

22 June 2005

Stagecoach Group plc - Preliminary results for the year ended 30 April 2005

Highlights

- Strong year of organic growth in bus and rail operations in UK and overseas
- Further growth in UK Bus division
 - Turnover up 10.8%
 - Kick Start and telemarketing initiatives successfully introduced
 - Investment in fleet, new product development and online sales
 - Passenger volumes⁺ up 1.5% in non-London operations; turnover up 7.1%
 - Turnover in London bus business up 21.0%
 - Operating margin* maintained at 11.5%, despite significant increases in fuel and other costs
- Excellent performance by UK Rail division
 - Turnover up 9.2%
 - South West Trains passenger volumes increased 4.8%
 - Significant improvement in punctuality
 - First London operator to complete replacement of slam-door trains
- Shortlisted for Greater Western, Thameslink/Great Northern and Integrated Kent rail franchises
- Strong growth in North American operations
 - US\$ turnover growth of 12.7% from continuing operations
 - Operating margin* up from 4.4% to 6.7%
 - 28.6% more tickets sold at New York Sightseeing
- Market-leading position maintained in New Zealand, despite competition and cost pressures
- Management team strengthened with appointment of Ian Dobbs as Chief Executive of Rail division

* excluding restructuring costs, goodwill amortisation and exceptional items

+ excluding megabus.com

Financial Highlights

- Turnover from continuing operations £1,787.6m (2004: £1,641.1m)
- Total operating profit** £156.7m (2004: £147.5m)
- Operating profit £132.8m (2004: £129.7m)
- Profit before tax** £136.8m (2004: £120.2m)
- Profit before tax £108.3m (2004: £95.8m)
- Earnings per share** 9.0p, up 34.3% from 6.7p
- Full year dividend up 13.8% to 3.3p (2004: 2.9p)
- Free cash flow £173.6m (2004: £209.5m)
- £241.3m of capital returned to shareholders

** excluding goodwill amortisation and exceptional items

Commenting on the results, Chief Executive, Brian Souter said: "We have achieved strong organic growth in our bus and rail operations in the UK and overseas, delivering on our strategic objectives for the Group. This excellent performance has been driven by increased investment, innovation, targeted marketing and a clear focus on first-class service delivery.

“Our Rail division has performed particularly well, benefiting from the introduction of new trains and a significantly improved operational performance. We have delivered impressive growth in the UK in both our provincial and London bus operations as a result of our Kick Start initiatives, sector-leading telemarketing campaigns and online sales. A focus on our core markets, supported by complementary bolt-on acquisitions, has resulted in further revenue growth in North America. In New Zealand, where we are the largest bus operator, we have performed well in a difficult market.

“These strong results have been achieved despite significant cost pressures in the transport sector, particularly on fuel prices. We are well placed to benefit from new rail franchising opportunities in the UK and I am confident our cash-generative portfolio will produce further significant growth.”

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Note to Editors:

High resolution images are available to the media free of charge at www.newscast.co.uk (telephone +44 (0) 207 608 1000).

Chairman's Statement

I am pleased to report that Stagecoach Group has had a strong year, delivering on our strategy for organic growth in our bus and rail operations in the UK and overseas. The Group has achieved excellent financial and operational performance, despite the substantial fuel and other cost pressures.

Stagecoach is continuing to lead the way in developing new ideas, innovative products and highly effective marketing to attract new passengers to public transport. By following this approach, combined with strong operational management and cost-control, we have driven up both passenger volumes and revenues across our business.

Our business is underpinned by a commitment to excellent customer service and a strong focus on the safety and security of our passengers and our people. We continue to have a proactive culture across the Group that puts safety at the top of our agenda.

The successes we have achieved are flowing through strongly to our shareholders, who benefited from the £241.3m return of capital programme during the year and also from increased dividends.

Total turnover for the year ended 30 April 2005 was £1,794.7m (2004: £1,792.3m). Operating profit before goodwill amortisation and exceptional items was £156.7m (2004: £147.5m). Earnings per share before goodwill amortisation and exceptional items were up 34.3% at 9.0p (2004: 6.7p).

Net debt increased by £147.0m from £67.6m at 30 April 2004 to £214.6m at 30 April 2005. Excluding the £265.0m of cash outflows relating to dividends and capital paid to shareholders, net debt fell by £118.0m as the Group continues to generate significant cash from its operations.

Given the Directors' confidence in the future prospects of the Group, as well as its financial strength, we are proposing a final dividend of 2.3p per share (2004: 2.0p), giving a total dividend for the year of 3.3p (2004: 2.9p). This is an increase of 13.8% and (based on continued strong cash flows and profits) we will look to continue with a policy of growing the dividends progressively. The proposed final dividend is payable to shareholders on the register at 2 September 2005 and will be paid on 5 October 2005.

We have strengthened our senior management team with the appointment of Ian Dobbs as Chief Executive of the Group's Rail Division. Ian has 28 years' experience in the rail industry in the UK and overseas. A former Divisional Director of British Rail, he was more recently Chief Executive Officer of the Victoria Public Transport Corporation in Australia, where he was responsible for the rail, tram and bus services. He will join the Group in July 2005.

Ian has a strong track record and we are confident he will drive forward Stagecoach's reputation as a first-class rail operator delivering high-quality services to passengers, value-for-money to taxpayers and an appropriate return to shareholders. He will have operational responsibility for all of the Group's rail interests, and will initially report to Graham Eccles, Stagecoach Group Executive Director - Rail, who has indicated that he intends to retire and step down from the Board in April 2006.

We have made a promising start to the new financial year and despite some industrial action in New Zealand in the early part of May, overall trading is in line with our expectations.

I am pleased that the hard work of our employees has been rewarded with another year of achievement across the Group. We believe there are significant opportunities for organic growth and the expansion of our rail portfolio, both of which can deliver increased value to our shareholders.

Robert Speirs
Chairman

Chief Executive's Operating and Financial Review

Organic growth across our business has driven Stagecoach's strong performance during the year.

Overview of Financial Results

Total turnover for the year was £1,794.7m compared to £1,792.3m in the prior year. Turnover from continuing operations at constant exchange rates increased 9.9%, reflecting excellent underlying growth. Turnover by division is summarised below:

TURNOVER	2005 £m	2004 £m	Currency	2005 Local Currency (m)	2004 Local Currency (m)	Growth %
Continuing operations						
UK Bus	720.3	650.2	£	720.3	650.2	10.8
North America	213.7	205.3	US\$	396.0	351.3	12.7
New Zealand	59.0	58.3	NZ\$	160.6	160.9	(0.2)
Rail	479.4	438.9	£	479.4	438.9	9.2
Virgin Rail Group (49% share)	315.2	288.4	£	315.2	288.4	9.3
	<u>1,787.6</u>	<u>1,641.1</u>				
Discontinued operations						
North America	7.1	131.5	US\$	13.1	225.1	(94.2)
Citybus (Hong Kong)	Nil	17.8	HK\$	Nil	227.8	(100.0)
Trainline	Nil	1.9	£	Nil	1.9	(100.0)
	<u>7.1</u>	<u>151.2</u>				
Total turnover	<u>1,794.7</u>	<u>1,792.3</u>				

Operating profit* from our continuing businesses increased from £141.9m to £156.7m. Operating profit is summarised below:

OPERATING PROFIT	2005 £m	% of turnover	2004 £m	% of turnover	Currency	2005 Local Currency (m)	2004 Local Currency (m)
Continuing operations							
UK Bus	82.5	11.5%	74.8	11.5%	£	82.5	74.8
North America	14.8	6.7%	14.8	4.4%	US\$	27.4	25.4
New Zealand	8.7	14.7%	10.7	18.4%	NZ\$	23.7	29.5
Rail	48.6	10.1%	44.1	10.0%	£	48.6	44.1
Virgin Rail Group (49% share)	12.7	4.0%	13.5	4.7%	£	12.7	13.5
Others	(0.4)	-	(0.4)	-	£	(0.4)	(0.4)
Group overheads	(8.8)	-	(8.4)	-	£	(8.8)	(8.4)
Restructuring costs	(1.4)	-	(7.2)	-	£	(1.4)	(7.2)
	<u>156.7</u>		<u>141.9</u>				
Discontinued operations							
Citybus (Hong Kong)	Nil	-	1.0	5.6%	HK\$	Nil	12.8
Trainline	Nil		(2.4)				
Road King	Nil		7.0				
	<u>156.7</u>		<u>147.5</u>				
Goodwill amortisation	(22.5)		(17.8)				
Exceptional items	(1.4)		Nil				
Total operating profit	<u>132.8</u>		<u>129.7</u>				

* References to the operating profit or operating margin of a particular business throughout the Chief Executive's Operating and Financial review mean operating profit (or operating margin) before goodwill amortisation, exceptional items and restructuring costs.

UK Bus

UK Bus has had an excellent year and this is reflected in the strong financial performance. Turnover in our UK Bus division has increased by 10.8% to £720.3m (2004: £650.2m). Operating profit was up 10.3% to £82.5m, compared to £74.8m in the previous year. We are particularly pleased to report a continued strong operating margin, maintained at 11.5%, despite higher fuel costs, an increased use of operating leases to finance new vehicles and costs associated with the development of new products, such as megabus.com. Excluding the impact of additional operating leases and losses relating to the development of megabus.com, UK Bus operating margin was 12.6% versus 12.2% in 2004.

We have built on our excellent track record in achieving growth in our UK bus operations as a result of our innovation, targeted marketing and consistent service delivery. Our new telemarketing unit has been attracting thousands of new bus users and we expect our two-year campaign focusing on a new location every six-weeks to generate further organic growth in our provincial bus operations. megabus.com, the Group's low-cost inter-city bus service, has now expanded to cover over 30 towns and cities in the UK and we expect further growth in megabus.com's revenue during the year to 30 April 2006. We have also expanded our use of online sales to increase our share in other express coach markets, such as our premier London – Oxford service.

We continue to develop positive partnerships with local authorities where pro-bus policies coupled with our operational and marketing expertise are producing strong revenue and passenger volume growth in our non-London companies. Several of our initial Government-funded Kick Start schemes are already generating significant passenger volume growth after just six months and we have again significantly increased turnover at our regulated bus operations in London.

North America

North American trading has been very encouraging. Excluding discontinued operations, turnover increased 12.7% from US\$351.3m to US\$396.0m. Including discontinued operations, turnover at our North American operations was US\$409.1m compared to US\$576.4m in the previous year. Operating profit was US\$27.4m (2004: US\$25.4m), representing an improvement in operating margin from 4.4% to 6.7%. Converted to sterling, turnover was £220.8m (2004: £336.8m) and operating profit was £14.8m (2004: £14.8m).

We have significantly reduced our ongoing exposure to leisure markets through our restructuring programme and the leisure-related businesses we have retained are now benefiting from a more stable US economy and from the recovery in charter and sightseeing markets. US\$ turnover in the sightseeing and tour parts of our continuing businesses is up 26.4% over the prior year. To stimulate further growth we have recently launched a new website for our North American operations, which incorporates online sales as part of our revenue development strategy.

The non-leisure parts of our continuing North American businesses have also seen good growth, with US\$ turnover from scheduled services and commuter services up 7.8% on the prior year. In addition, we have continued to win and retain school bus and other contracts resulting in US\$ turnover growth of 6.2% over the prior year.

New Zealand

Turnover and operating profit from our New Zealand businesses were in line with our expectations. Turnover was similar to last year at NZ\$160.6m (2004: NZ\$160.9m). Operating profit was NZ\$23.7m (2004: NZ\$29.5m). The operating margin of 14.7% (2004: 18.4%) remains satisfactory but does reflect ongoing cost pressures and increased competition from railways in the Auckland market. Converted to sterling, turnover was £59.0m (2004: £58.3m) and operating profit was £8.7m (2004: £10.7m).

Rail

Our UK Rail division has had an excellent year. We are extremely pleased with the strong growth in turnover and passenger volumes at South West Trains, which has been stimulated by improvements for customers centred on punctuality and the quality of the travelling environment. Therefore, we are well placed to continue to operate services beyond the end of the existing South West Trains franchise in February 2007.

Turnover for our wholly-owned rail subsidiaries in the year was £479.4m (2004: £438.9m), with passenger volumes at South West Trains up 4.8% on the prior year. Operating profit was up 10.2% to £48.6m (2004: £44.1m), representing an operating margin of 10.1% (2004: 10.0%). This includes liquidated damages of £2.6m in relation to late delivery of new Desiro trains and reliability of class 458 trains.

Customers have experienced a significantly improved service following the introduction of the new timetable at South West Trains in December 2004, with more frequent departures from the busiest stations. Train punctuality has progressively increased, with over 90% of trains now arriving on time (measured on the basis of the Strategic Rail Authority's Public Performance Measure), and we are confident that this new improved timetable and its inherent reliability will stimulate further passenger volume growth.

We have almost completed the UK's biggest introduction of new rolling stock at South West Trains with the minimum of delays for passengers. South West Trains has replaced its old slam-door rolling stock earlier than any other London operator, as part of the project to introduce 155 state-of-the art Desiro units with a total value of around £1 billion.

Our strong performance at South West Trains has also benefited the taxpayer, with £46.0m (2004: £27.9m) in revenue and profit sharing payments being payable to the SRA in respect of the financial year ended 30 April 2005.

Island Line, the Isle of Wight's rail franchise, is operating on a three-year franchise that runs concurrently with the South West Trains contract until 2007. Island Line remains Britain's best performing railway in terms of punctuality and reliability. Within the SRA's community rail framework, we are working with local stakeholders to find a suitable solution for the long-term future of public transport on the Island.

Sheffield Supertram, Britain's first state-of-the-art tramway, has achieved further passenger volume growth during the year. The network has carried a record 12.8m passengers during the year and has delivered further growth in profits.

Stagecoach Group has a significant share of the UK passenger rail market and a key strategic priority is to maximise the current significant opportunities to grow our franchise portfolio. We have been shortlisted for the Greater Western and Thameslink/Great Northern franchises. We are also working hard with our partners, Danish State Railways, to win the new Integrated Kent franchise.

We are pleased to have been involved in helping to shape the future direction of the railways during the Government's recent review. A number of Stagecoach proposals, including better integration on the network, have been put in place and the results are helping to reduce delays and improve network management.

Virgin Rail Group

At the two Virgin Rail Group ("VRG") franchises, West Coast and CrossCountry, we are particularly pleased at the improving reliability for passengers and the step-change in the travelling environment that has been delivered with the introduction of new trains.

Our share of Virgin Rail Group's turnover for the year amounted to £315.2m (2004: £288.4m) and our share of operating profit was £12.7m (2004: £13.5m).

Passenger volumes on the West Coast mainline have risen approximately 20% in the period since 18 September 2004 in response to the introduction of new faster Pendolino trains. Journey times on the key London-Manchester route have been reduced by more than half an hour, while the frequency of services between the two cities has been doubled, attracting many airline passengers to rail travel. These results are extremely encouraging and many more people can be attracted back to the railways if this uplift in quality of service is matched by further and sustained progress in infrastructure provision by Network Rail.

Both VRG's franchises operate on the basis of a Letter Agreement signed with the SRA in July 2002. Negotiations will re-commence on the West Coast franchise in September 2005 with a view to agreeing revised commercial terms for the franchise through to 2012. The SRA has terminated negotiations on the CrossCountry franchise and has the right to re-tender this franchise, although it is required to give at least 12 months' notice to VRG if it intends to terminate the existing franchise. We are awaiting the SRA's decision on the future of the franchise. If the SRA decides to put the franchise out to open competition, we are confident that VRG, as the incumbent operator with an excellent track record, will be in a strong position to win the franchise.

Under the Letter Agreement, the SRA sets an annual budget, including the level of financial support, for each franchise. The SRA has set challenging budgets for VRG's financial year to 4 March 2006. In particular, discussions are continuing with the SRA regarding CrossCountry's requirement for additional cash funding from July 2005.

Joint ventures and associates

Our share of joint venture and associates' operating profits (before goodwill amortisation) was £12.3m compared to £17.7m in the prior year. This includes £12.7m (2004: £13.5m) in respect of the Group's share of operating profits in Virgin Rail Group, as referred to earlier in this report. £0.4m (2004: £0.4m) of losses arose from other smaller joint ventures and associates. The prior year's results included our share of trainline's operating losses which, up to the date of disposal, was £2.4m, and our share of profits in Road King, up to the date of disposal, of £7.0m.

Depreciation and amortisation

Earnings before interest, taxation, depreciation, goodwill amortisation and exceptional items (pre-exceptional EBITDA) amounted to £224.4m (2004: £214.7m). Total depreciation for the year was £67.7m (2004: £67.2m). The annual goodwill amortisation charge was £22.5m compared to £17.8m in 2004. Total goodwill amortisation has increased by £4.7m, with the principal movement being a £6.5m increase in the amortisation of goodwill related to the Group's investment in Virgin Rail Group. The Directors reviewed the period over which the goodwill in respect of Virgin Rail Group was being amortised, in light of the status of the negotiations on Virgin Rail Group's franchises and the possibility that the SRA could terminate the CrossCountry franchise with 12 months' notice. As a result, the amortisation of goodwill in respect of Virgin Rail Group has been accelerated, resulting in an increased charge.

Restructuring costs

Non-exceptional restructuring costs included within operating profit amounted to £1.4m (2004: £7.2m). The prior year figure included £5.7m relating to the restructuring at North America. The restructuring costs at North America for the year ended 30 April 2005 were £0.1m as the restructuring programme was largely completed in the prior year.

Exceptional Items

Net exceptional charges before tax of £6.0m (2004: £6.6m) were recorded of which £1.4m (2004: £Nil) is included within operating profit: £0.8m (2004: £Nil) relating to flooding at the UK Bus Division's Carlisle depot, £0.3m (2004: £Nil) relating to costs associated with the return of capital and £0.3m (2004: £Nil) relating to the write-down of an investment. Non-operating exceptional charges comprised a loss of £5.9m (2004: £7.1m) on the disposals and closures of businesses and a net gain of £1.3m (2004: £0.5m) on the sale of properties.

A tax credit of £1.6m (2004: charge of £0.2m) was recognised in respect of exceptional items resulting in net exceptional charges after tax of £4.4m (2004: £6.8m).

Finance charges

Net finance charges decreased from £27.3m to £19.9m as a result of a lower average net debt during the year and favourable foreign exchange rate movements. The ratio of pre-exceptional EBITDA to net finance charges was 11.3 times compared to 7.9 times in 2004, reflecting the reduced finance charges.

To provide some certainty as to the level of interest cost, it is our policy to manage interest rate exposure through the use of fixed and floating rate debt. Derivative instruments are also used where appropriate to generate the desired interest rate profile. At 30 April 2005, 63% (30 April 2004: 49%) of the Group's gross borrowings were fixed or capped.

Taxation

Profit before tax for the year was £108.3m. The Group's tax charge of £29.5m represents an effective rate of 27.2% on this profit (2004: 33.6% excluding impact of exceptional tax credit of £41.0m).

Earnings and dividends

Earnings per share before goodwill amortisation and exceptional items were 9.0 pence, compared to 6.7 pence in 2004, reflecting the strong performance at each of our core divisions. Basic earnings per share (taking account of all exceptional items and goodwill amortisation) were 6.8 pence (2004: 7.9 pence): the prior year amount of 7.9 pence included 3.1 pence in respect of the exceptional tax credit.

The total proposed dividend in respect of ordinary shares for the year is 3.3 pence (2004: 2.9 pence). This represents dividend cover (before goodwill amortisation and exceptional items) of 2.9 times (2004: 2.3 times). £0.4m (2004: £Nil) of dividends on 'B' shares have been recognised in the year.

Shares in issue

The weighted average number of ordinary shares during the year used to calculate basic earnings per share was 1,154.5m (2004: 1,321.7m). Following the return of capital in September 2004 and the related 19 for 24 consolidation of ordinary shares, the number of shares ranking for dividend at 30 April 2005 was 1,063.0m, with a further 6.5m of ordinary shares held by employee trusts and not ranking for dividend.

The Group has authority to repurchase a further 134,073,290 ordinary shares. This authority expires at the 2005 AGM and we will seek to renew the general authority to repurchase up to 10% of the issued share capital.

Net assets

Net assets at 30 April 2005 were £219.0m (2004: £390.0m) with the decrease principally reflecting the return of capital and dividends during the year, partly offset by the strong reported profits.

Net debt

During the year, we returned £241.3m of capital to shareholders by issuing new redeemable 'B' shares. Of the £241.3m shares issued, £227.4m have been redeemed for cash during the year and are included in the increase in net debt which has increased from £67.6m to £214.6m. £13.9m of the 'B' shares have yet to be redeemed and are therefore not included in the net debt of £214.6m as at 30 April 2005.

Excluding the impact of the redeemed 'B' shares of £227.4m, net debt reduced by £80.4m. This includes the benefit of ongoing cash generation from our core operations, £30.2m received in respect of joint ventures and £14.7m received from the disposal of businesses including a negotiated early settlement of the deferred consideration from the prior year disposal of Coach USA's West and South Central Regions.

The strong cash generative nature of the Group is once again highlighted by free cash flow of £173.6m (2004: £209.5m). Free cash flow per share decreased from 15.9 pence to 15.0 pence. The prior year free cash flows included one-off tax refunds of £25.6m and £23.6m of one-off cash inflows arising from the close out of fixed to floating interest rate swaps.

The impact of capital expenditure for the year on net debt was £100.0m (2004: £83.0m), partly offset by proceeds from the sale of tangible fixed assets of £7.1m (2004: £4.2m). This primarily related to expenditure on passenger service vehicles, and comprised cash outflows of £73.8m (2004: £56.0m) and new hire purchase debt of £26.2m (2004: £27.0m)

Capital Expenditure

Additions to tangible fixed assets for the year were:

	2005 £m	2004 £m
UK Bus	51.4	50.5
North America	33.8	23.1
New Zealand	10.8	7.0
Citybus (Hong Kong)	Nil	3.0
UK Rail	7.8	3.2
Total	<u>103.8</u>	<u>86.8</u>

The differences between the amounts shown above and the impact of capital expenditure on net debt arose from movements in fixed asset deposits and creditors.

Acquisitions and disposals

Cash of £4.8m was paid on new acquisitions in the year, and £1.1m was paid in respect of deferred consideration on acquisitions completed in previous years.

Cash of £14.7m was received during the year in respect of disposals, which included the negotiated early settlement of deferred consideration on disposals completed during last financial year.

Return of Capital

Following the passing of a special resolution at the 2004 AGM, we have successfully completed the return of £241.3m of capital to shareholders, with 77.2m 'B' shares (£13.9m) still to be redeemed.

Having taken account of the cashflow generation of the Group and the potential bonding requirements on current rail franchise bids, the Board is now comfortable with the Group's current capital structure. The Board will, however, continue to keep the Group's capital structure under review.

Fuel hedging

We currently use the equivalent of 1.8m to 1.9m barrels per annum of diesel fuel in our bus operations. As a result, we are exposed to the movement in the underlying price of crude oil, which is the major driver of diesel prices. We manage the year on year volatility in our fuel costs by maintaining an ongoing fuel hedging programme where we use derivatives to effectively fix or cap the variable unit cost of a percentage of our current and future diesel volumes. If we had no hedging in place a US\$10 a barrel movement in the underlying prices would affect our fuel costs by US\$18m-US\$19m per annum.

For the financial year to 30 April 2006, we have fixed or capped approximately 85% of our variable fuel costs at an equivalent crude oil price of US\$48 a barrel. If crude oil prices remain at around US\$55 a barrel, fuel costs for the year ending 30 April 2006 could increase by a further £15m to £20m, when compared to 2004/5.

We continue to manage fuel costs as part of our overall cost base, and our total costs of operation are taken into account when setting fares and contract prices.

Liquidity and funding

Our policy is to finance the Group through a mixture of bank and hire purchase debt, capital markets issues and retained earnings. As at 30 April 2005, the Group's committed credit facilities were £688.8m (2004: £430.1m), £327.4m (2004: £310.5m) of which were utilised, including bank guarantees.

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 2005 were £38.6m (2004: £32.9m). The charge for the year includes additional costs relating to the funding of past service deficits, and is similar to the cash contributions paid by the Group in the year that amounted to £38.0m.

Under the transitional arrangements of FRS 17, "Retirement Benefits", the Group continues to account for pensions in accordance with SSAP 24 as explained above and also provides the additional disclosures required by FRS 17. The Group contributes to a number of defined benefit pension schemes for its bus and head office employees, and also to the relevant sections of the Railway Pension Scheme ("RPS"). Under both FRS 17 and International Financial Reporting Standards, we would expect to recognise only that part of the RPS deficit (or surplus) that the Group is expected to fund over the life of the franchise, as calculated by independent actuaries. This revised basis of estimate is considered by the Directors to best reflect the Group's obligations. The Group is continuing to discuss the calculation and reporting of RPS arrangements with its advisors. Excluding any adjustments required to reflect the revised basis of estimate for RPS, the post-tax deficit on our defined benefit schemes, measured in accordance with FRS 17, was £177.7m at 30 April 2005, up from £130.0m at 30 April 2004. The deficit has increased primarily because FRS 17 requires liabilities to be discounted using the yield on AA-rated bonds of similar maturity. Bond yields are now close to record lows and the reduction on bond yields results in an increase in FRS 17 liabilities. 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 2005 of £148.0m (2004: £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 £29.7m (2004: £14.2m) after deferred tax.

International Financial Reporting Standards

The Group will be required to produce consolidated 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. Interim IFRS accounts, including comparatives, will be prepared for the six months to 31 October 2005.

Our steering committee, set up to oversee the convergence to IFRS, has identified the main differences between IFRS and the current Group UK GAAP policies and has established the accounting policies or changes required. The adjustments required to reconcile our UK GAAP numbers to those that will be reported under IFRS as at 1 May 2004 and for the six months to 31 October 2004 have been calculated.

The Group has chosen not to re-state its results for the year ended 30 April 2005 for financial instruments. The figures for the year ended 30 April 2005 will therefore not fully reflect the requirements of IAS 32, "Financial Instruments : Disclosure and Presentation" and IAS 39, "Financial Instruments : Recognition and Measurement". The Group will apply IAS 32 and IAS 39 with effect from 1 May 2005.

The most significant areas of difference affecting net assets and EPS are expected to be in respect of pensions, goodwill, share based payment, dividends, and from 1 May 2005, 'B' shares and other financial instruments.

We expect to publish our results for the year ended 30 April 2005, re-stated to IFRS, prior to the next half year-end at 31 October 2005.

Current trading and outlook

While still early in the new financial year we have made a promising start and, despite some industrial action in New Zealand in the early part of May, overall trading is in line with our expectations.

There are a number of exciting new opportunities across the Group that we are pursuing this year and this, combined with our focus on innovation in our existing businesses and our strong cash generation, means there is real potential to deliver further growth and shareholder value.

Our people

None of this could have been achieved without the tremendous commitment from our people, who have ensured the Group has delivered on its strategy. We have an excellent team of senior managers across the Group and I believe we are well placed to deliver further growth in the coming year.

Brian Souter
Chief Executive

Consolidated Profit and Loss Account

	Notes	Audited			Audited		
		Year ended 30 April 2005			Year ended 30 April 2004		
		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	
Turnover: Group and share of joint ventures	1	1,794.7	Nil	1,794.7	1,792.3	Nil	1,792.3
Less: Share of joint ventures' turnover		(315.2)	Nil	(315.2)	(290.3)	Nil	(290.3)
Group turnover	1	1,479.5	Nil	1,479.5	1,502.0	Nil	1,502.0
Represented by:			Nil				
Continuing Group operations		1,472.4	Nil	1,472.4	1,352.7	Nil	1,352.7
Discontinued operations	1	7.1	Nil	7.1	149.3	Nil	149.3
		1,479.5	Nil	1,479.5	1,502.0	Nil	1,502.0
Operating costs		(1,509.0)	(8.1)	(1,517.1)	(1,501.3)	(8.8)	(1,510.1)
Other operating income		173.9	(0.6)	173.3	129.1	Nil	129.1
Operating profit of Group companies	1	144.4	(8.7)	135.7	129.8	(8.8)	121.0
Share of operating (loss)/profit of joint ventures		12.7	(14.9)	(2.2)	10.7	(8.7)	2.0
Share of operating (loss)/profit from interest in associates		(0.4)	(0.3)	(0.7)	7.0	(0.3)	6.7
Total operating profit: Group and share of joint ventures and associates	1	156.7	(23.9)	132.8	147.5	(17.8)	129.7
Represented by:							
Continuing Group operations		144.4	(8.7)	135.7	128.8	(7.8)	121.0
Continuing joint ventures and associates		12.3	(15.2)	(2.9)	13.1	(9.0)	4.1
		156.7	(23.9)	132.8	141.9	(16.8)	125.1
Discontinued Group operations		Nil	Nil	Nil	1.0	(1.0)	Nil
Discontinued joint ventures and associates		Nil	Nil	Nil	4.6	Nil	4.6
Total operating profit: Group and share of joint ventures and associates		156.7	(23.9)	132.8	147.5	(17.8)	129.7
Profit on sale of properties	3	Nil	1.3	1.3	Nil	0.5	0.5
Loss on disposal of operations	3	Nil	(5.9)	(5.9)	Nil	(7.1)	(7.1)
Profit on ordinary activities before interest and taxation		156.7	(28.5)	128.2	147.5	(24.4)	123.1
Finance charges (net)		(19.9)	Nil	(19.9)	(27.3)	Nil	(27.3)
Profit on ordinary activities before taxation		136.8	(28.5)	108.3	120.2	(24.4)	95.8
Taxation on profit on ordinary activities	4	(32.2)	2.7	(29.5)	(32.3)	41.1	8.8
Profit on ordinary activities after taxation		104.6	(25.8)	78.8	87.9	16.7	104.6
Equity dividends	8	(35.1)	Nil	(35.1)	(38.4)	Nil	(38.4)
Non-equity dividends		(0.4)	Nil	(0.4)	Nil	Nil	Nil
Retained profit for the year		69.1	(25.8)	43.3	49.5	16.7	66.2
Earnings per share:							
- Adjusted/Basic	2	9.0p		6.8p	6.7p		7.9p
- Diluted	2	8.8p		6.6p	6.5p		7.8p

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

Consolidated Balance Sheet

	<i>Notes</i>	Audited As at 30 April 2005 £m	Audited As at 30 April 2004 £m
Fixed assets			
Intangible assets		89.5	103.5
Tangible assets		640.2	618.0
Investments			
- Investment in joint ventures	5		
Goodwill		42.8	57.5
Share of gross assets		131.3	98.8
Share of gross liabilities		(106.2)	(59.8)
Shareholder loan notes		3.3	10.0
Total investment in joint ventures		<u>71.2</u>	<u>106.5</u>
- Investment in associates		0.7	1.4
- Other investments		1.7	2.3
		<u>803.3</u>	<u>831.7</u>
Current assets			
Stocks		12.5	13.4
Debtors and prepaid charges		174.1	169.2
		48.7	58.0
Cash at bank and in hand		140.0	476.5
		<u>375.3</u>	<u>717.1</u>
Creditors: Amounts falling due within one year		(541.8)	(674.6)
Net current (liabilities)/ assets		<u>(166.5)</u>	<u>42.5</u>
Total assets less current liabilities		<u>636.8</u>	<u>874.2</u>
Creditors: Amounts falling due after more than one year		(236.2)	(292.2)
Provisions for liabilities and charges			
- Joint venture			
Goodwill		Nil	0.3
Share of gross liabilities		Nil	(1.7)
Shareholder loan notes		Nil	0.4
- Other provisions		(181.6)	(191.0)
Net assets		<u>219.0</u>	<u>390.0</u>
Capital and reserves			
Equity share capital		6.8	6.7
Redeemable 'B' preference shares		13.9	Nil
Share premium account		163.4	392.4
Profit and loss account		(187.4)*	(6.9)
Capital redemption reserve		229.1	1.7
Own shares		(6.8)	(3.9)
Shareholders' funds	6	<u>219.0</u>	<u>390.0</u>
Analysis of shareholders' funds			
Equity		205.1	390.0
Non-equity		13.9	Nil
		<u>219.0</u>	<u>390.0</u>

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

* The profit and loss reserve deficit of £187.4m (2004: £6.9m) is the consolidated position after taking account of cumulative goodwill of £113.8m (2004: £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 2005 were £281.6m (2004: £374.6m).

Consolidated Cash Flow Statement

	Audited	Audited	
	Year ended	Year ended	
<i>Notes</i>	30 April 2005	30 April 2004	
	£m	£m	
Net cash inflow from operating activities	7	198.5	214.3
Dividends from joint ventures and associates		23.5	4.1
Returns on investments and servicing of finance			
Interest paid		(26.2)	(37.9)
Interest element of hire purchase and lease finance		(8.3)	(5.8)
Interest received		13.6	44.2
Non-equity dividends paid		(0.4)	Nil
Net cash (outflow)/inflow from returns on investments and servicing of finance		(21.3)	0.5
Taxation		(27.1)	(9.4)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(73.8)	(56.0)
Sale of tangible fixed assets		7.1	4.2
Net cash outflow from capital expenditure and financial investment		(66.7)	(51.8)
Acquisitions and disposals			
Acquisition of subsidiaries		(5.9)	(7.4)
Purchase of other investments		(0.2)	Nil
Movements in loans to joint ventures		6.7	Nil
Cash of disposed subsidiaries		Nil	(4.3)
Disposal of subsidiaries and other businesses		14.7	263.7
Disposal of investments in joint ventures and associates		Nil	64.9
Disposal of other investments		0.6	Nil
Net cash inflow from acquisitions and disposals		15.9	316.9
Equity dividends paid		(37.2)	(35.6)
Net cash inflow before financing		85.6	439.0
Financing			
Sale of tokens		10.2	13.5
Redemption of tokens		(10.9)	(11.9)
Issue of ordinary share capital for cash		5.3	6.4
Redemption of 'B' shares		(227.4)	Nil
Expenses on issue of 'B' shares		(0.4)	Nil
Repurchase of 'B' shares by employee share ownership trusts		1.7	Nil
Investment in own ordinary shares by employee share ownership trusts		(1.9)	(3.9)
Sale of own ordinary shares by employee share ownership trusts		4.8	Nil
Decrease in collateral balances		3.0	37.3
Decrease in borrowings		(110.1)	(158.4)
Repayments of hire purchase and lease finance		(92.5)	(60.3)
Cash inflows from lease finance		Nil	85.7
Net cash outflow from financing		(418.2)	(91.6)
(Decrease)/increase in cash during the year	7	(332.6)	347.4
Free cash flow		173.6	209.5
Free cash flow per share		15.0p	15.9p

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

	Audited Year ended 30 April 2005 £m	Audited Year ended 30 April 2004 £m
Profit for the financial year	78.8	104.6
Translation differences on foreign currency net investments, net of hedging	3.6	(0.4)
Tax effect of translation differences on foreign currency net investments	Nil	4.8
Share of other recognised gains and losses of associates	Nil	(0.2)
Total recognised gains and losses relating to the year	82.4	108.8

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 2005	Audited Year ended 30 April 2004
	£m	£m
Continuing operations		
UK Bus	720.3	650.2
North America	213.7	205.3
New Zealand	59.0	58.3
Total bus continuing operations	993.0	913.8
UK Rail	479.4	438.9
Total continuing operations	1,472.4	1,352.7
Discontinued operations		
North America	7.1	131.5
Citybus	Nil	17.8
Total discontinued operations	7.1	149.3
Group turnover	1,479.5	1,502.0
Share of joint ventures' turnover		
Continuing		
- Virgin Rail Group	315.2	288.4
Discontinued		
- thetrainline	Nil	8.1
Elimination of inter-segment turnover	Nil	(6.2)
Group turnover and share of joint ventures' turnover	1,794.7	1,792.3

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

	Audited Year ended 30 April 2005			Audited Year ended 30 April 2004		
	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
Continuing operations						
UK Bus	82.5	(0.8)	81.7	74.8	Nil	74.8
North America	14.8	Nil	14.8	14.8	Nil	14.8
New Zealand	8.7	Nil	8.7	10.7	Nil	10.7
Total bus continuing operations	106.0	(0.8)	105.2	100.3	Nil	100.3
UK Rail	48.6	Nil	48.6	44.1	Nil	44.1
Total continuing operations	154.6	(0.8)	153.8	144.4	Nil	144.4
Group overheads	(8.8)	(0.6)	(9.4)	(8.4)	Nil	(8.4)
Goodwill amortisation	Nil	(7.3)	(7.3)	Nil	(7.8)	(7.8)
Redundancy/restructuring costs	(1.4)	Nil	(1.4)	(7.2)	Nil	(7.2)
Total operating profit of continuing Group operations	144.4	(8.7)	135.7	128.8	(7.8)	121.0
Discontinued operations						
- Citybus	Nil	Nil	Nil	1.0	Nil	1.0
- Goodwill amortisation	Nil	Nil	Nil	Nil	(1.0)	(1.0)
Total operating profit of discontinued Group operations	Nil	Nil	Nil	1.0	(1.0)	Nil
Total operating profit of Group companies	144.4	(8.7)	135.7	129.8	(8.8)	121.0
Share of operating profit/(loss) of joint ventures						
Continuing						
- Virgin Rail Group	12.7	Nil	12.7	13.5	Nil	13.5
- other	Nil	Nil	Nil	(0.4)	Nil	(0.4)
Discontinued						
- thetrainline	Nil	Nil	Nil	(2.4)	Nil	(2.4)
Goodwill amortised on investment in continuing joint ventures	Nil	(14.9)	(14.9)	Nil	(8.7)	(8.7)
Share of operating (loss)/profit of associates						
Continuing						
- other	(0.4)	Nil	(0.4)	Nil	Nil	Nil
Discontinued						
- Road King	Nil	Nil	Nil	7.0	Nil	7.0
Goodwill amortised on investment in continuing associates	Nil	(0.3)	(0.3)	Nil	(0.3)	(0.3)
Total operating profit: Group and share of joint ventures and associates	156.7	(23.9)	132.8	147.5	(17.8)	129.7

The operating profit from discontinued Group operations includes Citybus. The operating profit from the discontinued element of North America 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, for neither the year ended 30 April 2005 nor the year ended 30 April 2004.

Goodwill amortisation on continuing operations of £7.3m (2004: £7.8m) is analysed as UK Bus £0.7m (2004: £0.6m), New Zealand £1.2m (2004: £1.2m) and North America £5.4m (2004: £6.0m).

1 Segmental Analysis (continued)

(b) Operating profit (continued)

Redundancy/restructuring costs of £1.4m (2004: £7.2m) are analysed as UK Bus £0.4m (2004: £0.6m), North America £0.1m (2004: £5.7m), UK Rail £0.8m (2004: £0.9m) and costs incurred centrally £0.1m (2004: £Nil).

2 Earnings per share

Earnings per share have been calculated in accordance with Financial Reporting Standard 14 "Earnings per Share" by calculating Group profit on ordinary activities after tax and non-equity dividends, divided by the weighted average number of shares in issue during the year based on the following:

	Audited Year ended 30 April 2005			Audited Year ended 30 April 2004		
	Earnings/ (loss)	Weighted average number of shares	Earnings/ (loss) per share	Earnings	Weighted average number of shares	Earnings/ (loss) per share
	£m	Million	pence	£m	Million	Pence
Basic	78.4	1,154.5	6.8	104.6	1,321.7	7.9
Adjusted (pre goodwill and exceptional items)	104.2	1,154.5	9.0	87.9	1,321.7	6.7
Dilutive shares - Executive Share Option Scheme	-	21.9	(0.2)	-	20.2	(0.2)
- Employee SAYE Scheme	-	3.6	-	-	2.2	-
Diluted excluding goodwill and exceptional items	104.2	1,180.0	8.8	87.9	1,344.1	6.5
Include goodwill and exceptional items	(25.8)	-	(2.2)	16.7	-	1.3
Diluted	78.4	1,180.0	6.6	104.6	1,344.1	7.8

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.

On 10 September 2004, the Company issued 1,340,732,902 18 pence redeemable 'B' shares at the rate of 1 redeemable 'B' share for every 1 ordinary share held.

The issue of redeemable 'B' shares was followed by a share consolidation whereby shareholders received 19 consolidated ordinary shares for every 24 ordinary shares held. In determining the consolidated earnings per share, no adjustment has been made to the number of ordinary shares outstanding before the event where the issue of redeemable 'B' shares was combined with the share consolidation. The weighted average number of ordinary shares outstanding for the year ended 30 April 2005 has been adjusted for the reduction in the number of ordinary shares from the date on which the issue of redeemable 'B' shares and share consolidation took place. This treatment is consistent with paragraph 26 of Financial Reporting Standard 14, "Earnings per share".

3 Exceptional items

The following items have been treated as exceptional:

	Audited Year ended 30 April 2005 £m	Audited Year ended 30 April 2004 £m
Loss on disposal of operations	(5.9)	(7.1)
Return of capital costs	(0.3)	Nil
Impairment of minority investment	(0.3)	Nil
Loss re flooding at Carlisle depot	(0.8)	Nil
Gain on sale of properties	1.3	0.5
	<hr/>	<hr/>
	(6.0)	(6.6)
Tax effect of exceptional items	1.6	(0.2)
	<hr/>	<hr/>
	(4.4)	(6.8)

The loss on disposal of operations of £5.9m comprises pre-tax losses arising on the disposals and closures of parts of our North American businesses.

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 partly offset by the pre-tax gains arising on the disposals of Citybus, our associated undertaking, Road King Infrastructure Limited, and our joint venture, trainline.

4 Taxation on profit on ordinary activities

	Audited Year ended 30 April 2005			Audited Year ended 30 April 2004		
	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% (2004: 30%)	25.3	(0.3)	25.0	21.2	Nil	21.2
Prior year under/(over) provision for corporation tax	0.3	Nil	0.3	Nil	(24.7)	(24.7)
Share of joint ventures' tax	4.8	Nil	4.8	3.2	Nil	3.2
Foreign tax (current year)	1.7	Nil	1.7	2.7	Nil	2.7
Foreign tax (adjustments in respect of prior years)	(0.1)	Nil	(0.1)	(0.1)	Nil	(0.1)
Total current tax	<u>32.0</u>	<u>(0.3)</u>	<u>31.7</u>	<u>27.0</u>	<u>(24.7)</u>	<u>2.3</u>
Deferred tax:						
Origination and reversal of timing differences	2.1	(2.4)	(0.3)	8.5	(0.1)	8.4
Adjustments in respect of prior years	(1.9)	Nil	(1.9)	(3.2)	(16.3)	(19.5)
Total deferred tax	<u>0.2</u>	<u>(2.4)</u>	<u>(2.2)</u>	<u>5.3</u>	<u>(16.4)</u>	<u>(11.1)</u>
Tax on profit on ordinary activities	<u>32.2</u>	<u>(2.7)</u>	<u>29.5</u>	<u>32.3</u>	<u>(41.1)</u>	<u>(8.8)</u>

5 Investment in joint ventures

The investment in joint ventures of £71.2m consists entirely of our 49% investment in Virgin Rail Group.

Both VRG's franchises operate on the basis of a Letter Agreement signed with the Strategic Rail Authority ("SRA") in July 2002. Negotiations will re-commence on the West Coast franchise in September 2005 with a view to agreeing revised commercial terms for the franchise through to 2012. The SRA has terminated negotiations on the CrossCountry franchise and has the right to re-tender this franchise, although it is required to give at least 12 months' notice to VRG if it intends to terminate the existing franchise.

Under the Letter Agreement, the SRA sets an annual budget, including the level of financial support, for each franchise. The SRA has set challenging budgets for VRG's financial year to 4 March 2006. In particular, discussions are continuing with the SRA regarding CrossCountry's requirement for additional cash funding from July 2005.

The Directors have re-assessed the carrying value of the Group's investment in VRG as at 30 April 2005. In accordance with FRS 11, the Directors have compared the carrying value of our net investment in VRG, with its estimated recoverable amount, being the higher of net realisable value and value in use. The value in use of VRG was determined using an average pre-tax discount rate of 10.7%. The Directors of Stagecoach Group have concluded that there is no impairment loss at 30 April 2005 and they continue to monitor the situation regularly and to assess any implications for the Group's investment in VRG.

The Directors reviewed the period over which the goodwill in respect of VRG was being amortised, in light of the status of negotiations on VRG's franchises and the possibility that the SRA could terminate the CrossCountry franchise with 12 months' notice. As a result, the amortisation of goodwill in respect of VRG has been accelerated, resulting in an increased charge of £14.7m (2004: £8.2m).

6 Reconciliation of Movements in Consolidated Shareholders' Funds

	Audited Year ended 30 April 2005 £m	Audited Year ended 30 April 2004 £m
Profit for the financial year	78.8	104.6
Equity dividends	(35.1)	(38.4)
Non-equity dividends	(0.4)	Nil
	<hr/> 43.3	<hr/> 66.2
Other recognised gains and losses relating to the year		
- translation differences on foreign currency net investments, net of hedging	3.6	(0.4)
- UK tax effect of translation differences on foreign currency net investments	Nil	4.8
- share of other recognised gains and losses of associates	Nil	(0.2)
Equity ordinary share capital issued less costs	12.8	6.4
Movements in shares held by employee share ownership trusts	(2.9)	(3.9)
Redemption of 'B' shares	(227.4)	Nil
Expenses on issue of 'B' shares set against share premium	(0.4)	Nil
Net (reduction)/increase in shareholders' funds	<hr/> (171.0)	<hr/> 72.9
Opening shareholders' funds	390.0	317.1
Closing shareholders' funds	<hr/> 219.0	<hr/> 390.0

7 Consolidated cash flows

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

	Audited Year ended 30 April 2005 £m	Audited Year ended 30 April 2004 £m
Operating profit of Group companies	135.7	121.0
Depreciation	67.7	67.2
Loss on disposal of tangible fixed assets, other than properties	3.0	3.6
Goodwill amortisation	7.3	8.8
Impairment and amounts written-off of investments	0.4	Nil
(Increase)/decrease in stocks	(0.4)	7.3
Increase in debtors	(9.8)	(11.7)
Increase in creditors	8.9	24.3
Decrease in provisions	(14.3)	(6.2)
Net cash inflow from operating activities	198.5	214.3

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

	Audited Year ended 30 April 2005 £m	Audited Year ended 30 April 2004 £m
(Decrease)/increase in cash	(332.6)	347.4
Bond repayments	181.0	10.4
Cash flow from decrease in debt and lease financing	21.6	122.6
	(130.0)	480.4
Loans of disposed subsidiaries	Nil	47.3
Other movements	(14.0)	2.0
Movement in cash collateral	(3.0)	(37.3)
(Increase)/decrease in net debt	(147.0)	492.4
Opening net debt	(67.6)	(560.0)
Closing net debt	(214.6)	(67.6)

7 Consolidated cash flows (continued)

(c) Analysis of net debt

	Opening	Cash flows	Cash collateral	New hire purchase	Foreign exchange movements	Closing
	£m	£m	£m	£m	£m	£m
Cash	439.2	(332.6)	Nil	Nil	(2.4)	104.2
Cash collateral	37.3	(2.7)	(0.3)	Nil	Nil	34.3
Hire purchase and lease obligations	(132.4)	92.5	Nil	(26.2)	Nil	(66.1)
Bank loans and loan stock	(41.6)	(71.2)	0.3	Nil	0.4	(112.1)
Bonds	(370.1)	181.0	Nil	Nil	14.2	(174.9)
Totals	(67.6)	(133.0)	Nil	(26.2)	12.2	(214.6)

The net total of cash and cash collateral of £138.5m (2004: £476.5m) is classified in the balance sheet as £140.0m (2004: £476.5m) in cash at bank and in hand and £1.5m (2004: £Nil) as bank overdrafts.

(d) Restricted cash

The cash collateral balance as at 30 April 2005 of £34.3m (2004: £37.3m) comprises balances held in trust in respect of loan notes of £33.5m (2004: £33.7m) and North America restricted cash balances of £0.8m (2004: £3.6m). In addition, cash includes train operating company cash of £61.3m (2004: £71.6m). Under the terms of the franchise agreements, train operating companies can only distribute cash out of retained profits.

8 Dividend

Subject to shareholder approval, a final dividend of 2.3p per ordinary share is proposed (2004: 2.0p). This dividend will be paid on 5 October 2005 to all those shareholders on the register at 2 September 2005. The total dividend for the year including the proposed final dividend is 3.3p per ordinary share (2004: 2.9p).

9 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 2005 and 30 April 2004 respectively.

Statutory accounts for 2004, 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 2005 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 2005 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 22 June 2005.