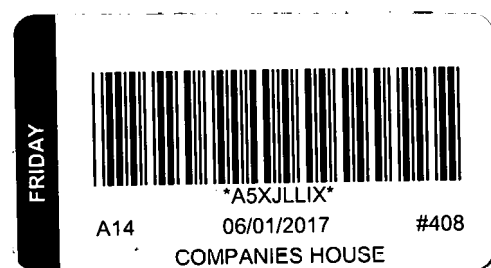


East London Bus & Coach Company Limited
Financial statements for the year ended 30 April 2016

Registered number: 2328402



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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

Strategic report

For the year ended 30 April 2016

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

Review of the business

East London Bus & Coach Company Limited is a public transport operator, operating primarily contract services within the Greater London area. The Company operates a fleet of 754 buses and employs 2,404 people.

Results and performance

The results of the Company for the year ended 30 April 2016 show a profit on ordinary activities before taxation of £2,459,000 (2015 restated: £4,507,000) and revenue of £167,118,000 (2015: £166,620,000). The Company has net liabilities of £64,617,000 (2015: £63,833,000).

Business environment

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

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

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

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

Strategy

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

Strategic report (continued)

For the year ended 30 April 2016

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 tendered 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 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.

Strategic report (continued)

For the year ended 30 April 2016

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

A handwritten signature in black ink, appearing to read 'M J Vaux', followed by a horizontal line.

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 £2,459,000 (2015 restated: £4,507,000) and revenue of £167,118,000 (2015: £166,620,000). The profit for the financial year amounted to £3,413,000 (2015 restated: £3,784,000). The directors do not recommend the payment of a dividend (2015: Nil).

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

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.

Directors' report (continued)
For the year ended 30 April 2016

Employees (continued)

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.

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 £275 (2015: £497).

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.

Directors' report (continued)
For the year ended 30 April 2016

Statement of Directors' responsibilities (continued)

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.

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 East London Bus & Coach Company Limited
For the year ended 30 April 2016

Report on the financial statements

Our opinion

In our opinion, East London Bus & Coach 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 other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in 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 East London Bus & Coach 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	Restated Year ended 30 April 2015 £'000
Revenue	3	167,118	166,620
Operating cost		(163,044)	(162,182)
Gross profit	4	4,074	4,438
Other operating income	3	1,849	1,785
Operating profit		5,923	6,223
Gain on disposal of land and buildings	5	-	49
Interest payable and similar charges	8	(3,464)	(1,765)
Profit on ordinary activities before taxation		2,459	4,507
Tax on profit on ordinary activities	9	955	(723)
Profit for the financial year		3,414	3,784

All activities relate to continuing operations.

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

Statement of other comprehensive income

For the year ended 30 April 2016

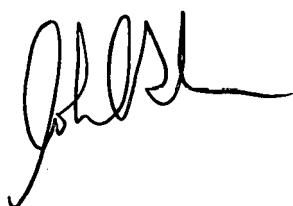
	Note	Year ended 30 April 2016 £'000	Restated Year ended 30 April 2015 £'000
Profit for the financial year		3,414	3,784
Other comprehensive expenses:			
Actuarial loss on retirement benefit obligations	15	(4,084)	(32,115)
Other comprehensive expenses		(4,084)	(32,115)
Tax (charge)/credit relating to actuarial (loss)/gain on retirement benefit obligations	14	(114)	6,423
Other comprehensive expenses for the year, net of tax		(4,198)	(25,692)
Total comprehensive expenses for the year		(784)	(21,908)

Balance sheet
As at 30 April 2016

	Note	30 April 2016 £'000	30 April 2015 £'000
Non-current assets			
Property, plant and equipment	10	17,703	18,659
Current assets			
Stocks	11	457	450
Debtors: amounts falling due within one year	12	9,851	9,893
Cash at bank and in hand		7,405	1
Deferred tax asset	14	9,500	8,913
		27,213	19,257
Total assets		44,916	37,916
Current Liabilities			
Trade and other payables	13	(59,481)	(58,091)
		(59,481)	(58,091)
Non-current Liabilities			
Retirement benefit liabilities	15	(48,877)	(42,423)
Provisions for liabilities	16	(1,175)	(1,235)
		(50,052)	(43,658)
Total liabilities		(109,533)	(101,749)
Net liabilities		(64,617)	(63,833)
Capital and reserves			
Called up share capital	17	4,263	4,263
Share premium account	17	10,662	10,662
Revaluation reserve		119	123
Profit and loss account		(79,661)	(78,881)
Total shareholders' deficit		(64,617)	(63,833)

The financial statements on pages 11 to 37 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

As at 30 April 2016

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Revaluation reserve £'000	Total shareholders' deficit £'000
At 1 May 2014	4,263	10,662	(56,978)	128	(41,925)
Profit for the financial year - restated	-	-	3,784	-	3,784
Transfer from revaluation reserve	-	-	5	(5)	-
Other comprehensive loss for the year - restated	-	-	(25,692)	-	(25,692)
Total comprehensive loss for the year	-	-	(21,903)	(5)	(21,908)
At 30 April 2015	4,263	10,662	(78,881)	123	(63,833)
Profit for the financial year	-	-	3,414	-	3,414
Transfer from revaluation reserve	-	-	4	(4)	-
Other comprehensive loss for the year	-	-	(4,198)	-	(4,198)
Total comprehensive loss for the year	-	-	(780)	(4)	(784)
At 30 April 2016	4,263	10,662	(79,661)	119	(64,617)

Notes to the financial statements

For the year ended 30 April 2016

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 21 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.

At 30 April 2016, the Company had net liabilities of £64,617,000 (Year ended 30 April 2015: £63,833,000). The directors have received confirmation of continuing financial support from the ultimate holding company. Accordingly, the financial statements have been prepared on the going concern basis.

1.2 Functional and presentational currency

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

1.3 Revenue recognition

Revenue principally comprises of revenue from the operation of contracted bus services in London and the South East of the United Kingdom ('Revenue'). 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.

Notes to the financial statements (continued)

For the year ended 30 April 2016

1 Principal accounting policies (continued)

1.3 Revenue recognition (continued)

(b) Interest income

Interest income is recognised on an accruals basis.

1.4 Property, plant and equipment

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

Depreciation on revalued buildings is charged to income. Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the subsequent sale or scrapping of a revalued property the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to the profit and loss reserve.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its estimated useful life, as follows:

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

Freehold land is not depreciated.

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

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

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

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

Notes to the financial statements (continued)

For the year ended 30 April 2016

1 Principal accounting policies (continued)

1.5 Stocks

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

1.6 Financial assets

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

Loans and receivables

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

1.7 Cash at bank and in hand

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

1.8 Ordinary shares

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

1.9 Trade payables

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

1.10 Borrowings

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

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

Notes to the financial statements (continued)

For the year ended 30 April 2016

1 Principal accounting policies (continued)

1.11 Pensions and retirement benefit obligations

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

For the year ended 30 April 2016

1 Principal accounting policies (continued)

1.12 Share-based payment transactions

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

1.13 Provisions for liabilities

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

1.14 Tax

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.

Notes to the financial statements (continued)

For the year ended 30 April 2016

1 Principal accounting policies (continued)

1.15 Leases

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

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

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

Obligations from hire purchase contracts and finance leases within creditors represent the total of the capital payments outstanding at the balance sheet date. Future finance charges are not included.

The interest element of hire purchase and finance lease obligations are charged to the profit and loss account over the period of the hire purchase or finance lease.

1.16 Dividend distribution

Dividends on ordinary shares are recorded in the financial statements in the period in which they are approved by the shareholders, or in the case of interim dividends, on the period in which they are paid.

2 Segment information

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

Notes to the financial statements (continued)

For the year ended 30 April 2016

3 Revenue and other operating income

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
Contracted services	167,118	166,620
Advertising income	1,565	1,667
Tyre sales	126	97
Other operating income	158	21
Total income	168,967	168,405

All the above income is generated in 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.

4 Gross profit

Gross profit is stated after charging/(crediting):

	Year ended 30 April 2016 £'000	Restated Year ended 30 April 2015 £'000
Staff costs (note 7)	92,055	90,512
Gain on disposal of vehicles, plant & equipment	(77)	(81)
Depreciation		
- owned	3,630	4,111
Operating lease rentals		
- land and buildings	2,551	2,927
- other	1,001	3,531
PSV intercompany rental charges	6,042	4,710

No auditors' fees have been settled directly by the Company. 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.

Notes to the financial statements (continued)

For the year ended 30 April 2016

5 Gain on disposal of land and buildings

During last year, period ending 30 April 2015, the Company surrendered the leases on its Upton Park depot realising a gain on disposal of £49,000.

	Year ended 30 April 2016 £000	Year ended 30 April 2015 £000
Proceeds on disposal of Upton Park	-	150
Net book value Upton Park	-	(101)
Gain on disposal	-	49

6 Directors' remuneration

	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	6	6
Defined contribution scheme	1	1
	7	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

Notes to the financial statements (continued)

For the year ended 30 April 2016

7 Staff costs

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	2,154	2,150
Administration & supervisory	250	250
	2,404	2,400

	Year ended 30 April 2016 £'000	Restated Year ended 30 April 2015 £'000
The aggregate remuneration comprised:		
Wages and salaries	77,861	76,769
Social security costs	7,905	7,863
Other pension costs (see note 15)	6,182	5,776
Share based payments - cash settled (see note 19)	107	104
	92,055	90,512

8 Interest payable and similar charges

	Year ended 30 April 2016 £'000	Restated Year ended 30 April 2015 £'000
Interest payable and similar charges		
Net finance income on pension asset (see note 15)	1,608	425
Intercompany loan interest	1,856	1,340
Net interest payable	3,464	1,765

Notes to the financial statements (continued)

For the year ended 30 April 2016

9 Tax on profit on ordinary activities

a) Tax recognised in the income statement

	Year ended 30 April 2016 £'000	Restated Year ended 30 April 2015 £'000
Current tax:		
UK corporation tax on profits of the year	629	883
Adjustments in respect of prior year	(883)	(27)
Total current tax	(254)	856
Deferred tax:		
Origination and reversal of timing differences	(367)	(63)
Adjustments in respect of prior years	(334)	(70)
Total deferred tax (note 14)	(701)	(133)
Total tax reported in the income statement	(955)	723

The tax assessed for the year is lower (year ended 30 April 2015: lower) than the standard rate of corporation tax in the UK 20% (2014: 20.92%). The differences are explained below:

b) Factors affecting the tax charge for the year

	Year ended 30 April 2016 £'000	Restated Year ended 30 April 2015 £'000
Profit on ordinary activities before tax	2,459	4,507
Profit on ordinary activities multiplied by standard rate of income tax in the UK of 20 % (2015: 20.92%)	492	943
Effect of:		
Non tax deductible expenditure and other permanent differences	12	42
Treatment of inter-company transactions	(196)	(168)
Utilisation of tax losses	(171)	-
Impact of reduction in UK tax rate on current year's deferred tax	49	(13)
Impact of reduction in UK tax rate on prior year's deferred tax	76	-
Change of accounting basis	-	16
Adjustments in respect of prior years	(1,217)	(97)
Total tax reported in the income statement	(955)	723

Notes to the financial statements (continued)

For the year ended 30 April 2016

9 Tax on profit on ordinary activities (continued)

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 £527,791

d) Tax on items taken directly to/or transferred from equity

The components of tax on items taken directly to or transferred from equity are shown in the consolidated statement of comprehensive income on page 12.

Notes to the financial statements (continued)

For the year ended 30 April 2016

10 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Public service vehicles £'000	Plant and equipment and furniture and fittings £'000	Total £'000
Cost or valuation					
At 1 May 2015	2,042	2,889	33,799	6,757	45,487
Additions	11	486	810	318	1,625
Disposals	-	-	(2,507)	(519)	(3,026)
Intercompany transfers	-	-	2,651	117	2,768
At 30 April 2016	2,053	3,375	34,753	6,673	46,854
Accumulated depreciation					
At 1 May 2015	(713)	(864)	(19,261)	(5,990)	(26,828)
Charge for the year	(89)	(182)	(3,068)	(291)	(3,630)
Disposals	-	-	2,189	519	2,708
Intercompany transfers	-	-	(1,270)	(131)	(1,401)
At 30 April 2016	(802)	(1,046)	(21,410)	(5,893)	(29,151)
Net book value at 30 April 2016	1,251	2,329	13,343	780	17,703
Net book value at 30 April 2015	1,329	2,025	14,538	767	18,659

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

At 30 April 2016 had the land and buildings of the company been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately £3,452,000 (30 April 2015: £3,226,000).

Notes to the financial statements (continued)

For the year ended 30 April 2016

11 Stocks

	30 April 2016 £'000	30 April 2015 £'000
Finished goods	457	450

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

Movement on provision for impairment of stocks

	30 April 2016 £'000	30 April 2015 £'000
Provision at beginning and end of the year	4	2

12 Debtors: amounts falling due within one year

	30 April 2016 £'000	30 April 2015 £'000
Amounts owed by group undertakings	3,984	2,633
Intercompany tax relief	54	-
Prepayments and accrued income	5,813	7,260
	9,851	9,893

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

Amounts owed by group undertakings within one year accrue no interest and are repayable on demand.

Notes to the financial statements (continued)

For the year ended 30 April 2016

13 Creditors

	30 April 2016 £'000	30 April 2015 £'000
Current		
Bank overdraft	-	3,336
Amounts owed to group undertakings	40,795	36,891
Corporation tax payable	683	883
Social security and other taxes	2,609	2,602
Accruals and deferred income	15,394	14,379
	59,481	58,091

Of the above amounts owed to group undertakings, £39,623k (2015: £27,947k) incur interest at a rate of 5% above the six month London Inter Bank Offered Rate (LIBOR). All other amounts accrue no interest and are repayable on demand.

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

The Company's overdraft is subject to the rights of offset in the Group's bank offset arrangement as discussed in the Group's 2016 annual report (note 20 of the Notes to the consolidated financial statements), which does not form part of this report.

Notes to the financial statements (continued)

For the year ended 30 April 2016

14 Deferred tax asset

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

	30 April 2016 £'000	30 April 2015 £'000
Deferred tax to be recovered after more than 12 months		
Deferred tax asset	702	428
Pension temporary differences	8,798	8,485
Net deferred tax asset	9,500	8,913

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

	30 April 2016 £'000	Restated 30 April 2015 £'000
At beginning of year	8,913	2,357
Charged to profit and loss (note 9)	701	133
Credited to equity	(114)	6,423
At end of year	9,500	8,913

The deferred tax included in the balance sheet comprises:

	30 April 2016 £'000	30 April 2015 £'000
Deferred tax asset:		
Accelerated capital allowances	285	106
Pension temporary differences	8,798	8,485
Other short-term temporary differences	417	322
Net deferred tax asset	9,500	8,913

Notes to the financial statements (continued)

For the year ended 30 April 2016

14 Deferred tax asset (continued)

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

	30 April 2016	Restated 30 April 2015
	£'000	£'000
Accelerated capital allowances	(178)	(46)
Pension temporary differences	(427)	(73)
Other short-term temporary differences	(96)	(14)
Deferred tax expense	(701)	(133)

15 Retirement benefit liability

The Company participates 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 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.

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

	30 April 2016	Restated 30 April 2015
	£000	£000
Equities	185,853	84,666
Government bonds	72,645	175,077
Cash	2,384	41,124
Property	30,962	1,512
Fair value of plan assets	291,844	302,379
Present value of obligations	(340,721)	(344,802)
Liability recognised in the balance sheet	(48,877)	(42,423)

Notes to the financial statements (continued)

For the year ended 30 April 2016

15 Retirement benefit liability (continued)

The amounts recognised in the income statement were as follows:

	Year ended 30 April 2016 £'000	Restated Year ended 30 April 2015 £'000
Defined benefit obligation		
- Current service cost	4,651	4,249
- Administration cost	269	215
- Interest cost	1,608	425
Total defined benefit cost	6,528	4,889
Defined contribution cost	1,262	1,312
Total profit and loss account charge	7,790	6,201

The impact of the profit and loss account charge can be analysed as follows:

Total included in staff costs (note 7)	6,182	5,776
Total included in interest receivable and similar charges (note 8)	1,608	425
	7,790	6,201

Notes to the financial statements (continued)

For the year ended 30 April 2016

15 Retirement benefit liability (continued)

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

	Year ended 30 April 2016 £'000	Restated Year ended 30 April 2015 £'000
Actual return less expected return on pension scheme assets	(15,969)	12,130
Experience gains and losses arising on the scheme liabilities	1,935	(1)
Changes in assumptions underlying the present value of the scheme liabilities	9,950	(44,244)
Total actuarial loss recognised	(4,084)	(32,115)

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 2016 £000	Restated 30 April 2015 £000
Liability at the beginning of year	(42,423)	(9,943)
- Total expense	(6,528)	(3,121)
- Employer's contributions	4,158	4,524
- Actuarial loss	(4,084)	(33,883)
Liability at end of year	(46,877)	(42,423)

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

	30 April 2016 £000	Restated 30 April 2015 £000
At beginning of year	302,379	281,142
Expected return on plan assets	(15,969)	12,130
Interest income	11,066	12,648
Administration cost	(269)	(215)
Employer's contributions	4,158	4,524
Members' contributions	557	615
Benefits paid	(10,078)	(8,465)
At end of year	291,844	302,379

Notes to the financial statements (continued)

For the year ended 30 April 2016

15 Retirement benefit liability (continued)

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

	30 April 2016	Restated 30 April 2015
	£000	£000
At start of year	344,802	291,085
Current service costs	4,651	4,249
Interest cost	12,674	13,073
Members' contribution	557	615
Actuarial gain – experience gains and losses	(1,935)	1
Actuarial gain - changes in assumptions	(9,950)	44,244
Benefits paid	(10,078)	(8,465)
At end of year	340,721	344,802

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

The principal actuarial assumptions used were as follows:

	30 April 2016	30 April 2015
	%	%
Rate of increase in pensionable salaries	2.2	3.2
Rate of increase of pension payment	1.7	1.9
Discount rate	3.7	3.7
Rate of inflation (RPI)	3.0	3.2
Consumer Prices inflation assumptions	1.7	1.9

Notes to the financial statements (continued)

For the year ended 30 April 2016

15 Retirement benefit liability (continued)

The life expectancy assumptions used for each scheme are periodically reviewed. The weighted average life expectancies announced at 30 April 2016 were:

	2016 Years	2015 Years
Current pensioner aged 65 - male	19.0	19.0
Current pensioner aged 65 - female	23.6	23.5
Future pensioner at 65 (aged 45 now) - male	20.9	20.9
Future pensioner at 65 (aged 45 now) - female	25.2	25.1

In addition the company contributes to defined contribution schemes for certain employees. Additionally contributions of £1,366,000 (2015: £1,312,000) were made to defined contribution schemes by the Company. At 30 April 2016 there was a creditor of £421,000 (2015: £431,000) in relation to these contributions

16 Provisions for liabilities

	Tyre provision £'000	Building provision £'000	Total £'000
Beginning of year	310	925	1,235
Reversal of unused amounts	(60)	-	(60)
End of year	250	925	1,175

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 BY 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.

17 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 (2015: 4,263,000) ordinary shares of £1 each	4,263	10,662

Notes to the financial statements (continued)

For the year ended 30 April 2016

18 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	1,101	115	1,216
Between two and five years	4,402	56	4,458
Over five years	4,470	-	4,470
	9,973	171	10,144

At 30 April 2015

	Land & buildings £'000	Plant & equipment £'000	Total £'000
Within one year	2,389	1,154	3,543
Between two and five years	4,402	147	4,549
Over five years	5,564	-	5,564
	12,355	1,301	13,656

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.

Notes to the financial statements (continued)

For the year ended 30 April 2016

19 Share based payments

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

At 30 April 2016, there were 572 (2015: 559) participants in the BAYE scheme who have cumulatively purchased 509,768 (2015: 379,235) shares with the Company contributing 122,396 (2015: 96,962) matching shares on a cumulative basis. Dividends had been reinvested in a further 38,105 (2015: 20,887) shares for these participants.

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

Share based payment charges of £107,000 (2015: £104,000) have been recognised in the statement of other comprehensive income during the year in relation to the scheme.

20 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 12 and 13.

21 Restatement of prior year result

The Company has restated its results for the year ended 30 April 2015 to correct an error in pension disclosure. In previous years the pension disclosure was prepared using FRS17. The move to IAS19 for the defined benefit scheme requires a net interest expense to be calculated by applying the discount rate to the net defined benefit liability. The net interest expense replaces the finance charge on the scheme's liabilities and the expected return on scheme assets, and results in a higher annual expense. The impact of the restatement is as follows:

Effect on the income statement for the year ended 30 April 2015:

	Note	30 April 2015 as previously reported £000	Impact of pension disclosure correction £000	30 April 2015 as restated £000
Revenue	2	166,620	-	166,620
Operating costs	3	(161,968)	(214)	(162,182)
Gross profit		4,652	(214)	4,438
Other operating income	3	1,785	-	1,785
Operating profit		6,437	(214)	6,223
Gain on disposal of land and buildings		49	-	49
Interest payable and similar charges		(212)	(1,553)	(1,765)
Profit on ordinary activities before taxation	5	6,274	(1,767)	4,507
Taxation on profit on ordinary activities	8	(1,076)	353	(723)
Profit for the financial year		5,198	(1,414)	3,784

Notes to the financial statements (continued)

For the year ended 30 April 2016

21 Restatement of prior year result (continued)

Effect on the statement of other comprehensive income for the year ended 30 April 2015:

	30 April 2015 as previously reported £000	Impact of pension disclosure correction £000	30 April 2015 as restated £000
Profit for the financial year	<u>5,198</u>	<u>(1,414)</u>	<u>3,784</u>
Other comprehensive expenses:			
Actuarial loss on retirement benefit obligations	(33,883)	1,768	(32,115)
Tax credit relating to actuarial loss on retirement benefit obligations	<u>6,777</u>	<u>(354)</u>	<u>6,423</u>
Other comprehensive expenses for the year, net of tax	<u>(27,106)</u>	<u>1,414</u>	<u>(25,692)</u>
Total comprehensive expenses for the year	<u>(21,908)</u>	<u>-</u>	<u>(21,908)</u>

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