Busways Travel Services Limited

Financial statements for the year ended 30 April 2006

Registered number: 2295227

Directors' report
For the year ended 30 April 2006

The directors present their report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 30 April 2006.

Business review and principal activities

Busways Travel Services Limited operates a fleet of 407 buses and employs 1,196 people, operating in and around the Tyne & Wear and adjacent areas.

The results of the Company for year ended 30 April 2006 show a pre-tax profit of £8,063,000 (2005 re-stated: £6,399,000) and turnover of £46,372,000 (2005: £43,799,000). The Company has net deficit of £1,478,000 (2005 re-stated: £12,401,000).

Business Environment

The Company operates predominantly local bus services, carrying around 168,000 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 benefits from being part of the UK Bus Division of Stagecoach Group plc, a nationwide public transport operator.

The Company operates in a competitive environment and differentiates itself from its competitors by:

- Improving operational and engineering facilities
- Focusing on recruitment and retention of drivers
- Investment in new vehicles
- Strong focus on technology and innovation

Strategy

The Company's overriding objective is to achieve attractive and sustainable rates of growth and returns through organic growth, supplemented by targeted acquisitions where appropriate.

There are several elements to the Company's strategy for growth. They are:

- Continued focus on value-for-money ticket offerings.
- Investment in new vehicles to maximise our customer's experience.
- Commitment to excellent customer service.
- Strong focus on the safety and security of passengers and staff.
- Consistent excellent operational performance.

Training and development

We have consistently sought to recruit and retain the best employees in the markets in which we operate.

The Company invests significantly to ensure that our staff are properly trained and able to offer the best customer service. The Company, under guidance from Central uk bus management, operates a National Vocational Qualification programme for all staff, as well as staff development, graduate trainee and apprentice engineer programmes.

Future Outlook

The current financial year to 30 April 2007 has started well and trading is in line with our expectations.

We believe our value fares, continued innovation, investment in our fleet, commitment to staff training and continuous monitoring of operational efficiency will enable us to improve on our current level of performance in the future.

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 2006 annual report, which does not form part of this report.

Key Performance Indicators ("KPIs")

The directors of Stagecoach Group plc manage the group's performance on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the UK Bus Division of Stagecoach Group plc, which includes the Company, is discussed in the group's 2006 annual report which does not form part of this report.

Results and dividends

Profit on ordinary activities after taxation amounted to £6,477,000 (2005 re-stated: £5,325,000). It is recommended that this amount be appropriated as follows:

	2006	2005 re-stated
	£000	£000
Profit for the financial year	6,477	5,325
Dividend to parent company	Nil	(4,000)
Retained profit transferred to profit and loss account	6,477	1,325

Directors and their interests

The directors who held office during the year under review and up to the date of approval of these accounts were:

Mr J Conroy

Mr C Brown

Mr LB Warneford

None of the directors had an interest in the issued share capital of the Company during the year.

The interests of other directors in the issued share capital of Stagecoach Group plc at 30 April 2006 are as follows:

	Ordinary Shares of 12/19 p		B Shares		Share Options on ordinary shares	
	2006 Number	2005 Number	2006 Number	2005 Number	2006 Number	2005 Number
Mr J Conroy	1,599,609	1,599,609	Nil	275	395,355	1,089,976
Mr C Brown	720	720	Nil	912	205,075	552,630
Mr LB Warneford	69,349	67,295	Nil	275	702,261	1,656,517

The B shares were mandatorily redeemed by Stagecoach Group plc on 30 September 2005.

Mr J Conroy also had loan notes due from Stagecoach Group plc of £560,572 (2005: £560,572).

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained in Accounting Policies.

They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements and applicable accounting standards have been followed.

Directors' responsibilities (continued)
The directors are responsible for keeping proper accounting records which 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 1985. 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.

Donations
Donations to charitable organisations amounted to £1,643 (2005: £4,374)

The Company does not make political contributions and accordingly there were no payments for political purposes during the year (2005: £Nil)

Disabled persons
The Company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirements which have to be met for certain grades of staff. Wherever reasonable and practicable, the Company will retain newly disabled employees and at the same time provide fair opportunities for the career development of disabled people.

Employee involvement
During the period under review, arrangements have been maintained whereby employees of the Company are systematically provided with information on matters of concern to them as employees. Such matters have included the financial and economic factors affecting the performance of the Company and likely future developments. Consultation with representatives of staff has also continued to take place on a regular basis, so that the views of employees can be taken fully into account in making decisions which are likely to affect their interests.

Supplier payment policy
It is the Company's policy to settle the terms of payment with suppliers when agreeing each transaction or series of transactions, to ensure suppliers are aware of these terms and to abide by them. In 2003, responsibility for the payment of suppliers was transferred to Stagecoach Services Limited, a fellow group company, hence trade creditors outstanding at the year end represented Nil days' purchases (2005: Nil days).

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

Auditors

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

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

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

By order of the Board

A Whitnall
Company Secretary
Daw Bank
Stockport
SK3 ODU

14 February 2007

Independent auditors' report to the members of Busways Travel Services Limited:

We have audited the financial statements of Busways Travel Services Limited for the year ended 30 April 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the note of historical cost profits and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Auditors' report (continued)

For the year ended 30 April 2006

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2006 and of its profit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow

14 February 2007

Profit and loss account

For the year ended 30 April 2006

	Notes	2006	2005 re-stated
		£000	£000
Turnover – continuing operations	2	46,372	43,799
Operating costs		(39,213)	(36,566)
Other operating income (net)	4	785	619
Operating profit – continuing operations		7,944	7,852
Finance income/(charges) (net)	5	119	(978)
Exceptional loss on sale of land and buildings		Nil	(475)
Profit on ordinary activities before taxation	6	8,063	6,399
Taxation on profit on ordinary activities	9	(1,586)	(1,074)
Profit for the financial year		6,477	5,325

The accompanying notes form an integral part of this profit and loss account.

Balance sheet

As at 30 April 2006

	Notes	2006 £000	2005 re-stated £000
Fixed assets			
Intangible assets	10 (a)	Nil	Nil
Tangible assets	10 (b)	24,800	26,639
Investments	10 (c)	10,637	10,637
		35,437	37,276
Current assets			
Stock	11	453	267
Debtors:			
- amounts falling due within one year	12	3,742	4,886
Cash at bank and in hand		13,901	3,723
		18,096	8,876
Creditors: amounts falling due within one year	13	(34,880)	(36,533)
Net current liabilities		(16,784)	(27,657)
Total assets less current liabilities		18,653	9,619
Creditors: amounts falling due after more than one year	13	(6,399)	(3,155)
Provisions for liabilities and charges	15	(3,254)	(3,395)
Net assets excluding pension liability		9,000	3,069
Pension liability, net of deferred tax	16	(10,478)	(15,470)
Net liabilities including pension liability		(1,478)	(12,401)
Capital and reserves			
Share capital	17	300	300
Capital Reserve	18	2,707	2,707
Revaluation reserve	18	451	462
Profit and loss account	18	(4,936)	(15,870)
Shareholders' deficit		(1,478)	(12,401)

Signed on behalf of the Board

Colin Brown
Director
14 February 2007

The accompanying notes form an integral part of this balance sheet.

Statement of total recognised gains and losses

For the year ended 30 April 2006

	2006	2005 re-stated
	£000	£000
Profit for the financial year	6,477	5,325
Recognition of net actuarial gain on defined benefit pension schemes	6,352	500
Recognition of tax on net actuarial gain on defined benefit pension schemes	(1,906)	(150)
Total recognised gains and losses relating to the year	10,923	5,675
Prior Year Adjustment – FRS17	(17,392)	
Total gains and losses recognised since last annual report	6,469	

Additional statements

As at 30 April 2006

Reconciliation of movement in shareholders' deficit

At 30 April 2006

	Note	2006	2005 re-stated
		£000	£000
Profit for the financial year		6,477	5,325
Dividends	7	Nil	(4,000)
		6,477	1,325
Other recognised gains and losses relating to the year		4,446	350
Net increase in shareholders' funds		10,923	1,675
Opening shareholders' funds as previously stated		4,991	4,843
Prior year adjustment	3	(17,392)	(18,919)
Opening shareholders' deficit as re-stated		(12,401)	(14,076)
Closing shareholders' deficit		(1,478)	(12,401)

The accompanying notes form an integral part of this reconciliation.

Note of Historical Cost Profits and Losses

For the year ended 30 April 2006

	2006	2005 re-stated
	£000	£000
Reported profit on ordinary activities before taxation	8,063	6,399
Realisation of property revaluation gains of previous years	Nil	705
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the re-valued amount	11	12
Historical cost profit on ordinary activities before taxation	8,074	7,116
Historical cost profit for the year retained after taxation and dividends	6,488	2,042

1 Accounting policies

A summary of the principal accounting policies is set out below. All accounting policies have been applied consistently throughout the year and the preceding year except as described below.

The Company has adopted FRS 17, "Retirement Benefits" in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been re-stated accordingly. The effect of this change is explained in note 3.

In accordance with FRS 21 "Events after the balance sheet date" the Company now recognises equity dividends in the period they are declared.

In accordance with the transitional provisions contained within FRS 25, "Financial Instruments: Disclosure and presentation", from 1 May 2005 the Company has adopted the presentational requirements contained within the standard.

Therefore in accordance with FRS 25, dividends, once approved, will be included within the reconciliation of movement in shareholders funds table but not the profit and loss account.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards in the United Kingdom.

The Company has taken advantage of the exemption from preparing consolidated financial statements and a cash flow statement because it is a wholly owned subsidiary of Stagecoach Group plc which prepares consolidated financial statements which are publicly available.

At 30 April 2005 and 2006, the Company had net liabilities. The directors have received confirmation of continuing financial support from Stagecoach Group plc. Accordingly, the financial statements have been prepared on the going concern basis.

b) Intangible fixed assets

Purchased goodwill (representing the excess of the fair value of consideration paid over the fair value of the separable net assets acquired) and costs of acquiring new businesses are amortised over their useful economic lives. Provision is made for any impairment.

1 Accounting policies (continued)

c) Tangible fixed assets

Land and buildings and other fixed assets are shown at cost or valuation, net of depreciation and any provision for impairment as set out in note 10.

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 property	50 years
Public service vehicles (PSVs), depending on type	7 to 16 years
Plant and equipment	3 to 10 years
Motor cars and other vehicles	3 to 5 years
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.

f) Taxation

In accordance with FRS 16, Corporation tax is provided on taxable profits at the current rate applicable. Tax charges and credits are accounted for through the same primary statement (either the profit and loss account or the statement of total recognised gains and losses) as the related pre tax item.

In accordance with FRS 19 "Deferred Taxation", full provision is made for deferred tax on a non-discounted basis in respect of all timing differences. Deferred tax is calculated at rates at which it is estimated the tax will arise. Deferred tax assets are recognised to the extent they are more likely than not to be recovered.

g) 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. Obligations arising from hire purchase contracts and finance leases, within creditors, represents the total of the capital payments outstanding at the balance sheet date. Future finance charges are not included. Future finance charges are calculated in relation to the reducing balance of capital outstanding throughout the contract and charged to the profit and loss account on the same basis.

1 Accounting policies (continued)

g) Hire purchase and lease obligations (continued)

Assets capitalised under lease finance and other similar contracts are depreciated over the shorter of the lease terms and their useful economic lives.

Assets capitalised under hire purchase contracts are depreciated over their useful economic lives.

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

h) Turnover

Turnover comprises gross revenue earned from bus and coach operations in the United Kingdom, and excludes future payments received on account. Amounts receivable for tendered services and concessionary fare schemes are included within turnover. Where appropriate, amounts are shown net of rebates and Vat. Bus revenue is recognised at the time of travel. Bus revenue from local authority and similar contracts is recognised on a straight line basis over the period of the contract. Revenues incidental to the Company's principal activity (including advertising income) are reported as other operating income and are recognised as the income is earned.

i) Grants

Fuel duty rebate is credited to operating costs.

Capital grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets.

j) Revaluation of properties

The Company has taken advantage of the transitional provisions of FRS 15 and has retained the book amounts of certain freehold properties, which were revalued prior to the implementation of that standard. The properties were last revalued at 30 April 1996 and the valuations have not been subsequently updated.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

1 Accounting policies (continued)

k) Pension costs and other post retirement benefits

The company operates two defined benefit schemes, the Tyne and Wear Superannuation Fund governed by the Local Government Superannuation regulations 1986 and the Stagecoach Group Pension Scheme.

The Company accounts for the Tyne and Wear Superannuation Fund in accordance with FRS 17 'Retirement benefits'. Obligations are measured at discounted present value whilst assets are recorded at market value. Service costs are spread systematically over the lives of employees and are charged to operating profit within the profit and loss account, and financing costs are recognised in the periods in which they arise and are charged to interest within the profit and loss account. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. A full actuarial valuation is undertaken triennially with the deficit being updated annually by independent actuaries. 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 a maturity equivalent to the terms of the related obligations.

For the purposes of FRS 17, the contributions paid by the Company into the Stagecoach Group Pension Scheme are accounted for as if the scheme was a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities.

l) Dividends

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

2 Segmental information

The turnover and profit on ordinary activities before taxation were derived wholly from the Company's principal activity within the United Kingdom.

3 Change in accounting policy

The Company's policy for accounting for pensions was changed to comply with FRS 17, "Retirement Benefits". On the adoption of FRS 17, deferred taxation in respect of pension liabilities for the comparative year has been reclassified from deferred tax asset within provisions for liabilities and charges to the pension liability, net of deferred taxation line on the face of the balance sheet. The comparative figures in the primary statements and notes have been re-stated to reflect the new policy.

The effect of the change is summarised below:

	2006	*2005*
	£000	£000
Profit and loss account		
Decrease in pension costs within operating costs	925	2,081
Increase in pension finance cost within finance (net)	(146)	(400)
Increase in tax charge	(233)	(504)
Increase in profit for the financial year	546	1,177
Statement of total recognised gains and losses		
Recognition of net actuarial gain on defined benefit pension schemes	6,352	500
Recognition of tax on net actuarial gain on defined benefit pension schemes	(1,906)	(150)
Increase in profit for the financial year	546	1,177
Increase in total recognised gains for the financial year	4,992	1,527
Balance sheet		
Decrease in debtors – SSAP 24 pension balance	(2,746)	(2,746)
Decrease in provisions for liabilities and charges – deferred tax	824	824
Recognition of FRS 17 pension deficit, net of deferred tax	(10,478)	(15,470)
Decrease in net assets	(12,400)	(17,392)

4 Other operating income (net)

	2006 £000	2005 £000
Advertising income	339	401
Property rental income	41	14
Other miscellaneous revenue	405	204
	785	619

5 Finance income/(charges) (net)

	2006 £000	2005 re-stated £000
Bank loan and overdraft interest	Nil	(458)
Bank interest receivable	449	352
Hire purchase and finance lease interest payable	(184)	(472)
Finance charge on pension assets (note 16)	(146)	(400)
	119	(978)

6 Profit on ordinary activities before taxation

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

	2006 £000	2005 £000
Depreciation and amounts written off tangible fixed assets:		
- owned	1,803	1,432
- held under hire purchase and finance leases agreements	669	1,367
Amortisation of goodwill	Nil	19
(Gain)/loss on disposal of tangible fixed assets, other than properties	(19)	53
Operating lease rentals:		
- land and buildings	270	71
- plant and machinery	5	25

Auditors' remuneration is borne by the ultimate parent company, Stagecoach Group Plc.

7 Dividends

	2006	2005
	£000	£000
Ordinary shares: interim paid £Nil (2005: £0.67) per share	Nil	4,000

8 Directors and employees

	2006	2005
	£000	£000
Emoluments of directors	183	173

The above details of directors' emoluments include the emoluments of Les Warneford and Colin Brown, which are paid by a fellow subsidiary, Stagecoach Holdings Limited. £23,374 (2005: £17,641) of their total emoluments received are apportioned to their services as directors of Busways Travel Services Limited.

The number of directors who were members of pension schemes was as follows:	2006	2005
	Number	Number
Defined benefit scheme	3	3

The average remuneration comprised:	2006	2005 re-stated
Staff costs	£000	£000
Wages and salaries	20,180	19,345
Social security costs	1,718	1,677
Other pension costs (see note 16)	1,899	1,867
SAYE	Nil	4
	23,797	22,893

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

	2006	2005
	Number	Number
Operations	1,109	1,148
Administration and supervisory	87	87
	1,196	1,235

9 Taxation on profit on ordinary activities

a) Charge for the year	2006 £000	2005 re-stated £000
Current tax:		
UK corporation tax on profits of the period	1,721	1,491
Adjustments in respect of prior years	(228)	(112)
Total current tax	1,493	1,379
Deferred tax:		
Origination and reversal of timing differences	173	(247)
Adjustments in respect of prior periods	(314)	(183)
Pension cost relief in excess of pension cost charge	234	125
Total deferred tax (note 15)	93	(305)
Tax on profit on ordinary activities	1,586	1,074

b) Factors affecting the tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £000	2005 re-stated £000
Profit on ordinary activities before tax	8,063	6,399
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	2,419	1,920
Effect of:		
Non tax deductible expenditure and other permanent differences	3	(270)
Loss on inter-company asset transfer	Nil	142
Treatment of inter-company transactions	(266)	Nil
Capital allowances more than depreciation	(32)	(181)
Other timing differences	(169)	5
Pension cost relief in excess of pension cost charge	(234)	(125)
Adjustment to tax charge in respect of previous periods	(228)	(112)
Current tax charge for year	1,493	1,379

10 Fixed assets

a) Intangible assets

Intangible assets consist of purchased goodwill arising on the acquisition of new routes or operations. The movement for the year was as follows:

	Goodwill £000
Cost	
At beginning and end of year	122
Amortisation	
At beginning and end of year	122
Net book value	
At beginning and end of year	Nil

10 Fixed assets (continued)

b) Tangible assets

The movement in the year is summarised below:

	Land and buildings	PSVs	Plant and equipment and furniture and fittings	Total
	£000	£000	£000	£000
Cost or valuation				
Beginning of year	9,619	34,850	4,666	49,135
Additions	89	2,744	179	3,012
Disposals	Nil	(2,288)	(10)	(2,298)
Transfers	Nil	(1,637)	(4)	(1,641)
End of year	9,708	33,669	4,831	48,208
Depreciation				
Beginning of year	(783)	(17,717)	(3,996)	(22,496)
Charge for year	(163)	(2,159)	(150)	(2,472)
Disposals	Nil	60	11	71
Transfers	Nil	1,489	Nil	1,489
End of year	(946)	(18,327)	(4,135)	(23,408)
Net book value				
Beginning of year	8,836	17,133	670	26,639
End of year	8,762	15,342	696	24,800

The net book value of assets leased under finance leases and hire purchase agreements, which have been capitalised and included in the above, is £15,947,535 (2005: £10,819,338). Depreciation of £669,328 (2005: £1,367,077) has been charged in the year in respect of assets held under hire purchase or finance lease agreements.

Freehold land amounting to £440,000 has not been depreciated (2005: £440,000)

The Company's properties were revalued by Oliver Liggins, Chartered Surveyors, on the basis of open market value for existing use. The valuation took place on 30 April 1996. Properties held surplus to requirements have been valued *on the basis of open market value. If this and prior revaluations of land and buildings had not taken place, the* historical cost and accumulated depreciation at 30 April 2006 would have been £9,142,000 and £831,000 respectively (2005: £9,053,000 and £679,000).

10 Fixed assets (continued)

c) Investments

	Subsidiary undertakings £000
Cost	
At beginning and end of year	14,566
Provision	
At beginning and end of year	(3,929)
Net book value	
At beginning and end of year	10,637

The Company owns the entire issued share capital of the following companies, which are all registered in England and Wales.

Company	Principal Activity
Armstrong Galley Coaches Limited	Dormant
Blue Bus Services (Newcastle) Limited	Dormant
Busways Travel Services (1986) Limited	Dormant
Busways Trustee (No. 1) Limited	Trustee
Busways Trustee (No. 2) Limited	Trustee
Economic Bus Services Limited	Dormant
Newcastle Busways Limited	Dormant
South Shields Busways Limited	Dormant
Sunderland Busways Limited	Dormant
The Quayside Busways Limited	Dormant
Tyne & Wear Omnibus Company Limited	Dormant
Welcome Passenger Transport Limited*	Dormant

* Held indirectly via an intermediate holding company.

11 Stocks

	2006	2005
	£000	£000
Spares, consumables and fuel	453	267

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

12 Debtors

	2006	2005
Amounts falling due within one year:	£000	£000
Prepayments and accrued income	1,572	1,270
Amounts owed by group undertakings	2,170	3,616
	3,742	4,886

13 Creditors

	2006	2005
Amounts falling due within one year:	£000	£000
Accruals and deferred income	2,309	2,092
Other taxes and social security costs	422	545
Hire purchase and lease obligations (note 14)	2,225	589
UK Corporation tax payable	847	1,491
Amounts due to group companies	28,834	31,592
Other creditors	243	224
	34,880	36,533
Amounts falling due after more than one year:		
Hire purchase and lease obligations (note 14)	6,399	3,155
	6,399	3,155

14 Obligations under Hire Purchase and Finance Lease agreements

Borrowings are repayable as follows:

	2006	2005
Amounts payable:	£000	£000
- within one year	2,225	589
- between one and two years	2,252	589
- between two and five years	4,147	2,566
	8,624	3,744

15 Provisions for liabilities and charges

	2006	2005 re-stated
	£000	£000
Accelerated capital allowances	3,146	3,512
Other timing differences	108	(117)
Provision for deferred tax, excluding that related to pension liability	3,254	3,395
Deferred tax asset related to pension liability (note 16)	(4,490)	(6,630)
Total provision for deferred tax	(1,236)	(3,235)

	2006	2005
	£000	£000
Provision at 1 May 2005, as previously reported	4,219	5,027
Prior year adjustment – FRS 17	(7,454)	(8,107)
Asset at beginning of year, as restated	(3,235)	(3,080)
Deferred tax charge/(credit) in profit and loss account for year (note 9a)	93	(305)
Deferred tax charged to the statement of total recognised gains and losses	1,906	150
Asset at end of year	(1,236)	(3,235)

16 Pension scheme liability, net of deferred tax

The Company accounts for pensions in accordance with FRS 17 "Retirement Benefits".

The Company contributes to two defined benefit occupational pension schemes, as follows:

- The Stagecoach Group Pension Scheme ("SGPS")
- Tyne and Wear Superannuation Fund governed by the Local Government Superannuation regulations 1986

The Stagecoach Group Pension Scheme ("SGPS")

The Stagecoach Group Pension scheme is a defined benefit scheme. The Company, together with a number of companies within the Group headed by Stagecoach Group plc, makes contributions to the Scheme. For the purposes of FRS17, the contributions paid by the Company are accounted for as if the scheme was a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme. In the consolidated accounts of Stagecoach Group plc, the scheme as a whole is accounted for as a defined benefit scheme. The consolidated accounts of Stagecoach Group plc provide further details of the scheme.

The costs of contributions to the Group scheme amount to £829,000 (2005: £850,000), being 9.25% of pensionable salary and are based on pension costs across the Group as a whole. An actuarial valuation of the Stagecoach Group Pension Scheme was undertaken on 5 April 2005 and a deficit of £72.0 million was identified.

Tyne and Wear Superannuation Fund governed by the Local Government Superannuation regulations 1986

The calculations of the FRS 17 disclosures for the Tyne and Wear Superannuation Fund have been based on the most recent actuarial valuations, which have been updated to 30 April 2006 by an independent professionally qualified actuary to take account of the requirements of FRS17.

The principal actuarial assumptions used were as follows:

	2006	2005	2004
	%	%	%
Rate of increase in salaries	4.3	4.3	4.3
Rate of increase of pensions in payment	2.8	2.8	2.8
Discount rate	5.3	5.4	5.8
Inflation	2.8	2.8	2.8
Expected long-term rate of return as at 30 April were:			
- Equities	8.3	8.5	8.5
- Bonds	5.0	5.3	5.8
- Cash	4.5	4.7	4.0
- Property	7.5	7.5	7.5

16 Pension scheme liability, net of deferred tax (continued)

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

	2006	2005	2004
	£000	£000	£000
Equities	44,100	33,300	30,000
Bonds	14,096	13,300	11,800
Cash	4,867	4,600	4,200
Property	1,430	1,300	1,200
Total market value of assets	64,493	52,500	47,200
Present value of scheme liabilities	(79,461)	(74,600)	(70,200)
Pension liability before tax	(14,968)	(22,100)	(23,000)
Related deferred tax asset	4,490	6,630	6,900
Net pension liability	(10,478)	(15,470)	(16,100)

An analysis of the amount charged to the profit and loss account is as follows:

	2006	2005
Defined benefit schemes	£000	£000
Charge to operating profits:		
- current service cost	1,070	1,017
Total operating charge	1,070	1,017
Finance cost:		
- expected return on assets	(3,857)	(3,500)
- interest cost	4,003	3,900
Net cost	146	400
Total defined benefit cost	1,216	1,417
Defined Contribution costs	829	850
Total profit and loss charge	2,045	2,267

16 Pension scheme liability, net of deferred tax (continued)

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

	2006	2005
	£000	£000
Total included in staff costs (note 8)	1,070	1,017
Total included within finance costs (note 5)	146	400
	1,216	1,417

Analysis of amount included within the Company's statement of total recognised gains and losses (STRGL).

	2006	2005	2004
	£000	£000	£000
Actual return less expected return on pension scheme assets	7,868	1,700	2,500
Experience gains and losses arising on the scheme liabilities	(26)	1,400	Nil
Changes in assumptions underlying the present value of the scheme liabilities	(1,490)	(2,600)	Nil
Actuarial gain reported in the STRGL	6,352	500	2,500

Actuarial gain as a percentage of scheme assets and liabilities at 30 April 2006 were as follows:

	2006	2005	2004
	%	%	%
Actual return less expected return on pension scheme assets as a percentage of scheme assets	12.2	3.2	5.3
Experience gains and losses arising on the scheme liabilities as a percentage of the present value of scheme liabilities	Nil	1.9	Nil
Total actuarial gain recognised in STRGL as a percentage of the present value of scheme liabilities	(8.0)	(0.7)	3.6

16 Pension scheme liability, net of deferred tax (continued)

The movement in deficit during the year under FRS 17 was:	2006	2005
	£000	£000
Deficit in schemes at the beginning of the year	(22,100)	(23,000)
Movement in the year:		
- Current service cost	(1,070)	(1,017)
- Contributions	1,996	1,817
- Other finance cost	(146)	(400)
- Actuarial gain	6,352	500
Deficit in schemes at the end of the year	(14,968)	(22,100)

17 Share capital

	2006	2005
Authorised	£000	£000
6,000,000 Ordinary shares of £0.05p each	300	300
1 'A' share of £1 (2005 – £1)	-	-
Allotted, called up and fully paid		
6,000,000 Ordinary shares of £0.05p each	300	300
1 'A' share of £1(2005 - £1)	-	-

18 Reserves

The movement on reserves is summarised below:	Profit and loss account re-stated	Revaluation reserve	Capital reserve
	£000	£000	£000
Balance at 1 May 2005, as previously reported	1,522	462	2,707
Prior year adjustment: FRS 17	(17,392)	Nil	Nil
Balance at 1 May 2005, as re-stated	(15,870)	462	2,707
Retained profit for the year	6,477	Nil	Nil
Actuarial gain on pension scheme	6,352	Nil	Nil
Movement on deferred tax relating to pension scheme	(1,906)	Nil	Nil
Revaluation reserve release	11	(11)	Nil
Balance at end of year	(4,936)	451	2,707

19 Guarantees and other financial commitments

a) Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings 2006	Other 2006	Land and Buildings 2005	Other 2005
	£000	£000	£000	£000
Expiry date				
- within one year	Nil	5	Nil	2
- between two and five years	Nil	71	Nil	54
- over five years	333	Nil	333	Nil
	333	76	333	56

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.

20 Related party transactions

The Company has taken advantage of the exemptions granted under FRS 8 by not disclosing details of sales and purchases with other members of the group headed by Stagecoach Group plc. Details of amounts owed to and from 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 (registered 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 Company Secretary at the following address:

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