

Consolidated profit and loss account

Year ended 30 April 2002

	Notes	Performance pre goodwill and exceptionals £m	2002 Goodwill and exceptional items £m	Results for the year £m	2001 Restated Performance pre goodwill and exceptionals £m	Goodwill and exceptional items £m	Results for the year £m
Turnover: Group and share of joint ventures	2	2,111.4	Nil	2,111.4	2,083.5	Nil	2,083.5
Less: Share of joint ventures' turnover		(263.7)	Nil	(263.7)	(234.2)	Nil	(234.2)
Group turnover		1,847.7	Nil	1,847.7	1,849.3	Nil	1,849.3
Continuing group operations		1,847.7	Nil	1,847.7	1,833.1	Nil	1,833.1
Discontinued operations		Nil	Nil	Nil	16.2	Nil	16.2
Operating costs (including asset impairment)	2	(1,753.8)	(61.3)	(1,815.1)	(1,750.4)	(454.4)	(2,204.8)
Other operating income	3	54.2	Nil	54.2	95.2	Nil	95.2
Operating profit/(loss) of group companies	2	148.1	(61.3)	86.8	194.1	(454.4)	(260.3)
Share of operating loss of joint ventures		6.1	(8.4)	(2.3)	(8.8)	(13.0)	(21.8)
Share of operating profit from interest in associates		12.4	(0.4)	12.0	13.6	(0.3)	13.3
Total operating profit/(loss): group and share of joint ventures and associates	2	166.6	(70.1)	96.5	198.9	(467.7)	(268.8)
Represented by:							
Continuing group operations		148.1	(61.3)	86.8	193.0	(454.4)	(261.4)
Joint ventures and associates		18.5	(8.8)	9.7	4.8	(13.3)	(8.5)
Discontinued operations		Nil	Nil	Nil	1.1	Nil	1.1
Total operating profit/(loss): group and share of joint ventures and associates		166.6	(70.1)	96.5	198.9	(467.7)	(268.8)
Profit on sale of properties – continuing operations		Nil	0.5	0.5	Nil	2.8	2.8
Profit on disposal of Prestwick Airport		Nil	Nil	Nil	Nil	6.8	6.8
Profit on disposal of overseas operations		Nil	4.8	4.8	Nil	Nil	Nil
Profit/(loss) on ordinary activities before interest and taxation		166.6	(64.8)	101.8	198.9	(458.1)	(259.2)
Finance charges (net)	4	(59.8)	Nil	(59.8)	(76.0)	Nil	(76.0)
Profit/(loss) on ordinary activities before taxation	5	106.8	(64.8)	42.0	122.9	(458.1)	(335.2)
Taxation on profit/(loss) on ordinary activities	8	(24.2)	9.2	(15.0)	(21.9)	2.8	(19.1)
Profit/(loss) on ordinary activities after taxation		82.6	(55.6)	27.0	101.0	(455.3)	(354.3)
Dividends	9	(34.1)	Nil	(34.1)	(49.3)	Nil	(49.3)
Retained loss for the year		48.5	(55.6)	(7.1)	51.7	(455.3)	(403.6)
Earnings/(loss) per share – Adjusted/Basic	10	6.3p		2.1p	7.5p		(26.4)p
– Diluted	10	6.3p		2.1p	7.5p		(26.4)p

A statement of movements on the profit and loss account reserve is given in note 11.

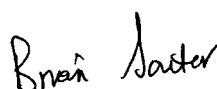
The accompanying notes form an integral part of this consolidated profit and loss account.

Consolidated balance sheet

As at 30 April 2002

	Notes	2002 £m	2001 Restated £m
Fixed assets			
Intangible assets	13	665.4	699.7
Tangible assets	14	1,108.9	1,157.1
Investments	15		
– Investment in joint ventures			
Goodwill		81.4	89.0
Share of gross assets		136.7	101.6
Share of gross liabilities		(97.4)	(83.4)
Shareholder loan notes		10.0	10.0
		130.7	117.2
– Investment in associates		72.8	70.2
– Other investments		3.2	3.1
		1,981.0	2,047.3
Current assets			
Stocks	17	50.9	48.4
Debtors and prepaid charges – due within one year	18	228.5	205.0
– due after more than one year	18	54.2	34.7
Cash at bank and in hand		150.0	160.4
		483.6	448.5
Creditors: Amounts falling due within one year	19	(524.0)	(557.6)
Net current liabilities		(40.4)	(109.1)
Total assets less current liabilities		1,940.6	1,938.2
Creditors: Amounts falling due after more than one year	19	(808.1)	(816.8)
Provisions for liabilities and charges			
– Joint ventures – thetrainline.com	23		
Share of gross assets		5.1	Nil
Share of gross liabilities		(21.8)	Nil
– Other provisions	23	(206.7)	(201.1)
Net assets	2	909.1	920.3
Capital and reserves			
Equity share capital	24	6.6	6.6
Share premium account	26	384.4	781.5
Profit and loss account	26	514.8	128.7
ESOP distribution reserve	26	1.6	1.8
Capital redemption reserve	26	1.7	1.7
Shareholders' funds – Equity		909.1	920.3

Signed on behalf of the Board on 22 July 2002



BRIAN SOUTER
Acting Chief Executive



MARTIN A GRIFFITHS
Finance Director

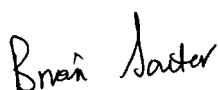
The accompanying notes form an integral part of this consolidated balance sheet.

Company balance sheet

As at 30 April 2002

	Notes	2002 £m	2001 Restated £m
Fixed assets			
Tangible assets	14	8.5	7.8
Investments	15	373.9	375.4
		382.4	383.2
Current assets			
Debtors and prepaid charges – due within one year	18	22.3	9.1
– due after more than one year	18	1,656.9	1,671.5
Cash at bank and in hand		Nil	Nil
		1,679.2	1,680.6
Creditors: Amounts falling due within one year	19	(177.2)	(197.5)
Net current assets		1,502.0	1,483.1
Total assets less current liabilities		1,884.4	1,866.3
Creditors: Amounts falling due after more than one year	19	(812.0)	(725.0)
Provisions for liabilities and charges	23	(8.0)	(7.3)
Net assets		1,064.4	1,134.0
Capital and reserves			
Equity share capital	24	6.6	6.6
Share premium account	26	384.4	781.5
Profit and loss account	26	670.1	342.4
ESOP distribution reserve	26	1.6	1.8
Capital redemption reserve	26	1.7	1.7
Shareholders' funds – Equity		1,064.4	1,134.0

Signed on behalf of the Board on 22 July 2002



BRIAN SOUTER
Acting Chief Executive



MARTIN A GRIFFITHS
Finance Director

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

Consolidated cash flow statement

Year ended 30 April 2002

	Notes	2002 £m	2001 £m
Net cash inflow from operating activities	27	256.9	306.4
Dividends from joint ventures and associates		5.0	6.1
Returns on investments and servicing of finance			
Interest paid		(61.7)	(82.2)
Interest element of hire purchase and lease finance		(7.6)	(8.9)
Interest received		8.4	14.9
Net cash outflow from returns on investments and servicing of finance		(60.9)	(76.2)
Taxation		(16.7)	(8.2)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(82.4)	(93.7)
Sale of tangible fixed assets		5.4	10.1
Net cash outflow from capital expenditure and financial investment		(77.0)	(83.6)
Acquisitions and disposals			
Acquisition of subsidiaries	27	(25.2)	(38.7)
Net cash acquired with subsidiaries		0.3	0.8
Purchase of goodwill		(0.1)	(0.1)
Purchase of investments in joint ventures and associates		(1.5)	(2.5)
Purchase of other investments		(0.3)	(1.2)
Cash of disposed subsidiaries	15	(0.8)	(0.2)
Disposal of subsidiaries and other businesses	15	16.1	37.6
Disposal of other investments		2.0	2.9
Net cash outflow from acquisitions and disposals		(9.5)	(1.4)
Equity dividends paid		(49.8)	(50.2)
Net cash inflow before financing		48.0	92.9
Financing			
Sale of tokens		14.8	16.0
Redemption of tokens		(13.4)	(14.6)
Issue of share capital for cash		1.3	0.3
Repurchase of own shares		Nil	(178.8)
Cost of bond redemption		Nil	(15.4)
Decrease in collateral balances		38.2	23.5
Decrease in borrowings		(12.2)	(505.2)
Repayments of hire purchase and lease finance		(48.2)	(54.0)
Net cash outflow from financing		(19.5)	(728.2)
Increase/(decrease) in cash during the year	27	28.5	(635.3)
Free cash flow		184.3	228.1
Free cash flow per share		14.1p	17.0p

Free cash flow comprises net cash inflow from operating activities, dividends from joint ventures and associates, net cash outflow from returns on investments and servicing of finance, and taxation.

The accompanying notes form an integral part of this consolidated cash flow statement.

Consolidated statement of total recognised gains and losses

Year ended 30 April 2002

	2002 £m	2001 Restated £m
Profit/(loss) for the financial year	27.0	(354.3)
Translation differences on foreign currency net investments	(5.5)	57.7
UK tax effect of translation differences on foreign currency net investments	(4.8)	Nil
Share of other recognised gains and losses of associates	(0.2)	1.3
Total recognised gains and losses relating to the year	16.5	(295.3)
Prior year adjustment (as explained in note 12)	(88.6)	
Total recognised gains and losses recognised since last Annual Report and Accounts	(72.1)	

There are no recognised gains and losses of joint ventures other than the Group's share of their profits or losses for each financial year.

Reconciliation of movements in consolidated shareholders' funds

Year ended 30 April 2002

	2002 £m	2001 Restated £m
Profit/(loss) for the financial year	27.0	(354.3)
Dividends	(34.1)	(49.3)
	(7.1)	(403.6)
Goodwill sold, previously written off to reserves	3.7	2.5
Other recognised gains and losses relating to the year (see above)	(10.5)	59.0
New share capital issued less costs	2.9	1.8
ESOP distribution reserve decrease	(0.2)	Nil
Shares repurchased	Nil	(62.0)
Net reduction in shareholders' funds	(11.2)	(402.3)
Opening shareholders' funds as previously stated	1,008.9	1,391.2
Prior year adjustment (as explained in note 12)	(88.6)	(68.6)
Opening shareholders' funds as restated	920.3	1,322.6
Closing shareholders' funds	909.1	920.3

The accompanying notes form an integral part of these statements.

1 Statement of accounting policies

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

The Group has adopted FRS 19, "Deferred Tax", in these accounts. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The effect of this change is explained in note 12.

A number of new pronouncements by the Urgent Issues Task Force apply to these accounts but have not resulted in any significant changes to the Group's accounting policies.

(a) Basis of accounting

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

(b) Presentation of profit and loss account

Where applicable, profit and loss account information has been presented in a columnar format, which separately highlights goodwill amortisation and exceptional items. This is intended to enable the users of the accounts to determine more readily the impact of goodwill and exceptional items on the results of the Group.

(c) Basis of consolidation

The consolidated accounts include the accounts of the Company, its subsidiary undertakings, joint ventures and associates made up to 30 April in each year except as noted below:

Associates—The Group's share of the profit of Road King Infrastructure Limited is based on the results of that company for the year to 31 December. The Group's share of the profit/loss of other associates is based on the results for the period covered by the Group's financial year.

The consolidated profit and loss account includes the results of businesses purchased from the effective date of acquisition and excludes the results of discontinued operations and businesses sold from the effective date of disposal. No profit and loss account is presented for the parent company, Stagecoach Group plc (formerly Stagecoach Holdings plc) as permitted by Section 230 of the Companies Act 1985.

(d) Intangible assets

In accordance with FRS 10 "Goodwill and Intangible Assets", goodwill arising on acquisitions after 30 April 1998 is recorded as an asset on the balance sheet at cost less amortisation. Each acquisition is reviewed and where the goodwill has a finite economic life, goodwill is amortised over that life. In estimating the useful economic life of goodwill, account has been taken of the nature of the business acquired, stability of the industry sector, extent of barriers to entry and expected future impact of competition. The useful life of goodwill arising on the acquisitions made is estimated by the directors to be between 5 and 20 years. Provision is made for any impairment, with impairment reviews being undertaken in accordance with FRS 11, "Impairment of fixed assets and goodwill". Goodwill arising on acquisitions in the year ended 30 April 1998 and earlier periods was written off directly to reserves in accordance with the accounting standard then in force.

As permitted by the current accounting standard, the goodwill previously written off to reserves has not been reinstated in the balance sheet. On the disposal of a subsidiary undertaking, goodwill previously written off directly to reserves in respect of such an undertaking is transferred to the profit and loss account and constitutes part of the gain or loss to the Group arising on disposal.

Fair value accounting adjustments have been made to take account of the revaluation of certain fixed assets on an existing use basis, discounting of long term liabilities (but not deferred tax provisions) and other changes in accounting policies required to comply with Group policies. Fair value adjustments based on provisional estimates are amended in the following year's accounts where necessary, with a corresponding adjustment to goodwill, in order to refine adjustments to reflect further evidence gained post-acquisition.

Notes to the accounts

1 Statement of accounting policies (continued)

(e) Tangible fixed assets

Tangible fixed assets are shown at their original historic cost or fair value on acquisition net of depreciation and any provision for impairment as set out in note 14.

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:

Heritable and freehold buildings and long leasehold properties	50 years
Short leasehold properties	Over period of lease
Public service vehicles ("PSVs") and transportation equipment	7 to 16 years, depending on type
IT and other equipment, furniture and fittings	5 to 10 years
Motor cars and other vehicles	3 to 5 years

Heritable and freehold land is not depreciated.

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

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 or value in use.

(f) Pre-contract costs

In accordance with UITF Abstract 34, "Pre-contract costs", the costs associated with securing new rail franchises are expensed as incurred, except where it is virtually certain that a contract will be awarded in which case they are recognised as an asset and are charged to the profit and loss account over the life of the franchise.

(g) Investments

Fixed asset investments are shown at cost less provision for impairment. In the Company's accounts investments in subsidiary undertakings are stated at cost, less provision for impairment.

(h) Associates and Joint Ventures

In the Group accounts the investments in associates are accounted for using the equity method and investments in joint ventures are accounted for using the gross equity method. The consolidated profit and loss account includes the Group's share of associates' and joint ventures' profits less losses, while the Group's share of associates' and joint ventures' net assets is shown in the consolidated balance sheet. Where the Group has an interest in a joint venture's net liabilities, the Group's share of net liabilities is classified within provisions for liabilities and charges. Goodwill arising on the acquisition is accounted for in accordance with the policy set out above. Any unamortised goodwill is included in the carrying value of the Group's investments.

(i) 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.

Taxicabs which are held for sale or lease to independent contractors are included within stocks.

(j) Hire purchase and lease obligations

Assets acquired under hire purchase and finance leases are recorded in the balance sheet as assets at the equivalent of the purchase price and as obligations to pay hire purchase capital instalments or future lease rentals. Obligations arising from hire purchase contracts and finance leases represent the total of the capital payments outstanding at the date of the balance sheet. Future finance charges are not included. Future finance charges are calculated in relation to the reducing balance of capital outstanding throughout the contract and charged to the profit and loss account on the same basis.

Assets capitalised under lease finance and other similar contracts are depreciated over the shorter of the lease terms and their useful economic lives.

Assets capitalised under hire purchase contracts are depreciated over their useful economic lives.

Rentals under operating leases are charged on a straight-line basis over the lease term.

The standard term of the majority of finance and hire purchase obligation agreements is 4 to 5 years. The principal restriction on property held under finance or hire purchase agreements is a restriction on the right to dispose of the property during the period of the agreement.

1 Statement of accounting policies (continued)

(k) 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 pre-tax item.

In accordance with FRS 19, 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 and associates.

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.

(l) Turnover

Turnover represents gross revenue earned from public transport services and operating lease rentals receivable, and excludes future payments received on account. Amounts receivable for tendered services and concessionary fare schemes are included as part of turnover. Where appropriate, amounts are shown net of rebates and VAT. Revenues incidental to the Group's principal activity (including advertising income and SWT maintenance income) are reported as miscellaneous revenue.

Bus and rail revenue is recognised at the time of travel. Bus revenue from local authority and similar contracts is recognised on a straight-line basis over the period of the contract.

Income from advertising and other activities is recognised as the income is earned.

Compensation receivable by UK Rail companies in respect of lost revenue is recognised in the period in which the associated loss of revenue arises.

(m) Tokens

Tokens issued by National Transport Tokens Limited are credited to a token redemption provision. Redemptions are offset against this and associated handling commission paid to third parties is included in operating costs. Funds from the sale of tokens required for token redemption are included as a financing activity in the consolidated cash flow statement.

The estimation of the balance sheet provision for token redemption is based on the value of tokens issued by the Group but not yet redeemed at the balance sheet date. Allowance is made for the estimated proportion of tokens in issue that will never be redeemed. This allowance is estimated with reference to historic redemption rates. At 30 April 2002, it has been estimated that 97% (2001–97%) of tokens in issue will be redeemed.

(n) Pension costs

The Group provides for and funds pension liabilities on the advice of external actuaries and makes payments to segregated funds managed by specialist financial institutions.

Independent actuarial valuations on a going concern basis are carried out at least every three years. The employer costs of providing retirement benefits to employees are charged to the profit and loss account on a systematic basis so as to produce a substantially level percentage of the current and future pensionable payroll. Variations from regular cost arising from any excess or deficiency of the actuarial value of the pension funds' assets over the actuarial valuation of the pension funds' liabilities are allocated to the profit and loss account over the employees' average remaining service lives. Any timing difference between amounts charged in the profit and loss account and paid to the pension funds is shown in the balance sheet as an asset or a liability.

Certain employees may be required to retire from their current positions in advance of the normal retirement date, due to the physically demanding nature of their employment. On early retirement, these employees may be entitled to receive one-off lump sum payments. Provision for the cost of the early retirement of these employees is made on a systematic basis over their remaining service lives.

Full details of the principal Group pension schemes are given in note 28d.

The transitional disclosures required under FRS 17, "Retirement Benefits", are also included in note 28d.

Notes to the accounts

1 Statement of accounting policies (continued)

(o) Foreign currencies

The accounts of overseas subsidiaries are maintained in the local currencies in which the subsidiaries transact business. The trading results of overseas subsidiary and associate undertakings are translated into sterling using average rates of exchange. Exchange differences arising on the translation of the opening net assets and results of overseas operations, together with exchange differences arising on foreign currency borrowings and foreign currency derivatives, to the extent they hedge the Group's investment in overseas operations, are dealt with in the statement of total recognised gains and losses.

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the year end except in those instances where forward contracts are in place, in which case the contract rate is used where appropriate. 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.

Principal rates of exchange	2002	2001
New Zealand Dollar		
Year end rate	3.40	3.47
Average rate	3.26	3.39
Hong Kong Dollar		
Year end rate	11.37	11.16
Average rate	11.17	11.44
US Dollar		
Year end rate	1.46	1.43
Average rate	1.43	1.47

(p) Accounting for finance costs and debt

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance costs recognised in respect of each accounting period.

(q) Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Revenue grants receivable in respect of the operation of rail franchises in the UK are charged or credited to the profit and loss account in the year in which payment is due. The above amounts are disclosed within Other Operating Income.

1 Statement of accounting policies (continued)

(r) Derivatives and financial investments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value.

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk, commodity price risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Forward foreign exchange contracts are used to manage exposure to fluctuations in currency rates and to hedge overseas net investments.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's financial statements. Gains and losses arising on derivatives hedging overseas net investments are recognised in the Statement of Total Recognised Gains and Losses

For interest rate and commodity swaps to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate or fuel cost by converting a fixed rate to a variable rate or vice versa. Cash flows under these swaps are recognised by adjusting net interest payable and fuel costs over the periods of the contracts. Gains and losses arising from the termination of these contracts are recognised immediately.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position no longer exists, the instrument is marked to market and any resulting profit or loss recognised at that time.

(s) Marketing costs

Marketing costs incurred during the start up phase of a new activity are charged to the profit and loss account as incurred.

(t) Insurance

The Group receives claims in respect of traffic incidents and employee claims. The Group protects against the cost of such claims through third party insurance policies. An element of the claims are not insured as a result of the "excess" on insurance policies.

Provision is made for the estimated cost to the Group (net of insurance recoveries) to settle claims for incidents occurring prior to the balance sheet date. The estimation of the balance sheet insurance provisions is based on an assessment of the expected settlement on known claims together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Group.

Notes to the accounts

2 Segmental analysis

(a) Turnover	2002 £m	2001 £m
Continuing operations		
UK bus	567.9	547.6
Overseas bus	194.7	195.4
Coach USA	682.3	686.4
Total bus continuing operations	1,444.9	1,429.4
Rail	402.8	403.7
Total continuing operations	1,847.7	1,833.1
Discontinued operations		
Prestwick Airport	Nil	16.2
Group turnover	1,847.7	1,849.3
Share of joint ventures' turnover		
– Train operating companies	261.2	232.8
– thetrainline.com	11.7	5.7
– Elimination of inter-segment turnover	(9.2)	(4.3)
Group turnover and share of joint ventures' turnover	2,111.4	2,083.5

Due to the nature of the Group's business, the origin and destination of turnover is the same in all cases.

2 Segmental analysis (continued)

(b) Operating profit/(loss)	2002			2001 Restated		
	Performance pre goodwill and exceptionals £m	Goodwill and exceptional items £m	Results for the year £m	Performance pre goodwill and exceptionals £m	Goodwill and exceptional items £m	Results for the year £m
Continuing operations						
UK bus	71.1	Nil	71.1	73.4	(1.5)	71.9
Overseas bus	34.1	Nil	34.1	35.8	Nil	35.8
Coach USA	41.2	(19.6)	21.6	67.1	Nil	67.1
Total bus continuing operations	146.4	(19.6)	126.8	176.3	(1.5)	174.8
Rail	31.3	Nil	31.3	45.6	Nil	45.6
Total continuing operations	177.7	(19.6)	158.1	221.9	(1.5)	220.4
Discontinued operations						
Prestwick Airport	Nil	Nil	Nil	1.1	Nil	1.1
	177.7	(19.6)	158.1	223.0	(1.5)	221.5
Group overheads	(23.0)	Nil	(23.0)	(21.1)	Nil	(21.1)
Goodwill impairment	Nil	Nil	Nil	Nil	(393.3)	(393.3)
Annual goodwill amortisation	Nil	(41.7)	(41.7)	Nil	(59.6)	(59.6)
Restructuring costs						
– Continuing operations	(6.6)	Nil	(6.6)	(7.8)	Nil	(7.8)
Total operating profit/(loss) of group companies	148.1	(61.3)	86.8	194.1	(454.4)	(260.3)
Share of operating profit/(loss) of joint ventures						
– Train operating companies	10.8	Nil	10.8	(2.8)	(0.7)	(3.5)
– thetrainline.com	(4.4)	Nil	(4.4)	(5.7)	(4.0)	(9.7)
– other	(0.3)	Nil	(0.3)	(0.3)	Nil	(0.3)
Goodwill amortised on investment in joint ventures	Nil	(8.4)	(8.4)	Nil	(8.3)	(8.3)
Share of operating profit of associates	12.4	Nil	12.4	13.6	Nil	13.6
Goodwill amortised on investment in associates	Nil	(0.4)	(0.4)	Nil	(0.3)	(0.3)
Total operating profit/(loss): group and share of joint ventures and associates	166.6	(70.1)	96.5	198.9	(467.7)	(268.8)

Goodwill amortisation of £41.7m (2001: £59.6m) is analysed as UK Bus £0.7m (2001: £0.5m), Overseas Bus £9.2m (2001: £9.0m) and Coach USA £31.8m (2001: £50.1m).

(c) Operating costs	2002			2001 Restated		
	Performance pre goodwill and exceptionals £m	Goodwill and exceptional items £m	Results for the year £m	Performance pre goodwill and exceptionals £m	Goodwill and exceptional items £m	Results for the year £m
Operating costs (excluding asset impairment)	(1,753.8)	(51.6)	(1,805.4)	(1,750.4)	(61.1)	(1,811.5)
Impairment of assets of group companies	Nil	(9.7)	(9.7)	Nil	(393.3)	(393.3)
	(1,753.8)	(61.3)	(1,815.1)	(1,750.4)	(454.4)	(2,204.8)

Notes to the accounts

2 Segmental analysis (continued)

(d) Net assets	2002	2001
	£m	Restated £m
UK bus	344.3	346.3
Overseas bus	271.0	308.0
Coach USA	1,032.3	1,031.0
Rail	(83.2)	(69.4)
Central assets/liabilities	(67.5)	(97.3)
Net assets of Group companies before debt	1,496.9	1,518.6
Joint ventures	114.0	117.2
Associates	72.8	70.2
Total net assets before debt: Group, joint ventures and associates	1,683.7	1,706.0
Net debt	(774.6)	(785.7)
Net assets	909.1	920.3

Central assets/liabilities include the proposed dividend, token provisions, interest payable and receivable on Group debt and other net assets of the holding company.

The allocation of net assets by division for the year ended 30 April 2001 has been restated to reflect a reassessment of the allocation of certain net assets. This has been achieved by showing net assets by division before net debt.

3 Other operating income

	2002	2001
	£m	£m
Miscellaneous revenue	47.5	51.6
Losses on disposal of assets, other than properties	(0.1)	(0.5)
Rail franchise support	6.8	44.1
	54.2	95.2

Miscellaneous revenue comprises revenue incidental to the Group's principal activity. It includes advertising income, maintenance income and property income.

As a result of the Office of the Rail Regulator's review of access charges, the charges payable by South West Trains Limited to Railtrack have reduced during the year. There has been a corresponding decrease in franchise receipts, which have been reduced under Schedule 18.1 of the Track Access Agreement, to offset, on a no-gain no-loss basis, the lower track access charges. The £6.8m (2001 – £44.1m) rail franchise support shown above reflects these modifications.

4 Finance charges (net)

	2002	2001
	£m	£m
Bank loans and overdrafts	35.3	26.7
Hire purchase and leases	7.6	8.8
Other loans	30.3	57.0
Interest receivable	(7.9)	(14.9)
Net gain on early settlement of debt	(5.5)	(1.6)
	59.8	76.0

Interest receivable includes £0.7m (2001 – £0.3m) in relation to share of joint venture net interest receivable and £1.0m (2001 – £1.0m) in relation to interest receivable on joint venture shareholder loan notes. Interest payable on other loans includes £2.0m (2001 – £2.2m) in relation to share of associates' net interest payable.

5 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):	2002	2001 Restated
	£m	£m
Materials and consumables	215.8	224.7
Depreciation and amounts written off		
– Tangible fixed assets (owned)	95.1	92.2
– Tangible fixed assets (on HP or lease)	17.6	19.0
– Impairment losses	9.7	Nil
Amortisation of goodwill		
– Subsidiaries	41.7	59.6
– Joint venture and associates	8.8	8.6
Impairment of Coach USA goodwill	Nil	393.3
Gains on property disposals	(0.5)	(2.8)
Losses on other asset disposals	0.1	0.5
Operating lease rentals		
– PSVs and rolling stock	93.8	78.7
– Railtrack charges (note 3)	103.4	138.1
Auditors' remuneration – audit (Group)		
– Andersen	0.3	0.7
– PricewaterhouseCoopers	0.5	Nil
Auditors' remuneration – audit (Company)		
– Andersen	Nil	Nil
– PricewaterhouseCoopers	Nil	Nil

Payments to the auditors for non-audit services of £0.4m (2001 – £0.2m) were made to Andersen while auditors of the Company. Payments for non-audit services of £0.3m (2001 – £0.3m) were made to PricewaterhouseCoopers during the year prior to being appointed auditors.

The following items have been treated as exceptional:

	2002	2001 Restated
	£m	£m
Provision for losses on operations to be terminated or sold	(9.9)	Nil
Impairment of tangible fixed assets at Coach USA	(9.7)	Nil
Provision for environmental work	Nil	(1.5)
Impairment of goodwill at Coach USA	Nil	(393.3)
Share of joint venture exceptional items	Nil	(4.7)
Profit on disposal of Prestwick Airport	Nil	6.8
Profit on disposal of overseas operations	4.8	Nil
Profit on sale of properties	0.5	2.8
	(14.3)	(389.9)
Tax effect of exceptional items	5.6	Nil
	(8.7)	(389.9)

Following the terrorist attacks in the USA on September 11, the Group took immediate steps to reduce the cost base of Coach USA. Two exceptional items are related to this. Approximately 330 vehicles that were not required to meet volumes following September 11 were withdrawn from service. Since these vehicles will not generate revenue for a period of time, an exceptional impairment loss of £9.7m was recorded against the carrying value of the vehicles. Also, the Group committed to the sale or closure of a number of businesses. The sale or closure of these businesses gave rise to an exceptional charge of £9.9m, being the write-down of irrecoverable asset values (including goodwill) together with termination payments and other closure costs.

Notes to the accounts

5 Profit/(loss) on ordinary activities before taxation (continued)

The prior year impairment of goodwill at Coach USA of £393.3m was determined in accordance with FRS 11, "Impairment of fixed assets and goodwill" to ensure that the assets of Coach USA were stated at no more than their recoverable amount, being the higher of net realisable value and value in use. The loss of £393.3m was the aggregate loss determined as the sum of the losses estimated from impairment reviews of each individual income generating unit within Coach USA.

In accordance with FRS 11 "Impairment of fixed assets and goodwill", the carrying value of Coach USA goodwill as at 30 April 2002 has been compared to its estimated recoverable amount, represented by its value in use to the Group. The value in use has been derived from discounted cash flow projections which cover the period to 30 April 2007. After 30 April 2007 the projections use a long-term growth rate compatible with projections for the US economy. The average discount rate used to arrive at this calculation was 8.85% on a pre-tax basis. The remaining goodwill relating to the original acquisition of Coach USA in July 1999 is being amortised over its remaining useful life of 17.25 years from 30 April 2002.

For five years following an impairment, the Group is required to review its initial projections, in the light of the actual cash flows. The review of the projections made in determining last year's impairment has identified an additional impairment loss as a result of the downturn of activity in Coach USA following the immediate aftermath of September 11. However, the Group took prompt action to establish a lower and more efficient cost base. Activity has subsequently recovered albeit not to the levels that were being experienced prior to September 11. Although underlying revenues in May and June 2002 are below the prior year, the directors believe that no further impairment write-down is required at this time. The Group has announced that a full review of its North American business will be undertaken by December 2002.

Details of disposals of fixed asset investments in the year are given in note 15.

6 Staff costs and employees

	2002 £m	2001 £m
Staff costs		
Wages and salaries	774.6	753.6
Social security costs	61.3	56.5
Other pension costs (note 28d)	18.0	16.8
ESOP provided for	1.8	1.8
	855.7	828.7

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

	2002 number	2001 number
UK operations	21,403	22,147
UK administration and supervisory	1,337	1,376
Overseas	16,043	16,479
	38,783	40,002

7 Directors

(a) Directors' remuneration

Directors' remuneration was made up as follows (amounts in £000):

	Salary/fees		Performance related bonus		Benefits in kind		Money purchase contributions		Non-pensionable allowances		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Executive directors												
Brian Souter	447	430	Nil	Nil	18	18	Nil	50	n/a	n/a	465	498
Keith Cochrane	338	325	85	50	18	18	Nil	Nil	81	60	522	453
Brian Cox	206	200	16	16	13	13	Nil	Nil	n/a	n/a	235	229
Graham Eccles	175	107	25	21	14	8	Nil	Nil	16	n/a	230	136
Frank Gallagher	93	272	Nil	Nil	Nil	Nil	Nil	Nil	n/a	n/a	93	272
Martin Griffiths	150	125	25	25	19	14	Nil	n/a	11	n/a	205	164
Barry Hinkley	n/a	65	n/a	Nil	n/a	5	n/a	n/a	n/a	n/a	n/a	70
Non-executive directors												
Ewan Brown	25	25	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	25	25
Ann Gloag	25	25	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	25	25
Barry Sealey	14	43	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	14	43
Robert Speirs	25	25	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	25	25
Russell Walls	25	21	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	25	21
Janet Morgan	25	1	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	25	1
Iain Duffin	16	n/a	Nil	n/a	Nil	n/a	n/a	n/a	n/a	n/a	16	n/a
Total	1,564	1,664	151	112	82	76	Nil	50	108	60	1,905	1,962

Non-pensionable allowances represent additional taxable remuneration paid to provide pension benefits.

	Accrued pension		Accrued lump sum		Transfer value of increase (excluding inflation)	
	2002	2001	2002	2001	2002	2001
Executive directors						
Brian Souter	192	131	305	130	147	63
Keith Cochrane	68	58	205	173	54	46
Brian Cox	107	99	140	121	123	212
Graham Eccles	4	2	12	5	22	18
Frank Gallagher	n/a	n/a	n/a	n/a	n/a	n/a
Martin Griffiths	16	7	50	22	6	14
Barry Hinkley	n/a	n/a	n/a	n/a	n/a	n/a

In addition to their remuneration detailed above, Keith Cochrane, Brian Cox, Graham Eccles and Martin Griffiths each received 105 free shares during the year under the Stagecoach Profit Sharing Scheme.

Keith Cochrane, Graham Eccles, Martin Griffiths and Frank Gallagher were not members of the Group pension schemes before the introduction of the pensionable salary cap in June 1989. In respect of Keith Cochrane, pension arrangements have been established through FURBS, based upon the independent advice of actuaries, to provide final salary benefits commensurate with the current market practice for equivalent executive positions. These arrangements were put into place in April 1997. In respect of Graham Eccles and Martin Griffiths, they are each paid a non-pensionable allowance which is equivalent to the cost of a money purchase contribution of 20% of their salary in excess of the pensionable salary cap.

During the year, the remaining proceeds of a small self-administered money purchase scheme (SSAS) established for Brian Souter and Ann Gloag in 1992 were transferred into the Stagecoach Group Pension Scheme to secure additional final salary type benefits equivalent in actuarial value to the proceeds transferred. The additional benefits are reflected in the disclosure of Brian Souter's accrued benefits above. In Ann Gloag's case, her share of the SSAS assets was used to secure additional money purchase benefits equivalent in actuarial value to the proceeds transferred towards providing her total pension of £90,000 referred to below. Employer contributions to the SSAS ceased in 2000 for Ann Gloag and in 2001 for Brian Souter.

Brian Cox was awarded a five-year performance-related loyalty bonus of £250,000 in 1995 subject to EPS growth measured to 2000 and him remaining in service at 30 April 2002. The bonus was payable in two instalments in the form of additional pension contributions, shares or cash. Both instalments have now been paid.

Notes to the accounts

7 Directors (continued)

Keith Cochrane participated in The Stagecoach Executive Directors' Long Term Bonus Scheme. An additional annual bonus of £75,000 per financial year, for each of the five years commencing 1 May 1998, was payable subject to growth in earnings per share in each financial year outperforming inflation by at least 5%. The bonus was payable subject to Keith Cochrane continuing in employment at the end of the five year period. No amount in relation to this additional bonus was payable for 2002 or 2001 because the performance criteria were not achieved.

Ann Gloag retired as an executive director on 30 April 2000 and, in addition to her fees as a non-executive director, receives an annual pension of £90,000 from 1 May 2000.

Directors who are members of the Stagecoach Group Pension Scheme have the option to pay AVCs. Neither the contributions nor the resulting benefits of any AVCs are included in the table above.

(b) Directors' share options

The interests of directors who have options to subscribe for ordinary shares of the company, together with movements during the year, are shown in the table below. All were granted for nil consideration. Details of the share price during the year are given in note 25b.

	At 1 May 2001 number	Granted number	At 30 April 2002 number	Exercise price £	Date from which exercisable	Expiry date
Keith Cochrane	306,454	Nil	306,454	0.4820	13 October 1998	13 October 2002
	362,877	Nil	362,877	1.0900	11 October 1999	11 October 2003
	362,877	Nil	362,877	1.2810	8 September 2002	8 September 2004
	412,949	Nil	412,949	2.2280	19 October 2003	19 October 2005
	75,360	Nil	75,360	2.1140	16 June 2004	16 June 2006
	1,662,301	Nil	1,662,301	0.6250	15 June 2005	15 June 2007
Brian Cox	362,877	Nil	362,877	1.0900	11 October 1999	11 October 2003
	362,877	Nil	362,877	1.2810	8 September 2002	8 September 2004
	325,925	Nil	325,925	2.2280	19 October 2003	19 October 2005
	70,395	Nil	70,395	2.1140	16 June 2004	16 June 2006
	160,000	Nil	160,000	0.6250	15 June 2005	15 June 2007
Graham Eccles	40,396	Nil	40,396	2.2280	19 October 2001	19 October 2005
	61,524	Nil	61,524	2.0310	19 July 2002	19 July 2006
	216,000	Nil	216,000	0.6250	15 June 2003	15 June 2007
	Nil	315,200	315,200	0.7075	20 June 2004	20 June 2008
Frank Gallagher	78,050	Nil	78,050	0.0050	1 October 2002	1 October 2006
	1,198,400	Nil	1,198,400	0.6250	15 June 2003	15 June 2007
Martin Griffiths	29,820	Nil	29,820	2.2280	19 October 2001	19 October 2005
	35,519	Nil	35,519	2.0310	19 July 2002	19 July 2006
	380,800	Nil	380,800	0.6250	15 June 2003	15 June 2007
	Nil	315,200	315,200	0.7075	20 June 2004	20 June 2008

Share options are subject to certain performance criteria as discussed on page 32.

No director realised gains during the year by exercising options.

On 1 July 1996, 1 April 1998 and 1 April 2002, the following directors were granted options under the Group's Save As You Earn scheme following an invitation to all eligible UK employees:

	At 1 May 2001 no. of ordinary shares	Granted no. of ordinary shares	Lapsed no. of ordinary shares	Exercised no. of ordinary shares	At 30 April 2002 no. of ordinary shares
Brian Souter	2,685	Nil	2,685	Nil	Nil
Keith Cochrane	14,708	1,583	Nil	2,686	13,605
Martin Griffiths	5,343	9,500	Nil	Nil	14,843
Ann Gloag	14,707	Nil	2,685	Nil	12,022
Graham Eccles	Nil	15,833	Nil	Nil	15,833

Further information on these options is detailed in note 25a.

7 Directors (continued)

(c) Transactions in which directors have had a material interest

Ewan Brown (a non-executive director) is an executive director of Noble Grossart Limited which provided advisory services to the Company during the year. Total fees paid to Noble Grossart Limited during the year, amounted to £15,000 (2001 – £20,000). Noble Grossart Investments Limited, a subsidiary of Noble Grossart Limited, holds 8,026,665 (2001 – 8,026,665) ordinary shares in the Company.

8 Taxation on profit/(loss) on ordinary activities

(a) Analysis of charge in the year

	Performance pre goodwill and exceptionals £m	2002 Goodwill and exceptional items £m	Results for year £m	Performance pre goodwill and exceptionals £m	2001 Restated Goodwill and exceptional items £m	Results for year £m
Current tax:						
Corporation tax at 30% (2001 – 30%)	12.6	Nil	12.6	17.0	Nil	17.0
Prior year over provision for corporation tax	Nil	Nil	Nil	(1.2)	Nil	(1.2)
Share of joint ventures' current tax	0.2	Nil	0.2	0.9	Nil	0.9
Share of associates' current tax	3.1	Nil	3.1	0.4	Nil	0.4
Foreign taxation	2.5	Nil	2.5	2.8	Nil	2.8
Total current tax	18.4	Nil	18.4	19.9	Nil	19.9
Deferred tax:						
Origination and reversal of timing differences	7.4	(9.2)	(1.8)	2.0	(2.8)	(0.8)
Adjustments in respect of prior periods	(1.6)	Nil	(1.6)	Nil	Nil	Nil
Total deferred tax	5.8	(9.2)	(3.4)	2.0	(2.8)	(0.8)
Tax on profit on ordinary activities	24.2	(9.2)	15.0	21.9	(2.8)	19.1

(b) Factors affecting tax charge for the year

	2002 £m	2001 Restated £m
Profit/(loss) on ordinary activities before tax	42.0	(335.2)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	12.6	(100.6)
Effects of:		
Goodwill amortisation	11.6	16.4
Impairment loss	Nil	117.5
Non-deductible expenditure	0.7	4.8
Capital allowances for period in excess of depreciation	(7.1)	(10.3)
Losses not utilised	4.1	6.0
Movement in general provisions and other short term timing differences	2.8	4.0
Foreign taxes differences	(5.1)	(16.6)
Adjustments to tax charge in respect of prior periods	(1.2)	(1.3)
Current tax charge for the year (note 8(a))	18.4	19.9

(c) Factors that may affect future tax charges

No provision has been made for deferred tax on rolled over gains. The total amount unprovided for is £3.3m (2001 – £3.3m).

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, associates and joint ventures unless a binding agreement exists at the balance sheet date to remit such earnings in the future.

No provision has been made for losses carried forward within UK companies where the recoverability is in doubt.

Notes to the accounts

9 Dividends

	2002 £m	2001 £m
Ordinary shares – interim paid (1.3 pence (2001 – 1.3 pence) per share)	17.1	16.6
– final proposed (1.3 pence (2001 – 2.5 pence) per share)	17.0	32.7
	34.1	49.3

During the year, a share alternative was offered in respect of the interim dividend of 1.3 pence per share. The cash cost to the Company is unaffected but the cash is used by the Company's registrars to acquire shares to be provided to shareholders as an alternative to the cash dividend. The alternative comprised ordinary shares with a market value of 71.0 pence per existing ordinary share. A similar arrangement applied to last year's final dividend of 2.5 pence per share, the relevant market value being 59.17 pence per existing ordinary share.

10 Earnings/(loss) per share

Earnings/(loss) per share have been calculated in accordance with FRS 14 "Earnings per Share" by calculating Group profit/(loss) on ordinary activities after tax, divided by the weighted average number of shares in issue during the year based on the following:

	2002			2001 Restated		
	Earnings/ (loss) £m	Weighted average no. of shares million	Earnings/ (loss) per share pence	Earnings/ (loss) £m	Weighted average no. of shares million	Earnings/ (loss) per share pence
Adjusted (pre goodwill and exceptional items)	82.6	1,309.9	6.3	101.0	1,341.7	7.5
Basic	27.0	1,309.9	2.1	(354.3)	1,341.7	(26.4)
Dilutive shares – Executive Share Option Scheme	–	0.1	Nil	–	0.1	Nil
– Employee SAYE Scheme	–	0.2	Nil	–	0.3	Nil
Diluted	27.0	1,310.2	2.1	(354.3)	1,342.1	(26.4)
Exclude goodwill and exceptional items	55.6	–	4.2	455.3	–	33.9
Diluted excluding goodwill and exceptional items	82.6	1,310.2	6.3	101.0	1,342.1	7.5

Earnings/(loss) per share before goodwill and exceptional items is calculated after adding back goodwill amortisation and exceptional items after taking account of taxation, as shown on the consolidated profit and loss account on page 34. This has been presented to allow the shareholders to gain a clearer understanding of the underlying performance.

In accordance with FRS 14, share options are only treated as dilutive in the calculation of diluted earnings per share if their exercise would result in the issue of ordinary shares at less than fair value. Potential ordinary shares are only treated as dilutive where the effect is to reduce earnings per share or increase loss per share.

11 Profit and loss account

The movement on profit and loss account reserve is:

	Group		Company	
	2002 £m	2001 Restated £m	2002 £m	2001 Restated £m
Retained profit brought forward – as previously restated	217.3	601.4	306.5	285.7
Prior year restatement (note 12)	(88.6)	(68.6)	35.9	35.4
Retained profit brought forward – restated	128.7	532.8	342.4	321.1
Retained loss for the year	(7.1)	(403.6)	(72.3)	(376.8)
Translation adjustment	(5.5)	57.7	Nil	Nil
UK tax effect of translation adjustment	(4.8)	Nil	Nil	Nil
Share of other recognised gains and losses of associates	(0.2)	1.3	Nil	Nil
Goodwill previously written off to reserves	3.7	2.5	Nil	Nil
Repurchase of shares	Nil	(62.0)	Nil	(62.0)
Transfer from share premium/other reserve	400.0	Nil	400.0	460.1
Retained profit carried forward	514.8	128.7	670.1	342.4

12 Prior year adjustment

The Group policy for accounting for deferred tax was changed during the year to comply with FRS 19. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effect of the change is summarised below:

	2002 £m	2001 £m
Profit and loss account		
Increase in goodwill amortisation	(0.5)	(1.4)
Increase in impairment of goodwill	Nil	(17.3)
Increase in tax charge	(8.4)	(3.3)
Decrease in profit for the financial year	(8.9)	(22.0)
Statement of total recognised gains and losses		
Increase in translation gain	0.9	2.0
Balance sheet		
Increase in intangible assets – goodwill	6.2	6.8
Increase in deferred tax provision	(102.8)	(95.4)
Decrease in net assets	(96.6)	(88.6)
Decrease in profit and loss account reserve	(96.6)	(88.6)

13 Intangible assets – goodwill

The Group movement in the year is:

	Joint ventures £m	Associates £m	Subsidiaries £m	Total £m
Cost				
Beginning of year	109.7	5.9	1,174.2	1,289.8
Prior year restatement (note 12)	Nil	Nil	26.8	26.8
Cost at beginning of year – restated	109.7	5.9	1,201.0	1,316.6
Additions	0.8	(0.4)	22.4	22.8
Disposals	Nil	Nil	(4.4)	(4.4)
Translation adjustment	Nil	Nil	(20.3)	(20.3)
End of year	110.5	5.5	1,198.7	1,314.7
Amortisation				
Beginning of year	(20.7)	(3.9)	(481.3)	(505.9)
Prior year restatement (note 12)	Nil	Nil	(20.0)	(20.0)
Beginning of year – restated	(20.7)	(3.9)	(501.3)	(525.9)
Charge for the year	(8.4)	(0.4)	(41.7)	(50.5)
Disposals	Nil	Nil	0.3	0.3
Translation adjustment	Nil	Nil	9.4	9.4
End of the year	(29.1)	(4.3)	(533.3)	(566.7)
Net book value beginning of year – restated	89.0	2.0	699.7	790.7
Net book value end of year	81.4	1.2	665.4	748.0

Goodwill arising during the year and the amortisation periods are as follows:

	Amortisation period Years	Goodwill additions £m
Subsidiaries		
North American acquisitions	20	20.5
UK Bus acquisitions	5	0.8
Adjustment re prior year acquisitions	20	1.1
Joint ventures	5-10	0.8
Associates	10	(0.4)
		22.8

Notes to the accounts

14 Tangible fixed assets

The following are included in the net book value of tangible fixed assets:

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Land and buildings	176.9	175.1	3.4	3.5
PSVs and other assets	932.0	982.0	5.1	4.3
	1,108.9	1,157.1	8.5	7.8

The Group movement in the year is:

	Land and buildings £m	PSVs and other assets £m	Total £m
Cost			
Beginning of year	182.5	1,527.0	1,709.5
Additions	16.6	86.7	103.3
New subsidiary undertakings	0.3	3.7	4.0
Disposals	(10.2)	(35.5)	(45.7)
Sale/closure of subsidiary undertakings	(2.9)	(10.9)	(13.8)
Translation adjustment	(1.3)	(12.8)	(14.1)
End of year	185.0	1,558.2	1,743.2
Depreciation			
Beginning of year	(7.4)	(545.0)	(552.4)
Charge	(6.8)	(105.9)	(112.7)
Impairment losses	Nil	(9.7)	(9.7)
New subsidiary undertakings	(0.1)	(0.9)	(1.0)
Disposals	5.4	28.4	33.8
Sale/closure of subsidiary undertakings	0.5	2.7	3.2
Translation adjustment	0.3	4.2	4.5
End of year	(8.1)	(626.2)	(634.3)
Net book value, beginning of year	175.1	982.0	1,157.1
Net book value, end of year	176.9	932.0	1,108.9
Included in the above are:			
Assets on hire purchase	Nil	207.3	207.3
Leased PSV assets	Nil	12.0	12.0
Short leasehold land and buildings	2.3	Nil	2.3
Long leasehold land and buildings	22.6	Nil	22.6

Heritable and freehold land amounting to £33.0m (2001 – £32.8m) has not been depreciated.

Depreciation of £17.6m (2001 – £19.0m) has been charged in the year in respect of assets held under hire purchase or finance lease agreements.

14 Tangible fixed assets (continued)

The Company movement during the year was as follows:

	Land and buildings £m	PSVs and other assets* £m	Total £m
Cost			
Beginning of year	3.6	5.3	8.9
Additions	Nil	1.7	1.7
Disposals	Nil	(0.6)	(0.6)
End of year	3.6	6.4	10.0
Depreciation			
Beginning of year	(0.1)	(1.0)	(1.1)
Charge	(0.1)	(0.9)	(1.0)
Disposals	Nil	0.6	0.6
End of year	(0.2)	(1.3)	(1.5)
Net book value, beginning of year	3.5	4.3	7.8
Net book value, end of year	3.4	5.1	8.5

* PSV and other assets include £4.7m (2001 – £3.6m) of information technology in progress not yet allocated to Group operating companies.

15 Fixed asset investments

The Group movement during the year was as follows:

	Joint ventures £m	Associates £m	Other investments £m	Total £m
Cost				
Beginning of year	137.9	155.7	3.6	297.2
Additions	1.2	0.4	0.3	1.9
Disposals	Nil	Nil	(0.2)	(0.2)
Share of recognised profits	4.0	9.2	Nil	13.2
Share of other recognised gains and losses	Nil	(0.2)	Nil	(0.2)
Translation adjustment	Nil	(1.4)	Nil	(1.4)
Dividends received	Nil	(5.0)	Nil	(5.0)
Transferred to provisions (see below)	16.7	Nil	Nil	16.7
End of year	159.8	158.7	3.7	322.2
Amounts written off				
Beginning of year	(20.7)	(85.5)	(0.5)	(106.7)
Goodwill amortised during year	(8.4)	(0.4)	Nil	(8.8)
End of year	(29.1)	(85.9)	(0.5)	(115.5)
Net book value, beginning of year	117.2	70.2	3.1	190.5
Net book value, end of year	130.7	72.8	3.2	206.7

The £16.7m shown above as transferred to provisions arises because during the year ended 30 April 2002, thetrainline.com was de-merged from Virgin Rail Group Limited. The Group's overall investment remains unchanged but it now has separate investments in Virgin Rail Group Holdings Limited and Trainline Holdings Limited. thetrainline.com is now a subsidiary of Trainline Holdings Limited. In continuing to apply the gross equity method to each joint venture the Group has an interest in net liabilities rather than net assets for Trainline Holdings Limited. In accordance with FRS 9, "Associates and Joint Ventures", the interest in net liabilities is shown as a provision.

Notes to the accounts

15 Fixed asset investments (continued)

The principal associate is:	Country of operation	Number of shares in issue at 30 April 2002	Nominal value of share capital in issue at 30 April 2002	% held at 30 April 2002
Road King Infrastructure Limited	China			
– ordinary shares		515.6m	HK\$51.6m	25.2%
– preference shares		0.4m	HK\$0.04m	100.0%

The market value of the Group's ordinary share investment in Road King Infrastructure Limited, a Bermudan incorporated company, listed on the Hong Kong Stock Exchange, at 30 April 2002 was HK\$392.6m (2001 – HK\$336.1m). In February 2002, the Group converted 100,000 of its 518,380 7.5% HK\$1,000 convertible preference shares in Road King Infrastructure Limited to ordinary shares. The remaining 418,380 preference shares may be converted to ordinary shares representing a further 9% interest, on or after 12 June 2001 and will be converted on 12 June 2003 if not previously converted. The coupon received on the preference shares has been included in the share of associates' operating profits. The Group's share of operating profit is based on the most recent publicly available information, being the results for the year ended 31 December 2001.

The carrying value of the Group's interest in Road King Infrastructure Limited as at 30 April 2002 was £64.7m.

The principal joint ventures are:	Country of incorporation/ operation	Number of shares in issue at 30 April 2002	Nominal value of share capital in issue at 30 April 2002	% held at 30 April 2002
Virgin Rail Group Holdings Limited	United Kingdom	34.8m	£3.5m	49%
Trainline Holdings Limited	United Kingdom	3.4m	£3.4m	49%

Virgin Rail Group Holdings Limited is the holding company of Virgin Rail Group Limited, which in turn is the holding company of CrossCountry Trains Limited and West Coast Trains Limited. Trainline Holdings Limited is the holding company of thetrainline.com Limited.

The Virgin Rail Group Holdings and Trainline Holdings shareholders' agreements provide for joint decision making on key matters and equal representation on the Boards of both companies. As a consequence the investments have been accounted for as joint ventures. As part of the original acquisition, the Group acquired a £20m shareholder loan to Virgin Rail Group Limited, now a subsidiary of Virgin Rail Group Holdings Limited. The shareholder loan carries a 10% coupon and £10m was repaid on 28 April 2000.

Virgin Rail Group has been significantly impacted by the performance of Railtrack plc during the year. Railtrack is contractually responsible for upgrading certain railway infrastructure, on which the future revenue growth of Virgin Rail Group's train operations is dependent. The infrastructure upgrade has been subject to significant delays and cost over-runs. In addition, Railtrack was placed into administration during the year.

The directors believe that these uncertainties give rise to a need to carry out an impairment review and we have therefore conducted a review of our net investment in Virgin Rail Group. Revised terms have been agreed with the UK's Strategic Rail Authority in respect of Virgin Rail Group's two rail franchises. In assessing the value of our investment in Virgin Rail Group, we have taken account of the revised agreement with the Strategic Rail Authority.

In accordance with FRS 11, we have compared the carrying value of our net investment in Virgin Rail Group with its estimated recoverable amount, being the higher of net realisable value and value in use. This indicates that there is no impairment loss. The value in use of Virgin Rail Group was determined using an average pre-tax discount rate of 11.4%.

Any estimation of value in use is subjective because it is based on estimates of future cash flows. The value in use for Virgin Rail Group is derived from forecast cash flows to the end of the two franchises in 2012 based on the formal business plans compiled by Virgin Rail Group's management. In the opinion of the directors, the assumptions underlying the forecasts are reasonable. They include, amongst other things, assumptions on significant revenue growth from the introduction of new infrastructure and new trains and the agreement of new commercial franchise terms with the Strategic Rail Authority. Actual results can differ from those assumed and there can be no absolute assurance that the assumptions used will hold true.

The remaining goodwill relating to the original acquisition of Virgin Rail Group is being amortised over its remaining useful life of 9.8 years from 30 April 2002.

15 Fixed asset investments (continued)

The Company movement during the year was as follows:	Subsidiary undertakings £m	Joint ventures £m	Other investments £m	Total £m
Cost				
Beginning of year	236.2	138.5	0.7	375.4
Additions	Nil	0.9	0.1	1.0
Disposals	(0.3)	Nil	Nil	(0.3)
Translation gain	(0.4)	Nil	Nil	(0.4)
End of year	235.5	139.4	0.8	375.7
Amounts written off				
Beginning of year	Nil	Nil	Nil	Nil
During the year	(1.8)	Nil	Nil	(1.8)
End of year	(1.8)	Nil	Nil	(1.8)
Net book value, beginning of year	236.2	138.5	0.7	375.4
Net book value, end of year	233.7	139.4	0.8	373.9

Acquisitions

During the year a further 7 acquisitions have been concluded by Coach USA for a total consideration of £21.4m, comprising £20.5m of cash paid, £0.6m of loan notes issued and £0.3m of deferred consideration. The fair value of the net assets acquired was £0.9m giving rise to goodwill of £20.5m which has been capitalised and is being amortised over 20 years.

UK Bus acquired businesses for a total consideration of £0.8m, paid in cash. The fair value of the net assets acquired was £Nil giving rise to goodwill of £0.8m which has been capitalised and is being amortised over 5 years.

These acquisitions are not considered to be individually or collectively material for the purposes of FRS 7, "Fair Values in Acquisition Accounting". The aggregate fair value of the assets acquired is as follows:

	Coach USA £m	Fair value to Group UK Bus £m	Total £m
Tangible fixed assets	3.0	Nil	3.0
Cash at bank	0.3	Nil	0.3
Other current assets	1.6	Nil	1.6
Total assets	4.9	Nil	4.9
Creditors – within one year	(2.6)	Nil	(2.6)
Creditors – after one year	(1.4)	Nil	(1.4)
Total liabilities	(4.0)	Nil	(4.0)
Net assets	0.9	Nil	0.9
Consideration	21.4	0.8	22.2
Goodwill	20.5	0.8	21.3

Disposal of subsidiary undertakings and businesses

The Group disposed of and closed a number of businesses within Coach USA during the year. A provision of £9.9m for the losses on the operations to be sold or terminated was recorded as at 31 October 2001.

On 18 June 2001, the Group announced the disposal of its 100% interest in the ordinary share capital of Stagecoach Portugal Transportes Rodoviários Lda. The consolidated profit after tax of Stagecoach Portugal Transportes Rodoviários Lda from 1 May 2001 to the date of disposal was £0.2m, and for its last financial year was £0.5m.

The Group also sold small businesses in Australia and China during the year. The consolidated profit after tax of the businesses was not material to the Group.

Notes to the accounts

15 Fixed asset investments (continued)

The net assets disposed of were as follows:

	Coach USA £m	Stagecoach Portugal £m	Other Overseas £m	Total £m
Intangible fixed assets	4.1	Nil	Nil	4.1
Tangible fixed assets	1.6	7.6	1.4	10.6
Cash at bank	Nil	0.8	Nil	0.8
Other current assets	3.3	0.5	Nil	3.8
Creditors	Nil	(7.1)	Nil	(7.1)
Net assets disposed	9.0	1.8	1.4	12.2
Provisions for losses on operations to be sold or terminated	(9.9)	Nil	Nil	(9.9)
Unutilised provision as at 30 April 2002	1.7	Nil	Nil	1.7
Profit/(loss) on disposal	Nil	6.0	(1.2)	4.8
Goodwill previously written off to reserves	Nil	3.0	0.7	3.7
Proceeds on disposal	0.8	10.8	0.9	12.5
Satisfied by:				
Cash	0.8	10.8	0.9	12.5
Net cash inflows in respect of the disposals comprised:				
Cash consideration	0.8	10.8	0.9	12.5
Cash at bank and in hand on disposal	Nil	(0.8)	Nil	(0.8)
	0.8	10.0	0.9	11.7
Cash received in year relating to deferred consideration on disposals in prior years				3.6
				15.3

16 Principal business units

The principal subsidiary undertakings (ordinary shares 100% owned except where shown) are:

Company	Country of registration or incorporation	Principal activity
Stagecoach (South) Ltd*	England	Bus and coach operator
Stagecoach (North West) Ltd	England	Bus and coach operator
East Midland Motor Services Ltd	England	Bus and coach operator
Stagecoach Scotland Ltd	Scotland	Bus and coach operator
Wellington City Transport Ltd*	New Zealand	Bus and coach operator
National Transport Tokens Ltd (99.9%)*	England	Transport tokens
East Kent Road Car Company Ltd*	England	Bus and coach operator
Stagecoach West Ltd	England	Bus and coach operator
PSV Claims Bureau Ltd*	England	Claims handling
Busways Travel Services Ltd	England	Bus and coach operator
South East London and Kent Bus Co Ltd	England	Bus and coach operator
East London Bus and Coach Co Ltd	England	Bus and coach operator
Cleveland Transit Ltd	England	Bus and coach operator
Cambus Ltd*	England	Bus and coach operator
Stagecoach Devon Ltd	England	Bus and coach operator
Greater Manchester Buses South Ltd*	England	Bus and coach operator
South West Trains Ltd	England	Train operating company
Island Line Ltd	England	Train operating company
South Yorkshire Supertram Ltd	England	Tram operator
Stagecoach Queensland Pty Ltd*	Australia	Bus and coach operator
Transportation Auckland Corporation Limited*	New Zealand	Bus and coach operator
Fullers Group Limited*	New Zealand	Ferry operator
SGC (HK Group) Limited (formerly Citybus Group Limited)*	Hong Kong	Bus and coach operator
Coach USA Inc.*	United States	Bus and coach operator

*indirectly held

All companies operate in the countries shown above. The companies listed above include all those which principally affect the amount of profit and assets of the Group. A full list of subsidiary undertakings at 30 April 2002 will be annexed to the next annual return.

17 Stocks

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Parts and consumables	19.1	18.9	Nil	Nil
Taxicabs held for resale	31.8	29.5	Nil	Nil
	50.9	48.4	Nil	Nil

There is no material difference between the carrying value of stocks held at 30 April 2002 and their estimated replacement cost.

18 Debtors and prepaid charges

Amounts falling due within one year are:

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Trade debtors	107.7	121.7	0.2	0.2
Other debtors	36.2	17.0	13.0	4.1
Other prepayments and accrued income	73.2	54.9	0.9	2.0
VAT and other government debtors	11.4	11.4	8.2	2.8
	228.5	205.0	22.3	9.1

Amounts falling due after more than one year are:

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Pension scheme prepayment (note 28d)	33.8	30.1	13.9	14.6
Amounts owed by group companies	Nil	Nil	1,643.0	1,656.9
Pre-contract costs	4.4	Nil	Nil	Nil
Other debtors	16.0	4.6	Nil	Nil
	54.2	34.7	1,656.9	1,671.5

19 Creditors

(a) Creditors: Amounts falling due within one year

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Bank overdrafts	Nil	0.4	17.7	51.5
Bank loans and loan notes	76.7	89.5	54.8	47.7
Trade creditors	110.3	111.3	1.2	1.8
Accruals and deferred income	242.8	246.1	52.5	58.0
Dividends payable	17.0	32.7	17.0	32.7
Other creditors				
– UK corporation tax payable	20.2	17.0	7.8	5.6
– Foreign tax payable	6.1	5.8	Nil	Nil
– PAYE and NIC payable	10.2	11.0	0.2	0.2
Current portion of HP and lease obligations	40.7	43.8	Nil	Nil
Amounts due to group companies	Nil	Nil	26.0	Nil
	524.0	557.6	177.2	197.5

Notes to the accounts

19 Creditors (continued)

(b) Creditors: Amounts falling due after more than one year	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Bank loans and loan notes	237.3	138.9	190.7	100.1
US Dollar 8.625% Notes (note 19c)	259.3	313.8	342.0	348.2
US Dollar 9.375% Notes (note 19e)	0.1	2.2	Nil	Nil
Euro 6% Notes (note 19d)	244.7	276.7	244.7	276.7
Non-current portion of HP and lease obligations	65.8	80.8	Nil	Nil
Other creditors	0.9	4.4	Nil	Nil
Amounts due to group companies	Nil	Nil	34.6	Nil
	808.1	816.8	812.0	725.0

(c) US Dollar 8.625% Notes

On 9 November 1999 the Group issued US\$500m of 8.625% Notes due in 2009. Interest on the Notes is payable six monthly in arrears. Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 15 November 2009.

During the year US\$71.5m of the Notes were purchased by the Group but not cancelled.

The Notes were issued at 99.852% of their principal amount. The consolidated carrying value of the Notes at 30 April 2002 was £259.3m (2001 – £313.8m), after taking account of the notes purchased by the Group during the year, the discount on issue, and issue costs.

(d) Euro 6% Notes

On 24 November 1999 the Group issued €400m of 6% Notes due in 2004. Interest on the Notes is payable annually in arrears. Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 24 November 2004.

During the year €42.6m of the Notes were purchased by the Group and cancelled.

The Notes were issued at 99.937% of their principal amount. The Group has effectively swapped the carrying value into US Dollars and Sterling with a currency swap. After taking account of the notes repurchased and cancelled, the discount on issue, issue costs and the currency swap, the carrying value of the Notes at 30 April 2002 was £244.7m (2001 – £276.7m).

(e) US Dollar 9.375% Notes

In June 1997, Coach USA, Inc. issued \$150m 9.375% senior subordinated notes due in 2007. Following the acquisition of Coach USA, Inc. a tender offer for all the outstanding notes was made at a price of 101% of principal. \$0.2m of notes were tendered and redeemed at this time. On 18 November 1999 a tender and consent offer was made for all the outstanding notes. On 17 December 1999 \$146.4m of notes were tendered and redeemed. Following the tender the terms of the notes were amended to remove amongst other clauses, restrictive covenants and events of default. \$0.2m of these notes remain outstanding.

The remaining notes are redeemable at the option of the company at prices decreasing from a premium of 104.7% on 1 July 2002 to par on 1 July 2005. Interest on the notes is paid semi-annually.

19 Creditors (continued)

(f) Borrowings are repayable as follows

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
On demand or within 1 year				
Bank overdraft	Nil	0.4	17.7	51.5
Bank loans and loan notes	76.7	89.5	54.8	47.7
Hire purchase and lease obligations	40.7	43.8	Nil	Nil
Within 1-2 years				
Bank loans and loan notes	25.2	18.0	8.0	Nil
Hire purchase and lease obligations	32.8	36.9	Nil	Nil
Within 2-5 years				
Bank loans and loan notes	207.4	115.9	182.7	100.1
Euro 6% Notes	244.7	276.7	244.7	276.7
Hire purchase and lease obligations	32.0	43.9	Nil	Nil
Over 5 years				
Bank loans and loan notes	4.7	5.0	Nil	Nil
US Dollar 8.625% Notes	259.3	313.8	342.0	348.2
US Dollar 9.375% Notes	0.1	2.2	Nil	Nil
Hire purchase and lease obligations	1.0	Nil	Nil	Nil
Total borrowings	924.6	946.1	849.9	824.2
Less current maturities	(117.4)	(133.7)	(72.5)	(99.2)
Long term portion of borrowings	807.2	812.4	777.4	725.0

Interest terms on UK borrowings (except loan notes) are at annual rates between 0.4% and 0.875% over Bank of Scotland base rate or equivalent LIBOR rates. Interest terms on overseas borrowings are at annual rates between 2.4% and 8.3% and are based on applicable local market borrowing rates. Interest on loan notes are at three months LIBOR or fixed interest. Loan notes amounting to £46.8m (2001 – £47.7m) are backed by guarantees provided under group banking facilities.

The loan notes have been classified by reference to the earliest date on which the loan note holders can request redemptions.

UK Bank loans, overdrafts, Euro Notes and US\$ Notes are unsecured.

20 Derivatives and other financial instruments

Treasury policy and the use of financial instruments are both discussed in the Finance Director's review on pages 18 to 21.

Short term debtors and creditors have been excluded from the disclosures below except for 20(c) on currency exposures.

(a) Interest rate and currency profile of financial liabilities

The interest rate profile of the financial liabilities of the Group on which interest is paid at 30 April 2002 was as follows:

Currency	Floating rate	Fixed rate	Total	Weighted average fixed interest rate	Weighted average period for which rate is fixed
	£m	£m	£m	%	Years
Sterling	169.0	9.6	178.6	7.6	0.5
US Dollar	353.1	318.8	671.9	7.3	2.2
Hong Kong Dollar	58.2	Nil	58.2	n/a	n/a
New Zealand and Australian Dollar	1.9	0.9	2.8	5.8	1.3
Other	13.1	Nil	13.1	n/a	n/a
Gross Borrowings	595.3	329.3	924.6	7.3	2.2

The figures shown in the above table take into account various interest rate and currency swaps used to manage the interest rate and currency profile of borrowings.

Notes to the accounts

20 Derivatives and other financial instruments (continued)

As at 30 April 2002 floating rate Sterling borrowings of £125m (2001 – £125m) were hedged with a cap and collar with an average cap rate of 7.88% and an average floor of 5.28%. During the year to 30 April 2002, the floor was exercised on £125m at a rate of 5.28% and the cap was not exercised.

The floating rate financial liabilities bear interest at rates fixed in advance for periods ranging from one to three months based on market rates outlined in note 19.

Financial liabilities on which no interest is paid comprise certain provisions totalling £91.6m (2001 – £88.5m). These are denominated in Sterling £49.9m (2001 – £51.0m), US dollars £36.1m (2001 – £33.9m) and Hong Kong dollars £5.6m (2001 – £3.6m). The weighted average maturity of these liabilities is 2.1 years (2001 – 2.1 years).

The Group's policies on managing interest rate risk and currency risk are explained in the Finance Director's review on pages 18 to 21.

The interest rate profile of the financial liabilities of the Group on which interest is paid at 30 April 2001 was as follows:

	Floating rate	Fixed rate	Total	Weighted average fixed interest rate	Weighted average period for which rate is fixed
Currency	£m	£m	£m	%	Years
Sterling	186.7	22.8	209.5	7.8	1.5
US Dollar	256.7	399.4	656.1	8.1	1.7
Hong Kong Dollar	Nil	60.4	60.4	7.8	1.0
New Zealand and Australian Dollar	2.0	13.0	15.0	6.9	3.8
Other	5.1	Nil	5.1	n/a	n/a
Gross borrowings	450.5	495.6	946.1	8.0	1.7

The maturity profile of the Group's financial liabilities at 30 April 2002 was as follows:

	2002 £m	2001 £m
Expiring within one year	155.7	172.7
Expiring in more than one year but less than two years	76.9	72.5
Expiring in more than two years but less than five years	516.0	466.3
Expiring beyond five years	267.6	323.1
	1,016.2	1,034.6

20 Derivatives and other financial instruments (continued)

(b) Interest rate profile of financial net assets

The Group's financial assets on which floating interest is receivable comprise cash deposits and cash in hand of £150.0m (2001 – £160.4m). The cash deposits comprise deposits placed on money market at call, seven day and monthly rates.

The currency analysis is as follows:

Currency	Floating rate	
	2002 £m	2001 £m
Sterling	119.1	134.2
US Dollar	20.8	18.2
Hong Kong Dollar	4.6	4.4
New Zealand and Australian Dollar	2.0	2.8
Other	3.5	0.8
Cash at bank and in hand	150.0	160.4

Financial assets on which no interest is receivable total £4.7m (2001 – £7.6m) and comprise other investments of £3.2m (2001 – £3.1m) and other debtors greater than one year of £1.5m (2001 – £4.5m). These assets are denominated in Sterling £1.1m (2001 – £1.0m), US dollars £1.7m (2001 – £1.7m) and others £1.9m (2001 – £4.9m). The weighted average period to maturity of other debtors greater than one year is 1.5 years (2001 – 2.8 years). Financial assets on which fixed interest is receivable total £21.5m (2001 – £21.5m) and comprise US\$ denominated loan notes receivable. They have a weighted average interest rate of 12.9% (2001 – 12.9%) and an average maturity of 2.5 years (2001 – 2.5 years).

(c) Currency exposures

As explained in the Finance Director's review on pages 18 to 21, the Group's objective in managing currency borrowings and net exposures arising from its investments in net assets of overseas subsidiaries is to maintain a low cost of borrowing and to retain some potential for currency related appreciation whilst partially hedging against currency depreciation. All foreign currency borrowings are taken out to provide for or to hedge against foreign net investments. Gains and losses arising from these currency borrowings and net exposures are recognised in the statement of total recognised gains and losses.

The Group generally hedges actual and forecast foreign exchange transactional exposures up to one year forward. At 30 April 2002 and 30 April 2001 there were no material net transactional exposures.

(d) Borrowing facilities

At 30 April 2002 the Group had the following undrawn committed banking and hire purchase facilities:

	2002 £m	2001 £m
Expiring within one year	28.9	39.8
Expiring in more than one year but no more than two years	Nil	Nil
Expiring beyond two years	282.6	490.7
	311.5	530.5

Notes to the accounts

21 Fair values

Set out below is a comparison of fair and book values of all the Group's financial instruments by category. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting future cash flows at prevailing interest and exchange rates.

	2002		2001	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Other financial assets	26.2	26.2	7.6	7.6
Primary financial instruments to finance the Group's operation				
Cash deposits and bank overdrafts	150.0	150.0	160.0	160.0
US Dollar 8.625% Notes	(259.3)	(247.2)	(313.8)	(283.7)
Euro 6% Notes	(215.8)	(203.1)	(276.7)	(221.6)
Foreign currency swaps hedging currency debt	(28.9)	(25.6)	Nil	Nil
Short term borrowings and current portion of long term debt	(117.4)	(117.4)	(133.3)	(133.3)
Other long term borrowings	(303.2)	(303.2)	(221.9)	(221.9)
Derivative financial instruments held to manage the interest rate, currency and commodity risk profiles				
Interest rate swaps and similar instruments	Nil	(0.2)	Nil	(0.5)
Forward foreign currency contracts and swaps hedging overseas investments	(5.3)	(5.9)	Nil	(57.6)
Fuel price swaps	Nil	1.5	Nil	3.6
Other financial liabilities	(91.6)	(91.6)	(88.5)	(88.5)

22 Hedge accounting

	2002			2001		
	Gains £m	Losses £m	Total £m	Gains £m	Losses £m	Total £m
Unrecognised gains or losses on hedges at start of year	26.5	(81.0)	(54.5)	18.3	(57.6)	(39.3)
Gains or losses arising in previous years that were recognised in the year	7.6	55.4	63.0	(13.9)	8.1	(5.8)
Gains or losses arising in previous years that were not recognised in the year	34.1	(25.6)	8.5	4.4	(49.5)	(45.1)
Gains or losses arising in the year that were not recognised	1.4	(5.9)	(4.5)	22.1	(31.5)	(9.4)
Unrecognised gains or losses on hedges at end of year	35.5	(31.5)	4.0	26.5	(81.0)	(54.5)
Of which:						
Gains or losses expected to be recognised within one year	11.1	(13.5)	(2.4)	7.4	(27.3)	(19.9)
Gains or losses expected to be recognised after one year	24.4	(18.0)	6.4	19.1	(53.7)	(34.6)
	35.5	(31.5)	4.0	26.5	(81.0)	(54.5)

As explained in the Finance Director's review on pages 18 to 21, the Group's policy is to hedge against interest rate risk, currency risk and commodity price risk.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

23 Provisions for liabilities and charges

	Group		Company	
	2002 £m	2001 Restated £m	2002 £m	2001 Restated £m
Deferred taxation	105.3	109.5	3.6	2.7
Token redemption provision	25.5	25.9	Nil	Nil
Insurance provisions	65.2	58.2	Nil	Nil
Environmental provisions	2.9	3.6	1.2	1.5
Pension provision (note 28d)	6.1	3.9	3.2	3.1
Restructuring provision	1.7	Nil	Nil	Nil
	206.7	201.1	8.0	7.3
Joint ventures				
– share of gross assets	(5.1)	Nil	Nil	Nil
– share of gross liabilities	21.8	Nil	Nil	Nil
	16.7	Nil	Nil	Nil
Total provisions	223.4	201.1	8.0	7.3

The token redemption provision relates to tokens issued to third parties to be redeemed as payment for transportation services.

The insurance provisions relate to insurance reserves on incurred accidents up to 30 April in each year where claims have not been settled. These are based on actuarial reviews and prior claims history.

The environmental provisions relate to legal or constructive obligations to undertake environmental work, such as an obligation to rectify land which has been contaminated by fuel tanks or to eliminate the presence of asbestos. The provision is based on the estimated cost of undertaking the work required.

The pension provision relates to unfunded liabilities established by actuarial review and SSAP 24 pension liabilities.

The restructuring provision relates to the estimated costs of completing the sale or closure of operations at Coach USA, where an obligation exists at the balance sheet date.

Share of joint venture's net liabilities relates to the Group's interest in the net liabilities of Trainline Holdings Limited (see note 15).

The Group movement during the year was as follows:

	Deferred taxation £m	Token redemption provision £m	Insurance provisions £m	Environmental provisions £m	Pension provisions £m	Restructuring provision £m	Share of joint venture's net liabilities £m
Beginning of year	14.1	25.9	58.2	3.6	3.9	Nil	Nil
Prior year restatement (note 12)	95.4	Nil	Nil	Nil	Nil	Nil	Nil
Beginning of year – restated	109.5	25.9	58.2	3.6	3.9	Nil	Nil
– (credited)/provided during year	(3.4)	Nil	77.1	0.2	2.6	9.9	Nil
– less deferred tax charge in profit and loss account re associates/joint ventures	(0.6)	Nil	Nil	Nil	Nil	Nil	Nil
Transferred from investments (note 15)	Nil	Nil	Nil	Nil	Nil	Nil	16.7
Utilised in the year	Nil	Nil	(69.5)	(1.0)	(0.4)	(8.2)	Nil
Arising on sale of tokens during year	Nil	13.4	Nil	Nil	Nil	Nil	Nil
Redemption of tokens	Nil	(13.8)	Nil	Nil	Nil	Nil	Nil
Translation differences	(0.1)	Nil	(0.6)	Nil	Nil	Nil	Nil
Arising on acquired subsidiaries	Nil	Nil	Nil	0.1	Nil	Nil	Nil
Disposed of with subsidiaries	(0.1)	Nil	Nil	Nil	Nil	Nil	Nil
End of year	105.3	25.5	65.2	2.9	6.1	1.7	16.7

Notes to the accounts

23 Provisions for liabilities and charges (continued)

The Company movement during the year was as follows:

	Deferred taxation £m	Environmental provisions £m	Pension provisions £m
Beginning of year	38.6	1.5	3.1
Prior year restatement	(35.9)	Nil	Nil
Beginning of year – restated	2.7	1.5	3.1
Provided during year	0.9	Nil	0.1
Payments in year	Nil	(0.3)	Nil
End of year	3.6	1.2	3.2

The prior year adjustment relates to the implementation of FRS 19 (as explained in note 12).

As part of the implementation of FRS 19 in the current year, it has been decided that the deferred tax balances which were previously accounted for in the holding company in respect of UK subsidiaries will be accounted for in the relevant subsidiary's accounts. This results in a release of the deferred tax provision, producing a credit to reserves in the holding company (being matched by an equal and opposite charge in the relevant company's accounts). There is no impact on the consolidated deferred tax provision.

Deferred taxation is provided as follows:

	Group		Company	
	2002 £m	2001 Restated £m	2002 £m	2001 Restated £m
Accelerated capital allowances	198.2	177.5	0.9	0.1
Pension timing differences	8.4	7.9	3.1	3.4
Timing differences related to overseas retained earnings	0.1	0.3	Nil	Nil
Short term timing differences	(101.4)	(76.2)	(0.4)	(0.8)
	105.3	109.5	3.6	2.7

24 Equity share capital

	2002 £m	2001 £m
Authorised 1,840,000,000 (2001 – 1,840,000,000) ordinary shares of 0.5p each	9.2	9.2
Allotted, called-up and fully-paid 1,320,946,012 (2001 – 1,318,640,250) ordinary shares of 0.5p each	6.6	6.6

The movement in issued share capital comprises:

	No. of shares	Par value £m	Share premium £m
At beginning of year	1,318,640,250	6.6	781.5
Shares issued in conjunction with ESOP	1,936,993	Nil	1.6
Shares issued on exercise of options	368,769	Nil	1.3
Transfer to profit and loss account reserve	Nil	Nil	(400.0)
At end of year	1,320,946,012	6.6	384.4

In October 1999 the Company established a Qualifying Employee Share Ownership Trust ("QUEST") for the purpose of satisfying share option schemes for staff. During the year to 30 April 2000 a contribution of £10.5m and a loan of £10.0m were made to the QUEST and used by the QUEST to apply for 11,500,000 new ordinary shares of 0.5p each at the market price of £1.78 per share on 29 October 1999. Under the provisions of FRS 5 "Reporting the Substance of Transactions", the assets and liabilities of the QUEST are recognised as assets and liabilities of the Group and the QUEST is consolidated in the Group accounts. Balances and transactions between the QUEST and other Group entities are eliminated on consolidation. Since the shares have not been issued outside of the Group, the only effect of the above transaction was to increase share capital by £0.1m. The 11,500,000 shares are to be used to satisfy the valid exercise of options granted under the Stagecoach savings related share option schemes.

Between 29 October 1999 and 30 April 2001 92,132 shares were transferred to option holders. During the year to 30 April 2002, a further 1,677,204 shares were transferred to option holders. The remaining 9,730,664 shares are held by the QUEST. At 30 April 2002 the market valuation of shares held was £7.4m.

25 Share option schemes

(a) Savings related share option schemes

The Company has three Inland Revenue approved savings related share option schemes. The schemes are based on eligible employees being granted options and them agreeing to open a sharesave account with the Nationwide Building Society and/or Halifax plc and to save weekly or monthly for a fixed period. The right to exercise the option is at the employee's discretion within six months following the end of the fixed period.

Scheme	Date of issue	Exercise price	Duration
A	1 July 1996	64.2p	5 years
B	1 April 1998	129.1p	5 years
C	1 April 2002	60.0p	3 years

The changes in the number of participating employees and options over ordinary shares were as follows:

	Scheme A		Scheme B		Scheme C	
	Number of employees	Ordinary shares	Number of employees	Ordinary shares	Number of employees	Ordinary shares
Beginning of year	2,652	6,223,085	2,135	4,770,642	Nil	Nil
Granted	Nil	Nil	Nil	Nil	4,430	15,731,818
Options exercised	(732)	(1,677,204)	Nil	Nil	Nil	Nil
Options lapsed	(1,920)	(4,545,881)	(410)	(923,283)	(16)	(77,766)
End of year	Nil	Nil	1,725	3,847,359	4,414	15,654,052

(b) Executive share options

Award date	Number of executives & directors	At 1 May 2001	Granted	Exercised	Lapsed	At 30 April 2002	Exercise price £	Date from which exercisable	Expiry date
9 September 1994	1	53,296	Nil	Nil	Nil	53,296	0.3030	9 September 1997	9 September 2004
13 October 1995	3	400,642	Nil	61,289	Nil	339,353	0.4820	13 October 1998	13 October 2002
11 October 1996	9	1,873,999	Nil	Nil	541,723	1,332,276	1.0900	11 October 1999	11 October 2003
8 September 1997	9	657,064	Nil	Nil	98,495	558,569	1.2810	8 September 2000	8 September 2004
8 September 1997	2	41,472	Nil	Nil	Nil	41,472	1.2810	8 September 2000	8 September 2007
8 September 1997	3	1,088,631	Nil	Nil	362,877	725,754	1.2810	8 September 2002	8 September 2004
19 October 1998	21	636,278	Nil	Nil	243,772	392,506	2.2280	19 October 2001	19 October 2005
19 October 1998	3	1,151,823	Nil	Nil	412,949	738,874	2.2280	19 October 2003	19 October 2005
1 February 1999	1	55,856	Nil	Nil	28,726	27,130	2.5060	1 February 2002	1 February 2006
16 June 1999	3	233,792	Nil	Nil	88,037	145,755	2.1140	16 June 2004	16 June 2006
19 July 1999	26	885,790	Nil	Nil	213,233	672,557	2.0310	19 July 2002	19 July 2006
1 October 1999	1	78,050	Nil	Nil	Nil	78,050	0.0050	1 October 2002	1 October 2006
15 June 2000	72	8,875,436	Nil	307,480	1,165,295	7,402,661	0.6250	15 June 2003	15 June 2007
15 June 2000	2	1,822,301	Nil	Nil	Nil	1,822,301	0.6250	15 June 2005	15 June 2007
20 June 2001	77	Nil	6,924,925	Nil	172,000	6,752,925	0.7075	20 June 2004	20 June 2008
23 July 2001	1	Nil	828,300	Nil	Nil	828,300	0.7625	23 July 2004	23 July 2008
Totals		17,854,430	7,753,225	368,769	3,327,107	21,911,779			

All options were granted for nil consideration. The mid-market price for these shares at 30 April 2002 was £0.76. The Company's shares traded in the range £0.523 to £0.908 during the year to that date.

Notes to the accounts

26 Reserves

The following amounts are regarded as distributable or otherwise:

	Group		Company	
	2002 £m	2001 Restated £m	2002 £m	2001 Restated £m
Distributable				
Profit and loss account (note 11)	514.8	128.7	670.1	342.4
Non-distributable				
Share premium account	384.4	781.5	384.4	781.5
ESOP distribution reserve	1.6	1.8	1.6	1.8
Capital redemption reserve	1.7	1.7	1.7	1.7

Profit/(loss) for the financial year comprises:

	2002 £m	2001 Restated £m
Company	(38.1)	(327.6)
Subsidiary undertakings, joint ventures and associates	65.1	(26.7)
	27.0	(354.3)

The movement on non-distributable reserves is as follows:

	Group and company: share premium £m	Group and company: ESOP distribution reserve £m	Group and company: capital redemption reserve £m
Beginning of year	781.5	1.8	1.7
Arising on new share issues	2.9	Nil	Nil
Transfer to profit and loss account	(400.0)	Nil	Nil
ESOP distributed during year	Nil	(2.0)	Nil
ESOP provided during year	Nil	1.8	Nil
End of year	384.4	1.6	1.7

The ESOP distribution reserve represents the amount to be subscribed in connection with the approved profit sharing scheme (following an equivalent contribution by Group companies) in respect of the issue of new shares to eligible employees.

Cumulative goodwill of £114.3m (2001 – £118.0m) has been written off against reserves in periods prior to the adoption of FRS 10 "Goodwill and Intangible Assets".

A resolution was passed at an Extraordinary General Meeting in January 2002 to transfer £400.0m from the share premium reserve to another reserve. Court approval for this transfer and confirmation that this reserve constitutes a distributable reserve was received on 26 April 2002.

27 Consolidated cash flows

(a) Reconciliation of operating profit/(loss) to net cashflow from operating activities	2002	2001 Restated
	£m	£m
Operating profit/(loss) of Group companies	86.8	(260.3)
Depreciation	112.7	111.2
Impairment of tangible fixed assets at Coach USA	9.7	Nil
Impairment of goodwill at Coach USA	Nil	393.3
Loss on sale of tangible fixed assets, other than properties	0.1	0.5
Goodwill amortisation	41.7	59.6
Provision for losses on operations to be terminated or sold	9.9	Nil
Increase in stocks	(3.1)	(7.9)
Increase in debtors	(6.6)	(0.7)
ESOP provided for	1.8	1.9
(Decrease)/increase in creditors	(4.1)	6.4
Increase in provisions	8.0	2.4
Net cash inflow from operating activities	256.9	306.4

(b) Reconciliation of net cashflow to movement in net debt	2002	2001
	£m	£m
Increase/(decrease) in cash	28.5	(635.3)
Bond repayments	77.7	160.6
Cash flow from (decrease)/increase in debt and lease financing	(17.3)	398.6
	88.9	(76.1)
Loans and finance leases of acquired/disposed subsidiaries	0.5	(27.4)
Other movements	(40.1)	(109.1)
Movement in cash collateral	(38.2)	(23.5)
Decrease/(increase) in net debt	11.1	(236.1)
Opening net debt	(785.7)	(549.6)
Closing net debt	(774.6)	(785.7)

(c) Analysis of net debt	Opening	Cash flows	Cash collateral	Acquisitions/ disposals	Other movements	Closing
	£m	£m	£m	£m	£m	£m
Cash	79.3	28.5	Nil	Nil	(0.3)	107.5
Cash collateral	80.7	(37.8)	(0.4)	Nil	Nil	42.5
HP and lease obligations	(124.6)	48.2	Nil	2.6	(32.7)	(106.5)
Bank loans and loan stock	(228.4)	(65.9)	0.4	(2.1)	(18.0)	(314.0)
Bonds	(592.7)	77.7	Nil	Nil	10.9	(504.1)
Totals	(785.7)	50.7	Nil	0.5	(40.1)	(774.6)

The net total of cash and cash collateral of £150.0m (2001 – £160.0m) is classified in the balance sheet as £150.0m (2001 – £160.4m) in cash at bank and in hand and £Nil (2001 – £0.4m) in bank overdrafts within creditors: amounts falling due within one year.

(d) Restricted cash

Included in cash at 30 April 2002 are balances held in trust in respect of loan stock of £41.1m (2001 – £41.5m), South West Trains season tickets of £Nil (2001 – £30.5m), South West Trains performance bond cash of £Nil (2001 – £7.3m), and Coach USA Letter of Credit Collateral cash of £1.4m (2001 – £1.4m).

Notes to the accounts

27 Consolidated cash flows (continued)

(e) Purchase of subsidiary undertakings	Coach USA £m	UK Bus £m	Total £m
Net assets acquired (see note 15)	0.9	Nil	0.9
Goodwill	20.5	0.8	21.3
	21.4	0.8	22.2
Consideration			
Cash and acquisition expenses paid in year	20.5	0.8	21.3
Loan notes issued	0.6	Nil	0.6
Deferred consideration	0.3	Nil	0.3
	21.4	0.8	22.2
The cash paid during the year in respect of the purchase of subsidiary undertakings was as follows:			£m
Cash paid in respect of acquisitions in year (see above)			21.3
Deferred consideration in respect of Fullers Ferries			1.5
Deferred consideration in respect of Coach USA acquisitions			2.4
			25.2

Companies acquired in the year did not have a material impact on cash flows.

(f) Disposal of subsidiaries and other businesses

Details of net assets disposed of and the related sales proceeds are set out in note 15.

Companies disposed of in the year did not have a material impact on cash flows.

28 Guarantees and other financial commitments

(a) Guarantees

The Company is a party to bank guarantees in respect of guarantees, loans, overdrafts and other facilities provided to certain Group undertakings of which £75.7m was outstanding at 30 April 2002 (2001 – £89.3m) and provides cross-guarantees to certain subsidiary undertakings under VAT group provisions.

(b) Capital commitments

Capital commitments are as follows:

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Contracted for but not provided For delivery in one year	73.1	65.4	11.8	39.4

At 30 April 2002, £55.6m of the total capital commitments relates to overseas operations (30 April 2001 – £24.9m).

28 Guarantees and other financial commitments (continued)

(c) Operating lease and similar commitments

The annual commitments due under operating leases are as follows:

	2002 £m	2001 £m
Under one year	77.9	9.8
Between one year and five years	134.0	248.4
Five years and over	74.4	4.5

South West Trains Limited has contracts with Railtrack plc for access to the railway infrastructure (track, stations and depots) for the period until 3 February 2003. South West Trains Limited also has contracts which commit it to lease rolling stock from Angel Trains Contracts Ltd, HSBC Rail (UK) Ltd and Porterbrook Leasing Limited.

(d) Pension commitments

The Group operates or participates in a number of defined benefit occupational pension schemes in the UK, covering the majority of employees. These schemes are devised in accordance with local employment terms and conditions, administered independently of the employers and assets are held in trusts which are managed independently of the Group's finances by investment managers appointed by the schemes' trustees.

The principal schemes are those operated for bus employees under the Stagecoach Group Pension Scheme ("SGPS"), or where Group subsidiary undertakings are members of the Railways Pension Scheme ("RPS"), an industry-wide arrangement for employees of those companies previously owned by British Railways Board, or where Group subsidiary undertakings are participating employers in schemes operated by local authorities ("LGPS") and subject to relevant local government regulations.

The UK defined benefit schemes are fully funded. The employers' SSAP24 "Accounting for pension costs" funding rate for contributions varies between 3.2% and 6.6% per annum. Contribution rates are determined by independent actuaries on the basis of triennial valuations using the projected unit method. The assumptions having the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increase in earnings and pensions. It is assumed for SSAP24 that investment returns, net of management expenses, will exceed earnings growth by an average of at least 3.5% per annum. Present and future pensions are assumed to increase at an average rate of 2.25% per annum for SGPS and 2.50% per annum for other schemes.

The key details of each UK scheme are as follows:

	Latest actuarial review for SSAP 24	Funding level %	Market value £m	Employer's cost		Balance sheet asset (net)	
				2002	2001	2002	2001
				£m	£m	£m	£m
SGPS	April 2001	118	305	12.6	11.2	15.4	13.0
RPS	April 2001	115	266	1.8	2.3	(2.1)	(0.7)
LGPS	April 2001	121	187	1.9	1.4	14.4	13.9
			758	16.3	14.9	27.7	26.2

Overseas companies show a net balance sheet asset at 30 April 2002 of £Nil (2001 – £Nil) – the related employer's pension cost during the year was £1.7m (2001 – £1.9m).

Unfunded pension liabilities in respect of certain UK employees are included in the SGPS balance sheet amounts shown above.

A net prepayment at 30 April 2002 of £27.7m (30 April 2001 – £26.2m) is included in the Group's consolidated balance sheet in respect of the sum of cumulative differences between contributions paid by the employers into the schemes, the charge to the profit and loss account and the employers' share of surpluses and unfunded liabilities remaining in the schemes.

Under the transitional arrangements for the implementation of Financial Reporting Standard ("FRS") 17, "Retirement Benefits", the Group continues to account for pensions in accordance with SSAP 24, although the additional disclosures required by FRS 17 are provided below.

Notes to the accounts

28 Guarantees and other financial commitments (continued)

(d) Pension commitments (continued)

The calculations used for FRS 17 disclosures have been based on the most recent actuarial valuations which have then been updated by independent professionally qualified actuaries to take account of the requirements of FRS 17.

The main financial assumptions were as follows:

	%
Rate of increase in salaries	4.0
Rate of increase of pensions in payment – SGPS	2.3
– other schemes	2.5
Discount rate	6.1
Inflation assumption	2.5

The value of the assets in the schemes and the expected long-term rate of return as at 30 April 2002 were:

	Rate of return (%)	SGPS £m	RPS £m	LGPS £m	Total £m
Equities	8.5	313.3	213.5	112.1	638.9
Bonds	5.9	Nil	11.6	36.9	48.5
Other	6.5	12.6	0.6	31.1	44.3
		325.9	225.7	180.1	731.7

The following amounts at 30 April 2002 were measured in accordance with the requirements of FRS 17.

	SGPS £m	RPS £m	LGPS £m	Total £m
Total market value of assets	325.9	225.7	180.1	731.7
Present value of scheme liabilities	(361.4)	(213.6)	(187.4)	(762.4)
(Deficit)/surplus in the schemes	(35.5)	12.1	(7.3)	(30.7)
Pension asset				
Related deferred tax asset/(liability)	10.7	(3.6)	2.2	9.3
Net pension (liability)/asset	(24.8)	8.5	(5.1)	(21.4)

If FRS 17 had been adopted in these financial statements, the Group's net assets and profit and loss reserve at 30 April 2002 would have been as follows:

	Profit and loss reserve £m	Net assets £m
As currently stated	514.8	909.1
Net pension liability on FRS 17 basis (see above)	(21.4)	(21.4)
SSAP 24 net pension asset that will reverse on implementation of FRS 17	(31.0)	(31.0)
Deferred tax related to SSAP 24 items	9.3	9.3
Adjustment to net interest in joint ventures	14.4	14.4
Net assets on FRS 17 basis	486.1	880.4

28 Guarantees and other financial commitments (continued)

(e) Contingent liabilities

- (i) The Group's contingent liability for the full potential amount of deferred taxation on all timing differences is detailed in note 23.
- (ii) Certain of the Group's properties are the subject of contractual obligations to pay a share of the open market value to the former owners but only on the occurrence of certain specified events. The periods of these contractual obligations lapse on various dates between 2002 and 2005. There are no intentions to dispose of any of these properties at 30 April 2002.
- (iii) A performance bond backed by an insurance arrangement for £21.0m (2001 – £21.0m), a season ticket bond backed by an insurance arrangement for £28.7m (2001 – £Nil) and a holding company guarantee of £20.9m (2001 – £20.9m) have been provided to the Strategic Rail Authority in support of the Group's franchise obligations at South West Trains Limited at 30 April 2002. These contingent liabilities are not expected to crystallise.
- (iv) The Group and its joint venture have, in the normal course of business, entered into a number of long term supply contracts. The most significant of these relate to track, station and depot access facilities, together with new train lease and maintenance arrangements.
- (v) Under UK Rail franchise agreements, the Group and its joint venture have agreed with the UK Strategic Rail Authority annual amounts receivable or payable in respect of the operation of rail franchises for future periods.

Under these agreements, there is a requirement to comply with a number of obligations. Failure to comply with these obligations would be a breach of the relevant franchise.

(f) Joint venture and associates

Our share of commitments and contingent liabilities in joint venture and associates shown below are based on the latest statutory accounts of the relevant companies:

	Joint ventures £m	Associates £m	2002 Total £m	2001 Total £m
Annual commitments under non-cancellable operating leases	68.7	0.4	69.1	59.1
Capital commitments	2.2	Nil	2.2	0.8
Franchise performance bonds	14.7	Nil	14.7	14.7
Bank guarantee	Nil	3.1	3.1	3.2
Season ticket bond	1.2	Nil	1.2	1.1
Infrastructure investment commitments	Nil	1.8	1.8	2.8

29 Related party transactions

Transactions between Group companies that are fully eliminated on consolidation are not disclosed as permitted by FRS 8, "Related Party Disclosures".

Transactions in which directors have had a material interest are disclosed in note 7.

At 30 April 2002, the Company had loan notes receivable of £10.0m (2001 – £10.0m) from Virgin Rail Group Limited. The Company earned interest of £1.0m (2001 – £1.0m) on the loan notes during the year.

During the year, Keith Cochrane and Graham Eccles were non-executive directors of Virgin Rail Group Limited and became directors of Virgin Rail Group Holdings Limited, which was established following a reorganisation of the Virgin Rail companies. Fees of £25,000 (2001 – £23,219) were paid to the Group by Virgin Rail Group Limited in this regard.

During the year, Brian Souter and Keith Cochrane were non-executive directors of Road King Infrastructure Limited. Fees of £33,795 (2001 – £32,600) were paid to the Group by Road King Infrastructure Limited in this regard.

30 Post balance sheet events

On 22 July 2002, Virgin Rail Group announced that it had agreed revised commercial terms with the UK's Strategic Rail Authority for its two UK rail franchises. We have considered the implications of the agreement for our net investment in Virgin Rail Group, as explained in note 15.