

EAST LONDON BUS AND COACH COMPANY LIMITED
REGISTERED NO : 2328402

FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH APRIL 1996
TOGETHER WITH

DIRECTORS' & AUDITORS' REPORTS



EAST LONDON BUS AND COACH COMPANY LIMITED

INDEX TO FINANCIAL STATEMENTS

DIRECTORS' REPORT	3 - 5
REPORT OF THE AUDITORS	6
PROFIT & LOSS ACCOUNT	7
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	8
NOTE OF HISTORICAL COST PROFITS AND LOSSES	8
BALANCE SHEET	9
PRINCIPAL ACCOUNTING POLICIES	10 - 12
NOTES TO THE FINANCIAL STATEMENTS	13 - 22

EAST LONDON BUS AND COACH COMPANY LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30TH APRIL 1996

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 1996.

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 609 buses. At 30th April 1996 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 1996 was £7,902,000 (13 month period to 30th April 1995 £3,088,000). The Directors recommended that dividends of £3,500,000 be paid during the year (period to 30th April 1995 £2,770,000). The Directors do not recommend any final dividend in respect of the year. 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

Appointed 10/08/95

No Director had an interest in the share capital of the Company during this year. The interests of D Scott, 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	
	30/04/96	30/04/95
R W Bowker	51	15
B E Arnold	51	15
P Duff	51	15
M H Stoggell	51	15

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.

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

1st August 1996

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 22 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.

The Company is exempt from the requirements of FRS 1 to include a cash flow statement as part of its Financial Statements because it is a subsidiary undertaking of an EC registered parent whose Financial Statements include a consolidated cash flow statement.

Opinion

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company at 30th April 1996 and of the Company's 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
1st August 1996

EAST LONDON BUS AND COACH COMPANY LIMITED

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 30TH APRIL 1996

	Notes	Year Ended 30th April 1996 £000's	13 Month Period Ended 30th April 1995 £000's
Turnover	1	56,156	55,605
Operating Costs (net)		(49,031)	(53,002)
Other Operating Income		485	267
Operating profit		<u>7,610</u>	<u>2,870</u>
Interest receivable and similar income		<u>292</u>	<u>218</u>
Profit on ordinary activities before taxation	1,2	7,902	3,088
Taxation	10	<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation		7,902	3,088
Dividends paid and proposed	13	(3,500)	(2,770)
Retained profit for the period		<u>4,402</u>	<u>318</u>

The above results in each period 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 1996 £000's	13 Month Period Ended 30th April 1995 £000's
Profit for the financial period	7,902	3,088
Surplus on revaluation of fixed assets	2,227	5,790
Total recognised gains and losses relating to the period	<u>10,129</u>	<u>8,878</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	Year Ended 30th April 1996 £000's	13 Month Period Ended 30th April 1995 £000's
Reported profit on ordinary activities before taxation	7,902	3,088
Difference between a historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount	1,192	750
Historical cost profit on ordinary activities before taxation	<u>9,094</u>	<u>3,838</u>
Historical cost profit for the period retained after taxation and dividends	<u>5,594</u>	<u>1,068</u>

The accompanying notes are an integral part of these statements.

EAST LONDON BUS AND COACH COMPANY LIMITED

BALANCE SHEET
AS AT 30TH APRIL 1996

	Notes	30th April 1996 £000's	30th April 1995 £000's
<u>Fixed Assets</u>			
Tangible assets	5	27,007	24,300
Investments	5	100	100
		<u>27,107</u>	<u>24,400</u>
<u>Current Assets</u>			
Debtors	6	3,566	3,099
Cash at bank and in hand		1,720	1,590
		<u>5,286</u>	<u>4,689</u>
<u>Creditors : Amounts falling due within one year</u>	7	(7,497)	(7,120)
		<u> </u>	<u> </u>
<u>Net Current Liabilities</u>		<u>(2,211)</u>	<u>(2,431)</u>
		<u> </u>	<u> </u>
<u>Total Assets less Current Liabilities</u>		24,896	21,969
<u>Creditors : Amounts falling due after more than one year</u>	8	(5,087)	(8,789)
		<u> </u>	<u> </u>
<u>Net Assets</u>		<u>19,809</u>	<u>13,180</u>
		<u> </u>	<u> </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	6,222	5,187
Profit and loss account	14	6,662	1,068
		<u> </u>	<u> </u>
<u>Equity Shareholders' Funds</u>		<u>19,809</u>	<u>13,180</u>
		<u> </u>	<u> </u>

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

The Financial Statements were approved by the Board of Directors on 1st August 1996 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 period 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 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) 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.

j) Grants

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

Principal Accounting Policies (continued)

k) 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 1996 Bank Holidays.

EAST LONDON BUS AND COACH COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH APRIL 1996

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/(crediting) the following amounts :-

	Year Ended 30th April 1996 £000's	13 Month Period Ended 30th April 1995 £000's
Staff costs (see note 4)	34,118	37,658
Loss on sale of fixed assets	65	-
Other operating lease rentals	153	151
Depreciation	2,716	2,664
Redundancy costs	47	1,063
Exceptional items :		
Payment for assignation of rights to monies upon determination of rating appeals	-	(547)

During the prior period the Company assigned its rights to certain monies payable upon determination of rating appeals to London Regional Transport for a one off payment of £547,200.

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

NOTE 3 DIRECTORS' EMOLUMENTS

The Directors received emoluments as Executives including salaries, benefits in kind and contributions by the Company for pensions and other related payments totalling £192,000 (13 month period to 30th April 1995 £242,000).

The Directors' emoluments (excluding pension contributions) included the Chairman £Nil (13 month period to 30th April 1995 £Nil), and highest paid Director £59,900 (13 month period to 30th April 1995 for £62,000).

The Executive Directors received emoluments as managers of the Company (excluding pension contributions) in the following ranges :-

	Year Ended 30th April 1996 Number	13 Month Period Ended 30th April 1995 Number
£ 0 - £ 5,000	3	7
£ 5,001 - £10,000	1	-
£45,001 - £50,000	-	1
£55,001 - £60,000	3	1
£60,001 - £65,000	-	2

NOTE 4 STAFF COSTS

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

Staff costs during the period amounted to :-

	Year Ended 30th April 1996 £000's	13 Month Period Ended 30th April 1995 £000's
Wages and Salaries	29,793	32,369
Social Security Costs	2,325	2,558
Other Pension Costs (note 17)	2,000	2,731
	<u>34,118</u>	<u>37,658</u>

NOTE 4 STAFF COSTS (continued)

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

	Year Ended 30th April 1996 Number	13 Month Period Ended 30th April 1995 Number
Traffic Operations	1,638	1,579
Engineering and Maintenance	210	244
Administration	44	63
	<u>1,892</u>	<u>1,886</u>

NOTE 5 FIXED ASSETS

Tangible Fixed Assets

The movement in the year to 30th April 1996 was as follows :-

	Buses	Freehold Land and Building	Plant & Other	Total
<u>Cost</u>	£000's	£000's	£000's	£000's
At beginning of year	38,033	3,720	2,294	44,047
Additions	1,696	540	257	2,493
Revaluation	-	2,151	-	2,151
Inter-Company Transfers	921	-	-	921
Disposals	(668)	-	(157)	(825)
At end of year	<u>39,982</u>	<u>6,411</u>	<u>2,394</u>	<u>48,787</u>
<u>Depreciation</u>				
At beginning of year	18,177	42	1,528	19,747
Charge for the year	2,494	34	188	2,716
Inter-Company Transfers	(17)	-	-	(17)
Revaluation	-	(76)	-	(76)
Disposals	(434)	-	(156)	(590)
At end of year	<u>20,220</u>	<u>-</u>	<u>1,560</u>	<u>21,780</u>
<u>Net Book Value</u>				
At end of year	<u>19,762</u>	<u>6,411</u>	<u>834</u>	<u>27,007</u>
At beginning of year	<u>19,856</u>	<u>3,678</u>	<u>766</u>	<u>24,300</u>

The Company's principal operating properties were revalued during the year based on a valuation by Oliver Liggins, Chartered Surveyors, on an open market existing use basis. The valuation took place as at 12th October 1995 and has been updated to 30th April 1996 for incorporation in the Financial Statements. Additions subsequent to the valuation are at cost, as follows :

	Freehold Property £000's
Historic Cost including additions	540
Revaluation by Oliver Liggins	5,871
	<u>6,411</u>

When the Company was acquired by Stagecoach Holdings plc on 6th September 1994, its PSV Fleet, Land and Buildings were 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 1995		
Cost	3,720	37,172
Depreciation	(109)	(22,467)
Net Book Value	<u>3,611</u>	<u>14,705</u>
30th April 1995		
Cost	4,260	39,121
Depreciation	(183)	(23,515)
Net Book Value	<u>4,077</u>	<u>15,606</u>

Operational properties were transferred from London Buses Limited to East London Bus and Coach Company Limited at an existing use valuation. 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.

Investments

The fixed asset investment of £100,000 (1995 £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 1996 £000's	30th April 1995 £000's
Trade debtors	2,677	2,208
Amounts owed by other group undertakings	-	1
Prepayments and accrued income	389	449
Stocks	500	441
	<u>3,566</u>	<u>3,099</u>

All Debtors are due within one year.

NOTE 7 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	30th April 1996 £000's	30th April 1995 £000's
Trade creditors	2,972	2,621
Receipts in advance	44	44
Salary and wages accrual	644	634
Social security and PAYE	568	893
Other Accruals	1,543	1,719
Holiday Pay	437	448
Fuel Duty Rebate	43	260
Insurance Accrual	1,246	501
	<u>7,497</u>	<u>7,120</u>

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

	30th April 1996 £000's	30th April 1995 £000's
Amounts owed to other group undertakings	<u>5,087</u>	<u>8,789</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 1996 was £153,000 (13 month period to 30th April 1995 - £151,000). 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 1996 £000's	30th April 1995 £000's
<u>Operating leases which expire :</u>		
Within two to five years	<u>78</u>	<u>83</u>

NOTE 10 TAXATION

All corporation tax arising during each period is dealt with in the Financial Statements of Stagecoach Holdings plc.

NOTE 11 DEFERRED TAXATION

The full potential deferred tax liability for each period, 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 1996 £000's	30th April 1995 £000's
Authorised share capital		
Ordinary Shares of £1 each	18,000	18,000
	<u> </u>	<u> </u>
Called-up, allotted and fully paid		
Ordinary Shares of £1 each	3,463	3,463
	<u> </u>	<u> </u>

NOTE 13 DIVIDENDS PAID AND PROPOSED

	Year Ended 30th April 1996 £000's	13 Month Period Ended 30th April 1995 £000's
- Interim paid of £Nil (13 month period ended 30th April 1995 - 36.7p) per ordinary share paid to previous owners	-	1,270
- Interim paid of 101.1p (13 month period ended 30th April 1995 - 43.3p)	3,500	1,500
	<u>3,500</u>	<u>2,770</u>

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 1996 £000's	30th April 1995 £000's
Distributable		
- Profit and loss account	6,662	1,068
Non-distributable		
- Share premium account	3,462	3,462
- Revaluation reserve	6,222	5,187
	<u>16,346</u>	<u>9,717</u>

Revaluation reserve

	£000's
At beginning of year	5,187
Revaluation surplus	2,227
Amortisation of revaluation surplus	(1,192)
At end of year	<u>6,222</u>

Profit and Loss Account

	£000's
At beginning of year	1,068
Retained profit for the financial year	4,402
Amortisation of revaluation surplus	1,192
At end of year	<u>6,662</u>

NOTE 15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	£000's
Opening Balance at 1st May 1995	13,180
<u>Movements</u>	
Revaluation Surplus	2,227
Profit for the financial year	7,902
Dividends paid	(3,500)
Closing Balance at 30th April 1996	<u>19,809</u>

NOTE 16 CAPITAL COMMITMENTS

At 30th April 1996, the Company had no capital commitments (30th April 1995 £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. Where a member of the London Regional Transport Pension Fund elected to transfer retained benefits to the Stagecoach scheme the transfer of monies is still outstanding.

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 1996 was £2,000,000 (13 month period to 30th April 1995 £2,731,000).

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 £89,813,000 was outstanding at 30th April 1996 (30th April 1995 £107,311,000) 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