Consolidated statement of total recognised gains and losses
Year ended 30 April 2004

	2004	2003
	£m	£m
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	**108.8**	(558.3)

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

Reconciliation of movements in consolidated shareholders' funds
Year ended 30 April 2004

	2004	2003
	£m	£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

The accompanying notes form an integral part of these statements.

Notes to the accounts

Note 1 Statement of accounting policies

A summary of the principal accounting policies is set out below. All principal accounting policies, with the exception of UITF Abstract 38 "Accounting for ESOP Trusts" which was issued during the year, have been applied consistently throughout the year and the preceding year. UITF Abstract 38 has been adopted for the current year and does not impact the prior year results or net assets.

(a) Basis of accounting

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

(b) Presentation of profit and loss account

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

(c) Basis of consolidation

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

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

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

(d) Intangible assets

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

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

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

(e) Tangible fixed assets

Tangible fixed assets are shown at their original historic cost or fair value on acquisition net of depreciation and any provision for impairment as set out in note 12.

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset on a straight-line basis over their estimated useful lives, as follows:

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

Heritable and freehold land is not depreciated.

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of net realisable value and value in use.

(f) Pre-contract costs

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

(g) Investments

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

(h) Associates and joint ventures

In the Group accounts the investments in associates are accounted for using the equity method and investments in joint ventures are accounted for using the gross equity method. The consolidated profit and loss account includes the Group's share of associates' and joint ventures' profits less losses, while the Group's share of associates' and joint ventures' net assets is shown in the consolidated balance sheet. Where the Group has an interest in a joint venture's net liabilities, the Group's share of net liabilities is classified within provisions for liabilities and charges. Goodwill arising on the acquisition is accounted for in accordance with the policy set out above. Any unamortised goodwill is included in the carrying value of the Group's investments. The Group applies its own accounting policies when accounting for its share of associates and joint ventures, making appropriate adjustments where necessary, having given due regard to all relevant factors.

(i) Stocks

Stocks of parts and consumables are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow moving items.

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

(j) Hire purchase and lease obligations

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

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

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

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

The principal restriction on property held under finance or hire purchase agreements is a restriction on the right to dispose of the property during the period of the agreement.

(k) Taxation

Corporation tax is provided on taxable profits at the current rate applicable. Tax charges and credits are accounted for through the same primary statement (either the profit and loss account or the statement of total recognised gains and losses) as the related pre-tax item.

In accordance with FRS 19, "Deferred Taxation", full provision is made for deferred tax on a non-discounted basis in respect of all timing differences except those arising from the revaluation of fixed assets where there is no binding sale agreement and undistributed profits of overseas subsidiaries and associates.

Deferred tax is calculated at rates at which it is estimated the tax will arise. Deferred tax assets are recognised to the extent they are more likely than not to be recovered.

(l) Turnover

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

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

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

Compensation receivable by UK Rail companies in respect of service disruption under the performance regime provisions of the track access agreements with Network Rail is recognised over the expected period of disruption and is shown as other operating income.

(m) Tokens

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

The estimation of the balance sheet provision for token redemption is based on the value of tokens issued by the Group but not yet redeemed at the balance sheet date. Allowance is made for the estimated proportion of tokens in issue that will never be redeemed. This allowance is estimated with reference to historic redemption rates.

Notes to the accounts

Note 1 Statement of accounting policies (continued)

(n) Pension costs

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

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

The Group's contributions to defined contribution schemes are charged to the profit and loss account in the period to which the contributions relate.

Details of the principal Group pension schemes are given in note 26d.

The transitional disclosures required under FRS 17, "Retirement Benefits", are also included in note 26d.

(o) Foreign currencies

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

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the year end except in those instances where the exchange rate risk of an asset or liability is hedged by a derivative, in which case the contract rate is used. Foreign currency transactions arising during the year are translated into sterling at the rate of exchange ruling on the date of the transaction. Any exchange differences so arising are dealt with through the profit and loss account.

PRINCIPAL RATES OF EXCHANGE	2004	2003
New Zealand Dollar		
Year end rate	**2.8350**	2.8573
Average rate	**2.7600**	3.1031
Hong Kong Dollar		
Year end rate	**13.8317**	12.4648
Average rate	**13.3188**	12.1464
Average rate – Citybus*	**12.7803**	–
US Dollar		
Year end rate	**1.7734**	1.5982
Average rate	**1.7115**	1.5574
Canadian Dollar		
Year end rate	**2.4388**	2.2929
Average rate	**2.2985**	2.3985
*up to date of disposal		

(p) Accounting for finance costs and debt

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

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance costs that are recognised in the profit and loss account in respect of each accounting period. The carrying amount is reduced by amounts paid in respect of finance costs and/or repayments of principal.

(q) Government grants

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

Revenue grants receivable in respect of the operation of rail franchises in the UK are charged or credited to the profit and loss account in the year in which the related expenditure is recognised in the profit and loss account or where they do not relate to any specific expenditure, in the year in which the grant is receivable. These rail franchise grants are classified within Other Operating Income.

Note 1 Statement of accounting policies (continued)

(r) Derivatives and financial investments

Financial assets (other than derivatives) are recognised in the balance sheet at the lower of cost and net realisable value.

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

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

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

For interest rate and commodity swaps to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate or fuel cost by converting a fixed rate to a variable rate or vice versa. Cash flows under these swaps are recognised by adjusting net interest payable and fuel costs over the periods of the contracts. Gains and losses arising from the termination of these contracts are deferred on balance sheet and amortised to the profit and loss account over the remaining period of the related hedged item or recognised immediately in the profit and loss account where the hedged item no longer exists.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position no longer exists or the hedge is no longer effective, provision is made for any fair value loss on the instrument at that time.

(s) Marketing costs

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

(t) Insurance

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

Provision is made on a discounted basis for the estimated cost to the Group (net of insurance recoveries) to settle claims for incidents occurring prior to the balance sheet date. The estimation of the balance sheet insurance provisions is based on an assessment of the expected settlement on known claims together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Group. The provision is set after taking account of advice from third party actuaries.

(u) Investment in own shares

In accordance with UITF Abstract 38 "Accounting for ESOP Trusts" issued during the year, own shares held by the Group's Employee Benefit Scheme and Qualifying Employee Share Trust have been classified as deductions from shareholders' funds.

Note 2 Segmental analysis

(a) Turnover

	2004	2003
	£m	£m
Continuing operations		
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
Total continuing operations	**1,371.0**	1,305.3
Discontinued operations		
Citybus	**17.8**	132.3
Australian Bus	**Nil**	0.4
North America (Coach USA)	**113.2**	360.7
Total discontinued operations	**131.0**	493.4
Group turnover	**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)
Group turnover and share of joint ventures' turnover	**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.

Notes to the accounts

Note 2 Segmental analysis (continued)

(b) Operating profit/(loss)

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

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).

Redundancy/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), UK Rail £0.9m (2003: £0.6m) and costs incurred centrally £Nil (2003: £0.8m)

Note 2 Segmental analysis (continued)

(c) Operating costs

	2004			2003		
	Performance pre goodwill and exceptionals £m	Goodwill and exceptional items £m	Results for the year £m	Performance pre goodwill and exceptionals £m	Goodwill and exceptional items £m	Results for the year £m
Operating costs (excluding asset impairment)	**(1,501.3)**	**(8.8)**	**(1,510.1)**	(1,752.6)	(54.1)	(1,806.7)
Impairment of assets of Group companies	**Nil**	**Nil**	**Nil**	Nil	(549.5)	(549.5)
	(1,501.3)	**(8.8)**	**(1,510.1)**	(1,752.6)	(603.6)	(2,356.2)

(d) Net assets

	2004	2003
	£m	£m
UK Bus	**306.6**	298.5
Overseas Bus	**50.2**	230.1
North America (Coach USA)	**177.4**	323.2
UK Rail	**(99.3)**	(76.8)
Central assets/liabilities	**(84.2)**	(73.9)
Net assets of Group companies before debt	**350.7**	701.1
Joint ventures	**105.5**	106.0
Associates	**1.4**	70.0
Total net assets before debt: Group, joint ventures and associates	**457.6**	877.1
Net debt	**(67.6)**	(560.0)
Net assets	**390.0**	317.1

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

Note 3 Other operating income

	2004	2003
	£m	£m
Miscellaneous revenue	**46.8**	47.9
Liquidated damages received	**Nil**	8.5
Loss on disposal of tangible fixed assets, other than properties	**(3.6)**	(2.7)
Rail franchise support	**85.9**	34.0
	129.1	87.7

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

The liquidated damages received of £Nil (2003: £8.5m) relate to 24 new class 458 trains, which are now in service at South West Trains, a subsidiary of the Group. A number of problems were experienced with the late delivery and reliability of the new trains and the liquidated damages were received in respect of these issues.

Notes to the accounts

Note 4 Finance charges (net)

	2004 £m	2003 £m
Bank loans and overdrafts	**19.2**	27.8
Hire purchase and finance leases	**5.8**	4.7
Other loans	**13.1**	16.4
Unwinding of discount on provisions	**2.8**	3.1
Interest receivable	**(13.6)**	(5.4)
Net gain on early settlement of debt and other financial instruments	**Nil**	(13.1)
	27.3	33.5

Interest receivable includes £1.3m (2003: £Nil) in relation to share of joint venture net interest receivable and £1.0m (2003: £1.0m) in relation to interest receivable on joint venture shareholder loan notes. Interest payable on other loans includes £Nil (2003: £0.2m) in relation to share of joint venture net interest payable and £0.8m (2003: £1.3m) in relation to share of associates' net interest payable.

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

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	2004 £m	2003 £m
Materials and consumables	**162.2**	208.9
Depreciation and amounts written off		
– Tangible fixed assets (owned)	**49.6**	87.3
– Tangible fixed assets (on hire purchase or finance lease)	**17.6**	18.0
– Impairment losses	**Nil**	162.7
Amortisation of goodwill		
– Subsidiaries	**8.8**	28.6
– Joint venture and associates	**9.0**	9.0
Impairment of North America (Coach USA) goodwill	**Nil**	386.8
(Gains)/losses on property disposals	**(0.5)**	0.5
Losses on other tangible fixed asset disposals	**3.6**	2.7
Operating lease rentals		
– PSVs and rolling stock	**98.0**	92.9
– Network Rail charges	**117.3**	101.5
– Land and buildings	**8.0**	13.1
	£'000	**£'000**
Audit services		
– statutory audit	**655.0**	722.0
– audit-related regulatory reporting	**12.5**	10.0
Other assurance services	**38.8**	1.0
Tax services		
– compliance services	**27.5**	31.5
– advisory services	**117.5**	155.9
Advice re disposal of businesses	**17.6**	Nil
Provision of training and related materials	**6.5**	Nil
Other services	**26.8**	41.3
	902.2	961.7
Auditors' remuneration – audit (Company)	**20.0**	20.0

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

The following items have been treated as exceptional:

	2004	2003
	£m	£m
Loss on disposal of operations (note 13)	**(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 2004 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 (see note 13).

Note 6 Staff costs and employees

	2004	2003
	£m	£m
Staff costs		
Wages and salaries	**665.7**	788.8
Social security costs	**55.0**	60.6
Other pension costs (note 26d)	**32.9**	31.2
ESOP provided for	**Nil**	0.2
	753.6	880.8

	2004	2003
	£m	£m
Summary directors' remuneration		
Aggregate emoluments	**1.7**	1.8
Compensation for loss of office	**Nil**	0.5
Sums paid to third parties for directors' services	**0.2**	0.2
	1.9	2.5

Further information on directors' remuneration, share options, incentive schemes and pensions is contained in the Remuneration report on pages 24 to 27.

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

	2004	2003
	number	number
UK operations	**20,917**	21,292
UK administration and supervisory	**1,955**	1,945
Overseas	**6,291**	15,639
	29,163	38,876

Notes to the accounts

Note 7 Taxation on profit/(loss) on ordinary activities

(a) Analysis of charge in the year

	2004			2003		
	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
Current tax:						
UK corporation tax at 30% (2003: 30%)	**21.2**	**Nil**	**21.2**	24.7	Nil	24.7
Prior year over provision for corporation tax	**Nil**	**(24.7)**	**(24.7)**	Nil	Nil	Nil
Share of joint ventures' current tax	**3.2**	**Nil**	**3.2**	2.4	Nil	2.4
Share of associates' current tax	**Nil**	**Nil**	**Nil**	0.3	Nil	0.3
Foreign tax (current year)	**2.7**	**Nil**	**2.7**	3.2	Nil	3.2
Foreign tax (adjustments in respect of prior years)	**(0.1)**	**Nil**	**(0.1)**	(3.6)	Nil	(3.6)
Total current tax	**27.0**	**(24.7)**	**2.3**	27.0	Nil	27.0
Deferred tax:						
Origination and reversal of timing differences	**8.5**	**(0.1)**	**8.4**	(0.2)	(3.8)	(4.0)
Adjustments in respect of prior years	**(3.2)**	**(16.3)**	**(19.5)**	2.0	Nil	2.0
Total deferred tax	**5.3**	**(16.4)**	**(11.1)**	1.8	(3.8)	(2.0)
Tax on profit/(loss) on ordinary activities	**32.3**	**(41.1)**	**(8.8)**	28.8	(3.8)	25.0

(b) Factors affecting tax charge for the year

	2004	2003
	£m	£m
Profit/(loss) on ordinary activities before tax	**95.8**	(500.2)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	**28.7**	(150.1)
Effects of:		
Goodwill amortisation	**5.0**	7.7
Impairment loss	**Nil**	172.5
Non-deductible expenditure	**8.1**	4.4
Utilisation of losses not recognised	**(4.2)**	Nil
Capital allowances less/(more) than depreciation	**3.0**	(4.3)
Creation or utilisation of losses	**(5.9)**	(2.1)
Movement in general provisions and other short term timing differences	**(5.5)**	5.6
Foreign taxes differences	**0.4**	(3.1)
Adjustments to tax charge in respect of prior years	**(27.3)**	(3.6)
Current tax charge for the year (note 7(a))	**2.3**	27.0

(c) Factors that may affect future tax charges

No provision has been made for deferred tax on rolled over gains. The total amount unprovided for is £3.3m (2003: £3.3m).

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

Deferred tax assets in respect of tax losses carried forward are provided against where the recoverability is in doubt.

Note 8 Dividends

	2004 £m	2003 £m
Ordinary shares – interim paid (0.9 pence (2003: 0.8 pence) per share)	**11.9**	10.6
– final proposed (2.0 pence (2003: 1.8 pence) per share)	**26.5**	23.7
	38.4	34.3

During the year, a share alternative was offered in respect of the interim dividend of 0.9 pence per share. The cash cost to the Company is unaffected but the cash is used by the Company's registrars to acquire shares to be provided to shareholders as an alternative to the cash dividend. The alternative comprised ordinary shares with a market value of 82.05 pence per existing ordinary share. A similar arrangement applied to last year's final dividend of 1.8 pence per share, the relevant market value being 79.67 pence per existing ordinary share.

Note 9 Earnings/(loss) per share

Earnings/(loss) per share has 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:

	2004			2003		
	Earnings £m	Weighted average no. of shares million	Earnings per share pence	Earnings/ (loss) £m	Weighted average no. of shares million	Earnings/ (loss) per share pence
Basic	**104.6**	**1,321.7**	**7.9**	(525.2)	1,314.4	(40.0)
Adjusted (pre goodwill and exceptional items)	**87.9**	**1,321.7**	**6.7**	84.1	1,314.4	6.4
Dilutive shares – Executive Share Option Scheme	**–**	**20.2**	**(0.2)**	–	2.3	Nil
– Employee SAYE Scheme	**–**	**2.2**	**Nil**	–	Nil	Nil
Diluted excluding goodwill and exceptional items	**87.9**	**1,344.1**	**6.5**	84.1	1,316.7	6.4
Include goodwill and exceptional items	**16.7**	**–**	**1.3**			
Diluted	**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 on page 29. 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.

Note 10 Profit and loss account

The movement on profit and loss account reserve is:

	Group		Company	
	2004 £m	2003 £m	**2004 £m**	2003 £m
Retained (loss)/profit brought forward	**(77.3)**	514.8	**57.5**	670.1
Retained profit/(loss) for the year	**66.2**	(559.5)	**406.7**	(612.6)
Translation adjustment	**(0.4)**	(26.6)	**Nil**	Nil
UK tax effect of translation adjustment	**4.8**	(6.4)	**Nil**	Nil
Share of other recognised gains and losses of associates	**(0.2)**	(0.1)	**Nil**	Nil
Goodwill previously written off to reserves	**Nil**	0.5	**Nil**	Nil
Retained (loss)/profit carried forward	**(6.9)**	(77.3)	**464.2**	57.5

Note 11 Intangible assets – goodwill

All of the intangible assets that have been recognised by the Group are amortised over periods not exceeding 20 years.

The Group movement in the year is:

	Joint ventures (included in provisions) £m	Joint ventures (included in investments) £m	Associates £m	Subsidiaries £m	Total £m
Cost					
Beginning of year	Nil	110.5	6.0	1,099.3	1,215.8
Additions	Nil	Nil	2.6	1.2	3.8
Disposals	Nil	(10.7)	(5.8)	(416.6)	(433.1)
Translation adjustment	Nil	Nil	Nil	(85.9)	(85.9)
Transferred to provisions	1.9	(1.9)	Nil	Nil	Nil
End of year	1.9	97.9	2.8	598.0	700.6
Amortisation					
Beginning of year	Nil	(37.8)	(4.6)	(892.4)	(934.8)
Charge for the year	Nil	(8.7)	(0.3)	(8.8)	(17.8)
Disposals	Nil	4.5	3.7	332.2	340.4
Translation adjustment	Nil	Nil	Nil	74.5	74.5
Transferred to provisions	(1.6)	1.6	Nil	Nil	Nil
End of the year	(1.6)	(40.4)	(1.2)	(494.5)	(537.7)
Net book value beginning of year	Nil	72.7	1.4	206.9	281.0
Net book value end of year	0.3	57.5	1.6	103.5	162.9

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

	Amortisation period Years	Goodwill additions £m
Subsidiaries – UK Bus/North America	20	1.2
Associates – Road King (subsequently disposed)	20	2.6
		3.8

Note 12 Tangible fixed assets

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

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Land and buildings	**134.5**	160.6	**3.3**	3.4
PSVs and other assets	**483.5**	691.0	**0.8**	4.4
	618.0	851.6	**4.1**	7.8

The Group movement in the year is:

	Land and buildings £m	PSVs and other assets £m	Total £m
Cost			
Beginning of year	187.5	1,488.4	1,675.9
Additions	8.9	77.9	86.8
New subsidiary undertakings	Nil	0.6	0.6
Disposals	(1.5)	(42.7)	(44.2)
Sale/closure of subsidiary undertakings	(51.2)	(508.2)	(559.4)
Translation adjustment	(5.2)	(45.2)	(50.4)
End of year	138.5	970.8	1,109.3
Depreciation			
Beginning of year	(26.9)	(797.4)	(824.3)
Charge	(3.9)	(63.3)	(67.2)
Disposals	0.4	40.1	40.5
Sale/closure of subsidiary undertakings	24.3	305.8	330.1
Translation adjustment	2.1	27.5	29.6
End of year	(4.0)	(487.3)	(491.3)
Net book value, beginning of year	160.6	691.0	851.6
Net book value, end of year	134.5	483.5	618.0
Included in the above are:			
Assets on hire purchase	Nil	119.9	119.9
Leased PSV assets	Nil	82.4	82.4
Short leasehold land and buildings	0.9	Nil	0.9
Long leasehold land and buildings	16.5	Nil	16.5

Heritable and freehold land amounting to £33.0m (2003: £33.0m) has not been depreciated.

Depreciation of £17.6m (2003: £18.0m) has been charged in the year in respect of assets held under hire purchase or finance lease agreements.