STAGECOACH GROUP

20 June 2001

2001 ANNUAL REPORT PRESS RELEASE HIGHLIGHTS

Financial highlights

- Turnover excluding discontinued operations £2,067.3 million, up 17.4%
- Profit before tax, goodwill amortisation and exceptional items £122.9 million (2000 - £244.3 million)
- Final proposed dividend 2.5p, up 4%, total for year 3.8p (2000 - 3.6p)
- Pre-tax loss £316.5 million (2000 – profit £182.3 million)
- £376 million impairment of Coach USA goodwill
- Adjusted earnings per share 7.8p (2000 - 13.4p)
- Basic loss per share 24.8p (2000 earnings - 9.4p)

Operational highlights

- Coach USA restructuring progressing to plan; revenue initiatives under way across all operations
- Record profitability in Overseas Bus
- Strong trading performance at South West Trains; preferred bidder for 20-year renewal at Britain's biggest rail franchise
- Virgin Rail post-Hatfield settlement with Railtrack
- More investment in new trains than any other UK operator
- Strong cash flow generation in UK Bus; commercial initiatives; targeted disposals
- Disposal of non-core operations

Keith Cochrane, Stagecoach Group Chief Executive, said

"Our priority this year has been to consolidate our existing operations and put in place a firm foundation for growth. We can now move forward with the confidence and knowledge that we have the management capability and financial resources to deliver on the opportunities and challenges ahead.

"Stagecoach is committed to the future of railways in Britain, and the group, through Virgin Rail and South West Trains, has now arranged financing for more new rolling stock than any other train operator."

CHAIRMAN'S STATEMENT

This year has been a period of consolidation for the Stagecoach Group. Turnover from continuing operations for the year was £2,067.3 million (2000 – £1,760.7 million) and operating profit before exceptional items and goodwill amortisation from continuing operations was £197.8 million (2000 - £209.0 million). These results include a first full year contribution from Coach USA.

While we continue to make good progress with the integration of Coach USA the business has not met the profit expectations that we envisaged at the time of our acquisition. As a result, we have recorded a write down of Coach USA goodwill of £376.0 million which has resulted in an overall reported pre tax loss for the year of £316.5 million. This write down of goodwill does not affect the Group's continued strong cash flows or financing arrangements.

Earnings per share before goodwill amortisation and exceptional items were 7.8 pence (2000 – 13.4 pence). A final dividend of 2.5 pence per share (2000 – 2.4 pence) is proposed, giving a total dividend for the year of 3.8 pence (2000 – 3.6 pence). The continued increase in the dividend reflects our confidence in the Group's future prospects and is underpinned by our continued strong cash flows.

Recent events, including the tragic accident at Hatfield, have again highlighted the importance of rail safety and the safety of all customers and employees continues to be paramount. Rail operating performance has been affected during the year by emergency engineering work carried out by Railtrack. Conditions for our customers and staff at both South West Trains and Virgin Rail Group have been difficult. While South West Trains had returned to normal operating conditions by mid-February, due to the nature of its two franchise national network, progress at Virgin Rail Group was slower and this has had an impact on its financial results in the year. However, I am pleased to report that a compensation settlement satisfactory to both Virgin Rail Group and Railtrack has now been agreed.

Stagecoach Group, along with others in the industry, remains firmly committed to rebuilding the confidence of passengers and working in partnership with government and its appointed regulators to deliver a modern, efficient and safe railway.

Achieving this aim will require significant investment and Stagecoach already has a proven investment record in both bus and rail. The Group – either directly with South West Trains or through Virgin Rail Group – has now arranged investment in more rolling stock than any other train operator. As these new trains come into service all parties in the railway industry will require to work together to improve the quality of service to our customers.

We were, of course, delighted to be awarded preferred bidder status for a new 20-year franchise at South West Trains and are currently working with the Strategic Rail Authority and Railtrack to finalise a new franchise agreement that will allow us to begin introducing exciting improvements to the South West Trains network. In partnership with Siemens and Angel Trains we have already placed new rolling stock orders worth in excess of £1 billion for the new franchise for delivery from Autumn 2002 onwards. This investment will eliminate all slam door trains by the end of 2004.

Dr Janet Morgan joined the Board as an independent non-executive during the year and I am delighted that we will be benefiting from her knowledge and experience. Barry Sealey, our senior independent non-executive director, has expressed a desire to retire and has therefore decided not to seek re-election at the AGM in August. I would like to put on record my personal thanks to Barry for the outstanding contribution he has made to the Group over the last nine years. We wish him an enjoyable and well earned retirement. Robert Speirs will replace Barry as the senior independent non-executive and we intend to appoint another independent non-executive director in due course.

Frank Gallagher has indicated his intention to retire from his duties as CEO of Coach USA and his main Board responsibilities at the forthcoming AGM but I am pleased that we will continue to benefit from Frank's knowledge and experience as non-executive chairman of Coach USA. I would like to thank him for his contribution to the Stagecoach Board over the last 16 months. A new CEO for Coach USA will be appointed in early course. Keith Cochrane will continue to drive forward the ongoing business changes.

The last 18 months have been a challenging and often difficult period for our Group. However, our businesses continue to be underpinned by strong cash flows and a significant proportion of our revenues have displayed good organic growth. Our Taxi division at Coach USA and our Asia-Pacific businesses are notable examples of this. We remain focused on our core bus and rail businesses in our selected geographic markets and will continue to explore ways of generating further value for shareholders by reviewing the overall mix of our portfolio with a clear objective to maximise our return on capital employed. Trading performance to date at Coach USA has been disappointing for all of us but we remain firmly of the view that North America still provides significant growth opportunity for the Group in the longer term.

The new South West Trains franchise is a very exciting development for us and we are also working closely with our partners at Virgin to restore train performance and reliability and this is progressing well, aided by the introduction of new trains on the Cross Country network.

Our people around the world are, and always will be, our greatest assets and their commitment and support remains invaluable. We will continue to give our staff the leadership, tools and confidence to serve our customers well.

I believe we are well placed to meet the opportunities and challenges of the current financial year.

Brian Souter
Chairman

CHIEF EXECUTIVE'S REVIEW

During the last financial year, my priority has been to consolidate our existing operations and put in place a firm foundation for growth. The strategy remains firmly focused on our core bus and rail businesses in the United Kingdom, North America and the Asia-Pacific region. The successful disposal of our non-core interests in Glasgow Prestwick International Airport and Portugal were consistent with this strategy.

Coach USA

My primary focus during the year has been the continued restructuring of Coach USA. While the overall trading performance during the year has continued to be below expectations, in the second half we have seen some improvement in underlying cost and revenue trends. I am also encouraged by the progress that has been made in a number of areas across the business. Our taxi and transit divisions have performed well, our scheduled line run businesses have continued to achieve good organic growth and each of the acquisitions completed in the last 18 months has performed strongly.

Turnover for the year to 30 April 2001 was £686.4 million (2000 - £424.9 million for 9 months), generating operating profits of £67.1 million (2000 - £60.1 million) and giving an operating margin of 9.8%. Like for like revenue growth in the second half of the year was 3%. Revenue growth for the year as a whole was constrained in summer 2000, partly as a result of acute driver shortages in some areas over the peak summer period. As we enter the 2001/2002 peak period, it is notable that the level of driver shortages has reduced significantly. This is as a result of the slow-down in the US economy and our focus on driver recruitment and people management training.

Our priority has been to increase our return on capital through improved fleet utilisation and increased operational efficiency. We have rolled out our restructuring programme across all regions and we have also concentrated on the individual under-performing business units in our portfolio which represent in total some 25% of revenues yet only contribute 1% of operating profits. We have reallocated or retired over 400 vehicles across the business and a number of operating units have been targeted for sale or closure. Clear action plans have been identified for all under-performing units and the implementation of these is progressing. We are also now seeing the benefits of scale emerging from the restructuring programme, particularly savings in the North East region where significant cost reductions have been achieved in procurement costs.

I have now implemented significant management changes at Corporate, Regional and Company level. We have been successful in attracting a number of experienced and knowledgable managers from both inside and outside the motorcoach industry in North America. We have also appointed some of our most experienced UK Bus managers to key positions at Coach USA. Frank Gallagher has indicated his desire to retire as an executive at the forthcoming AGM and we are at an advanced stage in the search for a new CEO for Coach USA.

Improved performance at Coach USA is not just about cost reductions but also delivery of revenue growth. Key initiatives in the last year include the recent launch of a new sightseeing product in New York City that will see the introduction of 40 new double deckers. The response to the launch has been very positive and we are optimistic for the future. A similar initiative has been launched in Chicago and we plan to roll out this product to other major cities in North America in the next 12 months. In Anaheim, California, we have been working closely with the City Council to provide a new comprehensive bus service network to support the new and enlarged Disneyland theme park that opened earlier this year. Our transit division continues to win new contracts and has achieved year on year revenue growth of over 10%. We are encouraged that, despite heavy competition, Coach USA continues to win and retain contracts on sound commercial terms. Our taxi division continues to see strong revenue growth and good profitability and has achieved positive results from the introduction of wheelchair accessible cars in a number of markets.

We have made a small number of acquisitions in the current year, most of which have been in the taxi division, and all of these acquisitions have outperformed our original expectations. There remains a significant number of acquisition opportunities in the highly fragmented North American market but we will continue with our strategy of only making selective acquisitions that meet our rigid financial and non financial investment criteria and that are able to be integrated easily within our existing management structure.

UK Bus

Our UK bus division continues to operate in a challenging labour environment but remains very well positioned to support and take advantage of the Government's 10 year transport plan which I believe offers a number of exciting opportunities to re-invigorate the UK Bus market. We intend to play a leading part in meeting the Government's objective of at least a 10% increase in passenger volumes over the period to 2009.

Excluding those business units that were impacted by industrial action during the year, we estimate that passenger volumes increased by around 1%. We have experienced strong passenger growth within particular regions during the year, notably in London, Manchester, Cambridge, Oxford and Cheltenham. For UK Bus as a whole, the effects of industrial action and declining passenger levels in rural areas have however resulted in a small overall decline in passenger numbers.

Overall, UK Bus turnover increased 3.9% to £547.6 million (2000 - £527.0 million). Operating profit before exceptional items was £73.4 million (2000 - £80.8 million), representing a reduction in operating margin from 15.3% to 13.4%. In addition, exceptional costs of £1.5 million (2000 - £Nil) have been charged in respect of necessary environmental work required at our UK bus depots following a change in legislation.

The industrial action during the year combined with cost increases ahead of inflation have put pressure on our operating margins. Our strategy is to target investment and deployment of our operating assets in those parts of the business where we can maximise shareholder value. Management focus is on achieving revenue growth and a number of commercial initiatives are underway to support this strategy with an emphasis on the development of core routes. There remain many opportunities for obtaining organic growth and each UK Bus operating company has identified its core routes and has developed a clear strategy for further developing these routes. A programme of implementation for these strategies has already commenced.

We have already redeployed a number of vehicles to parts of the network where we believe we can generate additional organic growth. As part of this strategy we also disposed of 4 depots in the North West of England and we are continuing to review the portfolio mix to ensure that we achieve the best use of capital.

In London we have been encouraged by the progress made by Transport for London, with a renewed emphasis on quality rather than price in evaluating tenders. We anticipate growth in the London bus market as a result of the initiatives being introduced by Transport for London. Our two London companies are ranked highly for punctuality and reliability and we are therefore well positioned to benefit from the many opportunities in this market. Of our 18 contracts that were re-tendered during the year we retained 14, all at improved operating margins. We also won a further 4 new contracts.

Our growth strategy is being supported by the introduction of smartcard technology through Prepayment Cards Limited, in which we are a shareholder. Our first Smartcard project is due to be implemented in Manchester later this year.

Overseas Bus

Our Overseas Bus division encompasses our operations in Hong Kong, New Zealand, Australia and Portugal. Turnover for the year was £195.4 million, £18.6 million higher than the prior year excluding Swebus, which was disposed of during the previous year. On the same basis operating profits generated were £35.8 million compared to £29.1 million, resulting in operating margins increasing to 18.3% compared to 16.5% last year.

Our Citybus operation in Hong Kong has again outperformed the expectations set at the time of our acquisition in 1999 and continues to show strong organic revenue growth and margin improvement with the full benefit of our restructuring programme being realised in the current year. I am also pleased to report that we have been advised by the Hong Kong SAR Government that there are no plans to carry out a mid-term franchise review at this stage and they have encouraged us to seek a renewal of our franchised operations over the coming months.

Our operations in New Zealand have seen good revenue growth and are still achieving acceptable operating margins helped by a fares increase and further passenger volume growth in Auckland. Our New Zealand operations have now achieved their eighth year of passenger volume growth. As a leading bus operator in New Zealand we are greatly encouraged by the New Zealand Government’s funding support for public transport and we are working with the regional councils on a number of specific initiatives to further increase the use of public transport.

The Group announced on 18 June 2001 the disposal of its Portuguese bus operations. Portugal has been a good market for the Group over several years but the scale of the operation and its geographic location was no longer consistent with Group strategy and we felt that the price offered represented good value for our shareholders.

UK Rail

Our UK Rail division remains totally committed to providing a safe operating environment for passengers and employees alike. We continually review our safety standards and processes throughout all of our operations and regularly conduct extensive internal and external safety audits.

Operating performance at South West Trains and Virgin Rail Group was significantly affected by the extensive disruption to the national rail network following the imposition of emergency and temporary speed restrictions by Railtrack after the accident at Hatfield. Great credit goes to the management and staff at both businesses for their sterling efforts in trying to provide the best possible service in very difficult operating conditions. I would also like to acknowledge the continued support of our passengers.

However, I am pleased to report that at South West Trains, train operating conditions have improved and the rate of growth in passenger volumes is now returning to the levels being achieved before the disruption occurred. Despite the operating difficulties, continued passenger volume growth has underpinned strong revenue growth and we are able to report operating profits ahead of last year. Turnover for our UK Rail subsidiaries increased 7.3% from £376.4 million to £403.7 million, and operating profits grew from £39.3 million to £45.6 million.

The underlying performance of South West Trains reinforces our view that the demand for rail travel to and from London will continue to grow in the years ahead. Innovative solutions to service this growing demand formed a key part of our bid for a new 20-year franchise for South West Trains and we were extremely pleased to be selected as preferred bidder for the new franchise by the Strategic Rail Authority. The basis of our bid is a substantial investment package of incremental improvements to increase capacity to match this growing demand with increased capacity at Waterloo station a key priority. Our challenge and priority is to deliver passenger benefits as early as possible but with minimum disruption to the service that we provide and no compromises on safety. We have already taken an important first step with a £1 billion order for new rolling stock. We are now working with the Strategic Rail Authority and Railtrack to finalise the new franchise agreement as well as adding to our strong rail management team to meet the challenges ahead.

Like all the other major inter-city train companies, operating performance of the Virgin Rail Group franchises of West Coast and Cross Country was significantly affected. The effect on passenger numbers and related revenues has had an impact on the financial performance of Virgin Rail Group during the year. As a result, we have had to bear our share of operating losses for the year ended 30 April 2001. However, a satisfactory agreement regarding compensation for the disruption has now been reached with Railtrack.

This share of operating losses of Virgin Rail Group's train operations amounted to £2.8 million, compared to a £14.0 million share of operating profits last year. Our share of turnover has fallen from £255.6 million to £234.2 million. In addition, goodwill amortisation of £8.0 million (2000 - £8.0 million) and exceptional costs of £0.7 million (2000 - £Nil) have been charged.

The inter-city rail network has still not fully returned to normal and while we are encouraged that passengers are returning to the railway it is still too early to fully evaluate what the long-term impact of Hatfield might be. The success of the Virgin Rail Group franchises is dependent on long term passenger volume growth arising from major new investment in trains and infrastructure. The first steps in meeting this challenge have now been achieved with the introduction of new trains on the Cross Country franchise in May 2001. On West Coast, the first Pendolino tilting train is now on test and management is committed to delivering better service to passengers. Virgin Rail Group is working closely with Railtrack on the necessary infrastructure improvements and we are confident that they will honour their contractual obligations.

thetrainline.com, Virgin Rail Group's national rail ticket distribution company was also impacted by the rail disruption during the year. Our share of operating losses of thetrainline.com was £5.7 million, compared to £1.4 million last year. In addition, our share of marketing costs was £4.0 million (£6.2 million last year). Virgin and Stagecoach have continued to support the business during this difficult trading period because we believe that the ticketing solutions provided by thetrainline.com are an integral part of providing a modern and efficient rail network. The business continues to benefit from technical support from Cap Gemini – Ernst and Young who have made significant investment to support the business and I am pleased to report that a revised contractual framework necessary to underpin the future profitable development of the business in the short to medium term has been agreed.

Road King Infrastructure

Road King Infrastructure continued its strong performance during the year with our share of operating profits for its financial year to 31 December 2000 being £13.8 million compared to £15.2 million last year. After excluding gains on the disposal of toll roads of £3.7 million in the previous year, this represents an increase of £2.3 million. Total traffic volume on the company's road projects reached 98 million vehicles, 8.4% higher than the previous year. Growth on a like for like basis was 13.4%, after excluding the disposed interest in the Meiguan Expressway in the prior year.

The core activity of the company continues to be investment in, together with development and management of, toll-based highway projects in mainland China.

Summary and outlook

There are many opportunities in each of our markets and I believe that the outlook for the Group is positive. Nevertheless, there are undoubtedly a number of challenges facing our management teams. The overall trading performance at Coach USA since our acquisition has clearly been disappointing. The reported operating results, while below expectations, are the base from which we must now move forward to improve margins to a satisfactory level. While the economic environment in the USA remains uncertain, I have outlined a number of our ongoing initiatives across the business and I am confident that we will see benefits from this effort in the current year. I believe that we can now move forward in the expectation that sustainable profit improvement and revenue growth can be realised. Bolt on acquisitions will continue to be made at Coach USA where these complement our operating strategy.

The award of a preferred bidder status for a new 20-year rail franchise at South West Trains provides the Group with a leading role in the UK rail industry with all of the opportunities that this can bring. The Group has been shortlisted for the Thameslink franchise renewal and will actively bid for the new Wessex franchise where we believe we are well placed to take advantage of economies of scale with the South West Trains franchise. The management of Virgin Rail Group will be working hard in the coming months to fully recover from the effects of Hatfield. With new trains already being introduced we remain confident about the future and would anticipate that Virgin Rail Group will be profitable in the current financial year. We believe that together with Virgin and Bechtel, we have put forward a strong bid for the new 20-year East Coast Mainline Franchise and eagerly await a decision from the Strategic Rail Authority.

We now move forward with the confidence and knowledge that we have the management capability and financial resources to deliver on the opportunities and challenges ahead.

Keith Cochrane
Group Chief Executive

FINANCE DIRECTOR'S REVIEW

Overall

The financial results for the year ending 30 April 2001 continue to demonstrate the underlying cash flow generation of the Group. The financial statements reflect the first full-year results following the acquisition of Coach USA in July 1999 and the disposals of Swebus in January 2000 and Porterbrook in April 2000. These transactions substantially changed the shape of the Group and the financial results reflect this.

Turnover for the year was £2,083.5 million (2000 - £2,179.1 million). Excluding discontinued operations (principally Swebus and Porterbrook), this represents a growth in turnover of 17.4%. Earnings before interest, tax, depreciation and goodwill charges ("EBITDA") were £313.5 million for the year, £310.1 million before exceptional items. Pre-tax profits before goodwill amortisation and exceptional items were £122.9 million (2000 - £244.3 million), a decrease of 49.7%. As a result of the impairment of Coach USA goodwill, we reported a pre-tax loss of £316.5 million (2000 – profit of £182.3 million) after goodwill amortisation and exceptional items.

Adjusted earnings per share before taking account of goodwill amortisation and exceptional items fell from 13.4 pence to 7.8 pence, following the disposals of Porterbrook and Swebus.

The reported results are significantly affected by the substantial charge for goodwill impairment in respect of Coach USA. The charge reflects our view that the future profitability of Coach USA is below that expected at the time that we acquired the business. This charge, which does not affect the Group's strong reported cash flows, will result in reduced goodwill amortisation being charged to the profit and loss account in future years.

Trading results

Operating profit before goodwill and exceptional items from continuing group operations increased by 6.5% to £193.0 million (2000 - £181.2 million). Total Group operating losses, after taking account of exceptional items and goodwill, were £250.1 million (2000 – profit of £199.7 million). Total depreciation decreased from £218.7 million to £111.2 million, whilst that element of the charge relating to continuing businesses increased from £95.1 million to £110.2 million, reflecting the continued capital investment and the full year impact of acquisitions during the current and prior years. Restructuring costs of £7.8 million (2000 - £6.5 million) have been charged against operating profits and include £2.4 million at UK Bus and head office, £0.2 million at South West Trains, £1.2 million in Overseas Bus and £4.0 million at Coach USA. Exceptional accelerated goodwill amortisation of £376.0 million has been charged in respect of the carrying value of goodwill at Coach USA. The annual goodwill amortisation charge was £66.8 million compared to £47.4 million in 2000. The results also include net property gains of £2.8 million (2000 - £2.4 million).

Our share of joint venture and associates' operating profits (excluding all costs associated with thetrainline.com, goodwill and exceptional items) was impacted by the significant disruption to the UK Rail network during the year. Our share of profits was £10.5 million compared to profits of £29.2 million in the prior year. Our share of thetrainline.com total operating losses was £9.7 million (2000 - £7.6 million), including exceptional marketing and development costs of £4.0 million (2000 - £6.2 million). No further exceptional marketing and development costs will be incurred – any future spend on marketing will be part of the normal operations of the business.

Finance charges
Net interest and financing charges decreased from £144.6 million to £76.0 million. This reflected the impact of the reduction in net debt arising from the disposals of Porterbrook and Swebus. The effective interest rate payable on gross debt for the year was 7.6% compared to 7.1% in 2000. Interest cover (excluding goodwill and exceptional items) was 2.6 times compared to 3.0 times in 2000. EBITDA (earnings before, interest, tax, depreciation, amortisation and exceptional items) to interest was 4.1 times compared to 4.7 times in 2000.

Acquisitions
During the year the Group has completed a number of smaller acquisitions of businesses that are complementary to and integrate with our existing businesses in North America. In total, Coach USA acquired 15 additional businesses during the year, with annualised revenues of approximately £43.6 million, for a total enterprise value of £68.2 million, including net debt assumed. These acquisitions contributed £4.8 million to operating profit in the year.

Disposals
The disposal of Prestwick Airport took place on 20 January 2001 for a cash consideration of £33.4 million including the repayment of intercompany debt of £7.3 million. The disposal resulted in a net gain on sale of £6.8 million being reported in the year. Operating profits of £1.1 million were reported in respect of Prestwick Airport in the year up to the date of disposal.

Part of our UK bus business in North West England was disposed of on 15 April 2001 for a consideration of £12.8 million. A gain of under £0.1 million arose on the disposal.

As a result of these disposals, goodwill of £2.5 million that was previously written off prior to the introduction of FRS 10, "Goodwill and Intangible Assets", has been written back from reserves to the profit and loss account during the year.

Taxation
Before taking account of the gain on the disposal of Prestwick Airport and the exceptional goodwill write-off, profit before tax for the year was £52.7 million. The tax charge of £15.8 million represents an effective rate of 30.0% on this profit compared to 22.7% in 2000. The Prestwick Airport gain and goodwill write-off have no tax impact.

The increase in the effective tax rate in the year is principally due to the removal of tax allowances previously enjoyed by Porterbrook from recurring investment in new rolling stock and the increase in the proportion of non tax-deductible goodwill amortisation relative to net profits.

We will implement FRS 19, “Deferred Tax” for the year ending 30 April 2002, which requires provision to be made for all timing differences irrespective of whether these are expected to reverse or not. While this does not impact cash tax payable, it will result in an increase in our reported effective tax rate.

Earnings and dividends

Earnings per share before goodwill amortisation and exceptional items was 7.8 pence, a decrease of 41.8% compared to 2000. Basic loss per share (taking account of all exceptional items and goodwill amortisation) was 24.8 pence, compared to last year’s earnings of 9.4 pence. The weighted average number of shares in issue during the year was 1,341.7 million, 11% lower than last year principally reflecting 339.2 million shares repurchased since the commencement of the share repurchase programme in April 2000. Under the share repurchase general authorities granted at the 1999 Annual General Meeting and the Extraordinary General meetings in April and June 2000, 248.1 million shares were repurchased prior to 30 April 2000 at an average price of 65 pence. During the year to April 2001, a further 91.1 million shares were repurchased at an average price of 68 pence. Shares in issue at the year-end were 1,318.7 million.

The Group has authority to repurchase a further 92.2 million shares. This authority expires at the 2001 AGM and we will seek to renew the general authority to repurchase up to 10% of the issued share capital at the 2001 Annual General Meeting.

The total proposed dividend for the year is 3.8 pence, an increase of 5.6% on last year’s total dividend of 3.6 pence. This represents dividend cover (before goodwill amortisation and exceptional items) of 2.1 times compared to 3.7 times in 2000.

The final dividend will be paid on 10 October 2001 to shareholders on the register on 7 September 2001. For those shareholders who wish to take dividend payments in the form of shares, this can be achieved through the Dividend Reinvestment Plan.

Cash flows

Cash generation across the Group remained strong with free cash flows amounting to £228.1 million. This compares to £283.9 million last year, which included Porterbrook and Swebus. Free cash flow per share declined by 1.9 pence to 17.0 pence.

At 30 April 2001 total cash balances were £160.0 million, a decrease of £655.5 million from 30 April 2000. This decrease resulted from £178.8 million of share repurchases, £574.6 million being used to repay debt, including the redemption of the 2007 Sterling bond and reduction of term and revolving credit facilities. The

Group remains in a net borrowing position and surplus cash balances are used to repay debt where possible.

Capital Expenditure
Capital Expenditure by division is summarised as follows:

			2001 £m	2000 £m
UK Bus			56.8	66.8
Coach USA			73.5	56.3
Overseas Bus			6.2	7.5
UK Rail			3.2	3.4
Discontinued	- Porterbrook	- maintenance	Nil	139.4
		- capital	Nil	63.6
	- Swebus		Nil	27.3
	- Prestwick Airport		2.1	5.4
Other			Nil	7.0
Total			141.8	376.7

In the UK Bus division, 427 new buses and coaches were purchased at a total cost of £39.8 million, compared to £51.3 million in 2000. 201 of these new buses were purchased in respect of our London operations. At the year end capital commitments in respect of new vehicles for the UK Bus division were £39.4 million. Coach USA purchased some 422 new vehicles for £55.4 million and capital commitments at 30 April 2001 amount to £7.0 million.

We have also invested £36.9 million in land and buildings, and continue to invest in technology-driven solutions to fully develop the potential of our businesses.

Proceeds from asset disposals in the year were £10.1 million.

Our commitments in respect of railway rolling stock will be funded through operating leases and will not involve any initial capital spend.

Liquidity and funding
Total net borrowings at 30 April 2001 increased by 43% to £785.7 million compared to £549.6 million as at 30 April 2000.

Book gearing was 78% at 30 April 2001 compared to 40% at 30 April 2000. The increase in gearing has largely arisen due to the fall in net assets resulting from the accelerated amortisation of goodwill in relation to Coach USA, and the repurchases of shares.

Commodity price risk
The Group policy is to establish floating and fixed priced levels that the Group considers acceptable and to enter into physical supply or derivative agreements where necessary to achieve these levels. During the year 100% of the Group's fuel usage was hedged at a fixed price. We have fixed approximately 70% of the Group's estimated fuel usage to 30 April 2002. 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 fuel price for the next year will be higher than in the year ended 30 April 2001.

Balance sheet
Net assets have decreased by 27.5% from £1,391.2 million to £1,008.9 million reflecting the impact of the impairment of goodwill at Coach USA, and the share repurchases of £62.0 million. During the year net foreign exchange gains of £55.7 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
The Group announced on 18 June 2001 the disposal of its Portuguese bus operations for a consideration of approximately £11 million plus the repayment of intercompany debt of approximately £3 million. In addition, the purchaser will assume debt in relation to the business of £2.9 million and future bus expenditure commitments of £1.8 million. Completion is expected to occur over the next few weeks, and will result in a net gain on disposal of approximately £6 million.

Martin Griffiths
Group Finance Director

Consolidated Profit and Loss Account

		Unaudited Year to 30 April 2001			Audited Year to 30 April 2000		
		Performance Pre goodwill and exceptionals	Goodwill and exceptional items	**Results for the year**	Performance Pre goodwill and exceptionals	Goodwill and exceptional items	**Results for the year**
	Notes	£m	£m	**£m**	£m	£m	**£m**
Turnover: Group and share of joint ventures	1	2,083.5	Nil	**2,083.5**	2,179.1	Nil	**2,179.1**
Less: Share of joint ventures turnover	1	(234.2)	Nil	**(234.2)**	(255.6)	Nil	**(255.6)**
Group turnover	1	1,849.3	Nil	**1,849.3**	1,923.5	Nil	**1,923.5**
Continuing group operations	1	1,833.1	Nil	**1,833.1**	1,505.1	Nil	**1,505.1**
Discontinued operations	1	16.2	Nil	**16.2**	418.4	Nil	**418.4**
		1,849.3	Nil	**1,849.3**	1,923.5	Nil	**1,923.5**
Operating costs (excluding asset impairment)		(1,729.3)	(59.7)	**(1,789.0)**	(1,670.8)	(39.2)	**(1,710.0)**
Impairment of assets of group companies		Nil	(376.0)	**(376.0)**	Nil	(30.0)	**(30.0)**
Other operating income	2	95.2	Nil	**95.2**	109.5	Nil	**109.5**
Group overheads		(21.1)	Nil	**(21.1)**	(21.7)	Nil	**(21.7)**
Operating (loss)/profit of group companies	1	194.1	(435.7)	**(241.6)**	340.5	(69.2)	**271.3**
Share of operating (loss)/profit of joint ventures		(8.8)	(4.7)	**(13.5)**	12.6	(6.2)	**6.4**
Goodwill amortised on joint ventures		Nil	(8.3)	**(8.3)**	Nil	(8.0)	**(8.0)**
Share of operating profit from interest in associates		13.6	Nil	**13.6**	15.2	Nil	**15.2**
Impairment of investment in associates		Nil	Nil	**Nil**	Nil	(85.0)	**(85.0)**
Goodwill amortised on associates		Nil	(0.3)	**(0.3)**	Nil	(0.2)	**(0.2)**
Total operating (loss)/profit: group and share of joint ventures and associates	1	198.9	(449.0)	**(250.1)**	368.3	(168.6)	**199.7**
Represented by:							
Continuing group operations		193.0	(435.7)	**(242.7)**	181.2	(39.2)	**142.0**
Joint ventures and associates		4.8	(13.3)	**(8.5)**	27.8	(99.4)	**(71.6)**
		197.8	(449.0)	**(251.2)**	209.0	(138.6)	**70.4**
Discontinued operations		1.1	Nil	**1.1**	159.3	(30.0)	**129.3**
Total operating (loss)/profit: group and share of joint ventures and associates		198.9	(449.0)	**(250.1)**	368.3	(168.6)	**199.7**
Profit on sale of properties – continuing operations		Nil	2.8	**2.8**	Nil	2.4	**2.4**
Profit on disposal of Porterbrook		Nil	Nil	**Nil**	Nil	135.5	**135.5**
Profit on disposal of Prestwick Airport	9(b)	Nil	6.8	**6.8**	Nil	Nil	**Nil**
Loss on disposal of overseas operations		Nil	Nil	**Nil**	Nil	(10.7)	**(10.7)**
(Loss)/profit on ordinary activities before interest and taxation		198.9	(439.4)	**(240.5)**	368.3	(41.4)	**326.9**
Finance charges (net)		(76.0)	Nil	**(76.0)**	(124.0)	(20.6)	**(144.6)**
(Loss)/profit on ordinary activities before taxation		122.9	(439.4)	**(316.5)**	244.3	(62.0)	**182.3**
Taxation on (loss)/profit on ordinary activities	5	(18.6)	2.8	**(15.8)**	(42.5)	1.1	**(41.4)**
(Loss)/profit on ordinary activities after taxation		104.3	(436.6)	**(332.3)**	201.8	(60.9)	**140.9**
Dividends	11	(49.3)	Nil	**(49.3)**	(54.0)	Nil	**(54.0)**
Retained (loss)/profit for the year		55.0	(436.6)	**(381.6)**	147.8	(60.9)	**86.9**
(Loss)/earnings per share:							
- Adjusted/Basic	3	7.8p		**(24.8)p**	13.4p		**9.4p**
- Diluted	3	7.8p		**(24.8)p**	13.3p		**9.3p**

Consolidated Balance Sheet

	Notes	Unaudited As at 30 April 2001 £m	Audited As at 30 April 2000 £m
Fixed Assets			
Intangible assets		692.9	953.0
Tangible assets		1,157.1	1,127.7
Investments			
- Investment in joint ventures:			
Goodwill		89.0	96.2
Share of gross assets		101.6	106.3
Share of gross liabilities		(83.4)	(74.4)
Shareholder loan notes		10.0	10.0
		117.2	138.1
- Investment in associates		70.2	59.1
- Other investments		3.1	2.7
		2,040.5	2,280.6
Current Assets			
Stocks		48.4	37.4
Debtors and prepaid charges - due within one year		205.0	199.0
- due after more than one year		34.7	34.4
Cash at bank and in hand		160.4	816.0
		448.5	1,086.8
Creditors: amounts falling due within one year		(557.6)	(836.0)
Net current (liabilities)/assets		(109.1)	250.8
Total assets less current liabilities		1,931.4	2,531.4
Creditors: amounts falling due after more than one year		(816.8)	(1,039.4)
Provisions for liabilities and charges		(105.7)	(100.8)
Net Assets		1,008.9	1,391.2
Capital and reserves			
Equity share capital		6.6	7.1
Share premium account		781.5	779.7
Profit and loss account		217.3	601.4
ESOP distribution reserve		1.8	1.8
Capital redemption reserve		1.7	1.2
Shareholders' Funds – Equity	6	1,008.9	1,391.2

Consolidated Statement of Total Recognised Gains and Losses

	Unaudited Year to 30 April 2001	Audited Year to 30 April 2000
	£m	£m
(Loss)/profit for the financial year	(332.3)	140.9
Translation differences on foreign currency net investments	55.7	13.5
UK tax effect of translation differences on foreign currency net investments	Nil	(1.4)
Share of other recognised gains and losses of associates	1.3	Nil
Total recognised gains and losses relating to the year	(275.3)	153.0

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

Consolidated Cash Flow Statement

	Notes	Unaudited Year to 30 April 2001 £m	Audited Year to 30 April 2000 £m
Net Cash Inflow from Operating Activities	7	306.4	511.7
Dividends from Joint Ventures and Associates		6.1	6.7
Returns on Investments and Servicing of Finance			
Interest paid		(82.2)	(138.3)
Interest element of HP and lease finance		(8.9)	(9.6)
Interest received		14.9	26.9
Net Cash Outflow from Returns on Investments and Servicing of Finance		(76.2)	(121.0)
Taxation		(8.2)	(49.9)
Capital Expenditure and Financial Investment			
Purchase of tangible fixed assets		(93.7)	(258.6)
Maintenance capital expenditure		Nil	(63.6)
Sale of tangible fixed assets		10.1	17.4
Net Cash Outflow for Capital Expenditure and Financial Investment		(83.6)	(304.8)
Acquisitions and Disposals			
Acquisition of subsidiaries	9	(38.7)	(768.0)
Net cash acquired with subsidiaries	9	0.8	49.2
Purchase of goodwill		(0.1)	(0.8)
Purchase of investment in joint venture and associates		(2.5)	(9.8)
Repayment of shareholder loan		Nil	10.0
Purchase of other investments		(1.2)	Nil
Cash of disposed subsidiaries	9	(0.2)	(196.1)
Disposal of subsidiaries and other businesses	9	37.6	872.2
Disposal of other investments		2.9	Nil
Net Cash Outflow from Acquisitions and Disposals		(1.4)	(43.3)
Equity Dividends Paid		(50.2)	(47.4)
Net Cash Inflow/(Outflow) before management of liquid resources and financing		92.9	(48.0)
Financing			
Sale of tokens		16.0	14.5
Redemption of tokens		(14.6)	(14.6)
Issue of share capital for cash		0.3	400.4
Costs of issuing new shares		Nil	(12.6)
Repurchase of own shares		(178.8)	(45.3)
Cost of Bond redemption		(15.4)	Nil
Decrease in collateral balances		23.5	3.6
Repayment of loan notes		(33.6)	(28.5)
(Decrease)/Increase in borrowings		(471.6)	295.1
Repayments of hire purchase and lease finance		(54.0)	(68.2)
Net Cash (Outflow)/Inflow from Financing		(728.2)	544.4
(Decrease)/Increase in Cash during the Year		(635.3)	496.4
Free cash flow		228.1	283.9
Free cash flow per share		17.0p	18.9p

Notes to the Preliminary Statement

1 Segmental Analysis

Turnover

	Unaudited Year to 30 April 2001 £m	**Audited Year to 30 April 2000 £m**
Continuing operations		
UK bus	547.6	527.0
Overseas bus	195.4	176.8
Acquisitions – 1999/2000:		
Coach USA	686.4	424.9
Total bus continuing operations	1,429.4	1,128.7
Rail	403.7	376.4
Total continuing operations	1,833.1	1,505.1
Discontinued operations		
Prestwick Airport	16.2	23.1
Swebus	Nil	159.3
Porterbrook	Nil	275.0
	16.2	457.4
Elimination of inter-segment turnover	Nil	(39.0)
Group turnover	1,849.3	1,923.5
Share of joint ventures turnover	234.2	255.6
Group turnover and share of joint ventures turnover	2,083.5	2,179.1

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

1 Segmental Analysis (continued)

Operating (loss)/profit

	Unaudited Year to 30 April 2001			**Audited Year to 30 April 2000**		
	Performance Pre goodwill and exceptionals	Goodwill and Exceptional items	**Results for the year**	Performance Pre goodwill and exceptionals	Goodwill and exceptional items	**Results for the year**
	£m	£m	**£m**	£m	£m	**£m**
Continuing operations						
UK bus	73.4	(1.5)	**71.9**	80.8	Nil	**80.8**
Overseas bus	35.8	Nil	**35.8**	29.1	Nil	**29.1**
Acquisitions – 1999/2000:						
Coach USA	67.1	Nil	**67.1**	60.1	Nil	**60.1**
Total bus continuing operations	176.3	(1.5)	**174.8**	170.0	Nil	**170.0**
Rail	45.6	Nil	**45.6**	39.3	Nil	**39.3**
Total continuing operations	221.9	(1.5)	**220.4**	209.3	Nil	**209.3**
Discontinued operations						
Swebus	Nil	Nil	**Nil**	6.7	Nil	**6.7**
Porterbrook	Nil	Nil	**Nil**	150.4	Nil	**150.4**
Prestwick airport	1.1	Nil	**1.1**	2.3	Nil	**2.3**
Prestwick airport – impairment of assets	Nil	Nil	**Nil**	Nil	(30.0)	**(30.0)**
	1.1	Nil	**1.1**	159.4	(30.0)	**129.4**
Group overheads	(21.1)	Nil	**(21.1)**	(21.7)	Nil	**(21.7)**
Goodwill impairment	Nil	(376.0)	**(376.0)**	Nil	Nil	**Nil**
Annual goodwill amortisation	Nil	(58.2)	**(58.2)**	Nil	(39.2)	**(39.2)**
Redundancy/restructuring costs						
- 1999/2000 acquisitions	(4.0)	Nil	**(4.0)**	(0.8)	Nil	**(0.8)**
- Other continuing operations	(3.8)	Nil	**(3.8)**	(5.6)	Nil	**(5.6)**
- Discontinued	Nil	Nil	**Nil**	(0.1)	Nil	**(0.1)**
Total operating (loss)/profit of group companies	194.1	(435.7)	**(241.6)**	340.5	(69.2)	**271.3**
Share of operating (loss)/profit of joint ventures						
- train operating companies	(2.8)	(0.7)	**(3.5)**	14.0	Nil	**14.0**
- thetrainline.com	(5.7)	(4.0)	**(9.7)**	(1.4)	(6.2)	**(7.6)**
- other	(0.3)	Nil	**(0.3)**	Nil	Nil	**Nil**
Goodwill amortised on investment in joint ventures	Nil	(8.3)	**(8.3)**	Nil	(8.0)	**(8.0)**
Share of operating profit of associates	13.6	Nil	**13.6**	15.2	Nil	**15.2**
Impairment of investment in associates	Nil	Nil	**Nil**	Nil	(85.0)	**(85.0)**
Goodwill amortised on investment in associates	Nil	(0.3)	**(0.3)**	Nil	(0.2)	**(0.2)**
Total operating (loss)/profit: group, joint ventures and associates	198.9	(449.0)	**(250.1)**	368.3	(168.6)	**199.7**

2 Other Operating Income

	Unaudited Year to 30 April 2001	Audited Year to 30 April 2000
	£m	£m
Miscellaneous revenue	51.6	50.2
(Losses)/gains on disposal of assets, other than properties	(0.5)	0.7
OPRAF franchise support	44.1	58.6
	95.2	109.5

3 (Loss)/earnings per share

(Loss)/earnings per share have been calculated in accordance with FRS 14 “Earnings per Share” by calculating group (loss)/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:

	Unaudited Year to 30 April 2001	Audited Year to 30 April 2000
(Loss)/profit for the year after taxation (£million)	(332.3)	140.9
Basic weighted average share capital (number of shares, million)	1,341.7	1,505.2
Dilutive shares		
- Executive Share Option Scheme	0.1	2.0
- Employee SAYE Scheme	0.3	5.7
Diluted weighted average share capital (number of shares, million)	1,342.1	1,512.9

(Loss)/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.

4 Exceptional items

The following items have been treated as exceptional:

	Unaudited Year to 30 April 2001 £m	Audited Year to 30 April 2000 £m
Provision for environmental work	(1.5)	Nil
Impairment of goodwill at Coach USA	(376.0)	Nil
Impairment of assets at Prestwick airport	Nil	(30.0)
Share of joint venture exceptional items	(4.7)	(6.2)
Impairment of investment in associates	Nil	(85.0)
Profit on disposal of Porterbrook	Nil	135.5
Profit on disposal of Prestwick Airport	6.8	Nil
Loss on disposal of overseas operations	Nil	(10.7)
Profit on sale of properties	2.8	2.4
Finance charges	Nil	(20.6)
	(372.6)	(14.6)
Tax effect of exceptional items	Nil	1.1
	(372.6)	(13.5)

Following the introduction of new legislation, the group has an obligation to undertake environmental work, including the elimination of any presence of asbestos, at some of its UK properties. A provision for the estimated cost of this work has been recorded in accordance with FRS 12, "Provisions, contingent liabilities and contingent assets" to recognise the group's obligation as at the balance sheet date.

The impairment of goodwill at Coach USA of £376.0 million was determined in accordance with FRS 11, "Impairment of fixed assets and goodwill" to ensure that the assets of Coach USA were stated at no more than the recoverable amount, being the higher of net realisable value and value in use. The loss of £376.0 million is the aggregate loss determined as the sum of the losses estimated from impairment reviews of each individual income generating unit within Coach USA. The impairment loss restated the assets to value in use and was determined using an average pre-tax discount rate of 10%.

The impairment of assets at Prestwick airport of £30.0 million in the prior year was determined in accordance with FRS 11. The write-down restated the assets to value in use and was determined using a pre-tax discount rate of 13%. The business was sold prior to 30 April 2001.

Our share of joint venture exceptional items principally comprise thetrainline.com marketing costs being our share of initial marketing costs in respect of an internet and call centre booking service operated as a part of a joint venture.

The impairment of investments in associates in the prior year represents the effect of writing-down our investment in Road King Infrastructure Limited which was re-stated to realisable value determined by applying the mid market closing share price of Road King Infrastructure Limited on 30 April 2000. No adjustment to the prior year impairment loss is considered necessary as at 30 April 2001.

Details of disposals in the year are provided in note 9.

The exceptional finance charges in the prior year related to the early extinguishment of debt arising from acquisitions and disposals. The principal element related to the redemption of Sterling Eurobonds, following the disposal of Porterbrook.

5 Taxation

	Unaudited Year to 30 April 2001			Audited Year to 30 April 2000		
	Performance Pre goodwill and exceptionals	Goodwill and exceptional items	**Results for the year**	Performance Pre goodwill and exceptionals	Goodwill and exceptional items	**Results for the year**
	£m	£m	**£m**	£m	£m	**£m**
Corporation tax at 30% (2000 – 30%)	17.0	Nil	**17.0**	38.5	(1.1)	**37.4**
Share of joint ventures' tax	0.9	Nil	**0.9**	1.9	Nil	**1.9**
Share of associate's tax	0.4	Nil	**0.4**	0.2	Nil	**0.2**
Foreign tax	2.8	Nil	**2.8**	2.6	Nil	**2.6**
Prior year (over)/under-provision for corporation tax	(1.2)	Nil	**(1.2)**	0.2	Nil	**0.2**
Deferred taxation	(1.3)	(2.8)	**(4.1)**	(0.9)	Nil	**(0.9)**
	18.6	(2.8)	**15.8**	42.5	(1.1)	**41.4**

6 Reconciliation of Movements in Shareholders' Funds

	Unaudited Year to 30 April 2001	**Audited Year to 30 April 2000**
	£m	**£m**
(Loss)/profit for the financial year	(332.3)	140.9
Dividends paid and proposed	(49.3)	(54.0)
	(381.6)	86.9
Goodwill sold, previously written off to reserves	2.5	339.5
Other recognised gains and losses relating to the year	57.0	12.1
New share capital issued less costs	1.8	389.7
ESOP distribution reserve decrease	Nil	(0.3)
Shares repurchased	(62.0)	(162.1)
Net (reduction)/increase in Shareholders' Funds	(382.3)	665.8
Opening Shareholders' Funds	1,391.2	725.4
Closing Shareholders' Funds	1,008.9	1,391.2

7 Reconciliation of operating (loss)/profit to net cashflow from operating activities

	Unaudited Year to 30 April 2001	**Audited Year to 30 April 2000**
	£m	**£m**
Operating (loss)/profit of group companies	(241.6)	271.3
Depreciation	111.2	218.7
Impairment of tangible fixed assets at Prestwick airport	Nil	30.0
Impairment of goodwill at Coach USA	376.0	Nil
Loss/(profit) on sale of tangible fixed assets	0.5	(0.7)
Goodwill amortisation	58.2	39.2
Increase in stocks	(7.9)	(0.8)
Increase in debtors	(0.7)	(20.3)
ESOP distribution	1.9	1.4
Increase/(decrease) in creditors	6.4	(30.0)
Increase in provisions	2.4	2.9
Net cash inflow from operating activities	306.4	511.7

8 (a) Reconciliation of net cashflow to movement in net debt

	Unaudited Year to 30 April 2001 £m	Audited Year to 30 April 2000 £m
(Decrease)/increase in cash	(635.3)	496.4
Bond repayments/(issues)	160.6	(468.0)
Cash flow from increase in debt and lease financing	398.6	269.6
	(76.1)	298.0
Loans and finance leases of acquired/disposed subsidiaries	(27.4)	124.2
New HP and lease obligations	(34.7)	(53.3)
Bank facility costs and bond discounts	(0.1)	(1.3)
Translation adjustment	(74.3)	(8.7)
Movement in cash collateral	(23.5)	(3.6)
(Increase)/decrease in net debt	(236.1)	355.3
Opening net debt	(549.6)	(904.9)
Closing net debt	(785.7)	(549.6)

8 (b) 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	711.3	(635.3)	Nil	Nil	Nil	3.3	79.3
Cash collateral	104.2	(18.0)	(5.5)	Nil	Nil	Nil	80.7
HP and lease obligations	(130.1)	54.0	Nil	(34.7)	(12.0)	(1.8)	(124.6)
Loan stock	(77.3)	28.1	5.5	Nil	(15.4)	(0.7)	(59.8)
Bank loans	(449.3)	311.0	Nil	(4.0)	Nil	(26.3)	(168.6)
Bonds	(708.4)	160.6	Nil	3.9	Nil	(48.8)	(592.7)
Totals	(549.6)	(99.6)	Nil	(34.8)	(27.4)	(74.3)	(785.7)

The net total of cash and cash collateral of £160.0m (2000 - £815.5m) is classified in the balance sheet as £160.4m (2000 - £816.0m) in cash at bank and in hand and £0.4m (2000 - £0.5m) in bank overdrafts within creditors: amounts falling due within one year.

Gearing at 30 April 2001 was 78% (2000 – 40%) and net borrowing were 68% of tangible fixed assets (2000 – 49%).

Included in cash at 30 April 2001 are balances held in trust in respect of loan stock of £41.5m (2000 - £47.0m), South West Trains season tickets of £30.5m (2000 - £29.9m) and South West Trains Performance bond cash of £7.3m (2000 - £7.3m) and Coach USA Letter of Credit collateral cash of £1.4m (2000 – £20.1m).

9 (a) Purchase of subsidiary undertakings

	North American Bus operations £m
Net assets	
Tangible fixed assets	13.5
Other current assets	5.5
Cash at bank	0.8
Bank loans and other debt	(12.8)
Other creditors	(3.4)
Net assets	3.6
Goodwill	52.6
	56.2
Consideration	
Loan notes issued	15.3
Cash and acquisition expenses paid in year	37.0
Deferred consideration	3.9
	56.2

	£m
Cash paid in respect of North American acquisitions in year	37.0
Deferred consideration in respect of Citybus	0.2
Other acquisition payments in year	1.5
	38.7

9 (b) Disposal of subsidiary undertakings and other businesses

	Prestwick Airport £m	East Lancashire Bus £m	Total £m
Net assets			
Tangible fixed assets	27.8	8.6	36.4
Other current assets	4.1	1.3	5.4
Cash at bank	0.2	Nil	0.2
Bank loans and other debt	(0.1)	Nil	(0.1)
Other creditors and provisions	(12.3)	Nil	(12.3)
Net assets	19.7	9.9	29.6
Profit on disposal	6.8	Nil	6.8
Goodwill previously written off to reserves	(0.4)	2.9	2.5
Sales proceeds	26.1	12.8	38.9
Satisfied by:			
Cash received in year	26.1	11.5	37.6
Deferred consideration	Nil	1.3	1.3
	26.1	12.8	38.9

10 Accounting Policies

There have been no changes in accounting policies since those used in the year ended 30 April 2000.

We have implemented FRS 18, "Accounting Policies" which codifies the principles to be followed in selecting accounting policies. A further two new FRSs have been issued (FRS 17, "Retirement Benefits" and FRS 19, "Deferred Tax") but these will not be implemented until future financial years. The Urgent Issues Task Force has issued a number of new abstracts that are effective for these accounts. None of these abstracts materially impact the reported results for the year.

11 Dividend

Subject to shareholder approval, a final dividend of 2.5p per ordinary share is proposed (2000 – 2.4p). This dividend will be paid on 10 October 2001 to all those shareholders on the register on 7 September 2001.

12 Statutory Accounts

The financial information set out above does not constitute the group's statutory accounts for the year ended 30 April 2000 and 30 April 2001. Statutory accounts for 2000, which received an unqualified audit report, have been delivered to the Registrar of Companies. The auditors have not yet reported on the accounts for the year ended 30 April 2001, nor have any such accounts been delivered to the Registrar of Companies. Statutory accounts for 2001 will be forwarded to all shareholders in due course and will also be available at the registered office of the company, 10 Dunkeld Road, Perth, PH1 5TW.

This preliminary announcement was approved by the board of directors on 20 June 2001.