South East London & Kent Bus Company Limited

Financial statements for the year ended 30 April 2016

Registered number: 2328595

Contents

Corporate information

For the year ended 30 April 2016

Directors

C Brown
R G Andrew
S Greer
R Montgomery
A M Threapleton
M J Vaux
G Nolan

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

The directors present their strategic report on the Company for the year ended 30 April 2016.

Review of the business

South East London & Kent Bus Company Limited is a public transport operator, operating primarily contract services within the Greater London area. The Company operates a fleet of 465 buses and employs 1,439 people.

Results and performance

The results of the Company for the year ended 30 April 2016 show a pre-tax profit of £11,252,000 (2015: £10,446,000) and revenue of £97,789,000 (2015: £98,207,000). The Company has net assets of £44,492,000 (2015: £35,790,000).

Business environment

Along with fellow subsidiaries East London Bus & Coach Company Limited ("ELBCC") 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 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, commitment to staff training and continuous monitoring of operational efficiency will enable the Company to improve its level of performance in the future.

Having completed our restructuring of the business, we are pleased with our performance in the competitive tender market, 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 2016 annual report (paragraph 1.4.6 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 the 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 1.4.7) of the Group's 2016 annual report which does not form part of this report.

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

5 September 2016

Directors' report
For the year ended 30 April 2016

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 2016.

Results and dividends
The results of the Company for the year ended 30 April 2016 show a profit on ordinary activities before taxation of £11,252,000 (2015: £10,446,000) and revenue of £97,789,000 (2015: £98,207,000). The profit for the financial year amounted to £8,702,000 (2015: profit £8,056,000). The directors do not recommend the payment of a dividend (2015: 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

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 £36 (2015: £Nil).

The Company does not make political contributions and accordingly there were no payments for political purposes during the year (2015: 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.

Following Stagecoach Group's external audit tender process, Ernst & Young LLP shall become the company's auditors in the next financial year.

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

5 September 2016

Independent auditors' report to the members of South East London & Kent Bus Company Limited

For the year ended 30 April 2016

Report on the financial statements

Our opinion

In our opinion, South East London & Kent Bus Company Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 April 2016 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.

What we have audited

The financial statements, included within the Financial statements (the "Annual report"), comprise:

- the balance sheet as at 30 April 2016;
- the income statement 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 the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS101 "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.

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.

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

For the year ended 30 April 2016

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 and 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 International Standards on Auditing (UK and Ireland) ("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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

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

5 September 2016

Income statement

For the year ended 30 April 2016

	Note	**Year ended 30 April 2016 £'000**	Year ended 30 April 2015 £'000
Revenue	3	**97,789**	98,207
Operating cost		**(88,324)**	(89,089)
Gross profit	4	**9,465**	9,118
Other operating income	3	**733**	801
Operating profit		**10,198**	9,919
Net interest income	6	**1,054**	527
Profit on ordinary activities before taxation		**11,252**	10,446
Tax on profit on ordinary activities	7	**(2,550)**	(2,390)
Profit for the financial year		**8,702**	8,056
Total comprehensive income for the year attributable to the owners of the company		**8,702**	8,056

All activities relate to continuing operations.

The notes on pages 14 to 30 form an integral part of these financial statements.

Balance sheet

As at 30 April 2016

	Note	30 April 2016 £'000	30 April 2015 £'000
Non-current Assets			
Property, plant and equipment	8	**9,117**	12,526
Current Assets			
Stocks	9	**272**	244
Debtors: amounts falling due within one year	10	**42,163**	28,942
Cash at bank and in hand		**15,787**	16,962
Deferred tax asset	12	**169**	98
		58,391	46,246
Total Assets		**67,508**	58,772
Creditors: Amounts falling due within 1 year			
Trade and other payables	11	**(22,808)**	(22,820)
		(22,808)	(22,820)
Creditors: Amounts falling due after more than 1 year			
Provisions for liabilities	14	**(208)**	(162)
		(208)	(162)
Total liabilities		**(23,016)**	(22,982)
Net assets		**44,492**	35,790
Capital and reserves			
Called up share capital	15	**3,931**	3,931
Share premium account	15	**4,570**	4,570
Profit and loss account		**35,991**	27,289
Total shareholders' funds		**44,492**	35,790

The financial statements on pages 11 to 30 were approved by the board of directors on 5 September 2016 and were signed on its behalf by:

C Brown
Director

Statement of changes in equity
For the year ended 30 April 2016

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders funds £000
At 1 May 2014	**3,931**	**4,570**	**19,233**	**27,734**
Profit for the financial year	-	-	8,056	8,056
At 30 April 2015	**3,931**	**4,570**	**27,289**	**35,790**
Profit for the financial year	-	-	8,702	8,702
At 30 April 2016	**3,931**	**4,570**	**35,991**	**44,492**

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.

1.1 Basis of preparation

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 19 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 2016 and on the profit for the year ended 30 April 2016.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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. Revenue 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.

(b) Interest income

Interest income is recognised on an accruals basis.

1 Principal accounting policies (continued)

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 and other fixed assets are shown at cost, net of depreciation and any provision for impairment.

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:

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

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 income statement.

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

1.5 Stocks

Stock 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 income statement. They are included in current assets. The most significant financial assets under this category are 'debtors due within one year' and 'cash at hand and in bank'.

1 Principal accounting policies (continued)

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 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.

In accordance with IAS 19 as the Company is unable to identify its share of the underlying assets and liabilities in the scheme and as there is no contractual agreement or policy for charging the net defined cost for the plan as a whole to the participating entities, the contributions paid by the Company are accounted for as if the scheme was a defined contribution scheme.

1.11 Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that the Group 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 Principal accounting policies (continued)

1.12 Tax
Tax, current and deferred, is calculated using tax rates and laws enacted or substantively enacted at the balance sheet date.

Corporation tax is provided on taxable profits at the current rate applicable. Tax charges and credits are accounted for through the same primary statement as the related pre-tax item.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is measured at the rates that are expected to apply in periods in which the temporary differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

1.13 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 income statement on a straight line basis over the lease term.

1.14 Dividend distribution
A dividend distribution is recognised when it is paid in the financial year in which the payment of these dividends is approved by the Company's shareholders.

1.15 Cash flow statement

South East London & Kent Bus Limited is not required to prepare a cash flow statement under IAS 7, as it is a wholly owned subsidiary undertaking of Stagecoach Group plc whose consolidated financial statements, which are publicly available, include a consolidated cash flow statement in which the cash flows of the company are included.

1 Principal accounting policies (continued)

1.16 Critical accounting policies and estimates

Preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union requires Directors to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual outcomes could differ from those estimated. The Directors believe that the accounting policies and estimation techniques discussed below represent those that require the greatest exercise of judgement. The Directors have used their best judgement in determining the estimates and assumptions used in these areas but a different set of judgements could result in material changes to the Company's reported financial performance and/or financial position.

The critical accounting policies summarised below cover the policies regarded by the Directors as critical to the Company's reporting in general.

i) *Pensions*

The determination of the Company's pension benefit obligation and expense for defined benefit pension schemes is dependent on the selection by the Directors of certain assumptions used by actuaries in calculating such amounts. Those assumptions include the discount rate, the annual rate of increase in future salary levels and mortality rates. The Directors' assumptions are based on actual historical experience and external data. While we believe that the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the pension obligation and future expense.

ii) *Taxation*

The Company's tax charge is based on the pre-tax profit for the year and tax rates in force. Estimation of the tax charge requires an assessment to be made of the potential tax consequences of certain items that will only be resolved when agreed by the relevant tax authorities. Assessment of the likely outcome is based on historical experience, professional advice from external advisors, and the current status of any judgemental issues. However, the final tax cost to the company may differ from the estimates.

iii) *Property, plant and equipment*

Property, plant and equipment, other than land, are depreciated on a straight-line basis to write off the cost or valuation less estimated residual value of each asset over the shorter of their estimated useful lives. Useful lives are estimated based on a number of factors, including the expected usage of the asset, expected deterioration and technological obsolescence. If another depreciation method (for example, reducing balance) was used or different useful lives or residual values were applied, this could have a material effect on the Company's depreciation charge and net profit.

2 Revenue

The Revenue and loss on ordinary activities before taxation were derived wholly from the Company's principal activity within the United Kingdom. Due to the nature of the Company's business, the origin and destination of revenue 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.

3 Other operating income

	2016	2015
	£000	£000
Advertising income	733	768
Other miscellaneous revenue	-	33
	733	801

4 Gross profit

Gross profit is stated after charging:

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
Staff costs (see note 5)	55,509	54,944
Loss on disposal of fixed assets other than land and buildings	12	1
Depreciation		
- owned	2,174	2,594
Operating lease rentals		
- land and buildings	1,274	1,302
- other	81	398
PSV intercompany rental charges	7,293	6,019

No auditors' fees have been settled directly by the Company (2015: £nil). Audit fees of £3,540 (2015: £3,027) were paid by a fellow subsidiary undertaking on behalf of the Company in respect of audit work performed in the UK.

5 Directors and employees

	Year ended 30 April 2016 £000	Year ended 30 April 2015 £000
Emoluments of directors	**123**	102

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. £123,154 (year ended 30 April 2015: £102,325) of their total emoluments received is apportioned to their services as directors of East London Bus Limited.

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

The number of directors who accrued benefits in pension schemes during the year was as follows:

	Year ended 30 April 2016 Number	Year ended 30 April 2015 Number
Defined benefit scheme	**3**	6
Defined contribution scheme	**1**	1
	4	7

The number of directors who exercised share options in the parent company during the year was as follows:

	Year ended 30 April 2016 Number	Year ended 30 April 2015 Number
Directors exercising share options	**6**	6

5 Directors and employees (continued)

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

	Year ended 30 April 2016 Number	Year ended 30 April 2015 Number
By activity		
Operations	**1,403**	1,395
Administration & supervisory	**36**	35
	1,439	1,430

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
The aggregate remuneration comprised:		
Wages and salaries	**48,471**	47,830
Social security costs	**4,811**	4,776
Other Pension costs (see note 13)	**2,154**	2,269
Share based payments - cash settled (see note 17)	**73**	69
	55,509	54,944

Notes to the financial statements (continued)

For the year ended 30 April 2016

6 Net interest income

a) Interest receivable and similar income

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
Interest receivable from intercompany loans	**2,036**	1,426
	2,036	**1,426**

b) Interest payable and similar expenses

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
Interest payable for intercompany loans	**982**	**899**
	982	**899**

c) Net interest income

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
Interest receivable and similar income	**2,036**	1,426
Interest payable and similar expenses	**(982)**	**(899)**
	1,054	**527**

7 Tax on profit on ordinary activities

a) Tax recognised in the Income Statement

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
Current tax:		
UK corporation tax on profits for the year	**2,487**	2,285
Adjustments in respect of prior years	**134**	123
Total current tax	**2,621**	2,408
Deferred tax:		
Origination and reversal of timing differences	**(18)**	30
Adjustments in respect of prior years	**(53)**	(48)
Total deferred tax expense (note 12)	**(71)**	(18)
Total tax reported in the Income Statement	**2,550**	2,390

7 Tax on profit on ordinary activities (continued)

The tax charge for the year is higher (year ended 30 April 2015: higher) than the standard rate of corporation tax in the UK of 20% (year ended 30 April 2015: 20.92%).

b) Factors affecting the tax charge for the year

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
The effective tax rate for the year is reconciled to the actual tax charge as follows:		
Profit on ordinary activities before taxation	**11,252**	10,446
Profit on ordinary activities multiplied by standard rate of income tax in the UK of 20% (2015: 20.92%)	**2,250**	2,185
Effect of:		
Non tax deductible expenditure and other permanent differences	**8**	30
Treatment of inter-company transactions	**192**	101
Impact of reduction in UK tax rate on current year's deferred tax	**4**	(1)
Impact of reduction in UK tax rate on prior year's deferred tax	**15**	-
Adjustments in respect of prior years	**81**	75
Tax charge	**2,550**	2,390

c) Factors that may affect future tax charges

Reductions in the tax rate to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 30 April 2016 has been calculated based on this rate. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. Had the reduction to 19% been substantively enacted the estimated impact of this reduction on the deferred tax liability would have been a reduction of £9,390.

8 Property, plant and equipment

	Leasehold land and buildings £'000	Public service vehicles £'000	Plant & equipment and furniture & fittings £'000	Total £'000
Cost				
At 1 May 2015	1,901	28,454	3,546	33,901
Additions	99	-	373	472
Disposals	-	(242)	(262)	(504)
Intercompany Transfers	-	(4,701)	(170)	(4,871)
At 30 April 2016	**2,000**	**23,511**	**3,487**	**28,998**
Accumulated depreciation				
At 1 May 2015	(794)	(17,747)	(2,834)	(21,375)
Charge for the year	(165)	(1,766)	(243)	(2,174)
Disposals	-	229	263	492
Intercompany Transfers	-	3,005	171	3,176
At 30 April 2016	**(959)**	**(16,279)**	**(2,643)**	**(19,881)**
Net book value at 30 April 2016	**1,041**	**7,232**	**844**	**9,117**
Net book value at 30 April 2015	1,107	10,707	712	12,526

Notes to the financial statements (continued)

For the year ended 30 April 2016

9 Stocks

	30 April 2016	30 April 2015
	£'000	£'000
Finished goods	272	244

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

10 Debtors: amounts falling due within one year

	30 April 2016	30 April 2015
	£'000	£'000
Amounts owed by group undertakings	39,393	25,375
UK corporation tax payable	27	-
Prepayments and accrued income	2,743	3,567
	42,163	28,942

Of the above amounts owed by group undertakings, £36,407,000 (2015: £24,731,000) incur interest at a rate of 5% above the six month London Inter Bank Offer Rate (LIBOR). All other amounts are unsecured, accrue no interest and are repayable on demand.

11 Creditors: amounts falling due within one year

	30 April 2016	30 April 2015
	£'000	£'000
UK corporation tax payable	**2,514**	2,285
Other taxes and social security costs	**1,394**	1,409
Other payables	**212**	230
Amounts owed to group undertakings	**11,477**	12,230
Accruals and deferred income	**7,211**	6,666
	22,808	22,820

Of the above amounts owed to fellow group undertakings, £11,112,000 (2015: £11,113,000) incur interest at a rate of 5% above the six month London Inter Bank Offer Rate (LIBOR). All other amounts are unsecured 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.

12 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 income taxes relate to the same fiscal authority. The offset amounts are as follows:

	30 April 2016	30 April 2015
	£'000	£'000
Deferred tax to be recovered after more than 12 months		
Deferred tax asset	**169**	98
Net deferred tax asset	**169**	98

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

	Year ended 30 April 2016	Year ended 30 April 2015
	£'000	£'000
At beginning of year	**98**	80
Credit to profit and loss account	71	18
At end of year	**169**	98

The deferred tax included in the balance sheet comprises:

	30 April 2016	30 April 2015
	£'000	£'000
Deferred tax asset		
Accelerated capital allowances	**60**	65
Other short-term temporary differences	**109**	33
Net deferred tax asset	**169**	98

The amount of deferred tax recognised in the income statement by type of temporary differences is as follows:

	30 April 2016	30 April 2015
	£'000	£'000
Accelerated capital allowances	**5**	10
Other short-term temporary differences	**(76)**	8
Deferred tax expense (note 7)	**71**	18

13 *Retirement benefit obligation*

The employees are members of the East London & Selkent pension scheme that is a defined benefit scheme under common control of the group entities. The cost of the Company contributions to the Group scheme amounted to £1,330,000 (year ended 30 April 2015: £1,512,000) being 3.5% (2015: 3.5%) of pensionable salary. Additionally, contributions of £824,000 (2015: £757,000) were made to a defined contribution scheme by the Company.

Prior to acquisition by Stagecoach Bus Holdings Limited, under IAS 19 the East London & 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 & Selkent pension scheme was accounted for as a defined benefit plan in the financial statements of fellow group undertaking East London Bus & Coach Company Limited. Defined contribution accounting is used for this and other group companies belonging to the scheme.

The management and reporting of the East London & Selkent pension scheme is undertaken at group level. A sensitivity analysis of significant actuarial assumptions is included within note 25 of the Group's 2016 annual report, which does not form part of this report.

14 Provisions for liabilities and charges

	Tyre provision £'000
Beginning of year	**162**
Credited in the year	46
End of year	**208**

All amounts have been disclosed as 'creditors: amounts falling due after more than one year' in the balance sheet.

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 lease vehicles within the fleet of buses and this shall occur once the lease term terminates.

15 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		
- 3,931,000 (2015: 3,931,000) ordinary shares of £1 each	**3,931**	**4,570**

16 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 2016

	Land & buildings £'000	Plant & equipment £'000	Total £'000
Within one year	-	6	**6**
Between two and five years	-	4	**4**
	-	10	**10**

At 30 April 2015

	Land & buildings £'000	Plant & equipment £'000	Total £'000
Within one year	1,055	17	**1,072**
Between two and five years	-	11	**11**
	1,055	28	**1,083**

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.

17 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.

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

At 30 April 2016, there were 392 (2015: 391) participants in the BAYE scheme who have cumulatively purchased 291,066 (2015: 211,506) shares with the Company contributing 79,500 (2015: 65,302) matching shares on a cumulative basis. Dividends had been reinvested in a further 22,494 (2015: 12,715) shares for these participants.

Share based payment charges of £73,000 (2015: £69,000) have been recognised in the statement of comprehensive income during the year in relation to the scheme.

18 Related party transactions

The Company has taken advantage of the exemptions In accordance with the exemption allowed by FRS 101, no disclosure is made of transactions with wholly owned companies of the Stagecoach Group. Details of amounts owed to and from group undertakings are disclosed in aggregate in notes 10 and 11.

19 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