Busways Travel Services Limited

Financial statements for the year ended 30 April 2011

Registered number 2295227

Directors' report
For the year ended 30 April 2011

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 2011

Business review and principal activities
Busways Travel Services Limited operates a fleet of 415 buses and employs 1,146 people, operating in and around the Tyne & Wear and adjacent areas

The results of the Company for year ended 30 April 2011 show a pre-tax profit of £14,218,000 (2010 £13,241,000) and turnover of £59,349,000 (2010 £57,650,000) The Company has net assets of £1,262,000 (2010 £6,536,000)

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 (regional operations) 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

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 (regional operations) 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 2012 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 2011 annual report (note 3 10 of the Operating and Financial review), 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 (regional operations) Division of Stagecoach Group plc, which includes the Company, is discussed in the operating and financial review (paragraph 3 7 1) of the Group's 2011 annual report which does not form part of this report

Results and dividends

Profit on ordinary activities after taxation amounted to £10,446,000 (2010 £9,833,000) This amount has been appropriated as follows

	2011	2010
	£000	£000
Profit for the financial year	**10,446**	9,833
Interim dividend paid to parent company	**(21,000)**	Nil
(Loss)/profit transferred to profit and loss account	**(10,554)**	9,833

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
Mr R Andrew
Mr R Montgomery
Mr M Vaux
Mr S Greer

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing those financial statements, the directors are required to

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

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

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Donations

Donations to charitable organisations amounted to £8,736 (2010 £13,543)

The Company does not make political contributions and accordingly there were no payments for political purposes during the year (2010 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 year 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 Responsibility for the payment of suppliers lies with Stagecoach Services Limited, a fellow group company, hence trade creditors outstanding at the year end represented Nil days' purchases (2010 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 2006) 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

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

M Vaux
Company Secretary

Daw Bank
Stockport
SK3 ODU

8 September 2011

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 2011 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 and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Kenneth Wilson

Kenneth Wilson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

9 September 2011

Profit and loss account

For the year ended 30 April 2011

	Notes	2011 £000	2010 £000
Turnover	2	**59,349**	57,650
Operating costs		**(46,300)**	(44,472)
Other operating income	3	**749**	840
Operating profit		**13,798**	14,018
Finance income/(charges) (net)	4	**420**	(777)
Profit on ordinary activities before taxation	5	**14,218**	13,241
Tax on profit on ordinary activities	8	**(3,772)**	(3,408)
Profit for the financial year	17	**10,446**	9,833

The results for each year arise wholly from continuing operations

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

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years above and their historic cost equivalents

Balance sheet

As at 30 April 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Tangible assets	9 (a)	**31,600**	30,051
Investments	9 (b)	**10,635**	10,635
		42,235	40,686
Current assets			
Stocks	10	**451**	394
Debtors amounts falling due within one year	11	**419**	501
Cash at bank and in hand		**12,629**	38,010
		13,499	38,905
Creditors: amounts falling due within one year	12	**(31,565)**	(41,647)
Net current liabilities		**(18,066)**	(2,742)
Total assets less current liabilities		**24,169**	37,944
Creditors amounts falling due after more than one year	12	**(7,247)**	(8,633)
Provisions for liabilities and charges	14	**(1,733)**	(2,410)
Net assets excluding pension liability		**15,189**	26,901
Pension liability, net of deferred tax	15	**(13,927)**	(20,365)
Net assets including pension liability		**1,262**	6,536
Capital and reserves			
Share capital	16	**300**	300
Capital reserve	17	**2,707**	2,707
Contribution reserve	17	**382**	289
Profit and loss account	17	**(2,127)**	3,240
Shareholders' funds		**1,262**	6,536

Signed on behalf of the Board

Colin Brown
Director
8 September 2011

The accompanying notes form an integral part of this balance sheet

Additional statements

For the year ended 30 April 2011

Statement of total recognised gains and losses

	2011	2010
	£000	£000
Profit for the financial year	**10,446**	9,833
Recognition of net actuarial gain/(loss) on defined benefit pension schemes	**7,774**	(10,089)
Recognition of tax on net actuarial gain/(loss) on defined benefit pension schemes	**(2,587)**	2,825
Total recognised gains and losses relating to the year	**15,633**	2,569

Reconciliation of movement in shareholders' funds

	2011	2010
	£000	£000
Profit for the financial year	10,446	9,833
Other recognised gains and losses relating to the year	5,187	(7,264)
Credit in respect of share based payments	93	154
Dividends (note 6)	(21,000)	Nil
Net (decrease)/increase in shareholders' funds	(5,274)	2,723
Opening shareholders' funds	6,536	3,813
Closing shareholders' funds	1,262	6,536

The accompanying notes form an integral part of this reconciliation

1 Accounting policies

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

a) Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The Company is not required to prepare a cash flow statement under FRS 1 (revised), because it is a wholly owned subsidiary of Stagecoach Group plc, which prepares consolidated financial statements which are publicly available

The Company is a wholly-owned subsidiary of Stagecoach Group plc and is included in the consolidated financial statements of Stagecoach Group plc which are publicly available Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006

At 30 April 2011, the Company had net current liabilities of £18,066,000 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

b) Tangible fixed assets

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Land and buildings and other fixed assets are shown at cost, net of depreciation and any provision for impairment as set out in note 9(a)

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

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 Cost is determined using the first-in, first-out ("FIFO") method for fuel stocks and average cost method for all other stocks

e) Taxation

In accordance with FRS 16, Corporation tax is provided on taxable profits at the current rate 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, full provision is made for deferred tax on a non-discounted basis

Tax, current and deferred is calculated using tax rates 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

f) Turnover

Turnover represents fare revenue receivable in respect of the year The directors regard the Company's business activities, which are carried out wholly in the United Kingdom, as being of one class

g) Property rental income

Rentals under operating leases are credited to the profit and loss account on a straight line basis, over the lease terms

h) Hire purchase and lease obligations

Assets acquired under hire purchase contracts and finance leases are recorded in the balance sheet as an asset (at the equivalent of the purchase price) and as an obligation to pay future hire purchase capital instalments or finance lease rentals Assets held under hire purchase arrangements are depreciated over their useful life

Obligations from hire purchase contracts and finance leases within creditors represent the total of the capital payments outstanding at the balance sheet date Future finance charges are not included

1 Accounting policies (continued)

h) Hire purchase and lease obligations (continued)

The interest element of hire purchase and finance lease obligations are charged to the profit and loss account over the period of the hire purchase or finance lease

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

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

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

j) Grants

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

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, on the period in which they are paid

1 Accounting policies (continued)

l) Share based payments

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

2 Turnover

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

	2011 £000	2010 £000
Advertising income	337	413
Property rental income	18	18
Other miscellaneous revenue	394	409
	749	840

4 Finance income/(charges) (net)

	2011 £000	2010 £000
Bank interest receivable (net)	701	589
Hire purchase and finance lease interest payable	(354)	(441)
Finance income/(charge) on pension assets (note 15)	73	(925)
	420	(777)

5 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation for the year is stated after charging

	2011	2010
	£000	£000
Depreciation and amounts written off tangible fixed assets		
- owned	1,394	1,140
- held under hire purchase and finance leases agreements	1,530	1,645
Loss on disposal of tangible fixed assets, other than properties	35	53
Operating lease rentals		
- land and buildings	649	564
- PSV	158	Nil
- plant and machinery	155	139

No auditor's fees have been settled directly by the Company Audit fees of £7,800 (2010 £6,543) were paid by a fellow subsidiary undertaking on behalf of the Company in respect of audit work performed in the UK.

6 Dividends

	2011	2010
	£000	£000
Interim dividend paid to parent company £3 50 per ordinary share (2010 £Nil per ordinary share)	**21,000**	Nil

7 Directors and employees

	2011	2010
	£000	£000
Emoluments of directors	**137**	119

The above details of directors' emoluments include the emoluments of Les Warneford, Colin Brown, Robert Andrew, Sam Greer and Robert Montgomery which are paid by a fellow subsidiary, Stagecoach Holdings Limited £41,109(2010 £44,164) of their total emoluments received are apportioned to their services as directors of Busways Travel Services Limited

No part of the remuneration of Michael Vaux is directly attributable to the Company

The number of directors who were members of pension schemes was as follows	**2011**	2010
	Number	Number
Defined benefit scheme	**5**	5
Defined contribution scheme	**1**	Nil
	6	5

7 Directors and employees (continued)

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

	2011	2010
	Number	Number
Share options	Nil	5

Staff costs	2011 £000	2010 £000
Wages and salaries	22,609	22,511
Social security costs	1,935	1,897
Other pension costs (see note 15)	2,629	2,511
Share based payment expense	93	154
	27,266	27,073

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

	2011 Number	2010 Number
Operations	1,067	1,101
Administration and supervisory	79	82
	1,146	1,183

8 Taxation on profit on ordinary activities

a) Charge for the year

	2011 £000	2010 £000
Current tax		
UK corporation tax on profits in the year	**2,920**	Nil
Amounts payable to fellow subsidiary in respect of tax saved by group relief	**Nil**	2,936
Adjustments in respect of prior years	**1,089**	60
Total current tax	**4,009**	2,996
Deferred tax		
Origination and reversal of timing differences	**723**	492
Adjustments in respect of prior years	**(960)**	(80)
Total deferred tax (note 14)	**(237)**	412
Tax on profit on ordinary activities	**3,772**	3,408

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 of 27 84% (2010 28%) The differences are explained below	2011 £000	2010 £000
Profit on ordinary activities before tax	**14,218**	13,241
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 27 84% (2010 28%)	**3,958**	3,708
Effect of		
Non tax deductible expenditure and other permanent differences	**23**	1
Treatment of inter-company transactions	**(202)**	(323)
Capital allowances more than depreciation	**(414)**	(294)
Other timing differences	**26**	42
Pension cost relief in excess of pension cost charge	**(471)**	(198)
Adjustment to tax charge in respect of previous years	**1,089**	60
Current tax charge for year	**4,009**	2,996

c) Factors that may effect future tax charges

In the 2011 budget on 23 March 2011, the UK Government announced its intention to reduce the UK Corporation Tax rate from 23% by 1% per annum over a three year period At 30 April 2011 no change in the rate of tax was substantively in law, but a 1% decrease in the rate to 25% is expected to be enacted in the year ending the 30 April 2012 Had this change of rate to 25% been substantively enacted as of the balance sheet date, the estimated impact on the balance sheet would be a reduction in the in the deferred tax liability of £121,616 from £3,159,505 to £3,037,889

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				
Beginning of year	6,663	40,547	6,022	53,232
Additions	21	4,383	604	5,008
Disposals	Nil	(833)	(115)	(948)
Transfers	Nil	(1,165)	(4)	(1,169)
End of year	6,684	42,932	6,507	56,123
Depreciation				
Beginning of year	(827)	(17,481)	(4,873)	(23,181)
Charge for year	(128)	(2,430)	(366)	(2,924)
Disposals	Nil	796	115	911
Transfers	Nil	667	4	671
End of year	(955)	(18,448)	(5,120)	(24,523)
Net book value				
Beginning of year	5,836	23,066	1,149	30,051
End of year	5,729	24,484	1,387	31,600

The net book value of assets leased under finance leases and hire purchase agreements, which have been capitalised and included in the above, is PSV £12,120,723, other £5,722,666 (2010 PSV £13,475,195, other £5,835,926) Depreciation of PSV £1,401,443, other £128,759 (2010 PSV £1,520,573, other £124,740) has been charged in the year in respect of assets held under hire purchase or finance lease agreements

9 Fixed assets (continued)

b) Investments

	Subsidiary undertakings £000
Cost	
At beginning and end of year	14,566
Provision	
At beginning and end of the year	(3,931)
Net book value	
At beginning and end of year	**10,635**

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

Company	**Principal Activity**
Busways Travel Services (1986) Limited	Dormant
Busways Trustee (No 1) Limited	Trustee
Busways Trustee (No 2) Limited	Trustee
Tyne & Wear Omnibus Company Limited	Dormant
Welcome Passenger Transport Limited*	Dormant

* Held indirectly via an intermediate holding company

10 Stocks

	2011	2010
	£000	£000
Spares, consumables and fuel	**451**	394

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

Amounts falling due within one year	**2011 £000**	2010 £000
Prepayments and accrued income	**253**	233
Amounts owed from fellow group undertakings	**166**	267
Other debtors	**Nil**	1
	419	501

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

12 Creditors

Amounts falling due within one year	**2011 £000**	2010 £000
Accruals and deferred income	**2,423**	2,436
Other taxes and social security costs	**639**	645
Hire purchase and lease obligations (note 13)	**1,433**	634
Group relief	**4,025**	5,172
Corporation tax	**2,920**	Nil
Amounts due to fellow group undertakings	**19,458**	32,181
Other creditors	**667**	579
	31,565	41,647
Amounts falling due after more than one year		
Hire purchase and lease obligations (note 13)	**7,247**	8,633

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 2011

13 Obligations under hire purchase and finance lease agreements

Borrowings are repayable as follows

Amounts payable	2011 £000	2010 £000
- within one year	**1,433**	634
- between one and two years	**1,295**	1,353
- between two and five years	**5,952**	7,280
	8,680	9,267

14 Provisions for liabilities and charges

Deferred tax	2011 £000	2010 £000
Accelerated capital allowances	**1,840**	2,538
Other timing differences	**(107)**	(128)
Provision for deferred tax, excluding that related to pension liability	**1,733**	2,410
Deferred tax asset related to pension liability (note 15)	**(4,893)**	(7,920)
Total deferred tax asset	**(3,160)**	(5,510)

	2011 £000	2010 £000
Asset at beginning of year	**(5,510)**	(3,097)
Deferred tax (credit)/charge in profit and loss account for year (note 8a)	**(237)**	412
Deferred tax charged/(credited) to the statement of total recognised gains and losses	**2,587**	(2,825)
Asset at end of year	**(3,160)**	(5,510)

15 Pension 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 £1,800,000 (2010 £1,816,000), being 12 1% (2010 12 1%) of pensionable salary during the year, and are based on pension costs across the Group as a whole Additionally contributions of £97,000 (2010 £61,000) were made to a defined contribution scheme by the Company An actuarial valuation of the Stagecoach Group Pension Scheme was undertaken on 30 April 2008 and a surplus of £5 8 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 2011 by an independent professionally qualified actuary to take account of the requirements

The principal actuarial assumptions used were as follows

	2011	2010	2009
	%	%	%
Rate of increase in salaries	**4.3**	4 4	4 0
Rate of increase of pensions in payment	**2.3**	3 3	3 0
Discount rate	**5.6**	5 7	6 9
Inflation	**3 3**	3 4	3 0
Expected long-term rate of return as at 30 April were			
- Equities	**8.3**	8 3	8 3
- Bonds	**5.0**	5 2	5 8
- Cash	**4 4**	4 7	5 0
- Property	**7.5**	7 5	7 5

15 Pension liability, net of deferred tax (continued)

The expected return on plan assets is based on expectations at the beginning of the year 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 2011 were

	2011	2010
	Years	Years
Current pensioner aged 65 – male	**19.6**	19 4
Current pensioner aged 65 – female	**23 9**	23 8
Future pensioners at age 65 (aged 45 now) - male	**21 9**	21 6
Future pensioners at age 65 (aged 45 now) - female	**26 0**	25 8

The amounts recognised in the balance sheet were determined as follows

	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Equities	**46,401**	46,273	36,622	43,338	47,827
Bonds	**15,043**	15,002	11,882	14,062	13,991
Cash	**2,543**	2,536	2,928	3,464	1,372
Property	**6,639**	6,621	5,970	7,065	6,658
Total market value of assets	**70,626**	70,432	57,402	67,929	69,848
Present value of scheme liabilities	**(89,446)**	(98,717)	(76,306)	(77,664)	(78,586)
Pension liability before tax	**(18,820)**	(28,285)	(18,904)	(9,735)	(8,738)
Related deferred tax asset	**4,893**	7,920	5,293	2,726	2,621
Net pension liability	**(13,927)**	(20,365)	(13,611)	(7,009)	(6,117)

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

15 Pension liability, net of deferred tax (continued)

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

	2011	2010
Defined benefit schemes	£000	£000
Charge to operating profits		
- current service cost	732	634
Total operating charge	732	634
Finance cost		
- expected return on assets	(5,120)	(4,158)
- interest cost	5,047	5,083
Net cost	(73)	925
Total defined benefit cost	659	1,559
Defined Contribution costs	1,897	1,877
Total profit and loss charge	2,556	3,436

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

	2011	2010
	£000	£000
Total included in staff costs (note 7)	732	634
Total included within finance income (note 4)	(73)	925
	659	1,559

Defined contribution costs are also included within staff costs

15 Pension liability, net of deferred tax (continued)

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

	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Actual return less expected return on pension scheme assets	**(3,874)**	9,863	(14,878)	(6,503)	193
Experience gains and losses arising on the scheme liabilities	**Nil**	Nil	14	(3,491)	Nil
Changes in assumptions underlying the present value of the scheme liabilities	**11,648**	(19,952)	4,294	6,767	4,334
Actuarial gain/(loss) reported in the STRGL	**7,774**	(10,089)	(10,570)	(3,227)	4,527

Actuarial gain/(loss) as a percentage of scheme assets and liabilities at 30 April 2011 were as follows

	2011	2010	2009	2008	2007
	%	%	%	%	%
Actual return less expected return on pension scheme assets as a percentage of scheme assets	**(5.5)**	14 0	(25 9)	(9 6)	0 3
Experience gains and losses arising on the scheme liabilities as a percentage of the present value of scheme liabilities	**Nil**	Nil	Nil	(4 5)	Nil
Total actuarial (loss)/gain recognised in STRGL as a percentage of the present value of scheme liabilities	**8.7**	(10 2)	(13 9)	(4 2)	5 8

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 £2,233,000 loss

The estimated amount of contributions expected to be paid by the company to the schemes during the financial year ended 30 April 2012 is £2,253,000

15 Pension liability, net of deferred tax (continued)

The movement in deficit during the year under FRS 17 was	2011	2010
	£000	£000
Deficit in schemes at the beginning of the year	**(28,285)**	(18,904)
Movement in the year		
- Current service cost	**(732)**	(634)
- Contributions	**2,350**	2,267
- Other finance income	**73**	(925)
- Actuarial gain/(loss)	**7,774**	(10,089)
Deficit in schemes at the end of the year	**(18,820)**	(28,285)

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

	2011	2010
	£000	£000
At beginning of year	**70,432**	57,402
Expected return on plan assets	**5,120**	4,158
Actuarial (loss)/gain	**(3,874)**	9,863
Employers contributions	**2,350**	2,267
Members contributions	**178**	211
Benefits paid	**(3,580)**	(3,469)
At end of year	**70,626**	70,432

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

	2011	2010
	£000	£000
At beginning of year	**98,717**	76,306
Current service costs	**732**	634
Interest cost	**5,047**	5,083
Members contribution	**178**	211
Actuarial (loss)/gain – changes in assumptions	**(11,648)**	19,952
Benefits paid	**(3,580)**	(3,469)
At end of year	**89,446**	98,717

16 Share capital

Authorised	**2011 £000**	2010 £000
6,000,000 Ordinary shares of £0 05p each	**300**	300
1 'A' share of £1	**-**	-
Allotted, called up and fully paid		
6,000,000 Ordinary shares of £0 05p each	**300**	300
1 'A' share of £1	**-**	-

17 Reserves

The movement on reserves is summarised below	Contribution Reserve £000	Profit and loss account £000	Capital reserve £000
Balance at beginning of year	289	3,240	2,707
Profit for the year	Nil	10,446	Nil
Dividends paid	Nil	(21,000)	Nil
Actuarial gain on pension scheme	Nil	7,774	Nil
Movement on deferred tax relating to pension scheme	Nil	(2,587)	Nil
Credit in respect of share based payments	93	Nil	Nil
Balance at end of year	**382**	**(2,127)**	**2,707**

18 Guarantees and other financial commitments

a) Lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and Buildings 2011 £000	**Other 2011 £000**	Land and Buildings 2010 £000	Other 2010 £000
Expiry date				
- within one year	**Nil**	**170**	Nil	25
- between one and five years	**542**	**107**	542	121
- over five years	**21**	**3**	21	3
	563	**280**	563	149

18 Guarantees and other financial commitments (continued)

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

c) Cross guarantees
The company is subject to a cross corporate guarantee in relation to the Stagecoach Group plc banking arrangements with the Bank of Scotland There have been no instances where this guarantee has been called upon during the year and none are expected in the future

19 Share based payments
The Company operates a Save as You Earn Scheme ("SAYE") In August 2008, all eligible employees were invited to participate in a new SAYE scheme with a three-year duration starting in September 2008

Share based payment charges of £93,000 (2010 £154,000) have been recognised in the profit and loss account during the year in relation to the scheme

All share options referred to relate to ordinary shares of Stagecoach Group plc, the ultimate parent Company

Grant Date	September 2008
Share price at grant date (£)	3 2750
Exercise price (£)	2 5178
Number of employees holding options at 30 April 2011	184
Shares under option at 30 April 2011	214,134
Vesting period (years)	3
Expected volatility	30%
Option life (years)	3 5
Expected life (years)	3
Risk free rate	4 43%
Expected dividends expressed as an average annual dividend yield	1 37%
Expectations of meeting performance criteria	100%
Fair value per option at grant date (£)	1 14
Option pricing Model	Black-Scholes

One issue from the SAYE scheme was in operation during the year as follows

Issue	Option Grant Date	Savings contract start date	Exercise price	Date from which exercisable	Expiry date
E	1 September 2008	1 October 2008	251 775p	1 October 2011	31 March 2012

19 Share based payments

The expiry date of any individual SAYE option can be extended to be up to 6 months following the date of payment of the final amount due under the related savings account, but may be no later than six months after the exercise date shown above

The changes in the number of participation employees and options over ordinary shares were as follows

	Issue E	
	Number of employees	Ordinary shares under option
At start of year	210	251,383
Options expired	(4)	(8,212)
Options cancelled	(20)	(27,768)
Options Forfeited	(2)	(1,269)
End of year	**184**	**214,134**

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 11 and 12

The fellow group undertaking Scottish Citylink Coaches Limited is a 35% owned subsidiary of Stagecoach Group plc For the year ended 30 April 2011, Busways Travel Services Limited included revenue to a value of £1,377,000 (2010 Nil) and costs of £639,000 (2010 Nil) As at 30 April 2011, the Company has a receivable of £213,861 08 (2010 Nil) and a payable of £67,770 27 (2010 Nil) with Scottish Citylink Coaches Limited

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