus Group Holdings Limited, and defined contribution accounting was used for this and other Group companies. Following its acquisition by Stagecoach Bus Holdings Limited on 15 October 2010, the East London Bus & Selkent pension scheme was accounted for as a defined benefit plan in the Company's financial statements, and defined contribution accounting has been used for other Group companies.

The Company made contributions to a defined contribution scheme totalling £774,000 (2013: £222,000).

17 Retirement benefit liability (continued)

The amounts recognised in the balance sheet were determined as follows:

	30 April 2014	30 April 2013
	£000	£000
Equities	**78,720**	138,072
Government bonds	**162,781**	105,757
Cash	**38,235**	35,252
Property	**1,406**	14,689
Fair value of plan assets	**281,142**	293,770
Present value of obligations	**(291,085)**	(316,345)
Liability recognised in the balance sheet	**(9,943)**	(22,575)

The amounts recognised in the profit and loss account were as follows:

	30 April 2014	**30 April 2013**
	£'000	**£'000**
Defined benefit obligation		
- Current service cost	**4,651**	2,895
- Expected return on plan assets	**(16,819)**	(16,079)
- Interest cost	**13,793**	13,399
Total defined benefit cost	**1,625**	215
Defined contribution cost	**774**	222
Total profit and loss account charge	**2,399**	437
The *impact of the profit and loss account charge can be analysed as* follows:		
Total included in staff costs (note 7)	**5,425**	3,117
Total included in interest payable and similar charges (note 8)	**(3,026)**	(2,680)
	2,399	437

17 Retirement benefit liability (continued)

The amounts recognised within the Statement of Other Comprehensive Income were as follows:

	30 April 2014 £'000	30 April 2013 £'000
Actual return less expected return on pension scheme assets	(25,780)	2,562
Experience gains and losses arising on the scheme liabilities	23,281	-
Changes in assumptions underlying the present value of the scheme liabilities	11,913	(42,474)
Total actuarial gain/(loss) recognised	9,414	(39,912)

The cumulative amount of the actuarial gains and losses recognised in respect of the plan in the Statement of Other Comprehensive Income is £23,100,000 loss (2013: £32,514,000 loss). The estimated amount of contributions expected to be paid by the Company to the scheme during the financial year ended 30 April 2014 is £4,697,000 (expected 2013: £2,096,000).

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

	30 April 2014 %	30 April 2013 %
Actual return less expected return on pension scheme assets as a percentage of scheme assets	(9.2)	0.9
Experience gains and losses arising on the scheme liabilities as a percentage of scheme liabilities	(8.0)	0.0
Total actuarial gain/(loss) recognised in the Comprehensive Income Statement as a percentage of the present value of scheme liabilities	3.2	(12.6)

17 Retirement benefit liability (continued)

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

	30 April 2014	30 April 2013
	£000	£000
(Liability)/asset at the beginning of year	**(22,575)**	14,231
- Total expense	**(1,625)**	(215)
- Employer's contributions	**4,843**	3,321
- Actuarial gain/(loss)	**9,414**	(39,912)
Liability at end of year	**(9,943)**	(22,575)

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

	30 April 2014	30 April 2013
	£000	£000
At beginning of year	**293,770**	269,827
Expected return on plan assets	**16,819**	16,079
Actuarial (losses)/gains	**(25,780)**	2,562
Employer's contributions	**4,843**	3,321
Members' contributions	**689**	5,095
Benefits paid	**(9,199)**	(3,114)
At end of year	**281,142**	293,770

17 Retirement benefit liability (continued)

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

	30 April 2014	30 April 2013
	£000	£000
At start of year	**316,345**	255,596
Current service costs	**4,651**	2,895
Interest cost	**13,793**	13,399
Members' contribution	**689**	5,095
Actuarial gain – experience gains and losses	**(23,281)**	-
Actuarial (gain)/loss - changes in assumptions	**(11,913)**	42,474
Benefits paid	**(9,199)**	(3,114)
At end of year	**291,085**	316,345

A full actuarial valuation of the scheme by the actuaries, Lane Clark & Peacock, is carried out every three years. The last actuarial valuation of the East London & Selkent pension scheme was undertaken on 5 April 2013. As at the last valuation date, the calculated technical provisions were equal to the market value of the assets so there was no surplus or shortfall in the scheme.

The principal actuarial assumptions used were as follows:

	2014	2013
	%	%
Rate of increase in pensionable salaries	**0.5**	0.5
Rate of increase of pension payment	**3.2**	3.1
Discount rate	**4.5**	4.4
Rate of inflation (RPI)	**3.3**	3.2

Expected long term rates of return as at 30 April were:

	2014	2013
	%	%
Equities	**8.3**	8.3
Bonds	**4.0**	3.7
Cash	**3.6**	3.0
Property	**7.5**	7.5

17 Retirement benefit liability (continued)

The life expectancy assumptions used for each scheme are periodically reviewed. The weighted average life expectancies announced at 30 April 2014 were:

	2014 Years	2013 Years
Current pensioner aged 65 - male	18.9	18.8
Current pensioner aged 65 - female	23.4	23.3
Future pensioner at 65 (aged 45 now) - male	20.9	20.8
Future pensioner at 65 (aged 45 now) - female	25.0	24.9

18 Provisions for liabilities

	Tyre provision £'000	**Building provision £'000**	**Total £'000**
Beginning of year	710	925	1,635
Reversal of unused amounts	(282)	-	(282)
End of year	**428**	**925**	**1,353**

Tyre Provision

The group hires the tyres on its fleet of buses and consequently would have to purchase tyres if a bus was to be sold. The provision is an estimate of the cost of buying tyres to fit on the fleet of buses.

Building Provision

The company has been advised from an external party that the West Ham depot requires additional building expense to bring the building back in line with the required standard required by the lessor.

19 Called up share capital and share premium account

	Ordinary shares £'000	**Share premium £'000**
Allotted, called up and fully paid		
Ordinary shares of £1 each		
At beginning and end of year		
- 4,263,000 (2013: 4,263,000) ordinary shares of £1 each	**4,263**	**10,662**

20 Guarantees and other financial commitments

a) Lease commitments

The Company had commitments under non-cancellable operating leases. Future minimum rentals payable under these leases are as follows:

At 30 April 2014

	Land & buildings £'000	Plant & equipment £'000	Total £'000
Within one year	3,078	3,276	**6,354**
Between two and five years	7,667	762	**8,429**
Over five years	7,763	-	**7,763**
	18,508	4,038	**22,546**

At 30 April 2013

	Land & buildings £'000	Plant & equipment £'000	Total £'000
Within one year	3,390	4,341	**7,731**
Between two and five years	9,206	4,052	**13,258**
Over five years	9,292	-	**9,292**
	21,888	8,393	**30,281**

b) Contingent liabilities

The Company, together with certain other Group undertakings, is a member of a group for VAT purposes, and technically stands liable in the event of default by any other Group undertaking.

c) Cross guarantees

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

21 Share based payments

The Company operates a Buy as You Earn Scheme ("BAYE") which enables eligible employees to purchase shares from their gross income. The Company provides two matching shares for every share bought from the first £10 of monthly investment, subject to a maximum Company contribution of shares to the value of £20 per employee per month.

At 30 April 2014, there were 571 (2013: 551) participants in the BAYE scheme who have cumulatively purchased 270,514 (2013: 177,086) shares with the Company contributing 79,864 (2013: 53,872) matching shares on a cumulative basis. Dividends had been reinvested in a further 11,096 (2013: 4,186) shares for these participants.

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

Share based payment charges of £108,000 (2013: £116,000) have been recognised in the statement of other comprehensive income during the year in relation to the scheme.

22 Ultimate parent undertaking

The Company's immediate holding company is Stagecoach Bus Holdings Limited (registered number SC176671) and its ultimate holding company and controlling party is Stagecoach Group plc (registered number SC100764) both registered in Scotland. Stagecoach Group plc heads the only group in which the results of the Company are consolidated. The financial statements of both Stagecoach Group plc and Stagecoach Bus Holdings Limited are available from the Company Secretary at the following address:

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