Busways Travel Services Limited

Financial statements for the year ended 30 April 2007

Registered number 2295227

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 2007

Business review and principal activities

Busways Travel Services Limited operates a fleet of 405 buses and employs 1,229 people, operating in and around the Tyne & Wear and adjacent areas

The results of the Company for year ended 30 April 2007 show a pre-tax profit of £7,835,000 (2006 re-stated £8,045,000) and turnover of £50,052,000 (2006 £46,372,000) The Company has net assets of £9,818,000 (2006 re-stated net liabilities £1,472,000)

Business Environment

The Company operates predominantly local bus services, carrying around 174,000 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 2008 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 2007 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 2007 annual report which does not form part of this report

Results and dividends

Profit on ordinary activities after taxation amounted to £6,114,000 (2006 re-stated £6,464,000) The directors recommend that no dividend be paid and this amount be transferred to reserves

Directors

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

Statement of directors' responsibilities in respect of the Annual Report and the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that 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 £13,127 (2006 £1,643)

The Company does not make political contributions and accordingly there were no payments for political purposes during the year (2006 £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 (2006 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 0DU

25 January 2008

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 2007 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

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 2007 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
30 January 2008

Profit and loss account

For the year ended 30 April 2007

	Notes	2007 £000	2006 re-stated £000
Turnover – continuing operations	2	50,052	46,372
Operating costs		(43,535)	(39,231)
Other operating income (net)	4	820	785
Operating profit – continuing operations		7,337	7,926
Finance income (net)	5	1,264	119
Profit on ordinary activities before taxation	6	8,601	8,045
Taxation on profit on ordinary activities	8	(2,487)	(1,581)
Profit for the financial year		6,114	6,464

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

Balance sheet

As at 30 April 2007

	Notes	2007 £000	2006 re-stated £000
Fixed assets			
Intangible assets	9 (a)	Nil	Nil
Tangible assets	9 (b)	27,550	24,800
Investments	9 (c)	10,637	10,637
		38,187	35,437
Current assets			
Stock	10	405	453
Debtors amounts falling due within one year	11	1,177	3,742
Cash at bank and in hand		24,492	13,901
		26,074	18 096
Creditors amounts falling due within one year	12	(38,898)	(34,880)
Net current liabilities		(12,824)	(16,784)
Total assets less current liabilities		25,363	18,653
Creditors amounts falling due after more than one year	12	(8,030)	(6,399)
Provisions for liabilities and charges	14	(3,381)	(3,248)
Net assets excluding pension liability		13,952	9,006
Pension liability, net of deferred tax	15	(6,117)	(10,478)
Net assets/(liabilities) including pension liability		7,835	(1,472)
Capital and reserves			
Share capital	16	300	300
Capital reserve	17	2,707	2,707
Contribution reserve	17	46	22
Revaluation reserve	17	439	451
Profit and loss account	17	4,343	(4,952)
Shareholders' funds/(deficit)		7,835	(1,472)

Signed on behalf of the Board

Colin Brown
Director
25 January 2008

The accompanying notes form an integral part of this balance sheet

Statement of total recognised gains and losses

For the year ended 30 April 2007

	2007	2006 re-stated
	£000	£000
Profit for the financial year	6,114	6,464
Recognition of net actuarial gain on defined benefit pension schemes	4,527	6,352
Recognition of tax on net actuarial gain on defined benefit pension schemes	(1,358)	(1,906)
Total recognised gains and losses relating to the year	9,283	10,910
Prior year adjustment	6	
Total recognised gains and losses recognised since last annual report	9,289	

Reconciliation of movement in shareholders' funds/(deficit)

	Note	2007	2006 re-stated
		£000	£000
Profit for the financial year		6,114	6,464
Other recognised gains and losses relating to the year		3,169	4,446
FRS20 movement in contribution reserve		24	22
Net increase in shareholders' funds/(deficit)		9,307	10,932
Opening shareholders' deficit as previously stated		(1,472)	(12,401)
Prior year adjustment – FRS 20	3	Nil	(3)
Opening shareholders' deficit as re-stated		(1,472)	(12,404)
Closing shareholders' funds/(deficit)		7,835	(1,472)

The accompanying notes form an integral part of this reconciliation

Note of Historical Cost Profits and Losses

	2007	2006 re-stated
	£000	£000
Reported profit on ordinary activities before taxation	8,601	8,045
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the re-valued amount	12	11
Historical cost profit on ordinary activities before taxation	8,613	8,056
Historical cost profit for the year retained after taxation and dividends	6,126	6,475

1 Accounting policies

Changes in accounting policy

The Company has adopted FRS 20 'Share-based payments' in the year The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly Details of the prior year adjustments are given in note 3

The other principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are

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

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

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 9

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

1 Accounting policies (continued)

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

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

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

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

1 Accounting policies (continued)

i) Grants

Bus service operators grant 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

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 were 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

1 Accounting policies (continued)

m) Share based payment

Certain of the Company's employees are granted equity settled share based payments by the parent company The company has applied the optional exemption contained within FRS 20, which allows it to apply the standard only to share options granted after the 7 November 2002 that have not vested by 1 May 2005

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period Fair value for equity-settled share based payments is estimated by use of the Black-Scholes pricing model

At each balance sheet date, before vesting, the cumulative expense is calculated based on management's best estimate of the number of equity instruments that will ultimately vest, taking into consideration the likelihood of achieving non-market based vesting conditions The movement in the cumulative expense is recognised in the profit and loss account, with a corresponding entry in equity

n) Going concern basis

At 30 April 2007, the Company had net current liabilities The directors have received confirmation of continuing financial support from the ultimate holding company Accordingly, the financial statements have been prepared on the going concern basis

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 share based payments was changed during the year to comply with FRS 20, "Share based payments" The comparative figures in the primary statements and notes have been restated to reflect the new policy

FRS 20 requires the fair value of outstanding share options granted to employees to be recognised as a charge in the profit and loss account

The effect of the changes is summarised below

Profit and loss account	2007 £000	2006 £000
Increase in staff costs within operating costs	24	22
Decrease in deferred tax charge	(7)	(6)
Decrease in profit in the financial year	17	16

Balance sheet	2007 £000	2006 £000
Increase in Deferred tax asset	7	6

Reserves	2007 £000	2006 £000
Decrease in profit and loss account reserve	Nil	(16)
Increase in contribution reserve	24	22
	24	6

4 Other operating income (net)

	2007 £000	2006 £000
Advertising income	376	339
Property rental income	18	41
Other miscellaneous revenue	426	405
	820	785

5 Finance income (net)

	2007 £000	2006 £000
Bank interest receivable	1,098	449
Hire purchase and finance lease interest payable	(442)	(184)
Finance charge on pension assets (note 15)	608	(146)
	1,264	119

6 Profit on ordinary activities before taxation

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

	2007 £000	2006 £000
Depreciation and amounts written off tangible fixed assets		
- owned	1,181	1,803
- held under hire purchase and finance leases agreements	1,284	669
Loss/(gain) on disposal of tangible fixed assets, other than properties	25	(19)
Operating lease rentals		
- land and buildings	258	270
- plant and machinery	7	5

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

7 Directors and employees

	2007	2006
	£000	£000
Emoluments of directors	187	183

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 £24,868 (2006 £23,374) 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	2007	2006
	Number	Number
Defined benefit scheme	3	3

The average remuneration comprised	2007	2006 re-stated
Staff costs	£000	£000
Wages and salaries	20,863	20,180
Social security costs	1,799	1,718
Other pension costs (see note 15)	4,605	1,899
Share based payment expense	24	18
	27,291	23,815

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

	2007	2006
	Number	Number
Operations	1,142	1,109
Administration and supervisory	87	87
	1,229	1,196

8 Taxation on profit on ordinary activities

	2007	2006 re-stated
	£000	£000
a) Charge for the year		
Current tax		
UK corporation tax on profits of the period	Nil	1,721
Amounts payable to fellow subsidiary in respect of tax saved by group relief	2,076	Nil
Adjustments in respect of prior years	(233)	(228)
Total current tax	1,843	1,493
Deferred tax		
Origination and reversal of timing differences	150	168
Adjustments in respect of prior periods	(17)	(314)
Pension cost relief in excess of pension cost charge	511	234
Total deferred tax (note 14)	644	88
Tax on profit on ordinary activities	2,487	1,581

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

	2007	2006 re-stated
	£000	£000
Profit on ordinary activities before tax	8,601	8,045
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	2,580	2,414
Effect of		
Non tax deductible expenditure and other permanent differences	502	3
Treatment of inter-company transactions	(339)	(266)
Capital allowances more than depreciation	(288)	(32)
Other timing differences	132	(164)
Pension cost relief in excess of pension cost charge	(511)	(234)
Adjustment to tax charge in respect of previous periods	(233)	(228)
Current tax charge for year	1,843	1,493

8 Taxation on profit on ordinary activities (continued).

c) Factors that may affect future tax charges

In the 2007 budget the UK government announced it's intention to propose Parliament to reduce the UK Corporate Income tax rate from 30% to 28% As of 30 April 2007,the tax charge was not substantively enacted

Had the change of rate been substantively enacted as of the balance sheet date the estimated impact on the balance sheet would be a reduction in the deferred tax liability of £50,675

In the 2007 budget the UK government also announced its intention to propose Parliament to abolish Industrial Buildings Allowances (IBA's) As of 30 April 2007, this change was not substantively enacted Had the change been substantively enacted as of the balance sheet date the estimated impact on the balance sheet would be a reduction in the deferred tax liability of £1,238,650

9 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

9 Fixed assets (continued)

b) Tangible assets

The movement in the year is summarised below

	Land and buildings £000	PSVs £000	Plant and equipment and furniture and fittings £000	Total £000
Cost or valuation				
Beginning of year	9,708	33,669	4,831	48,208
Additions	56	5,545	277	5,878
Disposals	Nil	(594)	(38)	(632)
Reclassification	Nil	(318)	318	Nil
Transfers	Nil	(2,505)	5	(2,500)
End of year	9,764	35,797	5,393	50,954
Depreciation				
Beginning of year	(946)	(18,327)	(4,135)	(23,408)
Charge for year	(168)	(2,105)	(192)	(2,465)
Disposals	Nil	568	35	603
Reclassification	Nil	295	(295)	Nil
Transfers	Nil	1,867	(1)	1,866
End of year	(1,114)	(17,702)	(4,588)	(23,404)
Net book value				
Beginning of year	8,762	15,342	696	24,800
End of year	8,650	18,095	805	27,550

The net book value of assets leased under finance leases and hire purchase agreements, which have been capitalised and included in the above, is £19,083,492 (2006 £15,947,535) Depreciation of £1,282,356 (2006 £669,328) 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 (2006 £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 2007 would have been £9,198,000 and £987,000 respectively (2006 £9,142,000 and £831,000)

9 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

10 Stocks

	2007	2006
	£000	£000
Spares, consumables and fuel	405	453

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

11 Debtors

	2007	2006
Amounts falling due within one year	£000	£000
Prepayments and accrued income	1,022	1,572
Amounts owed by group undertakings	155	2,170
	1,177	3,742

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

12 Creditors

	2007	2006
Amounts falling due within one year	£000	£000
Accruals and deferred income	1,537	2,309
Other taxes and social security costs	600	422
Hire purchase and lease obligations (note 13)	2,709	2,225
UK Corporation tax payable	Nil	847
Amounts due to group companies	33,742	28,834
Other creditors	310	243
	38,898	34,880
Amounts falling due after more than one year		
Hire purchase and lease obligations (note 13)	8,030	6,399

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

13 Obligations under Hire Purchase and Finance Lease agreements

Borrowings are repayable as follows

	2007	2006
Amounts payable	£000	£000
- within one year	2,709	2,225
- between one and two years	2,754	2,252
- between two and five years	5,276	4,147
	10,739	8,624

14 Provisions for liabilities and charges

	2007	2006 re-stated
	£000	£000
Accelerated capital allowances	3,441	3,146
Other timing differences	(60)	102
Provision for deferred tax, excluding that related to pension liability	3,381	3,248
Deferred tax asset related to pension liability (note 15)	(2,621)	(4,490)
Total provision for deferred tax	760	(1,242)

	2007	2006
	£000	£000
Provision at start of year, as previously reported	(1,236)	(3,235)
Prior year adjustment – FRS 20	(6)	(1)
Asset at beginning of year, as restated	(1,242)	(3,236)
Deferred tax charge/(credit) in profit and loss account for year (note 8a)	644	88
Deferred tax charged to the statement of total recognised gains and losses	1,358	1,906
Asset at end of year	760	(1,242)

15 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 £1,044,000 (2006 £829,000), having risen from 9 25% to 14 6% of pensionable salary during the year, and are based on pension costs across the Group as a whole An additional £3,071,000 of special contributions was also made to the scheme during the year 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 2007 by an independent professionally qualified actuary to take account of the requirements of FRS17

The principal actuarial assumptions used were as follows

	2007	2006	2005
	%	%	%
Rate of increase in salaries	4 4	4 3	4 3
Rate of increase of pensions in payment	2 9	2 8	2 8
Discount rate	5 5	5 3	5 4
Inflation	2 9	2 8	2 8
Expected long-term rate of return as at 30 April were			
- Equities	8 3	8 3	8 5
- Bonds	5 3	5 0	5 3
- Cash	5 3	4 5	4 7
- Property	7 5	7 5	7 5

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

The amounts recognised in the balance sheet were determined as follows

	2007	2006	2005
	£000	£000	£000
Equities	47,827	44,100	33,300
Bonds	13,991	14,096	13,300
Cash	1,372	4,867	4,600
Property	6,658	1,430	1,300
Total market value of assets	69,848	64,493	52,500
Present value of scheme liabilities	(78,586)	(79,461)	(74,600)
Pension liability before tax	(8,738)	(14,968)	(22,100)
Related deferred tax asset	2,621	4,490	6,630
Net pension liability	(6,117)	(10,478)	(15,470)

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

	2007	2006
Defined benefit schemes	£000	£000
Charge to operating profits		
- current service cost	1,098	1,070
Total operating charge	1,098	1,070
Finance cost		
- expected return on assets	(4,800)	(3,857)
- interest cost	4,192	4,003
Net *(income)/cost*	(608)	146
Total defined benefit cost	490	1,216
Defined Contribution costs	4,115	829
Total profit and loss charge	4,605	2,045

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

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

	2007	2006
	£000	£000
Total included in staff costs (note 7)	1,098	1,070
Total included within finance (income)/costs (note 5)	(608)	146
	490	1,216

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

	2007	2006	2005
	£000	£000	£000
Actual return less expected return on pension scheme assets	193	7,868	1,700
Experience gains and losses arising on the scheme liabilities	Nil	(26)	1,400
Changes in assumptions underlying the present value of the scheme liabilities	4,334	(1,490)	(2,600)
Actuarial gain reported in the STRGL	4,527	6,352	500

Actuarial gain as a percentage of scheme assets and liabilities at 30 April 2007 were as follows

	2007	2006	2005
	%	%	%
Actual return less expected return on pension scheme assets as a percentage of scheme assets	0 3	12 2	3 2
Experience gains and losses arising on the scheme liabilities as a percentage of the present value of scheme liabilities	Nil	Nil	1 9
Total actuarial gain recognised in STRGL as a percentage of the present value of scheme liabilities	(5 8)	(8 0)	(0 7)

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

The movement in deficit during the year under FRS 17 was

	2007	2006
	£000	£000
Deficit in schemes at the beginning of the year	(14,968)	(22,100)
Movement in the year		
- Current service cost	(1,098)	(1,070)
- Contributions	2,193	1,996
- Other finance cost	608	(146)
- Actuarial gain	4,527	6,352
Deficit in schemes at the end of the year	(8,738)	(14,968)

16 Share capital

	2007 £000	2006 £000
Authorised		
6,000,000 Ordinary shares of £0 05p each	300	300
1 'A' share of £1 (2006 – £1)	-	-
Allotted, called up and fully paid		
6,000,000 Ordinary shares of £0 05p each	300	300
1 'A' share of £1(2006 - £1)	-	-

17 Reserves

The movement on reserves is summarised below	Contribution Reserve	Profit and loss account re-stated	Revaluation reserve	Capital reserve
	£000	£000	£000	£000
Balance at 1 May 2006, as previously reported	Nil	(4,936)	451	2,707
Prior year adjustment FRS 20	22	(16)	Nil	Nil
Balance at 1 May 2006, as re-stated	22	(4,952)	451	2,707
Retained profit for the year	Nil	6,114	Nil	Nil
Actuarial gain on pension scheme	Nil	4,527	Nil	Nil
Movement on deferred tax relating to pension scheme	Nil	(1,358)	Nil	Nil
FRS20 movement in the year	24	Nil	Nil	Nil
Revaluation reserve release	Nil	12	(12)	Nil
Balance at end of year	46	4,343	439	2,707

18 Guarantees and other financial commitments

a) Lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and Buildings 2007	Other 2007	Land and Buildings 2006	Other 2006
	£000	£000	£000	£000
Expiry date				
- within one year	Nil	7	Nil	5
- between two and five years	Nil	104	Nil	71
- over five years	333	Nil	333	Nil
	333	111	333	76

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

19 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 11 and 12

20 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