Busways Travel Services Limited

Financial statements for the year ended 30 April 2003

together with directors' and auditors' reports

Registered number: 2295227

Directors' report

For the year ended 30 April 2003

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 2003.

Principal activity and business review

The principal activity of the company is the provision of bus services in and around the Tyne & Wear and adjacent areas.

Turnover for the year ended 30 April 2003 was £40,659,000 (2002 - £41,262,000) and the profit on ordinary activities before taxation was £5,612,000 (2002 - £11,606,000).

Profit on ordinary activities after taxation amounted to £4,182,000 (2002 - £ 8,591,000). It is recommended that this amount be appropriated as follows:

	2003	2002
	£000	£000
Profit for the financial year	4,182	8,591
Dividend to parent company	(7,500)	-
Retained (loss)/profit transferred to profit and loss account	(3,318)	8,591

Directors and their interests

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 D Reay	Resigned 28 February 2003
Mr D Kirsopp	Resigned 25 November 2002
Mr GT Brown	Resigned 25 November 2002
Mr BJ Cox	Resigned 3 July 2002
Mr M Griffiths	
Mr P De Santis	Resigned 25 November 2002
Mr L B Warneford	Appointed 25 November 2002

Directors and their interests (continued)

None of the directors had an interest in the issued share capital of the company during the year.

The interests of B Cox and M Griffiths in the issued share capital of Stagecoach Group plc are disclosed in the *financial statements of that company.*

The interests of other directors in the issued share capital of Stagecoach Group plc at 30 April 2003 are as follows:

	Ordinary Shares of 0.5p		Share Options on ordinary shares	
	2003	2002	2003	2002
	Number	Number	Number	Number
Mr J Conroy	2,310,561	2,110,286	898,451	273,760
Mr D Kirsopp	2,347	1,895	-	11,677
Mr D Reay	528	253	111,450	111,450
Mr G Brown	253	253	88,636	88,636
Mr P de Santis	16,682	15,148	5,344	5,344
Mr LB Warneford	60,069	43,254	1,266,006	346,762

Mr J Conroy also had £601,572 loan notes due from Stagecoach Group plc.

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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained in Accounting Policies. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements and applicable accounting standards have been followed.

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. 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.

Disabled persons

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirements which have to be met for certain grades of staff. Wherever reasonable and practicable, the company will retain newly disabled employees and at the same time provide fair opportunities for the career development of disabled people.

Employee involvement

During the 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.

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. In 2002, responsibility for the payment of suppliers was transferred to Stagecoach Services Limited, a fellow group company, hence trade creditors outstanding at the year end represented Nil days' purchases (2002 – 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

Following the conversion of our auditors, PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors will be proposed at the next Annual General Meeting.

By order of the Board

A Whitnall
Company Secretary

Daw Bank
Stockport
SK3 ODU

25 February 2004

Auditors' report

Independent auditors' report to the members of Busways Travel Services Limited:

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes which have been prepared under the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

Auditors' report

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 30 April 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow

25 February 2004

Profit and loss account

For the year ended 30 April 2003

	Notes	2003 £000	2002 £000
Turnover – continuing operations	2	40,659	41,262
Operating costs		(36,335)	(36,639)
Other operating income		737	675
Operating profit – continuing operations		5,061	5,298
Profit on sale of land and buildings		-	6,323
Finance income/(charges)	3	551	(15)
Profit on ordinary activities before taxation	4	5,612	11,606
Taxation	7	(1,430)	(3,015)
Profit on ordinary activities after taxation		4,182	8,591
Dividends	5	(7,500)	-
Retained (loss)/profit for the year	15	(3,318)	8,591

There were no recognised gains or losses other than those in the profit and loss account shown above.

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

Balance sheet

As at 30 April 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Intangible assets	8	45	71
Tangible assets	8	28,317	26,082
Investments	8	12,250	12,250
		40,612	38,403
Current assets			
Stock	9	411	351
Debtors (including £31,238,000 (2002 - £29,246,000) due after one year)	10	32,631	36,774
Cash at bank and in hand		877	7,646
		33,919	44,771
Creditors: Amounts falling due within one year	11	(10,841)	(8,431)
Net current assets		23,078	36,340
Total assets less current liabilities		63,690	74,743
Creditors: Amounts falling due after more than one year	11	(53,724)	(60,771)
Provisions for liabilities and charges	13	(4,034)	(4,722)
Net assets		5,932	9,250
Capital and reserves			
Equity share capital	14	300	300
Capital Reserve	15	2,707	2,707
Revaluation reserve	15	1,207	1,235
Profit and loss account	15	1,718	5,008
Shareholders' funds		5,932	9,250

Signed on behalf of the Board

M A Griffiths
Director

25 February 2004

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

Additional statements

As at 30 April 2003

Reconciliation of movement in shareholders' funds

	2003	2002
	£000	£000
Profit for the financial year	4,182	8,591
Dividends	(7,500)	-
Net (decrease)/increase in shareholders' funds	(3,318)	8,591
Opening shareholders' funds	9,250	659
Closing shareholders' funds	5,932	9,250

The accompanying notes form an integral part of this reconciliation.

Note of Historical Cost Profits and Losses

	2003	2002
	£000	£000
Reported profit on ordinary activities before taxation	5,612	11,606
Realisation of property revaluation gains in previous years	-	802
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the re-valued amount	28	48
Historical cost profit on ordinary activities before taxation	5,640	12,456
Historical cost (loss)/profit for the year retained after taxation and dividends	(3,290)	9,441

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 have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

The company has taken advantage of the exemption from preparing consolidated financial statements and a cash flow statement because it is a wholly owned subsidiary of Stagecoach Group plc which prepares consolidated financial statements which are publicly available.

b) Intangible fixed assets

Purchased goodwill (representing the excess of the fair value of consideration paid over the fair value of the separable net assets acquired) and costs of acquiring new businesses are amortised over their useful economic lives. Provision is made for any impairment.

c) Tangible fixed assets

Land and buildings and other fixed assets are shown at cost or valuation, net of depreciation and any provision for impairment as set out in note 8.

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
Motor cars and other vehicles	3 to 5 years
Furniture and fittings	3 to 10 years

Freehold land is not depreciated

d) Fixed asset investments

Fixed asset investments are shown at cost less any provision for impairment.

e) 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.

1 Accounting policies (continued)

f) 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.

g) 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 represents the total of the capital payments outstanding at the balance sheet date. Future finance charges are not included.

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.

h) Turnover

Turnover comprises gross revenue earned from bus and coach operations in the United Kingdom, and excludes future payments received on account. Amounts receivable for tendered services and concessionary fare schemes are included within turnover.

i) Grants

Fuel duty rebate is credited to operating costs.

Capital grants in respect of fixed assets are credited to the balance sheet and released to the profit and loss account over the useful life of the asset to which they relate.

j) Revaluation of properties

The company has taken advantage of the transitional provisions of FRS 15 and has retained the book amounts of certain freehold properties which were revalued prior to the implementation of that standard. The properties were last revalued at 30 April 1996 and the valuations have not been subsequently updated.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

1 Accounting policies (continued)

k) Pension costs and other post retirement benefits

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of the scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

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 *Finance income/(charges)*

	2003	2002
	£000	£000
Bank interest receivable	670	226
Hire purchase and lease interest payable	(119)	(241)
	551	(15)

4 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation for the year is stated after charging / (crediting):

	2003	2002
	£000	£000
Recharge to Stagecoach Services Ltd re restructuring costs	-	(84)
Loss on sale of fixed assets	33	27
Depreciation		
- owned	1,492	1,664
- held under hire purchase and finance leases agreements	1,311	967
Amortisation of goodwill	26	26
Operating lease rentals - other	111	111
ESOP costs	493	125

Auditors' remuneration is borne by the ultimate parent company.

5 Dividends

	2003	2002
	£000	£000
Dividend payable to parent company £1.25 per ordinary share (2002 - £nil per ordinary share)	7,500	-

6 Directors and employees

	2003	2002
	£000	£000
Emoluments of directors	534	360

The above details of directors' emoluments do not include the emoluments of Les Warneford, which are paid by the ultimate parent company. £12,418 of his total emoluments received are apportioned to his services as a director of Busways Travel Services Limited.

The emoluments of B Cox and M Griffiths are disclosed in the financial statements of Stagecoach Group plc. None of their remuneration is in respect of their duties as directors of this company.

The emoluments of J Conroy, D Reay, D Kirsopp, P De Santis and G Brown are disclosed in full above, and include amounts paid as a director of Cleveland Transit Limited. Their emoluments are also disclosed in the financial statements of Cleveland Transit Limited.

The above amounts for remuneration include the following in respect of the highest paid director £159,755 (2002: £110,589). *Accrued pension at the end of the year was £31,890 (2002: £30,179) and the cash lump sum accrued* was £95,671 (2002: £90,536)

The number of directors who were members of pension schemes was as follows:

	2003	2002
	Number	Number
Defined benefit scheme	8	8

The average remuneration comprised:	2003	2002
	£000	£000
Staff costs		
Wages and salaries	18,936	20,190
Social security costs	1,371	1,465
Other pension costs (see note 16c)	2,481	1,426
Redundancy payments	-	97
	22,788	23,178

6 Directors and employees (continued)

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

	2003 *Number*	2002 *Number*
Operations	1,176	1,250
Administration and supervisory	79	69
	1,255	1,319

7 *Taxation on profit on ordinary activities*

a) Charge for the year	2003 £000	2002 £000
Current tax:		
UK corporation tax on profits of the period	2,118	3,870
Total current tax	2,118	3,870
Deferred tax:		
Origination and reversal of timing differences	(380)	(227)
Adjustments in respect of prior periods	(308)	(628)
Total deferred tax	(688)	(855)
Tax on profit on ordinary activities	1,430	3,015

b) Factors affecting the tax charge for the year

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £000	2002 £000
Profit on ordinary activities before tax	5,612	11,606
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 – 30%)	1,684	3,482
Effect of:		
Expenses not deductible for tax purposes	53	160
Depreciation in period in excess of capital	290	228
Other timing differences	91	-
Current tax charge for year	2,118	3,870

8 Fixed assets

a) Intangible assets

Intangible assets consist of purchased goodwill arising on the acquisition of new routes or operations. The movement for the year was as follows:

	£000
Cost	
At beginning and end of year	122
Amortisation	
Beginning of year	51
Charge for year	26
End of year	77
Net book value	
Beginning of year	71
End of year	45

8 Fixed assets (continued)

b) Tangible assets

The movement in the year is summarised below:

	Freehold land and buildings £000	PSVs £000	Plant equipment furniture and fittings £000	Total £000
Cost or valuation				
Beginning of year	8,104	34,671	4,084	46,859
Additions	4,578	-	281	4,859
Disposals	-	(844)	(125)	(969)
Transfers	-	(58)	187	129
End of year	12,682	33,769	4,427	50,878
Depreciation				
Beginning of year	611	16,715	3,451	20,777
Charge for year	152	2,487	164	2,803
Disposals	-	(809)	(108)	(917)
Transfers	-	(289)	187	(102)
End of year	763	18,104	3,694	22,561
Net book value				
Beginning of year	7,493	17,956	633	26,082
End of year	11,919	15,665	733	28,317

The net book value of assets leased under finance leases and hire purchase agreements which have been capitalised and included in the above is £7,357,088 (2002 - £7,069,743). Depreciation of £1,310,892 (2002 - £967,000) has been charged in the year in respect of assets held under hire purchase or finance lease agreements.

Freehold land amounting to £1,789,450 has not been depreciated (2002 - £ 1,789,450).

The company's properties were revalued by Oliver Liggins, Chartered Surveyors, on the basis of open market value for existing use. The valuation took place on 30 April 1996. Properties held surplus to requirements have been valued on the basis of open market value. If this and prior revaluations of land and buildings had not taken place, the historical cost and accumulated depreciation at 30 April 2003 would have been £11,256,000 and £544,000 respectively (2002 - £ 6,678,000 and £420,000).

Notes to the financial statements (continued)

8 Fixed assets (continued)

c) Investments

	£000
Cost	
At beginning and end of year	14,566
Provision	
At beginning and end of year	(2,316)
Net book value	
At beginning and end of year	12,250

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

Company	Principal Activity
Busways Trustee (No. 1) Limited	Trustee
Busways Trustee (No. 2) Limited	Trustee
Tyne & Wear Omnibus Company Limited	Dormant
Welcome Passenger Transport Limited*	Dormant
Newcastle Busways Limited	Dormant
Sunderland Busways Limited	Dormant
South Shields Busways Limited	Dormant
Armstrong Galley Coaches Limited	Dormant
Economic Bus Services Limited	Dormant
The Quayside Busways Limited	Dormant
Favourite Services Limited	*Dormant*
Blue Bus Services (Newcastle) Limited	Dormant
Busways Travel Services (1986) Limited	Dormant

* Held indirectly via an intermediate holding company.

9 Stocks

	2003	2002
	£000	£000
Spares, consumables and fuel	411	351

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

10 Debtors

	2003 £000	2002 £000
Amounts owed by group undertakings	27,211	25,219
Prepayments and accrued income	1,174	471
Pension prepayments	4,027	4,027
Other debtors	219	7,057
	32,631	36,774

Of the total shown above £31,238,000 (2002 - £29,246,000) falls due after more than one year.

11 Creditors

	2003 £000	2002 £000
Creditors: amounts falling due within one year:		
Accruals and deferred income	3,199	2,216
Other taxes and social security costs	412	374
Hire purchase and lease obligations	1,243	1,899
Corporation tax creditor	5,987	3,870
Other creditors	-	72
	10,841	8,431
Creditors: amounts falling due after more than one year:		
Amounts owed to group undertakings	53,522	59,146
Hire purchase and lease obligations	202	1,625
	53,724	60,771

12 Obligations under finance lease agreements

Borrowings are repayable as follows:

	2003 £000	2002 £000
Amounts payable:		
- within one year	1,243	1,899
- between one and two years	195	1,387
- between two and five years	7	238
	1,445	3,524

13 Provisions for liabilities and charges

	2003 £000	2002 £000
Accelerated capital allowances	3,035	3,645
Other timing differences	999	1,077
Provision for deferred tax	4,034	4,722
At beginning of year	4,722	5,577
Deferred tax credit in profit and loss account for year (note 7a)	(688)	(855)
Provision at end of year	4,034	4,722

14 Equity share capital

	2003 £000	2002 £000
Authorised		
6,000,000 Ordinary shares of £0.05p each	300	300
1 'A' *share of* £1 *(2002 – £1)*	-	-
Allotted, called up and fully paid		
6,000,000 Ordinary shares of £0.05p each	300	300
1 'A' share of £1(2002 - £1)	-	-

Notes to the financial statements (continued)

15 Reserves

The movement on reserves is summarised below:

Distributable	Profit and loss account £000
At beginning of year	5,008
Retained loss for year	(3,318)
Revaluation reserve release	28
End of year	1,718

Non Distributable	Revaluation reserve £000
At beginning of year	1,235
Revaluation reserve release	(28)
End of year	1,207

	Other capital reserve £000
At beginning and end of year	2,707

16 Guarantees and other financial commitments

a) Capital commitments

	2003 £000	2002 £000
Contracted for but not yet provided	-	5,010

b) Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2003		2002	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Expiry date				
- within one year	-	4	-	2
- between two and five years	-	13	-	15
- over five years	69	-	69	-
	69	17	69	17

16 Guarantees and other financial commitments (continued)

c) Pensions

The financial statements reflect the cost of contributions made to the Stagecoach Group Pension Scheme and also the Tyne and Wear Superannuation Fund governed by the Local Government Superannuation regulations 1986 during the year, both are defined benefit schemes.

The company is a contributing employer in the Stagecoach Group Pension Scheme. Full details of this scheme are contained in the accounts of Stagecoach Group plc. Under the transitional arrangements for the implementation of FRS 17, Retirement Benefits, the company continues to account for pensions in accordance with SSAP 24, although the disclosures required by FRS 17 are provided below.

The Stagecoach Group Pension Scheme is a defined benefit scheme. For the purposes of FRS 17, *the contributions* paid by the company would be 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 in the scheme. The costs of contributions to the Group scheme amount to £1.2m (2002: £1.4m), being 6.2% of pensionable salary, and are based on pension costs across the group as a whole. An actuarial valuation of the Stagecoach Group Pension Scheme was undertaken on 5 April 2000 and a surplus of £61.9 million was identified.

d) 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.

17 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.

18 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 to the public from the following address:

Stagecoach Group plc
Group Headquarters
10 Dunkeld Road
Perth
PH1 5TW