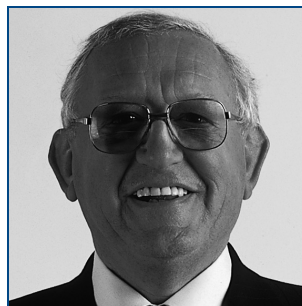


Chairman's statement



I am pleased to report that Stagecoach Group has had a strong year, delivering on our strategy for organic growth in our bus and rail operations in the UK and overseas. The Group has achieved excellent financial and operational performance, despite the substantial fuel and other cost pressures.

Stagecoach is continuing to lead the way in developing new ideas, innovative products and highly effective marketing to attract new passengers to public transport. By following this approach, combined with strong operational management and cost-control, we have driven up both passenger volumes and revenues across our business.

Our business is underpinned by a commitment to excellent customer service and a strong focus on the safety and security of our passengers and our people. We continue to have a proactive culture across the Group that puts safety at the top of our agenda.

The successes we have achieved are flowing through strongly to our shareholders, who benefited from the £241.3m return of capital programme during the year and also from increased dividends.

Total turnover for the year ended 30 April 2005 was £1,794.7m (2004: £1,792.3m). Operating profit before goodwill amortisation and exceptional items was £156.7m (2004: £147.5m). Earnings per share before goodwill amortisation and exceptional items were up 34.3% at 9.0p (2004: 6.7p).

Net debt increased by £147.0m from £67.6m at 30 April 2004 to £214.6m at 30 April 2005. Excluding the £265.0m of cash outflows relating to dividends and capital paid to shareholders, net debt fell by £118.0m as the Group continues to generate significant cash from its operations.

Given the Directors' confidence in the future prospects of the Group, as well as its financial strength, we are proposing a final dividend of 2.3p per share (2004: 2.0p), giving a total dividend for the year of 3.3p (2004: 2.9p). This is an increase of 13.8% and (based on continued strong cash flows and profits) we will look to continue with a policy of growing the dividends progressively. The proposed final dividend is payable to shareholders on the register at 2 September 2005 and will be paid on 5 October 2005.

We have strengthened our senior management team with the appointment of Ian Dobbs as Chief Executive of the Group's Rail Division. Ian has 28 years' experience in the rail industry in the UK and overseas. A former Divisional Director of British Rail, he was more recently Chief Executive Officer of the Victoria Public Transport Corporation in Australia, where he was responsible for the rail, tram and bus services. He will join the Group in July 2005.

Ian has a strong track record and we are confident he will drive forward Stagecoach's reputation as a first-class rail operator delivering high-quality services to passengers, value-for-money to taxpayers and an appropriate return to shareholders. He will have operational responsibility for all of the Group's rail interests, and will initially report to Graham Eccles, Stagecoach Group Executive Director – Rail, who has indicated that he intends to retire and step down from the Board in April 2006.

We have made a promising start to the new financial year and despite some industrial action in New Zealand in the early part of May, overall trading is in line with our expectations.

I am pleased that the hard work of our employees has been rewarded with another year of achievement across the Group. We believe there are significant opportunities for organic growth and the expansion of our rail portfolio, both of which can deliver increased value to our shareholders.

A handwritten signature in black ink, which appears to read 'Robert Speirs'. The signature is written in a cursive style with a long, sweeping underline.

Robert Speirs
Chairman