All fares collected on a specially-liveried Stagecoach bus in Auckland go to the Starship Foundation and the money is used to provide a range of additional equipment and staff training for the medical facility. In Wellington, one of our buses visits local shopping centres and businesses in the weeks before Christmas, collecting donated gifts that Wellington City Mission can give to the needy.

These are only a few examples of our work, but in everything we do, we hope people see us as we see them – good neighbours that care for our community.

A sustainable environment

Travelling by bus or train is one way we can all help to reduce pollution, cut road congestion and improve the quality of life for us all in our towns and cities. Major employers are working with us to develop travel plans that reduce dependence on the car to get to work.

However, even public transport has an inevitable impact on our environment. That is why Stagecoach is committed to playing its part in building a sustainable environment and improving the environmental management of our operations.

We were delighted to publish our updated Environmental Policy statement towards the end of 2003. This document outlines our commitment to good environmental stewardship and we have set ourselves some stretching targets to reduce emissions, cut water and energy consumption, minimise waste and identify opportunities for recycling. We have pledged to measure and report on a range of key performance indicators each year. A copy of the full environmental policy document is available on our website at www.stagecoachgroup.com.

Every day we work hard to make sure our transport operations are as environmentally sustainable as possible. Across our global operations, we provide support and training for our employees to ensure compliance with legislation, as well as effective waste management, and improved energy consumption and environmental performance.

New buses and trains meet the latest stringent standards and we continue to investigate new fuels and cleaner technologies. Stagecoach has signed an agreement with Cerulean International Ltd, the Oxford-based subsidiary of the nanomaterials company Oxonica Ltd, to trial a next generation fuel additive product in up to 1,000 buses across the UK. Initial trials are progressing well, delivering reduced fuel consumption, cuts in vehicle emissions and cost savings that could be of significant benefit to the bus industry.

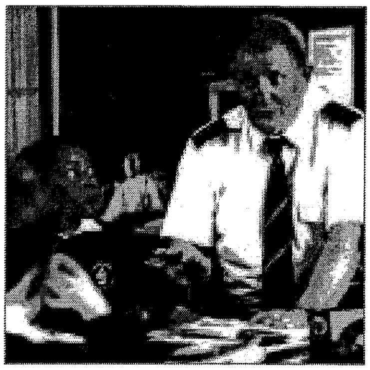
Stagecoach is using environmentally friendly hybrid electric buses in New Zealand on an inner city circuit in Auckland. We have plans to showcase a specially-adapted vehicle to local authorities across the UK this summer.

In Manchester, we are continuing with our programme to fit particulate traps to buses and so far 100 vehicles have been adapted as part of a joint initiative with Greater Manchester Passenger Transport Executive and the Energy Savings Trust. Similar initiatives are underway in our bus operations in North America.

South West Trains has undertaken a review of its environmental management system to ensure it continues to comply with legislation. Comprehensive asbestos surveys are currently being carried out at all stations and depots. South West Trains has also introduced a complete smoking ban on its train services, which has improved the travelling environment for passengers and has been welcomed by customers.

Stagecoach is working directly with government to address environmental issues. In New Zealand, we have instituted a sustainable transport management plan in association with Auckland Regional Council and the Sustainable Businesses Network. The objective is to reduce water and energy consumption and cut emissions and wastes. It is intended to be a pilot for measures that may eventually become compulsory for all bus operators in the Auckland region.

Despite the huge progress and investment we have made in the area of environmental sustainability, we realise we are not perfect. This is only a start and we have a long way to go, but we are moving in the right direction.



Finance Director's review

Overall

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.

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 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.

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.

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 as set out on page 14. Various parts of our North American businesses 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.

Disposals (continued)

	Cash proceeds from disposal £m	Decrease/(increase) in net debt from disposal £m	Gain/(loss) on disposal £m
Subsidiary undertakings			
SGC (HK Group) Limited, encompassing "Citybus" operations	128.7	171.8	0.3
Various parts of North America (Coach USA)	135.0	135.0	(12.4)
Other subsidiary undertakings	–	(0.1)	(0.1)
	263.7	306.7	(12.2)
Joint venture			
Trainline Holdings Limited	1.1	1.1	Nil
Associates			
Road King Infrastructure Limited	62.9	62.9	6.2
Hong Kong Kwoon Chung (Chongqing) Bus Investment Limited	0.9	0.9	(1.1)
	63.8	63.8	5.1
Total: subsidiaries, joint venture and associates	328.6	371.6	(7.1)

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%.

Earnings and dividends

Earnings per share before goodwill amortisation and exceptional items were 6.7 pence, compared to 6.4 pence in 2003. Basic earnings per share (taking account of all exceptional items and goodwill amortisation) was 7.9 pence, compared to last year's loss of 40.0 pence. The weighted average number of shares in issue during the year was 1,321.7m (2003: 1,314.4m). Shares in issue at the year-end were 1,335.4m, of which 1,325.8m ranked for dividends and therefore are included in determining earnings per share.

The Group has authority to repurchase a further 132,094,601 shares. This authority expires at the 2004 AGM and we will seek to renew the general authority to repurchase up to 10% of the issued share capital.

The total proposed dividend for the year is 2.9 pence (2003: 2.6 pence). This represents dividend cover (before goodwill amortisation and exceptional items) of 2.3 times compared to 2.5 times in 2003.

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 22 September 2004. Alternatively they can retain all or some of their B Shares and receive a continuing dividend equal to 70% of 6 months' LIBOR, payable semi-annually in arrears, until such shares are redeemed.

A circular will be sent to shareholders in July 2004 setting out further details of the proposed return of capital.

Cash flows

Cash generation across the Group remained strong with free cash flows amounting to £209.5m (2003: £217.8m). Free cash flow per share decreased from 16.6 pence to 15.9 pence.

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 (Coach USA)	**23.1**	21.5
New Zealand	**7.0**	7.2
Citybus (Hong Kong)	**3.0**	6.1
UK Rail	**3.2**	1.9
Total	**86.8**	71.1

Treasury risk management

The main areas of financial risk associated with our businesses are managed by our centralised Group Treasury function. The Board regularly reviews these risks and approves the Group's treasury policy, which covers the management of these risks. Financial instruments are held to finance Group operations and to manage the financial risks associated with these operations. Derivative financial instruments are used to manage financial risk exposures and to achieve greater certainty of future costs. The use of financial instruments is restricted to financing and treasury management only.

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. Financing is generally raised centrally and on-lent to operating subsidiaries on commercial terms. As at 30 April 2004, the Group's committed credit facilities were £430.1m, £310.5m of which were utilised, including bank guarantees.

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.

Interest rate risk management

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 2004, 49.0% (30 April 2003: 41.0%) of the Group's gross borrowings were covered by fixed and capped/floored interest rates. Excluding our Eurobonds, which will be redeemed in November 2004, 73% of our interest cost is fixed or capped.

During the year, we closed out fixed to floating swaps with a notional amount of £334.1m and an expiry date of November 2009. These swaps effectively converted the fixed interest payable on our 2009 US$ bonds to floating interest payable and the close out of the swaps effectively leaves the Group paying fixed interest on the US$ bonds.

Currency rate risk

The Group is exposed to limited transactional currency risk due to the small number of foreign currency transactions entered into by subsidiaries in currencies other than their functional currency. Where necessary, forward buying of currencies is carried out by the Group Treasury function.

The Group now has overseas investments in Canada, the USA, and New Zealand. To minimise balance sheet translation exposure, the Group aims to hedge the sterling book value of overseas operations through borrowings denominated in their functional currency or through the use of derivative financial instruments which convert sterling borrowings into borrowings of the functional currency, and through forward currency exchange contracts. It is Group policy to examine each overseas investment individually and adopt a strategy based on current and forecast political and economic climates. This policy aims to allow the Group to maintain a low cost of funds and to retain some potential for currency appreciation whilst partially hedging against currency depreciation.

Commodity price risk

The Group is exposed to commodity price risk through its fuel usage. It is Group policy to establish fixed price levels to hedge this exposure for up to four years and, where necessary, to enter into physical contracts or derivative agreements to achieve certainty in the short term as to fuel costs and to reduce the year on year fluctuations over the medium term.

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.

Credit risk

It is our policy to invest cash assets safely and profitably. To control credit risk, counterparty credit limits are set by reference to published credit ratings and the counterparty's geographical location. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

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%.

Finance Director's review

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.

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.

Accounting policies

The Group has implemented UITF 38 "Accounting for ESOP Trusts" early.

As a result, there has been an impact on the classification of our shares purchased during the year. The adoption of UITF 38 has had no impact on the profit for the year ended 30 April 2004 (2003: £Nil). Had UITF 38 not been adopted, the consolidated net assets would have been £3.9m higher as at 30 April 2004 (2003: £Nil).

There have been no other changes in accounting policies.

Martin A Griffiths

Martin A Griffiths
Finance Director

Directors' report

Principal activity and business review

The Group's principal activity is the provision of public transport services in the UK and overseas.

A review of the Group's business performance, developments during the year, its position at the year end and likely future prospects, is set out in the Chairman's statement on page 2, the Chief Executive's review on page 3, the Operating review on pages 4 to 12, and the Finance Director's review on pages 13 to 16.

Group results and dividends

The results for the year are set out in the consolidated profit and loss account on page 29.

An interim dividend of 0.9 pence per ordinary share (net) was paid on 10 March 2004. The directors recommend a final dividend of 2.0 pence per ordinary share making a total dividend of 2.9 pence per share for the year. Subject to approval by shareholders, the final dividend will be paid on 6 October 2004 to those ordinary shareholders on the register at 10 September 2004.

Directors and their interests

The names, responsibilities and biographical details of the directors appear on page 17.

Graham Eccles, Janet Morgan and Robert Speirs retire by rotation at the 2004 Annual General Meeting in accordance with the Articles of Association and being eligible offer themselves for re-election. Ewan Brown, who is considered an independent non-executive director by the Board, but may not be considered independent under the revised Combined Code, and Ann Gloag, who is not an independent non-executive director, being eligible offer themselves for annual re-election.

Tables A and B, set out on page 19, give the interests of the directors and their families in the share capital of the Company.

Substantial shareholdings

On 22 June 2004 (being the latest practical date prior to the date of this report), the only disclosable shareholdings in excess of 3% (other than certain directors' shareholdings) were as follows:

Barclays Global Investors (UK) Ltd	6.90%
Marathon Asset Management Ltd	4.88%
Capital International Ltd	4.43%
Legal & General Investment Management (UK)	3.48%
Liontrust Asset Management	3.44%

Employment policies

The Group strives to meet its business objectives by motivating and encouraging its employees to be responsive to the needs of its customers and to maintain and, where possible, improve operational performance. The Group is also committed to providing equality of opportunity to current employees and potential employees. This applies to appropriate training, career development and promotion opportunities for all employees regardless of physical disability, gender, religion or belief and racial or ethnic origin. The Group gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

The Group is committed to employee participation and uses a variety of methods to inform, consult and involve its employees. Employees participate directly in the success of the business through the Group's bonus and other remuneration schemes and are encouraged to invest through participation in share option schemes. Since 1996, there have been three invitations to UK employees to subscribe to the Group's sharesave ("SAYE") schemes, all of which have met with encouraging levels of response.

The Group periodically arranges meetings that bring together representatives from senior management and trade unions. Discussions take place regularly with the trade unions representing the vast majority of the Group's employees on a wide range of issues. The Group also produces a range of internal newsletters and information circulars which keep employees abreast of developments. Employees are encouraged to discuss matters of interest to them and subjects affecting day-to-day operations of the Group with management.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group, and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group, and enable them to ensure that the accounts comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the Company and of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company, at remuneration to be fixed by the directors, will be proposed at the next Annual General Meeting.

Supplier payment policy and practice

It is the Group's policy to agree appropriate terms of payment with suppliers for each transaction or series of transactions, and to abide by those terms based on the timely submission of satisfactory invoices. The policies followed by each of the major UK operating subsidiaries are disclosed in the accounts of those companies. As the Company is a holding Company, trade creditor days is not a relevant figure. For the Group as a whole, the trade creditors outstanding at the year-end represented 33 days' purchases (2003: 34 days).

TABLE A	Number of shares	
	30 April and 23 June 2004	30 April and 25 June 2003
Ordinary shares of 0.5p each		
Brian Souter beneficial	**179,254,818**	177,477,868
non-beneficial	**17,821,379**	17,059,829
Graham Eccles	**115,048**	37,258
Martin Griffiths	**7,997**	7,997
Ewan Brown	**Nil**	Nil
Ann Gloag beneficial	**146,971,155**	147,071,155
non-beneficial	**2,019,564**	2,804,564
Janet Morgan	**2,600**	Nil
Robert Speirs	**18,500**	18,500
Russell Walls	**20,000**	20,000
Iain Duffin	**40,000**	40,000

TABLE B	Number of shares	
	30 April and 23 June 2004	30 April and 25 June 2003
Share options held by Directors		
Brian Souter	**3,804,038**	2,930,371
Graham Eccles	**2,297,373**	1,832,657
Martin Griffiths	**2,298,573**	1,922,849
Ewan Brown	**Nil**	Nil
Ann Gloag	**Nil**	Nil
Janet Morgan	**Nil**	Nil
Robert Speirs	**Nil**	Nil
Russell Walls	**Nil**	Nil
Iain Duffin	**Nil**	Nil

Full details of options held as at 30 April 2004 are contained in the Remuneration Report on pages 24 to 27.

No director had a material interest in the loan stock or in the share capital of any subsidiary company.

Fixed assets

In the opinion of the directors, there is no material difference in the open market value of the Group's interest in land and buildings relative to book value.

Close company status

The directors are advised that at 30 April 2004 the Company was not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Charitable and political contributions

Group companies made charitable donations of £0.3m (2003: £0.7m) during the year.

It is the Group's policy not to make political contributions and, accordingly, there were no payments for political purposes during the year (2003: £Nil).

Authority for company to purchase its own shares

At the 2003 Annual General Meeting, the Company was granted authority by its shareholders under section 166 of the Companies Act 1985 to repurchase up to 10% of its ordinary shares of 0.5 pence each. During the year, no shares were repurchased. Under the existing authority, the Company may repurchase up to a further 132,094,601 shares. This authority will expire on 28 February 2005 unless revoked, varied or renewed prior to this date.

A resolution will be placed at the next Annual General Meeting that the Company be authorised to repurchase up to 10% of its ordinary shares of 0.5 pence each, which, if passed, will lapse on or before 26 February 2006.

Return of Capital

The disposals of Citybus, Road King and significant parts of North America (Coach USA) have resulted in a substantial change to the Group's capital structure. The Group's net debt has reduced significantly and the proportion of the Group's funding provided by debt, rather than equity, has fallen accordingly. As a consequence of this we have announced our intention to return approximately £250 million to shareholders via an issue of redeemable B shares.

At the 2003 AGM the shareholders passed a special resolution that £200m of the Company's share premium account be converted into a new special reserve of the Company. Given that the share premium account is now being proposed to be partly used for the return of capital, the Directors have decided not to seek the Court of Session's confirmation of the reduction in the share premium account.

Going Concern

On the basis of current financial projections and the facilities available, the directors are satisfied that the Group has adequate resources to continue for the foreseeable future and, accordingly, consider it appropriate to adopt the going concern basis in preparing the accounts.

By order of the Board

DEREK SCOTT
Company Secretary

23 June 2004

Consolidated profit and loss account

Year ended 30 April 2004

		2004			2003		
	Notes	Performance pre goodwill and exceptionals £m	Goodwill and exceptional items £m	Results for the year £m	Performance pre goodwill and exceptionals £m	Goodwill and exceptional items £m	Results for the year £m
Turnover: Group and share of joint ventures	2	**1,792.3**	**Nil**	**1,792.3**	2,076.6	Nil	2,076.6
Less: Share of joint ventures' turnover		**(290.3)**	**Nil**	**(290.3)**	(277.9)	Nil	(277.9)
Group turnover		**1,502.0**	**Nil**	**1,502.0**	1,798.7	Nil	1,798.7
Represented by:							
Continuing Group operations		**1,371.0**	**Nil**	**1,371.0**	1,305.3	Nil	1,305.3
Discontinued operations		**131.0**	**Nil**	**131.0**	493.4	Nil	493.4
		1,502.0	**Nil**	**1,502.0**	1,798.7	Nil	1,798.7
Operating costs (including asset impairment)	2	**(1,501.3)**	**(8.8)**	**(1,510.1)**	(1,752.6)	(603.6)	(2,356.2)
Other operating income	3	**129.1**	**Nil**	**129.1**	87.7	Nil	87.7
Operating profit/(loss) of Group companies	2	**129.8**	**(8.8)**	**121.0**	133.8	(603.6)	(469.8)
Share of operating profit/(loss) of joint ventures		**10.7**	**(8.7)**	**2.0**	2.6	(8.7)	(6.1)
Share of operating profit from interest in associates		**7.0**	**(0.3)**	**6.7**	10.0	(0.3)	9.7
Total operating profit/(loss): Group and share of joint ventures and associates	2	**147.5**	**(17.8)**	**129.7**	146.4	(612.6)	(466.2)
Represented by:							
Continuing Group operations	2	**128.8**	**(7.8)**	**121.0**	114.7	(596.0)	(481.3)
Continuing joint ventures and associates	2	**13.1**	**(9.0)**	**4.1**	6.3	(9.0)	(2.7)
		141.9	**(16.8)**	**125.1**	121.0	(605.0)	(484.0)
Discontinued Group operations	2	**1.0**	**(1.0)**	**Nil**	19.1	(7.6)	11.5
Discontinued joint ventures and associates	2	**4.6**	**Nil**	**4.6**	6.3	Nil	6.3
Total operating profit/(loss): Group and share of joint ventures and associates		**147.5**	**(17.8)**	**129.7**	146.4	(612.6)	(466.2)
Profit/(loss) on sale of properties		**Nil**	**0.5**	**0.5**	Nil	(0.5)	(0.5)
Loss on disposal of operations	13	**Nil**	**(7.1)**	**(7.1)**	Nil	Nil	Nil
Profit/(loss) on ordinary activities before interest and taxation		**147.5**	**(24.4)**	**123.1**	146.4	(613.1)	(466.7)
Finance charges (net)	4	**(27.3)**	**Nil**	**(27.3)**	(33.5)	Nil	(33.5)
Profit/(loss) on ordinary activities before taxation	5	**120.2**	**(24.4)**	**95.8**	112.9	(613.1)	(500.2)
Taxation on profit/(loss) on ordinary activities	7	**(32.3)**	**41.1**	**8.8**	(28.8)	3.8	(25.0)
Profit/(loss) on ordinary activities after taxation		**87.9**	**16.7**	**104.6**	84.1	(609.3)	(525.2)
Dividends	8	**(38.4)**	**Nil**	**(38.4)**	(34.3)	Nil	(34.3)
Retained profit/(loss) for the year		**49.5**	**16.7**	**66.2**	49.8	(609.3)	(559.5)
Earnings/(loss) per share – Adjusted/Basic	9	**6.7p**		**7.9p**	6.4p		(40.0)p
– Diluted	9	**6.5p**		**7.8p**	6.4p		(40.0)p

A statement of movements on the profit and loss account reserve is given in note 10.

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

Consolidated balance sheet

As at 30 April 2004

	Notes	2004 £m	2003 £m
Fixed assets			
Intangible assets	11	**103.5**	206.9
Tangible assets	12	**618.0**	851.6
Investments	13		
– 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	13	**106.5**	128.6
– Investment in associates	13	**1.4**	70.0
– Other investments	13	**2.3**	2.7
		831.7	1,259.8
Current assets			
Stocks	15	**13.4**	38.1
Debtors and prepaid charges – due within one year	16	**169.2**	192.3
– due after more than one year	16	**58.0**	59.9
Cash at bank and in hand		**476.5**	164.7
		717.1	455.0
Creditors: Amounts falling due within one year	17	**(674.6)**	(504.2)
Net current assets/(liabilities)		**42.5**	(49.2)
Total assets less current liabilities		**874.2**	1,210.6
Creditors: Amounts falling due after more than one year	17	**(292.2)**	(640.7)
Provisions for liabilities and charges			
– Joint ventures	21		
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	21	**(191.0)**	(230.2)
Net assets	2	**390.0**	317.1
Capital and reserves			
Equity share capital	22	**6.7**	6.6
Share premium account	24	**392.4**	386.1
Profit and loss account	24	**(6.9)**	(77.3)
Own shares	24	**(3.9)**	Nil
Capital redemption reserve	24	**1.7**	1.7
Shareholders' funds – Equity		**390.0**	317.1

Signed on behalf of the Board on 23 June 2004

Brian Souter

BRIAN SOUTER
Chief Executive

Martin A Griffiths

MARTIN A GRIFFITHS
Finance Director

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

Consolidated cash flow statement

Year ended 30 April 2004

	Notes	2004 £m	2003 £m
Net cash inflow from operating activities	25	**214.3**	272.2
Dividends from joint ventures and associates		**4.1**	5.3
Returns on investments and servicing of finance			
Interest paid		**(37.9)**	(52.6)
Interest element of hire purchase and lease finance		**(5.8)**	(4.7)
Interest received		**44.2**	5.4
Net cash inflow/(outflow) from returns on investments and servicing of finance		**0.5**	(51.9)
Taxation		**(9.4)**	(7.8)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(56.0)**	(52.9)
Sale of tangible fixed assets		**4.2**	20.1
Net cash outflow from capital expenditure and financial investment		**(51.8)**	(32.8)
Acquisitions and disposals			
Acquisition of subsidiaries	25	**(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	13	**(4.3)**	Nil
Disposal of subsidiaries and other businesses	13	**263.7**	7.0
Disposal of investments in joint ventures and associates		**64.9**	Nil
Net cash inflow/(outflow) from acquisitions and disposals		**316.9**	(4.8)
Equity dividends paid		**(35.6)**	(27.6)
Net cash inflow before financing		**439.0**	152.6
Financing			
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
Net cash outflow from financing		**(91.6)**	(165.3)
Increase/(decrease) in cash during the year	25	**347.4**	(12.7)
Free cash flow		**209.5**	217.8
Free cash flow per share		**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.