

**East London Bus & Coach Company Limited**

Financial statements for the 52 week period ended 27 April 2019

Registered number: 02328402



# Strategic report

For the 52 week period ended 27 April 2019

The directors present their strategic report on the Company for the 52 week period ended 27 April 2019.

## 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 627 (2018: 621) buses and employs 2,081 (2018: 2,169) people.

## Results and performance

The results of the Company for the period ended 27 April 2019 show a loss on ordinary activities before taxation of £8,614,000 (2018: Loss £5,647,000) and revenue of £144,972,000 (2018: £147,127,000).

The current year result shows a decrease in revenue, with an increase in the cost base. This is mainly due an increase in pension.

## Business environment

Along with fellow subsidiaries South East London & Kent Bus Company Limited and East London Bus Limited, together 'the London bus business', 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.

Road works and traffic congestion are a continuing challenge for operators in the London bus market. Engagement is ongoing with both TfL and the London Assembly on these issues. The Company believe congestion is a major factor in the decline in bus passenger volumes, which are now falling at a faster rate in the capital than in the rest of the country. While London bus operators do not take passenger volume risk in the short term, a combination of declining revenues and moves by central government to make the London bus network self-financing means that TfL's current business plan envisages no significant growth in London bus mileage for the next five years.

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

## Strategy

We have built a sustainable business in the contracted London bus market through a measured approach to bidding, a focus on high operational quality and a close control of costs. The Company's absolute focus remains safety and operational excellence, which underpin our delivery of high quality public transport services. We also continue to take steps to improve the efficiency of our operations and maintain close control of costs.

The value of the all business is supported by its freehold property portfolio. Property in London is expensive and our properties provide a strong base for the continuing operation of our bus services in East and South East London.

## Strategic report (continued)

For the period ended 27 April 2019

### Future outlook

We currently expect our UK Bus (London) operating profit to remain below our long term aspiration in period ending 2 May 2020. Staff cost inflation in excess of what was assumed in previous successful bids for contracts is affecting profit, but our revised expectation of staff and other costs is reflected in our bids for new contracts.

### 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 2018 annual report (paragraph 1.4.5 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 1.4.6) of the Group's 2018 annual report which does not form part of this report.

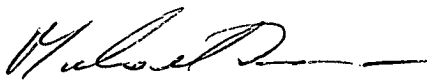
## Strategic report (continued)

For the period ended 27 April 2019

### Financial risk management

The Company's activities expose it to a variety of financial risks including the effects of changes in interest rates, credit risk and commodity prices. The effects of changes in interest rates and commodity prices are managed at a Group level by a central Group treasury function. The Company has implemented policies, which require appropriate credit checks to be performed on potential customers before sales are made. All credit checks are performed centrally by Stagecoach Services Limited, a fellow group company.

**By order of the Board**



**M J Vaux**  
**Company Secretary**

One Stockport Exchange  
20 Railway Road  
Stockport  
Cheshire  
SK1 3SW

13 December 2019

## **Directors' report**

For the period ended 27 April 2019

The directors present their report on the affairs of the Company, together with the audited financial statements and independent auditors' report, for the period ended 27 April 2019.

### **Results and dividends**

The results of the Company for the period ended 27 April 2019 show a loss on ordinary activities before taxation of £8,614,000 (2018: Loss £5,647,000) and revenue of £144,972,000 (2018: £147,127,000). The directors recommend that no dividend be paid (2018: £Nil), and that the loss for the financial period amounted to £6,890,000 (2018: £3,832,000) be transferred to reserves.

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 2.

### **Financial risk management**

Financial risk management has been discussed in the strategic report on page 3.

### **Directors and their interests**

The directors who held office during the period under review and up to the date of approval of these financial statements were:

B Dingwall (Appointed 31<sup>st</sup> May 2019)

C Brown (Resigned 31<sup>st</sup> May 2019)

A M Threapleton

P Lynch

### **Employees**

Human resources are key to the Company's business and the Company's relationship with its employees is fundamental to achieving its objectives. We aim to recruit and retain the best employees in our sector, which allows us to deliver good customer service. The Company invests significantly in the training and development of our people. We have strong, long-established working relationships with trade unions and work in partnership with them on a range of issues including training and development, occupational health matters, pensions and other employee benefits, as well as areas such as new vehicle design and uniform.

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.

**Directors' report (continued)**  
For the period ended 27 April 2019

**Donations**

Donations to charitable organisations amounted to £1,058 (2018: £1,450).

The Company does not make political contributions and accordingly there were no payments for political purposes during the period (2018: £Nil).

**Going concern**

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

**Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), Financial Reporting Standard 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 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;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Directors' report (continued)**  
For the period ended 27 April 2019

**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.

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the next Annual General Meeting of Stagecoach Group plc.

**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 J Vaux**  
**Company Secretary**

One Stockport Exchange  
20 Railway Road  
Stockport  
SK1 3SW

13 December 2019

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

For the 52 week period ended 27 April 2019

## Opinion

We have audited the financial statements of East London Bus and Coach Company Limited for the period ended 27 April 2019 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 27 April 2019 and of its loss for the 52 week period 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# Independent auditors' report to the members of East London Bus and Coach Company Limited (continued)

For the 52 week period ended 27 April 2019

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

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

For the period ended 27 April 2019

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

*Ernst & Young LLP*

## **Julie Cavin**

for and on behalf of Ernst & Young LLP, Statutory Auditor

Edinburgh

17 December 2019

# Income statement

For the period ended 27 April 2019

	Note	Period ended 27 April 2019 £000	Period ended 28 April 2018 £000 Restated
<b>Revenue</b>	<b>3</b>	<b>144,972</b>	147,127
Operating cost		(151,263)	(148,519)
<b>Gross loss</b>	<b>4</b>	<b>(6,291)</b>	(1,392)
Other operating income	<b>3</b>	<b>1,178</b>	1,099
<b>Operating loss</b>		<b>(5,113)</b>	(293)
Interest payable and similar charges	<b>7</b>	<b>(3,501)</b>	(5,354)
<b>Loss on ordinary activities before taxation</b>		<b>(8,614)</b>	(5,647)
Tax on Loss on ordinary activities	<b>8</b>	<b>1,724</b>	1,815
<b>Loss for the financial period</b>		<b>(6,890)</b>	(3,832)

All activities relate to continuing operations.

The notes on pages 14 to 37 form an integral part of these financial statements.

# Statement of other comprehensive income

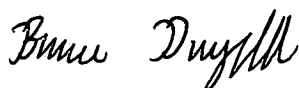
For the period ended 27 April 2019

	Note	Period ended 27 April 2019 £000	Period ended 28 April 2018 £000
<b>Loss for the financial period</b>		<b>(6,890)</b>	<b>(3,832)</b>
<b>Other comprehensive (expense)/income:</b>			
Actuarial (loss)/gain on retirement benefit obligations	14	(26,938)	62,617
<b>Other comprehensive income/(expense)</b>		<b>(26,938)</b>	<b>62,617</b>
Tax credit/(charge) relating to actuarial gain/(loss) on retirement benefit obligations	13	4,580	(10,645)
<b>Other comprehensive (expense)/income for the period, net of tax</b>		<b>(22,358)</b>	<b>51,972</b>
<b>Total comprehensive (expense)/income for the period</b>		<b>(29,248)</b>	<b>48,140</b>

**Balance sheet**  
As at 27 April 2019

	Note	2019 £000	2018 £000
<b>Non-current assets</b>			
Property, plant and equipment	9	19,152	12,450
Deferred tax asset	13	17,680	12,506
		<u>36,832</u>	<u>24,956</u>
<b>Current assets</b>			
Stocks	10	456	505
Debtors: amounts falling due within one year	11	7,278	10,559
		<u>7,734</u>	<u>11,064</u>
<b>Total assets</b>		<u>44,566</u>	<u>36,020</u>
<b>Current liabilities</b>			
Trade and other payables	12	(48,235)	(42,442)
<b>Non-current liabilities</b>			
Retirement benefit liabilities	14	(99,539)	(68,561)
Provisions for liabilities	15	(2,714)	(1,691)
		<u>(102,253)</u>	<u>(70,252)</u>
<b>Total liabilities</b>		<u>(150,488)</u>	<u>(112,694)</u>
<b>Net liabilities</b>		<u>(105,922)</u>	<u>(76,674)</u>
<b>Capital and reserves</b>			
Called up share capital	16	4,263	4,263
Share premium account	16	10,662	10,662
Revaluation reserve		134	134
Profit and loss account		(120,981)	(91,733)
<b>Total shareholders' deficit</b>		<u>(105,922)</u>	<u>(76,674)</u>

The financial statements on pages 10 to 37 were approved by the board of directors on 13 December 2019 and were signed on its behalf by:



**B Dingwall**  
Director

# Statement of changes in equity

As at 27 April 2019

	<b>Called up share capital £000</b>	<b>Share premium account £000</b>	<b>Profit and loss account £000</b>	<b>Revaluation reserve £000</b>	<b>Total shareholders' deficit £000</b>
<b>At 29 April 2017</b>	<b>4,263</b>	<b>10,662</b>	<b>(139,854)</b>	<b>115</b>	<b>(124,814)</b>
Profit for the financial period	-	-	(3,832)	-	(3,832)
Transfer from revaluation reserve	-	-	(19)	19	-
Other comprehensive loss for the period	-	-	51,972	-	51,972
<b>Total comprehensive gain for the period</b>	<b>-</b>	<b>-</b>	<b>48,121</b>	<b>19</b>	<b>48,140</b>
<b>At 28 April 2018</b>	<b>4,263</b>	<b>10,662</b>	<b>(91,733)</b>	<b>134</b>	<b>(76,674)</b>
Loss for the financial period	-	-	(6,890)	-	(6,890)
Other comprehensive gain for the period	-	-	(22,358)	-	(22,358)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(29,248)</b>	<b>-</b>	<b>(29,248)</b>
<b>At 27 April 2019</b>					
<b>Reference for called up share capital in Note 16</b>	<b>4,263</b>	<b>10,662</b>	<b>(120,981)</b>	<b>134</b>	<b>(105,922)</b>

# Notes to the financial statements

For the period ended 27 April 2019

## 1 Principal accounting policies

The principal accounting policies, all of which have been applied consistently throughout the 52 week period to 27 April 2019 and the preceding year, are:

### 1.1 Basis of preparation

The Company is a private limited company registered in England. The address of the Company's registered office is shown on page 3 and a description of the Company's principal activities are set out on page 1.

These financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act).

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46-52 of IFRS 2, 'Share-based payment'
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 10(d), 10(f), 16, 38A-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of financial statements'
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- Paragraph 17 of IAS 24, 'Related party disclosures'

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.

At 27 April 2019, the Company has net liabilities of £105,922,000 (2018: £76,674,000). 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.

### *New accounting standards adopted during the year*

The Company has adopted IFRS 15, 'Revenue from Contracts with Customers', from 30 April 2017, applying the full retrospective approach. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. The Company's, performance obligations are generally clear and transaction prices are even over the period to which they relate and are time apportioned. There have been no judgements taken in the implementation of IFRS 15 which significantly affect the amount or timing of the recognition of revenue. Implementing IFRS 15 has not had a material impact on the financial statements, with the exception of the reclassification to revenue of a number of specific income items previously reported as miscellaneous revenue within other operating income.

The Company has other miscellaneous sources of income comprising of income incidental to its principal activities. They include commissions receivable, advertising income, maintenance income, fuel sales and property income.

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 1 Principal accounting policies (continued)

#### 1.1 Basis of preparation (continued)

##### *New accounting standards adopted during the year (continued)*

Under IFRS 15, commissions receivable, maintenance income and fuel sales fall under the definition of revenue. For the year ended 28 April 2018, reclassifying those items of income as part of retrospectively applying IFRS 15 has resulted in an increase in previously reported revenue of £75,000.

As there is no net impact on the income statement from implementing IFRS 15, there is no adjustment to prior year opening retained earnings. There is no impact on any of the other primary statements that had previously been reported. No balance sheet restatement as at 29 April 2017 is necessary because there are no material restatements or reclassifications in the balance sheet resulting from the implementation of IFRS 15.

The following table shows the impact of IFRS 15 on the previously reported results.

	As previously reported £000	IFRS 15 impact £000	Restated £000
Revenue	147,052	75	147,127
Other operating income	1,174	(75)	1,099
	<u>148,226</u>	<u>-</u>	<u>148,226</u>

The Company has adopted IFRS 9, Financial Instruments, prospectively from 29 April 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. IFRS 9 sets requirements for accounting for financial instruments, including in respect of recognition and measurement, impairment, derecognition and general hedge accounting.

There have been no changes to the Company's categorisation of financial assets and liabilities IFRS 9 requires a new impairment model with impairment provisions based on expected credit losses rather than incurred credit losses under IAS 39. For trade receivables, accrued income and other receivables, the company has applied the simplified approach under the standard and determined expected credit losses for significant portfolios of receivables. The transitional increase in the impairment allowance as a result of adopting this policy is immaterial. As a result, there has been no adjustment made to the retained earnings figures at 28 April 2018 as previously reported.

The Company recognises a provision for expected credit losses for all financial instruments measured at amortised cost. Where there has not been a significant increase in credit risk since initial recognition, provision is made for defaults that are possible within the next 12 months. Where there has been a significant increase in credit risk since initial recognition, provision is made for credit losses expected over the remaining life of the asset.



## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 1 Principal accounting policies (continued)

#### 1.1 Basis of preparation (continued)

##### *New accounting standards adopted during the year (continued)*

##### Trade receivables

Trade receivables are recorded at their original amount less provision for expected credit losses. The Company has elected to apply the simplified version of the expected credit loss model permitted by IFRS 9 in respect of trade receivables. The lifetime expected credit losses are assessed for all balances. The Company has established a provision matrix that is based on its historical credit loss experience by division and is adjusted for specific forward-looking factors. The carrying amount of the receivable is reduced through the use of a provision account and movements in the provision are recognised in the income statement within operating costs and other income. When a previously provided trade receivable is uncollectable, it is written off against the provision.

Adjustments to this policy may be made in specific circumstances. At each reporting date, the Company assesses whether trade receivables are credit-impaired. This includes a review of whether the customer is in significant financial difficulty, the probability that the customer will enter bankruptcy or financial reorganisation, and any default or delinquency in payments.

#### 1.2 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 period in which they become certain by reference to data provided by TfL.

##### *(b) Interest income*

Interest income is recognised on an accruals basis

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 1 Principal accounting policies (continued)

#### 1.3 Property, plant and equipment

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Land and buildings and other fixed assets are shown at cost, net depreciation and any provision for impairment as set out in note 9.

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 income statement.

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 period ended 27 April 2019

### 1 Principal accounting policies (continued)

#### 1.4 Stocks

Stocks of parts and consumables are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow moving items. Cost is determined using the first-in, first-out ("FIFO") method for fuel stocks and average cost method for all other stocks.

#### 1.5 Financial assets

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

##### *Loans and receivables*

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

#### 1.6 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.

#### 1.7 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.

#### 1.8 Trade payables

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

#### 1.9 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 income statement 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 period ended 27 April 2019

### 1 Principal accounting policies (continued)

#### 1.10 Pensions and retirement benefit obligations

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

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 income statement in the period to which the contributions relate.

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 1 Principal accounting policies (continued)

#### 1.11 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.

#### 1.12 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

#### 1.13 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 period ended 27 April 2019

### 1 Principal accounting policies (continued)

#### 1.14 Leases

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

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

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 income statement over the period of the hire purchase or finance lease.

#### 1.15 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.

#### 1.16 Cash flow statement

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

#### 1.17 Financial instruments

The disclosure of the accounting policy that follows for financial instruments are those that apply under IAS 39 'Financial Instruments: Recognition and measurement' for. The policy for financial instruments applied from 29 April 2018 is set out above under the heading of New accounting standards adopted for the year.

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 1 Principal accounting policies (continued)

#### 1.17 Financial instruments (continued)

##### *Financial assets*

##### *Policy prior to 28 April 2018*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or borrowings, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

##### *Financial liabilities*

The following policies apply to the years ended 28 April 2018 and 27 April 2019 and remain unchanged following the prospective adoption of IFRS 9 on 29 April 2018. Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company has only entered into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other receivables and payables, financing arrangements with banks and other third parties and balances due from and to related parties.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Full details of the financial instruments policy of Stagecoach Group plc are discussed in note 1 of the Group's 2019 annual report.

#### 1.18 Critical accounting policies and estimates

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

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

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 1 Principal accounting policies (continued)

#### 1.18 Critical accounting policies and estimates

*i) Pensions*

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

*ii) Taxation*

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

*iii) Property, plant and equipment*

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

### 2 Segment information

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



## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 3 Revenue and other operating income

	2019	2018
	£000	£000
Contracted services	144,930	147,052
Advertising income	1,070	1,016
Tyre sales	-	33
Other operating income	150	125
Total income	<u>146,150</u>	<u>148,226</u>

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 loss

Gross loss is stated after charging:

	2019	2018
	£000	£000
Staff costs (note 6)	87,250	83,244
Loss on disposal of vehicles, plant & equipment	-	201
Depreciation		
- owned	3,669	3,544
Operating lease rentals		
- land and buildings	1,991	1,987
- other	74	90
PSV intercompany rental charges	<u>6,908</u>	<u>7,147</u>

No auditors' fees have been settled directly by the Company. Audit fees of £6,605 (2017:£4,475) 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 period ended 27 April 2019

### 5 Directors' remuneration

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Emoluments of directors	<b>96</b>	<b>91</b>

The above details of directors' emoluments include an apportionment of the emoluments of Mr C Brown, Mr P Lynch and Mr A M Threapleton (2018: Mr C Brown, Mr P Lynch and Mr A M Threapleton) which are paid by a fellow group undertaking, Stagecoach Holdings Limited.

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

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Defined contribution scheme	<b>2</b>	<b>2</b>

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

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Directors exercising share options	<b>3</b>	<b>3</b>

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 6 Staff costs

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

	2019 Number	2018 Number
By activity		
Operations	1,827	1,925
Administration & supervisory	254	244
	<u>2,081</u>	<u>2,169</u>

	2019 £000	2018 £000
The aggregate remuneration comprised:		
Wages and salaries	68,213	69,791
Redundancy	251	-
Social security costs	6,867	7,172
Other pension costs (see note 14)	11,886	6,184
Share based payments - cash settled (see note 18)	33	97
	<u>87,250</u>	<u>83,244</u>

### 7 Interest payable and similar charges

	2019 £000	2018 £000
Interest payable and similar charges		
Net finance charge on pension liability (see note 14)	2,009	3,567
Intercompany loan interest	1,492	1,787
Net interest payable	<u>3,501</u>	<u>5,354</u>

# Notes to the financial statements (continued)

For the period ended 27 April 2019

## 8 Tax on loss on ordinary activities

### a) Tax recognised in the income statement

	2019	2018
	£000	£000
<b>Current tax:</b>		
UK corporation tax on (loss)/profit of the period		
Receivable in respect of group relief	(913)	(107)
Adjustments in respect of prior periods	(217)	(752)
Total current tax	<u>(1,130)</u>	<u>(859)</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(609)	(848)
Adjustments in respect of prior periods	15	(108)
Total deferred tax (note 13)	<u>(594)</u>	<u>(956)</u>
Total tax reported in the income statement	<u>(1,724)</u>	<u>(1,815)</u>

	2019	2018
	£000	£000
<b>b) Tax relating to items charged or credited outside of the income statement</b>		

Tax on net actuarial losses on defined benefit Pension schemes	<u>(4,580)</u>	<u>10,645</u>
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### c) Factors affecting the tax credit for the period

	2019	2018
	£000	£000
The tax assessed for the period is lower (2018: lower) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:		

Loss on ordinary activities before tax	<u>(8,614)</u>	<u>(5,647)</u>
Loss on ordinary activities multiplied by standard rate of income tax in the UK of 19.00% (2018: 19.00%)	<u>(1,637)</u>	<u>(1,073)</u>
<i>Effect of:</i>		
Non tax deductible expenditure and other permanent differences	14	13
Treatment of inter-company transactions	28	5
Impact of reduction in UK tax rate on current period's deferred tax	72	100
Adjustments in respect of prior periods	120	(860)
Prior year credit in respect of group relief received	(321)	-
Total tax reported in the income statement	<u>(1,724)</u>	<u>(1,815)</u>

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 8 Tax on loss on ordinary activities (continued)

#### d) Factors that may affect future tax charges

The reduction in the UK corporate income tax rate to 17% which is expected to take effect from April 2020 had been enacted by the balance sheet date. The deferred tax balance as at 27 April 2019 has therefore been calculated with reference to the enacted expected UK corporation tax of 17%.

### 9 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
<b>Cost or valuation</b>					
<b>At 28 April 2018</b>	2,150	3,920	31,186	6,906	44,162
Additions	-	30	9,952	619	10,601
Disposals	-	-	(10,970)	(145)	(11,115)
Intercompany transfers	-	-	3,239	42	3,281
<b>At 27 April 2019</b>	<b>2,150</b>	<b>3,950</b>	<b>33,407</b>	<b>7,422</b>	<b>46,929</b>
<b>Accumulated depreciation</b>					
At 28 April 2018	(982)	(1,482)	(23,199)	(6,049)	(31,712)
Charge for the period	(98)	(238)	(3,070)	(263)	(3,669)
Disposals	-	-	10,456	145	10,601
Intercompany transfers	-	-	(2,839)	(158)	(2,997)
<b>At 27 April 2019</b>	<b>(1,080)</b>	<b>(1,720)</b>	<b>(18,652)</b>	<b>(6,325)</b>	<b>(27,777)</b>
<b>Net book value at 27 April 2019</b>	<b>1,070</b>	<b>2,230</b>	<b>14,755</b>	<b>1,097</b>	<b>19,152</b>
<b>Net book value at 28 April 2018</b>	<b>1,168</b>	<b>2,438</b>	<b>7,987</b>	<b>857</b>	<b>12,450</b>

Land and buildings were re-valued 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 27 April 2019 had the land and buildings of the Company been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately £3,166,000 (2018: £3,472,000).

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 10 Stocks

	2019	2018
	£000	£000
Finished goods	<u>456</u>	<u>505</u>

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

The cost of stock recognised as an expense and included in the operating costs during the period amounted to £17,883,000 (2018: £19,190,000)

### 11 Debtors: amounts falling due within one year

	2019	2018
	£000	£000
Amounts owed by group undertakings	2,607	5,837
Intercompany tax relief	914	107
Prepayments and accrued income	3,757	4,615
	<u>7,278</u>	<u>10,559</u>

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.

### 12 Creditors

	2019	2018
Current	£000	£000
Bank Overdraft	7,446	1,028
Amounts owed to group undertakings	27,432	26,547
Corporation tax payable	-	-
Social security and other taxes	1,641	2,291
Accruals and deferred income	11,716	12,576
	<u>48,235</u>	<u>42,442</u>

Of the above amounts owed to group undertakings, £27,430,000 (2018: £26,118,000) 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.

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 12 Creditors (continued)

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 2019 annual report (note 18 of the notes to the consolidated financial statements), which does not form part of this report.

### 13 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:

	2019	2018
<b>Deferred tax to be recovered after more than 12 months</b>	<b>£000</b>	<b>£000</b>
Deferred tax asset	758	851
Pension temporary differences	16,922	11,655
Net deferred tax asset	<u>17,680</u>	<u>12,506</u>

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

	2019	2018
	<b>£000</b>	<b>£000</b>
At beginning of period	12,506	22,195
Credited to income statement (note 8)	594	956
Credited/(charged) to equity (note 8b)	4,580	(10,645)
At end of period	<u>17,680</u>	<u>12,506</u>

The deferred tax included in the balance sheet comprises:

	2019	2018
<b>Deferred tax asset:</b>	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	420	480
Pension temporary differences	16,922	11,655
Other short-term temporary differences	338	371
Net deferred tax asset	<u>17,680</u>	<u>12,506</u>

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 13 Deferred tax asset (continued)

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

	2019	2018
	£000	£000
Accelerated capital allowances	60	(63)
Pension temporary differences	(687)	(812)
Other short-term temporary differences	33	(81)
Deferred tax expense	<u>(594)</u>	<u>(956)</u>

### 14 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.

In addition, the Company contributes to defined contribution schemes for certain employees. Additionally contributions of £2,802,000 (2018: £1,518,000) were made to defined contribution schemes by the Company. At 27 April 2019 there was a creditor of £283,000 (2018: £274,000) in relation to these contributions

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

	2019	2018
	£000	£000
Equities	241,354	274,289
Government bonds	54,900	27,807
Cash	10,144	9,684
Fair value of plan assets	306,398	311,780
Present value of obligations	(405,937)	(380,341)
Liability recognised in the balance sheet	<u>(99,539)</u>	<u>(68,561)</u>

At 27 April 2019, 90% (2018: 88%) of scheme assets were quoted on a recognised stock exchange or held in cash or asset readily convertible to cash and therefore considered to be liquid.



## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 14 Retirement benefit liability (continued)

The amounts recognised in the income statement were as follows:

	2019	2018
	£000	£000
Defined benefit obligation		
- Service cost	8,857	4,512
- Administration cost	227	154
- Interest cost	2,009	3,567
Total defined benefit cost	11,093	8,233
Defined contribution cost	2,802	1,518
Total income statement charge	13,895	9,751

The impact of the income statement charge can be analysed as follows:

Total included in staff costs (note 6)	11,886	6,184
Total included in interest receivable and similar charges (note 7)	2,009	3,567
	13,895	9,751

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

	2019	2018
	£000	£000
Actual return less expected return on pension scheme assets	(8,476)	5,660
Experience gains and losses arising on the scheme liabilities	(19,749)	52,985
Changes in assumptions underlying the present value of the scheme liabilities	1,287	3,972
Total actuarial (loss)/gain recognised	(26,938)	62,617

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

	2019	2018
	£000	£000
Liability at the beginning of period	(68,561)	(126,399)
- Total expense	(11,095)	(8,233)
- Employer's contributions	7,054	3,454
- Actuarial (loss)/gain	(26,938)	62,617
Liability at end of period	(99,540)	(68,561)

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 14 Retirement benefit liability (continued)

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

	2019	2018
	£000	£000
At beginning of period	311,780	305,206
Expected return on plan assets	(8,476)	5,660
Interest income	8,624	8,512
Administration cost	(227)	(154)
Employer's contributions	7,054	3,454
Members' contributions	388	455
Benefits paid	(12,746)	(11,353)
At end of period	<u>306,397</u>	<u>311,780</u>

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

	2019	2018
	£000	£000
At start of period	380,341	431,605
Service costs	8,857	4,512
Interest cost	10,635	12,079
Members' contribution	388	455
Actuarial loss - experience gains and losses	(1,287)	(52,985)
Actuarial gain/(loss) - changes in assumptions	19,749	(3,972)
Benefits paid	(12,746)	(11,353)
At end of period	<u>405,937</u>	<u>380,341</u>

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 14 Retirement benefit liability (continued)

A full actuarial valuation of the scheme is carried out every 3 years. The last actuarial valuation of the of the East London and Selkent Pension scheme was completed as at 30 April 2017 and there was a funding deficit (being 84% funded) on the Trustees' technical provisions basis.

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 23 of the Group's 2019 annual report, which does not form part of this report.

The principal actuarial assumptions used for both schemes were as follows:

	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
Rate of increase in pensionable salaries	<b>0.5</b>	0.5
Rate of increase of pension payment	<b>2.2</b>	3.1
Discount rate	<b>2.5</b>	2.8
Rate of inflation (RPI)	<b>3.3</b>	3.2
Consumer prices inflation assumption	<b>2.2</b>	2.0

The life expectancy assumptions used for each scheme are periodically reviewed. The weighted average life expectancies announced at 27 April 2019 and 28 April 2018 were:

	<b>2019</b>	<b>2018</b>
	<b>Years</b>	<b>Years</b>
Current pensioner aged 65 - male	<b>18.8</b>	19.5
Current pensioner aged 65 - female	<b>22.1</b>	22.8
Future pensioner at 65 (aged 45 now) - male	<b>20.2</b>	20.9
Future pensioner at 65 (aged 45 now) - female	<b>23.7</b>	24.4

# Notes to the financial statements (continued)

For the period ended 27 April 2019

## 15 Provisions for liabilities

	Tyre provision £000	Building provision £000	Total £000
Beginning of period	441	1,250	1,691
Provided in the period	-	1,025	1,025
Utilised in the period	(2)	-	(2)
<b>End of period</b>	<b>439</b>	<b>2,275</b>	<b>2,714</b>

### *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.

## 16 Called up share capital and share premium account

	Ordinary shares £000	Share premium £000
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each		
At beginning and end of period		
- 4,263,000 (2018: 4,263,000) ordinary shares of £1 each	<b>4,263</b>	<b>10,662</b>

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 17 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:

	2019 Land & buildings £000	2019 Plant & Equipment £000	2018 Land & buildings £000	2018 Plant & Equipment £000
Expiry date				
- not later than one year	1,994	56	1,994	71
- later than one year but not later than five years	5,810	55	7,977	109
- later than five years	1,354	-	3,926	-
	<u>9,158</u>	<u>111</u>	<u>13,897</u>	<u>180</u>

#### 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 period and none are expected in the future.

### 18 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 27 April 2019, there were 380 (2018: 425) participants in the BAYE scheme who have cumulatively purchased 802,410 (2018: 717,297) shares with the Company contributing 194,924 (2018: 173,162) matching shares on a cumulative basis. Dividends had been reinvested in a further 150,942 (2017: 118,815) 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 £33,000 (2018: £97,000) have been recognised in the statement of other comprehensive income during the period in relation to the scheme.

## Notes to the financial statements (continued)

For the period ended 27 April 2019

### 19 Related party transactions

The Company has taken advantage of the exemptions granted under IAS24 and 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 11 and 12.

### 20 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