

Notes to the accounts

Note 12 Tangible fixed assets (continued)

The Company movement during the year was as follows:

	Land and buildings £m	PSVs and other assets* £m	Total £m
Cost			
Beginning of year	3.6	6.4	10.0
Additions	Nil	1.4	1.4
Disposals	Nil	(6.3)	(6.3)
End of year	3.6	1.5	5.1
Depreciation			
Beginning of year	(0.2)	(2.0)	(2.2)
Charge	(0.1)	(0.1)	(0.2)
Disposals	Nil	1.4	1.4
End of year	(0.3)	(0.7)	(1.0)
Net book value, beginning of year	3.4	4.4	7.8
Net book value, end of year	3.3	0.8	4.1

* PSVs and other assets include £0.6m (2003: £4.1m) of assets in progress not yet allocated to Group operating companies.

Note 13 Fixed asset investments

The Group movement during the year was as follows:

	Joint ventures £m	Associates £m	Other investments £m	Total £m
Cost				
Beginning of year	166.4	156.2	3.8	326.4
Additions	Nil	Nil	0.1	0.1
Disposals	(31.5)	(146.0)	(0.5)	(178.0)
Share of recognised profits	12.6	3.0	Nil	15.6
Share of other recognised gains and losses	Nil	(0.2)	Nil	(0.2)
Translation adjustment	Nil	(6.3)	Nil	(6.3)
Dividends received	Nil	(4.1)	Nil	(4.1)
Transferred to provisions	(0.6)	Nil	Nil	(0.6)
End of year	146.9	2.6	3.4	152.9
Amounts written off				
Beginning of year	(37.8)	(86.2)	(1.1)	(125.1)
Goodwill amortised during year	(8.7)	(0.3)	Nil	(9.0)
Disposals	4.5	85.3	Nil	89.8
Transferred to provisions	1.6	Nil	Nil	1.6
End of year	(40.4)	(1.2)	(1.1)	(42.7)
Net book value, beginning of year	128.6	70.0	2.7	201.3
Net book value, end of year	106.5	1.4	2.3	110.2

Note 13 Fixed asset investments (continued)

The Group's share of the net assets of Virgin Rail Group Holdings Limited included on page 46 is analysed below. The prior year comparatives included the Group's share of other small joint ventures net assets which are classified within provisions for liabilities and charges as at 30 April 2004 as these companies now have net liabilities.

	2004	2003
	Total £m	Total £m
Fixed assets	7.6	8.3
Current assets	91.2	159.2
Creditors: Amounts falling due within one year	(53.7)	(115.2)
Creditors: Amounts falling due after more than one year	(6.1)	(6.8)
Share of net assets	39.0	45.5
Goodwill (note 11)	57.5	72.7
Shareholder loan notes	10.0	10.4
	106.5	128.6

The principal joint venture is:

	Country of incorporation/ operation	Number of shares in issue at 30 April 2004	Nominal value of share capital in issue at 30 April 2004	% held at 30 April 2004
Virgin Rail Group Holdings Limited	United Kingdom	34,780	£3,478	49

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

The Virgin Rail Group Holdings shareholder agreement provides for joint decision making on key matters and equal representation on the Board. As a consequence the investment has been accounted for as a joint venture. As part of the original acquisition, the Group acquired a £20m shareholder loan to Virgin Rail Group Limited, now a subsidiary of Virgin Rail Group Holdings Limited. The shareholder loan carries a 10% coupon and £10m was repaid on 28 April 2000.

Unless otherwise agreed by its shareholders, Virgin Rail Group Holdings Limited is restricted from paying dividends until any loans payable to its shareholders have been repaid. With the agreement of its shareholders, Virgin Rail Group Holdings Limited has declared a dividend of £30m in respect of its financial year ended 28 February 2004.

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

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

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

The remaining goodwill relating to the original acquisition of Virgin Rail Group is being amortised over its remaining useful life of 7.8 years from 30 April 2004.

The Group's 49% shareholding in Trainline Holdings Limited was sold on 9 February 2004 to Virgin Investments Ltd. Gross consideration for the disposal was £4.0m. The net cash amount received was £1.1m which represents the gross consideration less the repayment of short-term loans advanced during the year.

During the year, the Group disposed of its entire shareholding in Road King Infrastructure Limited, with the majority of the shareholding being sold to Shenzhen Investment Ltd. Gross consideration for the disposal was HK\$897.8m. The net cash amount received was HK\$879.8m which represents the gross consideration less transaction costs of the sale.

Notes to the accounts

Note 13 Fixed asset investments (continued)

The Company movement during the year was as follows:

	Subsidiary undertakings £m	Joint ventures £m	Other investments £m	Total £m
Cost				
Beginning of year	1,380.2	1.8	0.8	1,382.8
Additions	1,207.0	Nil	Nil	1,207.0
Disposals	(1,664.2)	Nil	Nil	(1,664.2)
End of year	923.0	1.8	0.8	925.6
Amounts written off				
Beginning of year	(737.8)	(1.8)	Nil	(739.6)
During the year	(2.2)	Nil	Nil	(2.2)
Disposals	740.0	Nil	Nil	740.0
End of year	Nil	(1.8)	Nil	(1.8)
Net book value, beginning of year	642.4	Nil	0.8	643.2
Net book value, end of year	923.0	Nil	0.8	923.8

During the year, the Company undertook a legal reorganisation whereby it disposed of various subsidiary undertakings to another subsidiary for consideration in excess of book value. The result is now such that the Company has one direct subsidiary undertaking which indirectly holds the principal Group subsidiary undertakings.

Acquisitions

During the year a further three acquisitions have been concluded in the UK and North America for a total consideration of £1.9m in cash. The fair value of the net assets acquired was £0.7m giving rise to goodwill of £1.2m which has been capitalised and is being amortised over 20 years.

These acquisitions are not considered to be individually or collectively material for the purposes of FRS 7, "Fair Values in Acquisition Accounting".

The aggregate fair value of the net assets acquired is as follows:

	£m
Fair value to Group	
Tangible fixed assets	0.6
Other current assets	0.3
Total assets	0.9
Creditors – within one year	(0.2)
Total liabilities	(0.2)
Net assets	0.7
Consideration	1.9
Goodwill	1.2

Note 13 Fixed asset investments (continued)

Disposals

During the year, the Group disposed of a number of subsidiaries and other businesses as set out below.

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 bulk of the taxi division. These disposals have been aggregated in the disclosures shown below.

The Group has not retained any ownership interest in any of the businesses that were disposed of in the year.

	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	Nil	(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)

The operating profit attributable to disposed operations is disclosed in the segmental analysis in note 2.

In respect of the subsidiary undertakings that were disposed of during the year, the net assets disposed of were as follows:

	Citybus £m	North America (Coach USA) £m	Others £m	Total £m
Fixed assets				
Intangible assets – goodwill	77.7	6.7	Nil	84.4
Tangible assets	126.8	102.5	Nil	229.3
Investments	0.5	Nil	Nil	0.5
	205.0	109.2	Nil	314.2
Cash at bank and in hand	4.2	Nil	0.1	4.3
Other current assets	7.0	59.9	Nil	66.9
Total assets	216.2	169.1	0.1	385.4
Bank loans	(47.3)	Nil	Nil	(47.3)
Other creditors	(16.9)	(18.9)	Nil	(35.8)
Provisions for liabilities and charges	(23.6)	Nil	Nil	(23.6)
Total liabilities	(87.8)	(18.9)	Nil	(106.7)
Net assets disposed	128.4	150.2	0.1	278.7
Provisions and accruals for future costs associated with the disposals	Nil	15.9	Nil	15.9
Profit/(loss) on disposal	0.3	(12.4)	(0.1)	(12.2)
Proceeds, net of directly attributable costs	128.7	153.7	Nil	282.4
Satisfied by:				
Cash	128.7	135.0	Nil	263.7
Deferred consideration outstanding (net of provision for doubtful debts) as at 30 April 2004	Nil	18.7	Nil	18.7
	128.7	153.7	Nil	282.4
Net cash inflows in respect of the sale comprised:				
Cash consideration	128.7	135.0	Nil	263.7
Cash at bank and in hand sold	(4.2)	Nil	(0.1)	(4.3)
	124.5	135.0	(0.1)	259.4

Notes to the accounts

Note 14 Principal business units

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

Company	Country of registration or incorporation	Principal activity
Stagecoach Transport Holdings plc	Scotland	Holding & financing company
SCOTO Limited	England	Treasury company
Stagecoach (South) Ltd	England	Bus and coach operator
Stagecoach (North West) Ltd	England	Bus and coach operator
East Midland Motor Services Ltd	England	Bus and coach operator
Stagecoach Scotland Ltd	Scotland	Bus and coach operator
National Transport Tokens Ltd (99.9%)	England	Transport tokens
East Kent Road Car Company Ltd	England	Bus and coach operator
Stagecoach West Ltd	England	Bus and coach operator
PSV Claims Bureau Ltd	England	Claims handling
Busways Travel Services Ltd	England	Bus and coach operator
South East London and Kent Bus Co Ltd	England	Bus and coach operator
East London Bus and Coach Co Ltd	England	Bus and coach operator
Cleveland Transit Ltd	England	Bus and coach operator
Cambus Ltd	England	Bus and coach operator
Stagecoach Devon Ltd	England	Bus and coach operator
Greater Manchester Buses South Ltd	England	Bus and coach operator
South West Trains Ltd	England	Train operating company
Island Line Ltd	England	Train operating company
South Yorkshire Supertram Ltd	England	Tram operator
Wellington City Transport Ltd	New Zealand	Bus and coach operator
Transportation Auckland Corporation Limited	New Zealand	Bus and coach operator
Fullers Group Limited (96%)	New Zealand	Ferry operator
Coach USA Inc.	United States	Bus and coach operator

All companies operate in the countries shown above and, except for Stagecoach Transport Holdings plc, are indirectly held. The companies listed above include all those which principally affect the results and assets of the Group. A full list of subsidiary undertakings at 30 April 2004 will be annexed to the next annual return.

Note 15 Stocks

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Parts and consumables	11.9	19.1	Nil	Nil
Taxicabs held for resale	1.5	19.0	Nil	Nil
	13.4	38.1	Nil	Nil

There is no material difference between the carrying value of stocks held at 30 April 2004 and their estimated replacement cost.

Note 16 Debtors and prepaid charges

Amounts falling due within one year are:

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Trade debtors	74.6	91.0	0.2	0.3
Other debtors	28.4	30.3	Nil	13.7
Other prepayments and accrued income	53.8	62.6	8.1	1.2
VAT and other government debtors	11.1	8.4	10.2	6.3
Foreign tax receivable	1.3	Nil	Nil	Nil
	169.2	192.3	18.5	21.5

Amounts falling due after more than one year are:

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Pension scheme prepayment (note 26d)	36.9	35.2	Nil	Nil
Amounts owed by group companies	Nil	Nil	130.8	550.6
Pre-contract costs	Nil	1.8	Nil	Nil
Other debtors	21.1	22.9	Nil	Nil
Deferred tax asset (note 21)	Nil	Nil	1.1	1.2
	58.0	59.9	131.9	551.8

Note 17 Creditors**(a) Creditors: Amounts falling due within one year**

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Bank overdrafts	Nil	Nil	Nil	59.6
Bank loans and loan notes	38.9	58.9	38.6	46.8
Euro 6% notes (note 17d)	182.2	Nil	200.2	Nil
Trade creditors	96.6	95.5	1.7	0.9
Accruals and deferred income	244.0	230.3	21.2	42.3
Dividends payable	26.5	23.7	26.5	23.7
Other creditors				
– UK corporation tax payable	33.9	44.9	4.5	9.1
– Foreign tax payable	Nil	4.0	Nil	Nil
– PAYE and NIC payable	15.7	12.1	0.2	0.2
Current portion of hire purchase and lease obligations	36.8	34.8	Nil	Nil
Amounts due to group companies	Nil	Nil	28.0	28.0
	674.6	504.2	320.9	210.6

Notes to the accounts

Note 17 Creditors (continued)

(b) Creditors: Amounts falling due after more than one year

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Bank loans and loan notes	2.7	181.1	Nil	129.2
US Dollar 8.625% Notes (note 17c)	187.9	208.9	Nil	227.6
Euro 6% Notes (note 17d)	Nil	195.2	Nil	195.2
Non-current portion of hire purchase and lease obligations	95.6	45.8	Nil	Nil
Deferred income	6.0	9.7	Nil	Nil
Amounts due to group companies	Nil	Nil	44.1	11.4
	292.2	640.7	44.1	563.4

(c) US Dollar 8.625% Notes

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

During the year US\$Nil (2003: US\$45.0m) of the Notes were purchased by the Group. US\$Nil (2003: US\$135.9m) of the Notes purchased have been cancelled. The cumulative par value of Notes repurchased was US\$165.9m as at 30 April 2004 (2003: US\$165.9m).

The Notes were issued at 99.852% of their principal amount. The consolidated carrying value of the Notes at 30 April 2004 was £187.9m (2003: £208.9m), after taking account of the notes purchased by the Group, the discount on issue, and issue costs.

(d) Euro 6% Notes

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

During the year €5m (2003: €48.6m) of the Notes were purchased by the Group and cancelled. The cumulative par value of Notes repurchased and cancelled was €104.2m as at 30 April 2004 (2003: €99.2m).

The Notes were issued at 99.937% of their principal amount. The Group has effectively swapped the carrying value into US Dollars and Sterling with a currency swap. After taking account of the notes repurchased and cancelled, the discount on issue, issue costs and the currency swap, the consolidated carrying value of the Notes at 30 April 2004 was £182.2m (2003: £195.2m).

Note 17 Creditors (continued)

(e) Borrowings are repayable as follows

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
On demand or within 1 year				
Bank overdraft	Nil	Nil	Nil	59.6
Bank loans and loan notes	38.9	58.9	38.6	46.8
Euro 6% Notes	182.2	Nil	200.2	Nil
Hire purchase and lease obligations	36.8	34.8	Nil	Nil
Within 1-2 years				
Bank loans and loan notes	Nil	130.6	Nil	118.3
Euro 6% Notes	Nil	195.2	Nil	195.2
Hire purchase and lease obligations	33.1	23.3	Nil	Nil
Within 2-5 years				
Bank loans and loan notes	2.7	49.5	Nil	10.9
Hire purchase and lease obligations	53.6	22.2	Nil	Nil
Over 5 years				
Bank loans and loan notes	Nil	1.0	Nil	Nil
US Dollar 8.625% Notes	187.9	208.9	Nil	227.6
Hire purchase and lease obligations	8.9	0.3	Nil	Nil
Total borrowings	544.1	724.7	238.8	658.4
Less current maturities	(257.9)	(93.7)	(238.8)	(106.4)
Long term portion of borrowings	286.2	631.0	Nil	552.0

Interest terms on UK borrowings (except loan notes) are at annual rates between 0.5% and 0.75% over Bank of Scotland base rate or equivalent LIBOR rates. Interest terms on overseas borrowings are at annual rates of 0.5% above applicable local market borrowing rates. Interest on loan notes are at three months LIBOR or fixed interest. Loan notes amounting to £38.6m (2003: £39.5m) are backed by guarantees provided under group banking facilities.

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

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

Note 18 Derivatives and other financial instruments

Treasury policy and the use of financial instruments are both discussed in the Finance Director's review on pages 13 to 16.

Short term debtors and creditors have been excluded from the disclosures below except for 18(c) on currency exposures.

(a) Interest rate and currency profile of financial liabilities

The interest rate profile of the financial liabilities of the Group on which interest is paid at 30 April 2004 was as follows:

Currency	Floating rate £m	Fixed rate £m	Total £m	Weighted average fixed interest rate %	Weighted average period for which rate is fixed Years
Sterling	262.2	26.6	288.8	9.4	2.0
US Dollar	64.5	188.1	252.6	6.8	5.5
Canadian Dollar	2.7	Nil	2.7	n/a	n/a
Gross borrowings	329.4	214.7	544.1	7.1	5.1

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

Notes to the accounts

Note 18 Derivatives and other financial instruments (continued)

As at 30 April 2004 floating rate Sterling borrowings of £50.0m (2003: £50.0m) were hedged with a collar with a cap rate of 8.5% and a floor of 4.5%. The cap was not exercised during the year to 30 April 2004, the floor was exercised on £50m at a rate of 4.5%.

The floating rate financial liabilities bear interest at rates fixed in advance for periods ranging from one to three months based on market rates outlined in note 17.

Financial liabilities on which no interest is paid comprise certain provisions totalling £99.2m (2003: £106.6m). These are denominated in Sterling £60.2m (2003: £54.1m), US dollars £39.0m (2003: £46.8m) and Hong Kong dollars £Nil (2003: £5.7m). The weighted average maturity of these liabilities is 2.1 years (2003: 1.9 years).

The Group's policies on managing interest rate risk and currency risk are explained in the Finance Director's review on pages 13 to 16.

The interest rate profile of the financial liabilities of the Group on which interest is paid at 30 April 2003 was as follows:

Currency	Floating rate £m	Fixed rate £m	Total £m	Weighted average fixed interest rate %	Weighted average period for which rate is fixed Years
Sterling	255.2	Nil	255.2	n/a	n/a
US Dollar	167.2	245.7	412.9	7.7	1.5
Hong Kong Dollar	49.4	Nil	49.4	n/a	n/a
New Zealand and Australian Dollar	0.7	Nil	0.7	n/a	n/a
Canadian Dollar	6.5	Nil	6.5	n/a	n/a
Gross Borrowings	479.0	245.7	724.7	7.7	1.5

The maturity profile of the Group's financial liabilities at 30 April 2004 was as follows:

	2004	2003
	£m	£m
Expiring within one year	280.6	136.8
Expiring in more than one year but less than two years	67.9	371.0
Expiring in more than two years but less than five years	94.5	88.4
Expiring beyond five years	200.3	235.1
	643.3	831.3
Represented by:		
Gross borrowings	544.1	724.7
Financial liabilities on which no interest is paid		
– insurance provisions	71.9	80.2
– token provisions	27.3	26.4
	643.3	831.3

(b) Interest rate and currency profile of financial assets

The Group's financial assets on which floating interest is receivable comprise cash deposits and cash in hand of £476.5m (2003: £164.7m). The cash deposits comprise deposits placed on money market at call, seven day, monthly rates and cash deposited with counterparty banks at commercially negotiated interest rates. The currency analysis is as follows:

Currency	Floating rate	
	2004 £m	2003 £m
Sterling	413.7	98.0
US Dollar	59.1	58.7
Hong Kong Dollar	Nil	5.0
New Zealand and Australian Dollar	3.2	2.3
Canadian Dollar	0.5	0.7
Cash at bank and in hand	476.5	164.7

Note 18 Derivatives and other financial instruments (continued)

Financial assets on which no interest is receivable total £2.3m (2003: £4.2m) and comprise other investments of £2.3m (2003: £2.7m) and other debtors greater than one year of £Nil (2003: £1.5m). These assets are denominated in Sterling £0.5m (2003: £0.9m), US dollars £Nil (2003: £1.2m) and others £1.8m (2003: £2.1m). The weighted average period to maturity of other debtors greater than one year is Nil (2003: 1.5 years). Financial assets on which fixed interest is receivable total £16.4m (2003: £6.5m) and comprise US\$ denominated loan notes receivable. They have a weighted average interest rate of 8.4% (2003: 13.0%) and an average maturity of 4.5 years (2003: 2.7 years).

(c) Currency exposures

As explained in the Finance Director's review on pages 13 to 16, the Group's objective in managing currency borrowings and net exposures arising from its investments in net assets of overseas subsidiaries is to maintain a low cost of borrowing and to retain some potential for currency related appreciation whilst partially hedging against currency depreciation. All foreign currency borrowings are taken out to provide for or to hedge against foreign net investments. Gains and losses arising from these currency borrowings and net exposures are recognised in the statement of total recognised gains and losses.

The Group generally hedges actual and forecast foreign exchange transactional exposures up to one year forward. At 30 April 2004 and 30 April 2003 there were no material net transactional foreign currency exposures.

(d) Borrowing facilities

At 30 April 2004 the Group had the following undrawn committed banking and hire purchase facilities:

	2004	2003
	£m	£m
Expiring within one year	68.5	59.2
Expiring in more than one year but no more than two years	Nil	207.9
Expiring beyond two years	51.1	44.4
	119.6	311.5

Note 19 Fair values

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

	2004		2003	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Other financial assets	18.7	18.7	10.7	10.7
Primary financial instruments to finance the Group's operation				
Cash deposits and bank overdrafts	476.5	476.5	164.7	164.7
US Dollar 8.625% Notes	(187.9)	(216.8)	(208.9)	(216.4)
Euro 6% Notes	(199.9)	(203.9)	(210.4)	(210.0)
Foreign currency swaps hedging currency debt	17.7	23.9	15.2	25.4
Short term borrowings and current portion of long term debt	(75.7)	(75.7)	(93.7)	(93.7)
Other long term borrowings	(98.3)	(98.3)	(226.9)	(226.9)
Derivative financial instruments held to manage the interest rate, currency and commodity risk profiles				
Interest rate swaps and similar instruments	Nil	(3.5)	Nil	15.5
Forward foreign currency contracts and swaps hedging overseas investments	Nil	(0.1)	0.7	(0.9)
Fuel price swaps and options	Nil	6.5	Nil	1.4
Other financial liabilities	(99.2)	(99.2)	(106.6)	(106.6)

Notes to the accounts

Note 20 Hedge accounting

	2004			2003		
	Gains £m	Losses £m	Total £m	Gains £m	Losses £m	Total £m
Unrecognised gains or losses on hedges at start of year	59.0	(33.5)	25.5	35.5	(31.5)	4.0
Gains or losses arising in previous years that were recognised in the year	(46.6)	30.0	(16.6)	22.3	0.3	22.6
Gains or losses arising in previous years that were not recognised in the year	12.4	(3.5)	8.9	57.8	(31.2)	26.6
Gains or losses arising in the year that were not recognised in the year	0.3	(0.1)	0.2	1.2	(2.3)	(1.1)
Unrecognised gains or losses on hedges at end of year	12.7	(3.6)	9.1	59.0	(33.5)	25.5
Of which:						
Gains or losses expected to be recognised within one year	12.2	(3.2)	9.0	19.4	(16.9)	2.5
Gains or losses expected to be recognised after one year	0.5	(0.4)	0.1	39.6	(16.6)	23.0
	12.7	(3.6)	9.1	59.0	(33.5)	25.5

As explained in the Finance Director's review on pages 13 to 16, the Group's policy is to hedge against interest rate risk, currency risk and commodity price risk.

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

Note 21 Provisions for liabilities and charges

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Deferred taxation	76.2	104.8	Nil	Nil
Token redemption provision	27.3	26.4	Nil	Nil
Insurance provisions	71.9	80.2	Nil	Nil
Environmental provisions	3.5	2.4	1.8	0.8
Pension provision (note 26d)	10.2	11.8	3.5	2.8
Restructuring provision	1.9	4.6	Nil	Nil
	191.0	230.2	5.3	3.6
Joint ventures				
– goodwill	(0.3)	Nil	Nil	Nil
– share of gross assets	Nil	(5.3)	Nil	Nil
– share of gross liabilities	1.7	27.9	Nil	Nil
– shareholder loan	(0.4)	Nil	Nil	Nil
	1.0	22.6	Nil	Nil
Total provisions	192.0	252.8	5.3	3.6

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

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

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

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

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

Share of joint venture net liabilities as at 30 April 2004 relates to the Group's interest in the consolidated net liabilities of various small joint ventures. The share of joint venture net liabilities as at 30 April 2003 relates to Trainline Holdings Limited, which was disposed of during the year.

Note 21 Provisions for liabilities and charges (continued)

The Group movement during the year was as follows:

	Deferred taxation £m	Token redemption provision £m	Insurance provisions £m	Environmental provisions £m	Pension provisions £m	Restructuring provision £m	Share of joint ventures' net liabilities £m
Beginning of year	104.8	26.4	80.2	2.4	11.8	4.6	22.6
- (credited)/provided during year	(11.1)	Nil	58.4	2.5	11.5	4.1	3.8
- less joint ventures	0.4	Nil	Nil	Nil	Nil	Nil	Nil
Unwinding of discount	Nil	Nil	2.8	Nil	Nil	Nil	Nil
Utilised in the year	Nil	Nil	(59.4)	(0.2)	(13.1)	(6.4)	Nil
Arising on sale of tokens during year	Nil	12.1	Nil	Nil	Nil	Nil	Nil
Redemption of tokens	Nil	(11.2)	Nil	Nil	Nil	Nil	Nil
Translation differences	(0.1)	Nil	(4.3)	(1.2)	Nil	(0.4)	Nil
Disposed of with subsidiaries	(17.8)	Nil	(5.8)	Nil	Nil	Nil	Nil
Disposed of with joint ventures	Nil	Nil	Nil	Nil	Nil	Nil	(25.4)
End of year	76.2	27.3	71.9	3.5	10.2	1.9	1.0

The Company movement during the year was as follows:

	Deferred taxation £m	Environmental provisions £m	Pension provisions £m
Beginning of year	(1.2)	0.8	2.8
Provided during year	0.1	1.5	0.8
Payments in year	Nil	(0.5)	(0.1)
End of year	(1.1)	1.8	3.5

Deferred taxation is calculated as follows:

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Accelerated capital allowances	86.4	193.6	0.5	0.5
Pension timing differences	8.0	7.0	(0.9)	(0.8)
Short term timing differences	(18.2)	(95.8)	(0.7)	(0.9)
	76.2	104.8	(1.1)	(1.2)

Note 22 Equity share capital

	2004	2003
	£m	£m
Authorised 1,840,000,000 (2003: 1,840,000,000) ordinary shares of 0.5p each	9.2	9.2
Allotted, called-up and fully-paid 1,335,358,600 (2003: 1,320,946,012) ordinary shares of 0.5p each	6.7	6.6

In accordance with UITF 38, all shares held by employee trusts are deducted from shareholders' funds and are not classified as assets.

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

Between 29 October 1999 and 30 April 2003 6,598,348 shares were transferred to option holders. During the year to 30 April 2004, a further 14,046 shares were transferred to option holders. The remaining 4,887,606 (2003: 4,901,652) shares are held by the QUEST. At 30 April 2004 the market valuation of shares held was £4.0m (2003: £2.2m).

In December 2003, the Company established an Employee Benefit Trust ("EBT") for the purpose of satisfying executive share options. In accordance with UITF 38, shares purchased in the market by the EBT are shown as a deduction from shareholders' funds. The number of own shares held by the EBT at 30 April 2004 was 4,636,924 (2003: Nil) and the market valuation of the shares held was £3.8m (2003: Nil).

Notes to the accounts

Note 23 Share option schemes

(a) Savings related share option schemes

The Company had an Inland Revenue approved savings related share option scheme in operation during the year. The scheme is based on eligible employees being granted options and them agreeing to open a sharesave account with the Nationwide Building Society and/or Halifax plc and to save weekly or monthly for a fixed period. The right to exercise the option is at the employee's discretion within six months following the end of the fixed period. Two issues from the scheme were in operation during the year as follows:

Issue	Date of issue	Exercise price	Duration
B	1 April 1998	129.1p	5 years
C	1 April 2002	60.0p	3 years

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

	Issue B		Issue C	
	Number of employees	Ordinary shares	Number of employees	Ordinary shares
Beginning of year	462	1,316,891	3,580	12,353,453
Options exercised	Nil	Nil	6	14,046
Options lapsed	462	1,316,981	536	1,593,561
End of year	Nil	Nil	3,038	10,745,846

(b) Executive share options

Award date	At 1 May 2003	Granted	Exercised	Lapsed	At 30 April 2004	Exercise price £	Date from which exercisable	Expiry date
9 September 1994	53,296	Nil	Nil	Nil	53,296	0.3030	9 September 1997	9 September 2004
13 October 1995	339,353	Nil	306,454	Nil	32,899	0.4820	13 October 1998	13 October 2005
11 October 1996	1,332,276	Nil	Nil	725,754	606,522	1.0900	11 October 1999	11 October 2006
8 September 1997	558,569	Nil	Nil	Nil	558,569	1.2810	8 September 2000	8 September 2004
8 September 1997	41,472	Nil	Nil	Nil	41,472	1.2810	8 September 2000	8 September 2007
8 September 1997	725,754	Nil	Nil	725,754	Nil	1.2810	8 September 2002	8 September 2004
19 October 1998	328,753	Nil	Nil	26,031	302,722	2.2280	19 October 2001	19 October 2005
19 October 1998	738,874	Nil	Nil	738,874	Nil	2.2280	19 October 2003	19 October 2005
1 February 1999	27,130	Nil	Nil	27,130	Nil	2.5060	1 February 2002	1 February 2006
16 June 1999	145,755	Nil	Nil	145,755	Nil	2.1140	16 June 2004	16 June 2006
19 July 1999	638,760	Nil	Nil	57,750	581,010	2.0310	19 July 2002	19 July 2006
1 October 1999	78,050	Nil	39,025	39,025	Nil	0.0050	1 October 2002	1 October 2006
15 June 2000	6,710,164	Nil	1,446,476	271,533	4,992,155	0.6250	15 June 2003	15 June 2007
15 June 2000	1,822,301	Nil	Nil	1,822,301	Nil	0.6250	15 June 2005	15 June 2007
20 June 2001	6,466,075	Nil	2,356,550	248,500	3,861,025	0.7075	20 June 2004	20 June 2008
23 July 2002	22,297,813	Nil	8,092,788	556,519	13,648,506	0.3750	23 July 2005	23 July 2009
5 December 2002	15,835,032	Nil	2,054,766	370,370	13,409,896	0.2700	5 December 2005	5 December 2009
26 June 2003	Nil	5,460,358	116,529	123,967	5,219,862	0.6050	26 June 2006	26 June 2010
12 December 2003	Nil	3,445,752	Nil	Nil	3,445,752	0.8075	12 December 2006	12 December 2010
Totals	58,139,427	8,906,110	14,412,588	5,879,263	46,753,686			

All options were granted for nil consideration. The mid-market price for these shares at 30 April 2004 was £0.82. The Company's shares traded in the range £0.44 to £0.93 during the year to that date.