East London Bus & Coach Company Limited

Financial statements for year ended 30 April 2013

Registered number 2328402

Contents

Directors and advisers

For the year ended 30 April 2013

Directors

C Brown
R G Andrew
S Greer
R Montgomery
A M Threapleton
M J Vaux
L B Warneford (Resigned 26th April 2013)
G Nolan (Appointed 2nd May 2013)

Company Secretary and registered office

M J Vaux
Daw Bank
Stockport
Cheshire
SK3 0DU

Independent auditors

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

Bankers

Bank of Scotland
38 St Andrew Square
Edinburgh
EH2 2YR

Royal Bank of Scotland
St Andrew Square
Edinburgh
EH2 2YR

Directors' report
For the year ended 30 April 2013

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 2013

Principal activities

The Company's principal ignore is the operation of buses in the London, UK market

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

Business environment

The Company and fellow subsidiaries, South East London & Kent Bus Company Limited ("SELKent") and East London Bus Limited ("ELB") provide public transport services, primarily under contract to transport for London ("Tfl"), under a number of 5 year contracts with varying termination dates, which are extendable if qualitative metrics are achieved for a further 2 year at the Group's discretion

TfL offer around 800 such contracts, and most of the significant national transport operators are active to a greater or lesser extent in the London bus marketplace

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

Business review

The Directors are satisfied that the financial statements give a fair review of the development of the business during the year and of its position at the year end

The operating loss before exceptional items improved by £10 8m (2012 improved by £7 0m) when compared to the prior period and turnover increased by 0 7% (2012 decreased by 17%) However the loss of the current period was impacted by the following factors

- lower than expected quality incentive contributions (QICs revenue) arising from the increased level of congestion and roadworks on certain bus routes, exacerbated by the pulling forward of works for completion prior to the moratorium on works over the Olympic games period

- full year implementation of changes in working terms and conditions

- industrial action by the workforce in advance of the Olympic games and the additional cost of exceptional pay over the Olympic games necessary to settle the dispute

- lower margins on routes won previously in the tendering process

- higher costs in maintaining the bus fleet to achieve the high levels of service expected

Business review (continued)
On 14 October 2010, Stagecoach Bus Holdings Limited, a subsidiary of Stagecoach Group plc, acquired the entire issued share capital and 100% of the voting rights of the Company, from East London Bus Group Ventures Limited, along with three other companies formerly owned by East London Bus Group Ventures Limited

We have made significant progress in restructuring the acquired business to both maximise synergies with the wider Stagecoach Group and tackle the structurally high cost base Our first step was to put in place a new management team, comprising Stagecoach personnel from other areas and also incumbent members of the East London management team The head office accounting and administration structure of the business was then reduced, with all accounting functions being integrated with the Stagecoach Shared Service Centre in Stockport

We held discussions with the employee trade union representatives and are pleased with the constructive response to our plans to improve employee productivity and reduce unit costs significantly and in doing so secure the business and jobs for the future These changes in working terms and conditions will see a material reduction in future payroll costs

We have also undertaken a full review of the integrity of the financial models supporting the contract costing and budgeting for bids and set a realistic return criteria for future tenders It will take some time for the existing low margin contracts to work through to re-tender, and the business has already lost some sizeable contracts which have impacted during the current and prior period

In the next year our focus remains on the cost base of the business, in particular fleet maintenance costs and working practices, where we anticipate further economies and we anticipate the continued change from the efficiency improvements implemented since taking over the business

The Directors are satisfied that the financial statements give a fair review of the development of the business during the year and of its position at the year end

Future outlook

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

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

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

Training and development

The Company has consistently sought to recruit and retain the best employees in its markets

In order to ensure that its staff are properly trained and able to offer the best customer service, the Company operates a minimum qualification programme of National Vocational Qualification The programme focuses on key issues such as customer service, health and safety, conflict resolution, disability awareness and vehicle defects reporting

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 2013 annual report (paragraph 2 3 6 of the Operating and Financial 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 estimated fuel purchases throughout the term of the contracts with TfL

Directors' report (continued)
For the year ended 30 April 2013

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

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 Group's 2013 annual report (paragraph 2 3 7 of the Operating and Financial Review), which does not form part of this report

Strategy
The strategy of the Company is aligned to the acquisition of further route contracts within London and the operation of the portfolio to the highest quality standards

Results and dividends
The loss on ordinary activities after tax amounted to £2,021,000 (Year ended 30 April 2012 loss £9,855,000)

No dividend (Year ended 30 April 2012 £Nil) was declared or paid in the year

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
L B Warneford (Resigned 26th April 2013)
G Nolan (Appointed 2nd May 2013)

Company Secretary
M J Vaux is the Company Secretary

Dırectors' report (contınued)

For the year ended 30 Aprıl 2013

Directors' indemnities

The Company maintains 'directors and officers' liability insurance in respect of legal action that might be bought against its directors and officers as a result of their positions within the company The company has also indemnified each of its directors and other officers of the company against liabilities that may be incurred as a result of their positions within the company

Disabled persons

The Company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirements that 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 year 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 that 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 Responsibility for the payment of suppliers lies with Stagecoach Services Limited, a fellow group company Hence trade creditors outstanding at the year end represented nil days' purchases (year ended 30 April 2012 Nil days)

Fixed assets

In the opinion of the directors there is no material difference between the book value and current open market value of interests in land and buildings

Country of incorporation and domicile

The Company was incorporated and domiciled in the UK The registration number of the Company is 2328402

Statement of Directors' Responsibilities

The directors are responsible for preparing the 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)

Statement of directors' responsibilities (continued)

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 period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently Paragraph 13 of Part II of Schedule 2 to each of "The Small Companies and Groups (Accounts and Reports) Regulations 2008" (SI 2008 No 409) and the "Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008" (SI 2008 No 410) require that the amount of any item "must be determined on a prudent basis" ,
- 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 This bullet does not apply to small and medium sized companies as defined by CA 2006 ,
- 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 Included where no separate statement on going concern is made by the directors

In the case of each of the persons who were directors of the Company at the date when this report was approved

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and

- each of the directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information

A resolution to re-appoint PricewaterhouseCoopers LLP, as auditors to the Company will be proposed at the next Annual General Meeting

By order of the Board

M J Vaux
Company Secretary

16 September 2013

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

For the year ended 30 April 2013

Independent auditors' report to the member of East London Bus & Coach Company Limited

We have audited the financial statements of East London Bus & Coach Company Limited for the year ended 30 April 2013 which comprise of the Profit and Loss Account, Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Accounting Policies and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework"

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 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) 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2013 and of its loss 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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

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

16 September 2013

Profit and loss account

For the year ended 30 April 2013

	Note	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
Turnover	3	**150,795**	149,614
Cost of sales		**(156,681)**	(165,674)
Gross loss	4	**(5,886)**	(16,060)
Other operating income	3	**2,100**	1,406
Restructuring costs	5	**(46)**	(1,732)
Operating loss		**(3,832)**	(16,386)
Interest payable and similar charges	8	**(1,640)**	(1,705)
Interest receivable and similar income	8	**2,680**	3,666
Loss on ordinary activities before tax		**(2,792)**	(14,425)
Tax	9	**771**	4,570
Loss for the financial year		**(2,021)**	(9,855)

All activities relate to continuing operations

The notes on pages 15 to 38 form an integral part of these financial statements

Statement of other comprehensive income

For the year ended 30 April 2013

	Note	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
Loss for the year		**(2,021)**	(9,855)
Other comprehensive income			
Actuarial loss on retirement benefit obligations		(39,912)	(12,298)
Other comprehensive loss		(39,912)	(12,298)
Tax relating to actuarial loss on retirement benefit obligations		9,322	3,381
Other comprehensive loss for the year		(30,590)	(8,917)
Total comprehensive loss for the year		(32,611)	(18,772)

Balance sheet
As at 30 April 2013

	Note	30 April 2013 £'000	30 April 2012 £'000
Fixed assets			
Property, plant and equipment	10	**26,775**	30,765
		26,775	30,765
Current assets			
Stock	11	**609**	579
Debtors due within one year	12	**12,936**	23,624
Cash at bank and in hand	13	**79**	98
Retirement benefit asset	17	**-**	14,231
Deferred tax asset	16	**5,426**	1,299
		19,050	39,831
Total assets		**45,825**	70,596
Creditors. amounts falling due within one year			
Trade and other payables	14	**(51,384)**	(63,471)
Retirement benefit liabilities	17	**(22,575)**	-
Borrowings	15	**(21,919)**	(21,407)
		(95,878)	(84,878)
Creditors· amounts falling due after more than one year			
Deferred tax liabilities	16	**-**	(3,415)
Provisions	18	**(1,635)**	(1,380)
		(1,635)	(4,795)
Total liabilities		**(97,513)**	(89,673)
Net liabilities		**(51,688)**	(19,077)
Capital and reserves			
Called up share capital	19	4,263	4,263
Share premium account	19	10,662	10,662
Revaluation reserve		132	136
Profit and loss account		(66,745)	(34,138)
Total shareholders' deficit		**(51,688)**	(19,077)

The financial statements on pages 11 to 38 were approved by the board of directors on 16 September 2013 and were signed on its behalf by

C Brown
Director

Statement of changes in equity

As at 30 April 2013

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Revaluation reserve £'000	Total capital and reserves £'000
At 1 May 2011	4,263	10,662	(15,370)	140	(305)
Loss for the year	-	-	(9,855)	-	(9,855)
Transfer from revaluation reserve	-	-	4	(4)	-
Other comprehensive loss for the year	-	-	(8,917)	-	(8,917)
Total comprehensive loss for the period	**-**	**-**	**(18,768)**	**(4)**	**(18,772)**
At 30 April 2012	**4,263**	**10,662**	**(34,138)**	**136**	**(19,077)**
Loss for the year	-	-	(2,021)	-	(2,021)
Transfer from revaluation reserve	-	-	4	(4)	-
Other comprehensive loss for the year	-	-	(30,590)	-	(30,590)
Total comprehensive loss for the period	-	-	(32,607)	(4)	(32,611)
At 30 April 2013	**4,263**	**10,662**	**(66,745)**	**132**	**(51,688)**

Notes to the financial statements
For the year ended 30 April 2013

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

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

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

These are the first financial statements of the company prepared in accordance with FRS 101 The company's date of transition to FRS 101 is 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 2013 and on the profit or loss for the year ended 30 April 2013

At 30 April 2013, the Company had net liabilities of £51,688,000 (Year ended 30 April 2012 £19,077,000) The directors have received confirmation of continuing financial support from the ultimate holding company Accordingly, the financial statements have been prepared on the going concern basis

1.2 Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, which for this purpose has been identified as the Board of Directors

1.3 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 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

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

Freehold land is not depreciated

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

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

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

Public service vehicles ('PSVs') are generally depreciated over periods ranging from 7 to 16 years after making allowances for estimated residual values

1 Principal accounting policies (continued)

1 5 Stock
Stock comprises of fuel and vehicle spare parts and is stated at the lower of cost and net realisable value Provision is made for obsolete, slow moving or defective items where appropriate

1 6 Financial assets
The classification depends on the purpose for which the financial assets were acquired Management determines the classification of its financial assets at initial recognition The Company classifies its financial assets in the following category

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

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

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

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

1 10 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method

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

1 Principal accounting policies (continued)

1.11 Pensions and retirement benefit obligations

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

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

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

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

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

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

1 Principal accounting policies (continued)

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

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

1.12 Share-based payment transactions
The Company did operate an equity-settled, share-based compensation plan for senior executives The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted At each balance sheet date, the entity revises its estimates of the number of shares that are expected to vest It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to reserves

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

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

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

1 Principal accounting policies (continued)

1.14 Revenue recognition (continued)

(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 15 Tax

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

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

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

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

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

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

1.16 Leases

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

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

1 Principal accounting policies (continued)

1.16 Leases (continued)

Under finance leases and hire purchase contracts, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, the assets acquired are recorded in the balance sheet as an asset (at the equivalent of the purchase price) and as an obligation to pay future hire purchase capital instalments or finance lease rentals Assets held under hire purchase arrangements are depreciated over their useful life

Obligations from hire purchase contracts and finance leases within creditors 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

1 17 Dividend distribution

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

2 Segment information

Management has determined that there is only one reportable operating segment based on the reports reviewed by the strategic steering committee that are used to make strategic decisions The committee considers the business from both a business and product perspective and considers the performance of operating buses in London and the South East as being the only segment

3 Turnover and other operating income

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
Sale of services	**150,795**	149,614
Advertising income	**1,692**	1,176
Property rental	**287**	11
Tyres Sales	**81**	9
Other operating income	**40**	210
Total income	**152,895**	151,020

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

4 Gross loss

Gross loss is stated after charging

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
Staff costs (note 7)	**91,212**	95,960
Directors' remuneration (note 6)	**151**	96
Loss on disposal of vehicles, plant & equipment	**78**	579
Depreciation		
- owned	**5,317**	7,252
Operating lease rentals		
- land and buildings	**3,353**	3,611
- other	**7,821**	6,974

From 15 October 2010, no auditors' fees have been settled directly by the Company Audit fees of £2,340 (2012 £8,271) were paid by a fellow subsidiary undertaking on behalf of the Company in respect of audit work performed in the UK

5 Restructuring costs

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
Restructuring costs	46	1,732

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

The tax effect of exceptional items in the year ended 30 April 2013 is £11,000 (year ended 30 April 2012 £447,548)

6 Directors' remuneration

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
The aggregate remuneration comprised		
Salary and fees	**513**	271
Bonus	**67**	68
Benefits in kind	**17**	41
	597	380
Pension costs	**8**	4
	605	384

The above details of directors' emoluments include the emoluments of L B Warneford, C Brown, R G Andrew, R Montgomery and S Greer, and A M Threapleton which are paid by fellow group undertaking, Stagecoach Holdings Limited £85,414 (2012 £45,759) of their total emoluments received is apportioned to their services as directors of East London Bus & Coach Company Limited The balance of the directors remuneration on the table above relates to former directors for services provided before the change of ownership on 14 October 2010

The emoluments of A M Threapleton are also paid by a fellow group Company £65,767 (2012 £50,068) of his services as a director of the Company

None of the emoluments of M J Vaux relate to his service as a director of the Company

The above amounts for remuneration include the following in respect of the highest paid director £263,000 (year ended 30 April 2012 £200,000)

There were 6 directors (2012 6 directors) accruing benefits under the defined benefit schemes

7 Staff costs

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

	Year ended 30 April 2013 Number	Year ended 30 April 2012 Number
By activity		
Operations	**2,311**	2,402
Administration & supervisory	**220**	239
	2,531	2,641

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
The aggregate remuneration comprised		
Wages and salaries	79,935	**85,167**
Social security costs	8,044	**8,596**
Pension costs	3,117	**2,145**
Share based payments - cash settled (see note 21)	116	**52**
	91,212	**95,960**

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

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
Interest payable and similar charges		
Intercompany loan interest	**(1,395)**	(1,430)
Bank interest	**(245)**	(275)
	(1,640)	(1,705)
Interest receivable and similar income		
Bank interest receivable	-	1
Net finance income on pension asset (see note 17)	**2,680**	3,665
	2,680	3,666
Net interest receivable	**1,040**	1,961

9 Tax

a) Credit for the year

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
Current tax.		
Amounts receivable from fellow subsidiary in respect of group relief	**(1,531)**	(5,057)
Adjustments in respect of prior year	**(1,019)**	(488)
Total current tax	**(2,550)**	(5,545)
Deferred tax·		
Origination and reversal of timing differences	**859**	1,276
Adjustments in respect of previous periods	**920**	(301)
Total deferred tax (note 16)	**1,779**	975
Tax credit	**(771)**	(4,570)

The tax assessed for the year is lower (year ended 30 April 2012 lower) than the standard rate of corporation tax in the UK 23 92% (2012 25 84%) The differences are explained on the below

b) Factors affecting the tax credit for the year

	Year ended 30 April 2013 £'000	Year ended 30 April 2012 £'000
The effective tax rate for the year is reconciled to the actual tax credit as follows		
Loss on ordinary activities before tax	**(2,792)**	(14,425)
Loss on ordinary activities multiplied by standard rate of income tax in the UK of 23 92% (2012 25 84%)	**(668)**	(3,727)
Effect of		
Non tax deductible expenditure and other permanent differences	**74**	70
Share based payments	**-**	13
Treatment of inter company transactions	**(60)**	(138)
Impact of reduction in UK tax rate on current year's deferred tax	**(34)**	-
Capital allowance less than deprecation	**-**	26
Pension cost relief in excess than pension cost charge	**(743)**	(1,301)
Adjustments to tax charge in respect of previous periods	**(1,019)**	(488)
Tax credit for the year	**(2,550)**	(5,545)

Notes to the financial statements (continued)
For the year ended 30 April 2013

9 Tax (continued)

Deferred income tax at 30 April 2013 relates to the following

	Balance sheet 2013 £'000	Balance sheet 2012 £'000	Profit and Loss Account 2013 £'000	Profit and Loss Account 2012 £'000
Deferred income tax liabilities:				
Accelerated capital allowances	**(37)**	-	**73**	(113)
Pension temporary differences	**-**	(3,416)	**714**	1,209
Total deferred tax liabilities	**(37)**	(3,416)		
Deferred income tax assets:				
Other short term temporary differences	**271**	1,264	**992**	-
Pension temporary differences	**5,192**			
Accelerated capital allowances	**-**	35	**-**	-
Total deferred tax assets	**5,463**	1,299	**-**	(120)
Net deferred income tax asset/(liabilities) (note 16)	**5,426**	2,117		
Deferred income tax credit			**1,779**	976

c) Factors that may affect future tax charges

Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012 which was substantively enacted in July 2012 The relevant deferred tax balances have been re-measured accordingly Further changes to the UK Corporation tax rates were enacted as part of Finance Act 2013 on 2 July 2013 These include further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015 These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements The overall effect of these further changes, if applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £707,715 from £5,425,822 to £4,718,106

10 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Public service vehicles £'000	Plant and equipment and furniture and fittings £'000	Total £'000
Cost					
At 1 May 2012	1,391	2,188	55,146	7,305	66,030
Additions	21	462	1,084	102	1,669
Disposals	-	-	(6,406)	(33)	(6,439)
Intercompany transfers	-	-	(1,629)	(42)	(1,671)
At 30 April 2013	**1,412**	**2,650**	**48,195**	**7,332**	**59,589**
Accumulated depreciation					
At 1 May 2012	(373)	(722)	(28,463)	(5,707)	(35,265)
Charge for the year	(105)	(184)	(4,517)	(511)	(5,317)
Disposals	-		6,061	33	6,094
Intercompany transfers	-		1,648	26	1,674
At 30 April 2013	**(478)**	**(906)**	**(25,271)**	**(6,159)**	**(32,814)**
Net book value at 30 April 2013	**934**	**1,744**	**22,924**	**1,173**	**26,775**
Net book value at 1 May 2012	**1,018**	**1,466**	**26,683**	**1,598**	**30,765**

The net book value of assets held under finance leases and hire purchase agreements included above is £Nil (30 April 2012 £Nil)

11 Stock

	30 April 2013 £'000	30 April 2012 £'000
Finished goods	**609**	579

There is no material difference between the balance sheet value of stock and the replacement cost

Movement on provision for impairment of stock

	30 April 2013 £'000	30 April 2012 £'000
Provision at beginning of the year	**8**	22
Amount written off to provision	**(6)**	(14)
Provision at end of the year	**2**	8

12 Debtors due within one year

	30 April 2013 £'000	30 April 2012 £'000
Intercompany group relief receivable	**1,531**	5,057
Prepayments and accrued income	**4,071**	3,745
Amounts owed by group undertakings	**7,334**	14,822
	12,936	23,624

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

13 Cash at bank and in hand

	30 April 2013 £'000	30 April 2012 £'000
Cash at bank and in hand	**79**	98

14 Trade and other payables

	30 April 2013 £'000	30 April 2012 £'000
Current		
Amounts owed to group undertakings	**32,734**	44,508
Social security and other taxes	**2,009**	4,188
Accruals	**16,641**	14,775
	51,384	63,471

Of the above amounts owed to fellow group undertakings, £25,668,820 (2012 £24,470,823) incur interest at a rate of 5% above the six month London Inter Bank Outer Rate (LIBOR) All other amounts accrue no interest and are repayable on demand

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

15 Borrowings

The carrying value of borrowings was as follow

	30 April 2013 £'000	30 April 2012 £'000
Current		
Bank borrowings	**21,919**	21,407

Repayment profile

Borrowings are repayable as follows

	30 April 2013 £'000	30 April 2012 £'000
On demand		
Bank overdraft (unsecured)	**21,919**	21,407

The Company's overdraft is subject to the rights of offset in the Group's bank offset arrangement as discussed in the Group's 2013 annual report (note 20 of the Notes to the consolidated financial statements), which does not form part of this report

16 Deferred tax asset/(liabilities)

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

	30 April 2013 £'000	30 April 2012 £'000
Deferred tax asset	**234**	1,299
Pension temporary differences	**5,192**	(3,416)
Net deferred tax asset/(liability)	**5,426**	(2,117)

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

	30 April 2013 £'000	30 April 2012 £'000
At beginning of year	**(2,117)**	(4,522)
Charged to profit and loss (note 9)	**(1,779)**	(976)
Credited to equity	**9,322**	3,381
At end of year	**5,426**	(2,117)

17 Retirement benefit (liability)/ asset

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

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

The Company made contributions to a defined contribution scheme totalling £222,000 (2012 £87,000)

17 Retirement benefit (liability)/asset (continued)

The amounts recognised in the balance sheet were determined as follows

	30 April 2013 £000	30 April 2012 £000
Equities	**138,072**	126,819
Government bonds	**105,757**	97,138
Property	**14,689**	13,491
Cash	**35,252**	32,379
Fair value of plan assets	**293,770**	269,827
Present value of obligations	**(316,345)**	(255,596)
(Liability)/asset recognised in the balance	**(22,575)**	14,231

The amounts recognised in the Profit and loss account were as follows

	30 April 2013 £'000	30 April 2012 £'000
Defined benefit obligation		
- Current service cost	**2,895**	2,058
- Expected return on plan assets	**(16,079)**	(16,287)
- Interest cost	**13,399**	12,622
Total defined benefit cost	**215**	(1,607)
Defined contribution cost	**222**	87
Total profit and loss account charge/(credit)	**437**	(1,520)
The impact of the profit and loss account charge/(credit) can be analysed as follows		
Total included in staff costs (note 7)	**3,117**	2,145
Total included in interest payable and similar charges (note 8)	**(2,680)**	(3,665)
	437	(1,520)

17 Retirement benefit (liability)/asset (continued)

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

	30 April 2013 £'000	30 April 2012 £'000
Actual return less expected return on pension scheme assets	2,562	(5,077)
Experience gains and losses arising on the scheme liabilities	-	(1,995)
Changes in assumptions underlying the present value of the scheme liabilities	(42,474)	(13,436)
Irrecoverable surplus	-	8,210
Total actuarial loss recognised	(39,912)	(12,298)

The cumulative amount of the actuarial gains and losses recognised in respect of the plan in the Statement of Other Comprehensive Income is £32,514,000 loss (2012 £7,398,000 gain) The estimated amount of contributions expected to be paid by the Company to the scheme during the financial year ended 30 April 2013 is £2,096,00 (expected 2012 £1,941,000)

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

	30 April 2013 %	30 April 2012 %
Actual return less expected return on pension scheme assets as a percentage of scheme assets	0 9	(1 9)
Experience gains and losses arising on the scheme liabilities as a percentage of scheme assets	0 0	0 8
Total actuarial loss recognised in the Comprehensive Income Statement as a percentage of the present value of scheme liabilities	(12 6)	4 8

17 Retirement benefit (liability)/asset (continued)

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

	30 April 2013 £000	30 April 2012 £000
Asset the beginning of year	**14,231**	21,494
- Total expense	**(215)**	1,607
- Employers contributions	**3,321**	3,428
- Actuarial loss	**(39,912)**	(20,508)
- Change in irrecoverable surplus	**-**	8,210
(Liability)/asset at end of year	**(22,575)**	14,231

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

	30 April 2013 £000	30 April 2012 £000
At beginning of year	**269,827**	252,162
Expected return on plan assets	**16,079**	16,287
Actuarial Gain/(losses)	**2,562**	(5,077)
Employers contributions	**3,321**	3,428
Members contributions	**5,095**	6,038
Benefits paid	**(3,114)**	(3,011)
At end of year	**293,770**	269,827

17 Retirement benefit (liability)/asset (continued)

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

	30 April 2013 £000	30 April 2012 £000
At start of year	**255,596**	222,458
Current service costs	**2,895**	2,058
Interest cost	**13,399**	12,622
Members contribution	**5,095**	6,038
Actuarial loss – experience gains and losses	**-**	1,995
Actuarial loss - changes in assumptions	**42,474**	13,436
Benefits paid	**(3,114)**	(3,011)
At end of year	**316,345**	255,596

A full actuarial valuation of the scheme by the actuaries, Lane Clark & Peacock is to be carried out every three years The last actuarial valuation of the East London & Selkent pension scheme was undertaken on 5 April 2010 and a surplus of £3 7 million was identified

The principal assumptions used were as follows

Rate of increase in pensionable salaries	**0 5%**	0 5%
Rate of increase of pension payment	**3 1%**	3 0%
Discount rate	**4 4%**	5 2%
Rate of inflation (RPI)	**3 2%**	3 1%

Expected long term rates of return as at 30 April were

Equities	**8.3%**	8 3%
Bonds	**3.7%**	4 3%
Cash	**3.0%**	3 4%
Property	**7.5%**	7 5%

17 Retirement benefit (liability)/asset (continued)

The life expectancy assumptions used for each scheme are periodically reviewed The weighted average life expectancy announced at 30 April 2013 were

	2013 Years	2012 Years
Current pensioner aged 65 - male	18 8	20 3
Current pensioner aged 65 - female	23 3	24 6
Future pensioner at 65 (aged 45 now) - male	20 8	22 4
Future pensioner at 65 (aged 45 now) - female	24 9	26 4

18 Provisions

	Tyre provision £'000	Building provision £'000	Total £'000
Beginning of year	770	610	1,380
Profit and loss charge	-	315	315
Transferred to fellow group undertaking	(60)	-	(60)
End of year	**710**	**925**	**1,635**

Tyre Provision

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

Building Provision

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

19 Called up share capital and share premium account

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

Notes to the financial statements (continued)

For the year ended 30 April 2013

20 Guarantees and other financial commitments

a) Lease commitments

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

At 30 April 2013

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

At 30 April 2012

	Land & buildings £'000	Plant & equipment £'000	Total £'000
Within one year	3,345	4,739	**8,084**
Between two and five years	9,480	8,954	**18,434**
Over five years	12,355	-	**12,355**
	25,180	13,693	**38,873**

b) Contingent liabilities

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

c) Cross guarantees

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

21 Share based payments

The Company operates a Buy as You Earn Scheme ("BAYE")

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

Buy as You Earn Scheme (BAYE)

BAYE enables eligible employees to purchase shares from their gross income The Company provides two matching shares for every shares bought from the first £10 of monthly investment, subject to a maximum Company contribution of shares to the value of £20 per employee per month

At 30 April 2013, there were 551 (2012 517) participants in the BAYE scheme who have cumulatively purchased 177,086 (2012 54,229) shares with the Company contributing 53,872 (2012 15,520) matching shares on a cumulative basis Dividends had been reinvested in a further 4,186 (2012 163) shares for these participants

Share based payment charges of £116,000 (2012 £52,000) have been recognised in the statement of other comprehensive income during the year in relation to the scheme

22 Ultimate parent undertaking

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

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