110 Docs

**Stagecoach Devon Limited**

Financial statements for 52 week period ended 27 April 2019

Registered number: 03142135

# Strategic report

For the 52 week period ended 27 April 2019

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

**Review of the business**

Stagecoach Devon Limited is a public transport operator, operating predominantly local bus services in Devon. The Company also operates coaches as part of the Megabus.com budget intercity coach services within the UK and the Falcon coach service providing connections to Bristol city centre and the airport. The Company operates a fleet of 430 (2018: 426) buses and employs 1,230 (2018: 1,203) 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 £345,000 (2018 profit: £2,630,000) and revenue of £56,279,000 (2018 restated: £58,761,000). The Company has net assets of £19,141,000 (2018: £19,704,000).

The Company remains focused on a commercial strategy of low fares, operational excellence, investment and strong customer service to grow organically in the region.

**Business environment**

The Company operates predominantly local bus services, carrying around 85,000 (2018: 85,000) passengers a day. These services are mainly operated on a commercial basis in a largely deregulated market. We also operate tendered services, including school contracts, on behalf of local authorities and other public bodies. The Company works closely with local authorities, passengers and other stakeholders. The Company benefits from being part of the UK Bus (regional operations) Division of Stagecoach Group plc, a nationwide public transport operator.

**Business culture**

We are committed to conducting business in a socially responsible way and we believe this to be consistent with our business objectives and strategy. Indeed, by taking a responsible approach towards the environment and the wider community, we believe we will enhance our objective to deliver organic growth.

**Strategy**

The Company's absolute focus remains safety and operational excellence, which underpin our delivery of high quality public transport services. Providing good value travel and investing in our people, fleet and new technology is essential to enhancing our customers' experience. We also continue to take steps to improve the efficiency of our operations and maintain close control of costs.

**Future outlook**

The Company continues to expect subdued revenue trends from our local bus services in the short-term. The Company has implemented targeted mileage reductions and selective fare rises, as we make changes to our services that we consider will support the long-term success of the business. We are pursuing a package of commercial and technology-led initiatives to drive growth and meet the evolving demand for transport linked to changes in working, social and retail patterns.

**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 2019 annual report (paragraph 1.4.5 of the Strategic Review), which does not form part of this report.

**Key performance indicators (KPI's)**

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 KPI's 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 Division of Stagecoach Group plc, which includes the Company, is discussed in the Strategic Review (paragraph 1.4.6) of the Group's 2019 annual report which does not form part of this report.

**Financial risk management**

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

**By order of the Board**

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

One Stockport Exchange
20 Railway Road
Stockport
Cheshire
SK1 3SW

13 December 2019

# Directors' Report

For the 52 week period ended 27 April 2019

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

**Results and dividends**

The results of the Company for the 52 week period ended 27 April 2019 show a loss on ordinary activities before taxation of £345,000 (2018 profit: £2,630,000) and revenue of £56,279,000 (2018 restated: £58,761,000). The loss for the financial period amounted to £165,000 (2018 profit: £2,329,000).

The directors recommend that no dividend be paid (2018: £Nil) and the loss of £165,000 (2018 profit: £2,329,000) be transferred to reserves.

**Future developments**

Future developments have been discussed in the strategic report on page 1.

**Financial risk management**

Financial risk management has been discussed in the strategic report on page 2.

**Directors**

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

| | |
|---|---|
| Mr C Brown | (resigned 31 May 2019) |
| Mr R Dennison | (resigned 22 November 2019) |
| Mr M Watson | (appointed 22 November 2019) |
| Mr A M Threapleton | |
| Mr B Dingwall | (appointed 31 May 2019) |

**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 uniforms.

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 £1,779 (2018: £2,509).

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.

### 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
Cheshire
SK1 3SW

13 December 2019

**Opinion**

We have audited the financial statements of Stagecoach Devon 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 21, 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 state 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.

**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 year 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.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, 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 52 weeks ended 27 April 2019

| | Note | **Period ended 27 April 2019 £000** | Period ended 28 April 2018 restated £000 |
|---|---|---|---|
| **Revenue** | 2 | **56,279** | 58,761 |
| Operating costs | | **(56,870)** | (56,366) |
| **Gross (loss)/profit** | | **(591)** | 2,395 |
| Other operating income | 3 | **338** | 394 |
| **Operating (loss)/profit** | | **(253)** | 2,789 |
| Loss on disposal of properties | 6 | **-** | (8) |
| Finance charges (net) | 4 | **(92)** | (151) |
| **(Loss)/profit before taxation** | 5 | **(345)** | 2,630 |
| Tax on (loss)/profit on ordinary activities | 9 | **180** | (301) |
| **(Loss)/profit for the financial period** | | **(165)** | 2,329 |

The results for both periods arise wholly from continuing operations.

The accompanying notes form an integral part of this income statement.

# Statement of other comprehensive income

For the 52 weeks ended 27 April 2019

| | Note | **Period ended 27 April 2019 £000** | Period ended 28 April 2018 £000 |
|---|---|---|---|
| **(Loss)/profit for the financial period** | | **(165)** | 2,329 |
| **Other comprehensive(expense)/income:** | | | |
| Actuarial (loss)/gain on retirement benefit obligations | 17 | **(479)** | 3,577 |
| **Other comprehensive (expense)/ income** | | **(479)** | 3,577 |
| Tax credit/(charge) relating to actuarial (loss)/gain on retirement benefit obligations | 15 | **81** | (608) |
| **Other comprehensive (expense)/income for the period, net of tax** | | **(398)** | 2,969 |
| **Total comprehensive (expense)/income for the period** | | **(563)** | 5,298 |

The accompanying notes form an integral part of this statement of other comprehensive income.

# Balance sheet

As at 27 April 2019

| | Note | 2019 £000 | 2018 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 10(a) | - | 6 |
| Tangible assets | 10(b) | **43,732** | 39,110 |
| Investments | 10(c) | **137** | 137 |
| | | **43,869** | 39,253 |
| **Current assets** | | | |
| Stocks | 11 | **383** | 390 |
| Debtors | 12 | **1,750** | 1,890 |
| Cash at bank and in hand | | **1,014** | 302 |
| | | **3,147** | 2,582 |
| **Creditors:** amounts falling due within one year | 13 | **(21,611)** | (17,410) |
| **Net current liabilities** | | **(18,464)** | (14,828) |
| **Total assets less current liabilities** | | **25,405** | 24,425 |
| Provisions for liabilities and charges | 15 | **(1,881)** | (1,893) |
| Retirement benefit obligations | 17 | **(4,383)** | (2,828) |
| **Net assets** | | **19,141** | 19,704 |
| **Capital and reserves** | | | |
| Called up share capital | 16 | **150** | 150 |
| Contribution reserve | | **174** | 174 |
| Profit and loss account | | **18,817** | 19,380 |
| **Total shareholders' funds** | | **19,141** | 19,704 |

The financial statements on pages 9 to 37 were approved by the board of Directors on 13 December 2019 and were signed on its behalf by:

**B Dingwall**
**Director**

The accompanying notes form an integral part of this balance sheet

# Statement of changes in equity

For the 52 weeks ended 27 April 2019

| | Called up share capital £000 | Profit and loss account £000 | Contribution reserve £000 | Total shareholders' funds £000 |
|---|---|---|---|---|
| **At 29 April 2017** | **150** | **14,082** | **174** | **14,406** |
| Profit for the financial period | - | 2,329 | - | 2,329 |
| Other comprehensive loss for the period | - | 2,969 | - | 2,969 |
| **Total comprehensive income for the period** | **-** | **5,298** | **-** | **5,298** |
| **At 28 April 2018** | **150** | **19,380** | **174** | **19,704** |
| Loss for the financial period | - | (165) | - | (165) |
| Other comprehensive expense for the period | - | (398) | - | (398) |
| **Total comprehensive expense for the period** | **-** | **(563)** | **-** | **(563)** |
| **At 27 April 2019** | **150** | **18,817** | **174** | **19,141** |

Reference for called up share capital in note 16.

The accompanying notes form an integral part of this reconciliation.

## 1 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:

*a) Basis of accounting*
The Company is a private limited company, limited by shares, registered in England. The address of the Company's registered office is shown on page 5 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 had net current liabilities of £18,464,000 (2018: £14,828,000). 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.

### 1 Accounting policies (continued)

*a) Basis of accounting (continued)*
*New accounting standards adopted during the year (continued)*

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. 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 £60,000.

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 | IFRS 15 impact | **Restated** |
|---|---|---|---|
| | £000 | £000 | **£000** |
| Revenue | 58,701 | 60 | **58,761** |
| Other operating income | 454 | (60) | **394** |
| | 59,155 | - | **59,155** |

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.

**1 Accounting policies (continued)**

*a) Basis of accounting (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.

*b) Intangible fixed assets*
Intangible assets arising as part of a business combination are capitalised separately from goodwill at fair value at the date of acquisition if the asset is separable or arises from contractual or legal rights and its fair value can be measured reliably. Assets are subsequently measured at fair value less accumulated amortisation and accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful economic life is as follows;

| | |
|---|---|
| Customer contracts | life of contract (maximum 3 years) |

*c) Tangible fixed assets*
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 of depreciation and any provision for impairment as set out in note 10 (b).

**1 Accounting policies (continued)**

*c) Tangible fixed assets (continued)*

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 | 10 to 50 years |
| Leasehold land and buildings | 10 to 50 years |
| Public service vehicles (PSVs), depending on type | 7 to 16 years |
| Plant and equipment and furniture and fittings | 3 to 10 years |

Freehold land is not depreciated.

*d) Fixed asset investments*

Fixed asset investments are shown at cost less any provision for impairment.

*e) 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.

*f) Taxation*

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

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

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

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

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

**1 Accounting policies (continued)**

*g) Revenue*

The policy for revenue is set out above under the heading of new accounting standards adopted for the year.

*h) Other operating income*

Revenues incidental to the Company's principal activity are reported as other operating income, and are recognised in the income statement in the period in which they are earned.

*i) Hire purchase and lease obligations*

Assets acquired under hire purchase contracts and finance leases 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.

Rentals under operating leases are charged on a straight-line basis over the lease term.

*j) Pension costs and other post retirement benefits*

The Company participates in a defined benefit scheme, the Stagecoach Group Pension Scheme, and a defined contribution scheme.

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.

**1 Accounting policies (continued)**

*j) Pension costs and other post retirement benefits (continued)*

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 contributions schemes, the Company pays contributions to a separately administered pension scheme. Once the contributions have been paid the Company has no further obligations. The Company's contributions to defined contribution schemes are charged to the income statement in the period to which the contributions relate.

*k) Grants*

Bus service operators grant is credited to operating costs. Other grants are credited to the profit and loss account as the expenditure is expensed.

*l) Share based payments*

The Group issues cash-settled share based payments to certain employees.

The cost of cash settled transactions is measured at fair value. Fair value is estimated initially at the grant date and at each balance sheet date thereafter until the awards are settled. Market based performance conditions are taken into account when determining fair value.

During the vesting period, a liability is recognised representing the estimated fair value of the award and the portion of the vesting period expired as at the balance sheet date. Changes in the carrying amount of the liability are recognised in the income statement for the period.

*m) Exceptional items*

Items of material income or expenditure which by virtue of their nature, size or infrequency are considered as exceptional items are presented within the line items to which they relate and are disclosed separately in the notes to the financial statements to allow a proper understanding of the financial performance of the Company.

## 1 Accounting policies (continued)

*n) Cash flow statement*

The Company 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.

*o) 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.

*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 Accounting policies (continued)

*p) Critical accounting policies and estimates*

Preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union requires Directors to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual outcomes could differ from those estimated.

The Directors believe that the accounting policies and estimation techniques discussed below represent those that require the greatest exercise of judgement. The Directors have used their best judgement in determining the estimates and assumptions used in these areas but a different set of judgements could result in material changes to the Company's reported financial performance and/or financial position.

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

i) *Pensions*

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

*ii)* *Taxation*

The Company's tax charge is based on the pre-tax profit for the 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)* *Goodwill and impairment*

In certain circumstances, IFRS requires property, plant, equipment and intangible assets to be reviewed for impairment. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of the expected future cash flows of the relevant cash generating unit ("CGU") or net realisable value, if higher. The discount rate applied in determining the present value of future cash flows is based on the Company's estimated weighted average cost of capital with appropriate adjustments made to reflect the specific risks associated with the CGU. Forecasts of cash flows for this purpose are consistent with management's plans and forecasts.

The forecast of future cash flows and the estimation of the discount rate involve a significant degree of judgement. Actual results can differ from those assumed and there can be no absolute assurance that the assumptions used will hold true.

## 1 Accounting policies (continued)

*p) Critical accounting policies and estimates (continued)*

*iv) 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.

*q) Financial statements not consolidated*

The Company is a wholly owned subsidiary of Stagecoach Bus Holdings Limited and of its ultimate parent, Stagecoach Group Plc. It is included in the consolidated financial statements of Stagecoach Group Plc which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from requirement to prepare consolidated financial statements.

*r) Dilapidations*

A dilapidations provision is recognised when there is future obligation relating to the maintenance of leasehold assets. Provisions for dilapidations are recognised on a lease by lease basis and are based on the Company's best estimate of the future expected repair costs required to restore leased assets to the condition required at the end of their respective lease terms.

## 2 Revenue

The policy for revenue is set out above under the heading of new accounting standards adopted for the year.

## 3 Other operating income

| | **2019** | 2018 restated |
|---|---|---|
| | **£000** | £000 |
| Government grant income | **-** | 47 |
| Advertising income | **301** | 310 |
| Other miscellaneous revenue | **37** | 37 |
| | **338** | 394 |

## 4 Finance charges (net)

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Net finance expense on pension liability (note 17) | **92** | 149 |
| Hire purchase and finance lease interest expense | **-** | 2 |
| | **92** | 151 |

### 5 (Loss)/profit on ordinary activities before taxation

The (loss)/profit on ordinary activities before taxation for the period is stated after charging:

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Loss on sale of tangible fixed assets other than property | **19** | 79 |
| Amortisation of intangible asset | **6** | 18 |
| Depreciation | | |
| - owned | **3,606** | 3,971 |
| - held under hire purchase and finance lease agreements | **31** | 134 |
| Operating lease charges | | |
| - land and buildings | **774** | 764 |
| - plant and machinery | **91** | 99 |

No auditors' fees have been settled directly by the Company. Audit fees of £6,663 (2018: £4,475) were paid by a fellow subsidiary undertaking on behalf of the Company in respect of audit work performed in the UK.

### 6 Loss on disposal of land and buildings

During the prior period, the lease for Exeter bus station on Paris Street was surrendered and replaced resulting in a loss on disposal. The loss on disposal can be analysed as follows:

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Proceeds | - | 186 |
| Cost of disposal | - | (2) |
| Net book value | - | (192) |
| Loss | - | (8) |

### 7 Staff costs

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

| | **2019** | 2018 |
|---|---|---|
| | **Number** | Number |
| Operations | **1,127** | 1,178 |
| Administration and supervisory | **65** | 70 |
| | **1,192** | 1,248 |

### 7 Staff costs (continued)

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| The aggregate remuneration comprised: | | |
| Wages and salaries | **28,905** | 29,542 |
| Social security costs | **2,520** | 2,448 |
| Defined benefit scheme pension costs (note 17) | **984** | 35 |
| Defined contribution scheme pension costs (note 17) | **1,960** | 1,532 |
| Share based payment expense - cash settled (note 19) | **17** | 47 |
| | **34,386** | 33,604 |

### 8 Directors' remuneration

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Emoluments of directors (including pension contributions) | **161** | 163 |

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

The highest paid director in the period received £134,674 (2018: £134,969).

The number of directors who were members of pension schemes during the period was as follows:

| | **2019** | 2018 |
|---|---|---|
| | **Number** | Number |
| Defined benefit scheme | **-** | 1 |
| Defined contribution scheme | **3** | 3 |
| | **3** | 4 |

During the prior period a number of directors participated in both defined benefit and defined contribution schemes.

Contributions made to defined contribution schemes in respect of the highest paid director were £13,696 (2018: £13,422).

### 8 Directors' remuneration (continued)

The number of directors who exercised share options during the period was as follows:

| | **2019** | 2018 |
|---|---|---|
| | **Number** | Number |
| Share option scheme | **2** | 2 |

### 9 Tax on (loss)/profit on ordinary activities

| | **2019** | 2018 |
|---|---|---|
| **a) Tax recognised in the income statement** | **£000** | £000 |
| Current tax: | | |
| Amounts receivable from fellow subsidiary in respect of group relief | **(58)** | 212 |
| Adjustments in respect of prior periods | **-** | 10 |
| Total current tax (credit)/charge | **(58)** | 222 |
| Deferred tax: | | |
| Origination and reversal of timing differences | **(91)** | 136 |
| Adjustments in respect of prior periods | **(31)** | (57) |
| Total deferred tax (note 15) | **(122)** | 79 |
| Total tax reported in the income statement | **(180)** | 301 |

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| **b) Tax related to items charged or credited outside of income statement** | | |
| Tax on net actuarial gain/(loss) on defined benefit pension schemes | **81** | (608) |

## 9 Tax on (loss)/profit on ordinary activities (continued)

### c) Factors affecting the tax (credit)/charge for the period

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:

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| (Loss)/profit on ordinary activities before tax | **(345)** | 2,630 |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%) | **(66)** | 500 |
| *Effect of:* | | |
| Non tax deductible expenditure and other permanent differences | **6** | 8 |
| Treatment of intercompany transactions | **(100)** | (144) |
| Impact of reduction in UK tax rate on current period's deferred tax | **11** | (16) |
| Adjustments to tax charge in respect of previous periods | **(31)** | (47) |
| Total tax reported in the income statement | **(180)** | 301 |

### 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 1 April 2020 had been enacted by the balance sheet date. The deferred tax balance as at 28 April 2019 has therefore been calculated with reference to the enacted expected UK corporation tax rate of 17%.

## 10 Fixed assets

*a) Intangible assets*

Intangible assets consist of customer contract capitalised on the acquisition of new operations.
The movement for the period is as follows:

| | |
|---|---|
| **Cost** | £000 |
| Beginning and end of period | **151** |
| **Accumulated amortisation** | |
| At beginning of period | (145) |
| Charge for period | (6) |
| At end of period | **(151)** |
| **Net book value** | |
| At beginning of period | 6 |
| At end of period | - |

In 2016, the Company purchased operations at Plymouth from First Devon and Cornwall Limited, capitalising £151,000 of customer contracts which are being amortised over the life of the contracts.

Amortisation is calculated to write off the cost of the intangible asset over the life of the contracts and is charged to operating costs in the income statement.

**10 Fixed assets (continued)**

*b) Tangible assets*

The movement in the period is summarised below:

| | Land and buildings £000 | PSVs £000 | Plant and equipment and furniture and fittings £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Beginning of period | **1,908** | **61,327** | **4,167** | **67,402** |
| Additions | 222 | 2,683 | 109 | 3,014 |
| Disposals | - | (1) | (672) | (673) |
| Intercompany transfers | 8,357 | (3,778) | 697 | 5,276 |
| **End of period** | **10,487** | **60,231** | **4,301** | **75,019** |
| **Accumulated depreciation** | | | | |
| Beginning of period | **(377)** | **(24,344)** | **(3,571)** | **(28,292)** |
| Charge for period | (37) | (3,371) | (229) | (3,637) |
| Disposals | - | (15) | 667 | 652 |
| Intercompany transfers | - | 44 | (54) | (10) |
| **End of period** | **(414)** | **(27,686)** | **(3,187)** | **(31,287)** |
| **Net book value** | | | | |
| Beginning of period | 1,531 | 36,983 | 596 | 39,110 |
| **End of period** | **10,073** | **32,545** | **1,114** | **43,732** |

The net book value of PSV assets under hire purchase and finance lease agreements, which have been capitalised and included in the above, is £Nil (2018: £260,000). Depreciation of £31,000 (2018: £134,000) has been charged in the period in respect of these assets held under hire purchase or finance lease agreements.

The net book value of long leasehold assets included above within land and buildings is £Nil (2018: £1,450,000). Depreciation of £8,700 (2018: £8,700) has been charged in respect of long leasehold assets.

On the 27th of April 2019, the company acquired freehold property from SCOTO, a fellow group company of £8,357,000. These were previously held under 10 year operating leases.

### 10 Fixed assets (continued)

*c) Investments*

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| Subsidiary undertakings | 137 | 137 |

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The Company has investments in the following subsidiary undertakings:

| | Percentage Holding | Nature of Business |
|---|---|---|
| Devon General Limited | 100% | Non Trading |
| Bayline Limited | 100% | Non Trading |

All the above holdings are of ordinary shares. Both companies are registered in England and Wales.

### 11 Stocks

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| Spares, consumables and fuel | 383 | 390 |

In the opinion of the directors, the difference between the replacement cost of these stocks and their balance sheet value is not material.

The cost of stock recognised as an expense and included in operating costs during the period amounted to £12,185,000 (2018: £12,755,000).

### 12 Debtors

| | 2019 | 2018 |
|---|---|---|
| *Amounts falling due within one year:* | £000 | £000 |
| Amounts owed by group undertakings | - | 155 |
| Prepayments and accrued income | 1,750 | 1,715 |
| Other debtors | - | 20 |
| | 1,750 | 1,890 |

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

### 13 Creditors

| | 2019 £000 | 2018 £000 |
|---|---|---|
| *Amounts falling due within one year:* | | |
| Fixed asset creditor | **222** | - |
| Hire purchase obligations (note 14) | **-** | 24 |
| UK corporation tax payable | **(58)** | 212 |
| Amounts owed to group undertakings | **17,398** | 9,369 |
| Other taxes and social security costs | **758** | 706 |
| Other creditors | **249** | 222 |
| Bank overdraft | **-** | 4,061 |
| Accruals and deferred income | **3,042** | 2,816 |
| | **21,611** | 17,410 |

Amounts due to fellow group undertakings within one year accrue no interest and are repayable on demand.

Overdrafts are repayable on demand and are subject to the rights of offset in the Group's bank offset arrangement as discussed in note 9 of the Group's 2019 annual report, which does not form part of this report.

### 14 Obligations under hire purchase agreements

The Company enters into hire purchase agreements to fund or to refinance the purchase of vehicles. These agreements are typically for periods of 5 to 10 years and do not have contingent rent or escalation clauses. The agreements have industry standard terms and do not contain any restrictions on dividends, additional debts or further leasing. Future minimum lease payments under hire purchase agreements are as follows:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Future minimum lease payments due: | | |
| - less than one year | **-** | 24 |

The present value of minimum lease payments is analysed as follows;

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Amounts payable: | | |
| - less than one year | **-** | 24 |

## 15 Provisions for liabilities and charges

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Deferred tax liability (15a) | **1,690** | 1,893 |
| Dilapidations (15b) | **191** | - |
| | **1,881** | 1,893 |

*a) Deferred tax liability*

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

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Deferred tax to be recovered after more than 12 months: | | |
| Deferred tax liability | **2,435** | 2,374 |
| Pension temporary differences | **(745)** | (481) |
| Net deferred tax liability | **1,690** | 1,893 |

| | **2019** | 2018 |
|---|---|---|
| The movement in deferred tax during the period was: | **£000** | £000 |
| At beginning of period | **1,893** | 1,206 |
| (Credited)/charged to income statement (note 9a) | **(122)** | 79 |
| Credited)/charged to equity | **(81)** | 608 |
| At end of period | **1,690** | 1,893 |

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Deferred tax included in the balance sheet comprises: | | |
| Accelerated capital allowances | **2,478** | 2,420 |
| Other short term temporary differences | **(43)** | (46) |
| Pension temporary differences | **(745)** | (481) |
| Net deferred tax liability | **1,690** | 1,893 |

### 15 Provisions for liabilities and charges (continued)

*a) Deferred tax liability (continued)*

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

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Accelerated capital allowances | **58** | 124 |
| Pension temporary differences | **(183)** | (32) |
| Other short term differences | **3** | (13) |
| Deferred tax (credit)/charge (note 9a) | **(122)** | 79 |

*b) Dilapidations*

Property provisions comprise terminal dilapidations in relation to Paris Street Exeter, Sidmouth and 15 Victoria Parade Torquay. All of these provisions are expected to be utilised over the period to April 2020.

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| At start of period | **-** | - |
| Provision created in period | **191** | - |
| Dilapidations provision at end of period | **191** | - |

### 16 Called up share capital

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| *Authorised* | | |
| 1,500,000 (2018: 1,500,000) Ordinary shares of £0.10 each | **150** | 150 |
| *Allotted, called up and fully paid* | | |
| 1,500,000 (2018: 1,500,000) Ordinary shares of £0.10 each | **150** | 150 |

## 17 Retirement benefit obligations

On transition to FRS 101, IAS 19 (2011 revised) Employee Benefits was adopted in place of FRS 17 "Retirement Benefits".

The Company participates in a defined benefit occupational pension scheme, the Stagecoach Group Pension Scheme ("SPS") and additionally, the Company operates various defined contribution schemes for its employees, for which it has no further obligation once the contributions are paid. Contributions of £1,960,000 (2018: £1,532,000) were made to defined contribution schemes by the Company, and as at 27 April 2019 there was a creditor of £227,000 (2018: £191,000) in relation to these contributions.

**The Stagecoach Group Pension Scheme ("SPS")**

The Stagecoach Group Pension scheme is a defined benefit scheme. The scheme closed to future accrual in April 2017. The Company, together with a number of companies within the Group headed by Stagecoach Group plc, made contributions to the Scheme. For the purposes of FRS 101, IAS 19 the Company accounts for its portion of the retirement benefit obligation, based on its share of contributions to the scheme. In the consolidated financial statements of Stagecoach Group plc, the scheme as a whole is accounted for as a defined benefit scheme. Further details of the scheme are discussed in note 24 of the Group's 2019 annual report, which does not form part of this report.

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

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Equities | **35,535** | 33,884 |
| Private equity | **1,589** | 2,145 |
| Bonds | **10,646** | 9,590 |
| Cash | **3,023** | 3,703 |
| Property | **4,041** | 4,411 |
| Fair value of plan assets | **54,834** | 53,733 |
| Present value of obligations | **(59,217)** | (56,561) |
| Liability recognised in the balance sheet | **(4,383)** | (2,828) |

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

### 17 Retirement benefit obligations (continued)

The amounts recognised in the income statement were as follows:

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| Defined benefit obligation | | |
| Past service cost | 954 | - |
| Administration cost | 30 | 35 |
| Interest cost | 92 | 149 |
| Total defined benefit cost | 1,076 | 184 |
| Defined contribution cost | 1,960 | 1,532 |
| Total income statement charge | 3,036 | 1,716 |

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

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| Total included in staff costs (note 7) | 2,944 | 1,567 |
| Total included in interest receivable and similar charges (note 4) | 92 | 149 |
| | 3,036 | 1,716 |

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 | 2,066 | 533 |
| Experience gains and losses arising on the scheme liabilities | 295 | 794 |
| Changes in assumptions underlying the present value of the scheme liabilities | (2,840) | 2,250 |
| Total actuarial (loss)/gain recognised | (479) | 3,577 |

**17 Retirement benefit obligations (continued)**

The movement in the liability recognised in the balance sheet in respect of the defined benefit plan during the period under IAS 19 is as follows:

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| Liability at the beginning of the period | (2,828) | (6,221) |
| Total expense | (1,076) | (184) |
| Employer's contributions | - | - |
| Actuarial (loss)/gain | (479) | 3,577 |
| Liability at end of the period | (4,383) | (2,828) |

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 | 53,733 | 54,229 |
| Expected return on plan assets | 2,066 | 533 |
| Interest income | 1,466 | 1,503 |
| Administration costs | (30) | (35) |
| Benefits paid | (2,401) | (2,497) |
| At end of period | 54,834 | 53,733 |

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 beginning of period | 56,561 | 60,450 |
| Past service costs | 954 | - |
| Interest cost | 1,558 | 1,652 |
| Actuarial gain - experience gains and losses | (295) | (794) |
| Actuarial loss/(gain) - changes in assumptions | 2,840 | (2,250) |
| Benefits paid | (2,401) | (2,497) |
| At end of period | 59,217 | 56,561 |

A full actuarial valuation of the scheme is carried out every 3 years. The last actuarial valuation of the Stagecoach Group Pension Scheme was completed as at 30 April 2017 and the scheme was 104% funded on the Trustees' technical provisions basis.

### 17 Retirement benefit obligations (continued)

The management and reporting of the Stagecoach Group Pension Scheme is undertaken at group level. A sensitivity analysis of significant actuarial assumptions is included within note 24 of the Group's 2019 annual report, which does not form part of this report.

The principal actuarial assumptions used were as follows:

| | **27 April 2019** | 28 April 2018 |
|---|---|---|
| | **%** | % |
| Rate of increase in pensionable salaries | **N/A** | 2.5 |
| Rate of increase of pension payment | **2.2** | 3.1 |
| Discount rate | **2.5** | 2.8 |
| Rate of inflation (RPI) | **3.3** | 3.2 |
| Consumer Price Index (CPI) Inflation | **2.2** | 2.0 |

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

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

### 18 Guarantees and other financial commitments

*a) Lease commitments*

Future minimum rentals payable under non-cancellable operating leases are as follows:

| | **2019 Land & buildings** | **2019 Other** | 2018 Land & buildings | 2018 Other |
|---|---|---|---|---|
| | **£000** | **£000** | £000 | £000 |
| Expiry date | | | | |
| - within one year | **214** | **70** | 617 | 84 |
| - between one and five years | **713** | **87** | 2,410 | 127 |
| - after five years | **647** | **-** | 1,421 | - |
| | **1,574** | **157** | 4,448 | 211 |

### 18 Guarantees and other financial commitments (continued)

*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.

### 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 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.

If the shares are held in trust for five years or more, no income tax and national insurance will be payable. The matching shares will be forfeited if the corresponding partnership shares are removed from trust within three years of award.

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

At 27 April 2019 there were 205 (2018: 226) participants in the BAYE scheme who have cumulatively purchased 257,224 (2018: 224,912) shares with the Company contributing 104,216 (2018: 89,896) matching shares on a cumulative basis. Dividends had been reinvested in a further 51,574 (2018: 40,867) shares for these participants.

Share based payment charges of £17,000 (2018: £47,000) have been recognised in the profit and loss account during the period in relation to the scheme.

### 20 Related party transactions

The Company has taken advantage of the exemptions granted under IAS 24 by not disclosing details of sales and purchases with other members of the group headed by Stagecoach Group plc. Details of amounts due to and from fellow group undertakings are disclosed in aggregate in notes 12 and 13.

**21 Ultimate parent company**

The Company's immediate parent company is Stagecoach Bus Holdings Limited, registered in Scotland (registered number SC176671). The Company's ultimate parent company is Stagecoach Group plc, registered in Scotland (number SC100764), which heads the only group into which the results of the Company are consolidated. The financial statements of the ultimate parent company are available from the following address:

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