

SCOTO Limited

Financial statements for the year ended 30 April 2002

Registered office:

Wessex House
231-232 Blackfriars Road
London
SE1 8NW

Registered number:

3795345



Directors' report

For the year ended 30 April 2002

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 2002.

Principal activity and business review

The principal activity of the company is to invest in overseas transport operators.

Although the company recorded a net deficit on shareholders' funds at the year-end, the directors remain optimistic about the nature and potential of the investments. The directors feel comfortable with the longer-term prospects for their investments and intend to continue to invest in businesses that offer positive returns in the longer term.

Results and dividends

The company reported a profit before taxation of £231,938,737 (2001 restated – loss of £263,977,252).

The directors do not propose a dividend (2001 - £Nil).

Directors and their interests

The directors of the company are listed below together with their interests in the share capital of the ultimate holding company, Stagecoach Group plc (formerly Stagecoach Holdings plc). None of the directors had any interest in the share capital of the company during the year.

	Number of 0.5p shares	
	Stagecoach Group plc	
	30 April 2002	30 April 2001
Keith Cochrane – resigned 28 March 2002	40,251	35,160
Martin Griffiths – resigned 28 March 2002	7,740	7,635
Nicholas Guest	12,780	11,948
John Hamilton	7,123	7,018
Ross Paterson – resigned 28 March 2002	4,830	4,725

	Number of share options	
	Stagecoach Group plc	
	30 April 2002	30 April 2001
Keith Cochrane – resigned 28 March 2002	3,196,423	3,197,526
Martin Griffiths – resigned 28 March 2002	776,182	451,482
Nicholas Guest	199,420	133,737
John Hamilton	154,583	92,800
Ross Paterson – resigned 28 March 2002	135,483	83,200

Directors' report (continued)

For the year ended 30 April 2002

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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

Following the resignation of Andersen on 11 April 2002, the directors appointed PricewaterhouseCoopers to fill the casual vacancy. 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 to the company. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the next Annual General Meeting.

By order of the Board



Alan Whitnall
Company Secretary

24th February 2003

Auditors' Report

For the year ended 30 April 2002

Independent auditors' report to the members of SCOTO Limited

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

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 on page 2.

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.

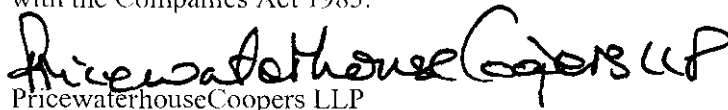
Basis of audit opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 April 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Glasgow

24 February 2003.

Profit and loss account

Year ended 30 April 2002

	Notes	2002 £	2001 Restated £
Impairment of fixed asset investments	6	(19,052,162)	(242,777,246)
Contribution from ultimate holding company	2	263,136,910	Nil
Foreign exchange gain/(loss) (net)		2,162,975	(1,592,631)
Profit/(loss) on ordinary activities before interest and taxation	2	246,247,723	(244,369,877)
Interest payable	4	(14,308,986)	(19,607,375)
Profit/(loss) on ordinary activities before taxation		231,938,737	(263,977,252)
Taxation	5	5,193,318	Nil
Retained profit/(loss)		<u>237,132,055</u>	<u>(263,977,252)</u>

The results for the period reported above are derived wholly from continuing operations.

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

Statement of total recognised gains and losses

Year ended 30 April 2002

	2002 £	2001 Restated £
Profit/(loss) for the financial year	237,132,055	(263,977,252)
Translation (loss)/gain on foreign currency net investment	(887,967)	20,359,999
Translation gain/(loss) on foreign currency borrowings used to hedge net investment	887,967	(20,359,999)
UK tax effect of translation differences on foreign currency net investments	(266,390)	Nil
Total recognised gains and losses for the year	<u>236,865,665</u>	<u>(263,977,252)</u>
Prior year adjustment (note 3)	<u>(8,512,756)</u>	
Total recognised gains and losses recognised since last Annual Report and Accounts	<u><u>228,352,909</u></u>	

Balance Sheet
As at 30 April 2002

	Notes	2002 £	2001 Restated £
Fixed assets			
Investments	6	<u>299,624,307</u>	<u>20,500,182</u>
Current assets			
Debtors	7	4,926,928	Nil
Cash		<u>360</u>	<u>507</u>
		4,927,288	507
Creditors: Amounts falling due within one year	8	(341,055,045)	(293,869,804)
Net current liabilities		<u>(336,127,757)</u>	<u>(293,869,297)</u>
Net liabilities		<u>(36,503,450)</u>	<u>(273,369,115)</u>
Capital and reserves			
Equity share capital	9	1,000	1,000
Profit and loss account	10	(36,504,450)	(273,370,115)
Equity shareholder's deficit	10	<u>(36,503,450)</u>	<u>(273,369,115)</u>

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

Signed on behalf of the Board on 24th February 2003.



Nicholas Guest
Director

Notes to the financial statements

For the period ended 30 April 2002

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 period.

The company has adopted FRS 19, Deferred Tax, in these financial statements. The adoption of this new standard represents a change in accounting policy although this has not resulted in any prior year adjustments.

(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 2002, 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), the company has not prepared a cash flow statement as it is a wholly owned subsidiary of another UK company, Stagecoach Group plc (formerly Stagecoach Holdings plc), which prepares consolidated financial statements, which include a consolidated cash flow statement.

(c) Investments

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

(d) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities (including amounts due from or to other group companies) denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or if appropriate, the forward contract rate.

Exchange differences arising on the translation of foreign currency net investments and on foreign currency borrowings (including loans from other group companies), to the extent the borrowings hedge the investments, are dealt with through reserves. All other exchange differences are dealt with in the profit and loss account.

(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 pre-tax item.

In accordance with FRS 19, full provision is made for deferred tax on a non-discounted basis.

Notes to the financial statements (continued)

For the year ended 30 April 2002

2. Profit/(loss) on ordinary activities before interest and taxation

The contribution from the ultimate holding company represents the assignment of inter-company receivables from the ultimate holding company for which no consideration was paid.

The remuneration of the auditors and the directors is borne by the ultimate holding company, Stagecoach Group plc. No significant part of the directors' remuneration is directly attributable to the company (2001 - £Nil).

The company has no employees (2001 - Nil). All of the directors are employed by the ultimate holding company.

3. Prior year adjustment

In 2001 an impairment to the value of the investments held by the company was recorded at group level but was not recorded in the statutory accounts of the company. The comparative figures for 2001 have been restated accordingly, resulting in a reduction of £8,512,756 to the carrying value of the investment in the balance sheet and the corresponding increase to the impairment charge in the profit and loss account.

4. Interest payable

	2002 £	2001 £
Interest payable on loans from other group companies	14,308,986	19,607,375

5. Taxation

(a) Analysis of credit for the year

	2002 £	2001 £
Current tax:		
Amount receivable from a fellow subsidiary in respect of group relief	(2,668,695)	Nil
Adjustments in respect of previous periods	(2,524,623)	Nil
Total current tax	(5,193,318)	Nil
Tax on profit on ordinary activities	(5,193,318)	Nil

The company has surrendered the benefit of tax losses to another group company for a consideration of £2,668,695 (2001 - £2,524,623).

Accordingly no tax losses are available for carry forward.

Notes to the financial statements (continued)
For the year ended 30 April 2002

(b) Factors affecting the tax credit for the year

	2002 £	2001 £
Profit/(loss) on ordinary activities before tax	231,938,737	(263,977,252)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 30%)	69,581,621	(79,193,176)
<i>Effect of:</i>		
Roundings	(4)	Nil
Taxable receipt from parent company	(78,941,073)	Nil
Impairment of fixed asset investments	5,715,649	72,833,174
Adjustments to tax charge in respect of previous periods	(2,524,623)	Nil
Non deductible foreign exchange loss	975,112	Nil
Free group relief	Nil	6,360,002
Current tax credit for the year	(5,193,318)	Nil

6. Investments

	2002 £	2001 Restated £
Cost		
At beginning of period	263,277,428	211,368,865
Additions	299,064,254	31,548,564
Translation adjustment	(5,519,654)	20,359,999
At end of period	556,822,028	263,277,428
Amounts written off		
At beginning of period	(242,777,246)	Nil
Impairment loss	(19,052,162)	(242,777,246)
Translation adjustment	4,631,687	Nil
At end of period	(257,197,721)	(242,777,246)
Net book value	299,624,307	20,500,182

Investments represent a 50% holding in Stagecoach Nevada, a partnership registered in the United States. The principal activity of the investee is as a holding company of overseas transport operations. Stagecoach Nevada has investments in Coach USA Inc., and a number of transport operators with operations in North America.

The investment is hedged by foreign currency borrowings. Both the investment and the borrowings are re-translated at the foreign exchange rates ruling at the balance sheet date, with the exchange differences being dealt with through reserves. Following an impairment review of the carrying value of this investment, an impairment write-down of £19,052,162 was recorded during the year to 30 April 2002 to re-state the investment to its net realisable value.

Notes to the financial statements (continued)
For the year ended 30 April 2002

7. Debtors

	2002 £	2001 £
Amounts due from fellow group undertakings	4,926,928	Nil

8. Creditors : Amounts falling due within one year

	2002 £	2001 £
Loan from ultimate holding company	296,926,791	263,278,826
Amount owed to subsidiary company	27,122	Nil
Accrued interest payable	44,101,132	30,590,978
	<u>341,055,045</u>	<u>293,869,804</u>

The loan outstanding at 30 April 2002 amounts to US\$432,711,412 (2001 – US\$376,752,000) and is from the ultimate holding company, Stagecoach Group plc. The loan is repayable on demand and bears interest at LIBOR+1.5% per annum. This loan was converted into an equity interest by the holding company in May 2002.

9. Equity share capital

	2002 £	2001 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, called-up and paid</i>		
1,000 ordinary shares of £1 each	1,000	1,000

10. Reconciliation of movements in shareholder's deficit

	Share capital £	Profit and loss account Restated £	Total Restated £
At beginning of the year	1,000	(273,370,115)	(273,369,115)
Profit for the year	-	237,132,055	237,132,055
Other recognised gains and losses	-	(266,390)	(266,390)
At 30 April 2002	<u>1,000</u>	<u>(36,504,450)</u>	<u>(36,503,450)</u>

The profit and loss account reserve is not distributable.

Notes to the financial statements (continued)

For the year ended 30 April 2002

11. Post balance sheet event

As at 30 April 2002, an impairment review of Coach USA, an indirect subsidiary of SCOTO Limited, was undertaken. The directors of the ultimate parent company, Stagecoach Group plc, concluded that at that time, no impairment write-down was required but announced that the review of Coach USA's business would be undertaken. Therefore no impairment was deemed necessary in these accounts for the year ended 30 April 2002.

The recovery in Coach USA's revenues for the six months ended 31 October 2002 was less than expected and trading conditions in North America continue to be difficult. The Stagecoach Group plc's subsequent review of the Coach USA business led to a significant change to the Group's North American strategy, and so the Group undertook a further review of the carrying value of Coach USA's assets as at 31 October 2002 using commercial assumptions consistent with the revised strategy.

As a result of that impairment review, the carrying value of Coach USA's assets were written-down by £575m in the Group's interim results for the six months ended 31 October 2002. Further details of the impairment review are included in the interim report of Stagecoach Group plc for the six months ended 31 October 2002; copies of this document can be obtained by writing to the Company Secretary at 10 Dunkeld Road, Perth, PH1 5TW. Appropriate adjustments will be made to reflect this impairment in the company's investments in the financial statements for the year ending 30 April 2003.

12. Ultimate holding company

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