Company balance sheet

As at 30 April 2006

Prepared using UK Generally Accepted Accounting Policies (UK GAAP)

	Notes	2006 £m	2005 As restated £m
Fixed assets			
Tangible assets	2	**0.1**	0.1
Investments	3	**964.9**	924.3
		965.0	924.4
Current assets			
Debtors and prepaid charges – due within one year	4	**13.7**	21.6
– due after more than one year	4	**172.2**	166.6
Deferred tax asset	5	**0.4**	0.6
Derivative financial instruments at fair value	7	**4.0**	Nil
		190.3	188.8
Creditors: Amounts falling due within one year			
Trade and other payables	6	**(398.7)**	(351.6)
Derivative financial instruments at fair value	7	**(4.2)**	Nil
		(402.9)	(351.6)
Net current liabilities		**(212.6)**	(162.8)
Total assets less current liabilities		**752.4**	761.6
Creditors: Amounts falling due after more than one year	6	**(13.5)**	(38.3)
Net assets excluding pension liability		**738.9**	723.3
Pension liability, net of deferred tax	8	**(2.5)**	(2.8)
Net assets including pension liability		**736.4**	720.5
Capital and reserves			
Equity share capital	9	**6.9**	6.8
Redeemable 'B' preference shares	9	**n/a**	13.9
Share premium account	10	**174.8**	163.4
Profit and loss account	10	**317.8**	314.1
Capital redemption reserve	10	**243.0**	229.1
Own shares	10	**(6.1)**	(6.8)
Shareholders' funds		**736.4**	720.5
Analysis of shareholders' funds			
Equity		**736.4**	706.6
Non-equity		**n/a**	13.9
		736.4	720.5

These financial statements were approved by the Board of Directors on 28 June 2006 for issue.

Brian Souter
Chief Executive

Martin A Griffiths
Finance Director

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

Notes to the financial statements

Note 1 UK GAAP accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with UK GAAP.

- **Basis of accounting**

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

No profit and loss account is presented by the Company as permitted by Section 230 of the Companies Act 1985.

As permitted by FRS 1 (Revised), the Company has taken the exemption from preparing a cash flow statement.

- **Changes in accounting policy**

The Company has adopted FRS 17, 'Retirement benefits', FRS 20 "Share-based payments", FRS 21 "Events after the balance sheet date", FRS 25 "Financial instruments: Disclosure and presentation" and FRS 26 "Financial instruments: Measurement". The adoption of each of these standards represents a change in accounting policy and the comparative figures have been restated accordingly except that the exemption within FRS 25 and FRS 26 not to restate comparatives has been taken. Details of the effects of the prior year adjustments are given in note 14.

The Company has also adopted FRS 23, 'The Effects of Changes in Foreign Exchange Rates', and FRS 28, 'Corresponding amounts', in the year. The adoption of these did not have any impact on the overall reported results.

- **Tangible fixed assets**

Tangible fixed assets are shown at their original historic cost net of depreciation and any provision for impairment as set out in note 2.

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 their estimated useful lives, as follows:

IT and other equipment, furniture and fittings	3 to 10 years
Motor cars and other vehicles	3 to 5 years

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of net realisable value and value in use.

- **Investments**

Investments in subsidiary undertakings are stated at cost, less provision for impairment.

- **Taxation**

Corporation tax is provided on taxable profits at the current rate applicable. Tax charges and credits are accounted for through the same primary statement (either the profit and loss account or the statement of total recognised gains and losses) as the related pre-tax item.

In accordance with FRS 19, "Deferred Taxation", full provision is made for deferred tax on a non-discounted basis in respect of all timing differences except those arising from the revaluation of fixed assets where there is no binding sale agreement and undistributed profits of overseas subsidiaries.

Deferred tax is calculated at rates at which it is estimated the tax will arise. Deferred tax assets are recognised to the extent they are more likely than not to be recovered.

- **Foreign currencies**

Foreign currency monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the year end. Foreign currency transactions arising during the year are translated into sterling at the rate of exchange ruling on the date of the transaction. Any exchange differences so arising are dealt with through the profit and loss account.

For the principal rates of exchange used see the Group IFRS accounting policies on page 44.

- **Share based payment**

The Company issues equity-settled and cash-settled share based payments to certain employees.

The Company has applied the optional exemption contained within FRS 20, which allows it to apply the standard only to share options granted after 7 November 2002 that have not vested before the date of transition, being 1 May 2004.

Equity-settled transactions

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. In valuing equity-settled transactions, no account is taken of any non-market based vesting conditions and no expense is recognised for awards that do not ultimately vest as a result of a failure to satisfy a non-market based vesting condition. None of the Group's equity-settled transactions have any market based performance conditions.

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.

Notes to the financial statements

Note 1 UK GAAP accounting policies (continued)

- **Share based payment (continued)**

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value. Fair value is estimated initially at the grant date and at each balance sheet date thereafter until the awards are settled. Market based performance conditions are taken into account when determining fair value.

Fair value for cash settled share based payments (being only those that relate to the Long Term Incentive Plan) is estimated by use of a simulation model.

During the vesting period, a liability is recognised representing the estimated fair value of the award and the portion of the vesting period expired as at the balance sheet date.

Choice of settlement

The Company can choose to settle awards under the Long Term Incentive Plan in either cash or equity, although it currently intends to settle all such awards in cash. Awards under the Long Term Incentive Plan are accounted for as cash – settled transactions (see above).

- **Dividends**

Dividends on ordinary shares are recorded in the financial statements in the period in which they are approved by the Company's shareholders, or in the case of interim dividends, in the period in which they are paid.

- **Financial instruments**

The accounting policy of the Company under FRS 25 "Financial instruments: Disclosure and presentation" and FRS 26 "Financial instruments: Measurement" for financial instruments is the same as the accounting policy for the Group under IAS 32 "Financial Instruments: Disclosure and presentation" and IAS 39 "Financial instruments: Recognition and Measurement". Therefore for details of the Company's accounting policy for financial instruments refer to pages 46 to 48. The Company has used the exemption within FRS 25 and FRS 26 not to restate comparatives and therefore the previous UK GAAP accounting policies have been used for the 2005 comparatives. For details of the previous accounting policies for derivative financial instruments refer to page 48.

- **Investment in own shares**

In accordance with UITF Abstract 38, "Accounting for ESOP Trusts", own shares held by the Group's Employee Benefit Scheme and Qualifying Employee Share Trust have been classified as deductions from shareholders' funds.

- **Interest bearing loans and borrowings**

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

- **Pensions**

The Company accounts for pensions and similar benefits under FRS 17 "Retirement Benefits" and measures its obligations due at discounted present value.

Note 2 Tangible fixed assets

	£m
Cost	
Beginning of year	0.9
Disposals	(0.3)
End of year	0.6
Depreciation	
Beginning of year	(0.8)
Charge	Nil
Disposals	0.3
End of year	(0.5)
Net book value, beginning of year	0.1
Net book value, end of year	0.1

Note 3 Investments

	Subsidiary undertakings As restated £m
Cost	
Beginning of year	923.0
FRS 20 adjustments	1.3
Beginning of year, restated	924.3
Additions	79.2
Disposals	(38.6)
End of year	964.9
Amounts written off	
At beginning and end of year	Nil
Net book value, beginning of year	923.0
Net book value, beginning of year restated	924.3
Net book value, end of year	964.9

Note 4 Debtors and prepaid charges

Amounts falling due within one year are:

	2006 £m	2005 £m
Trade debtors	**0.3**	0.2
Other prepayments and accrued income	**3.2**	11.2
VAT and other government debtors	**10.1**	9.8
UK corporation tax debtors	**Nil**	0.4
Amounts owed by Group companies	**0.1**	Nil
	13.7	21.6

Amounts falling due after more than one year are:

	2006 £m	2005 As restated £m
Amounts owed by Group companies	**172.2**	166.6

Credit risk with respect to debtors is low due to the fact that a large amount of the Company's balances are with subsidiary undertakings that it controls.

Note 5 Deferred tax asset

The Company movement during the year was as follows:

	2006 £m	2005 £m
Beginning of year	**1.5**	1.1
FRS 17 adjustments (see note 14)	**(0.9)**	(0.9)
Beginning of year, restated	**0.6**	0.2
(Charge)/credit to profit and loss account	**(0.2)**	0.4
End of year	**0.4**	0.6

Notes to the financial statements

Note 5 Deferred tax asset (continued)

The deferred tax asset recognised can be split as follows:

	2006 £m	2005 As restated £m
Short-term timing differences	**0.4**	0.6

Note 6 Creditors

(a) Creditors: Amounts falling due within one year

	2006 £m	2005 As restated £m
Bank overdrafts	**312.5**	197.0
Bank loans and loan notes	**37.7**	104.8
Trade creditors	**0.6**	1.7
Accruals and deferred income	**6.6**	15.9
Other creditors		
– UK corporation tax payable	**4.9**	Nil
– PAYE and NIC payable	**Nil**	0.2
Amounts due to Group companies	**36.4**	32.0
	398.7	351.6

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

(b) Creditors: Amounts falling due after more than one year

	2006 £m	2005 £m
Accruals and deferred income	**0.8**	0.8
Amounts due to Group companies	**12.7**	37.5
	13.5	38.3

(c) Borrowings are repayable as follows

	2006 £m	2005 £m
On demand or within 1 year		
Bank overdraft	**312.5**	197.0
Bank loans and loan notes	**37.7**	104.8
Total borrowings	**350.2**	301.8

Note 7 Financial instruments

In accordance with the transitional arrangements for FRS 25 and FRS 26, the exemption regarding comparatives has been taken. Accordingly no comparatives are given in this note. The fair value of derivative financial instruments at 30 April 2006 are set out below:

	Fair value assets £m	Fair value liabilities £m
Forward foreign currency contracts – external	**Nil**	(0.1)
Forward currency contracts – internal	**0.1**	Nil
Fuel caps – external	**1.4**	(2.5)
Fuel caps – internal	**2.5**	(1.4)
Interest rate swap – external	**Nil**	(0.2)
	4.0	(4.2)

Those derivatives identified above as “internal” are where the counterparty is a subsidiary company. Those identified as “external” are where the counterparty is a third party financial institution.

In accordance with FRS 26, “Financial Instruments: Recognition and Measurement” the Company has reviewed all significant contracts for embedded derivatives that are required to be separately accounted for. None were identified.

There were no derivatives outstanding at the balance sheet date designated as hedges.

Note 8 Pension liability, net of deferred tax

	2006 £m	2005 As restated £m
Unfunded pension liability	**3.6**	3.7
Deferred tax asset	**(1.1)**	(0.9)
	2.5	2.8

The Company no longer has any employees but has unfunded liabilities in respect of former employees which are shown above.

Note 9 Called up share capital

	2006 £m	2005 £m
Authorised		
1,456,666,666 (2005: 1,456,666,666) ordinary share of 12/19 pence each	**9.2**	9.2
2005: 1,388,888,889 redeemable 'B' preference shares of 18 pence each	**n/a**	250.0
Total	**9.2**	259.2
Allotted, called-up and fully paid		
1,093,600,313 (2005: 1,069,545,227) ordinary shares of 12/19 pence each	**6.9**	6.8
2005: 77,189,641 redeemable 'B' preference shares of 18 pence each	**n/a**	13.9
Total	**6.9**	20.7

The redeemable 'B' preference shares attracted a non-cumulative preferential dividend set at 70% of 6 months' LIBOR. The dividend was payable on the nominal amount of 18 pence per 'B' share and was paid twice yearly in arrears on 31 March and 30 September. The redeemable 'B' shares were redeemable at their nominal value of 18 pence per share at the option of holders on 31 March and 30 September each year. As a result of the number of 'B' shares already redeemed, the Company was able to compulsorily redeem all the outstanding 'B' shares on 30 September 2005. The 'B' shares were not listed on a recognised Stock Exchange.

In accordance with UITF 38, all shares held by employee trusts are deducted from shareholders' funds and are not classified as assets.

The Company operates two Employee Share Ownership Trusts: the Stagecoach Group Qualifying Employee Share Ownership Trust ("QUEST") and the Stagecoach Group Employee Benefit Trust 2003 ("EBT"). Shares held by these trusts are treated as a deduction from shareholders' funds in the financial statements. Other assets and liabilities of the trusts are consolidated in the Company's financial statements as if they were assets and liabilities of the Company. As at 30 April 2006, the QUEST held 628,285 (2005: 1,811,212) ordinary shares in the Company and the EBT held 4,690,333 (2005: 4,690,333) ordinary shares in the Company.

Note 10 Reconciliation of shareholders' funds

	Equity share capital £m	Redeemable 'B' preference shares £m	Share premium account £m	Profit and loss account £m	Capital redemption reserve £m	Own shares £m	**Total £m**
At 30 April 2005 (as previously stated)	6.8	13.9	163.4	288.4	229.1	(6.8)	**694.8**
Prior year adjustments (see note 14):							
FRS 20	Nil	Nil	Nil	1.3	Nil	Nil	**1.3**
FRS 21	Nil	Nil	Nil	24.4	Nil	Nil	**24.4**
At 1 May 2005 (as restated)	6.8	13.9	163.4	314.1	229.1	(6.8)	**720.5**
Profit for the year	Nil	Nil	Nil	52.0	Nil	Nil	**52.0**
Credit in relation to share based payment	Nil	Nil	Nil	2.2	Nil	Nil	**2.2**
Dividends	Nil	Nil	Nil	(36.6)	Nil	Nil	**(36.6)**
Redemption of 'B' shares	Nil	(13.9)	Nil	(13.9)	13.9	Nil	**(13.9)**
Ordinary shares issued during the year	0.1	Nil	11.4	Nil	Nil	Nil	**11.5**
Own shares sold	Nil	Nil	Nil	Nil	Nil	0.7	**0.7**
	6.9	Nil	174.8	317.8	243.0	(6.1)	**736.4**

As permitted by S230 of the Companies Act 1985, the Company has not presented its own profit and loss account.

Note 11 Share based payment

For details of share based payment awards and fair values see note 29 to the Group financial statements on pages 81 and 82. The Company accounts for the share based payment charge for the year of £2.2m (2005: £1.3m) by recording an increase to its investment in subsidiaries for this amount and recording a corresponding entry to the profit and loss account reserve to reflect the fact that the Company has no employees and all awards of share options in the Company's shares are to employees of subsidiary companies.

Notes to the financial statements

Note 12 Guarantees, other financial commitment & contingent liabilities

(a) The Company is party to bank guarantees in respect of guarantees, loans, overdrafts and other facilities provided to certain Group undertakings of which £64.0m was outstanding at 30 April 2006 (2005: £81.4m) and provides cross-guarantees to certain subsidiary undertakings under VAT group provisions.

(b) Capital commitments
Capital commitments (where the Company has contracted to acquire assets on behalf of its subsidiaries) are as follows:

	2006	2005
	£m	£m
Contracted for but not provided For delivery in one year	**53.5**	53.4

(c) Operating lease commitments
Commitments for payments in the next year under operating leases are as follows:

	2006		2005	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Under one year	**Nil**	**Nil**	Nil	Nil
Between one year and five years	**Nil**	**9.6**	Nil	9.5
Five years and over	**0.3**	**Nil**	0.3	0.3

Note 13 Related party transactions

The Company has taken advantage of the exemption under FRS 8, "Related party disclosures" from having to provide related party disclosures in its own financial statements when those statements are presented with consolidated financial statements of its group. Details of related party disclosures provided by the Group can be found on page 87.

Note 14 Prior year adjustment

The Company policy for accounting for share based payments and dividends was changed during the year to comply with FRS 20, "Share based payments" and FRS 21, "Events after the Balance Sheet Date". The comparative figures in the primary statements and notes have been restated to reflect the new policies.

FRS 20 requires the fair value of outstanding share options granted to employees to be recognised as a charge in the profit and loss account. Previous UK GAAP treatment required the instrinsic value to be recognised as a charge in the profit and loss account. FRS 21 requires that dividends declared to equity shareholders after the balance sheet date should not be recognised as a liability at the balance sheet date. This differs from the previous UK GAAP treatment which required dividends declared after the balance sheet date to be recognised as a liability at the balance sheet date.

The effect of the changes for each of these is summarised below:

FRS 20, "Share based payments" **Balance sheet**	**2006**	2005
	£m	£m
Increase in investments in subsidiaries	**2.1**	1.3
Increase in net assets	**2.1**	1.3
Increase in profit and loss account reserve	**2.1**	1.3
FRS 21, "Events after the Balance Sheet Date" **Profit and loss account**		
Decrease in dividends recorded in the profit and loss account	**4.0**	24.4
Increase in profit for the financial year	**4.0**	24.4
Balance sheet		
Decrease in dividend payable creditor	**4.0**	24.4
Increase in net assets	**4.0**	24.4
Increase in profit and loss account reserve	**4.0**	24.4

The adoption of FRS 17, "Retirement Benefits," and FRS 23, "The Effects of Changes in Foreign Exchange Rates" have had no impact on overall reported results. On the adoption of FRS 17, deferred taxation in respect of pension liabilities for the comparative year has been reclassified from deferred tax asset within current assets to the pension liability, net of deferred taxation line on the face of the balance sheet. The adoption of FRS 25, "Financial Instruments: Disclosure and Presentation" and FRS 26, "Financial Instruments: Measurement", which requires all derivatives to be fair valued in the balance sheet has also had no net impact on reported results due to the Company having external derivatives matched by equal and opposite internal derivatives.