

23 June 2004

## Stagecoach Group plc - Preliminary results for the year ended 30 April 2004

### Business highlights

- **Group**

- strong year of growth and delivery of strategic objectives
- turnover from continuing operations up 4.9%
- operating margin improvement at continuing operations
- disposals of Citybus (Hong Kong) and non-core North American operations
- disposals of non-core investments in Road King and Trainline
- net debt down 88% by £492m from £560m to £68m
- proposed return of approximately £250m capital to shareholders through issue of redeemable "B" shares - equivalent to 18.0p per ordinary share

- **UK Bus**

- turnover up 8.7%
- operating margin\* up to 11.5% from 11.2% (including impact from increases in operating lease, National Insurance and pension costs)
- passenger volumes up 1.4% outwith London

- **North America (Coach USA)**

- successful delivery of restructuring and disposal programme
- signs of recovery resulting in turnover from continuing operations up 5.1% in second half of year (constant currency)
- operating profit\* up 5.7% on significantly reduced turnover base

- **Rail**

- turnover up 6.1%
- operating profit\* up 15.4%
- significant improvement in South West Trains' operational performance
- first UK rail integrated control centre opened by South West Trains and Network Rail
- partner in shortlisted bids for East Coast and Integrated Kent franchises
- partnership with Virgin and Deutsche Bahn to bid for inter-city rail franchises

\* excluding restructuring costs, goodwill amortisation and exceptional items

## Financial highlights

- Total turnover £1,792m (2003 - £2,077m)
- Total operating profit\*\* £148m (2003 - £146m)
  - £142m (2003 - £121m), excluding Citybus, Road King and Trainline disposals
  - statutory operating profit £130m (2003 – loss of £466m)
- Profit before tax\*\* £120m (2003 - £113m)\*\*\*
  - statutory profit before tax £96m (2003 – loss of £500m)
- Earnings per share\*\* 6.7p (2003 – 6.4p)
- Full year dividend up 11.5% at 2.9p (2003 – 2.6p)

\*\* excluding goodwill amortisation and exceptional items

\*\*\* prior year included £15.1m of non-recurring gains on repurchase of bonds and £8.5m non-recurring liquidated damages at South West Trains

Stagecoach Chief Executive Brian Souter said: “We have had a very successful year, delivering on our key strategic priorities. Our focus on new business development, innovation and targeted investment is driving growth, particularly in our UK bus operations. In Rail, we have significantly out-performed last year by controlling costs, improving operational performance and investing in new trains. Our restructuring in North America has resulted in a core business with significant potential for future growth.

“We are pleased that our forward-looking ideas to improve the bus and rail industries have been positively received. Stagecoach is at the leading edge of public transport provision and our shareholders can share our confidence in the future prospects of our business. While still early in the new financial year we have made a promising start and trading is in line with our expectations.”

ENDS

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Note to Editors:

High resolution photographs are available to the media free of charge at [www.newscast.co.uk](http://www.newscast.co.uk) (telephone +44 (0) 207 608 1000).

## Chairman's statement

I am pleased to report that the Group has delivered a year of strong growth and demonstrated that we continue to lead the way in providing innovative public transport services. We have successfully delivered on the strategy that we outlined to restructure our North American operations, which has resulted in a more predictable business and contributed to a very significant reduction in Group debt.

Stagecoach Group now has a core portfolio of bus and rail businesses in the UK and overseas, with strong cash generation. Coupled with our solid financial position, I believe we have excellent potential to deliver good returns for shareholders.

Total turnover for the year ended 30 April 2004 was £1,792.3m (2003 - £2,076.6m). Excluding the impact of disposed businesses, turnover grew by 4.9% from £1,581.4m to £1,659.4m. Operating profit before goodwill amortisation and exceptional items was £147.5m (2003 - £146.4m). Excluding the impact of the disposals of Citybus, Chongqing Bus, Road King and Trainline, the equivalent operating profit grew from £121.0m to £141.9m. Earnings per share before goodwill amortisation and exceptional items were 6.7p (2003 - 6.4p). The reduction in operating profits as a result of disposals was offset by growth in our continuing businesses and reduced finance charges reflecting the proceeds from disposals.

Last year, we stated our intention to pursue a progressive dividend policy. The Board of Directors is proposing a final dividend of 2.0p per share (2003 - 1.8p), giving a total dividend for the year of 2.9p (2003 - 2.6p). This is an increase of 11.5% and reflects the Board's firm confidence in the future prospects for the Group.

Consolidated net debt reduced by £492.4m in the year from £560.0m down to £67.6m. The significant reduction in net debt reflects the benefits of the strong cash generation from our core businesses, and the proceeds from the disposals of Citybus, Road King, Trainline and the non-core parts of our North American operations.

As previously announced, the Board proposes to return approximately £250m of capital to shareholders in order to achieve a more efficient capital structure. The Board believes that by adjusting the mix of equity and debt in the business, the Group can lower its overall cost of capital and generate further shareholder value. We are therefore proposing, in addition to the final dividend of 2.0p, to issue one redeemable B Share for every ordinary share, which can be converted to cash of 18.0p per B Share. Further details are provided in the separate regulatory announcement made today.

All of the Group's core divisions have continued to trade well, particularly our Rail division where we have seen improved performance and further growth in passenger volumes. The new three-year franchise at South West Trains has started well and is delivering good operating profits.

We welcome the Government's major review of the railways in the UK and, as part of the consultation process, we have made constructive proposals to deliver the integration we believe is vital to the future of the rail network.

A key strategic priority in the months ahead is finalising the negotiation of the CrossCountry and West Coast franchises, which at present continue to operate under annual budgets set by the Strategic Rail Authority ("SRA"). We are pleased with the progress that is being made and negotiations with the SRA are continuing towards concluding a detailed agreement in due course that will put both franchises on a long-term commercial basis through to 2012.

We will also be focusing on our bid with Virgin and Deutsche Bahn for the new Inter-City East Coast franchise, which would be an excellent addition to our rail portfolio. In addition, we are bringing our UK operating experience to the Danish State Railways' bid for the new Integrated Kent rail franchise and we will consider other opportunities in the inter-city and London commuter markets.

Renewed dynamism at our UK Bus operations has seen Stagecoach lead the industry with innovative ideas to attract more people to public transport. Megabus.com, the UK's first low cost internet bus service, encapsulates the entrepreneurial energy that drives the Group forward.

We have reported growth in operating profit\* and operating margin at our North American business. In New Zealand, our business continues to generate good operating profits and produce new ideas on the delivery of bus services.

I am delighted that the loyalty of our investors has been rewarded with a year of significant progress across the Group. Our excellent performance is also the result of a committed contribution from employees across the whole Group. Looking ahead, I believe there are good prospects for further growth and increased shareholder value from our portfolio of businesses.

**Robert Speirs**  
**Chairman**

\* References to the operating profit of a particular division in the Chairman's Statement and the Chief Executive's Operating and Financial Review refer to operating profit before restructuring costs, goodwill amortisation and exceptional items. Further details of the divisional split of operating profit can be found in note 1(b) to the preliminary statement.

## **Chief Executive's Operating and Financial Review**

Stagecoach's development has always been driven by our ability to identify new ideas and growth opportunities at an early stage and to deliver them quickly. I am delighted that this year we have demonstrated yet again that we are at the cutting edge of new thinking in the provision of high quality bus and rail services.

Innovation can only become a reality with strong, effective management and a team of talented and committed people that understand our customers' needs. These qualities have underpinned our progress and success in the past 12 months as we attract more people to bus and rail travel and deliver increased value to our shareholders.

### **Overall financial results**

The financial results for the year ended 30 April 2004 reflect a year of strong growth in our continuing businesses and delivery of our strategic objectives.

During the year, we disposed of approximately 60% of our North American business, the Citybus operation in Hong Kong and our non-core investments in Road King Infrastructure Limited and Trainline Holdings Limited.

Turnover from our continuing businesses increased by 4.9% from £1,581.4m to £1,659.4m, and by 5.9% at constant foreign exchange rates. Total turnover reduced as a result of our successful programme of disposals and was £1,792.3m for the year (2003 - £2,076.6m).

Operating profit before goodwill amortisation and exceptional items grew from £146.4m in 2003 to £147.5m in 2004 reflecting growth in profits in our continuing operations more than offsetting the impact of disposals. We delivered a significant improvement in the operating margin of our core continuing divisions (UK Bus, North America, New Zealand, Rail and Virgin Rail Group) – the operating margin from these businesses before goodwill amortisation, exceptional items and restructuring costs grew from 6.6% in 2003 to 8.4% in 2004.

The impact of the disposals was offset by growth in profits in our continuing operations and lower finance charges. As a result, adjusted earnings per share (before goodwill amortisation and exceptional items) increased from 6.4 pence to 6.7 pence. It should be noted that prior year earnings per share benefited from non-recurring gains on the repurchase of bonds and non-recurring liquidated damages at South West Trains which before tax together amounted to £23.6m (£16.5m after tax).

Basic earnings per share grew from a loss of 40.0 pence per share to earnings of 7.9 pence per share, which include the one-off benefit of an exceptional tax credit, equivalent to 3.1 pence per share.

Turnover and operating profit by division is further summarised below:

<b>TURNOVER</b>	2004 £m	2003 £m	Currency	2004 Local Currency (m)	2003 Local Currency (m)	Growth %	
<b>Continuing Group operations</b>							
UK Bus	650.2	598.4	£	650.2	598.4	8.7%	
North America	223.6	242.3	US\$	382.6	377.3	1.4%	
New Zealand	58.3	51.0	NZ\$	160.9	158.3	1.6%	
Rail	438.9	413.6	£	438.9	413.6	6.1%	
	<u>1,371.0</u>	<u>1,305.3</u>					
<b>Discontinued Group operations</b>							
North America	113.2	360.7	US\$	193.8	561.7	(65.5)%	
Citybus (Hong Kong)	17.8	132.3	HK\$	227.8	1,607.4	(85.8)%	
Australian Bus	Nil	0.4	A\$	Nil	1.0	(100.0)%	
	<u>131.0</u>	<u>493.4</u>					
<b>Total Group turnover</b>	<b><u>1,502.0</u></b>	<b><u>1,798.7</u></b>					
<b>OPERATING PROFIT</b>	2004 £m	% of turnover	2003 £m	% of turnover	Currency	2004 Local Currency (m)	2003 Local Currency (m)
<b>Continuing Group operations</b>							
UK Bus	74.8	11.5%	67.0	11.2%	£	74.8	67.0
North America	14.8	4.4%	14.0	2.3%	US\$	25.4	21.8
New Zealand	10.7	18.4%	11.2	22.0%	NZ\$	29.5	34.8
Rail	44.1	10.0%	38.2	9.2%	£	44.1	38.2
Group overheads	(8.4)		(9.4)	-	£	(8.4)	(9.4)
Restructuring costs	(7.2)		(6.3)	-	£	(7.2)	(6.3)
	<u>128.8</u>		<u>114.7</u>				
<b>Discontinued Group operations</b>							
Citybus (Hong Kong)	1.0	5.6%	19.1	14.4%	HK\$	12.8	232.0
	<u>129.8</u>		<u>133.8</u>				
<b>Joint ventures and associates</b>							
Virgin Rail Group	13.5		7.2				
Trainline	(2.4)		(4.3)				
Road King	7.0		10.5				
Other	(0.4)		(0.8)				
	<u>147.5</u>		<u>146.4</u>				
Goodwill amortisation	(17.8)		(37.6)				
Exceptional items	Nil		(575.0)				
<b>Total operating profit/(loss)</b>	<b><u>129.7</u></b>		<b><u>(466.2)</u></b>				

## UK Bus

This has been a year of innovation, investment and growth in our UK Bus division. Turnover has increased by 8.7% to £650.2m (2003 - £598.4m), with turnover at our London bus business up 19.1% on the prior year. Operating profits were up 11.6% to £74.8m, compared to £67.0m in the previous year. Operating margins were 11.5% compared to 11.2% in 2003. The reported profits include the effects of a further increase in the use of operating leases to fund new vehicles. Excluding the impact of this change in financing, operating margins increased from 11.3% to 12.0%. This is a very encouraging performance given that the reported profits have been achieved after taking account of increased National Insurance, and pension costs.

Our firm commitment to modernising our fleet is continuing to help drive organic passenger growth across our business. Passenger volumes in our operations outwith London were up 1.4%.

We have also introduced a number of products targeted at developing new markets to complement our traditional customer base. Our award-winning megabus.com network, which offers low cost intercity bus travel, combines the power of the Internet and our operational expertise to deliver an attractive and cleverly marketed service. A UK first, megabus.com now covers more than 20 routes in the UK. Significantly, the service is also attracting commuters out of their cars, which can only be of benefit in the battle against road congestion.

We have a strong position in UK Bus and we are confident we can achieve further organic growth from our networks by continuing to apply entrepreneurial vision and innovation.

### **North America**

We have largely completed the restructuring of our operations in North America, which has resulted in a business with a clearly defined geography and more predictable revenue streams centred on three areas: our North East and North Central regions in the United States, and Canada.

Turnover of our North American business for the year of US\$576.4m (2003 - US\$939.0m) comprised US\$382.6m (2003 - US\$377.3m) from continuing operations and US\$193.8m (2003 - US\$561.7m) from discontinued operations. Operating profit increased from US\$21.8m in 2003 to US\$25.4m. We have grown operating profit despite the significant reduction in turnover arising from a number of business disposals. This increased profit has been achieved by growth in our continuing businesses and a managed reduction in overheads. Converted to sterling, the turnover of our North American business for the year was £336.8m, compared to £603.0m in the previous year. Operating profit was £14.8m, compared to £14.0m in 2003. This represents an operating margin of 4.4% (2003 - 2.3%).

### **New Zealand**

Our New Zealand operations continue to generate good returns for the Group. This year we have not benefited from the transport spin-off from the America's Cup yacht race as we did in 2002-03. However, on a like-for-like basis, and despite a challenging operating environment we have seen further passenger growth overall in New Zealand. Turnover from our New Zealand businesses increased from NZ\$158.3m to NZ\$160.9m. Operating profit fell from NZ\$34.8m to NZ\$29.5m. Whilst the operating margin for the year was lower, we remain pleased with the profits earned in New Zealand. Converted to sterling, turnover was £58.3m (2003 - £51.0m) and operating profit was £10.7m (2003 - £11.2m).

### **Rail**

Financial performance in our Rail division has benefited from continued cost control and a growth in passenger volumes at South West Trains of 3.2% year on year.

The new three-year franchise at South West Trains, which commenced in February 2004, has started well and as at 30 April 2004, 42 of our £1 billion order for 177 new state-of-the-art Desiro trains had been delivered into passenger service with two new trains a week to be delivered throughout the summer. The punctuality of all trains operated by South West Trains has improved during the year. The number of delay minutes attributed to South West Train's performance has reduced by 11.1% in the year. Virgin Rail Group is also making excellent progress with the introduction of the new Voyager and Pendolino trains to the

CrossCountry and West Coast franchises respectively and over 90% of the new trains ordered have been delivered.

Turnover for our wholly-owned rail subsidiaries in the year was £438.9m (2003 - £413.6m). Operating profit was up 15.4% to £44.1m (2003 - £38.2m), representing an operating margin of 10.0% (2003 - 9.2%). Profit exceeded original expectations due to a combination of higher revenue growth and continued cost control. The prior year profit includes liquidated damages of £8.5m in relation to the late delivery and reliability of Class 458 trains. Rail profits are stated after taking account of the costs of bidding for new franchises.

The operating profit of £44.1m includes £1.1m in respect of Sheffield Supertram compared to a small loss in the prior year which reflects the integration of the maintenance business and other management action to increase profitability.

Our share of Virgin Rail Group's turnover for the year amounted to £288.4m (2003 - £276.1m) and our share of operating profits was £13.5m (2003 - £7.2m). Passenger volumes for the year were 2.5% above the prior year. The profit for the year was a result of both revenues and costs being better than the budget set by the SRA.

Both the West Coast and CrossCountry franchises continue to operate on the basis of annual budgets set by the SRA as discussions progress on renegotiating the franchises on a long-term commercial basis through to 2012. This is a key strategic objective for the Group and we are pleased at the continuing progress we are making.

Stagecoach Group continues to evaluate new opportunities in the heavy and light rail sectors. Our strategy is focused on high-volume commuter and long-distance inter-city services. We have announced our intention to bid for the new inter-city franchises, including the East Coast franchise, with Virgin and Deutsche Bahn ("DB"). In addition, we are bringing our UK operating experience to the Danish State Railways' ("DSB") bid for the new Integrated Kent rail franchise. We are also looking to strengthen our position in the UK light rail market subject to being able to achieve sensible commercial terms.

### **Joint ventures and associates**

Our share of joint venture and associates' operating profits (before goodwill amortisation) was £17.7m compared to £12.6m in the prior year largely reflecting the increased profitability at Virgin Rail Group (profit £13.5m; 2003 - £7.2m). The results include our share of the trainline's operating losses which, up to the date of disposal, was £2.4m (2003 - £4.3m), our share of profits in Road King, up to the date of disposal, of £7.0m (2003 - £10.5m) and our share of operating losses of £0.4m (2003 - £0.8m) from our other joint ventures and associates.

### **Restructuring costs**

Restructuring costs of £7.2m (2003 - £6.3m) have been charged against operating profits. The majority of the restructuring costs, £5.7m, relate to the re-shaping of our North American business and the Directors expect that restructuring costs in future years will be significantly reduced. A further £0.9m relates to South West Trains and £0.6m relates to UK Bus.

### **Depreciation and amortisation**

Total depreciation decreased from £105.3m to £67.2m, reflecting the disposals completed in the year and the effect of foreign exchange movements on the translation of US\$ and HK\$ charges. The annual goodwill amortisation charge was £17.8m compared to £37.6m in 2003, reflecting the disposals completed in the year.

Adding the depreciation of £67.2m to the operating profit before goodwill and exceptional items of £147.5m gives EBITDA (earnings before interest, taxation, depreciation and amortisation) of £214.7m (2003 - £251.7m) for the year.

### **Acquisitions**

The Group did not make any major acquisitions of businesses during the year.

### **Disposals**

During the year, the Group disposed of a number of subsidiaries and other businesses. Various parts of our North American business were disposed of during the year, being the Transit Division, South East Region, South Central Region, West Region, New England Region and the majority of the taxi division. SGC (HK) Group Limited, (encompassing the Citybus operations), and our investments in Trainline Holdings Limited, Road King Infrastructure Limited, and Hong Kong Kwoon Chung (Chongqing) Bus Investment Limited were also disposed of during the year. Cash proceeds from the disposals amounted to £328.6m with a resulting decrease in net debt of £371.6m.

### **Exceptional Items**

Net exceptional charges before tax of £6.6m (2003 - £575.5m) were reported, comprising a loss of £7.1m in relation to the disposals completed during the year and a gain of £0.5m on the sale of a property in New Zealand.

### **Finance charges**

Net interest and financing charges decreased from £33.5m to £27.3m. EBITDA before exceptional items to net finance charges was 7.9 times compared to 7.5 times in 2003. The finance charges of £33.5m for the comparative period last year included the benefit of non-recurring gains of £15.1m on the repurchase of our bonds. The reduction of £21.3m in underlying finance charges is as a result of our reduced net debt levels.

### **Taxation**

Profit before tax for the year was £95.8m. The tax credit, reported against this, of £8.8m includes an exceptional tax credit received in the year of £41.0m. Excluding this tax credit, the Group's tax charge of £32.2m represents an effective rate of 33.6% on this profit (2003 – 33.4% excluding the exceptional operating loss of £575.0m).

During the year, we have reached agreement with various tax authorities on a number of prior years' tax returns and provisions and the exceptional tax credit of £41.0m is as a result of these agreements.

On an ongoing basis we would expect the Group's effective tax rate to be in the range of 25% - 30%.

### **Return of Capital**

In addition to the total proposed dividend for the year of 2.9 pence per share, the Directors have proposed to return capital to shareholders equivalent to 18.0 pence per ordinary share.

The return of capital will be achieved through the issue of redeemable B Shares and is conditional, inter alia, on obtaining Shareholder approval at the AGM on 27 August 2004. The B Shares will have a nominal value of 18.0 pence each and the total nominal value of

the B shares issued will be approximately £250m. The precise total nominal value of the B shares issued will depend upon the number of Ordinary Shares in issue on the record date.

For every 24 Ordinary Shares held on the Record Date (expected to be 10 September 2004), Shareholders will receive 19 Consolidated Ordinary Shares and 24 B Shares.

Shareholders can have their B Shares redeemed for 18.0 pence each in cash on or around 22 September 2004. Alternatively they can retain all or some of their B Shares and receive a continuing dividend equal to 70 per cent of 6 months' LIBOR, payable semi-annually in arrears, until such shares are redeemed.

Further details of the proposed return of capital are provided in the separate regulatory announcement made today. A circular will be sent to shareholders in July 2004.

### **Cash flows**

Cash generation across the Group remained strong with free cash flows amounting to £209.5m (2003 - £217.8m).

At 30 April 2004 net cash balances were £476.5m, an increase of £311.8m from 30 April 2003. This increase in cash largely reflects the impact of disposals of businesses.

### **Capital Expenditure**

Capital Expenditure for the year was:

	2004 £m	2003 £m
UK Bus	50.5	34.4
North America	23.1	21.5
New Zealand	7.0	7.2
Hong Kong	3.0	6.1
UK Rail	3.2	1.9
Total	<u>86.8</u>	<u>71.1</u>

### **Liquidity and funding**

During June 2004 the Group cancelled bank facilities amounting to £195m which were due to expire in the period to December 2004 and replaced these with approximately £440m of revolving credit facilities which mature in 3 and 5 years. These new facilities provide us with significant financial flexibility going forward.

### **Balance sheet**

Net assets have increased by 23.0% from £317.1m to £390.0m. Net debt decreased by £492.4m or 87.9% from £560.0m as at 30 April 2003, to £67.6m at 30 April 2004, mainly as a result of the business disposals. Based on net assets of £390.0m and net debt of £67.6m, book gearing (net debt divided by net assets) is 17.3% in comparison to last year's level of 176.6%.

### **Pensions**

The Group continues to account for pensions on the basis of SSAP 24, "Accounting for pension costs". Under SSAP 24, total pension costs in the year ended 30 April 2004 were £32.9m (2003 - £31.2m). The post-tax pension scheme deficit under FRS 17, "Retirement

benefits" improved (i.e. reduced) by £50.5m in the year. Under FRS 17, the defined benefit pension schemes in respect of the Group's UK Bus and head office employees showed a net liability at 30 April 2004 of £115.8m after taking account of deferred tax. In addition, the defined benefit pension schemes in respect of the Group's Rail employees showed a net liability of £14.2m after deferred tax. We believe the Rail deficit needs to be considered separately as the franchise payments under the South West Trains franchise take account of increased contribution levels to fund the deficit and we believe that the Group has no liability beyond the end of the franchise.

### **Fuel hedging**

We presently have hedging arrangements in place that effectively fix the unit cost of approximately 40% of our expected Group fuel consumption in the year ending 30 April 2005. We have further hedging arrangements that effectively cap the maximum unit costs of around a further 57% of expected Group fuel consumption.

### **International Financial Reporting Standards**

Being a UK quoted company, Stagecoach Group plc is required to produce future financial statements and annual reports in line with International Financial Reporting Standards ("IFRS") also known as International Accounting Standards ("IAS"). The Group's first full set of IFRS accounts, including comparatives, will be prepared for the year ending 30 April 2006.

In September 2003, the Company established a Steering Committee to oversee the convergence to IFRS. To date the Committee has identified the main differences between IFRS and the current Group UK GAAP policies and is making good progress in establishing the accounting policies or changes that will be required. The convergence project is ongoing and the Committee will continue to monitor evolving best practice and will apply the standards that are required for adoption in due course.

The Company is committed to ensuring it complies with all material aspects of IFRS and until such time as its conversion project is complete, it is inappropriate to provide a comprehensive summary of all of the accounting differences that could impact the Company's financial statements. The most significant areas of difference are expected to be in respect of financial instruments, pensions and goodwill. The Steering Committee is also closely examining the detailed IFRS regulations in relation to leases and government grants.

### **Current Trading and Outlook**

While still early in the new financial year, the Group has made a promising start and trading in all four major divisions is in line with our expectations.

We believe we are entering an exciting phase for the Group. Our renewed focus, combined with strong cash-generative qualities and a substantially de-risked portfolio, means there is real potential to drive the Group forward in the year ahead.

**Brian Souter**  
**Chief Executive**

## Consolidated Profit and Loss Account

	Notes	Audited			Audited		
		Year ended 30 April 2004			Year ended 30 April 2003		
		Performance pre goodwill and exceptionals	Goodwill and exceptional items	Results for the year	Performance pre goodwill and exceptionals	Goodwill and exceptional items	Results for the year
	£m	£m	£m	£m	£m	£m	
<b>Turnover: Group and share of joint ventures</b>	1	1,792.3	Nil	<b>1,792.3</b>	2,076.6	Nil	<b>2,076.6</b>
<b>Less: Share of joint ventures' turnover</b>		(290.3)	Nil	<b>(290.3)</b>	(277.9)	Nil	<b>(277.9)</b>
<b>Group turnover</b>	1	1,502.0	Nil	<b>1,502.0</b>	1,798.7	Nil	<b>1,798.7</b>
Represented by:							
Continuing Group operations		1,371.0	Nil	<b>1,371.0</b>	1,305.3	Nil	<b>1,305.3</b>
Discontinued operations	1	131.0	Nil	<b>131.0</b>	493.4	Nil	<b>493.4</b>
		1,502.0	Nil	<b>1,502.0</b>	1,798.7	Nil	<b>1,798.7</b>
Operating costs (including asset impairment)		(1,501.3)	(8.8)	<b>(1,510.1)</b>	(1,752.6)	(603.6)	<b>(2,356.2)</b>
Other operating income		129.1	Nil	<b>129.1</b>	87.7	Nil	<b>87.7</b>
<b>Operating profit/(loss) of Group companies</b>	1	129.8	(8.8)	<b>121.0</b>	133.8	(603.6)	<b>(469.8)</b>
Share of operating profit/(loss) of joint ventures		10.7	(8.7)	<b>2.0</b>	2.6	(8.7)	<b>(6.1)</b>
Share of operating profit from interest in associates		7.0	(0.3)	<b>6.7</b>	10.0	(0.3)	<b>9.7</b>
<b>Total operating profit/(loss): Group and share of joint ventures and associates</b>	1	147.5	(17.8)	<b>129.7</b>	146.4	(612.6)	<b>(466.2)</b>
Represented by:							
Continuing Group operations		128.8	(7.8)	<b>121.0</b>	114.7	(596.0)	<b>(481.3)</b>
Continuing joint ventures and associates		13.1	(9.0)	<b>4.1</b>	6.3	(9.0)	<b>(2.7)</b>
		141.9	(16.8)	<b>125.1</b>	121.0	(605.0)	<b>(484.0)</b>
Discontinued Group operations		1.0	(1.0)	<b>Nil</b>	19.1	(7.6)	<b>11.5</b>
Discontinued joint ventures and associates		4.6	Nil	<b>4.6</b>	6.3	Nil	<b>6.3</b>
<b>Total operating profit/(loss): Group and share of joint ventures and associates</b>		147.5	(17.8)	<b>129.7</b>	146.4	(612.6)	<b>(466.2)</b>
Profit/(loss) on sale of properties	3	Nil	0.5	<b>0.5</b>	Nil	(0.5)	<b>(0.5)</b>
Loss on disposal of operations	3	Nil	(7.1)	<b>(7.1)</b>	Nil	Nil	<b>Nil</b>
<b>Profit/(loss) on ordinary activities before Interest and taxation</b>		147.5	(24.4)	<b>123.1</b>	146.4	(613.1)	<b>(466.7)</b>
Finance charges (net)		(27.3)	Nil	<b>(27.3)</b>	(33.5)	Nil	<b>(33.5)</b>
<b>Profit/(loss) on ordinary activities before taxation</b>		120.2	(24.4)	<b>95.8</b>	112.9	(613.1)	<b>(500.2)</b>
Taxation on profit/(loss) on ordinary activities	4	(32.3)	41.1	<b>8.8</b>	(28.8)	3.8	<b>(25.0)</b>
<b>Profit/(loss) on ordinary activities after taxation</b>		87.9	16.7	<b>104.6</b>	84.1	(609.3)	<b>(525.2)</b>
Dividends	7	(38.4)	Nil	<b>(38.4)</b>	(34.3)	Nil	<b>(34.3)</b>
<b>Retained profit/(loss) for the year</b>		49.5	16.7	<b>66.2</b>	49.8	(609.3)	<b>(559.5)</b>
<b>Earnings/(loss) per share:</b>							
- Adjusted/Basic	2	6.7p		<b>7.9p</b>	6.4p		<b>(40.0)p</b>
- Diluted	2	6.5p		<b>7.8p</b>	6.4p		<b>(40.0)p</b>

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

## Consolidated Balance Sheet

Notes	Audited As at 30 April 2004 £m	Audited As at 30 April 2003 £m
<b>Fixed Assets</b>		
Intangible assets	103.5	206.9
Tangible assets	618.0	851.6
Investments		
- Investment in joint ventures		
Goodwill	57.5	72.7
Share of gross assets	98.8	167.5
Share of gross liabilities	(59.8)	(122.0)
Shareholder loan notes	10.0	10.4
Total investment in joint ventures	106.5	128.6
- Investment in associates	1.4	70.0
- Other investments	2.3	2.7
	831.7	1,259.8
<b>Current Assets</b>		
Stocks	13.4	38.1
Debtors and prepaid charges	169.2	192.3
- due within one year	58.0	59.9
- due after more than one year	476.5	164.7
Cash at bank and in hand	717.1	455.0
	(674.6)	(504.2)
<b>Creditors: Amounts falling due within one year</b>	(674.6)	(504.2)
<b>Net current assets/(liabilities)</b>	42.5	(49.2)
<b>Total assets less current liabilities</b>	874.2	1,210.6
<b>Creditors: Amounts falling due after more than one year</b>	(292.2)	(640.7)
<b>Provisions for liabilities and charges</b>		
- Joint venture		
Goodwill	0.3	Nil
Share of gross assets	Nil	5.3
Share of gross liabilities	(1.7)	(27.9)
Shareholder loan notes	0.4	Nil
- Other provisions	(191.0)	(230.2)
<b>Net Assets</b>	390.0	317.1
<b>Capital and reserves</b>		
Equity share capital	6.7	6.6
Share premium account	392.4	386.1
Profit and loss account	(6.9)*	(77.3)*
Own shares	(3.9)	Nil
Capital redemption reserve	1.7	1.7
<b>Shareholders' Funds – Equity</b>	5 390.0	317.1

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

\* The profit and loss reserve deficit of £6.9m (2003 - £77.3m) is the consolidated position after taking account of cumulative goodwill of £113.8m (2003 - £113.8m) that was written off against reserves in periods prior to the adoption of FRS 10, "Goodwill and Intangible Assets". The holding company's distributable reserves as at 30 April 2004 were £378.5m (2003 - £57.5m).

## Consolidated Cash Flow Statement

		Audited Year ended 30 April 2004	Audited Year ended 30 April 2003
	<u>Notes</u>	£m	£m
<b>Net cash inflow from operating activities</b>	6	214.3	272.2
<b>Dividends from joint ventures and associates</b>		4.1	5.3
<b>Returns on investments and servicing of finance</b>			
Interest paid		(37.9)	(52.6)
Interest element of hire purchase and lease finance		(5.8)	(4.7)
Interest received		44.2	5.4
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>		0.5	(51.9)
<b>Taxation</b>		(9.4)	(7.8)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(56.0)	(52.9)
Sale of tangible fixed assets		4.2	20.1
<b>Net cash outflow from capital expenditure and financial investment</b>		(51.8)	(32.8)
<b>Acquisitions and disposals</b>			
Acquisition of subsidiaries		(7.4)	(10.1)
Purchase of goodwill		Nil	(0.8)
Purchase of investments in joint ventures and associates		Nil	(0.9)
Cash of disposed subsidiaries		(4.3)	Nil
Disposal of subsidiaries and other businesses		263.7	7.0
Disposal of investments in joint ventures and associates		64.9	Nil
<b>Net cash inflow/(outflow) from acquisitions and disposals</b>		316.9	(4.8)
<b>Equity dividends paid</b>		(35.6)	(27.6)
<b>Net cash inflow before financing</b>		439.0	152.6
<b>Financing</b>			
Sale of tokens		13.5	12.9
Redemption of tokens		(11.9)	(10.8)
Issue of share capital for cash		6.4	Nil
Investment in own shares		(3.9)	Nil
Decrease/(increase) in collateral balances		37.3	(32.1)
Decrease in borrowings		(158.4)	(90.9)
Repayments of hire purchase and lease finance		(60.3)	(44.4)
Cash inflows from lease finance		85.7	Nil
<b>Net cash outflow from financing</b>		(91.6)	(165.3)
<b>Increase/(decrease) in cash during the year</b>	6	347.4	(12.7)
<b>Free cash flow</b>		209.5	217.8
<b>Free cash flow per share</b>		15.9p	16.6p

Free cash flow comprises net cash inflow from operating activities, dividends from joint ventures and associates, net cash inflow/(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

	<b>Audited Year ended 30 April 2004 £m</b>	<b>Audited Year ended 30 April 2003 £m</b>
Profit/(loss) for the financial year	104.6	(525.2)
Translation differences on foreign currency net investments	(0.4)	(26.6)
UK tax effect of translation differences on foreign currency net investments	4.8	(6.4)
Share of other recognised gains and losses of associates	(0.2)	(0.1)
Total recognised gains and losses relating to the year	<u>108.8</u>	<u>(558.3)</u>

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.

## Notes to the Preliminary Statement

### 1 Segmental Analysis

#### (a) Turnover

	Audited Year ended 30 April 2004	Audited Year ended 30 April 2003
	£m	£m
<b>Continuing operations</b>		
UK Bus	650.2	598.4
New Zealand	58.3	51.0
North America (Coach USA)	223.6	242.3
Total bus continuing operations	932.1	891.7
UK Rail	438.9	413.6
<b>Total continuing operations</b>	1,371.0	1,305.3
<b>Discontinued operations</b>		
Citybus	17.8	132.3
Australian Bus	Nil	0.4
North America (Coach USA)	113.2	360.7
<b>Total discontinued operations</b>	131.0	493.4
<b>Group turnover</b>	1,502.0	1,798.7
Share of joint ventures' turnover		
Continuing		
- Virgin Rail Group	288.4	276.1
Discontinued		
- thetrainline	8.1	11.0
Elimination of inter-segment turnover	(6.2)	(9.2)
<b>Group turnover and share of joint ventures' turnover</b>	1,792.3	2,076.6

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

## 1 Segmental Analysis (continued)

### (b) Operating profit/(loss)

	Audited Year ended 30 April 2004			Audited Year ended 30 April 2003		
	Performance pre goodwill and exceptionals	Goodwill and exceptional items	Results for the year	Performance pre goodwill and exceptionals	Goodwill and exceptional items	Results for the year
	£m	£m	£m	£m	£m	£m
<b>Continuing operations</b>						
UK Bus	74.8	Nil	<b>74.8</b>	67.0	Nil	<b>67.0</b>
New Zealand	10.7	Nil	<b>10.7</b>	11.2	Nil	<b>11.2</b>
North America (Coach USA)	14.8	Nil	<b>14.8</b>	14.0	(575.0)	<b>(561.0)</b>
Total bus continuing operations	100.3	Nil	<b>100.3</b>	92.2	(575.0)	<b>(482.8)</b>
UK Rail	44.1	Nil	<b>44.1</b>	38.2	Nil	<b>38.2</b>
Total continuing operations	144.4	Nil	<b>144.4</b>	130.4	(575.0)	<b>(444.6)</b>
Group overheads	(8.4)	Nil	<b>(8.4)</b>	(9.4)	Nil	<b>(9.4)</b>
Goodwill amortisation	Nil	(7.8)	<b>(7.8)</b>	Nil	(21.0)	<b>(21.0)</b>
Redundancy/restructuring costs	(7.2)	Nil	<b>(7.2)</b>	(6.3)	Nil	<b>(6.3)</b>
<b>Total operating profit/(loss) of continuing Group operations</b>	128.8	(7.8)	<b>121.0</b>	114.7	(596.0)	<b>(481.3)</b>
Discontinued operations						
- Citybus	1.0	Nil	<b>1.0</b>	19.1	Nil	<b>19.1</b>
- Goodwill amortisation	Nil	(1.0)	<b>(1.0)</b>	Nil	(7.6)	<b>(7.6)</b>
<b>Total operating profit of discontinued Group operations</b>	1.0	(1.0)	<b>Nil</b>	19.1	(7.6)	<b>11.5</b>
<b>Total operating profit/(loss) of Group companies</b>	129.8	(8.8)	<b>121.0</b>	133.8	(603.6)	<b>(469.8)</b>
Share of operating profit/(loss) of joint ventures						
Continuing						
- Virgin Rail Group	13.5	Nil	<b>13.5</b>	7.2	Nil	<b>7.2</b>
- other	(0.4)	Nil	<b>(0.4)</b>	(0.3)	Nil	<b>(0.3)</b>
Discontinued						
- thetrainline	(2.4)	Nil	<b>(2.4)</b>	(4.3)	Nil	<b>(4.3)</b>
Goodwill amortised on investment in continuing joint ventures	Nil	(8.7)	<b>(8.7)</b>	Nil	(8.7)	<b>(8.7)</b>
Share of operating profit/(loss) of associates						
Continuing						
- other	Nil	Nil	Nil	(0.6)	Nil	<b>(0.6)</b>
Discontinued						
- Road King	7.0	Nil	<b>7.0</b>	10.5	Nil	<b>10.5</b>
- other	Nil	Nil	Nil	0.1	Nil	<b>0.1</b>
Goodwill amortised on investment in continuing associates	Nil	(0.3)	<b>(0.3)</b>	Nil	(0.3)	<b>(0.3)</b>
<b>Total operating profit/(loss): Group and share of joint ventures and associates</b>	147.5	(17.8)	<b>129.7</b>	146.4	(612.6)	<b>(466.2)</b>

The operating profit from discontinued Group operations includes Citybus. The operating profit from the discontinued element of North America (Coach USA) is not separately shown because it is not clearly distinguishable due to certain "shared" costs that relate to North America as a whole. However, the discontinued element of North America's operating profit is not believed to be material in the context of the Group's annual operating profit as a whole.

Goodwill amortisation on continuing operations of £7.8m (2003 - £21.0m) is analysed as UK Bus £0.6m (2003 - £0.8m), New Zealand £1.2m (2003 - £1.0m) and North America £6.0m (2003 - £19.2m).

## 1 Segmental Analysis (continued)

### (b) Operating profit/(loss) (continued)

Restructuring costs of £7.2m (2003 - £6.3m) are analysed as UK Bus £0.6m (2003 - £1.8m), New Zealand £Nil (2003 - £0.1m), North America £5.7m (2003 - £3.0m), Rail £0.9m (2003 - £0.6m) and costs incurred centrally £Nil (2003 - £0.8m).

## 2 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:

	Audited Year ended 30 April 2004			Audited Year ended 30 April 2003		
	Earnings	Weighted average number of shares	Earnings per share	Earnings/ (loss)	Weighted average number of shares	Earnings/ (loss) per share
	£m	Million	pence	£m	Million	pence
Basic	104.6	1,321.7	<b>7.9</b>	(525.2)	1,314.4	<b>(40.0)</b>
Adjusted (pre goodwill and exceptional items)	87.9	1,321.7	<b>6.7</b>	84.1	1,314.4	<b>6.4</b>
Dilutive shares - Executive Share Option Scheme	-	20.2	<b>(0.2)</b>	-	2.3	<b>Nil</b>
- Employee SAYE Scheme	-	2.2	<b>Nil</b>	-	Nil	<b>Nil</b>
Diluted excluding goodwill and exceptional items	87.9	1,344.1	<b>6.5</b>	84.1	1,316.7	<b>6.4</b>
Include goodwill and exceptional items	16.7	-	<b>1.3</b>			
Diluted	104.6	1,344.1	<b>7.8</b>			

Earnings 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. This has been presented to allow 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. Accordingly, the basic loss per share for 2003 has not been adjusted for the dilutive shares as the effect would be to reduce the loss per share.

### 3 Exceptional items

The following items have been treated as exceptional:

	Audited Year ended 30 April 2004 £m	Audited Year ended 30 April 2003 £m
Loss on disposal of operations	(7.1)	Nil
Provision for losses on operations to be terminated or sold at North America (Coach USA)	Nil	(7.7)
Impairment of tangible fixed assets at North America (Coach USA)	Nil	(162.7)
Write-down of current assets to net realisable value at North America (Coach USA)	Nil	(17.8)
Impairment of goodwill at North America (Coach USA)	Nil	(386.8)
Gain/(loss) on sale of properties	0.5	(0.5)
	(6.6)	(575.5)
Tax effect of exceptional items	(0.2)	Nil
	(6.8)	(575.5)

Net exceptional charges before tax of £7.1m for the year ended 30 April 2004 relate to the total pre-tax losses arising on the disposals of various parts of our North American businesses and our investment in former associated companies operating in the Chinese city of Chongqing against the pre-tax gains arising on the disposals of Citybus, our associated undertaking, Road King Infrastructure Limited, and our joint venture, trainline.

Net exceptional charges before tax of £575.0m for the year ended 30 April 2003 largely related to write-downs of the carrying value of North America's (Coach USA's) assets following an impairment review conducted as at 31 October 2002. To the extent that the written-down values as at 31 October 2002 were based on projected cash flows, the actual cash flows to 30 April 2004 have been compared to projections. Actual cash flows are not significantly less than those projected, hence no further write-downs have been recorded. There have been no new events in the year ended 30 April 2004 that would suggest any further impairment of North America's (Coach USA's) assets.

The Directors also undertook an impairment review as at 30 April 2003 of the carrying value of the Group's 49% joint venture interest in Virgin Rail Group ("VRG") and concluded that there had been no impairment loss. For five years following the initial impairment review, the Group is required to review its initial projections in light of the actual cash flows. The Group has therefore reviewed the projections made in connection with the 30 April 2003 impairment review. This indicated that the actual net cash flows earned by the Group from its investment in Virgin Rail Group during the year ended 30 April 2004 were in line with those projected.

VRG's two train franchises are presently operating with additional subsidy support from the Strategic Rail Authority ("SRA") in line with commercial arrangements agreed on 19 July 2002. The value of Stagecoach Group's investment in VRG depends on the agreement of long-term commercial arrangements with the SRA for the operation of the franchises.

The Directors have re-assessed the value in use of our investment in Virgin Rail Group as at 30 April 2004. In accordance with FRS 11, the Directors 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. The value in use of Virgin Rail Group was determined using an average pre-tax discount rate of 11.4%. The Directors of Stagecoach Group have concluded there is no impairment loss at 30 April 2004 and they continue to monitor the situation regularly and to assess any implications for the Group's investment in Virgin Rail Group.

#### 4 Taxation on profit/(loss) on ordinary activities

	Audited Year ended 30 April 2004			Audited Year ended 30 April 2003		
	Performance pre goodwill and exceptionals	Goodwill and exceptional items	Results for the year	Performance pre goodwill and exceptionals	Goodwill and exceptional items	Results for the year
	£m	£m	£m	£m	£m	£m
Current tax:						
UK Corporation tax at 30% (2003 - 30%)	21.2	Nil	<b>21.2</b>	24.7	Nil	<b>24.7</b>
Prior year over provision for corporation tax	Nil	(24.7)	<b>(24.7)</b>	Nil	Nil	<b>Nil</b>
Share of joint ventures' current tax	3.2	Nil	<b>3.2</b>	2.4	Nil	<b>2.4</b>
Share of associates' current tax	Nil	Nil	<b>Nil</b>	0.3	Nil	<b>0.3</b>
Foreign tax (current year)	2.7	Nil	<b>2.7</b>	3.2	Nil	<b>3.2</b>
Foreign tax (adjustments in respect of prior years)	(0.1)	Nil	<b>(0.1)</b>	(3.6)	Nil	<b>(3.6)</b>
Total current tax	27.0	(24.7)	<b>2.3</b>	27.0	Nil	<b>27.0</b>
Deferred tax:						
Origination and reversal of timing differences	8.5	(0.1)	<b>8.4</b>	(0.2)	(3.8)	<b>(4.0)</b>
Adjustments in respect of prior years	(3.2)	(16.3)	<b>(19.5)</b>	2.0	Nil	<b>2.0</b>
Total deferred tax	5.3	(16.4)	<b>(11.1)</b>	1.8	(3.8)	<b>(2.0)</b>
Tax on profit/(loss) on ordinary activities	32.3	(41.1)	<b>(8.8)</b>	28.8	(3.8)	<b>25.0</b>

#### 5 Reconciliation of Movements in Consolidated Shareholders' Funds

	Audited Year ended 30 April 2004 £m	Audited Year ended 30 April 2003 £m
Profit/(loss) for the financial year	104.6	(525.2)
Dividends	(38.4)	(34.3)
	66.2	(559.5)
Goodwill sold, previously written off to reserves	Nil	0.5
Other recognised gains and losses relating to the year		
- translation differences on foreign currency net investments	(0.4)	(26.6)
- UK tax effect of translation differences on foreign currency net investments	4.8	(6.4)
- share of other recognised gains and losses of associates	(0.2)	(0.1)
Share capital issued less costs	6.4	1.7
Own shares purchased	(3.9)	Nil
Distribution reserve decrease	Nil	(1.6)
Net increase/(reduction) in shareholders' funds	72.9	(592.0)
Opening shareholders' funds	317.1	909.1
Closing shareholders' funds	390.0	317.1

## 6 Consolidated cash flows

### (a) Reconciliation of operating profit/(loss) to net cash flow from operating activities

	Audited Year ended 30 April 2004 £m	Audited Year ended 30 April 2003 £m
Operating profit/(loss) of Group companies	121.0	(469.8)
Depreciation	67.2	105.3
Impairment of tangible fixed assets at North America (Coach USA)	Nil	162.7
Impairment of goodwill at North America (Coach USA)	Nil	386.8
Loss on disposal of tangible fixed assets, other than properties	3.6	2.7
Goodwill amortisation	8.8	28.6
Provision for losses on operations to be terminated or sold	Nil	7.7
Decrease in stocks	7.3	11.7
(Increase)/decrease in debtors	(11.7)	13.6
Distribution reserve	Nil	0.2
Increase/(decrease) in creditors	24.3	(1.7)
(Decrease)/increase in provisions	(6.2)	24.4
Net cash inflow from operating activities	214.3	272.2

### (b) Reconciliation of net cash flow to movement in net debt

	Audited Year ended 30 April 2004 £m	Audited Year ended 30 April 2003 £m
Increase/(decrease) in cash	347.4	(12.7)
Bond repayments	10.4	40.0
Cash flow from decrease in debt and lease financing	122.6	95.3
	480.4	122.6
Loans of disposed subsidiaries	47.3	Nil
Other movements	2.0	59.9
Movement in cash collateral	(37.3)	32.1
Decrease in net debt	492.4	214.6
Opening net debt	(560.0)	(774.6)
Closing net debt	(67.6)	(560.0)

## 6 Consolidated cash flows (continued)

### (c) Analysis of net debt

	Opening £m	Cash flows £m	Cash collateral £m	Disposals £m	Other movements £m	Closing £m
Cash	90.1	347.4	Nil	Nil	1.7	439.2
Cash collateral	74.6	(36.8)	(0.5)	Nil	Nil	37.3
Hire purchase and lease obligations	(80.6)	(25.4)	Nil	Nil	(26.4)	(132.4)
Bank loans and loan stock	(240.0)	147.5	0.5	47.3	3.1	(41.6)
Bonds	(404.1)	10.4	Nil	Nil	23.6	(370.1)
Totals	(560.0)	443.1	Nil	47.3	2.0	(67.6)

The net total of cash and cash collateral of £476.5m (2003 - £164.7m) is classified in the balance sheet as £476.5m (2003 - £164.7m) in cash at bank and in hand.

### (d) Restricted cash

The cash collateral balance as at 30 April 2004 of £37.3m (2003 - £74.6m) comprises balances held in trust in respect of loan notes of £33.7m (2003 - £34.3m) and North America restricted cash balances of £3.6m (2003 - £40.3m). In addition, cash includes train operating company cash of £71.6m (2003 - £42.9m). Under the terms of the franchise agreements, train operating companies can only distribute cash out of retained profits.

## 7 Dividend

Subject to shareholder approval, a final dividend of 2.0p per ordinary share is proposed (2003 – 1.8p). This dividend will be paid on 6 October 2004 to all those shareholders on the register at 10 September 2004. The total dividend for the year including the proposed final dividend is 2.9p per ordinary share (2003 – 2.6p).

## 8 Statutory Accounts

The financial information set out in the preliminary announcement does not constitute the Group's statutory accounts within the meaning of Section 240 of the Companies Act 1985 and has been extracted from the full accounts for the years ended 30 April 2004 and 30 April 2003 respectively.

Statutory accounts for 2003, which received an unqualified audit report have been delivered to the Registrar of Companies.

The report of the auditors on the accounts for the year ended 30 April 2004 is unqualified and does not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985. The accounts for the year ended 30 April 2004 will be delivered to the Registrar of Companies and forwarded to all shareholders in due course. These accounts will also be available on the Group's website and from the registered office of the company, 10 Dunkeld Road, Perth PH1 5TW.

The Board of Directors approved this preliminary announcement on 23 June 2004.