

Busways Travel Services Limited

Financial statements for the year ended 30 April 2010

Registered number 2295227

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Directors' report

For the year ended 30 April 2010

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 2010

Business review and principal activities

Busways Travel Services Limited operates a fleet of 404 buses and employs 1,183 people, operating in and around the Tyne & Wear and adjacent areas

The results of the Company for year ended 30 April 2010 show a pre-tax profit of £13,241,000 (2009 £10,736,000) and turnover of £57,650,000 (2009 £56,613,000) The Company has net assets of £6,536,000 (2009 £3,813,000)

Business environment

The Company operates predominantly local bus services, carrying around 181,000 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 2010

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 2011 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 Operating and Financial Review (paragraph 3.10) of the Group's 2010 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 Operating and Financial Review (paragraph 3.5.3) of the Group's 2010 annual report which does not form part of this report

Results and dividends

Profit on ordinary activities after taxation amounted to £9,833,000 (2009 £7,886,000). No interim dividend was paid (2009 £Nil). The directors do not recommend that a final dividend be paid (2009 £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

Mr R Andrew

Mr R Montgomery

Mr M Vaux

Mr S Greer (appointed 10 March 2010)

Directors' report (continued)

For the year ended 30 April 2010

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing 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.

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 £13,543 (2009: £17,229).

The Company does not make political contributions and accordingly there were no payments for political purposes during the year (2009: 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 2010

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. 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 (2009 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.

Directors' report (continued)

For the year ended 30 April 2010

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

31st August 2010

Auditors' report

For the year ended 30 April 2010

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 2010 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 Accounting Policies 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 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.

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 2010 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.

Auditors' report (continued)

For the year ended 30 April 2010

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

2 September 2010

Profit and loss account

For the year ended 30 April 2010

	Notes	2010 £000	2009 £000
Turnover	2	57,650	56,613
Operating costs		(44,472)	(46,903)
Other operating income	3	<u>840</u>	<u>896</u>
Operating profit		14,018	10,606
Finance (charges)/income (net)	4	<u>(777)</u>	<u>130</u>
Profit on ordinary activities before taxation	5	13,241	10,736
Taxation on profit on ordinary activities	7	<u>(3,408)</u>	<u>(2,850)</u>
Profit for the financial year		<u>9,833</u>	<u>7,886</u>

The results for each year arise wholly from continuing operations

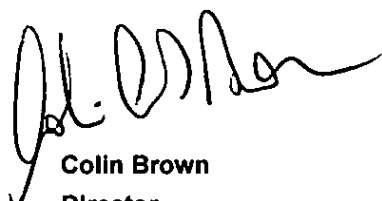
The accompanying notes form an integral part of this profit and loss account

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

Balance sheet
As at 30 April 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	8 (a)	30,051	30,727
Investments	8 (b)	<u>10,635</u>	<u>10,635</u>
		40,686	41,362
Current assets			
Stock	9	394	289
Debtors amounts falling due within one year	10	501	3,045
Debtors amounts falling due after more than one year	10	Nil	7
Cash at bank and in hand		<u>38,010</u>	<u>21,076</u>
		38,905	24,417
Creditors , amounts falling due within one year	11	<u>(41,647)</u>	<u>(36,923)</u>
Net current liabilities		<u>(2,742)</u>	<u>(12,506)</u>
Total assets less current liabilities		37,944	28,856
Creditors : amounts falling due after more than one year	11	(8,633)	(9,236)
Provisions for liabilities and charges	13	<u>(2,410)</u>	<u>(2,196)</u>
Net assets excluding pension liability		26,901	17,424
Pension liability, net of deferred tax	14	<u>(20,365)</u>	<u>(13,611)</u>
Net assets including pension liability		<u>6,536</u>	<u>3,813</u>
Capital and reserves			
Share capital	15	300	300
Capital reserve	16	2,707	2,707
Contribution reserve	16	289	135
Profit and loss account	16	<u>3,240</u>	<u>671</u>
Shareholders' funds		<u>6,536</u>	<u>3,813</u>

Signed on behalf of the Board



Colin Brown
Director

31st August 2010

The accompanying notes form an integral part of this balance sheet

Additional statements

For the year ended 30 April 2010

Statement of total recognised gains and losses

	2010	2009
	£000	£000
Profit for the financial year	9,833	7,886
Recognition of net actuarial loss on defined benefit pension schemes	(10,089)	(10,570)
Recognition of tax on net actuarial loss on defined benefit pension schemes	2,825	2,960
Total recognised gains and losses relating to the year	<u>2,569</u>	<u>276</u>

Reconciliation of movement in shareholders' funds

	2010	2009
	£000	£000
Profit for the financial year	9,833	7,886
Other recognised gains and losses relating to the year	(7,264)	(7,610)
Credit in respect of share based payments	154	47
Net increase in shareholders' funds	<u>2,723</u>	<u>323</u>
Opening shareholders' funds	<u>3,813</u>	<u>3,490</u>
Closing shareholders' funds	<u>6,536</u>	<u>3,813</u>

The accompanying notes form an integral part of this reconciliation

Notes to the financial statements

For the year ended 30 April 2010

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 2010, the Company had net current liabilities of £2,742,000. 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 8(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.

Notes to the financial statements (continued)

For the year ended 30 April 2010

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 period. 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.

Notes to the financial statements (continued)

For the year ended 30 April 2010

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.

Notes to the financial statements (continued)

For the year ended 30 April 2010

1 Accounting policies (continued)

k) 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.

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 2010 annual report (note 31), which does not form part of this report.

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

	2010 £000	2009 £000
Advertising income	413	423
Property rental income	18	19
Other miscellaneous revenue	409	454
	<u>840</u>	<u>896</u>

4 Finance (charges)/income (net)

	2010 £000	2009 £000
Bank interest receivable (net)	589	715
Hire purchase and finance lease interest payable	(441)	(574)
Finance charge on pension assets (note 14)	(925)	(11)
	<u>(777)</u>	<u>130</u>

Notes to the financial statements (continued)

For the year ended 30 April 2010

5 Profit on ordinary activities before taxation

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

	2010 £000	2009 £000
Depreciation and amounts written off tangible fixed assets		
- owned	1,140	1,015
- held under hire purchase and finance leases agreements	1,645	1,578
Loss on disposal of tangible fixed assets, other than properties	53	245
Operating lease rentals		
- land and buildings	564	554
- plant and machinery	139	131

No auditor's fees have been settled directly by the Company. Audit fees of £6,543 (2009 £6,761) were paid by a fellow subsidiary undertaking on behalf of the Company in respect of audit work performed in the UK.

6 Directors and employees

	2010 £000	2009 £000
Emoluments of directors	119	180

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 £44,164 (2009 £36,757) 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	2010 Number	2009 Number
Defined benefit scheme	5	5

The number of directors who exercised their share options in the year was as follows	2010 Number	2009 Number
Share options	5	1

Notes to the financial statements (continued)

For the year ended 30 April 2010

6 Directors and employees (continued)

	2010	2009
Staff costs	£000	£000
Wages and salaries	22,511	22,890
Social security costs	1,897	1,933
Other pension costs (see note 14)	2,511	3,091
Share based payment expense	154	47
	<u>27,073</u>	<u>27,961</u>

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

	2010	2009
	Number	Number
Operations	1,101	1,142
Administration and supervisory	82	70
	<u>1,183</u>	<u>1,212</u>

Notes to the financial statements (continued)

For the year ended 30 April 2010

7 Taxation on profit on ordinary activities

	2010	2009
	£000	£000
a) Charge for the year		
Current tax		
Amounts payable to fellow subsidiary in respect of tax saved by group relief	2,936	2,176
Adjustments in respect of prior years	60	120
Total current tax	2,996	2,296
Deferred tax		
Origination and reversal of timing differences	492	273
Adjustments in respect of prior periods	(80)	(111)
Pension cost relief in excess of pension cost charge	Nil	392
Total deferred tax (note 13)	412	554
Tax on profit on ordinary activities	3,408	2,850

b) Factors affecting the tax charge for the year

	2010	2009
	£000	£000
The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below		
Profit on ordinary activities before tax	13,241	10,736
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	3,708	3,006
<i>Effect of</i>		
Non tax deductible expenditure and other permanent differences	1	(30)
Treatment of inter-company transactions	(323)	(148)
Capital allowances more than depreciation	(294)	(270)
Other timing differences	42	10
Pension cost relief in excess of pension cost charge	(198)	(392)
Adjustment to tax charge in respect of previous periods	60	120
Current tax charge for year	2,996	2,296

c) Factors that may effect future tax charges

In the 2010 budget on 22 June 2010, the UK Government announced its intention to reduce the UK Corporation Tax rate from 28% to 24% by 1% per annum over a four year period. At 30 April 2010 no change in the rate of tax was substantively in law, but a 1% decrease in the rate to 27% is expected to be enacted in the year ending the 30 April 2011. Had this change of rate to 27% been substantively enacted as of the balance sheet date, the estimated impact

Notes to the financial statements (continued)

For the year ended 30 April 2010

c) Factors that may effect future tax charges (continued)

on the balance sheet would be a reduction in the in the deferred tax asset of £196,751 from £5,509,041 to £5,312,290

8 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	6,530	40,072	4,943	51,545
Additions	133	1,438	422	1,993
Disposals	Nil	(1,050)	(167)	(1,217)
Transfers	Nil	87	824	911
End of year	<u>6,663</u>	<u>40,547</u>	<u>6,022</u>	<u>53,232</u>
Depreciation				
Beginning of year	(703)	(16,121)	(3,994)	(20,818)
Charge for year	(124)	(2,372)	(289)	(2,785)
Disposals	Nil	993	159	1,152
Transfers	Nil	19	(749)	(730)
End of year	<u>(827)</u>	<u>(17,481)</u>	<u>(4,873)</u>	<u>(23,181)</u>
Net book value				
Beginning of year	<u>5,827</u>	<u>23,951</u>	<u>949</u>	<u>30,727</u>
End of year	<u>5,836</u>	<u>23,066</u>	<u>1,149</u>	<u>30,051</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 PSV £13,475,195, other £5,835,926 (2009 PSV £13,789,130, other £2,274,984) Depreciation of PSV £1,520,573, other £124,740 (2009 PSV £1,463,256, other £114,624) has been charged in the year in respect of assets held under hire purchase or finance lease agreements

Notes to the financial statements (continued)

For the year ended 30 April 2010

8 Fixed assets (continued)

b) Investments

Subsidiary
undertakings
£000

Cost

At beginning and end of year	<u>14,566</u>
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Provision

At beginning and end of the year	<u>(3,931)</u>
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Net book value

At beginning and end of year	<u>10,635</u>
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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

9 Stocks

	2010	2009
	£000	£000
Spares, consumables and fuel	<u>394</u>	<u>289</u>

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

Notes to the financial statements (continued)

For the year ended 30 April 2010

10 Debtors

	2010	2009
<i>Amounts falling due within one year</i>	£000	£000
Prepayments and accrued income	233	101
Amounts owed from fellow group undertakings	267	2,940
Other debtors	<u>1</u>	<u>4</u>
	501	3,045

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

	2010	2009
<i>Amounts falling due after one year</i>	£000	£000
Prepayments and accrued income	<u>NIL</u>	<u>7</u>

11 Creditors

	2010	2009
<i>Amounts falling due within one year</i>	£000	£000
Accruals and deferred income	2,436	2,387
Other taxes and social security costs	645	612
Hire purchase and lease obligations (note 12)	634	1,706
Group relief	5,172	2,176
Amounts due to fellow group undertakings	32,181	29,582
Other creditors	<u>579</u>	<u>460</u>
	41,647	36,923

Amounts falling due after more than one year

Hire purchase and lease obligations (note 12)	<u>8,633</u>	<u>9,236</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 2010

12 Obligations under hire purchase and finance lease agreements

Borrowings are repayable as follows

	2010	2009
	£000	£000
Amounts payable		
- within one year	634	1,706
- between one and two years	1,353	1,672
- between two and five years	7,280	7,564
	<u>9,267</u>	<u>10,942</u>

13 Provisions for liabilities and charges

	2010	2009
	£000	£000
Deferred tax		
Accelerated capital allowances	2,538	2,303
Other timing differences	(128)	(107)
Provision for deferred tax, excluding that related to pension liability	2,410	2,196
Deferred tax asset related to pension liability (note 14)	<u>(7,920)</u>	<u>(5,293)</u>
Total deferred tax asset	<u>(5,510)</u>	<u>(3,097)</u>

	2010	2009
	£000	£000
Asset at beginning of year	(3,097)	(691)
Deferred tax charge in profit and loss account for year (note 7a)	412	554
Deferred tax credited to the statement of total recognised gains and losses	<u>(2,825)</u>	<u>(2,960)</u>
Asset at end of year	<u>(5,510)</u>	<u>(3,097)</u>

Notes to the financial statements (continued)

For the year ended 30 April 2010

14 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 £1,816,000 (2009 £2,112,000), being 12.1% (2009 14.6%) of pensionable salary during the year, and are based on pension costs across the Group as a whole. Additionally contributions of £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 2010 by an independent professionally qualified actuary to take account of the requirements.

The principal actuarial assumptions used were as follows

	2010	2009	2008
	%	%	%
Rate of increase in salaries	4.4	4.0	4.9
Rate of increase of pensions in payment	3.3	3.0	3.4
Discount rate	5.7	6.9	6.6
Inflation	3.4	3.0	3.4
Expected long-term rate of return as at 30 April were			
- Equities	8.3	8.3	8.3
- Bonds	5.2	5.8	5.3
- Cash	4.7	5.0	5.3
- Property	7.5	7.5	7.5

Notes to the financial statements (continued)

For the year ended 30 April 2010

14 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 2010 were

	2010	2009
	Years	Years
Current pensioner aged 65 – male	19.4	19.2
Current pensioner aged 65 – female	23.8	23.7
Future pensioners at age 65 (aged 45 now) - male	21.6	21.5
Future pensioners at age 65 (aged 45 now) - female	25.8	25.7

The amounts recognised in the balance sheet were determined as follows

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Equities	46,273	36,622	43,338	47,827	44,100
Bonds	15,002	11,882	14,062	13,991	14,096
Cash	2,536	2,928	3,464	1,372	4,867
Property	6,621	5,970	7,065	6,658	1,430
Total market value of assets	70,432	57,402	67,929	69,848	64,493
Present value of scheme liabilities	(98,717)	(76,306)	(77,664)	(78,586)	(79,461)
Pension liability before tax	(28,285)	(18,904)	(9,735)	(8,738)	(14,968)
Related deferred tax asset	7,920	5,293	2,726	2,621	4,490
Net pension liability	(20,365)	(13,611)	(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.

Notes to the financial statements (continued)

For the year ended 30 April 2010

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

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

	2010	2009
	£000	£000
<i>Defined benefit schemes</i>		
Charge to operating profits		
- current service cost	634	979
Total operating charge	634	979
Finance cost		
- expected return on assets	(4,158)	(5,054)
- interest cost	5,083	5,065
Net cost	925	11
Total defined benefit cost	1,559	990
Defined Contribution costs	1,877	2,112
Total profit and loss charge	3,436	3,102

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

	2010	2009
	£000	£000
Total included in staff costs (note 6)	634	979
Total included within finance income (note 4)	925	11
	1,559	990

Defined contribution costs are also included within staff costs

Notes to the financial statements (continued)

For the year ended 30 April 2010

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

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

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Actual return less expected return on pension scheme assets	9,863	(14,878)	(6,503)	193	7,868
Experience gains and losses arising on the scheme liabilities	Nil	14	(3,491)	Nil	(26)
Changes in assumptions underlying the present value of the scheme liabilities	(19,952)	4,294	6,767	4,334	(1,490)
Actuarial (loss)/gain reported in the STRGL	<u>(10,089)</u>	<u>(10,570)</u>	<u>(3,227)</u>	<u>4,527</u>	<u>6,352</u>

Actuarial (loss)/gain as a percentage of scheme assets and liabilities at 30 April 2010 were as follows

	2010	2009	2008	2007	2006
	%	%	%	%	%
Actual return less expected return on pension scheme assets as a percentage of scheme assets	14.0	(25.9)	(9.6)	0.3	12.2
Experience gains and losses arising on the scheme liabilities as a percentage of the present value of scheme liabilities	Nil	Nil	(4.5)	Nil	Nil
Total actuarial (loss)/gain recognised in STRGL as a percentage of the present value of scheme liabilities	(10.2)	(13.9)	(4.2)	5.8	8.0

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 £10,007,000 loss

The estimated amount of contributions expected to be paid by the company to the schemes during the financial year ended 30 April 2011 is £2,279,000

Notes to the financial statements (continued)

For the year ended 30 April 2010

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

The movement in deficit during the year under FRS 17 was

	2010	2009
	£000	£000
Deficit in schemes at the beginning of the year	(18,904)	(9,735)
Movement in the year		
- Current service cost	(634)	(979)
- Contributions	2,267	2,391
- Other finance income	(925)	(11)
- Actuarial loss	(10,089)	(10,570)
Deficit in schemes at the end of the year	(28,285)	(18,904)

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

	2010	2009
	£000	£000
At beginning of year	57,402	67,929
Expected return on plan assets	4,158	5,054
Actuarial gain/(losses)	9,863	(14,878)
Employers contributions	2,267	2,391
Members contributions	211	268
Benefits paid	(3,469)	(3,362)
At end of year	70,432	57,402

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

	2010	2009
	£000	£000
At beginning of year	76,306	77,664
Current service costs	634	979
Interest cost	5,083	5,065
Members contribution	211	268
Actuarial loss – experience gains and losses	Nil	(14)
Actuarial gain/(loss) – changes in assumptions	19,952	(4,294)
Benefits paid	(3,469)	(3,362)
At end of year	98,717	76,306

Notes to the financial statements (continued)

For the year ended 30 April 2010

15 Share capital

	2010 £000	2009 £000
<i>Authorised</i>		
6,000,000 Ordinary shares of £0.05p each	300	300
1 'A' share of £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	-	-

16 Reserves

The movement on reserves is summarised below

	Contribution Reserve £000	Profit and loss account £000	Capital reserve £000
Balance at beginning of year	135	671	2,707
Retained profit for the year	Nil	9,833	Nil
Actuarial loss on pension scheme	Nil	(10,089)	Nil
Movement on deferred tax relating to pension scheme	Nil	2,825	Nil
Credit in respect of share based payments	154	Nil	Nil
Balance at end of year	289	3,240	2,707

17 Guarantees and other financial commitments

a) Lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and Buildings 2010 £000	Other 2010 £000	Land and Buildings 2009 £000	Other 2009 £000
Expiry date				
- within one year	Nil	25	Nil	25
- between one and five years	542	121	Nil	84
- over five years	21	3	564	3
	563	149	564	112

Notes to the financial statements (continued)

For the year ended 30 April 2010

17 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 period and none are expected in the future.

18 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 10 and 11.

19 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