

Financial highlights

- Total turnover £2,179.1 million, up 41%
- Total operating profit* £368.3 million, up 31%
- Profit before tax* £244.3 million, up 11%
- Basic earnings per share 9.4p, down 22%
- Adjusted earnings per share* 13.4p, up 6%
- Final proposed dividend for the year 2.4p
- Total dividend for the year 3.6p (net), up 20%
- Free cash flow £283.9 million
- Capital investment £376.7 million

* before goodwill amortisation and exceptional items

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IMPORTANT NOTE

This document contains detailed financial and statutory information for the group for the year ended 30 April 2000. It should, however, be read in conjunction with the Annual Review which contains the Chairman's statement and the Chief Executive's review.

Finance director's review

“Our strong underlying cash flows, along with our considerable financial resources, give the group significant flexibility in developing our core bus and rail business”

Martin Griffiths, Group Finance Director

The financial results show good growth and demonstrate yet again the strong underlying cash generation of our businesses. These cash flows, along with our considerable financial resources, give the group significant flexibility in developing our core bus and rail businesses.

Total turnover grew 41% across all of our businesses in the year ended 30 April 2000, 26% before acquisitions and disposals in the year. Pre-tax profits before taking account of goodwill amortisation and exceptional items increased 11% to £244.3 million. Pre-tax profits after taking account of goodwill amortisation and exceptional items, including impairment provisions of £115 million against non core investments, were down 13% to £182.3 million.

Adjusted earnings per share before taking account of goodwill amortisation and exceptional items grew 6% to 13.4 pence. Basic earnings per share were down 22% to 9.4 pence. The total dividends per share increased by 20% to 3.6 pence. Investment was maintained at a high level with £376.7 million on capital expenditure, of which £203.0 million was in respect of Porterbrook, and £749.0 million on new subsidiary acquisitions. Disposals generated net proceeds of £873.4 million and Virgin Rail Group repaid £10.0 million of our shareholder loan during the year. £162.1 million of share repurchases were carried out by the company prior to the year end.

The group accounts include the first full year's results for Yellow Bus (acquired August 1998 and now renamed Stagecoach Auckland), Fullers Ferries (acquired September 1998), Citybus (acquired March 1999) and our share of Virgin Rail Group (acquired October 1998). The accounts include the first contributions from the current year's acquisition of Coach USA (acquired July 1999). During the year two major disposals occurred, Swebus in January 2000 and Porterbrook in April 2000.

The overall presentation of the accounts has been affected by the adoption of a new Financial Reporting Standard ("FRS"). FRS 15, "Tangible Fixed Assets", applies to annual accounts for years ending on or after 23 March 2000. The standard required a change of accounting policy with regards to rolling stock maintenance costs, and the accounts for the year ended 30 April 1999 reflected this change in policy.

The other significant impact of FRS 15 is in respect of fixed asset revaluations. The standard requires each class of tangible fixed assets to be revalued at certain minimum intervals or not at all. The group has revalued certain of its properties in prior periods. The policy that has now been adopted is to restate the value of tangible fixed assets to depreciated historical cost, as permitted by the standard. Although the impact on the reported profits of the prior year is not material, the comparative figures have been restated. The group's policy remains unchanged for tangible fixed assets that are restated to fair value on acquisition, in accordance with FRS 7, "Fair Value in Acquisition Accounting".

We have also implemented FRS 16, "Current Tax" in these accounts. Compliance with FRS 16 has not resulted in any material changes in the group's accounting policies.

TRADING RESULTS

Operating profit before goodwill and exceptional items increased by 31% to £368.3 million. Total group operating profits, after taking account of exceptional items and goodwill, were £199.7 million, down 27% from last year. Total depreciation increased from £186.0 million to £218.7 million, whilst that element of the charge relating to continuing businesses increased from £46.8 million to £96.6 million, reflecting the continued capital investment and the impact of acquisitions during the year. Restructuring costs of £6.5 million have been charged against profits and included £1.6 million at UK Bus, £0.7 million at South West Trains, £3.3 million in Overseas Bus and £0.8 million at Coach USA. Exceptional write-offs of £115.0 million have been made against the carrying value of Prestwick Airport and to the value of our investment in Road King to write it down to its market value on the Hong Kong Stock Exchange. The results also include property gains of £2.4 million.

Our share of joint venture and associates' operating profits (excluding costs associated with thetrainline.com, goodwill and exceptional items) grew by 34% to £29.2 million primarily reflecting the full year contribution from Virgin Rail Group. Our share of thetrainline.com operating costs and marketing and development cost were £1.4 million and £6.2 million respectively. Further marketing and development costs will be incurred in the current year to fully develop the potential of this exciting investment.

Total goodwill amortisation of £47.4 million was charged in the year compared to £6.2 million in 1999. This increase was principally due to the goodwill arising on Coach USA. This will increase further in the current year as a result of the full year impact of goodwill amortisation for Coach USA. Net interest and financing charges increased from £61.0 million to £144.6 million. This reflected the impact of debt taken on to fund the acquisition of Coach USA. It also included an exceptional finance charge of £20.6 million, largely in respect of the early redemption of the Sterling Eurobonds. The average interest rate payable on gross debt for the year was 7.1% compared to 7.2% in 1999. Interest cover (excluding goodwill and exceptional items) was 3.0 times compared to 4.6 times in 1999. Following the disposal of Porterbrook, a significant reduction in net debt has occurred and this will result in reduced interest charges going forward. This decrease will be partly offset by the interest of funding the ongoing share buyback programme.

In line with the group's policy of rewarding employees for their contribution to increasing revenues and productivity, up to 3% of the UK Bus division's and up to 3% of SWT's pre-tax profits have been allocated to Inland Revenue approved profit sharing schemes. This will fund the allotment of free shares to the UK Employee Share Ownership Plan (ESOP).

ACQUISITIONS

The acquisition of Coach USA has had a significant impact on the cash flows and financial structure of the group. The consideration was \$1,090 million together with expenses of \$35 million and the assumption of local debt of \$837 million. Funding for the acquisition and refinancing of local debt was initially provided through a \$2.25 billion loan facility. The refinancing and cancellation of \$1.25 billion of this facility was completed in November 1999 through equity and public bond market issues.

In the period from announcing our acquisition to 30 April 2000, Coach USA acquired 15 additional businesses, with annualised revenues in excess of US\$60 million, for total consideration of approximately US\$55 million.

Total goodwill additions of £844.1 million have been recognised in the year primarily in relation to the acquisition of Coach USA and its subsequent acquisitions in North America which is being amortised over twenty years.

DISPOSALS

The disposal of our Swebus operations was announced on 27 October 1999 for a consideration of £101.9 million and the purchaser assumed net debt in relation to these operations of £91.4 million on completion in January 2000. Operating profits of £6.7 million were reported in respect of Swebus up to the date of disposal.

We have recognised a £10.7 million loss on overseas investments (principally the disposal of Swebus) and a £135.5 million gain from the disposal of Porterbrook. The loss realised on the disposal of Swebus is less than had previously been estimated as a result of favourable movements in foreign exchange rates between the date of announcing the disposal and the completion date. The gain on the disposal of Porterbrook is higher than had previously been estimated due to certain one-off finance charges being separately classified in the profit and loss account.

The disposal of our Porterbrook operations to Abbey National was announced on 3 April 2000 and completed on 20 April 2000. The disposal realised cash proceeds of £773.3 million including repayment of £478.0 million of intra-group debt. Abbey National also assumed £361.6 million of the net debt recorded on the Porterbrook balance sheet at the date of disposal together with further committed debt which was due to be drawn down to fund future rolling stock commitments in excess of £300 million. The total business valuation was therefore in excess of £1.4 billion and the pre-tax gain of £135.5 million was recorded after taking account of goodwill previously written off and costs associated with the disposal. Operating profits of £150.4 million, and profit before tax of £119.2 million, were reported in respect of Porterbrook for the period from 1 May 1999 to disposal.

As a result of the disposals in the year, goodwill of £316.4 million that was previously written off has been written back from reserves to the profit and loss account during the year.

TAXATION

The tax charge for the year after taking account of our share of joint venture and associates' tax of £41.4 million represents an effective tax rate of 22.7% compared to 24.6% in 1999. The reduction in the year is primarily due to the tax treatment of certain exceptional items and the tax allowances generated by consistently high levels of capital expenditure. Following the disposal of Porterbrook and assuming current accounting standards and tax legislation apply, we anticipate the effective tax rate will increase going forward. If an accounting standard requiring a full provision basis for deferred tax is introduced there would be a further increase in the group's effective tax rate. At present the partial provision basis is appropriate in view of the ongoing capital expenditure plans and requirements of the group's businesses.

EARNINGS AND DIVIDENDS

Earnings per share before goodwill amortisation and exceptional items was 13.4 pence, an increase of 6% compared to 1999. Basic earnings per share (taking account of all exceptional items and goodwill amortisation) was 9.4 pence, a reduction of 22% on last year's 12.0 pence. The weighted average number of shares in issue during the year was 1,505.2 million, 14% higher than last year principally reflecting 259.7 million shares placed in November 1999. Under the share repurchase general authority granted at the 1999 Annual General Meeting, 69.1 million shares were repurchased prior to 20 April 2000 at an average price of 65 pence. Following the disposal of Porterbrook on 20 April 2000 further authority to repurchase up to 15% of the issued share capital was granted and, prior to 30 April 2000, a further 179.1 million shares were repurchased at an average price of 65 pence. Shares in issue at the year end were 1,407.0 million.

On 14 June 2000 the company issued a circular to shareholders seeking approval to repurchase up to a further 12.5% of its issued share capital. This resolution will be sought at an Extraordinary General Meeting to be held on 30 June 2000.

The total dividend for the year is 3.6 pence, an increase of 20% over last year's total dividend of 3.0 pence. This represents dividend cover (before goodwill amortisation and exceptional items) of 3.7 times compared to 4.1 times in 1999. The group will use available resources to maintain and enhance shareholder return.

The final dividend will be paid on 12 October 2000 to shareholders on the register on 15 September 2000. Following the abolition of Advance Corporation Tax, the scrip dividend scheme has been discontinued. For those shareholders who wish to continue taking future dividend payments in the form of shares, this has been replaced with a Dividend Reinvestment Plan (DRIP).

CASH FLOWS

Cash generation across the group remained strong with free cash flows improving from £279.8 million to £283.9 million. Due to the increase in the weighted average number of shares in issue, free cash flow per share declined by 2.3 pence to 18.9 pence.

Free cash flow is defined as operating cash flows less interest, taxation and Porterbrook maintenance capital expenditure and can be summarised by division as follows:

	2000 £m	1999 £m
UK Bus	89.7	83.0
Coach USA	(4.3)	Nil
Overseas Bus	30.9	6.5
Rail	25.3	42.4
Discontinued – Porterbrook	129.6	131.1
– Swebus	28.0	23.5
Prestwick Airport	0.7	5.2
Other	(16.0)	(11.9)
Total	283.9	279.8

The UK Bus division has continued to see improved free cash flows. The Overseas Bus division's strong free cash flows reflect full year contributions from our acquisitions in Hong Kong and New Zealand. The negative cash outflow for Coach USA is a direct result of funding costs prior to refinancing in November 1999 and as a result of additional working capital requirements immediately post acquisition. The movement in Rail free cash flows has arisen primarily due to changes in the timing of corporation tax cash payments and is expected to improve in the current year.

At 30 April 2000 total cash balances were £816.0 million, an increase of £494.2 million from 30 April 1999. This increase resulted from the disposal of Porterbrook on 20 April 2000 which resulted in cash proceeds of £773.3 million being received. Prior to the year end some of the disposal proceeds were utilised to repay revolving credit borrowings of £147.0 million and to make share repurchases amounting to £45.3 million. Following the year end £116.8 million was utilised to settle share repurchases and a further £290.0 million was used to redeem the Sterling Eurobond and reduce term and revolving credit facilities. The group remains in a net borrowing position and aims to reduce surplus cash balances to a minimum.

Included in cash at bank and in hand is £29.9 million held in trust in support of SWT's season ticket bond, £47.0 million held as collateral for loan notes, £7.3 million in respect of SWT performance bond and £20.1 million as collateral for letters of credit issued by Coach USA.

CAPITAL EXPENDITURE

Capital Expenditure by division is summarised as follows:

	2000 £m	1999 £m
UK Bus	66.8	68.1
Coach USA	56.3	Nil
Overseas Bus	7.5	11.6
Rail	3.4	5.5
Discontinued – Porterbrook – maintenance	139.4	74.4
– capital	63.6	72.4
– Swebus	27.3	25.8
Prestwick Airport	5.4	5.3
Other	7.0	Nil
Total	376.7	263.1

In the UK Bus division 454 new buses and coaches were purchased at a total cost of £51.3 million, a reduction from £62.1 million in 1999. At the year end capital commitments in respect of new vehicles for the UK Bus division were £40 million which is based on maintaining the average age of the fleet at current levels. Coach USA purchased some 230 new vehicles for £44 million and capital commitments authorised as at 30 April 2000 amount to £40 million.

We have also invested over £26 million in Land and Buildings, and continue to invest in IT projects to fully develop the potential of our businesses.

Proceeds from asset disposals in the year were £17.4 million.

TREASURY RISK MANAGEMENT

Management of financial risks is an important aspect in ensuring that Stagecoach creates value for shareholders. Risk management is carried out through risk reviews, internal control systems, a global insurance programme and adherence to a group treasury policy. The main areas of financial risk faced by the group and managed by group treasury are liquidity and funding risk, interest rate risk, currency risk and commodity price risk. The Board regularly reviews these risks and approves the treasury policy, which covers the management of these risks.

The group holds financial instruments to finance its operations and to manage interest, currency and commodity risks arising from its operations and from its sources of finance. In addition, various financial instruments – for example, trade debtors, trade creditors, accruals and prepayments – arise from the group's operations.

The group treasury function uses financial instruments for financing and for hedging only and no speculative trading of financial instruments is entered into. Derivative financial instruments such as swaps, caps and floors, forward agreements and options are entered into to manage exposures and achieve greater certainty of future costs. Treasury activity is restricted to the underlying cash flows and asset/liability positions of the group.

LIQUIDITY AND FUNDING

Our general policy is to finance the group through a mixture of bank debt, capital markets issues and retained earnings. Financing is generally raised centrally and on-lent to operating subsidiaries on commercial terms.

The group policy is that free cash flows generated from operations along with undrawn committed facilities should be sufficient to meet annual debt repayments. In addition there is a minimum working capital margin of comfort level which is reviewed in line with proposed acquisitions/disposals and is maintained through overdraft facilities at operating company level. At the year end the group's committed revolving credit facilities were £557 million, £71.4 million of which were utilised, including guarantees.

A \$2.25 billion acquisition facility was arranged in July 1999 to fund the acquisition of Coach USA and to provide additional committed facilities. On 9 November 1999 an open offer and international offering raised £387.4 million of new equity (net of expenses). On 9 November 1999 ten year US\$500 million 8.625% notes were issued and on 22 November 1999 five year €400 million 6% notes were issued. Following this refinancing \$1.25 billion of the acquisition facility was repaid and cancelled. These issues have established Stagecoach as a borrower in the international capital markets, diversified our funding sources and, following the disposal of Porterbrook, have extended our average debt maturity profile from 3.5 years at 30 April 1999 to 4.6 years. In addition, the refinancing and the disposal of Porterbrook has strengthened our balance sheet.

On 18 November 1999 Coach USA announced a tender and consent offer in respect of its \$150 million 9.375% senior subordinated notes due 2007. This tender and consent removed covenants and reporting requirements and was the final element in the refinancing of the Coach USA acquisition. The tender offer period closed on 13 December 1999 and \$146.8 million of the notes have been redeemed. The remaining outstanding notes are repayable in 2007.

Following the announcement of the Porterbrook disposal the group issued a redemption notice in relation to its Sterling Eurobonds. These bonds were redeemed on 15 May 2000 at a redemption price of £1.1182 per £1 nominal value. The redemption premium is included within exceptional finance charges.

In order to raise funds in the appropriate capital markets the group was the first UK ground transportation company to be assessed by three independent credit rating agencies and is currently assigned a long-term investment grade credit rating by Standard and Poors, Fitch IBCA and Moody's. We believe, given the cash generative and stable nature of each of our core businesses along with our strong financial profile, that we can maintain a strong investment grade rating.

Overseas currency denominated borrowings increased by £715.2 million primarily as a result of the acquisition of Coach USA. The currency of borrowings is used as a partial, long-term hedge of the cash flows arising from overseas investments and as a hedge against future translation value of foreign currency investments. The group's borrowings (after taking account of swaps and forward contracts) are denominated in the operational currencies of the group. The maturity of borrowings is shown in note 19.

Total net borrowings at 30 April 2000 reduced by 39% to £549.6 million compared to £904.9 million in 1999. Net debt will increase during the current year to reflect the share repurchases paid after the year end.

Gearing has reduced significantly and was 40% at 30 April 2000 compared to 125% at 30 April 1999.

INTEREST RATE RISK MANAGEMENT

Interest rate exposure arises from the group's borrowings and deposits and is managed through the use of fixed and floating rate debt and derivative financial instruments. Derivative financial instruments are used where appropriate to generate the desired interest rate profile and those permitted by our treasury policy are swaps, caps and floors. At 30 April 2000 53% of gross debt was fixed. This increased to 67% following debt repayments made after the year end. Interest rate floors are used to reduce or offset the cost of entering into interest rate caps.

As previously mentioned, the average interest rate payable during the year was 7.1% against 7.2% in 1999. The interest rate payable on year end gross debt was 7.5% and is expected to increase further during the year as a result of the higher interest rate environment that is being forecast. The overall effective interest rate will also be affected by the lower interest rate earned on cash deposits and other finance charges such as facility commitment fees.

CURRENCY RISK MANAGEMENT

The group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiaries in currencies other than their functional currency. The operations of Stagecoach are such that foreign currency transactions are minimal. Where a major foreign currency transaction is expected or known it is monitored by the treasury function and forward buying of currencies is carried out where necessary.

The group has substantial overseas investments in the USA, New Zealand and Hong Kong. The group does not seek to hedge the impact of exchange rate movements on reported profits as the impact of US\$ and HK\$ exchange rate movements on operating profits are offset by foreign currency denominated interest and fuel costs. Movements in exchange rates can affect our sterling denominated balance sheet. To minimise balance sheet translation exposure the group aims to fund overseas acquisitions and 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. In addition forward currency exchange contracts are taken out to secure the future translation value of a proportion of foreign currency investments. The group policy is 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. The risk is split between the actual fuel price that is quoted in US dollars and the exchange rate between US dollars and the functional currency of the operating companies.

The group policy is to establish floating and fixed price levels that the group considers acceptable and to enter into derivative agreements where necessary to achieve these levels. At the current time, we have fixed 100% of the group's estimated fuel usage to 30 April 2001. This hedging has occurred over the last twelve months and was carried out during a period of extreme volatility in the oil markets and as a result our average fuel price for the group for the current year will be higher than that achieved for the year ended 30 April 2000.

CREDIT RISK

The group treasury function seeks to invest cash assets safely and profitably and controls credit risk by setting counterparty credit limits 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 92% from £725.4 million to £1,391.2 million primarily reflecting retained profits, the issue of share capital for net proceeds of £389.7 million, the add-back of £316.4 million of goodwill previously written off to reserves in relation to disposals during the year and a further £23.1 million of goodwill previously written off to reserves that has been charged in respect of the impairment of our investment in Road King. This has been offset by share repurchases of £162.1 million. Net assets per share have increased from 52.5 pence to 98.9 pence. During the year net foreign exchange gains of £13.5 million were recorded primarily as a result of the translation of net foreign currency denominated investments in Coach USA and Citybus. The other significant movements in balance sheet items reflect investments in capital expenditure and acquisitions and disposals made during the year.

POST BALANCE SHEET EVENTS

On 15 May 2000 the company redeemed its Sterling Eurobonds at a price per bond of £1.1182.

From 14 June 2000 to 23 June 2000 a further 8,456,007 shares were repurchased at an average price of 62.2 pence.

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.

YEAR 2000

We had previously identified that the Year 2000 issue could give rise to a wide variety of practical consequences for our operational and financial systems, our customers and our suppliers. These consequences could range from minor errors to systems malfunctions or even major business failures. Management identified the correct functioning of ticketing equipment and the railway infrastructure, and our ability to procure critical supplies on a timely basis, including fuel, as being the principal areas most likely to affect us.

We initiated a Year 2000 project in October 1996. After an initial assessment of the potential impact of the Year 2000 on our business, we developed a group wide programme to address the issues on a divisional basis. The Board sponsored this project and formed project teams covering all areas of our business.

We developed a plan in relation to Year 2000 issues to ensure all significant risks were addressed well in advance of critical dates and with minimum disruption to the business. Each business unit managed a Year 2000 project with overall co-ordination through a senior manager who was responsible to the Board for ensuring that the plan addressed the risks identified and progressed on schedule.

The Board believes that the key milestone dates for Year 2000 issues have passed, and notes that the group has had no major Year 2000 issues.

We continue to charge the costs of Year 2000 projects to the profit and loss account as they are incurred except where they involve replacement or enhancement of the existing system, in which case, the relevant proportion has been capitalised. Year 2000 costs amounted to £2.4 million in the fiscal year ended 30 April 1999. We have incurred a further £2.6 million of costs to complete the project during the year ended 30 April 2000, and no further costs are anticipated.

A handwritten signature in black ink, appearing to read 'Martina A Griffiths', written twice side-by-side.

MARTINA GRIFFITHS
Group Finance Director
23 June 2000

Directors' report

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The group's principal activity is the provision of public transport services.

A review of the group's activities and developments during the year, together with future prospects, is set out in the Chairman's Statement on pages 2 to 5 and in the Chief Executive's Review on pages 6 to 26 of the Annual Review and in the Finance Director's Review on pages 1 to 9 of this document.

GROUP RESULTS AND DIVIDENDS

The results for the year are set out in the consolidated profit and loss account on page 22.

An interim dividend of 1.2 pence per ordinary share (net) was paid on 16 March 2000. The directors recommend a final dividend of 2.4 pence per ordinary share making a total dividend of 3.6 pence per share for the year. Subject to approval by shareholders, the final dividend will be paid on 12 October 2000 to those ordinary shareholders on the register at 15 September 2000.

DIRECTORS AND THEIR INTERESTS

The names, responsibilities and biographical details of the current directors appear on page 26 of the Annual Review.

Larry King was appointed a director on 20 September 1999 and resigned on 14 February 2000. Jim Leng was appointed a director on 11 January 2000 and resigned on 20 April 2000. Mike Kinski resigned on 14 February 2000.

Frank Gallagher and Martin Griffiths were appointed directors on 14 February 2000 and 25 April 2000 respectively and offer themselves for election at the next Annual General Meeting. Frank Gallagher has a service contract which has a notice period of less than one year. Martin Griffiths has a service contract with a rolling 12 months' notice period.

On 14 June 2000, the group announced the intention to appoint Russell Walls as a non-executive director. He will be formally appointed shortly and will offer himself for election at the next Annual General Meeting. Russell is aged 56, and is the finance director of BAA plc and a non-executive director of Ladbroke Group plc. Barry Hinkley and Ann Gloag retire by rotation in accordance with the Articles of Association and being eligible offer themselves for re-election. Ann Gloag does not have a service contract. Barry Hinkley has a service contract with a rolling 24 months' notice period.

All other non executive directors do not have service contracts.

The table below sets out the interests of the directors and their families in the share capital of the company:

Ordinary shares of 0.5p each		Number of shares	
		30 April and 14 June 2000	30 April and 30 June 1999
Brian Souter	beneficial	163,341,225	163,341,225
	non-beneficial	19,415,840	19,415,840
Keith Cochrane		33,178	32,417
Brian Cox		688,390	573,342
Barry Hinkley		710,207	710,159
Frank Gallagher		780,500	Nil
Martin Griffiths		7,535	Nil
Ewan Brown		Nil	Nil
Ann Gloag	beneficial	131,640,818	131,640,818
	non-beneficial	20,903,190	20,903,190
Barry Sealey		252,115	125,000
Robert Speirs		18,240	15,000
Share options held by Directors		Number of shares	
		30 April 2000	30 April 1999
Brian Souter		2,601	2,601
Keith Cochrane		1,487,084	1,414,087
Brian Cox		1,086,889	1,018,701
Frank Gallagher		78,050	Nil
Martin Griffiths		68,478	28,922
Barry Hinkley		1,188,273	1,102,996
Ann Gloag		14,246	14,246
Full details of options held as at 30 April 2000 are contained in Note 7b to the accounts.			

The following share options were granted on 15 June 2000			
	Number of shares over which options granted	Exercise price £	Period in which options may be exercised
Keith Cochrane	1,662,301	0.625	15 June 2005 to 15 June 2007
Brian Cox	160,000	0.625	15 June 2005 to 15 June 2007
Barry Hinkley	268,800	0.625	15 June 2005 to 15 June 2007
Frank Gallagher	1,198,400	0.625	15 June 2003 to 15 June 2007
Martin Griffiths	380,800	0.625	15 June 2003 to 15 June 2007

SUBSTANTIAL SHAREHOLDINGS

On 14 June 2000 (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:

Franklin Resources Inc	8.23%
Standard Life Assurance Co.	3.38%
Legal and General Assurance Society Limited	3.02%

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 ethnic origin.

The group recognises its obligations to give full and fair consideration to applications from disabled persons for all group vacancies, in keeping with the statutory medical requirements applicable for certain grades of staff and according to the skills and capabilities of applicants. Wherever reasonable and practicable, the group will retain an existing employee becoming disabled during their period of employment and provide fair opportunities for their career advancement.

The group is committed to employee participation and uses a variety of methods to inform, consult and involve its employees. An Inland Revenue approved Employee Share Ownership Plan ("non-statutory ESOP") was introduced for UK employees in 1991. The group has since 1994 also allocated up to 3% of relevant profits to allot free shares to the majority of UK employees under approved profit share schemes. Employee trusts under approved ESOP share schemes held 13,785,966 ordinary shares, representing 0.98% of the issued share capital at 30 April 2000. Since flotation in 1993, there have also been two invitations to UK employees to subscribe to the group's sharesave ("SAYE") schemes, both of which have met with encouraging levels of response.

The group also established a European Works Council in 1998, bringing together representatives from senior management and trade unions in European Community member states where the group has significant business interests and numbers of employees. 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. Discussions also take place regularly with the trade unions representing the vast majority of the group's employees on a wide range of issues.

The group supports continuous learning and continuous improvement. The group promotes the "open learning" concept and has established a number of open learning centres to facilitate its employees' development.

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 Arthur Andersen as auditors of the company, at remuneration to be fixed by the directors, will be proposed at the 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 36 days' purchases (1999 – 44 days).

FIXED ASSETS

In the opinion of the directors, there is no material deficit in the open market value of the group's interests in land and buildings relative to their book value.

CLOSE COMPANY STATUS

The directors are advised that at 30 April 2000 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 commitments of £1.3 million (1999–£1.1 million) during the year. This is in line with the group's policy of setting aside approximately 0.5% of pre-tax profits for charitable purposes.

It is the group's policy not to make political contributions and, accordingly, there were no payments for political purposes during the year.

AUTHORITY FOR COMPANY TO PURCHASE ITS OWN SHARES

At the Annual General Meeting held on 3 September 1999, shareholders granted the company authority under section 166 of the Companies Act 1985 to repurchase up to 5% of the company's ordinary shares of 0.5p each. Under this authority, 69,070,000 shares were repurchased at an average price of 65 pence per share.

A further authority was granted at the Extraordinary General Meeting on 20 April 2000 to repurchase up to 14.9% of the company's ordinary shares of 0.5p each. Under this authority, 179,100,000 were repurchased prior to 30 April 2000 at an average price of 65 pence per share. From 14 June 2000 to date we have repurchased a further 8,456,007 shares at an average price of 62.2 pence per share.

The total consideration in respect of the shares repurchased during the year was £162.1 million. All of the shares that were repurchased were immediately cancelled.

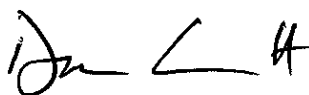
The company considers that these purchases were beneficial to shareholders as they will result in an increase in earnings per share.

Under the existing authority, the company may repurchase up to a further 50,338,381 shares. A resolution will be placed at an Extraordinary General Meeting on 30 June 2000 that the company be authorised to repurchase up to 12.5% of its ordinary shares of 0.5p each.

By order of the Board



DEREK SCOTT
Company Secretary
23 June 2000



Corporate governance

The group has recognised since before its flotation and continues to recognise the importance of, and is committed to, high standards of corporate governance. The London Stock Exchange published the Combined Code on corporate governance in June 1998, which incorporates the work of the Cadbury, Greenbury and Hampel committees. The principles of good governance contained within the Combined Code have been applied in the following way:

THE BOARD

The Stagecoach Board is accountable to shareholders and others for the group's activities and is responsible for the effectiveness of corporate governance practices within the group. The Stagecoach Board currently comprises the Chairman, Chief Executive, four other executive directors and four non-executive directors: the offices of Chairman and Chief Executive are held separately. Their biographies appear on page 27 of the Annual Review and illustrate the directors' range of experience, which ensures an effective Board to lead and control the group. The non-executive directors bring an independent viewpoint and create an overall balance operating in the interests of both the group and the shareholders. The senior non-executive director is Barry Sealey. The executive and non-executive directors have a complementary range of financial, operational and entrepreneurial experience that ensures no one director or viewpoint is dominant in the decision-making process.

On 14 June 2000, the group announced the intention to appoint Russell Walls as a non-executive director. One further non-executive director will be appointed in due course.

All directors meet regularly with other senior management and staff of the group, have access to confidential advice from the company secretary and may take independent legal or other professional advice at the group's expense where it is considered necessary for the proper discharge of their duties as directors. All directors submit themselves for election by shareholders at the Annual General Meeting following their appointment and all directors are required to stand for re-election by shareholders every three years. Each director receives training on appointment and subsequently as is considered necessary to keep abreast of matters affecting their duties as directors. The number of full Board meetings during the year was eight. The full Board meets once a year at an operational location and regular communications, both written and verbal, are maintained by the Chairman to ensure all directors are briefed on strategic and operational issues.

Non-attendance at the Board or committees occurs only in exceptional circumstances. The Board has a number of matters reserved for its consideration, with principal responsibilities being to agree the overall strategy and investment policy, to approve major capital expenditure and vet acquisitions or disposals, to monitor performance of senior management and to ensure that there are proper internal controls in place. All directors have full and timely access to information with Board papers distributed in advance of meetings.

The Board carries out an annual formal review of the effectiveness of the Board as a whole and the contribution made by each director. To provide effective and proper control, certain of the Board's powers have been delegated to committees.

The operational management of the group is delegated by the Board to the Chief Executive and executive directors who meet regularly as the executive group. Non-board senior management supports them. There are now four principal operating divisions (Coach USA; UK Bus; Rail; Overseas Bus) which each comprise a varying number of autonomous business units, each headed by a chairman or managing director who is responsible for the day to day performance of the business unit. Coach USA is headed by a Chairman (who is an executive director) who reports to the Chief Executive. Coach USA has its own management board that comprises four executive directors and other senior management. The division comprises eight regions, each headed by a regional vice-president who reports to the Chairman. The UK Bus division is headed by a chairman who is an executive director, with the individual UK Bus companies reporting to him through three regional chairmen. The UK Bus division has its own management board which comprises three executive directors, three regional chairmen and other senior management. The Overseas Bus division is headed by a chairman and each business is headed by a managing director who is responsible for the performance of the business unit. At South West Trains, an executive director is chairman and this role is separate from the managing director who is responsible for the performance of the business unit. They are supported on the South West Trains board by three non-executive directors.

Virgin Rail Group is headed by a Chief Executive and Board meetings are attended by two Stagecoach executive directors. Stagecoach is involved in all key decisions at Virgin Rail Group.

The group holds periodic meetings with its principal shareholders and welcomes all shareholders to its AGM. Formal notice of the 2000 meeting is enclosed within this annual report.

AUDIT COMMITTEE

The Audit Committee currently comprises three non-executive directors (Barry Sealey, Robert Speirs and Ewan Brown) and met four times during the year including one meeting dedicated to the consideration of risk management and internal control. Barry Sealey chairs the Audit Committee. It receives reports from management and from the group's internal and external auditors relating to the scope and results of the audit, the interim and annual accounts and the accounting and internal control systems in place throughout the group. The Audit Committee reviews the cost effectiveness, independence and objectivity of the external auditors. The Audit Committee approves the audit fees and reviews significant non-audit related services provided by the auditors and affiliated firms. The Committee has unrestricted access to the auditors, and vice-versa.

REMUNERATION COMMITTEE

The Remuneration Committee also currently comprises three non-executive directors (Barry Sealey, Robert Speirs and Ewan Brown) and is chaired by Robert Speirs. The Remuneration Committee met two times during the year. It is responsible for reviewing the scale and structure of the remuneration of the executive directors and the terms of their service contracts and is also responsible for approving grants of and changes to the company's performance-related incentive schemes and executive share option schemes.

NOMINATIONS COMMITTEE

The Nominations Committee currently comprises three non-executive directors (Barry Sealey, Robert Speirs and Ewan Brown) and is chaired by the Chairman. The purpose of the Committee is to propose to the Board any new executive and non-executive director appointments. The Committee met three times during the year.

DIRECTORS' REMUNERATION

The Remuneration Committee makes recommendations to the Board for ensuring that the directors' remuneration is appropriate to attract, retain and motivate executive directors of the quality needed to run the group successfully. The Committee believes that remuneration packages should contain significant performance related elements. Performance targets are established to achieve consistency with the interests of shareholders, using an appropriate balance of long and short term targets. The constitution and operation of the Remuneration Committee complies with the principles and provisions of the Combined Code and this is detailed in the remuneration report laid out on pages 19 and 20.

RELATIONS WITH SHAREHOLDERS

The Board considers communications with shareholders, whether large or small, external or employees, to be extremely important. The group holds periodic meetings with major institutional shareholders, other fund managers and representatives of the financial press. The programme of investor relations includes presentations in London of the full year and interim results and meetings with institutional investors in the UK and overseas. Investor and analyst feedback is sought after presentations to ensure principal issues are being effectively communicated and shareholder objectives are known. During the year written responses are given to letters or e-mail received from shareholders and all shareholders receive Interim and Annual Reports or the summary financial statement. In order to provide a more focused communication with shareholders and to meet their varying requirements, the Annual Report and Accounts are split into two separate sections. Section one contains the Annual

Review and Summary Financial Statement and section two contains the Report and Accounts. Information is also available on the company website (<http://www.stagecoachplc.com>). Private and institutional shareholders are encouraged to attend and participate at the AGM. The chairmen of the Audit, Remuneration and Nominations Committees are available at the AGM to answer questions. The AGM provides an opportunity for shareholders to question the Chairman and other directors on a variety of topics and further information is provided at the AGM on all the group's principal business activities. The Chairman formally announced details of all proxy votes lodged for each resolution after each show of hands at the 1999 AGM and the EGM in April 2000 and this practice will continue.

ACCOUNTABILITY AND AUDIT

The Board endeavours, in all its communications with shareholders, to present a balanced and understandable assessment of the company's position and prospects.

The Board considers acceptance of appropriate risks to be an integral part of business and unacceptable levels of risk are avoided or transferred to third parties. Internal controls are used to identify and manage acceptable levels of risk. The directors acknowledge their responsibility for establishing and maintaining the group's system of internal control. Although the system can provide only reasonable and not absolute assurance of material misstatement or loss, the group's system is designed to provide the directors with reasonable assurance that any risks or problems are identified on a timely basis and dealt with appropriately. The group has established an ongoing process of review and certification by the business heads of each operating unit.

WIDER ASPECTS OF INTERNAL CONTROL

With regards to Principle D.2 of the Combined Code, the group has adopted the transitional approach set out in the letter from the London Stock Exchange to listed companies at the end of September 1999.

In respect of this, the Board confirms that it has established the procedures necessary to implement the guidance "Internal Control: Guidance for Directors on the Combined Code". Risk management has been made a specific agenda item at each meeting of the Board and the Audit Committee. This is to ensure that risk management and internal control is considered regularly by the Board.

The Board has designated specific individuals to oversee the internal control and risk management processes, while recognising that it retains the ultimate responsibility for these processes. The Board believes that it is important that these processes are embedded throughout the business and the managing director of each operating unit is responsible for the internal control framework within that unit.

Ongoing self assessment of risk conducted by the directors and senior management is taking place. Risk has been considered at several levels and each division has a separate risk profile. Risks are evaluated within broad risk categories: external, reputation, strategic and competitive, legal and regulatory, business change, people, financial performance and operational performance.

The internal audit function is utilised in monitoring risk management processes to determine whether internal controls (operational, compliance and financial) are effectively designed and properly implemented. A risk-based approach is applied to the implementation and monitoring of controls. The monitoring process also forms the basis for continually improving the risk management process in the context of the group's overall goals.

Internal audit plans and reports are reviewed by the Audit Committee together with external audit plans and any business improvement opportunities that are recommended by the external auditors.

Virgin Rail Group has its own audit committee and internal audit function. The group's risk management process does not specifically cover Virgin Rail Group at present, but the group maintains an overview of risk management at Virgin Rail Group. Members of the Board and the internal audit function meet with representatives of Virgin Rail Group to ensure that the joint venture follows appropriate risk management procedures.

Road King Infrastructure has its own audit committee and internal audit function.

INTERNAL FINANCIAL CONTROL

The wider process described above, together with the key procedures noted below, enables the directors to confirm that they have reviewed the effectiveness of the system of internal financial control of the group during the year. The key procedures, which the directors have established, are as follows:

- an internal audit function which reviews key business processes and financial controls, reporting directly to the Audit Committee
- a decentralised organisation structure with clearly defined limits of responsibility and authority to promote effective and efficient operations
- a performance management appraisal system is in place which covers over 100 of the group's senior management and is based on agreed financial and other performance objectives many of which incorporate identifying and managing risk
- an annual budgeting process with regular reforecasting of outturn, identifying key risks and opportunities. All budgets are presented to a panel of the executive directors by each business unit's management team, before being approved by the Board prior to the commencement of the financial year
- four-weekly reporting of financial information to the Board encompassing profit and loss, cash flow, balance sheet and key operating ratios. All results are monitored throughout the year by the group executives
- significant emphasis is placed on cash flow management. Bank balances are reviewed on a daily basis, cash flows are compared to budget on a four-weekly basis and any material variances between earnings and expected cash flows are investigated
- regular Board reporting on specific matters including insurance, treasury management, foreign exchange, interest and commodity exposures. The Board regulates treasury management policies and procedures
- defined capital expenditure and other investment approval procedures, including due diligence requirements where material businesses are being acquired or divested
- each operating unit maintains controls and procedures appropriate to the business. It is a key requirement of the procedures that a written certificate is provided annually by the managing director and financial manager of each business confirming that they have reviewed the effectiveness of the system of internal financial control during the year. As might be expected, a number of minor internal financial control weaknesses were identified by this procedure, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the group's Annual Report. This process is considered to be an integral part of the continuous improvement of our risk management procedures
- a commitment to best practice in external reporting
- a competition compliance programme which has been approved by the Board and which is subject to regular monitoring.

The Audit Committee, having considered the external auditors' performance during the year, recommended re-appointment. The audit fees of £0.6 million and non-audit related fees of £1.7 million were discussed and considered appropriate given the current size of the group and the level of corporate activity undertaken during the year. The Committee believes the level of non-audit services does not impair the objectivity of the auditors and that there is a clear benefit obtained from using professional advisors who have a clear understanding of the group's operations. Other accounting firms have been used where the group recognises them as having particular areas of expertise or where potential conflicts of interest for the auditors are identified.

COMPLIANCE WITH THE COMBINED CODE

The group has complied with the provisions of the Code throughout the financial year except the following:

- Two directors have service contracts that are terminable by the group with two years' notice. The Board believes it is in the best interests of shareholders to retain key executive directors. The length of directors' service contracts will be reviewed on an annual basis having regard to prevailing market conditions and practice amongst UK public companies.
- Barry Sealey was formally appointed the senior independent non-executive director on 14 May 1999. Prior to this there was no formally recognised senior independent non-executive director.

Furthermore, the group has acquired a number of businesses (most notably Coach USA) during the year and the group is identifying any additional procedures that may be necessary to bring these companies into line with the group's corporate governance procedures.

PENSION SCHEMES

The assets of the group's pension schemes are totally separate from the assets of the group and are invested with independent fund managers. There are twelve trustees for the principal UK scheme of whom five are employee representatives nominated by the members on a regional basis and one is a pensioner trustee. Three of the executive directors are trustees together with two senior management colleagues. Derek Scott, who is an elected member of the NAPF's investment committee, acts as chairman of the board of trustees and in 1998 was also re-elected to the 16-member board of the industry-wide Railways Pension Scheme. The auditors and actuaries of the principal UK pension scheme are both independent of the group. Similar arrangements are in place for the SWT and Island Line sections of the Railways Pension Scheme. The London and Newcastle offices of Arthur Andersen audit the Railways Pension Scheme, but Arthur Andersen does not audit any other significant pension schemes in which the group participates.

Remuneration report

The Board has applied the principles of good corporate governance relating to directors' remuneration as described below:

COMPOSITION

The Remuneration Committee is chaired by Robert Speirs and the other members are Ewan Brown and Barry Sealey, all non-executive directors. The Committee, which was established in December 1992, is responsible for considering the remuneration and terms and conditions of employment of the executive directors, including the Chairman and the Chief Executive, on behalf of the Board and shareholders.

The non-executives' own fees and expenses are set by the Board of Directors as a whole. Non-executive directors do not hold any share options, nor do they participate in any incentive plans or pension schemes with the exception of Ann Gloag who holds certain options that were awarded while she was an executive director. Ann Gloag is not a member of the Audit, Remuneration or Nominations Committees. The members of the Remuneration Committee have no personal interest in the matters to be decided other than as shareholders, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the businesses of the Stagecoach group.

The constitution and operation of the Remuneration Committee comply with the principles incorporated in Schedule A of the Combined Code, with the prior consent of shareholders where necessary. In preparing this Remuneration Report, the Board has followed the provisions in Schedule B of the Combined Code.

REMUNERATION POLICY

In determining appropriate levels of remuneration for the executive directors, the Remuneration Committee aims to provide overall packages of terms and conditions that are competitive in the UK and will attract, retain and motivate high quality executives capable of achieving the Stagecoach group's objectives and to ensure that they are fairly rewarded for their individual responsibilities and contributions to the group's overall performance. The Remuneration Committee believes that such packages should contain significant performance related elements. Performance targets are established to achieve consistency with the interests of shareholders, with an appropriate balance between short and long-term targets.

To this end, the Remuneration Committee reviews the existing remuneration of the executive directors in consultation with the Chairman, Brian Souter, and the Chief Executive, Keith Cochrane, making comparisons with peer companies of similar size and complexity and with other companies in the public transport industry in the UK and overseas. Proposals for the forthcoming year are then discussed in the light of the growth prospects for the Stagecoach group. The Remuneration Committee is also kept informed of the salary levels of other senior executives employed by the Stagecoach group and of average earnings for all employees.

The Committee has also taken further advice from a firm of executive remuneration consultants, who were instructed to review the existing remuneration of all the directors and senior executives during the year ended 30 April 1999.

EXECUTIVE DIRECTORS' REMUNERATION

A detailed analysis of directors' remuneration appears in Note 7 to the accounts on pages 35 to 37.

Basic salary

The salary of individual executive directors is reviewed at 1 May each year. Account is taken of individual achievements, together with any changes in responsibilities that may have occurred and, as stated above, the salaries for similar roles in comparable companies.

Performance related bonuses

A discretionary bonus scheme for the executive directors was first introduced in 1993, payments being conditional on the achievement of target operating profits, specific performance and additional responsibilities. Bonuses are non-pensionable.

In making its judgement of performance for the last financial year the Remuneration Committee had particular regard to the results as recorded elsewhere in the Annual Report, relative total return to shareholders over the period, earnings per share, and the overall profit achieved by the group, as well as other strategic developments and operating improvements. Bonuses for executive directors ranged from Nil to 32% of basic salary.

Other benefits

Certain executive directors receive car, fuel, telephone and healthcare taxable benefits.

Pensions

Under the terms of their service agreements, executive directors are entitled to become members of one of the Stagecoach group's contributory defined benefit pension schemes or, if preferred, to receive payment of a proportion of salary into an approved personal pension scheme. The Stagecoach group pension schemes are designed to provide a pension for executives of up to two-thirds of final pensionable salary completed up to normal retirement age, subject to Inland Revenue limits.

Share option schemes and long term incentive schemes

The Remuneration Committee has made awards to executive directors under four schemes:

- (i) The Stagecoach Profit Sharing Scheme – established in September 1991, this scheme is used to reward most UK employees in the group with free shares based on up to 3% per annum of profits before taxation of the relevant parts of the group. Four of the directors were awarded shares under this scheme in 1999/2000.
- (ii) The Stagecoach Executive Share Option Scheme – established in March 1992 when it was formally approved by the Inland Revenue, this scheme was also used to reward senior executives throughout the group, at the Board's discretion. Awards have in the past been made to certain executive directors as a proportion of annual salary.
- (iii) The Stagecoach Unapproved Executive Share Option Scheme – established in September 1997, when it was approved by shareholders at the AGM, to take account of the changed tax treatment announced in 1995 and confirmed in the Finance Act 1996. This scheme is also used to reward senior executives throughout the group, at the Board's discretion. Normal options awarded under the scheme are exercisable between three and ten years, but the scheme also permits "super options" exercisable between five and seven years. Exercise of super options is subject to earnings per share outperforming inflation by more than 5% per annum cumulatively and top quartile total shareholders' return compared to other Transport Sector shares in the UK (excluding FTSE 100). Six awards were made to directors under this scheme in 1999/2000.
- (iv) The Stagecoach Long Term Bonus Scheme – established in April 1995 for two directors, and extended in September 1998 with shareholders' approval for another two directors (one of whom is no longer employed by the group). Bonuses are conditional on the relevant director continuing to be employed by the group after years ending 30 April 2002 to 2003. The bonuses are also subject to earnings per share outperforming inflation by more than 5% per annum. These bonuses are not pensionable and can be taken as cash or additional pension contributions.

DIRECTORS' SERVICE AGREEMENTS

No executive director's contract provides for a notice period of more than two years. Due to the nature of the group's businesses, the service contracts contain restrictive covenants that will be rigorously applied. The Remuneration Committee is aware that the term of two of these contracts is longer than the one year recommended by Section B of the Best Practice Provisions, but the Committee believes that notice periods of up to two years are reasonable and in the best interests of the shareholders, having regard to prevailing market conditions and current practice among UK public companies.

If an executive director's contract is terminated by the company, the benefits for which the company is liable may vary depending on length of service and are subject to mitigation. The benefits will not be more than a termination payment of up to twice (in the case of one of the directors this is three times) salary and benefits and enhanced early retirement benefits funded under the company's pension schemes.

OUTSIDE APPOINTMENTS

Under the terms of their service agreements, executive directors require Board approval before accepting any appointment.

On behalf of the Board



ROBERT SPEIRS

Non-executive director

Chairman of the Remuneration Committee

23 June 2000

Auditors' report

TO THE SHAREHOLDERS OF STAGECOACH HOLDINGS PLC:

We have audited the accounts on pages 22 to 64 which have been prepared under the historical cost convention and the accounting policies set out on pages 27 to 31.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report including, as described on page 12, preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and the group is not disclosed.

We review whether the corporate governance statement on pages 14 to 18 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the company and of the group as at 30 April 2000 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ARTHUR ANDERSEN

Chartered Accountants and Registered Auditors
191 West George Street
Glasgow G2 2LB
23 June 2000

Consolidated profit and loss account

for the year ended 30 April 2000

	Notes	2000			1999		
		Performance pre goodwill and exceptional items £m	Goodwill and exceptional items £m	Results for the year £m	Performance pre goodwill and exceptional items Restated £m	Goodwill and exceptional items Restated £m	Results for the year Restated £m
Turnover: Group and share of joint venture	2	2,179.1	Nil	2,179.1	1,548.4	Nil	1,548.4
Less: Share of joint venture turnover		(255.6)	Nil	(255.6)	(134.9)	Nil	(134.9)
Group turnover		1,923.5	Nil	1,923.5	1,413.5	Nil	1,413.5
Continuing group operations		1,103.3	Nil	1,103.3	947.2	Nil	947.2
Acquisitions during the current year		424.9	Nil	424.9	Nil	Nil	Nil
Discontinued operations		1,528.2	Nil	1,528.2	947.2	Nil	947.2
		395.3	Nil	395.3	466.3	Nil	466.3
Operating costs (excluding Prestwick impairment)		1,923.5	Nil	1,923.5	1,413.5	Nil	1,413.5
Impairment of assets at Prestwick airport		(1,670.8)	(39.2)	(1,710.0)	(1,243.9)	(1.8)	(1,245.7)
Other operating income	3	Nil	(30.0)	(30.0)	Nil	Nil	Nil
Group overheads (including ESOP charge)		109.5	Nil	109.5	106.7	Nil	106.7
		(21.7)	Nil	(21.7)	(17.0)	Nil	(17.0)
Operating profit of group companies	2	340.5	(69.2)	271.3	259.3	(1.8)	257.5
Share of operating profit of joint venture		12.6	(6.2)	6.4	9.4	Nil	9.4
Goodwill amortised on joint venture		Nil	(8.0)	(8.0)	Nil	(4.4)	(4.4)
Share of operating profit from interest in associates		15.2	Nil	15.2	12.4	Nil	12.4
Impairment of investment in associates		Nil	(85.0)	(85.0)	Nil	Nil	Nil
Goodwill amortised on associates		Nil	(0.2)	(0.2)	Nil	Nil	Nil
Total operating profit: group and share of joint venture and associates	2	368.3	(168.6)	199.7	281.1	(6.2)	274.9
Represented by:							
Continuing group operations		124.1	(38.3)	85.8	106.2	(1.8)	104.4
Acquisitions during the current year		59.3	(30.9)	28.4	Nil	Nil	Nil
Joint venture and associates		27.8	(99.4)	(71.6)	21.8	(4.4)	17.4
Discontinued operations		211.2	(168.6)	42.6	128.0	(6.2)	121.8
		157.1	Nil	157.1	153.1	Nil	153.1
Total operating profit: group and share of joint venture and associates		368.3	(168.6)	199.7	281.1	(6.2)	274.9
Profit on sale of properties—continuing operations		Nil	2.4	2.4	Nil	0.3	0.3
Profit on disposal of Porterbrook		Nil	135.5	135.5	Nil	Nil	Nil
Loss on disposal of overseas operations		Nil	(10.7)	(10.7)	Nil	(3.8)	(3.8)
Profit on ordinary activities before interest and taxation		368.3	(41.4)	326.9	281.1	(9.7)	271.4
Finance charges (net)	4	(124.0)	(20.6)	(144.6)	(61.0)	Nil	(61.0)
Profit on ordinary activities before taxation	5	244.3	(62.0)	182.3	220.1	(9.7)	210.4
Taxation on profit on ordinary activities	8	(42.5)	1.1	(41.4)	(52.7)	0.9	(51.8)
Profit on ordinary activities after taxation		201.8	(60.9)	140.9	167.4	(8.8)	158.6
Minority interests		Nil	Nil	Nil	0.1	Nil	0.1
Profit for the financial year		201.8	(60.9)	140.9	167.5	(8.8)	158.7
Dividends	9	(54.0)	Nil	(54.0)	(40.9)	Nil	(40.9)
Retained profit for the year		147.8	(60.9)	86.9	126.6	(8.8)	117.8
Earnings per share							
— Adjusted/Basic	10	13.4p		9.4p	12.7p		12.0p
— Diluted	10	13.3p		9.3p	12.6p		11.9p

A statement of movements on the profit and loss account reserve is given in Note 12.

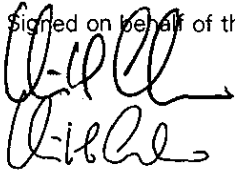
The accompanying notes form an integral part of this consolidated profit and loss account.

Company balance sheet

as at 30 April 2000

	Notes	2000 £m	1999 £m
Fixed assets			
Tangible assets	14	7.5	1.3
Investments	15	377.6	813.7
		<u>385.1</u>	<u>815.0</u>
Current assets			
Debtors and prepaid charges—due within one year	18	12.3	26.1
—due after more than one year	18	1,820.8	514.2
Cash at bank and in hand		634.8	79.2
		<u>2,467.9</u>	<u>619.5</u>
Creditors: Amounts falling due within one year	19	(433.4)	(203.2)
Net current assets		<u>2,034.5</u>	<u>416.3</u>
Total assets less current liabilities		<u>2,419.6</u>	<u>1,231.3</u>
Creditors: Amounts falling due after more than one year	19	(852.7)	(205.9)
Provisions for liabilities and charges	27	(31.3)	Nil
Net assets		<u>1,535.6</u>	<u>1,025.4</u>
Capital and reserves			
Equity share capital	28	7.1	6.9
Share premium account	30	779.7	391.4
Other reserve	30	460.1	460.1
Profit and loss account	30	285.7	164.9
ESOP distribution reserve	30	1.8	2.1
Capital redemption reserve	30	1.2	Nil
Total capital employed		<u>1,535.6</u>	<u>1,025.4</u>

Signed on behalf of the Board on 23 June 2000


KEITH COCHRANE
Group Chief Executive

MARTIN A GRIFFITHS
Group Finance Director

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

Consolidated cash flow statement

for the year ended 30 April 2000

	Notes	2000 £m	1999 Restated £m
Net cash inflow from operating activities	32	511.7	452.3
Dividends from joint venture and associates		6.7	3.1
Returns on investments and servicing of finance			
Interest paid		(138.3)	(82.1)
Interest element of HP and lease finance		(9.6)	(11.4)
Interest received		26.9	36.6
Net cash outflow from returns on investments and servicing of finance		(121.0)	(56.9)
Taxation		(49.9)	(44.3)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(258.6)	(93.6)
Maintenance capital expenditure		(63.6)	(74.4)
Sale of tangible fixed assets		17.4	22.0
Net cash outflow for capital expenditure and financial investment		(304.8)	(146.0)
Acquisitions and disposals			
Acquisition of subsidiaries	32	(768.0)	(203.3)
Net cash acquired with subsidiaries	32	49.2	8.8
Purchase of goodwill		(0.8)	Nil
Purchase of investments in joint venture and associates		(9.8)	(152.6)
Repayment of shareholder loan		10.0	Nil
Purchase of other investments		Nil	(0.1)
Cash of disposed subsidiaries		(196.1)	Nil
Disposal of subsidiaries		872.2	0.6
Net cash outflow from acquisitions and disposals		(43.3)	(346.6)
Equity dividends paid		(47.4)	(32.3)
Net cash outflow before management of liquid resources and financing		(48.0)	(170.7)
Financing			
Sale of tokens		14.5	15.6
Redemption of tokens		(14.6)	(14.7)
Issue of share capital for cash		400.4	307.2
Costs of issuing new shares		(12.6)	(5.4)
Repurchase of own shares		(45.3)	Nil
Decrease in collateral balances		3.6	1.3
Repayment of loan notes		(28.5)	(1.0)
Increase in borrowings		295.1	121.8
Repayments of hire purchase and lease finance		(68.2)	(93.5)
Net cash inflow from financing		544.4	331.3
Increase in cash during the year	32	496.4	160.6
Free cash flow		283.9	279.8
Free cash flow per share		18.9p	21.2p

The accompanying notes form an integral part of this cash flow statement.

Consolidated statement of total recognised gains and losses

for the year ended 30 April 2000

	2000 £m	1999 Restated £m
Profit for the financial year	140.9	158.7
Translation differences on foreign currency net investments	13.5	(0.2)
UK tax effect of translation differences on foreign currency net investments	(1.4)	Nil
Total recognised gains and losses relating to the year	153.0	158.5
Prior year adjustment (as explained in Note 11)	(5.6)	8.6
Total recognised gains and losses recognised since last Annual Report and Accounts	147.4	167.1

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

Reconciliation of movements in shareholders' funds

for the year ended 30 April 2000

	2000 £m	1999 Restated £m
Profit for the financial year	140.9	158.7
Dividends	(54.0)	(40.9)
	86.9	117.8
Goodwill previously written off to reserves	339.5	Nil
Other recognised gains and losses relating to the year (see above)	12.1	(0.2)
New share capital issued less costs	389.7	343.3
ESOP distribution reserve (decrease)/increase	(0.3)	0.6
Shares repurchased	(162.1)	Nil
Net additions to shareholders' funds	665.8	461.5
Opening shareholders' funds as previously stated	731.0	261.2
Prior year adjustment (see Note 11)	Nil	8.6
Reversal of unrealised revaluation surplus (see Note 11)	(5.6)	(5.9)
Opening shareholders' funds as restated	725.4	263.9
Closing shareholders' funds	1,391.2	725.4

There is no material difference between the reported profit for the years ended 30 April 2000 and 1999 and the profit for these years restated on a historical cost basis.

The accompanying notes form an integral part of these statements.

Notes to the accounts

1. STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below. Except for the impact of new Financial Reporting Standards ("FRS") discussed below and accounting for parts and consumables as discussed in accounting policy 1(h), all principal accounting policies have been applied consistently throughout the year and the preceding year.

(a) Basis of accounts

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

(b) Changes in presentation of financial information

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 more readily determine the impact of goodwill and exceptional items on the profits of the group.

On 18 February 1999, the UK Accounting Standards Board issued FRS 15, "Tangible Fixed Assets". Compliance with FRS 15 is mandatory in respect of annual accounts for years ending on or after 23 March 2000. The guidance and requirements of this standard were considered in determining the change of accounting policy with regards to rolling stock maintenance costs, which was reflected in the accounts for the year ended 30 April 1999.

The only other significant impact of FRS 15 on the group is in respect of fixed asset revaluations. The standard requires each class of tangible fixed assets to be revalued at certain minimum intervals or not at all. The group has revalued certain of its properties in prior periods. The policy that has now been adopted is to restate the value of tangible fixed assets to depreciated historical cost, as permitted by the standard. Although the impact on the reported profits of the prior year is not material the comparative amounts have been restated. The group's policy remains unchanged for tangible fixed assets that are restated to fair value on acquisition, in accordance with Financial Reporting Standard 7, "Fair Value in Acquisition Accounting".

We have also implemented FRS 16, "Current Tax" in these accounts. Compliance with FRS 16 has not resulted in any material changes in the group's accounting policies.

(c) Basis of consolidation

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

Associates—The group's share of the operating profit of Road King Infrastructure Limited is based on the results of that company for the year to 31 December 1999.

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 Stagecoach Holdings plc as permitted by Section 230 of the Companies Act 1985.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(d) Intangible assets

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. In accordance with FRS 10 "Goodwill and Intangible Assets" acquisition goodwill arising on acquisitions after 30 April 1998 appears as an asset on the balance sheet at cost less amortisation. Each acquisition is reviewed and where the business and 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 estimated useful life of goodwill arising on the acquisitions made during the year is estimated by the directors to be between 5 and 20 years. Provision is made for any impairment.

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 revaluation of certain fixed assets on an existing use basis, discounting of long term liabilities 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 as set out in Note 14.

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:

Airport runways and aprons	100 years
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
Equipment, furniture and fittings	5 to 10 years
Motor cars and other vehicles	3 to 5 years
Rolling stock	20 to 35 years, depending on type

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 realisable value or value in use.

Rolling stock heavy maintenance costs required to restore the service potential of certain component parts of rolling stock are accounted for in accordance with FRS 12 "Provisions, Contingent Liabilities and Contingent Assets" and FRS 15, "Tangible Fixed Assets". Such costs are capitalised within fixed assets as incurred and written off over the remaining useful life of the restored component parts.

Tangible fixed assets, other than non-depreciable land, which have estimated remaining useful economic lives exceeding 50 years are reviewed annually for impairment.

(f) 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.

1. STATEMENT OF ACCOUNTING POLICIES (continued)**(g) 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 under the gross equity method. The consolidated profit and loss account includes the group's share of associates' and joint venture's profits less losses, while the group's shares of net assets is shown in the consolidated balance sheet. 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 investment.

(h) Stocks

Following a review of group accounting policies, parts and consumable stocks previously reported as prepaid stocks within debtors due within one year are now separately disclosed in the balance sheet. 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. Prior year comparatives have been restated on a consistent basis.

With the acquisition of Coach USA the group now owns taxicabs which are held for sale or lease to independent contractors and have been included within stocks.

(i) Hire purchase and lease obligations

Assets acquired under hire purchase and lease finance 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.

(j) Taxation

Corporation tax is provided on taxable profits at the current rate. Advance corporation tax payable on dividends paid up to 5 April 1999 is written off, except when recoverability against corporation tax payable is considered to be reasonably assured.

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.

Deferred tax (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and tax computations) is calculated on the liability method. Provision is made for timing differences which, in the opinion of the directors, will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred tax, including that which will probably not reverse, is shown in Note 27.

(k) 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 SWT maintenance income) are reported as miscellaneous revenue.

(l) Tokens

Tokens issued by National Transport Tokens Limited 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.

1. STATEMENT OF ACCOUNTING POLICIES (continued)**(m) 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.

Certain employees may be required to retire from their current positions in advance of the normal retirement date, due to the physically demanding nature of their employment. On early retirement, these employees may be entitled to receive one-off lump sum payments. Provision for the cost of the early retirement of these employees is made on a systematic basis over their remaining service lives.

Full details of the principal group pension schemes are given in Note 33d.

(n) Foreign currencies

The trading results of overseas subsidiary undertakings, except for those operating in economies which are considered to be more volatile, 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 foreign currency borrowings and foreign currency derivatives, to the extent they hedge the group's investment in overseas operations, are dealt with through reserves.

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the year end except in those instances where forward contracts are in place, in which case the contract rate is used where appropriate. 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	2000	1999
Swedish Krona		
Year end rate	14.01	13.54
Average rate	13.60	13.18
New Zealand Dollar		
Year end rate	3.22	2.88
Average rate	3.13	3.14
Hong Kong Dollar		
Year end rate	12.19	12.48
Average rate	12.50	12.79
US Dollar		
Year end rate	1.56	1.61
Average rate	1.61	1.65

(o) 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 in respect of the accounting period.

1. STATEMENT OF ACCOUNTING POLICIES (continued)**(p) 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 incurred.

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 payment is due.

(q) Derivatives and financial investments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value.

Discounts and premia are charged or credited to the profit and loss account over the life of the asset or liability to which they relate.

Derivative financial instruments are accounted for using hedge accounting to the extent that they are held to hedge a financial asset or liability. For the purposes of Note 25 (that summarises the respective fair values and book values of financial instruments) short term debtors and creditors have been excluded from financial instruments.

Where a derivative financial instrument ceases to be a hedge, the instrument is marked to market and any profit or loss is recognised in the profit and loss account at that time.

(r) Marketing costs

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

2. SEGMENTAL ANALYSIS**(a) Turnover**

	2000 £m	1999 £m
Continuing operations		
UK bus	527.0	516.9
Overseas bus	19.2	20.5
Acquisitions – 1998/99:		
New Zealand	29.6	18.0
Hong Kong	128.0	20.9
Total bus continuing operations	703.8	576.3
Rail	376.4	348.6
Prestwick Airport	23.1	22.3
Total continuing operations	1,103.3	947.2
Acquisitions – 1999/2000:		
Coach USA	424.9	Nil
	1,528.2	947.2
Discontinued operations		
Africa	Nil	5.9
Swebus	159.3	229.4
Porterbrook	275.0	269.5
	434.3	504.8
Elimination of inter-segment turnover	(39.0)	(38.5)
Group turnover	1,923.5	1,413.5
Share of joint venture turnover	255.6	134.9
Group turnover and share of joint venture turnover	2,179.1	1,548.4

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

2. SEGMENTAL ANALYSIS (*continued*)

(b) Operating profit

	2000			1999		
	Performance pre goodwill and exceptionals	Goodwill and exceptional items	Results for the year	Performance pre goodwill and exceptionals Restated	Goodwill and exceptional items Restated	Results for the year Restated
	£m	£m	£m	£m	£m	£m
Continuing operations						
UK bus	80.8	Nil	80.8	81.9	Nil	81.9
Overseas bus	3.3	Nil	3.3	3.9	Nil	3.9
Acquisitions – 1998/99:						
New Zealand	4.6	Nil	4.6	2.1	Nil	2.1
Hong Kong	21.2	Nil	21.2	2.6	Nil	2.6
Total bus continuing operations	109.9	Nil	109.9	90.5	Nil	90.5
Rail	39.3	Nil	39.3	33.8	Nil	33.8
Prestwick Airport	2.3	Nil	2.3	3.6	Nil	3.6
Prestwick Airport – impairment of assets	Nil	(30.0)	(30.0)	Nil	Nil	Nil
Total continuing operations	151.5	(30.0)	121.5	127.9	Nil	127.9
Acquisitions – 1999/2000:						
Coach USA	60.1	Nil	60.1	Nil	Nil	Nil
	211.6	(30.0)	181.6	127.9	Nil	127.9
Discontinued operations						
Africa	Nil	Nil	Nil	(1.5)	Nil	(1.5)
Swebus	6.7	Nil	6.7	14.4	Nil	14.4
Porterbrook	150.4	Nil	150.4	140.2	Nil	140.2
	157.1	Nil	157.1	153.1	Nil	153.1
Group overheads (including ESOP charge)	(21.7)	Nil	(21.7)	(17.0)	Nil	(17.0)
Goodwill amortisation	Nil	(39.2)	(39.2)	Nil	(1.8)	(1.8)
Redundancy/restructuring costs						
– 1999/2000 acquisitions	(0.8)	Nil	(0.8)	Nil	Nil	Nil
– 1998/1999 acquisitions	(3.2)	Nil	(3.2)	(0.8)	Nil	(0.8)
– Other continuing operations	(2.5)	Nil	(2.5)	(3.9)	Nil	(3.9)
Total operating profit of group companies	340.5	(69.2)	271.3	259.3	(1.8)	257.5
Share of operating profit of joint venture						
– train operating companies	14.0	Nil	14.0	9.4	Nil	9.4
– thetrainline.com	(1.4)	(6.2)	(7.6)	Nil	Nil	Nil
Goodwill amortised on investment in joint venture	Nil	(8.0)	(8.0)	Nil	(4.4)	(4.4)
Share of operating profit of associates	15.2	Nil	15.2	12.4	Nil	12.4
Impairment of investment in associates	Nil	(85.0)	(85.0)	Nil	Nil	Nil
Goodwill amortised on investment in associates	Nil	(0.2)	(0.2)	Nil	Nil	Nil
Total operating profit: group, joint venture and associates	368.3	(168.6)	199.7	281.1	(6.2)	274.9

2. SEGMENTAL ANALYSIS (continued)**(c) Net assets**

	2000 £m	1999 Restated £m
United Kingdom	722.4	324.7
North America	393.9	Nil
Hong Kong	253.1	290.5
Scandinavia	Nil	74.4
Other overseas	21.8	35.8
	<u>1,391.2</u>	<u>725.4</u>

3. OTHER OPERATING INCOME

	2000 £m	1999 £m
Miscellaneous revenue	50.2	43.8
Gains on disposal of assets, other than properties	0.7	0.7
OPRAF franchise support	58.6	62.2
	<u>109.5</u>	<u>106.7</u>

4. INTEREST PAYABLE

	2000			1999		
	Performance pre goodwill and exceptionals £m	Exceptional items £m	Results for the year £m	Performance pre goodwill and exceptionals £m	Exceptional items £m	Results for the year £m
Bank loans and overdrafts	68.4	Nil	68.4	28.5	Nil	28.5
Hire purchase and leases	9.6	Nil	9.6	11.4	Nil	11.4
Other loans	73.3	20.6	93.9	60.2	Nil	60.2
Interest received	(27.3)	Nil	(27.3)	(39.1)	Nil	(39.1)
	<u>124.0</u>	<u>20.6</u>	<u>144.6</u>	<u>61.0</u>	<u>Nil</u>	<u>61.0</u>

Interest receivable includes £0.3 million (1999–£0.7 million) in relation to share of joint venture net interest receivable and £2.0 million (1999–£1.1 million) in relation to interest receivable on joint venture shareholder loan notes. Interest payable includes £1.7 million (1999–£1.7 million) in relation to share of associates' net interest payable.

The exceptional finance charges are non-recurring financing costs relating to acquisitions and disposals completed during the year. The costs relate to the early extinguishment of debt. The principal element relates to the redemption of Sterling Eurobonds, following the disposal of Porterbrook.

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2000 £m	1999 Restated £m
Depreciation and amounts written off		
– Tangible fixed assets (owned)	193.5	153.7
– Tangible fixed assets (on HP or lease)	25.2	32.3
Amortisation of goodwill		
– subsidiaries	39.2	1.8
– joint venture and associates	8.2	4.4
Gains on property disposals	(2.4)	(0.3)
Gains on other asset disposals	(0.7)	(0.7)
Operating lease rentals		
– PSVs and rolling stock	76.3	68.9
– Railtrack charges	162.6	160.1
Auditors' remuneration – audit	0.6	0.5

Payments to the auditors for non-audit services of £1.7 million (1999 – £0.6 million) were made during the year. These have been included in the cost of investments or charged against share premium, the capital element of new debt issued or charged to the profit and loss account as appropriate.

The following items have been treated as exceptional:

	Current year Cash flow effect £m	2000 £m	1999 Restated £m
Impairment of assets at Prestwick airport	Nil	(30.0)	Nil
thetrainline.com marketing costs	Nil	(6.2)	Nil
Impairment in investment in associates	Nil	(85.0)	Nil
Profit on disposal of Porterbrook	585.4	135.5	Nil
Loss on disposal of overseas operations	90.7	(10.7)	(3.8)
Profit on sale of properties	6.7	2.4	0.3
Finance charges	(4.6)	(20.6)	Nil
	678.2	(14.6)	(3.5)
Tax effect of exceptional items	Nil	1.1	0.9
	678.2	(13.5)	(2.6)

The impairment of assets at Prestwick airport of £30 million has been determined in accordance with FRS 11, "Impairment of fixed assets and goodwill" to ensure that the assets are stated at the higher of net realisable value and value in use. The write-down restates the assets to value in use and has been determined using a pre-tax discount rate of 13%.

thetrainline.com marketing costs represent our share of initial marketing costs in respect of an internet booking service operated as a part of a joint venture.

The impairment of investments in associates represents the effect of writing-down our investment in Road King Infrastructure Limited which has been re-stated to realisable value determined by applying the mid market closing share price of Road King Infrastructure Limited on 30 April 2000.

Details on the disposals of Porterbrook and overseas operations are given in note 15.

6. STAFF COSTS AND EMPLOYEES

	2000 £m	1999 £m
Staff costs		
Wages and salaries	686.4	478.2
Social security costs	66.9	59.2
Other pension costs	17.2	19.1
ESOP distribution	1.4	2.1
	771.9	558.6

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

	2000 Number	1999 Number
UK operations	22,220	21,808
UK administration and supervisory	1,143	1,105
Overseas	19,991	9,007
	43,354	31,920

7. DIRECTORS

(a) Directors' remuneration

Directors' remuneration was made up as follows (amounts in £000):

	Salary/fees		Performance related bonus		Benefits in kind		Money purchase contributions		Non-pensionable allowances		Total	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Executive directors												
Brian Souter	430	400	Nil	200	1	1	50	50	n/a	n/a	481	651
Keith Cochrane	234	185	75	60	15	13	Nil	n/a	14	20	338	278
Brian Cox	199	185	36	51	13	11	Nil	n/a	n/a	n/a	248	247
Frank Gallagher	39	n/a	Nil	n/a	Nil	n/a	1	n/a	n/a	n/a	40	n/a
Martin Griffiths	2	n/a	1	n/a	1	n/a	n/a	n/a	n/a	n/a	4	n/a
Barry Hinkley	222	200	46	55	13	11	n/a	n/a	n/a	n/a	281	266
Ann Gloag	85	85	Nil	25	Nil	9	50	50	n/a	n/a	135	169
Larry King	82	n/a	Nil	n/a	Nil	n/a	n/a	n/a	n/a	n/a	82	n/a
Mike Kinski	306	360	Nil	218	14	8	Nil	n/a	165	191	485	777
Non-executive directors												
Ewan Brown	20	20	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	20	20
Jim Leng	4	n/a	Nil	n/a	Nil	n/a	n/a	n/a	n/a	n/a	4	n/a
Barry Sealey	38	35	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	38	35
Robert Speirs	20	20	Nil	Nil	Nil	Nil	n/a	n/a	n/a	n/a	20	20
Total	1,681	1,490	158	609	57	53	101	100	179	211	2,176	2,463

Non-pensionable allowances represent additional taxable remuneration paid to provide pension entitlements which are broadly aligned with those provided to certain other executive directors.

In addition to his remuneration shown above, Mike Kinski was paid £0.9 million by the company as compensation for loss of office as director following his resignation from the board on 14 February 2000. Mike Kinski is also entitled to an annual pension of £116,000 from age 50.

Larry King also received a cash payment of £0.6 million during the year in respect of a change of control payment that was deferred until he left the group.

7. DIRECTORS (continued)

(a) Directors' remuneration (continued)

The following directors had accrued pension entitlements under the group's final salary retirement and death benefits schemes (amounts in £000):

	Accrued pension		Accrued lump sum		Transfer value of increase (excluding inflation)	
	2000	1999	2000	1999	2000	1999
Executive directors						
Brian Souter	120	99	97	90	125	193
Keith Cochrane	50	24	149	71	195	47
Brian Cox	86	78	102	84	118	141
Frank Gallagher	n/a	n/a	n/a	n/a	n/a	n/a
Martin Griffiths	4	n/a	12	n/a	5	n/a
Barry Hinkley	119	90	133	91	541	234
Ann Gloag	26	25	20	20	4	9

With the exception of Keith Cochrane, Martin Griffiths and Frank Gallagher, all the executive directors were members of the group pension schemes before the introduction of the pensionable salary cap in June 1989. In respect of Keith Cochrane, pension arrangements have been established through FURBS, based upon the independent advice of actuaries to provide final salary benefits commensurate with the current market practice for equivalent executive positions. These arrangements were put into place in April 1997. In addition, contributions of £50,000 each were paid to a small, self-administered money purchase scheme established for Brian Souter and Ann Gloag in April 1991.

Brian Cox and Barry Hinkley were each awarded a performance related bonus of £250,000 on 23 May 1995. In each case bonus is conditional on the relevant director continuing to be employed by the group on 30 April 2002. They are also subject to growth in earnings per share outperforming inflation by more than 5% per annum cumulatively. These bonuses are not pensionable and can be taken in cash or additional pension contributions. Keith Cochrane participates in The Stagecoach Executive Directors' Bonus Scheme. An annual bonus of £75,000 per financial year, for the five years commencing 1 May 1998, is payable subject to growth in earnings per share in each financial year outperforming inflation by at least 5%. The bonus is payable subject to Keith Cochrane continuing in employment at the end of the five year period.

7. DIRECTORS (continued)

(b) Directors' share options

The interests of directors who have options to subscribe for ordinary shares of the company, together with movements during the year, are shown in the table below. All were granted for nil consideration. Details of the share price during the year are given in Note 29b.

	At 1 May 1999 number	Granted number	At 30 April 2000 number	Exercise price £	Date from which exercisable	Expiry date
Keith Cochrane	296,845	Nil	296,845	0.4980	13 October 1998	13 October 2005
	351,498	Nil	351,498	1.1250	11 October 1999	11 October 2006
	351,498	Nil	351,498	1.3220	8 September 2002	8 September 2004
	400,000	Nil	400,000	2.3000	18 October 2003	18 October 2005
	Nil	72,997	72,997	2.1825	16 June 2004	15 June 2006
Brian Cox	351,498	Nil	351,498	1.1250	11 October 1999	11 October 2006
	351,498	Nil	351,498	1.3220	8 September 2002	8 September 2004
	315,705	Nil	315,705	2.3000	18 October 2003	18 October 2005
	Nil	68,188	68,188	2.1825	16 June 2004	15 June 2006
Frank Gallagher	Nil	78,050	78,050	0.0050	26 July 2002	25 July 2006
Martin Griffiths	28,885	Nil	28,885	2.3000	19 October 2001	19 October 2005
	Nil	34,406	34,406	2.0975	19 July 2002	19 July 2006
Barry Hinkley	351,498	Nil	351,498	1.1250	11 October 1999	11 October 2006
	351,498	Nil	351,498	1.3220	8 September 2002	8 September 2004
	400,000	Nil	400,000	2.3000	18 October 2003	18 October 2005
	Nil	85,277	85,277	2.1825	16 June 2004	15 June 2006
Total	3,550,423	338,918	3,889,341			

Share options are subject to certain performance criteria as discussed on page 20.

No director realised gains during the year by exercising options.

On 1 July 1996 and 1 April 1998, the following directors were granted options under the group's Save As You Earn scheme following an invitation to all eligible UK employees:

	No. of ordinary shares
Brian Souter	2,601
Keith Cochrane	14,246
Martin Griffiths	5,187
Ann Gloag	14,246

Further information on these options is detailed in Note 29a.

(c) Transactions in which directors have had a material interest

Ewan Brown (a non-executive director) is an executive director of Noble Grossart Limited which provided advisory services to the company during the year. Total fees and underwriting commission for these services, which were principally in connection with the share issues and acquisitions made during the year, amounted to £840,000 (1999 – £220,000). Noble Grossart Investments Limited, a subsidiary of Noble Grossart Limited, holds 7,962,622 ordinary shares in the company.

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge comprises:

	2000			1999		
	Performance pre goodwill and exceptionals £m	Exceptional items £m	Results for the year £m	Performance pre goodwill and exceptionals £m	Exceptional items £m	Results for the year £m
Corporation tax at 30% (1999 – 30.9%)	38.5	(1.1)	37.4	50.3	(0.9)	49.4
Share of joint venture's tax	1.9	Nil	1.9	1.4	Nil	1.4
Share of associate's tax	0.2	Nil	0.2	0.1	Nil	0.1
Foreign taxation	2.6	Nil	2.6	0.3	Nil	0.3
Prior year underprovision for corporation tax	0.2	Nil	0.2	2.9	Nil	2.9
Deferred taxation	(0.9)	Nil	(0.9)	(2.3)	Nil	(2.3)
	42.5	(1.1)	41.4	52.7	(0.9)	51.8

The charge for UK corporation tax is stated after taking credit for relief in respect of losses in prior years and available group loss relief in the current year, including the surrender of advance corporation tax paid on dividends.

9. DIVIDENDS

	2000 £m	1999 £m
Ordinary shares – interim paid (1.2 pence (1999 – 1.0 pence) per share)	20.4	13.2
– final proposed (2.4 pence (1999 – 2.0 pence) per share)	33.6	27.7
	54.0	40.9

During the year, a share alternative was offered in respect of the interim dividend of 1.2 pence per share. The alternative comprised the issue of new ordinary shares with a market value of 1.018 pence per existing ordinary share. The total amount of the cash dividend that would otherwise have been paid is included in the above analysis.

10. EARNINGS PER SHARE

Earnings per share have been calculated in accordance with FRS 14 "Earnings per Share" by calculating group profit on ordinary activities after tax and minority interests, divided by the weighted average number of shares in issue during the year based on the following:

	2000	1999 Restated
Profit for the year after taxation and minority interests (£ million)	140.9	158.7
Basic weighted average share capital (number of shares, million)	1,505.2	1,317.9
Diluted shares – Executive Share Option Scheme	2.0	2.0
– Employee SAYE Scheme	5.7	9.3
Diluted weighted average share capital (number of shares, million)	1,512.9	1,329.2

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 22. This has been presented to allow the shareholders to gain a clearer understanding of the underlying performance.

11. PRIOR YEAR ADJUSTMENT

The group policy for accounting for tangible fixed assets was changed during the year to comply with FRS 15. The comparative figures in the primary statements and notes have been restated to reflect the new policy. Prior year comparatives have been restated.

The effect of the change is summarised below:

	2000 £m	1999 £m
Profit and loss account		
Decrease in operating costs	0.2	0.2
Increase in profit on sale of properties	Nil	0.1
Increase in profit for the financial year	0.2	0.3
	2000 £m	1999 £m
Balance sheet		
Decrease in fixed assets	(5.4)	(5.6)
Decrease in net assets	(5.4)	(5.6)

The group policy for accounting for rolling stock maintenance expenditure and the classification of certain liabilities was changed during the prior year to comply with FRS 12 and FRS 15. The prior year opening net assets were increased by £8.6 million.

12. PROFIT AND LOSS ACCOUNT

The movement on profit and loss account reserve is:

	2000 £m	Group 1999 Restated £m	2000 £m	Company 1999 £m
Retained profit brought forward as previously stated	325.0	207.4	164.9	109.5
Retained profit for the year	86.9	117.8	267.2	55.4
Translation adjustment	12.1	(0.2)	15.7	Nil
Goodwill previously written off to reserves	339.5	Nil	Nil	Nil
Repurchase of shares	(162.1)	Nil	(162.1)	Nil
Retained profit carried forward	601.4	325.0	285.7	164.9

13. INTANGIBLE ASSETS – GOODWILL

The group movement in the year is:

	Joint venture & associate £m	Subsidiaries £m	Total £m
Cost			
Beginning of year	112.6	125.4	238.0
Additions	4.1	840.0	844.1
Translation adjustment	Nil	29.6	29.6
End of year	116.7	995.0	1,111.7
Amortisation			
Beginning of year	(4.4)	(1.9)	(6.3)
Charge for the year	(8.2)	(39.2)	(47.4)
Impairment losses (note 15)	(3.4)	Nil	(3.4)
Translation adjustment	Nil	(0.9)	(0.9)
End of the year	(16.0)	(42.0)	(58.0)
Net book value beginning of year	108.2	123.5	231.7
Net book value end of year	100.7	953.0	1,053.7

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

	Goodwill £m	Amortisation period Years
Subsidiaries		
Coach USA, Inc.	804.5	20
Other North American acquisitions	32.8	20
Other	1.7	5
Adjustment re prior year acquisitions	1.0	15
Joint venture and associates		
Road King Infrastructure Limited	(0.3)	20
Other	4.4	5 – 20

14. TANGIBLE FIXED ASSETS

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

	Group		Company	
	2000	1999 Restated	2000	1999
	£m	£m	£m	£m
Land and buildings	170.2	170.6	3.6	Nil
Rolling stock	Nil	794.7	Nil	Nil
PSVs and other assets	957.5	749.5	3.9	1.3
	1,127.7	1,714.8	7.5	1.3

14. TANGIBLE FIXED ASSETS (continued)

The group movement in the year is:

	Land and buildings £m	Rolling stock £m	PSVs and other assets £m	Total £m
Cost or valuation				
Beginning of year	186.0	1,178.3	1,137.1	2,501.4
Prior year adjustment	(6.5)	Nil	Nil	(6.5)
Beginning of year as restated	179.5	1,178.3	1,137.1	2,494.9
Additions	32.5	199.3	144.9	376.7
New subsidiary undertakings	25.8	Nil	453.1	478.9
Disposals	(4.9)	(1.1)	(61.6)	(67.6)
Sale of subsidiary undertakings	(26.1)	(1,376.5)	(282.9)	(1,685.5)
Translation adjustment	(0.4)	Nil	8.0	7.6
End of year	206.4	Nil	1,398.6	1,605.0
Depreciation				
Beginning of year	(9.8)	(383.6)	(387.6)	(781.0)
Prior year adjustment	0.9	Nil	nil	0.9
Beginning of year as restated	(8.9)	(383.6)	(387.6)	(780.1)
Charge	(7.4)	(103.2)	(108.1)	(218.7)
Impairment write-down	(30.0)	Nil	Nil	(30.0)
New subsidiary undertakings	(2.3)	Nil	(96.1)	(98.4)
Disposals	0.8	0.7	52.0	53.5
Sale of subsidiary undertakings	11.4	486.1	99.2	596.7
Translation adjustment	0.2	Nil	(0.5)	(0.3)
End of year	(36.2)	Nil	(441.1)	(477.3)
Net book value, beginning of year as restated	170.6	794.7	749.5	1,714.8
Net book value, end of year	170.2	Nil	957.5	1,127.7

Included in the above are:

Assets on hire purchase	Nil	Nil	212.6	212.6
Leased PSV assets	Nil	Nil	49.9	49.9
Short leasehold land and buildings	1.1	Nil	Nil	1.1
Long leasehold land and buildings	14.0	Nil	Nil	14.0

Heritable and freehold land amounting to £34.0 million (1999 – £31.5 million) has not been depreciated.

14. TANGIBLE FIXED ASSETS (continued)

The company movement in the year is:

	Land and Buildings £m	PSVs and other assets* £m	Total £m
Cost			
Beginning of year	Nil	1.8	1.8
Additions	3.6	3.1	6.7
Disposals	Nil	(0.3)	(0.3)
End of year	3.6	4.6	8.2
Depreciation			
Beginning of year	Nil	(0.5)	(0.5)
Charge	Nil	(0.3)	(0.3)
Disposals	Nil	0.1	0.1
End of year	Nil	(0.7)	(0.7)
Net book value, beginning of year	Nil	1.3	1.3
Net book value, end of year	3.6	3.9	7.5

* PSV and other assets include £2.5 million of PSV's not yet allocated to group operating companies at the year end.

15. FIXED ASSET INVESTMENTS

The group movement during the year was as follows:

	Joint venture £m	Associates £m	Other investments £m	Total £m
Cost or valuation				
Beginning of year	155.7	131.2	2.8	289.7
Additions	Nil	9.0	0.7	9.7
Disposed of with subsidiary undertakings	Nil	(4.9)	(0.3)	(5.2)
Repayment of shareholder loan	(10.0)	Nil	Nil	(10.0)
Share of profits	4.8	13.3	Nil	18.1
Translation adjustment	Nil	2.4	Nil	2.4
Dividends received	Nil	(6.7)	Nil	(6.7)
End of year	150.5	144.3	3.2	298.0
Amounts written off				
Beginning of year	(4.4)	(23.1)	(0.3)	(27.8)
Goodwill amortised during year	(8.0)	(0.2)	Nil	(8.2)
Impairment write-down	Nil	(61.9)	(0.2)	(62.1)
End of year	(12.4)	(85.2)	(0.5)	(98.1)
Net book value, beginning of year	151.3	108.1	2.5	261.9
Net book value, end of year	138.1	59.1	2.7	199.9

15. FIXED ASSET INVESTMENTS (continued)

The principal associate is:

	Country of operation	Number of shares in issue at 30 April 2000	Nominal value of share capital in issue at 30 April 2000	% held at 30 April 2000
Road King Infrastructure Limited	China			
– ordinary shares		510.9m	HK\$51.1m	23.1
– preference shares		0.5m	HK\$0.05m	100.0

The market value of the group's ordinary share investment in Road King Infrastructure Limited, a Bermudan incorporated company, listed on the Hong Kong Stock Exchange, at 30 April 2000 was HK\$442.9 million. The investment in 518,380 7.5% convertible preference shares at HK\$1,000 per share in Road King Infrastructure Limited, may be converted to ordinary shares, representing a further 8% interest, on or after 12 June 2000 and will be converted on 12 June 2003 if not previously converted. The coupon received on the preference shares has been included in the share of associate's operating profit. The group's share of operating profit is based on the most recent publicly available information, being the results for the year ended 31 December 1999.

On 24 May 1999, a further 700,000 ordinary shares were purchased for a total consideration of £0.3 million.

An impairment write-down of £85.0 million was recorded during the year in respect of the investment in Road King Infrastructure Limited. This has been allocated as follows:

	£m
Goodwill previously written off to reserves	23.1
Capitalised goodwill impaired	3.4
Share of net assets impaired	58.5
	85.0

The principal joint venture is:

	Country of incorporation/ operation	Number of shares in issue at 30 April 2000	Nominal value of share capital in issue at 30 April 2000	% held at 30 April 2000
Virgin Rail Group Limited	United Kingdom	35m	£3.5m	49

The Virgin Rail Group shareholders' agreement provides for joint decision making on key matters and equal representation on the Virgin Rail Group Limited Board. As a consequence the investment has been accounted for as a Joint Venture. As part of the acquisition, the group acquired a £20 million shareholder loan to Virgin Rail Group Limited. The shareholder loan carried a 10% coupon and £10 million was repaid on 28 April 2000.

The company movement during the year was as follows:

	Subsidiary undertakings £m	Joint venture £m	Other investments £m	Total £m
Cost and net book value				
Beginning of year	666.0	147.0	0.7	813.7
Additions	Nil	Nil	Nil	Nil
Disposals	(396.1)	Nil	Nil	(396.1)
Amounts written off	(30.0)	Nil	Nil	(30.0)
Repayment of shareholder loan	Nil	(10.0)	Nil	(10.0)
End of year	239.9	137.0	0.7	377.6

15. FIXED ASSET INVESTMENTS (continued)

Acquisition of Coach USA, Inc.

A tender offer for the issued and outstanding common stock of Coach USA, Inc. was made on 12 June 1999 and the results have been consolidated from 26 July 1999, the date on which the entire economic interest passed. Consideration comprised cash of £689.2 million and expenses of £21.9 million. The fair value of the net liabilities acquired was £93.4 million giving rise to goodwill of £804.5 million which has been capitalised and is being amortised over 20 years.

	Initial book value £m	Restatement to fair value £m	Fair value to the group £m
Intangible fixed assets	271.6	(271.6) ⁽¹⁾	Nil
Tangible fixed assets	380.5	(17.9) ⁽²⁾	362.6
Cash at bank	49.1	Nil	49.1
Other current assets	130.8	(14.6) ⁽³⁾	116.2
Total assets	832.0	(304.1)	527.9
Creditors – within one year	(399.6)	(74.0) ⁽⁴⁾	(473.6)
Creditors – after one year/provisions	(185.0)	37.3 ⁽⁵⁾	(147.7)
Total liabilities	(584.6)	(36.7)	(621.3)
Net assets/(liabilities)	247.4	(340.8)	(93.4)

(1) Write-off capitalised goodwill as it is not a separately identifiable asset in the group accounts.

(2) Revaluation of land, buildings and transportation equipment to fair value.

(3) Alignment to group policy in respect of debtor provisions, deferred expenditure, prepaid expenses and revaluation of taxicab stock to fair value

(4) Adjustment of liabilities principally accrual for change of control payments, share option vesting, premium payable to debt holders and alignment of insurance provisions to group policy.

(5) Deferred tax effect of fair value adjustments.

In the last full financial year to 31 December 1998, Coach USA, Inc. reported a profit after tax and minority interests of £32.4 million. From 1 January 1999 to the effective date of acquisition, Coach USA, Inc. made a profit after tax (before exceptional items) of £18.4 million. After exceptional items, the profit after tax was £1.2 million. The above results have been translated at the rates of £1:US\$1.61 for the period from 1 January 1999 to the date of acquisition and £1:US\$1.66 for the year ended 31 December 1998. The pre-acquisition figures noted above do not reflect any adjustment for Stagecoach accounting policies and were prepared under local accounting rules.

The summarised profit and loss account and statement of total recognised gains and losses for the period from 1 January 1999 to the effective date of acquisition, shown on the basis of the accounting policies of Coach USA, Inc. prior to acquisition, are as follows:

Profit and loss account	£m
Turnover	300.3
Operating profit	50.4
Interest payable (net)	(15.7)
Profit before taxation	34.7
Taxation	(16.3)
Profit after taxation	18.4
Cumulative effect of changes in accounting policy	(3.2)
Exceptional items (net of tax)	(14.0)
Profit after taxation and exceptional items	1.2
Other recognised gains and losses	(0.1)

15. FIXED ASSET INVESTMENTS (continued)**Acquisition of other North American bus operations**

Since the completion of the acquisition of Coach USA, Inc. a further 12 acquisitions have been concluded for a total consideration of £35.3 million. The fair value of the net assets acquired was £2.5 million giving rise to goodwill of £32.8 million which has been capitalised and is being amortised over 20 years.

The other acquisitions are not considered to be individually material for the purposes of FRS 7, "Fair Value in Acquisition Accounting". The aggregate fair value of the assets acquired is as follows:

	Fair value to the group £m
Fixed assets	16.5
Cash at bank	0.1
Other current assets	3.5
Total assets	20.1
Creditors – within one year	(9.4)
Creditors – after one year	(8.2)
Total liabilities	(17.6)
Net assets	2.5

Sale of overseas investments

On 15 January 2000, the group sold its 100% interest in the ordinary share capital of Swebus AB. The consolidated profit after tax of Swebus AB (restated to comply with group policies and UK GAAP) from 1 May 1999 to the date of disposal was £3.8 million, and for its last financial year was £9.4 million.

In addition, costs were incurred in relation to other overseas investments, including the prior year disposal of our operations in Kenya.

Net assets disposed of and the related sale proceeds in respect of overseas investments were as follows:

	£m
Fixed assets	191.1
Cash at bank	8.2
Other current assets	24.5
Creditors	(143.1)
Provisions for liabilities and charges	(8.3)
Net assets	72.4
Loss on sale (before goodwill)	(10.7)
Goodwill previously written off to reserves	40.2
Sale proceeds	101.9
Satisfied by:	
Cash	98.9
Deferred receivable	3.0
Net cash inflows in respect of the sale comprised:	
Cash consideration	98.9
Cash at bank and in hand sold	(8.2)
	90.7

15. FIXED ASSET INVESTMENTS (continued)**Sale of Stagecoach Porterbrook Limited**

On 20 April 2000, the group disposed of its 100% interest in the ordinary share capital of Stagecoach Porterbrook Limited. The consolidated profit after tax of Stagecoach Porterbrook Limited from 1 May 1999 to the date of disposal was £111.0 million, and for its last financial year was £77.4 million.

	£m
Fixed assets	903.0
Cash at bank	187.9
Other current assets	18.2
Creditors	(612.7)
Provisions for liabilities and charges	(136.4)
Net assets	360.0
Profit on disposal (before goodwill)	135.5
Goodwill previously written off to reserves	276.0
Proceeds on disposal	771.5
Satisfied by:	
Cash	773.3
Accrued professional fees	(1.8)
	771.5
Net cash inflows in respect of the disposal comprised:	
Cash consideration	773.3
Cash at bank and in hand on disposal	(187.9)
	585.4

16. PRINCIPAL BUSINESS UNITS

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

Company	Country of Registration or Incorporation	Principal activity
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
Wellington City Transport Ltd*	New Zealand	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
Glasgow Prestwick International Airport Ltd*	Scotland	Airport
Stagecoach Portugal Transportes Rodoviários Lda*	Portugal	Bus and coach operator
Stagecoach Queensland Pty Ltd*	Australia	Bus and coach operator
Transportation Auckland Corporation Limited*	New Zealand	Bus and coach operator
Fullers Group Limited*	New Zealand	Ferry operator
Citybus Group Limited*	Hong Kong	Bus and coach operator
Coach USA Inc.*	United States	Bus and coach operator

*indirectly held

All companies operate in the countries shown above.

The companies listed above include all those which principally affect the amount of profit and assets of the group. A full list of subsidiary undertakings at 30 April 2000 will be annexed to the next annual return.

17. STOCKS

	Group		Company	
	2000	1999 Restated	2000	1999
	£m	£m	£m	£m
Parts and consumables	15.8	13.8	Nil	Nil
Taxicabs held for resale	21.6	Nil	Nil	Nil
	37.4	13.8	Nil	Nil

There is no material difference between the carrying value of stocks held at 30 April 2000 and their estimated replacement cost.

18. DEBTORS AND PREPAID CHARGES

	Group		Company	
	2000	1999 Restated	2000	1999
	£m	£m	£m	£m
Trade debtors	117.7	76.3	Nil	Nil
Other debtors	21.7	10.5	13.5	Nil
Amounts owed by group undertakings	Nil	Nil	1,803.5	514.2
Pension scheme prepayment (Note 33d)	25.9	21.4	8.0	3.6
Other prepayments and accrued income	57.5	52.8	4.8	10.6
ACT recoverable	Nil	8.1	Nil	8.1
VAT and other government debtors	10.6	11.7	3.3	3.8
	233.4	180.8	1,833.1	540.3

Amounts falling due after more than one year included above are:

	Group		Company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Pension scheme prepayment (Note 33d)	25.9	21.4	8.0	Nil
Amounts owed by group undertakings	Nil	Nil	1,803.5	514.2
Other debtors	8.5	6.2	9.3	Nil
	34.4	27.6	1,820.8	514.2

19. CREDITORS

(a) Creditors: Amounts falling due within one year

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Bank overdrafts	0.5	Nil	Nil	36.5
Bank loans	102.8	49.3	63.1	26.2
Loan notes (Note 19c)	52.9	78.3	54.2	78.3
Securitised bonds (Note 19d)	Nil	84.1	Nil	Nil
Sterling Eurobonds (Note 19e)	125.0	Nil	125.0	Nil
Creditor for shares repurchased	116.8	Nil	116.8	Nil
Trade creditors	106.1	145.1	1.1	1.2
Accruals and deferred income	229.5	191.4	39.7	17.9
Dividends payable	33.5	27.0	33.5	27.0
Other creditors				
– UK corporation tax payable	10.1	50.4	Nil	15.7
– Foreign tax payable	1.9	1.0	Nil	Nil
– PAYE and NIC payable	11.9	15.5	Nil	0.2
Current portion of HP and lease obligations	45.0	64.2	Nil	0.2
	836.0	706.3	433.4	203.2

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

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Bank loans	346.5	318.2	271.4	81.5
Loan notes (Note 19c)	24.4	Nil	Nil	Nil
Securitised bonds (Note 19d)	Nil	398.6	Nil	Nil
Sterling Eurobonds (Note 19e)	Nil	123.7	Nil	123.7
US Dollar 8.625% Notes (Note 19f)	318.3	Nil	318.3	Nil
US Dollar 9.375% Notes (Note 19h)	2.1	Nil	Nil	Nil
Euro 6% Notes (Note 19g)	263.0	Nil	263.0	Nil
Non-current portion of HP and lease obligations	85.1	110.3	Nil	0.7
	1,039.4	950.8	852.7	205.9

(c) Loan notes

The loan notes pay floating interest at three months Libor or fixed interest at 5.25%. £52.9 million of loan notes are repayable on demand or within one year and £24.4 million are repayable over one to five years.

(d) Securitised bonds

Following the disposal of Porterbrook, the group has no outstanding securitised bonds. Details of the amounts outstanding at 30 April 1999 are given in the 1999 Annual Report and Accounts.

(e) Sterling Eurobonds

On 31 October 1997 the group issued £125 million of 7.625% Sterling Eurobonds due 2007. Interest on the bonds is payable annually in arrears.

On 14 April 2000, the group announced that it would redeem the Sterling Eurobonds on 15 May 2000 at a redemption price of 111.82% of the principal amount. The premium on redemption together with the unexpensed elements of the discount on issue and issue costs have been fully expensed as exceptional finance charges in the year (see Note 4).

(f) US Dollar 8.625% Notes

On 9 November 1999 the group issued US\$500 million of 8.625% Notes due 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.

The Notes were issued at 99.852% of their principal amount. The carrying value of the Notes at 30 April 2000 was £318.3 million, after taking account of the discount on issue, and issue costs.

19. CREDITORS (continued)

(g) Euro 6% Notes

On 24 November 1999 the group issued €400 million of 6% Notes due 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.

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 discount on issue, issue costs and the currency swap, the carrying value of the Notes at 30 April 2000 was £263.0 million.

(h) US Dollar 9.375% Notes

In June 1997, Coach USA, Inc. issued \$150 million 9.375% senior subordinated notes due 2007.

Following the acquisition of Coach USA, Inc. a tender offer for all the outstanding notes was made at a price of 101% of principal. \$0.2 million of notes were tendered and redeemed at this time. On 18 November 1999 a tender and consent offer was made for all the outstanding notes. On 17 December 1999 \$146.4 million of notes were tendered and redeemed. Following the tender the terms of the notes were amended to remove amongst other clauses, restrictive covenants and events of default. \$3.2 million of these notes remain outstanding.

The remaining notes are redeemable at the option of the company at prices decreasing from a premium of 104.7% on 1 July 2002 to par on 1 July 2005. Interest on the notes is paid semi-annually.

(i) Borrowings are repayable as follows

	Group		Company	
	2000	1999	2000	1999
	£m	£m	£m	£m
On demand or within 1 year				
Bank overdraft	0.5	Nil	Nil	36.5
Bank loans	102.8	49.3	63.1	26.2
Sterling Eurobonds	125.0	Nil	125.0	Nil
Securitised bonds	Nil	84.1	Nil	Nil
Loan notes	52.9	78.3	54.2	78.3
Hire purchase and lease obligations	45.0	64.2	Nil	0.2
Within 1-2 years				
Bank loans	96.1	157.7	63.0	53.1
Securitised bonds	Nil	88.9	Nil	Nil
Loan notes	20.2	Nil	Nil	Nil
Hire purchase and lease obligations	32.4	46.2	Nil	Nil
Within 2-5 years				
Bank loans	246.3	155.8	208.4	28.4
Euro 6% Notes	263.0	Nil	263.0	Nil
Securitised bonds	Nil	212.0	Nil	Nil
Loan notes	4.2	Nil	Nil	Nil
Hire purchase and lease obligations	50.1	64.1	Nil	0.7
Over 5 years				
Bank loans	4.1	4.7	Nil	Nil
Sterling Eurobonds	Nil	123.7	Nil	123.7
US Dollar 8.625% Notes	318.3	Nil	318.3	Nil
US Dollar 9.375% Notes	2.1	Nil	Nil	Nil
Securitised bonds	Nil	97.7	Nil	Nil
Hire purchase and lease obligations	2.6	Nil	nil	Nil
Total borrowings	1,365.6	1,226.7	1,095.0	347.1
Less current maturities	(326.2)	(275.9)	(242.3)	(141.2)
Long term portion of borrowings	1,039.4	950.8	852.7	205.9

Interest terms on UK borrowings (except loan notes and Sterling Eurobonds) are at annual rates between 0.4% and 1.0% over Bank of Scotland base rate or equivalent LIBOR rates. Interest terms on overseas borrowings are at annual rates between 5% and 22% and are based on applicable local market borrowing rates.

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

20. FINANCIAL LIABILITIES BY TYPE AND CURRENCY

Analysis of financial liabilities by type and currency at 30 April 2000 was as follows:

Currency	HP and lease obligations £m	Bank loans and overdrafts £m	Eurobonds and notes £m	Loan notes £m	Total £m
Sterling	110.9	0.5	189.0	54.2	354.6
US Dollar	16.4	292.6	519.4	23.1	851.5
Hong Kong Dollar	Nil	132.8	Nil	Nil	132.8
New Zealand Dollar	Nil	21.5	Nil	Nil	21.5
Other	2.8	2.4	Nil	Nil	5.2
Gross Borrowings	130.1	449.8	708.4	77.3	1,365.6

The analysis reflects the impact of foreign exchange swaps.

The Euro 6% Notes issued on 24 November 1999 were swapped on issue into US Dollars and Sterling by entering into US\$312 million and £64 million cross currency swaps which expire on maturity of the notes.

Analysis of financial liabilities by type and currency of the group at 30 April 1999 was as follows:

Currency	HP and lease obligations £m	Bank loans and overdrafts £m	Securitised bonds £m	Bonds £m	Loan notes £m	Total £m
Sterling	113.9	132.4	482.7	123.7	78.3	931.0
Swedish Krona	58.2	51.8	Nil	Nil	Nil	110.0
Hong Kong Dollar	Nil	152.9	Nil	Nil	Nil	152.9
New Zealand Dollar	Nil	26.8	Nil	Nil	Nil	26.8
Other	2.4	3.6	Nil	Nil	Nil	6.0
Gross Borrowings	174.5	367.5	482.7	123.7	78.3	1,226.7

21. INTEREST RATE AND CURRENCY PROFILE OF GROSS BORROWINGS

The interest rate profile of the financial liabilities of the group at 30 April 2000 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	308.3	46.3	354.6	7.7%	2.2
US Dollar	382.7	468.8	851.5	7.6%	5.6
Hong Kong Dollar	60.2	72.6	132.8	7.7%	3.4
New Zealand Dollar	7.9	13.6	21.5	6.2%	5.2
Other	5.2	Nil	5.2	n/a	n/a
Gross Borrowings	764.3	601.3	1,365.6	7.6%	5.1

As at 30 April 2000 Sterling borrowings of £125 million (1999 – £125 million) were hedged with a cap and collar with a cap rate of 7.88% and a floor of 5.28%.

The group's policies on managing interest rate risk and currency risk are explained on page 6 of the finance director's review.

21. INTEREST RATE AND CURRENCY PROFILE OF GROSS BORROWINGS (continued)

The interest rate profile of the financial liabilities of the group at 30 April 1999 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
Sterling	485.5	445.5	931.0	7.4%	3.9
Swedish Krona	110.0	Nil	110.0	n/a	n/a
Hong Kong Dollar	76.0	76.9	152.9	7.0%	1.9
New Zealand Dollar	20.7	6.1	26.8	5.7%	3.0
Other	6.0	Nil	6.0	n/a	n/a
Gross borrowings	698.2	528.5	1,226.7	7.3%	3.6

The floating rate financial liabilities bear interest at rates fixed in advance for periods ranging from one to three months.

22. INTEREST RATE PROFILE OF FINANCIAL NET ASSETS

The group has no financial assets other than cash deposits and cash in hand of £816.0 million (1999 – £321.8 million). The cash deposits comprise deposits placed on money market at call, seven day and monthly rates. The currency analysis is as follows:

Currency	Floating rate 2000 £m	Floating rate 1999 £m
Sterling	750.5	300.6
US Dollar	46.9	Nil
Swedish Krona	Nil	12.8
Hong Kong Dollar	15.5	4.1
New Zealand Dollar	2.1	3.2
Other	1.0	1.1
Cash at bank and in hand	816.0	321.8

23. CURRENCY EXPOSURES

As explained on page 7 of the finance director's review, the group's objective in managing currency 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. Gains and losses arising from these currency 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 2000 and 30 April 1999 there were no material net transactional exposures.

24. BORROWING FACILITIES

At 30 April 2000 the group had the following undrawn committed borrowing facilities

	2000 £m	1999 £m
Expiring within one year	14.3	49.3
Expiring in more than one year but no more than two years	Nil	8.0
Expiring beyond two years	560.3	303.5
	574.6	360.8

25. 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.

	2000		1999	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Primary financial instruments to finance the group's operation				
Cash deposits	815.5	815.5	321.8	321.8
Sterling Eurobonds	(125.0)	(139.9)	(123.7)	(131.3)
US Dollar Notes	(318.3)	(264.2)	Nil	Nil
Euro Notes	(263.0)	(207.9)	Nil	Nil
Short term borrowings and current portion of long term debt	(200.7)	(200.7)	(275.9)	(275.9)
Other long term borrowings	(458.1)	(458.1)	(827.1)	(827.1)
Derivative financial instruments held to manage the interest rate, currency and commodity risk profiles				
Interest rate swaps and similar instruments	Nil	(2.7)	Nil	6.0
Forward foreign currency contracts, swaps and options	Nil	(43.4)	Nil	(3.8)
Fuel price swaps	Nil	6.8	Nil	0.1

26. HEDGE ACCOUNTING

	Gains £m	Losses £m	Net £m
Unrecognised gains or losses on hedges at start of year	17.6	(15.3)	2.3
Gains or losses arising in previous years that were recognised in the year to 30 April 2000	(4.4)	2.9	(1.5)
Gains or losses arising in previous years that were not recognised in the year to 30 April 2000	13.2	(12.4)	0.8
Gains or losses arising in the year to 30 April 2000 that were not recognised	5.1	(45.2)	(40.1)
Unrecognised gains or losses on hedges at end of year	18.3	(57.6)	(39.3)
Of which:			
Gains or losses expected to be recognised within one year	13.4	(15.9)	(2.5)
Gains or losses expected to be recognised after one year	4.9	(41.7)	(36.8)
	18.3	(57.6)	(39.3)

As explained in the finance director's review on page 5, 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.

27. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Deferred taxation	21.3	170.3	28.0	Nil
Maintenance provision	Nil	3.5	Nil	Nil
Token redemption provision	24.9	24.9	Nil	Nil
Insurance provisions	48.2	26.2	Nil	Nil
Environmental provisions	1.1	Nil	Nil	Nil
Pension provision (Note 33d)	5.3	9.2	3.3	Nil
	100.8	234.1	31.3	Nil

The maintenance provision related to contracted maintenance on leased rolling stock used by Sheffield Supertram. This maintenance is now the responsibility of a third party and no provision is required at 30 April 2000.

The token redemption provision relates to tokens issued to third parties.

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 businesses that the group has acquired where the group has a legal or constructive obligation to rectify land which has been contaminated by fuel tanks.

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

The group movement during the year was as follows:

	Deferred taxation £m	Maintenance provision £m	Token redemption provision £m	Insurance provisions £m	Environmental provisions £m	Pension provision £m
Beginning of year	170.3	3.5	24.9	26.2	Nil	9.2
Provided during year	(1.0)	Nil	Nil	30.4	0.2	3.1
Payments in the year	Nil	(0.1)	Nil	(33.3)	Nil	(1.5)
Arising on sale of tokens during year	Nil	Nil	14.8	Nil	Nil	Nil
Redemption of tokens	Nil	Nil	(14.8)	Nil	Nil	Nil
Translation differences	(0.2)	Nil	Nil	0.8	Nil	Nil
Arising on acquired subsidiaries	(12.3)	Nil	Nil	24.1	0.9	Nil
Disposed of with subsidiaries	(135.5)	(3.4)	Nil	Nil	Nil	(5.5)
End of year	21.3	Nil	24.9	48.2	1.1	5.3

Deferred taxation has been provided to the extent that the directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is probable that only part of the deferred tax liability will crystallise. Deferred taxation has been provided on overseas retained earnings except where capital expenditure and exchange control regulations mean that timing differences will probably not reverse in the near future. The company deferred taxation movement of £28 million is represented by the charge for the year.

27. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred taxation is provided as follows:

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Excess of tax allowances over book depreciation of fixed assets	28.5	157.8	2.5	Nil
Pension timing differences	5.9	5.9	5.9	Nil
Timing differences related to overseas retained earnings	10.5	11.3	10.5	Nil
Short term timing differences	(23.6)	(4.7)	9.1	Nil
	21.3	170.3	28.0	Nil

Deferred taxation on UK timing differences is now recorded at company level consistent with the centralised payment of UK tax liabilities.

The full potential amount of group deferred taxation on all timing differences was as follows:

	Group	
	2000 £m	1999 £m
Excess of tax allowances over book depreciation of fixed assets	154.2	263.3
Rolled over capital gains	2.7	2.7
Potential taxation that would arise if revalued assets were to be disposed of at their revalued amounts	Nil	19.0
Pension timing differences	5.9	5.9
Overseas timing differences	15.2	12.5
Short term timing differences	(79.8)	(5.0)
	98.2	298.4

28. EQUITY SHARE CAPITAL

	2000 £m	1999 £m
Authorised		
1,840,000,000 (1999 – 1,400,000,000) ordinary shares of 0.5p each	9.2	7.0
Allotted, called-up and fully-paid		
1,406,968,276 (1999 – 1,382,528,507) ordinary shares of 0.5p each	7.1	6.9

The movement in issued share capital comprises:

	No. of shares	Par value £m	Share premium £m
At beginning of year	1,382,528,507	6.9	391.4
Shares repurchased	(248,170,000)	(1.2)	Nil
Share issued in open and international offers	259,740,259	1.3	398.7
Shares issued in conjunction with ESOP	904,334	Nil	1.8
Shares issued on exercise of options	465,176	Nil	0.4
Shares issued to QUEST	11,500,000	0.1	Nil
Share issue costs	Nil	Nil	(12.6)
At end of year	1,406,968,276	7.1	779.7

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 a contribution of £10.5 million and a loan of £10.0 million 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. Under the provisions of FRS 5 "Reporting the Substance of Transactions", the assets and liabilities of the QUEST are recognised as assets and liabilities of the group. Since the shares have not been issued outside of the group, the only effect of the above transaction is to increase share capital by £0.1 million. 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 the year end 61,284 shares were transferred to option holders. The remaining 11,438,716 shares are held by the QUEST. At 30 April 2000 the market valuation of shares held was £7.2 million.

29. SHARE OPTION SCHEMES

(a) Savings related share option schemes

The company has two Inland Revenue approved savings related share option schemes. The schemes are based on eligible employees being granted options and then agreeing to open a sharesave account with the Nationwide Building Society and to save weekly or monthly for five years. The right to exercise the option is at the employee's discretion within six months following the end of five years.

Scheme	Date of issue	Exercise price
A	1 July 1996	66.6p
B	1 April 1998	133.8p

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

	Scheme A		Scheme B	
	Number of employees	Ordinary shares	Number of employees	Ordinary shares
Beginning of year	3,539	7,982,735	3,654	7,904,344
Options exercised	(75)	(171,285)	(49)	(163,155)
Lost due to lapsed	(307)	(663,555)	(559)	(1,120,308)
End of year	3,157	7,147,895	3,046	6,620,881

(b) Executive share options

Award Date	Number of executives and directors	At 1 May 1999	Granted	Exercised	Lapsed	At 30 April 2000	Exercise price £	Expiry date
3 April 1992	1	61,949	Nil	Nil	Nil	61,949	0.058	2 April 2002
7 August 1992	2	247,796	Nil	Nil	Nil	247,796	0.058	6 August 2002
9 September 1994	4	168,332	Nil	Nil	Nil	168,332	0.313	8 September 2004
13 October 1995	4	566,179	Nil	(89,049)	Nil	477,130	0.498	12 October 2005
11 October 1996	9	2,122,795	Nil	(199,600)	(57,746)	1,865,449	1.125	19 October 2006
8 September 1997	17	2,493,126	Nil	(86,619)	(100,428)	2,306,079	1.322	7 September 2004/07
30 April 1998	1	634,002	Nil	Nil	Nil	634,002	2.271	29 April 2005
19 October 1998	24	1,785,550	Nil	Nil	(28,890)	1,756,660	2.300	18 October 2005
1 February 1999	2	54,106	Nil	Nil	Nil	54,106	2.5875	31 January 2009
16 June 1999	1	Nil	365,998	Nil	Nil	365,998	2.1825	15 June 2006
16 June 1999	4	Nil	526,462	Nil	Nil	526,462	2.1825	15 June 2006
19 July 1999	26	Nil	858,025	Nil	Nil	858,025	2.0975	18 July 2006
1 October 1999	4	Nil	313,940	Nil	(157,840)	156,100	0.005	30 September 2006
Totals		8,133,835	2,064,425	(375,268)	(344,904)	9,478,088		

All options were granted for nil consideration. The mid-market price for these shares at 30 April 2000 was £0.630. The company's shares traded in the range £0.613 to £2.395 during the year to that date.

Following on from the international and open offer in November 1999, both the Savings related and Executive share option schemes were adjusted in terms of both the number of shares and option price. The adjustments were calculated using a formula approved by the Inland Revenue.

30. RESERVES

The following amounts are regarded as distributable or otherwise:

	2000	Group 1999 Restated	2000	Company 1999
	£m	£m	£m	£m
Distributable				
Profit and loss account (Note 12)	601.4	325.0	285.7	164.9
Non-distributable				
Share premium account	779.7	391.4	779.7	391.4
ESOP distribution reserve	1.8	2.1	1.8	2.1
Capital redemption reserve	1.2	Nil	1.2	Nil
Other reserve	Nil	Nil	460.1	460.1

Profit for the financial year comprises:

	2000 £m	1999 £m
Company	174.8	96.3
Subsidiary undertakings	(33.9)	62.4
	140.9	158.7

The movement on non-distributable reserves is as follows:

	Group and Company: Share premium £m	Group: Revaluation reserve £m	Group and Company: ESOP distribution reserve £m	Group and Company: Capital redemption reserve £m	Company: Other reserve £m
Beginning of year	391.4	5.6	2.1	Nil	460.1
Prior year adjustment (Note 11)	Nil	(5.6)	Nil	Nil	Nil
Beginning of year as restated	391.4	Nil	2.1	Nil	460.1
Arising on new share issues	400.9	Nil	Nil	Nil	Nil
Expenses on issue of shares	(12.6)	Nil	Nil	Nil	Nil
Repurchase of shares	Nil	Nil	Nil	1.2	Nil
ESOP distributed during year	Nil	Nil	(1.7)	Nil	Nil
ESOP provided during year	Nil	Nil	1.4	Nil	Nil
End of year	779.7	Nil	1.8	1.2	460.1

The ESOP distribution reserve represents the amount to be subscribed in connection with the approved profit sharing scheme (following an equivalent contribution by group companies) in respect of the issue of new shares to eligible employees.

Cumulative goodwill of £120.5 million (1999-£460.1 million) has been written off against reserves in periods prior to the adoption of FRS 10 "Goodwill on Intangible Assets".

31. MINORITY INTERESTS

The minority interest reflected in the profit and loss account for the year ended 30 April 1999 represented the interests of 5% in Kenya Bus Services, held by the municipal authority in Nairobi. During the prior year the group disposed of its 95% interest in Kenya Bus Services.

32. CONSOLIDATED CASH FLOWS**(a) Reconciliation of operating profit to net cashflow from operating activities**

	2000	1999
	£m	Restated £m
Operating profit of group companies	271.3	257.5
Depreciation	218.7	186.0
Impairment of assets at Prestwick airport	30.0	Nil
Profit on sale of tangible fixed assets	(0.7)	(0.7)
Goodwill amortisation	39.2	1.8
(Increase)/decrease in stocks	(0.8)	2.9
Increase in debtors	(20.3)	(15.2)
ESOP distribution	1.4	2.1
(Decrease)/increase in creditors	(30.0)	20.6
Increase/(decrease) in provisions	2.9	(2.7)
Net cash inflow from operating activities	511.7	452.3

(b) Reconciliation of net cashflow to movement in net debt

	2000	1999
	£m	£m
Increase in cash	496.4	160.6
Bond issues	(468.0)	Nil
Cash flow from increase/(decrease) in debt and lease financing	269.6	(27.3)
	298.0	133.3
Loans and finance leases of acquired/disposed subsidiaries	124.2	(110.1)
New HP and lease obligations	(53.3)	(95.4)
Sterling bond issue costs	(1.3)	(0.2)
Translation adjustment	(8.7)	6.8
Movement in cash collateral	(3.6)	(1.3)
Decrease/(increase) in net debt	355.3	(66.9)
Opening net debt	(904.9)	(838.0)
Closing net debt	(549.6)	(904.9)

32. CONSOLIDATED CASH FLOWS (continued)

(c) Analysis of net debt

	Opening £m	Cash flows £m	Cash collateral £m	Other non cash £m	Acquisition/ disposal £m	Exchange movement £m	Closing £m
Cash	214.0	496.4	Nil	Nil	Nil	0.9	711.3
Cash collateral	107.8	19.9	(23.5)	Nil	Nil	Nil	104.2
HP and lease obligations	(174.5)	68.2	Nil	(53.3)	28.5	1.0	(130.1)
Loan stock	(78.3)	5.0	23.5	Nil	(26.7)	(0.8)	(77.3)
Bank loans	(367.5)	200.9	Nil	Nil	(295.7)	13.0	(449.3)
Bonds	(123.7)	(468.0)	Nil	(1.3)	(92.6)	(22.8)	(708.4)
Securitised bonds	(482.7)	(28.0)	Nil	Nil	510.7	Nil	Nil
Totals	(904.9)	294.4	Nil	(54.6)	124.2	(8.7)	(549.6)

The net total of cash and cash collateral of £815.5 million is classified in the balance sheet as £816.0 million in cash at bank and in hand and £0.5 million in bank overdrafts within creditors: amounts falling due within one year.

(d) Restricted cash

Included in cash at 30 April 2000 are balances held in trust in respect of Porterbrook loan stock of £47.0 million (1999-£70.5 million), South West Trains season tickets of £29.9 million (1999-£30.0 million), South West Trains performance bond cash of £7.3 million (1999 - £7.3 million), and Coach USA Letter of Credit Collateral cash of £20.1 million (1999-£Nil).

(e) Purchase of subsidiary undertakings

	Coach USA £m	North American Bus operations £m	Total £m
Net assets			
Tangible fixed assets	362.6	16.5	379.1
Other current assets	116.2	3.5	119.7
Cash at bank	49.1	0.1	49.2
Bank loans and other debt	(515.5)	(9.4)	(524.9)
Other creditors and provisions	(105.8)	(8.2)	(114.0)
Fair Value	(93.4)	2.5	(90.9)
Goodwill	804.5	32.8	837.3
Consideration			
Cash and acquisition expenses paid in year	711.1	35.3	746.4
Other acquisition payments in year			2.6
			749.0
Deferred consideration on prior year acquisitions:			
- Citybus			17.7
- Fuller's Ferries			1.3
			768.0

Companies acquired in the year contributed £53.9 million to the group's net operating cash flows, paid £67.4 million in respect of net returns on investment and servicing of finance, received £9.2 million in respect of taxation and utilised £56.3 million for capital expenditure.

32. CONSOLIDATED CASH FLOWS (continued)**(f) Sale of businesses**

Details of net assets disposed of and the related sales proceeds are set out in Note 15.

Companies disposed of in the year contributed £292.9 million to the group's net operating cash flows, paid £36.9 million in respect of net returns on investment and servicing of finance, paid £34.8 million in respect of taxation and utilised £230.3 million for capital expenditure.

33. GUARANTEES AND OTHER FINANCIAL COMMITMENTS**(a) Guarantees**

The company is a party to bank guarantees in respect of guarantees, loans, overdrafts and other facilities provided to certain group undertakings of which £116.3 million was outstanding at 30 April 2000 (1999—£5.2 million) and provides cross-guarantees to certain subsidiary undertakings under VAT group provisions.

(b) Capital commitments

Capital commitments are as follows:

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Contracted for but not provided				
For delivery in one year	63.3	415.3	38.2	40.0
in two years	Nil	10.4	Nil	Nil
in three years and beyond	Nil	Nil	Nil	Nil
Authorised but not contracted for	14.7	21.9	Nil	3.6
	78.0	447.6	38.2	43.6

At 30 April 2000, £31.9 million of the total capital commitments relates to overseas operations (30 April 1999—£39.9 million).

(c) Operating lease and similar commitments

The annual commitments due under operating leases are as follows:

	2000 £m	1999 £m
Under one year	5.5	1.3
Between one year and five years	226.4	169.7
Five years and over	6.8	Nil

South West Trains Limited has contracts with Railtrack plc for access to the railway infrastructure (track, stations and depots) for a period of four years. South West Trains Limited also has contracts which commit it to lease rolling stock from Angel Trains Contracts Ltd, Forward Trust Leasing Ltd and Porterbrook Leasing Limited.

33. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (continued)

(d) Pension commitments

The group operates or participates in a number of defined benefit occupational pension schemes in the UK, covering the majority of employees. These schemes are devised in accordance with local employment terms and conditions, administered independently of the employers and assets are held in trust which are managed independently of the group's finances by investment managers appointed by the schemes' trustees.

The principal schemes are those operated for bus employees under the Stagecoach Group Pension Scheme ("SGPS"), or where group subsidiary undertakings are members of the Railways Pension Scheme ("RPS"), an industry-wide arrangement for employees of those companies previously owned by British Railways Board, or where group subsidiary undertakings are participating employers in schemes operated by local authorities ("LGPS") and subject to relevant local government regulations. Provision was also made for unfunded obligations for employees of Swebus.

The UK defined benefit schemes are fully funded. The employers' SSAP24 funding rate for contributions varies between 4.2% and 11.2% per annum. Contribution rates are determined by independent actuaries on the basis of triennial valuations using the projected unit method. The assumptions having the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increase in earnings and pensions. It is assumed for SSAP24 that investment returns, net of management expenses, will exceed earnings growth by an average of at least 3% per annum and that dividend growth will keep pace with inflation. Present and future pensions are assumed to increase at an average rate of 2.75% per annum.

The key details of each UK scheme are as follows:

	Latest actuarial review	Funding level %	Market value £m	Employer's cost		Balance sheet asset (net)	
				2000 £m	1999 £m	2000 £m	1999 £m
SGPS	April 1997	123	164	9.5	10.4	7.0	5.0
RPS	December 1998	125	232	0.2	1.4	Nil	Nil
LGPS	March 1998	128	169	1.7	1.6	13.6	14.3
			565	11.4	13.4	20.6	19.3

In addition to the above Swebus had a provision at 30 April 1999 for unfunded liabilities of £5.7 million. Following the disposal of Swebus, no provision is held at 30 April 2000. The Swebus employer's pension cost during the year to 30 April 2000 was £4.8 million (1999 – £5.7 million). Other overseas companies show a balance sheet asset at 30 April 2000 of £Nil (1999 – £0.5 million) – the related employer's pension cost during the year was £1.0 million (1999 – £Nil).

Unfunded pension liabilities in respect of certain UK members are included in the balance sheet amounts shown above.

A net prepayment at 30 April 2000 of £20.6 million (30 April 1999 – £12.2 million) is included in the group's consolidated balance sheet in respect of the sum of cumulative differences between contributions paid by the employers into the schemes, the charge to the profit and loss account and the employers' share of surpluses and unfunded liabilities remaining in the schemes.

33. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (continued)**(e) Contingent liabilities**

- (i) The group's contingent liability for the full potential amount of deferred taxation on all timing differences is detailed in Note 27.
- (ii) Certain of the group's properties are the subject of contractual obligations to pay a share of the open market value to the former owners but only on the occurrence of certain specified events. The periods of these contractual obligations lapse on various dates between 2000 and 2005. There are no intentions to dispose of any of these properties at 30 April 2000.
- (iii) A performance bond backed by Bank of Scotland for £21.0 million (1999 – £21.0 million) and a holding company guarantee of £20.9 million (1999 – £20.9 million) have been provided to the Director of Passenger Rail Franchising in support of the group's franchise obligations at South West Trains Limited at 30 April 2000. These contingent liabilities are not expected to crystallise.
- (iv) The Group and its joint venture have, in the normal course of business, entered into a number of long term supply contracts. The most significant of these relate to track, station and depot access facilities, together with new train lease and maintenance arrangements.
- (v) Under the Franchise Agreements, the Group and its joint venture have agreed with the Office of Passenger Rail Franchising ("OPRAF") annual amounts receivable or payable in respect of the operation of the franchises for future periods.

Under the Franchise Agreement, there is a requirement on the company to comply with a number of obligations. Failure to comply with these obligations would be a breach of the franchise.

(f) Joint venture and associates

Our share of commitments and contingent liabilities in joint venture and associates shown below are based on the latest statutory accounts of the relevant companies:

	Joint ventures £m	Associates £m	Total £m
Annual commitments under non-cancellable operating leases	47.8	0.1	47.9
Capital commitments	0.2	Nil	0.2
Franchise performance bonds	14.7	Nil	14.7
Bank guarantee	14.7	Nil	14.7
Season ticket bond	1.0	Nil	1.0
Infrastructure investment commitments	Nil	2.5	2.5

34. RELATED PARTY TRANSACTIONS

Transactions between group companies that are fully eliminated on consolidation are not disclosed as permitted by FRS 8, "Related Party Disclosures".

Transactions in which directors have had a material interest are disclosed in Note 7.

Revenue earned by Porterbrook, which ceased to be a subsidiary undertaking on 20 April 2000, to group companies and joint ventures was as follows for the year ended 30 April 2000:

Recipient:	2000 Sales £m	1999 Sales £m
South West Trains Ltd	39.0	38.5
Virgin Rail Group Limited	67.9	41.4

The above amounts relate to revenue earned in respect of asset leases and maintenance services and there were no sums due or payable at 30 April 2000 (1999 – Nil).

At 30 April 2000, the company had loan notes receivable of £10 million (1999 – £20 million) from Virgin Rail Group Limited. The company earned interest of £2.0 million (1999 – £1.1 million) on the loan notes during the year.

Keith Cochrane and Brian Cox are non-executive directors of Virgin Rail Group Limited. Fees of £23,500 were paid to the group by Virgin Rail Group Limited in this regard.

Brian Souter and Keith Cochrane are non-executive directors of Road King Infrastructure Limited. Fees of £33,000 were paid to the group by Road King Infrastructure Limited in this regard.

35. POST BALANCE SHEET EVENTS

On 15 May 2000 the group redeemed its 7.625% Sterling Eurobonds due 2007. The full costs of the redemption are reflected in the accounts as at 30 April 2000.

From 14 June 2000 to date, we have repurchased 8,456,007 ordinary shares at an average price of 62.2 pence per share.

UK BUS

BLUEBIRD
BUSWAYS
CAMBUS
CHELTENHAM &
GLOUCESTER
CUMBERLAND
DEVON
EAST KENT
EAST LONDON
EAST MIDLAND
FIFE BUSES
MANCHESTER

MIDLAND RED & OXFORD
RED AND WHITE
RIBBLE
SELKENT
SOUTH
TRANSIT
UNITED COUNTIES
WESTERN BUSES

ALSO:
NATIONAL
TRANSPORT TOKENS

COACH USA

NORTH EAST REGION
NEW ENGLAND REGION
NORTH CENTRAL REGION
SOUTH REGION
WEST REGION
CANADA
TRANSIT DIVISION
TAXI DIVISION

OVERSEAS BUS

HONG KONG CITYBUS
STAGECOACH
NEW ZEALAND/AUSTRALIA
STAGECOACH PORTUGAL

RAIL

SOUTH WEST TRAINS
ISLAND LINE
SUPERTRAM
VIRGIN RAIL (Joint venture)

PRESTWICK AIRPORT

Stagecoach also has investments in:

THETRAINLINE.COM
PREPAYMENT CARDS
LIMITED
ROAD KING
INFRASTRUCTURE

STAGECOACH HOLDINGS PLC

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