East London Bus and Coach Company Limited

Financial statements for the year ended 30 April 2002
together with directors' and auditors' reports

Registered number: 2328402

Directors' report

For the year ended 30 April 2002

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 2002.

Principal activity and business review

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

During the year, the Company operated with an average of 684 buses. At 30th April 2002, garages were located at Romford, Barking, Upton Park, Leyton, Bow and Stratford.

Turnover for the year ended 30 April 2002 was £81,568,000 (2001 - £68,806,000) and the profit on ordinary activities before taxation was £7,729,000 (2001 - £3,201,000).

Profit on ordinary activities after taxation amounted to £5,675,000 (restated 2001 - £2,583,000). It is recommended that this amount be appropriated as follows:

		Restated
	2002	2001
	£000	£000
Profit for the financial year	5,675	2,583
Dividends	Nil	(3,000)
	5,675	(417)

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	
B J Cox	Resigned 3-July-02
M H Stoggell	Resigned 22-November-02
P Sumner	
L B Warneford	Appointed 22-November-02

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 and B J Cox 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	
	2002	2001	2002	2001
L B Warneford	43,254	34,898	346,762	239,929
B E Arnold	3,856	960	166,001	103,504
B E Beckham	729	624	15,833	8,030
P Sumner	51,236	92,636	15,833	14,711
M H Stoggell	680	575	95,282	49,067

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 reasonable and prudent judgements and estimates 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.

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. During the year, 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 (2001 – 42 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

During the year Arthur Andersen resigned as auditors, and PricewaterhouseCoopers were appointed to fill the casual vacancy. Following the conversion of our auditors, PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors will be proposed at the next Annual General Meeting.

By order of the Board

A L Whitnall
Secretary

2-4 Clements Road
Ilford
Essex
IG1 1BA

6 May 2003

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

We have audited the financial statements on pages 5 to 18 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 8 to 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 30 April 2002 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

6 May 2003

Profit and loss account

For the year ended 30 April 2002

	Notes	2002 £000	Restated 2001 £000
Turnover – continuing operations	2	81,568	68,806
Operating costs		(74,170)	(65,002)
Other operating income		1,869	1,113
Operating profit – continuing operations		9,267	4,917
Finance charges (net)	3	(1,538)	(1,716)
Profit on ordinary activities before taxation	4	7,729	3,201
Taxation	7	(2,054)	(618)
Profit on ordinary activities after taxation		5,675	2,583
Dividends	5	Nil	(3,000)
Retained profit/(loss) for the year	15	5,675	(417)

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

Statement of Total Recognised Gains and Losses

	2002 £000	Restated 2001 £000
Profit for the financial year and the total recognised gains and losses for the related year	5,675	(417)
Prior year adjustment – (as explained in note 13)	(7,947)	
Total gains and losses recognised since last annual report	(2,272)	

Balance sheet

As at 30 April 2002

	Notes	2002 £000	Restated 2001 £000
Fixed assets			
Tangible assets	8	68,012	50,552
Current assets			
Stock	9	458	436
Debtors (Including £20,117,000 (2001 - £Nil) due after one year)	10	20,667	2,783
Cash at bank and in hand		13,400	4,942
		34,525	8,161
Creditors: Amounts falling due within one year	11	(16,861)	(16,922)
Net current assets/(liabilities)		17,664	(8,761)
Total assets less current liabilities		85,676	41,791
Creditors: Amounts falling due after more than one year	11	(65,329)	(28,545)
Provisions for liabilities and charges	13	(9,373)	(7,947)
Net assets		10,974	5,299
Capital and reserves			
Equity share capital	14	3,463	3,463
Share Premium Account	15	3,462	3,462
Revaluation Reserve	15	1,476	1,510
Profit and loss account	15	2,573	(3,136)
Shareholders' funds		10,974	5,299

Signed on behalf of the Board

L B Warneford

L B Warneford
Director

6 May 2003

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

Additional statements

As at 30 April 2002

Note of Historical Cost Profits and Losses

	2002	Restated 2001
	£000	£000
Reported profit on ordinary activities before taxation	7,729	3,201
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	34	2
Historical cost profit on ordinary activities before taxation	7,763	3,203
Historical cost profit/(loss) for the year retained after taxation and dividends	5,709	(415)

Reconciliation of movement in shareholders' funds

	2002	Restated 2001
	£000	£000
Profit for the financial year	5,675	2,583
Dividends	Nil	(3,000)
Net increase/(decrease) in shareholders' funds	5,675	(417)
Opening shareholders' funds (as previously reported)	5,299	13,045
Prior year adjustment – FRS 19	-	(7,329)
Opening shareholders' funds as restated	5,299	5,716
Closing shareholders' funds	10,974	5,299

The accompanying notes form an integral part of this reconciliation.

1 Accounting policies

Changes in accounting policies

In November and December 2000, the Accounting Standards Board issued FRS 17 'Retirement benefits', FRS 18 'Accounting Policies' and FRS 19 'Deferred tax'.

Full details of the pension scheme and adoption of FRS 17 'Retirement benefits' are provided in the financial statements of the ultimate parent company, Stagecoach Group plc.

FRS 18 has been adopted in the current year, but this did not require any change in accounting policy.

The company has adopted FRS 19, Deferred tax, in the financial statements. The adoption of this new standard represents a change of accounting policy and the comparative figures have been restated accordingly.

The effect of this change in accounting policy was to increase tax on profit on ordinary activities by £1,426,318 (2001 – £618,254) and to decrease profit after tax for the financial year by £1,426,318 (2001 – £618,254).

The other 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 financial statements have been prepared on the going concern basis as the ultimate parent undertaking, Stagecoach Group plc, has undertaken to provide continuing financial support in the foreseeable future.

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.

1 Accounting policies (continued)

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 8.

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 pre tax item.

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

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.

1 Accounting policies (continued)

g) 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.

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.

3 Finance charges (net)

	2002	2001
	£000	£000
Bank interest receivable	334	70
Hire Purchase and lease interest payable	(1,872)	(1,786)
	(1,538)	(1,716)

4 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation for the year is stated after charging/(crediting):

	2002	2001
	£000	£000
Staff costs		
- wages and salaries	45,986	41,818
- social security costs	4,293	3,824
- other pension costs (see note 16)	3,062	2,030
- redundancy payments	-	117
Loss on sale of fixed assets	12	176
Depreciation		
- owned	115	614
- held under hire purchase and finance lease agreements	4,138	3,222
Operating lease rentals		
- plant and machinery	197	154
- other	283	154
ESOP costs	167	146

Auditors' remuneration is borne by the ultimate parent company.

5 Dividends

	2002	2001
	£000	£000
Dividend payable to parent company - £Nil per ordinary share (2001 - £0.866 per ordinary share)	Nil	3,000

6 Directors and employees

	2002	2001
	£000	£000
Emoluments of directors (including pension contributions)	365	446

The emoluments of M A Griffiths and B J Cox are disclosed in the financial statements of Stagecoach Group plc. None of their remuneration is in respect of their duties as directors of this company.

The emoluments of L B Warneford are disclosed in the financial statements of G M Buses South Holdings Limited. None of his remuneration is in respect of his duties as director of this company.

The emoluments of B E Arnold, B E Beckham, M H Stoggell 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 the highest paid director - £113,000 (2001: £109,000).

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

	2002	2001
	Number	Number
Defined benefit scheme	7	6

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

	2002	2001
	Number	Number
Operations	2,117	2,075
Administration and supervisory	111	62
	2,228	2,137

7 Taxation

a) Charge for the year	2002 £000	Restated 2001 £000
Current tax:		
Amount payable to fellow subsidiary in respect of tax saved by group relief	628	-
Total current tax	628	-
Deferred tax:		
Origination and reversal of timing differences	1,703	618
Adjustments in respect of prior periods	(277)	-
Total deferred tax	1,426	618
Tax on profit on ordinary activities	2,054	618

Corporation tax payable for the year has been reduced by £627,872 because of group relief received from a fellow subsidiary for which payment of £627,872 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:	2002	Restated 2001
	£000	£000
Profit on ordinary activities before tax	7,729	3,201
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 – 30%)	2,319	960
Effect of:		
Expenses not deductible for tax purposes	12	16
Capital allowances for period in excess of depreciation	(1,703)	(618)
Receipt of free group relief	-	(358)
Current tax charge for year	628	-

8 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	7,304	56,756	3,107	67,167
Additions	109	22,975	54	23,138
Disposals	-	(4,071)	(40)	(4,111)
Transfers	-	(1,492)	-	(1,492)
End of year	7,413	74,168	3,121	84,702
Depreciation				
Beginning of year	358	14,114	2,143	16,615
Charge for year	87	3,881	285	4,253
Disposals	-	(3,656)	(39)	(3,695)
Transfers	-	(483)	-	(483)
End of year	445	13,856	2,389	16,690
Net book value				
Beginning of year	6,946	42,642	964	50,552
End of year	6,968	60,312	732	68,012

The net book value of assets leased under finance leases and hire purchase agreements which have been capitalised and included in the above is £56,461,000 (2001 - £ 41,663,000).

Freehold land amounting to £ 3,460,750 has not been depreciated (2001 - £ 3,460,750).

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 2002 would have been £5,362,000 and £523,000 respectively (2001 - £5,253,000 and £470,000).

9 Stocks

	2002	2001
	£000	£000
Spares, consumables and fuel	458	436

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

10 Debtors

	2002	2001
	£000	£000
Trade debtors	-	2,414
Prepayments and accrued income	550	360
Amounts owed by group undertakings	20,117	9
	20,667	2,783

Of the total shown above £ 20,117,000 (2001 - £Nil) falls due after more than one year.

11 Creditors

	2002	2001
	£000	£000
Amounts falling due within one year:		
Trade creditors	-	3,786
Accruals and deferred income	3,711	2,898
Other taxes and social security costs	1,281	1,263
Hire purchase and lease obligations	11,869	8,523
Other creditors	-	452
	16,861	16,922
Amounts falling due after more than one year:		
Amounts owed to group undertakings	42,354	12,033
Hire purchase and lease obligations	22,975	16,512
	65,329	28,545

12 Obligations under HP and finance lease agreements

Amounts are repayable as follows:

	2002	2001
	£000	£000
Amounts payable:		
- within one year	11,869	8,523
- between one and two years	9,897	7,454
- between two and five years	13,078	9,058
	34,844	25,035

13 Provisions for liabilities and charges

	2002	Restated 2001
	£000	£000
Accelerated capital allowances	9,381	7,947
Other timing differences	(8)	-
Provision for deferred tax	9,373	7,947

Position at start of year as previously reported	-
Prior year adjustment – FRS 19	7,947
1 May 2001 as restated	7,947
Deferred tax charge in profit and loss account for year (note 7a)	1,426
Provision at end of year	9,373

The prior year restatement relates to the implementation of FRS 19. The adoption of FRS 19 has resulted in an increase of the tax charge by £1,426,318 (2001 - £618,254) and a decrease in profit of £1,426,318 (2001 - £618,254).

In addition instead of the previous treatment of disclosing deferred tax in the ultimate parent company, each subsidiary is now required to account for deferred tax in their own accounts.

The effect of the change in accounting policy on the company's previously reported results is as follows:

	£000
Adjustment to the opening reserve at 1 May 2000	7,329
Adjustment to the profit and loss for the year ended 30 April 2001	618
	7,947

14 Equity share capital

	2002 £000	2001 £000
Authorised		
18,000,000 Ordinary shares of £1 each	18,000	18,000
Allotted, called up and fully paid		
3,463,000 Ordinary shares of £1 each	3,463	3,463

15 Reserves

The movement on reserves is summarised below:

Distributable	Profit and loss account £000
At start of year as previously reported	4,811
Prior year adjustment - FRS 19	(7,947)
At start of year as restated	(3,136)
Retained profit for year	5,675
Revaluation reserve release	34
End of year	2,573

Non-distributable	Share premium £000	Revaluation reserve £000
At start of year	3,462	1,510
Movement	-	(34)
End of year	3,462	1,476

16 Guarantees and other financial commitments

a) *Capital commitments*

	2002 £000	2001 £000
Contracted for but not yet provided	-	47

b) *Lease commitments*

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

	2002 Land & buildings £000	2002 Other £000	2001 Land & buildings £000	2001 Other £000
Expiry date				
- within one year	-	77	120	-
- between two and five years	-	81	-	34
- after five years	405	-	-	-
	405	158	120	34

16 Guarantees and other financial commitments (continued)

c) 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 £3,062,000 (2001: £2,030,000), being 6.2% 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 2000 and a surplus of £61.9 million was identified. It is anticipated that the contributions to the scheme will remain at the same levels.

d) 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.

17 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 10 and 11.

18 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