

Stagecoach Rail Limited

Financial statements for the year ended 30 April 2006

Registered office:

10 Dunkeld Road
Perth
PH1 5TW

Registered number:

SC086090



Directors' report

For the year ended 30 April 2006

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

Principal activity and business review

The Company does not trade and is not expected to trade in the foreseeable future.

Results and dividends

The directors do not propose payment of a dividend (2005: £Nil).

Directors and their interests

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

The directors of the Company are listed below together with their interests in the share capital of the ultimate holding company, Stagecoach Group plc. The Company is indirectly a wholly-owned subsidiary of Stagecoach Group plc.

Shares in Stagecoach Group plc were received or receivable under long-term incentive schemes, for qualifying services, for each of the directors listed below with the exception of Graham Eccles who retired in the year and Allison Ingram who resigned in the year.

		Number of Ordinary shares	
		Stagecoach Group plc	
		30 April 2006*	30 April 2005*
Ian Dobbs	- appointed 30 September 2005	Nil	Nil
Graham Eccles	- resigned 30 September 2005	109,229	109,229
Martin Griffiths		15,830	15,830
Nicholas Guest		30,155	45,604
Allison Ingram	- resigned 30 September 2005	255	255
Andrew Pitt		518	518

		Number of 'B' Shares	
		Stagecoach Group plc	
		30 April 2006*	30 April 2005*
Ian Dobbs	- appointed 30 September 2005	Nil	Nil
Graham Eccles	- resigned 30 September 2005	Nil	257
Martin Griffiths		Nil	257
Nicholas Guest		Nil	275
Allison Ingram	- resigned 30 September 2005	Nil	323
Andrew Pitt		Nil	323

The B shares were mandatorily redeemed on 30 September 2005

* or date of resignation if earlier

* or date of appointment if later

Directors' report (continued)
For the year ended 30 April 2006

		Number of share options Stagecoach Group plc			
		At 1 May 2005*	Lapsed	Exercised	At 30 April 2006*
Ian Dobbs	- appointed 30 September 2005	Nil	Nil	Nil	Nil
Graham Eccles	- resigned 30 September 2005	2,172,157	Nil	Nil	2,172,157
Martin Griffiths		1,958,066	(29,820)	(1,146,667)	781,579
Nicholas Guest		823,653	Nil	(525,556)	298,097
Allison Ingram	- resigned 30 September 2005	1,156,278	Nil	(1,126,628)	29,650
Andrew Pitt		1,206,997	Nil	(780,371)	426,626

* or date of resignation if earlier

* or date of appointment if later

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

Auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the next Annual General Meeting of the Company.

By order of the Board



Alan Whitnall
 Company Secretary

30th August 2006

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Auditors' report

For the year ended 30 April 2006

Independent auditor's report to the members of Stagecoach Rail Limited

We have audited the financial statements of Stagecoach Rail Limited for the year ended 30 April 2006 which comprise the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed. We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 April 2006; and
- 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
30th August 2006

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Balance Sheet
As at 30 April 2006

	Notes	2006 £000	2005 £000
Creditors: amounts falling due within one year			
Amounts owed to other group undertakings		(768)	(768)
Net liabilities		<u>(768)</u>	<u>(768)</u>
Capital and reserves			
Equity share capital	3	-	-
Profit and loss account		(768)	(768)
Equity shareholders' deficit		<u>(768)</u>	<u>(768)</u>

There have been no movements in reserves or shareholders' deficit during the year.

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

Signed on behalf of the Board on 30th August 2006.



Martin Griffiths
Director

Notes to the financial statements

For the year ended 30 April 2006

1. Accounting policies

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

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

At 30 April 2006, the Company had net liabilities. The directors have received confirmation of continuing financial support from the ultimate holding company. Accordingly, the financial statements have been prepared on the going concern basis.

(b) Cash flow statement

As permitted by FRS 1 (Revised), no cash flow statement has been prepared as the Company is a wholly-owned subsidiary undertaking of another UK registered company, Stagecoach Group plc, which prepares consolidated financial statements which include a consolidated cash flow statement.

(c) Related party transactions

The Company has taken advantage of the FRS 8 exemption from having to provide details of transactions with fellow group undertakings.

2. Profit and loss account

The remuneration of the auditors and the directors is borne by the ultimate holding company, Stagecoach Group plc and/or other group companies. No significant part of the directors' remuneration is directly attributable to the Company (2005: £Nil).

The Company has no employees (2005: Nil).

3. Equity share capital

	2006 £	2005 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
<i>Allotted, called-up and fully paid</i>		
2 ordinary shares of £1 each	2	2

4. Ultimate parent company

The Company's immediate holding company is Stagecoach Transport Holdings plc (registered number SC183015) and its ultimate holding company is Stagecoach Group plc, (registered number SC100764), both registered in Scotland. Stagecoach Group plc heads the largest group in which the results of the Company are consolidated. The financial statements Stagecoach Group plc are available from 10 Dunkeld Road, Perth, PH1 5TW.