The Highland Council

Agenda Item	**14**
Report No	**ECI/47/26**

Committee: **Economy and Infrastructure**

Date: **12 November 2026**

Report Title: **D&E Coaches Update and Final Audited Accounts 2025/26**

Report By: **Assistant Chief Executive - Place**

1 Purpose/Executive Summary

1.1 This report provides Members with an update on the progress of D&E Coaches following Highland Council's investment in February 2026. The report outlines operational performance, service delivery, financial position, fleet developments, workforce matters and future opportunities to support the provision of sustainable and reliable transport services across the Highlands.

Since Highland Council's involvement, D&E Coaches has continued to provide a full transport service including private hire, local and school transport services. Taken together this is helping to maintain connectivity for communities and supporting Highland's wider tourism market. Progress has been made in operations, improving service delivery and maintaining employment opportunities within the Highlands, while continuing to address the challenges facing the bus and coach industry, including rising operating costs, driver recruitment and fleet investment requirements to support sustainable travel. The report highlights key achievements during the reporting period, identifies risks and challenges, and sets out the next steps required to ensure the long-term sustainability of the business.

1.2 The finalised annual accounts have now been received from the external auditor. As set out in Appendix 1, the company delivered a positive financial performance during its first full year under Council ownership. Turnover for 2025/26 was £7.9m with an operating profit of £1.113m and a profit after tax of £0.700m. No dividend was paid or proposed, and the profit has been retained within the company, increasing net assets from £4.006m to £4.706m. Overall, the finalised accounts show a profitable first full year, a stronger balance sheet and continued investment in the business. Members are asked to note the position.

2 Recommendations

2.1 Members are asked to **note** the finalised accounts for D& E Coaches Limited for the Period 2025/26.

3 Implications

3.1 **Resource** -Since acquisition, D&E Coaches ltd as a subsidiary of the Council has been reflected within the Council's own Group Annual Accounts.

3.2 **Legal** -

3.3 **Risk** -

3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** –

3.5 **Gaelic** -

4 Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 This is an update report and therefore an impact assessment is not required.

5 Governance

5.1 The Council agreed in December 2024 to purchase D&E Coaches Limited. The purchase concluded in March 2025, and since that period has been run as a standalone company, The Board of the company comprises the Assistant Chief Executive (Place), the Assistant Chief Executive (Corporate), the Chief Operating Officer Gayle MacEwan (since 1 September 2026) and the Company Finance Lead (since 1 September 2026). The Governance of the Board is supported by several officers from the Council.

6 Key Achievement in Financial Year 2025/2026

6.1 D&E has provided ongoing support and development of the Highlands tourism market by providing visitor excursions and tours. Further to this, a new fully electric open double decker bus to provide the Inverness City Sightseeing Experience throughout the summer season has been a successful addition, and feedback from users has been positive.

6.2 D&E during the reporting period have further expanded contracted services with Scottish Citylink which serves the Highlands and Scotland wide. Scottish Citylink offers passengers and visitors links between Scotland major cities and attractions.

6.3 During the reporting period D&E Coaches introduced 3 fully electric Double Deck Buses and supporting EV infrastructure to support expansion of the zero-emission fleet, which was funded partly through Scottish Government ScotZeb 2 funding.

6.4 D&E supported several clubs, societies and groups across the Highlands by providing transport solutions for matches, training and events. This is an important part of the business provided by the company.

6.5 D&E Coaches again successfully provided the transport from Inverness to the well-attended Belladrum event. The service has been provided over many years and demonstrates the strong relationship with local businesses and events.

6.6 During the reporting period D&E Coaches undertook a compliance audit with the findings demonstrating strong levels of compliance. All recommendations were actioned to satisfy the operator licence standards.

6.7 D&E Coaches continued to support education-based transport and local school contracts successfully and continues to identify opportunities for expanding service provision.

7 Financial Performance 2025/26

7.1 The figures in this section are taken from the company's draft Financial Statement for the year ended 31 March 2026 as detailed within **Appendix 1**. The independent auditor's report sets out an unmodified audit opinion. The Financial Statement and auditor's report remain unsigned and undated.

7.2 Members should note that the 2025/26 figures cover 12 months, while the comparative income and expenditure figures cover the 13 months from 1 March 2024 to 31 March 2025. The figures are therefore not directly comparable. Balance sheet figures at 31 March 2026 and 31 March 2025 can be compared as year-end positions, but movements in turnover, profit and operating costs should be recognised as comparing a 12 versus 13-month accounting period.

7.3 Financial performance

The draft accounts report turnover of £7.927m, an operating profit of £1.113m and a profit before tax of £0.951m. After a tax charge, the company recorded a profit after tax of £0.701m. No dividend was paid or proposed, and the profit has been retained within the company.

7.4 The main draft financial results are set out below:-

Financial measure	12-month period to 31 March 2026	Comparative 13-month period to 31 March 2025	Financial Statement Page
Turnover	£7.927m	£7.504m	8
Gross profit	£2.661m	£2.187m	8
Operating profit	£1.113m	£0.932m	8
Profit before tax	£0.951m	£0.764m	8
Profit after tax	£0.701m	£0.553m	8
Net assets	£4.707m	£4.006m	9
Cash at bank	£0.254m	£0.006m	9

7.5 The Strategic Report identifies new contracts, increased private hire income and workshop savings following fleet investment as factors supporting performance. The previous reporting period also included former directors' pay, pension and related employment costs that did not continue in 2025/26.

7.6 Balance sheet and cash position

The company's year-end financial position strengthened. Net assets increased by £0.766m, from £4.006m to £4.707m, reflecting the profit retained during the year. Net current assets increased from £0.690m to £0.770m, while cash at bank increased from £0.006m to £0.254m.

7.7 Staffing and operating costs

Total employee costs were £3.413m, compared with £3.287m in the 13-month comparative period, while the average number of employees remained at 79. Staffing costs, subcontractor expenditure, borrowing repayments and capital spending will continue to be monitored through the Council's company governance arrangements.

8 Summary of financial performance

In summary, the draft accounts show that D & E Coaches Limited completed its first full year under Council ownership with a profitable trading result, increased net assets and more cash available to meet short-term costs. The short-term financial outlook is positive, subject to continued management of operating costs, borrowing commitments and planned investment. As Members are aware, further changes will take place over the coming year both in respect of the scale of the operation and in terms of the operating structures.

Designation:	Assistant Chief Executive - Place
Date:	5 October 2026
Author:	Malcolm Macleod, ACE-Place and D&E Coaches Ltd Company Director Paul Reid, Chief Officer Facilities and Fleet Alistair MacBain, Business Development Lead Commercialisation Emma Linn, Legal Manager
Background Papers:	None
Appendices:	Appendix 1 – Strategic Report, Report of the Directors and Financial Statement for the Year Ended 31 March 2026 for D&E Coaches Limited

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2026

FOR

D & E COACHES LIMITED

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FOR THE YEAR ENDED 31 MARCH 2026

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D & E COACHES LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2026

DIRECTORS:	A Gunn M Macleod Mrs G L McEwan S R MacLennan
REGISTERED OFFICE:	39 Henderson Drive Inverness Highland IV1 1TR
REGISTERED NUMBER:	SC256333 (Scotland)
AUDITORS:	Leiper & Summers Statutory Auditors 4 Charlotte Street Fraserburgh Aberdeenshire AB43 9JE

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2026

The directors present their strategic report for the year ended 31 March 2026.

REVIEW OF BUSINESS

As shown in the company's statement of comprehensive income, the company's turnover was £7.9m compared to £7.5m in the prior period. Turnover has risen across all main sectors of the business. New contracts and increased private hire income has come from the fleet investment over the past years. The company's operating profit was £1,113,467 compared to £932,170 in the prior period. Operating profit and net margin have remained at a similar level in face of rising wage costs and regulatory challenges. The company has been successful in making savings in workshop costs due to fleet investment.

The balance sheet shows the company's financial position at the period end. Net assets increased from £4,006,099 to £4,706,860. Capital expenditure was £1,738,163 of which further details are set out in the notes to the accounts.

The directors are pleased with the performance of the business and its financial performance at the year end. We are optimistic for a successful outcome for the subsequent financial period.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the company are broadly grouped as follows:

- Business risk: The management of the business and our strategy are subject to a number of risks. These include competition from both national and independent operators, fluctuations in parts and fuel costs in addition to availability of drivers within the industry.

- Liquidity risk: The company maintains a cautious cash management policy and is confident of being able to continue servicing its bank loans and lease facilities in line with agreed repayment profiles. Liquidity does not pose a significant risk to the company.

- Interest rate risk: The interest and charges applied in respect of the bank borrowings are deemed manageable. The company funds the majority of its capital expenditure with hire purchase finance. The current fixed rates of hire purchase remain competitive. Interest rates do not pose a significant risk to the company.

- Credit risk: The company's policy is to minimise exposure to losses of defaulting customers. Credit terms are only granted to customers who satisfy credit worthiness procedures. Credit limits are reviewed regularly in conjunction with debt ageing and collection history.

- Safety: Safety is a high priority for the company. The directors continuously review processes to ensure our services are as safe as possible for our customers and staff.

KEY PERFORMANCE INDICATORS

The key performance indicators for the company are turnover, net assets and operating profit, which have been discussed above. The company's management and directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

FUTURE DEVELOPMENTS

The management are pleased with the company's performance in the subsequent financial period to date and will continue to invest in the fixed asset base of the business and explore opportunities with new customers when these arise.

ON BEHALF OF THE BOARD:

.....
M Macleod - Director

Date: .....

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2026

The directors present their report with the financial statements of the company for the year ended 31 March 2026.

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of coach hire and the operation of bus services.

DIVIDENDS
No dividends will be distributed for the year ended 31 March 2026.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 April 2025 to the date of this report.

A Gunn
M Macleod

Other changes in directors holding office are as follows:

Mrs G L McEwan and S R MacLennan were appointed as directors after 31 March 2026 but prior to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, the Report of the Directors 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
Leiper & Summers is deemed to be reappointed under section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD:

.....
M Macleod - Director

Date: .....

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF D & E COACHES LIMITED

Opinion

We have audited the financial statements of D & E Coaches Limited (the 'company') for the year ended 31 March 2026 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 31 March 2026 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 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.

Auditors' 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 a Report of the Auditors 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management, those charged with governance around actual and potential litigation and claims.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF D & E COACHES LIMITED

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 a Report of the Auditors 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.

Susan M Hepburn CA ATT (Senior Statutory Auditor)
for and on behalf of Leiper & Summers
Statutory Auditors
4 Charlotte Street
Fraserburgh
Aberdeenshire
AB43 9JE

Date: .....

D & E COACHES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2026

	Notes	Year Ended 31.3.26 £	Period 1.3.24 to 31.3.25 £
TURNOVER	3	7,927,009	7,503,512
Cost of sales		5,565,724	5,316,688
GROSS PROFIT		2,361,285	2,186,824
Administrative expenses		1,268,539	1,255,513
		1,092,746	931,311
Other operating income		20,721	859
OPERATING PROFIT	6	1,113,467	932,170
Interest receivable and similar income	7	7,177	3,235
		1,120,644	935,405
Interest payable and similar expenses	8	169,463	171,426
PROFIT BEFORE TAXATION		951,181	763,979
Tax on profit	9	250,420	211,094
PROFIT FOR THE FINANCIAL YEAR		700,761	552,885

The notes form part of these financial statements

BALANCE SHEET
31 MARCH 2026

	Notes	2026 £	2026 £	2025 £	2025 £
FIXED ASSETS					
Intangible assets	11		-		-
Tangible assets	12		8,005,072		7,121,177
			8,005,072		7,121,177
CURRENT ASSETS					
Stocks	13	816,068		660,647	
Debtors	14	1,065,797		1,160,742	
Cash at bank		253,876		5,774	
		2,135,741		1,827,163	
CREDITORS					
Amounts falling due within one year	15	1,366,224		1,137,362	
NET CURRENT ASSETS			769,517		689,801
TOTAL ASSETS LESS CURRENT LIABILITIES			8,774,589		7,810,978
CREDITORS					
Amounts falling due after more than one year	16		(2,540,228)		(2,527,798)
PROVISIONS FOR LIABILITIES	21		(1,527,501)		(1,277,081)
NET ASSETS			4,706,860		4,006,099
CAPITAL AND RESERVES					
Called up share capital	22		10,000		10,000
Revaluation reserve	23		440,000		440,000
Retained earnings	23		4,256,860		3,556,099
SHAREHOLDERS' FUNDS			4,706,860		4,006,099

The financial statements were approved by the Board of Directors and authorised for issue on ..... and were signed on its behalf by:

.....
M Macleod - Director

The notes form part of these financial statements

D & E COACHES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2026

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 March 2024	10,000	3,172,879	440,000	3,622,879
Changes in equity				
Profit for the period	-	552,885	-	552,885
Total comprehensive income	-	552,885	-	552,885
Dividends	-	(169,665)	-	(169,665)
Balance at 31 March 2025	10,000	3,556,099	440,000	4,006,099
Changes in equity				
Profit for the year	-	700,761	-	700,761
Total comprehensive income	-	700,761	-	700,761
Balance at 31 March 2026	10,000	4,256,860	440,000	4,706,860

The notes form part of these financial statements

1. STATUTORY INFORMATION

D & E Coaches Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

The presentation currency of the financial statements is the Pound Sterling (£). Monetary amounts in these financial statements are rounded to the nearest pound.

Going Concern
The company has continued to trade profitable in the year to 31 March 2026. The directors are continuing to monitor the financial position of the company however are encouraged by the performance and resilience shown in the year and also results to date in the subsequent financial period.

The directors fully expect suitable facilities to be available to meet working capital requirements of the business to continue to trade and meet its liabilities as they fall due for a period of at least 12 months from the approval date of these financial statements. The directors therefore deem it appropriate to prepare the financial statements on a going concern basis.

Financial Reporting Standard 102 - reduced disclosure exemptions
In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosures;

- Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' - Carrying amounts for financial instruments measured at amortised cost or cost less impairment, interest income/expense and net gains/losses for financial instruments measured at amortised cost, loan defaults or breaches, and descriptions of hedging relationships.
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.
- The company has taken advantage not to disclose transactions and balances with other members of the group.

D & E Coaches Limited is a wholly owned subsidiary of The Highland Council and the results of D & E Coaches Limited are included in the consolidated financial statements of The Highland Council which are available from www.highland.gov.uk.

Significant judgements and estimates
In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Depreciation - useful life and residual value of tangible fixed assets
The useful life and any residual values of tangible assets are considered and depreciation rates applied accordingly. Details of the depreciation policies applied can be found in notes of the financial statements.

continued...

2. **ACCOUNTING POLICIES - continued**

Turnover
Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Goodwill
Goodwill was initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is fully amortised.

Intangible assets
Other intangible fixed assets represent fees payable in respect of the assignation of contract work which have been initially recognised as an asset at cost and is amortised over the term of the contract. These costs are fully amortised.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold land	-	not depreciated
Improvements to property	-	5% on reducing balance
Plant and machinery	-	20% on reducing balance
Fixtures and fittings	-	at variable rates on reducing balance
Motor vehicles	-	at variable rates on reducing balance
Computer equipment	-	at variable rates on reducing balance

Each class of asset is measured using the cost model other than freehold property, which is measured using the revaluation model.

Freehold property is measured at its revalued amount, being fair value at the date of valuation less subsequent impairment losses. Revaluations are performed by professional qualified valuers with sufficient regularity to ensure the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase in the carrying amount of freehold property is recognised in other comprehensive income and included in the revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expended. Decreases that offset previous increased of the same asset are charged in other comprehensive income and debited against the revaluation reserve in equity; decreases exceeding the balance in the revaluation reserve relating to an asset are recognised in profit or loss.

Provision is made for deferred tax liabilities arising on the revaluation of land. Deferred tax assets arising on the revaluation of freehold property are not recognised as it is not considered probable that they will be recovered due to anticipated future upward movement in the fair value of the land.

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

continued...

2. **ACCOUNTING POLICIES - continued**

Financial instruments
The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at cost less impairment.

Impairment of financial assets
Financial assets, other than those held at fair value through the profit and loss account, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occured after the initial recognition of the financial asset, the estimated future cash flows have been affected.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors and loans are initially recognised at transaction price.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are longer at the discretion of the company.

continued...

2. **ACCOUNTING POLICIES - continued**

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held in call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

3. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	Year Ended 31.3.26	Period 1.3.24 to 31.3.25
	£	£
Coach and bus hire	7,923,743	7,501,714
Workshop	3,266	1,798
	7,927,009	7,503,512

continued...

3. **TURNOVER - continued**

An analysis of turnover by geographical market is given below:

	Year Ended 31.3.26	Period 1.3.24 to 31.3.25
	£	£
United Kingdom	7,927,009	7,503,512
	7,927,009	7,503,512

4. **EMPLOYEES AND DIRECTORS**

	Year Ended 31.3.26	Period 1.3.24 to 31.3.25
	£	£
Wages and salaries	2,987,530	2,943,271
Social security costs	367,153	284,934
Other pension costs	58,707	59,229
	3,413,390	3,287,434

The average number of employees during the year was as follows:

	Year Ended 31.3.26	Period 1.3.24 to 31.3.25
Employees	79	79

5. **DIRECTORS' EMOLUMENTS**

	Year Ended 31.3.26	Period 1.3.24 to 31.3.25
	£	£
Directors' remuneration	-	187,367
Directors' pension contributions to money purchase schemes	-	3,787

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	-	4

continued...

6. OPERATING PROFIT

The operating profit is stated after charging:

	Year Ended 31.3.26	Period 1.3.24 to 31.3.25
	£	£
Hire of plant and machinery	8,514	10,240
Other operating leases	50,900	55,156
Depreciation - owned assets	187,114	168,151
Depreciation - assets on hire purchase contracts	265,270	224,761
Loss on disposal of fixed assets	11,884	18,914
Auditors' remuneration	13,000	11,000

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31.3.26	Period 1.3.24 to 31.3.25
	£	£
Bank interest received	7,177	3,235

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 31.3.26	Period 1.3.24 to 31.3.25
	£	£
Bank loan interest	74,125	97,632
Hire purchase	95,338	73,794
	169,463	171,426

9. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	Year Ended 31.3.26	Period 1.3.24 to 31.3.25
	£	£
Deferred tax	250,420	211,094
Tax on profit	250,420	211,094

continued...

9. **TAXATION - continued**

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended 31.3.26 £	Period 1.3.24 to 31.3.25 £
Profit before tax	951,181	763,979
Profit multiplied by the standard rate of corporation tax in the UK of 25% (2025 - 25%)	237,795	190,995
Effects of:		
Expenses not deductible for tax purposes	3,019	17,304
Capital allowances in excess of depreciation	(195,506)	(131,641)
Utilisation of tax losses	(45,581)	(76,658)
Deferred tax charge	250,420	211,094
Other tax adjustments	273	-
Total tax charge	250,420	211,094

10. **DIVIDENDS**

	Year Ended 31.3.26 £	Period 1.3.24 to 31.3.25 £
Ordinary shares of 1 each		
Interim	-	169,665

11. **INTANGIBLE FIXED ASSETS**

	Goodwill £	Other £	Totals £
COST			
At 1 April 2025 and 31 March 2026	57,992	15,000	72,992
AMORTISATION			
At 1 April 2025 and 31 March 2026	57,992	15,000	72,992
NET BOOK VALUE			
At 31 March 2026	-	-	-
At 31 March 2025	-	-	-

continued...

12. **TANGIBLE FIXED ASSETS**

	Freehold land £	Improvements to property £	Plant and machinery £
COST OR VALUATION			
At 1 April 2025	1,762,935	501,778	466,236
Additions	-	107,484	3,401
Disposals	-	-	-
At 31 March 2026	1,762,935	609,262	469,637
DEPRECIATION			
At 1 April 2025	-	233,839	304,513
Charge for year	-	17,747	24,058
Eliminated on disposal	-	-	-
At 31 March 2026	-	251,586	328,571
NET BOOK VALUE			
At 31 March 2026	1,762,935	357,676	141,066
At 31 March 2025	1,762,935	267,939	161,723

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST OR VALUATION				
At 1 April 2025	45,095	7,216,071	191,995	10,184,110
Additions	6,059	1,598,173	23,046	1,738,163
Disposals	-	(524,456)	-	(524,456)
At 31 March 2026	51,154	8,289,788	215,041	11,397,817
DEPRECIATION				
At 1 April 2025	31,494	2,327,570	165,517	3,062,933
Charge for year	3,231	398,954	8,394	452,384
Eliminated on disposal	-	(122,572)	-	(122,572)
At 31 March 2026	34,725	2,603,952	173,911	3,392,745
NET BOOK VALUE				
At 31 March 2026	16,429	5,685,836	41,130	8,005,072
At 31 March 2025	13,601	4,888,501	26,478	7,121,177

continued...

12. **TANGIBLE FIXED ASSETS - continued**

Cost or valuation at 31 March 2026 is represented by:

	Freehold land	Improvements to property	Plant and machinery
	£	£	£
Valuation in 2024	440,000	-	-
Cost	1,322,935	609,262	469,637
	1,762,935	609,262	469,637

	Fixtures and fittings	Motor vehicles	Computer equipment	Totals
	£	£	£	£
Valuation in 2024	-	-	-	440,000
Cost	51,154	8,289,788	215,041	10,957,817
	51,154	8,289,788	215,041	11,397,817

If freehold land had not been revalued they would have been included at the following historical cost:

	2026	2025
	£	£
Cost	1,322,935	1,322,935
Value of land in freehold land and buildings	1,762,935	1,762,935

Freehold land were valued on an open market basis on 21 March 2024 by Shepherd Commercial.

The directors are of the opinion that the open market value remains appropriate as at 31 March 2026.

continued...

12. **TANGIBLE FIXED ASSETS - continued**

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery	Motor vehicles	Totals
	£	£	£
COST OR VALUATION			
At 1 April 2025	76,874	3,482,591	3,559,465
Additions	-	1,424,085	1,424,085
Disposals	-	(388,427)	(388,427)
Transfer to ownership	-	(112,555)	(112,555)
At 31 March 2026	76,874	4,405,694	4,482,568
DEPRECIATION			
At 1 April 2025	17,466	345,512	362,978
Charge for year	6,281	258,989	265,270
Eliminated on disposal	-	(76,405)	(76,405)
Transfer to ownership	-	(37,392)	(37,392)
At 31 March 2026	23,747	490,704	514,451
NET BOOK VALUE			
At 31 March 2026	53,127	3,914,990	3,968,117
At 31 March 2025	59,408	3,137,079	3,196,487

13. **STOCKS**

	2026	2025
	£	£
Finished goods	816,068	660,647

14. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2026	2025
	£	£
Trade debtors	450,899	425,992
Other debtors	192,345	269,341
VAT	87,716	147,095
Prepayments and accrued income	334,837	318,314
	1,065,797	1,160,742

15. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2026	2025
	£	£
Bank loans and overdrafts (see note 17)	66,108	250,050
Hire purchase contracts (see note 18)	792,767	545,128
Trade creditors	311,010	210,953
Social security and other taxes	76,074	57,402
Other creditors	22,981	12,457
Accruals and deferred income	97,284	61,372
	1,366,224	1,137,362

continued...

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2026	2025
	£	£
Bank loans (see note 17)	908,943	1,002,632
Hire purchase contracts (see note 18)	1,631,285	1,525,166
	2,540,228	2,527,798

17. LOANS

An analysis of the maturity of loans is given below:

	2026	2025
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	-	70,788
Bank loans	66,108	179,262
	66,108	250,050
Amounts falling due between two and five years:		
Bank loans - 2-5 years	608,943	702,632
Amounts falling due in more than five years:		
Repayable otherwise than by instalments		
Bank loans more 5 yrs non-inst	300,000	300,000

18. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2026	2025
	£	£
Gross obligations repayable:		
Within one year	897,945	627,230
Between one and five years	1,926,803	1,759,972
	2,824,748	2,387,202
Finance charges repayable:		
Within one year	105,178	82,102
Between one and five years	295,518	234,806
	400,696	316,908
Net obligations repayable:		
Within one year	792,767	545,128
Between one and five years	1,631,285	1,525,166
	2,424,052	2,070,294

continued...

18. LEASING AGREEMENTS - continued

	Non-cancellable operating leases	
	2026	2025
	£	£
Within one year	50,900	50,900
Between one and five years	203,600	203,600
In more than five years	3,648,348	3,699,248
	3,902,848	3,953,748

19. SECURED DEBTS

The following secured debts are included within creditors:

	2026	2025
	£	£
Bank overdraft	-	70,788
Bank loans	975,051	1,181,894
Hire purchase contracts	2,424,052	2,070,294
	3,399,103	3,322,976

Bank loans and overdrafts are secured by standard securities over certain items of the company's property and a floating charge over the assets of the company.

The net obligations under hire purchase contracts are secured over the related assets.

20. FINANCIAL INSTRUMENTS

The company entered into commodity swap agreement to mitigate the fuel price risk. At 31 March 2026, the outstanding contract matured on 31 March 2026.

21. PROVISIONS FOR LIABILITIES

	2026	2025
	£	£
Deferred tax	1,527,501	1,277,081

	Deferred tax
	£
Balance at 1 April 2025	1,277,081
Charge to Statement of Comprehensive Income during year	250,420
Balance at 31 March 2026	1,527,501

22. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2026	2025
			£	£
10,000	Ordinary	1	10,000	10,000

continued...

23. RESERVES

	Retained earnings £	Revaluation reserve £	Totals £
At 1 April 2025	3,556,099	440,000	3,996,099
Profit for the year	700,761		700,761
At 31 March 2026	4,256,860	440,000	4,696,860

24. CAPITAL COMMITMENTS

	2026 £	2025 £
Contracted but not provided for in the financial statements	1,620,000	602,000

25. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to directors subsisted during the year ended 31 March 2026 and the period ended 31 March 2025:

	2026 £	2025 £
D N Mathieson		
Balance outstanding at start of year	-	33,258
Amounts repaid	-	(33,258)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	-	-
Mrs G L McEwan		
Balance outstanding at start of year	-	24,000
Amounts repaid	-	(24,000)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	-	-
Mrs A Nicholson		
Balance outstanding at start of year	-	25,000
Amounts repaid	-	(25,000)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	-	-

26. POST BALANCE SHEET EVENTS

In October 2026, the company are in the process of acquiring Stagecoach's Caithness operation for a purchase price of £2.4m. This is being funded by bank loans and existing company funds.

continued...

27. ULTIMATE CONTROLLING PARTY

During the prior period the company was controlled by D Mathieson and E Mathieson up until acquisition by The Highland Council. Following the acquisition, the company's immediate parent company is The Highland Council.

The largest group in which the financial results of the company are consolidated is that headed by The Highland Council, a local authority constituted under the local government in Scotland. No other group financial statements include the results of the company. The consolidated accounts for D & E Coaches Limited are available from www.highland.gov.uk.

D & E COACHES LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2026

	Year Ended 31.3.26		Period 1.3.24 to 31.3.25	
	£	£	£	£
Sales		7,927,009		7,503,512
Cost of sales				
Opening finished goods	660,647		661,222	
Vehicle costs	2,489,308		2,372,137	
Wages	2,637,378		2,625,896	
Social security	328,739		249,688	
Pensions	52,207		47,344	
Sub contractors	213,513		21,048	
	6,381,792		5,977,335	
Closing finished goods	(816,068)		(660,647)	
		5,565,724		5,316,688
GROSS PROFIT		2,361,285		2,186,824
Other income				
Sundry receipts	20,721		859	
Bank interest received	7,177		3,235	
		27,898		4,094
		2,389,183		2,190,918
Expenditure				
Rent	50,900		55,156	
Rates and water	63,990		68,299	
Insurance	285		12,316	
Power, light and heat	36,007		20,324	
Directors' salaries	-		187,367	
Directors' social security	-		20,834	
Directors' pension contributions	-		3,787	
Wages	350,152		130,008	
Social security	38,414		14,412	
Pensions	6,500		8,098	
Hire of plant and machinery	8,514		10,240	
Telephone	13,522		14,715	
Post and stationery	14,605		18,763	
Advertising	39,809		53,467	
Travelling	4,900		2,413	
Repairs and renewals	41,617		35,799	
Computer costs	11,842		10,117	
Sundry expenses	32,634		26,952	
Staff uniforms	11,945		6,845	
Subscriptions	6,100		5,437	
Legal and professional fees	40,715		76,367	
Auditors' remuneration	13,000		11,000	
Entertainment	12,075		9,961	
Bad debts	-		28,350	
		797,526		831,027
Carried forward		1,591,657		1,359,891

D & E COACHES LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2026

	Year Ended 31.3.26		Period 1.3.24 to 31.3.25	
	£	£	£	£
Brought forward		1,591,657		1,359,891
Finance costs				
Bank charges	6,745		12,661	
Bank loan interest	74,125		97,632	
Hire purchase	95,338		73,794	
		176,208		184,087
		1,415,449		1,175,804
Depreciation				
Improvements to property	17,747		14,721	
Plant and machinery	24,058		28,979	
Fixtures and fittings	3,231		2,918	
Motor vehicles	398,954		337,916	
Computer equipment	8,394		8,377	
		452,384		392,911
		963,065		782,893
Loss on disposal of fixed assets				
Plant and machinery	-		18,914	
Motor vehicles	11,884		-	
		11,884		18,914
NET PROFIT		951,181		763,979