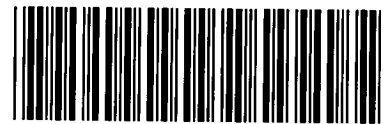


**HGT FINANCE B LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**  
**PAGES FOR FILING WITH REGISTRAR**

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# HGT FINANCE B LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Sir Brian Souter Andrew J Macfie
<b>Secretary</b>	D M Company Services Limited
<b>Company number</b>	SC471025
<b>Registered office</b>	16 Charlotte Square Edinburgh EH2 4DF
<b>Auditor</b>	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE
<b>Solicitors</b>	Dickson Minto WS 16 Charlotte Square Edinburgh EH2 4DF

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# HGT FINANCE B LIMITED

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# HGT FINANCE B LIMITED

## BALANCE SHEET


AS AT 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
<b>Fixed assets</b>					
Investment portfolio	5	181,960,243		219,151,735	
Investments in group entities	6	170,004,792		141,969,050	
		<u>351,965,035</u>		<u>361,120,785</u>	
<b>Current assets</b>					
Debtors	9	5,151,340		357	
Cash at bank and in hand		3,363,697		2,813,103	
		<u>8,515,037</u>		<u>2,813,460</u>	
<b>Creditors: amounts falling due within one year</b>	10	(10,040,969)		(6,730,664)	
<b>Net current liabilities</b>		<u>(1,525,932)</u>		<u>(3,917,204)</u>	
<b>Total assets less current liabilities</b>		350,439,103		357,203,581	
<b>Creditors: amounts falling due after more than one year</b>	11	(285,332,276)		(288,008,492)	
<b>Net assets</b>		<u>65,106,827</u>		<u>69,195,089</u>	
<b>Capital and reserves</b>					
Called up share capital	12	59,174,063		27,281,461	
Other reserve	13	115,657,445		109,125,840	
Profit and loss reserves	13	(109,724,681)		(67,212,212)	
<b>Total equity</b>		<u>65,106,827</u>		<u>69,195,089</u>	

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 22/9/2017 and are signed on its behalf by:

  
 Sir Brian Souter  
 Director

Company Registration No. SC471025

# HGT FINANCE B LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Share capital £	Other reserves £	Profit and loss reserves £	Total £
<b>Balance at 1 April 2015</b>		27,281,461	109,125,840	9,465,003	145,872,304
<b>Year ended 31 March 2016:</b>					
Loss and total comprehensive loss for the year		-	-	(76,677,215)	(76,677,215)
<b>Balance at 31 March 2016</b>		27,281,461	109,125,840	(67,212,212)	69,195,089
<b>Year ended 31 March 2017:</b>					
Loss and total comprehensive loss for the year		-	-	(42,512,469)	(42,512,469)
Issue of share capital	12	31,892,602	-	-	31,892,602
Premium on shares issued	13	-	6,531,605	-	6,531,605
<b>Balance at 31 March 2017</b>		59,174,063	115,657,445	(109,724,681)	65,106,827

# HGT FINANCE B LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017

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#### 1 Accounting policies

##### Company information

HGT Finance B Limited is a private company limited by shares incorporated in Scotland. The registered office is 16 Charlotte Square, Edinburgh, EH2 4DF.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies are set out below.

These financial statements for the year ended 31 March 2017 are the first financial statements of HGT Finance B Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2015. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

The financial statements contain information about HGT Finance B Limited as an individual company.

The financial statements of the company are consolidated in the financial statements of Souter Investments Limited. These consolidated financial statements are available from its registered office at the same address as listed above.

#### 1.2 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The net current liabilities position in the current year is due to amounts due to the company's bank. Whilst these amounts are, in respect of individual LIBOR loans, repayable within one year, they are drawn under a revolving credit facility which terminates on 6 March 2019. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Income

Dividends from investments are recognised in the statement of comprehensive income as investment income when the shareholders' rights to receive the payment have been established.

# HGT FINANCE B LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

---

### 1 Accounting policies

(Continued)

#### 1.4 Fixed asset investments

Equity investments, including those in subsidiaries deemed to be part of an investments portfolio, are measured at fair value through profit or loss. The company assesses the fair value of its investments using the International Private Equity and Equity and Venture Capital valuation guidelines.

Investments' carrying value also includes loans to subsidiaries and preference shares issued by subsidiaries which are classified as liabilities in the subsidiary accounts.

Receivable loans and preference shares are included within investments where they are internally reported and managed as part of the company's investment portfolio. Such loans may have short or long term repayment terms at the balance sheet date, however the cash flows associated with such debt instruments are not managed in the company's projections on this basis, but rather any call for cash settlement within their terms is considered in the context of the company's overall investment strategy.

Loans and preference shares included within investments are initially recognised at transaction price, and subsequently measured at amortised cost less any impairment, consistent with other basic financial assets.

Equity investments in subsidiaries are carried at cost less impairment, as no directly held subsidiaries are deemed part of the company's investment portfolio.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### 1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

# HGT FINANCE B LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

---

### 1 Accounting policies

(Continued)

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

### 1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### 1.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.



# HGT FINANCE B LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

---

### 1. Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

### 1.8 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

#### **Fair value of investments**

Investments, including those where a controlling share is held, are included at fair value through profit or loss. The directors apply judgement in order to assess the reasonableness of assumptions used in determining fair value.

### 3 Employees

The average monthly number of persons (including directors) employed by the company during the year was 0 (2016 - 0).

# HGT FINANCE B LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

### 4 Liability Limitation Agreement

On 3 April 2017 the company's shareholders passed a resolution to enter into a Liability Limitation Agreement (LLA) with its auditor. The LLA limits the amount of any liability owed to the company by its auditor for negligence, default, breach of duty or trust in respect of the financial year to which these accounts relate. The liability is restricted to such amount as it just and equitable on a proportionate basis and is subject to a liability cap.

### 5 Investment portfolio

	Listed investments at fair value £
<b>Valuation</b>	
At 1 April 2016	219,151,735
Valuation changes	(37,191,492)
	<hr/>
At 31 March 2017	181,960,243
	<hr/>
<b>Carrying amount</b>	
At 31 March 2017	181,960,243
	<hr/> <hr/>
At 31 March 2016	219,151,735
	<hr/> <hr/>

Listed investments relate to quoted equity investments and are measured at fair value through profit or loss.

#### Assets pledged as security

HGT Finance B Limited has pledged 24,060,060 of the Ordinary shares it holds in Stagecoach Group PLC to Bank of Scotland PLC in relation to a facility agreement. These shares have a carrying value at 31 March 2017 of £50,381,766.

HGT Finance B Limited has also pledged 805 of the Ordinary shares it holds in Highland and Universal Securities Limited in relation to a facility agreement. These shares have a carrying value at 31 March 2017 of £36,205,456.

The Company retains the voting rights attached to the pledged shares unless and until the Bank notifies the Company of its intentions to enforce its pledge in accordance with its terms. In addition to this, the bank also holds a charge over the Company's bank account.

# HGT FINANCE B LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

### 6 Investments in group entities

	Unlisted investments at cost £	Debt investments at cost £	Total £
<b>Cost</b>			
At 1 April 2016	136,407,300	5,561,750	141,969,050
Additions	38,424,207	2,789,322	41,213,529
Accrued dividends	-	266,626	266,626
Foreign exchange gains	-	1,443,996	1,443,996
At 31 March 2017	174,831,507	10,061,694	184,893,201
<b>Impairment</b>			
At 1 April 2016	-	-	-
Impairment losses	(14,888,409)	-	(14,888,409)
At 31 March 2017	(14,888,409)	-	(14,888,409)
<b>Carrying amount</b>			
At 31 March 2017	159,943,098	10,061,694	170,004,792
At 31 March 2016	136,407,300	5,561,750	141,969,050

Unlisted investments relate to unquoted equity investments in subsidiaries and debt investments relate to preference shares held. These are measured at amortised cost less impairment.

# HGT FINANCE B LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

### 7 Subsidiaries

Details of the company's subsidiaries at 31 March 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Highland and Universal Securities Limited	UK	Investment company	Ordinary	50.86	
Lakestream Limited	UK	Investment company	Ordinary		50.86
HGT Investments Limited	UK	Investment company	Ordinary	89.91	
Souter Mana UK Limited	UK	Investment company	Ordinary		89.91
Souter H&E Limited	UK	Investment company	Ordinary		89.91
Highland and Universal Securities (No 2) Limited	UK	Investment company	Ordinary		89.91
Highland and Universal Securities (Poland) Limited	UK	Investment company	Ordinary		89.32
Souter Holdings Limited	New Zealand	Holding company	Ordinary		89.01
Mana Coach Holdings Limited	New Zealand	Holding company	Ordinary		65.87
Mana Coach Services Limited	New Zealand	Provision of passenger transportation services	Ordinary		65.87
Newlands Coach Services (1998) Limited	New Zealand	Dormant	Ordinary		65.87
InMotion Group Limited	New Zealand	Holding company	Ordinary		89.13
Howick & Eastern Buses Limited	New Zealand	Provision of passenger transportation services	Ordinary		89.13
Reesby Rotorua Limited	New Zealand	Provision of passenger transportation services	Ordinary		89.13
Howick Bus Co Limited	New Zealand	Land owner	Ordinary		89.13
Souter Holdings Fullers Limited	New Zealand	Holding company	Ordinary		89.58
Fullers Group Limited	New Zealand	Provision of passenger transportation services	Ordinary		89.58
360 Discovery Limited	New Zealand	Provision of passenger transportation services	Ordinary		89.58
ManaBus.com Limited	New Zealand	Provision of passenger transportation services	Ordinary		89.58
Polskibus.com Holdings Sp z.o.o	Poland	Holding company	Ordinary		89.32
Souter Holdings Poland Sp z.o.o	Poland	Provision of passenger transportation services	Ordinary		89.32
Express One z.o.o	Poland	Provision of passenger transportation services	Ordinary		89.32
Bus Transport Holdings OU	Estonia	Provision of passenger transportation services	Ordinary		89.91
Onnibus.com OY	Finland	Holding company	Ordinary		78.52
Roam Experiences Limited	New Zealand	Provision of passenger transportation services	Ordinary		89.58
Just Cruising Charters Limited	New Zealand	Provision of passenger transportation services	Ordinary		89.58

# HGT FINANCE B LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

### 8 Joint ventures

Details of the company's joint ventures at 31 March 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Alexander Dennis Limited	UK	Manufacture of motor vehicles	Ordinary		49.53
Wellington Integrated Ticketing Limited	New Zealand	Ticketing services	Ordinary		32.93

### 9 Debtors

	2017	2016
	£	£
<b>Amounts falling due within one year:</b>		
Amounts due from group entities	5,151,340	357

Amounts due from group entities carry an interest rate of 2% above 3 month LIBOR, the London Interbank Offered Rate, which represents the average interest rate estimated that leading banks in London would charge if borrowing from other banks.

### 10 Creditors: amounts falling due within one year

	2017	2016
	£	£
Bank loans and overdrafts	6,559,900	3,151,172
Loan notes	2,676,217	2,790,554
Trade creditors	21,843	21,417
Amounts due to group entities	770,186	577,521
Accruals	12,823	190,000
	<u>10,040,969</u>	<u>6,730,664</u>

#### Bank loans and overdrafts

The bank loans represent a revolving credit facility with an interest rate of 2.5% above Bank of Scotland base rate.

#### Loan notes

Loan notes carry an interest rate of 2% above LIBOR.

LIBOR, the London Interbank Offered Rate, represents the average interest estimated that leading banks in London would charge if borrowing from other banks.

#### Amounts due to group entities

Amounts due to group entities are unsecured, interest free and repayable on demand.

# HGT FINANCE B LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

### 11 Creditors: amounts falling due after more than one year

	2017 £	2016 £
Loan notes	285,332,276	288,008,492

Loan notes carry an interest rate of 2% above LIBOR.

Of the loan notes, £271,951,192 (2016: £271,951,192) shall not be entitled to interest upon issue and interest shall only start to accrue and become payable on the notes following any note holder, being the immediate parent Souter Investments Limited, requiring the Company by notice in writing to pay interest on the notes, in which case interest shall accrue from that date. There has been no notice in writing for the payment of interest as at the balance sheet date.

### 12 Called up share capital

	2017 £	2016 £
Ordinary share capital Issued and fully paid 59,174,063 of £1 each	59,174,063	27,281,461

During the year, 31,892,602 £1 ordinary shares were issued at £1.2048.

### 13 Reserves

#### Other reserve

The other reserve has been created under section 611 of the Companies Act, which requires any premium paid on the issue of shares as part of a group reconstruction to be recognised as an other reserve.

This resulted in a £109,125,840 premium on HGT Finance B Limited's issued shares being allocated to other reserves in previous years.

During the year, there was an additional £6,531,605 of premium on shares issued recognised. This arose from the issue of new shares by HGT Finance B Limited in exchange for shares in a fellow group entity, Highland and Universal Securities Limited.

#### Profit and loss reserves

Profit and loss reserves are the cumulative net profits or losses in the statement of comprehensive income.

Movements on these reserves are set out in the statement of changes in equity.

### 14 Audit report information

As the income statement has been omitted from the filing copy of the financial statements the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was Barry Masson.

The auditor was Johnston Carmichael LLP.

# **HGT FINANCE B LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 MARCH 2017**

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### **15 Security**

At the year end, the bank held a charge over the ordinary shares of the company, in relation to the facility agreement. The limit of these facilities is £95 million at 31 March 2017.

### **16 Control**

The directors regard Souter Investments Limited, a company incorporated in Scotland, as the ultimate parent company. The financial statements of Souter Investments Limited are available at its registered office, 16 Charlotte Square, Edinburgh, EH2 4DF.

In the opinion of the directors, Sir Brian Souter is the ultimate controlling party, by virtue of his interest in Souter Investments Limited.