

Busways Travel Services Limited

Financial statements for the year ended 30 April 2008

Registered number 2295227



Directors' report

For the year ended 30 April 2008

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 2008

Business review and principal activities

Busways Travel Services Limited operates a fleet of 416 buses and employs 1,237 people, operating in and around the Tyne & Wear and adjacent areas

The results of the Company for year ended 30 April 2008 show a pre-tax profit of £9,657,000 (2007 £8,601,000) and turnover of £52,810,000 (2007 £50,052,000) The Company has net assets of £3,490,000 (2007 £7,835,000)

Business environment

The Company operates predominantly local bus services, carrying around 178,000 passengers a day These services are mainly operated on a commercial basis in a largely deregulated market The Company 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, and
- 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 customers' experience,
- Commitment to excellent customer service,
- Strong focus on the safety and security of passengers and staff, and
- Consistent excellent operational performance

Directors' report (continued)

For the year ended 30 April 2008

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 2009 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 2008 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 2008 annual report which does not form part of this report

Results and dividends

Profit on ordinary activities after taxation amounted to £8,719,000 (2007 £6,114,000). An interim dividend of £11,000,000 was paid (2007 £Nil). The directors do not recommend that a final dividend be paid (2007 £Nil)

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

Directors' report (continued)

For the year ended 30 April 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing 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, and
- 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 £13,513 (2007: £13,127)

The Company does not make political contributions and accordingly there were no payments for political purposes during the year (2007: £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.

Directors' report (continued)

For the year ended 30 April 2008

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.

The company is committed to employee participation and uses a variety of methods to inform, consult and involve its employees. Employees participate directly in the success of the business through the Stagecoach Group's bonus and other remuneration schemes and are encouraged to invest through participation in share option schemes.

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 (2007 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 and disclosure of information to 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.

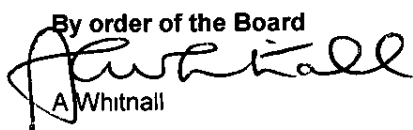
Directors' report (continued)

For the year ended 30 April 2008

Other

The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against its directors. The Company has indemnified each of its directors and other officers of the Company against certain liabilities that may be incurred as a result of their offices.

By order of the Board



A Whitnall

Company Secretary

Daw Bank

Stockport

SK3 0DU

31 October 2008

Auditors' report

For the year ended 30 April 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 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movement 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 judgements 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 2008

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 2008 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 November 2008

Profit and loss account

For the year ended 30 April 2008

	Notes	2008 £000	2007 £000
Turnover	2	52,810	50,052
Operating costs		(45,348)	(43,535)
Other operating income	3	573	820
		<u>8,035</u>	<u>7,337</u>
Operating profit		432	Nil
Profit on sale of properties		1,190	1,264
Finance income (net)	4	<u>1,190</u>	<u>1,264</u>
		9,657	8,601
Profit on ordinary activities before taxation	5	9,657	8,601
Taxation on profit on ordinary activities	8	(1,497)	(2,487)
Exceptional taxation fundamental change in tax law and change in UK tax rate	8	559	Nil
		<u>8,719</u>	<u>6,114</u>
Profit for the financial year		<u>8,719</u>	<u>6,114</u>

The results for each year arise wholly from continuing operations

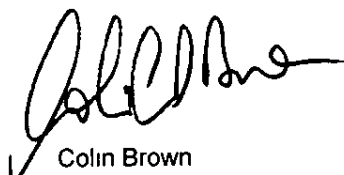
The accompanying notes form an integral part of this profit and loss account

Balance sheet

As at 30 April 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	9 (a)	26,371	27,550
Investments	9 (b)	10,637	10,637
		<u>37,008</u>	<u>38,187</u>
Current assets			
Stock	10	494	405
Debtors amounts falling due within one year	11	1,796	1,177
Cash at bank and in hand		8,448	24,492
		<u>10,738</u>	<u>26,074</u>
Creditors: amounts falling due within one year	12	<u>(26,415)</u>	<u>(38,898)</u>
Net current liabilities		<u>(15,677)</u>	<u>(12,824)</u>
Total assets less current liabilities		21,331	25,363
Creditors amounts falling due after more than one year	12	<u>(8,797)</u>	<u>(8,030)</u>
Provisions for liabilities and charges	14	<u>(2,035)</u>	<u>(3,381)</u>
Net assets excluding pension liability		10,499	13,952
Pension liability, net of deferred tax	15	<u>(7,009)</u>	<u>(6,117)</u>
Net assets including pension liability		<u>3,490</u>	<u>7,835</u>
Capital and reserves			
Share capital	16	300	300
Capital reserve	17	2,707	2,707
Contribution reserve	17	88	46
Revaluation reserve	17	Nil	439
Profit and loss account	17	395	4,343
Shareholders' funds		<u>3,490</u>	<u>7,835</u>

Signed on behalf of the Board



Colin Brown
Director

31 October 2008

The accompanying notes form an integral part of this balance sheet

Additional statements

For the year ended 30 April 2008

Statement of total recognised gains and losses.

	2008	2007
	£000	£000
Profit for the financial year	8,719	6,114
Recognition of net actuarial (loss)/gain on defined benefit pension schemes	(3,227)	4,527
Recognition of tax on net actuarial (loss)/gain on defined benefit pension schemes	1,121	(1,358)
Total recognised gains and losses relating to the year	<u>6,613</u>	<u>9,283</u>

Reconciliation of movement in shareholders' funds/(deficit)

	2008	2007
	£000	£000
Profit for the financial year	8,719	6,114
Dividends paid (Note 6)	(11,000)	Nil
Other recognised gains and losses relating to the year	(2,106)	3,169
Credit in respect of share based payments	42	24
Net (decrease)/increase in shareholders' funds/(deficit)	<u>(4,345)</u>	<u>9,307</u>
Opening shareholders' funds/(deficit)	<u>7,835</u>	<u>(1,472)</u>
Closing shareholders' funds	<u>3,490</u>	<u>7,835</u>

The accompanying notes form an integral part of this reconciliation

Note of Historical Cost Profits and Losses

	2008	2007
	£000	£000
Reported profit on ordinary activities before taxation	9,657	8,601
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the re-valued amount	Nil	12
Realisation of property revaluation gains	439	Nil
Historical cost profit on ordinary activities before taxation	<u>10,096</u>	<u>8,613</u>
Historical cost profit for the year retained after taxation and dividends	<u>(1,842)</u>	<u>6,126</u>

Notes to the financial statements

For the year ended 30 April 2008

1 Accounting policies

The 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 on the going concern basis, under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom

The financial statements contain information about Busways Travel Services Ltd as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Stagecoach Group plc, a company incorporated in Scotland

b) 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. Cost includes the original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use

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
Furniture and fittings	3 to 10 years

Freehold land is not depreciated

c) Fixed asset investments

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

Notes to the financial statements (continued)

For the year ended 30 April 2008

1 Accounting policies (continued)

d) 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. The valuation method of stock used is first-in, first-out ("FIFO").

e) 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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Notes to the financial statements (continued)

For the year ended 30 April 2008

1 Accounting policies (continued)

f) 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.

Rental income under operating leases is credited on a straight line basis over the lease term.

g) 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 and property rental income) are reported as other operating income and are recognised as the income is earned.

h) 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.

i) 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.

Notes to the financial statements (continued)

For the year ended 30 April 2008

1 Accounting policies (continued)

j) 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.

k) 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.

l) 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.

Stagecoach Group plc operates an Executive Share Option Scheme which employees of the Company are eligible to participate in. Details of the scheme are disclosed within the group's 2008 annual report (note 30), which does not form part of this report.

Notes to the financial statements (continued)

For the year ended 30 April 2008

1 Accounting policies (continued)

m) Going concern basis

At 30 April 2008, the Company had net current liabilities of £15,677,000. The directors have received confirmation of continuing financial support from the ultimate holding company. Accordingly, the financial statements have been prepared on the going concern basis.

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 Other operating income

	2008 £000	2007 £000
Advertising income	439	376
Property rental income	35	18
Other miscellaneous revenue	99	426
	<u>573</u>	<u>820</u>

4 Finance income (net)

	2008 £000	2007 £000
Bank interest receivable (net)	847	1,098
Hire purchase and finance lease interest payable	(625)	(442)
Finance income on pension assets (note 15)	968	608
	<u>1,190</u>	<u>1,264</u>

Notes to the financial statements (continued)

For the year ended 30 April 2008

5 Profit on ordinary activities before taxation

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

	2008 £000	2007 £000
Depreciation and amounts written off tangible fixed assets		
- owned	1,113	1,181
- held under hire purchase and finance leases agreements	1,409	1,282
(Gain)/loss on disposal of tangible fixed assets, other than properties	(7)	25
Operating lease rentals		
- land and buildings	44	258
- plant and machinery	32	7

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

6 Dividend

	2008 £000	2007 £000
Interim dividend paid to parent company £1 83 (2007 £Nil) per ordinary share	11,000	Nil

7 Directors and employees

	2008 £000	2007 £000
Emoluments of directors	161	187

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 £23,735 (2007 £24,868) 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

	2008 Number	2007 Number
Defined benefit scheme	3	3

The number of directors who exercised their share options in the year was as follows

	2008 Number	2007 Number
Share options	3	2

Notes to the financial statements (continued)

For the year ended 30 April 2008

7 Directors and employees (continued)

	2008	2007
	£000	£000
Staff costs		
Wages and salaries	22,053	20,863
Social security costs	1,872	1,799
Other pension costs (see note 15)	4,393	4,605
Share based payment expense	42	24
	<u>28,360</u>	<u>27,291</u>

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

	2008	2007
	Number	Number
Operations	1,150	1,142
Administration and supervisory	87	87
	<u>1,237</u>	<u>1,229</u>

Notes to the financial statements (continued)

For the year ended 30 April 2008

8 Taxation on profit on ordinary activities

	2008 £000	2007 £000
a) Charge for the year		
Current tax		
UK corporation tax on profits of the year	Nil	Nil
Amounts payable to fellow subsidiary in respect of tax saved by group relief	1,290	2,076
Adjustments in respect of prior years	(22)	(233)
	<hr/>	<hr/>
Total current tax	1,268	1,843
Deferred tax		
Origination and reversal of timing differences	(430)	150
Adjustments in respect of prior periods	(140)	(17)
Pension cost relief in excess of pension cost charge	799	511
Exceptional Fundamental change in basis of taxation and impact of reduction in UK tax rate on prior years deferred tax	(559)	Nil
	<hr/>	<hr/>
Total deferred tax (note 14)	(330)	644
	<hr/>	<hr/>
Tax on profit on ordinary activities	938	2,487

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 (29.84%). The differences are explained below

	2008 £000	2007 £000
Profit on ordinary activities before tax	9,657	8,601
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 29.84% (2007: 30%)	2,882	2,580
<i>Effect of</i>		
Non tax deductible expenditure and other permanent differences	(22)	502
Treatment of inter-company transactions	(319)	(339)
Capital allowances less/(more) than depreciation	230	(288)
Other timing differences	(96)	132
Gain on sale of asset	(720)	Nil
Pension cost relief in excess of pension cost charge	(665)	(511)
Adjustment to tax charge in respect of previous periods	(22)	(233)
	<hr/>	<hr/>
Current tax charge for year	1,268	1,843

Notes to the financial statements (continued)

For the year ended 30 April 2008

9 Fixed assets

a) *Tangible assets*

The movement in the year is summarised below

	Land and buildings £000	PSVs £000	Other plant and equipment and furniture and fittings £000	Total £000
Cost or valuation				
Beginning of year	9,764	35,797	5,393	50,954
Additions	Nil	6,990	295	7,285
Disposals	(3,234)	(982)	(730)	(4,946)
Transfers	Nil	(3,732)	53	(3,679)
End of year	<u>6,530</u>	<u>38,073</u>	<u>5,011</u>	<u>49,614</u>
Depreciation				
Beginning of year	(1,114)	(17,702)	(4,588)	(23,404)
Charge for year	(157)	(2,187)	(178)	(2,522)
Disposals	683	861	727	2,271
Transfers	Nil	511	(99)	412
End of year	<u>(588)</u>	<u>(18,517)</u>	<u>(4,138)</u>	<u>(23,243)</u>
Net book value				
Beginning of year	<u>8,650</u>	<u>18,095</u>	<u>805</u>	<u>27,550</u>
End of year	<u>5,942</u>	<u>19,556</u>	<u>873</u>	<u>26,371</u>

The net book value of assets leased under finance leases and hire purchase agreements, which have been capitalised and included in the above, is £21,489,147 (2007 £19,083,492) Depreciation of £1,408,970 (2007 £1,282,356) has been charged in the year in respect of assets held under hire purchase or finance lease agreements

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 All such properties were disposed of in the year and the revaluation reserve released

Notes to the financial statements (continued)

For the year ended 30 April 2008

9 Fixed assets (continued)

During the year Newcastle travel shop and Sunderland depot were disposed of. Proceeds on these disposals were £11,000 and £2,972,000 respectively. Profit on disposals were £11,000 and £421,000 respectively.

b) Investments

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

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

Notes to the financial statements (continued)

For the year ended 30 April 2008

10 Stocks

	2008	2007
	£000	£000
Spares, consumables and fuel	494	405

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

	2008	2007
	£000	£000
<i>Amounts falling due within one year</i>		
Prepayments and accrued income	988	1,022
Amounts owed from fellow group undertakings	808	155
	<u>1,796</u>	<u>1,177</u>

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

12 Creditors

	2008	2007
	£000	£000
<i>Amounts falling due within one year</i>		
Accruals and deferred income	1,512	1,537
Other taxes and social security costs	519	600
Hire purchase and lease obligations (note 13)	3,057	2,709
Group relief	1,270	Nil
Amounts due to fellow group undertakings	19,384	33,742
Other creditors	673	310
	<u>26,415</u>	<u>38,898</u>

Amounts falling due after more than one year

Hire purchase and lease obligations (note 13)	<u>8,797</u>	<u>8,030</u>
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Amounts due to fellow group undertakings within one year accrue no interest and are repayable on demand

Notes to the financial statements (continued)

For the year ended 30 April 2008

13 Obligations under hire purchase and finance lease agreements

Borrowings are repayable as follows

	2008	2007
	£000	£000
Amounts payable		
- within one year	3,057	2,709
- between one and two years	1,428	2,754
- between two and five years	7,369	5,276
	<u>11,854</u>	<u>10,739</u>

14 Provisions for liabilities and charges

	2008	2007
	£000	£000
Accelerated capital allowances	2,110	3,441
Other timing differences	(75)	(60)
Provision for deferred tax, excluding that related to pension liability	<u>2,035</u>	<u>3,381</u>
Deferred tax asset related to pension liability (note 15)	<u>(2,726)</u>	<u>(2,621)</u>
Total deferred tax (asset)/liability	<u>(691)</u>	<u>760</u>

	2008	2007
	£000	£000
Provision/(Asset) at beginning of year, as previously reported	760	(1,242)
Deferred tax (credit)/charge in profit and loss account for year (note 8a)	(330)	644
Deferred tax (credited)/charged to the statement of total recognised gains and losses	<u>(1,121)</u>	<u>1,358</u>
(Asset)/provision at end of year	<u>(691)</u>	<u>760</u>

Notes to the financial statements (continued)

For the year ended 30 April 2008

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 £1,302,000 (2007 £1,044,000), being 14.6% of pensionable salary during the year, and are based on pension costs across the Group as a whole. An additional £1,980,000 (2007 £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 FRS17 disclosures for the Tyne and Wear Superannuation Fund have been based on the most recent actuarial valuations, which have been updated to 30 April 2008 by an independent professionally qualified actuary to take account of the requirements of FRS17.

The principal actuarial assumptions used were as follows

	2008	2007	2006
	%	%	%
Rate of increase in salaries	4.9	4.4	4.3
Rate of increase of pensions in payment	3.4	2.9	2.8
Discount rate	6.6	5.5	5.3
Inflation	3.4	2.9	2.8
Expected long-term rate of return as at 30 April were			
- Equities	8.3	8.3	8.3
- Bonds	5.3	5.3	5.0
- Cash	5.3	5.3	4.5
- Property	7.5	7.5	7.5

Notes to the financial statements (continued)

For the year ended 30 April 2008

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

The expected return on plan assets is based on expectations at the beginning of the period for returns over the entire life of the benefit obligation. The expected returns are set in conjunction with external advisors and take account of market factors, fund managers views and targets for future returns and where appropriate historical returns.

The life expectancy assumptions used for each scheme are periodically reviewed and as at 30 April 2008 were

	2008
	Years
Current pensioner aged 65 – male	16.6
Current pensioner aged 65 – female	20.9
Future pensioners at age 65 (aged 45 now) - male	18.1
Future pensioners at age 65 (aged 45 now) - female	22.6

The amounts recognised in the balance sheet were determined as follows

	2008	2007	2006
	£000	£000	£000
Equities	43,338	47,827	44,100
Bonds	14,062	13,991	14,096
Cash	3,464	1,372	4,867
Property	7,065	6,658	1,430
Total market value of assets	67,929	69,848	64,493
Present value of scheme liabilities	(77,664)	(78,586)	(79,461)
Pension liability before tax	(9,735)	(8,738)	(14,968)
Related deferred tax asset	2,726	2,621	4,490
Net pension liability	(7,009)	(6,117)	(10,478)

The equity investments and bonds which are held in plan assets are quoted and are valued at the current bid price following the adoption of the amendment to FRS 17 as at April 2008. It was not necessary to restate April 2007 and April 2006 figures as differences between mid and bid price were insignificant. Busways Travel Services Limited has also elected not to restate amounts for 2005 and prior years under the exemption allowable under FRS 17.

Notes to the financial statements (continued)

For the year ended 30 April 2008

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

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

	2008	2007
	£000	£000
<i>Defined benefit schemes</i>		
Charge to operating profits		
- current service cost	1,111	1,098
	<u>1,111</u>	<u>1,098</u>
Total operating charge		
Finance cost		
- expected return on assets	(5,239)	(4,800)
- interest cost	4,271	4,192
	<u>(968)</u>	<u>(608)</u>
Net income		
	<u>143</u>	<u>490</u>
Total defined benefit cost		
Defined Contribution costs	3,282	4,115
	<u>3,425</u>	<u>4,605</u>
Total profit and loss charge		

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

	2008	2007
	£000	£000
Total included in staff costs (note 7)	1,111	1,098
Total included within finance income (note 4)	(968)	(608)
	<u>143</u>	<u>490</u>

Defined contribution costs are also included within staff costs

Notes to the financial statements (continued)

For the year ended 30 April 2008

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

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

	2008	2007	2006	2005	2004
	£000	£000	£000	£000	£000
Actual return less expected return on pension scheme assets	(6,503)	193	7,868	1,700	2,500
Experience gains and losses arising on the scheme liabilities	(3,491)	Nil	(26)	1,400	Nil
Changes in assumptions underlying the present value of the scheme liabilities	6,767	4,334	(1,490)	(2,600)	Nil
Actuarial (loss)/gain reported in the STRGL	<u>(3,227)</u>	<u>4,527</u>	<u>6,352</u>	<u>500</u>	<u>2,500</u>

Actuarial (loss)/gain as a percentage of scheme assets and liabilities at 30 April 2008 were as follows

	2008	2007	2006	2005	2004
	%	%	%	%	%
Actual return less expected return on pension scheme assets as a percentage of scheme assets	(9.6)	0.3	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	(4.5)	Nil	Nil	1.9	Nil
Total actuarial (loss)/gain recognised in STRGL as a percentage of the present value of scheme liabilities	<u>(4.2)</u>	<u>5.8</u>	<u>8.0</u>	<u>0.7</u>	<u>3.6</u>

The cumulative amount of actuarial gains and losses on defined benefit schemes recognised in the statement of recognised gains and losses since April 2003 is £10,652,000 gain

The estimated amount of contributions expected to be paid by the company to the schemes during the financial year ended 30 April 2009 is £3,587,000

Notes to the financial statements (continued)

For the year ended 30 April 2008

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

The movement in deficit during the year under FRS 17 was

	2008	2007
	£000	£000
Deficit in schemes at the beginning of the year	(8,738)	(14,968)
Movement in the year		
- Current service cost	(1,111)	(1,098)
- Contributions	2,373	2,193
- Other finance income	968	608
- Actuarial (loss)/gain	(3,227)	4,527
Deficit in schemes at the end of the year	<u>(9,735)</u>	<u>(8,738)</u>

The movement in asset during the year under FRS 17 is as follows

	2008	2007
	£000	£000
At beginning of year	69,848	64,493
Expected return on plan assets	5,239	4,790
Actuarial (losses)/ gains	(6,503)	193
Employers contributions	2,373	2,193
Members contributions	238	268
Benefits paid	(3,266)	(2,089)
At end of year	<u>67,929</u>	<u>69,848</u>

The movement in deficit during the year under FRS 17 is as follows

	2008	2007
	£000	£000
At beginning of year	78,586	79,461
Current service costs	1,111	1,098
Interest cost	4,271	4,182
Members contribution	238	268
Actuarial loss – experience gains and losses	3,491	Nil
Actuarial loss – changes in assumptions	(6,767)	(4,334)
Benefits paid	(3,266)	(2,089)
At end of year	<u>77,664</u>	<u>78,586</u>

Notes to the financial statements (continued)

For the year ended 30 April 2008

16 Share capital

	2008 £000	2007 £000
<i>Authorised</i>		
6,000,000 Ordinary shares of £0.05p each	300	300
1 'A' share of £1 (2006 – £1)	-	-
<i>Allotted, called up and fully paid</i>		
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	Revaluation reserve	Capital reserve
	£000	£000	£000	£000
Balance at beginning of year	46	4,343	439	2,707
Retained loss for the year	Nil	(2,281)	Nil	Nil
Actuarial loss on pension scheme	Nil	(3,227)	Nil	Nil
Movement on deferred tax relating to pension scheme	Nil	1,121	Nil	Nil
Credit in respect of share based payments	42	Nil	Nil	Nil
Revaluation reserve release	Nil	439	(439)	Nil
Balance at end of year	88	395	Nil	2,707

18 Guarantees and other financial commitments

a) Lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and Buildings 2008 £000	Other 2008 £000	Land and Buildings 2007 £000	Other 2007 £000
Expiry date				
- within one year	Nil	9	Nil	7
- between two and five years	Nil	109	Nil	104
- over five years	21	Nil	333	Nil
	21	118	333	111

Notes to the financial statements (continued)

For the year ended 30 April 2008

18 Guarantees and other financial commitments (continued)

b) Contingent liabilities

The Company, together with certain other group undertakings, is a member of a group for VAT purposes, and technically stands liable in the event of default by any other group undertaking

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