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press release

Thursday 9 March 2006

National Express Group PLC
Preliminary Results
For the year ended 31 December 2005

Financial Highlights

- Revenue of £2.2 billion (2004*: £2.4 billion)
- Group operating profit up 9.6% to £109.5 million (2004*: £99.9 million)
- Normalised** operating profit up 8.5% to £155.5 million (2004*: £143.3 million)
- Normalised** Group operating margin increased to 7% (2004*: 6.1%)
- Profit before tax up 14.6% to £89.3 million (2004*: £77.9 million)
- Normalised** profit before tax up 10.7% to £135.3 million (2004*: £122.2 million)
- Diluted earnings per share from continuing operations up 11.5% to 44.5 pence (2004*: 39.9 pence)
- Normalised** diluted earnings per share up 10.1% to 76.3 pence (2004*: 69.3 pence)
- Final dividend increased by 7.7% to 22.25 pence per share (2004: 20.65 pence per share), making a total dividend for the year of 32.25 pence per share up 7.5% (2004: 30.0 pence per share)
- £29.3 million of shares were purchased by the company in 2005 and share buy-back programme set to recommence
- Net debt of £563.4 million (2004: £136.6 million)

* as restated for the transition to IFRS
** excluding goodwill impairment, intangible amortisation, exceptional items and tax relief on qualifying exceptional items

The financial highlights refer to the results of continuing businesses in compliance with IFRS.

Operating Highlights

- Alsa acquired in December and integration progressing well
- Disposal of North American public transit division enabling strategic focus on school bus operations
- Record bid season in United States and completion of key strategic acquisition in Canada
- 2% passenger growth in UK Coaches despite effects of terrorist attacks
- Strong operational performance in trains division above Government targets, with focus for 2006 on incumbent franchises
- Continued growth in London bus market
- Substantial ongoing investment in fleet and customer facilities

Commenting on current trading and prospects, Chairman, David Ross said:

"The current year has started well. We have experienced good operational performance across all our divisions and achieved early successes in the current US school bid season. We are making good progress with the integration of Alsa and believe this division will play a key role in the Group's future growth prospects. We remain confident that the foundations are in place to enhance shareholder value through organic and acquisitive growth whilst maintaining dividend and share buy-backs."

continued

Commenting on Phil White's retirement announcement today he continued:

"After ten years' service as Chief Executive of the Group, Phil White has announced today his intention to retire from the Board, no later than December 2006. Phil has made a significant contribution to the Group's development and, on behalf of the Board, I would like to thank him and wish him well for the future."

For further information, please contact:

Phil White, Chief Executive Adam Walker, Finance Director Nicola Marsden, Director of Group Communications **National Express Group PLC**	**020 7529 2000**
Andrew Dowler/ Ben Foster **Financial Dynamics**	**020 7831 3113**

- There will be an analyst and investor meeting at 0900 hours on 9 March 2006 at Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB.
- A web-cast of the analyst presentation will be available on our website www.nationalexpressgroup.com at 0900 hours on 9 March 2006. For further details, contact Helen Lutman at Financial Dynamics on 020 7831 3113.
- High resolution images are available for the media to view and download, free of charge, from www.vismedia.co.uk or telephone 020 7436 9595.

National Express Group PLC
Preliminary Results
For the year ended 31 December 2005

Chairman's Statement

I am pleased to report the Group's results for the year ended 31 December 2005.

2005 was a strong year for the Group. As well as achieving organic growth across most of our operations, we extended our presence in the public transport market through both new contract wins and acquisitions in existing and new markets.

This year will be remembered for the tragic events of the London bus and tube bombings. The Group has many operations in and around London and many of our colleagues were close to, or involved in, the aftermath of the events. Whilst our operations were not directly affected, we are proud that many of our employees played an active role in assisting Londoners during this difficult period. I would like to take this opportunity to thank them for their commitment and their tremendous efforts in reassuring the public, getting services back to normal and working alongside the teams from the emergency services during this difficult time.

In December Alsa, Spain's largest private coach and bus operator, owned by the Cosmen family, joined the Group. In one transaction we achieved critical mass in a major European country which has good growth prospects, gaining sustainable earnings at above average margins. Alsa is a long established business with an experienced management team who are keen to drive the business forward. The quality of its product delivery has earned Alsa a first class reputation as both an operator and employer in the Spanish public transport market. Operating in the Spanish regulated coach and bus markets, Alsa has extensive contracts, with an average life of nine years, which provides stable earnings. These features provide stability to the Group's earnings. Recognising the opportunities that exist in the enlarged company, the Cosmen family acquired a substantial shareholding in the Group and we are delighted that Jorge Cosmen has joined the Group Board as a non executive director.

This development gives the Group a significant combined coaching operation, enabling the transfer of best practice between two major businesses. Our initial focus has been the integration of Alsa's financial and reporting systems, which is currently on schedule. Our management teams are already working well together to identify cost synergies, particularly in procurement, risk management and IT. We believe there are many opportunities to grow this business by the use of better yield management and improved marketing. In addition, we will be drawing on our experience in the UK coach market to reduce Alsa's cost of sales. The respective cultures of National Express and Alsa have significant similarities which should enable the integration plan to be fully delivered by the end of this year. We are pleased with the progress we have made to date and are confident that we can achieve the benefits identified when we announced this strategic move.

This year we revised our North American strategy to focus on our highly successful school bus operations where our strong reputation with our customers delivers a high quality and reliable earnings stream. Consequently, we sold ATC, our public transit business, during the year.

As part of the rail remapping, we have agreed with the Department for Transport ("DfT") to align our Central Trains, Silverlink and Midland Mainline franchises to run until the end of 2007. We are currently in discussions with the DfT to agree the financial arrangements around the new extensions. On the next round of bidding during 2006 we will focus on franchises where we are incumbent and, as a consequence, we have withdrawn from the competition for the South Western franchise.

Following the announcement relating to the GN/Thameslink and Greater Western rail franchises, the employees of Wagn and Wessex Trains will leave the Group on 31 March this year. I would like to thank them for their contribution whilst part of the Group and wish them all the best for the future.

As part of our succession planning process and following a thorough selection process, I am delighted that following the retirement of Brian Jackson, Denis Wormwell has been appointed Chief Executive of our UK Bus division in February. Consequently, Paul Bunting moved from Midland Mainline to replace Denis as Chief Executive of our UK Coach division.

The Board

After what will be ten years as Chief Executive, Phil White has decided he will be retiring from the Group by the end of this year. Phil started his career with the Group in 1994 as Finance Director of Travel West Midlands and was appointed Chief Executive of the Group in January 1997. He guided the Group's entry into North America and subsequently into continental Europe with the Alsa transaction. The Board is unanimous in thanking Phil for his contribution over the years and wishes him well for what the next stage in his life will bring. On a personal level I would like to thank Phil most sincerely for his help and support since commencing my tenure as Chairman in May 2004. The process to find a successor is now underway.

I am also pleased to report that this year Phil White, Group Chief Executive, has taken on the role as President of the Confederation of Passenger Transport, the national trade association representing the UK bus, coach and light rail operators. Furthermore, with the Group's interests in rail, Ray O'Toole joined the British Transport Police Authority as an Authority member.

On 21 September 2005, Barry Gibson was appointed senior independent director following Tim Stevenson's resignation from the board. I would like to thank Tim for his valuable contribution.

Results and Dividend

Turnover was £2.2 billion (2004*: £2.4 billion) and normalised Group operating profit increased by 8.5% to £155.5 million (2004*: £143.3 million). After interest and the Group's share of losses from associated undertakings, normalised profit before tax was £135.3 million (2004*: £122.2 million). Normalised diluted earnings per share from continuing operations were 76.3 pence (2004: 69.3 pence).

We are recommending a final dividend of 22.25p per ordinary share (2004: 20.65 pence), an increase of 7.7%, to be paid on 26 May 2006 to shareholders on the register at 28 April 2006. Including the interim dividend, the proposed total dividend for the year is 32.25 pence (2004: 30.0 pence). We shall also be recommencing our £100 million share buy-back programme, subject to market conditions.

Current trading and outlook

The current year has started well. We have experienced good operational performance across all our divisions and achieved early successes in the current US school bid season. We are making good progress with the integration of Alsa and believe this division will play a key role in the Group's future growth prospects. We remain confident that the foundations are in place to enhance shareholder value through organic and acquisitive growth whilst maintaining dividend and share buy-backs.

Operational Review

Coaches

The coach division provides Britain's only scheduled national coach network and serves more than 1,000 destinations. The airport services provide premier, high frequency scheduled coach services to all the UK's major airports. Eurolines offers value for money European travel by coach. The division employs 1,800 people.

Revenue for the year was £200.5 million (2004*: £195.6 million) with a normalised operating profit of £21.5 million (2004*: £19.3 million). The division experienced an encouraging year as we focused on our core scheduled coaching business.

The first half saw good growth on our London bound and airport routes. However, the terrorist incidents in July and the subsequent reduction of inbound leisure journeys into London saw a softening of this growth in the second half. Nevertheless, in the full year passenger growth of 2% was achieved.

Following a detailed market segmentation analysis undertaken early in the year, we are working on strategies to increase further the appeal of coach travel. Our promotion of dynamic pricing continues to play a key role enabling customers to buy value for money tickets. We repeated our successful £9 "Go Anywhere" fares as well as the "Million Seat Sale". These, along with our continued roll-out of funfares, from as little as £1 each way, backed up by national advertising campaigns, have heightened an awareness of coach travel amongst existing and potential customers. We have further extended our sales channels through the increased promotion of the internet which now accounts for 21% of total sales. E-ticket and m-ticket sales increased. Up to 9 out of 10 purchases on the web are now e-tickets with up to two thirds of all tickets sold via our customer contact centre distributed by either e or m-tickets.

Our investment in coach stations continues. Working in partnership with BAA, we invested £2m to improve Heathrow Central Bus station. The new customer facilities include improved waiting and refreshment areas and a new ticket office and information desk. Further investment is taking place at key locations at Cardiff, Cheltenham, Manchester airport and Southampton with plans for further improvements at Bournemouth, Leicester, Milton Keynes and Wolverhampton. We have drawn up plans for the total redevelopment of Digbeth coach station in Birmingham, our major hub for connecting services and we anticipate construction starting later this year.

We are improving the quality of our product and services. We have been rolling out our state-of-the-art "WOW" coaches, used currently on the London to Birmingham route, onto other key corridors such as Bristol, Cheltenham and Gloucester. NXTV has been fitted on over 40 vehicles and will be rolled out further by the end of 2006. This year we were proud to launch our first fully accessible coach, the Caetano Levante, enabling wheelchair users and people with mobility impairments to travel by coach. The bespoke vehicle, which has been developed in consultation with the Mobility and Inclusion Unit of the DfT, complies with the new DDA legislation which was introduced at the start of this year. We aim to have a fully wheelchair accessible fleet on the network by the London 2012 Olympic Games.

Last year we were pleased to be awarded contracts for the provision of coaching services for the G8 summit and the EU summit. This year we have extended our provision of transport services to other events including music and sporting events at venues such as the Millennium Stadium, Cardiff.

We are investing in new technology, such as Coachcom, which provides satellite tracking and improved information for customers, drivers and operational control. The new system will also improve seat utilisation by 'checking in' all tickets at the departure point, enabling all coach tickets to be checked in. Coachcom will be rolled out across the whole fleet from summer 2006.

Buses

The bus division operates over 2,250 buses and employs 7,100 people in the West Midlands, Dundee and London. It also operates the Midland Metro, the light rail service in the West Midlands.

Revenue for the period was £268.6 million (2004*: £239.8 million) and normalised operating profit was £41.5 million (2004*: £41.6 million).

We welcomed the early introduction of Centro's concessionary fares scheme providing free travel for men and women over 60 in July 2005. This move helped to reverse the decline in concessionary fare passenger numbers we have experienced over the past two years.

We are pleased with our improved operational performance during the period. This has been achieved by the recruitment of over 400 Polish drivers within our Travel West Midlands ('TWM') business. Over 10% of these drivers have already achieved their NVQ qualifications and we are starting to see the first Polish recruits being promoted to traffic controllers. Three out of every five drivers in the West Midlands have NVQ Level 2 qualifications and over four out of five Travel London drivers have been awarded the BTEC accreditation.

Following its launch in January 2005, strong passenger growth of over 20% continues to be experienced on our Premier 997 service linking Walsall and Birmingham. Recent research has confirmed that half of all users actively choose this service over alternatives due to its quality offering, highlighting the opportunities that product segmentation presents. We continue to look for other opportunities where similar growth possibilities exist.

With central Government's renewed focus on reducing urban congestion, we believe the introduction of road pricing in London illustrates the benefits and increased bus patronage that can be achieved on the back of such initiatives. We welcome the launch of the Government's Transport Innovation Fund ("TIF"), focusing on demand management, which highlights the West Midlands as one of the TIF feasibility areas.

Our investment in technology continues with the roll-out of automatic vehicle location ("AVL") equipment and mobile phone based real time information for over 350 vehicles. During 2006, we will roll-out AVL on key routes including the main Outer Circle 11 route in Birmingham. To improve the attractiveness of travelling by bus we have simplified further our ticketing and extended some concessionary ticket offers such as the Early Bird travelcard to non concessionary passengers.

In September 2005, Travel Dundee signed the UK's first statutory quality partnership. This will be launched in April 2006 in partnership with Dundee City Council and the Scottish Executive and will focus on improving bus services within the Dundee area. This has resulted in the introduction of a new cross city link to a major hospital in the city providing a valuable new community service under the Government's Kick Start initiative. In the last quarter of the year Travel Dundee achieved Investors in People status and in November was awarded "Bus Operator of the Year" at the Scottish Transport Awards.

This year we achieved further growth in our Travel London operation through new contract wins and the acquisition of Tellings Golden Miller's London bus operations which have been integrated into our London business. This has resulted in a much greater presence in the London market, a regulated market where further contract opportunities exist. We operate a fleet of over 400 vehicles operating from six depots at which there remains additional capacity to accommodate future growth.

The Midland Metro continued to perform well with passenger growth of 2%. We are continuing to discuss with Centro the long term development of this system including line extensions and new services.

Trains

We operate c2c, Central Trains, Gatwick Express, Midland Mainline, 'one' including the Stansted Express, Silverlink, Great Northern and Wessex Trains franchises. The division currently employs 11,500 people.

Revenue for the period was £1,497.2 million (2004*: £1,712.1 million) with normalised operating profit of £64.2 million (2004*: £61.3 million).

2005 saw the launch of a major internal initiative focused on improving punctuality and reliability within the trains division. This resulted in significant improvements in performance across all our franchises including Central Trains, a highly complex regional train operating company ("TOC"), where considerable progress was made. Five of our TOCs are in the top seven positions in the latest industry public performance measure ("PPM") figures released in January 2006.

The division also made encouraging progress in its customer satisfaction ratings. Gatwick Express consolidated its position at the top of the league tables for customer satisfaction recording an overall satisfaction rating of 93% in the DfT's December 2005 National Passenger Survey, marking the fifth consecutive period when Gatwick has been rated first in the survey. In addition c2c improved its results from 83% to 90% and Midland Mainline showed the greatest increase year-on-year, rising 10 points to 89% this year. Overall the trains division improved its customer satisfaction scores by three points from 79% last year to 82%.

During the first half of the year, we experienced substantial patronage growth. However, following the terrorist attacks in July, demand for discretionary travel in and out of London was badly affected. We are pleased that passenger numbers returned to pre-July levels towards the end of the year.

Midland Mainline made good progress in the year with passenger growth of 3% and was the most punctual long distance operator for 2005 in the January 2006 PPM figures. This performance was assisted by the introduction of the new Meridian 9 car trains. Growth was also achieved through new marketing initiatives, including a summer promotion offering 200,000 seats to London for £15 per person and a new pricing structure launched in October offering travel from Sheffield to London for £6. With Sheffield station being a key hub for our MML services, we have worked in partnership with key stakeholders in Sheffield to improve the ambience and quality of the station. In June a new DDA compliant travel centre was opened including extra ticket windows and a new electronic queuing process.

Gatwick Express performed well despite the impact of 7 July. Strong revenue and cost control ensured the solid performance of the business. We will be discussing the future of this franchise with the DfT following publication of the Brighton Main Line Route Utilisation Strategy.

In December, 'one' introduced its new timetable on the West Anglia route. The changes, the biggest on this route for fifty years, seek to optimise route utilisation to meet the growth at Stansted airport, whilst also catering for growth on the domestic commuting traffic to the City, Stratford and on to Canary Wharf. Due to the complex nature of the changes, stakeholder consultation has been extensive and the majority of users have benefited from the improved scheduling.

North America

The North American division consists of student transportation and Stewart Airport in New York State. The division employs 15,800 employees, with 3,300 in Canada.

Revenue in the division for the year was £241.8 million (2004*: £213.2 million) and normalised operating profit was £35.0 million (2004*: £29.6 million). In local currency, revenue was US$440.5 million (2004*: US$391.0 million) and normalised operating profit was US$63.7 million (2004*: US$54.3 million). We are pleased to report that we increased our margins despite the cost pressures that we face.

2005 was a watershed year for our North American business. As well as selling our public transit business we experienced our best ever bidding season and won contracts in Connecticut, Missouri and Rhode Island. We achieved a retention rate of contracts of approximately 95%, highlighting strong levels of customer satisfaction. All operations experienced a smooth school startup, a significant feat given the amount of new business won during the year.

In September we completed the sale of our public transport operations for cash consideration of US$93 million (before working capital adjustments), enabling the division to focus on the provision of and growth in school bus transportation. In August we strengthened our presence in the school bus market in Canada through the acquisition of Northstar, which services school boards. Northstar operates 800 school buses and has 850 employees. It serves 12 school boards and provides entry into new areas such as Simcoe County, north of Toronto. In October we completed the acquisition of Jones Bus Service, which has 650 buses in Wisconsin and Illiniois.

During the year we relocated the headquarters of our US Head Office from Texas to Chicago, providing a better location to manage and grow the division.

Our re-engineering project focusing on improving the cost effectiveness of our operations has been launched across the whole North American division. The key objectives are to improve the cost effectiveness of our operations by reviewing the efficiency of employee rotas, the use of technology and better management of our assets such as fleet.

We believe we are well positioned to capitalise on further growth opportunities at the bid table and through acquisition.

Alsa

Alsa is Spain's leading private operator of coach and bus services operating 90 coach and 19 bus concessions within the Spanish market.

Alsa joined the Group on 1 December, providing immediate scale in an attractive European growth market. We have consolidated revenue of £18.2 million and operating profit of £2.6 million into the Group's 2005 results.

Alsa is Spain's leading coach and bus operator with annualised turnover of £218 million. It operates exclusive national and regional coach concessions and urban and suburban bus services with 75% of its revenue generated by its coach operations. It also operates 65 international coach routes in Europe.

Spain is Europe's fifth largest passenger transport market and the third biggest coach market. Approximately double the number of passengers travel by coach on long distance concessions in Spain than by rail, with coach representing 11% of the total public transport market. Alsa is the clear leader in coaching with nearly 10% of the market. Alsa's long distance concessions are granted on an exclusive basis by the national government for each route with durations varying between 8 – 20 years. The regional coach network concessions are awarded by regional government.

As Spain's second largest private bus operator, Alsa operates 19 urban bus concessions primarily in Oviedo and Leon, northern Spain. It also operates buses in Porto, Portugal and Marrakech, Morocco.

Alsa is a quality business run by an experienced and long standing management team, known to the Group through the Eurolines partnership. We believe that through close working between Alsa and our National Express sales, marketing and operations teams we can bring further value to both businesses. This acquisition gives the Group critical mass in the Spanish transport market where we believe further opportunities for public transport growth exist.

Investments

On 1 March, the Secretary of State for Transport announced that he would consider any potential offers for London and Continental Railways ("LCR") in which the Group has a minority ordinary shareholding and a preference shareholding in one of LCR's subsidiaries.

Copies of the Preliminary Results may be obtained from the Company Secretary at 75 Davies Street, London, W1K 5HT. Copies are also available via www.nationalexpressgroup.com.

- ENDS -

Finance Director's Review

Year at a glance

We have achieved another strong set of results, increasing profit before tax by 14.6% to £89.3m (2004*: £77.9m), driven by a 9.6% increase in operating profit to £109.5m (2004*: £99.9m). Basic earnings per share from continuing operations improved to 45.2p (2004*: 40.5p).

For the remainder of this report we will refer to normalised results, which we feel reflect the performance of the business more appropriately. Normalised results are defined as the statutory result before the following, as appropriate: charges for goodwill impairment, intangible amortisation, exceptional items and tax relief on qualifying exceptional items.

Normalised group operating profit was up by 8.5% to £155.5m (2004*: £143.3m), on revenue of £2,216.0m (2004*: £2,354.5m) resulting in an increased operating margin of 7.0% (2004*: 6.1%). Normalised profit before tax increased by 10.7% to £135.3m (2004*: £122.2m) driving up normalised diluted earnings per share from continuing operations to 76.3p (2004*: 69.3p) an increase of 10.1%. Net debt increased by £426.8m to £563.4m, principally as a result of the acquisition of Alsa. The proposed full year dividend per share will be increased by 7.5% to 32.25p (2004: 30.0p).

** As restated for the transition to IFRS*

Divisional review

	Revenue		Normalised operating profit	
	2005 £m	2004 £m	2005 £m	2004 £m
UK Coach	200.5	195.6	21.5	19.3
UK Bus	268.6	239.8	41.5	41.6
UK Train	1,497.2	1,712.1	64.2	61.3
Inter-segment sales	(10.3)	(6.2)	-	-
North American Bus	241.8	213.2	35.0	29.6
Alsa	18.2	-	2.6	-
Central functions	-	-	(9.3)	(8.5)
	2,216.0	**2,354.5**	**155.5**	**143.3**

Coaches

Our UK Coach operations delivered another year of strong performance, increasing normalised operating profit by 11.4% to £21.5m (2004*: £19.3m). A 2% increase in passenger numbers was driven by promotions such as our 'Million Seat' campaign and improved customer service initiatives increasing revenue by £4.9m to £200.5m (2004*: £195.6m). The terrorist events in July caused passenger decline on key routes going into London during our busy summer months. Nevertheless, the normalised operating margin improved to 10.7% (2004*: 9.9%) reflecting continuing controls over costs, including working with our contractors to mitigate the rising cost of fuel, and the disposal of our low margin Heathrow Airport airside operation.

During the year we started a rail replacement division and a special events division to broaden the reach of our coaching product.

Buses

Revenue increased by 12.0% to £268.6m (2004*: £239.8m) and we generated normalised operating profit of £41.5m (2004*: £41.6m). Divisional operating margins are being diluted by a greater presence in the regulated London market. Revenue, excluding Travel London, increased by £5.0m, however this was offset by increased driver costs and the final share based payment charge of £2.1m in 2005 for the appropriation of shares from the TWM Share Incentive Plan.

The acquisition of the London bus operations of Tellings Golden Miller contributed normalised operating profit of £0.8m and revenue of £12.4m. This brings our share of the London bus market to 5%.

The early introduction of the national concessionary fares scheme in Birmingham by Centro has helped to reverse the recent decline in patronage from this key part of our passenger group. The Group's fuel hedging policy has mitigated the impact of rising prices in 2005, however, 2006 will see an increase in fuel costs as new hedges have been put in place. Fuel costs will increase by £7m this year and are the principal reason why we introduced an above inflationary fares increase this year.

Trains

Normalised operating profit increased to £64.2m (2004*: £61.3m) on reduced revenue of £1,497.2m (2004*: £1,712.1m), as a result of changes in our portfolio of TOCs. This resulted in improved margins of 4.3% (2004*: 3.6%).

The terrorist activities in July had an impact on discretionary rail travel over the summer months, however this loss in revenue was partly mitigated by existing revenue and profit share arrangements with DfT Rail. As a result, rail passenger revenue was up 3.3% on a like-for-like basis, having been 5.4% ahead at June. Our franchises continue to appear at the top of the TOC league tables for performance and customer satisfaction, which has contributed to our ability to stimulate customer demand.

On 31 March 2006, our Wessex and Great Northern franchises will leave the Group. As part of the DfT current re-mapping exercise, Central Trains, Silverlink and Midland Mainline will run until November 2007. We are currently negotiating new financial arrangements for these franchises.

North America

In local currency, North America increased normalised operating profit to US$63.7m (2004*: US$54.3m). Revenue has increased by US$49.5m to US$440.5m (2004: US$391.0m), improving our margins to 14.5% (2004: 13.9%). The strengthening dollar increased revenue by £4.9m year on year and operating profit by £0.8m.

Revenue in our Student Transportation business increased by 12.7% through the benefit of new routes operated and acquisitions during the year. The 2005 US bid environment remains competitive but we were delighted with our best ever bid season, winning new business with annualised revenue of US$29m. We achieved high retention of existing contracts showing our mix of value for money and customer service is proving successful with the School Boards. Our Canadian operations continued to perform well boosted by the acquisitive growth in the Ontario and Ottawa regions. Existing fuel hedges continue to the end of 2006.

The acquisitions of Aboutown, Northstar and Jones consolidates the Group's position as the third largest student transportation operator in North America. Annualised turnover for these acquisitions is £26.2m.

We relocated our US head office from Austin to Chicago during the summer and are pleased that such a move was well controlled, given the large number of recruitment, systems and timing issues it presented.

In accordance with IFRS 5, "Non-current assets held for sale and discontinued operations", the trading results for Public Transit have been reclassified into one line in the income statement.

Alsa

Alsa's results were consolidated from 1 December. In local currency it contributed €3.8m (£2.6m) to normalised operating profit. The government have announced a tariff increase of 3.3% on concessions from 1 December 2005 to cover the above inflation impact of fuel costs which have been fully hedged in 2006.

Our integration programme has commenced and is proceeding in line with expectations. Initial focus has been on financial and reporting systems and we are pleased with the efforts being made to ensure a seamless transition. Valuation work on intangibles and key assets is underway and we will complete the work for inclusion in our next financial statements.

Joint ventures and Associates

The total charge for associates was £8.8m (2004: £3.4m).

At the year end we held a 33% investment in Altram LRT Limited ("Altram"). Altram has operated the Midland Metro since June 1999. Our share of the operating loss for 2005 was £0.2m (2004: £0.2m). On 2 March, we received clearance from the Office of Fair Trading regarding our acquisition of the outstanding 67% shareholding. Completion is expected to occur by the end of March. Altram's results will be disclosed within the Bus Division in 2006.

We hold a 40% investment in Inter-Capital and Regional Rail Limited ("ICRRL"). ICRRL is contracted to manage the operations of Eurostar UK to 2010. Our share of the operating loss for the year was £8.6m (2004: £3.2m). The cash outflow of £1.7m in 2005 comprises the Group's share of funding for the 2004 losses. On 1 March, the Secretary of State made a statement requesting expressions of interest for London and Continental Railways ("LCR"), which owns Eurostar UK. If a sale is concluded we would expect to recover the book value for our preference shares in the LCR Group.

The results of the joint ventures and associates acquired with Alsa were immaterial for the period from acquisition to 31 December 2005.

Finance cost

Net interest payable decreased to £11.4m (2004*: £17.7m), principally reflecting a lower level of net debt in the first half of the year when compared to 2004 and the termination of a US$200m interest rate swap as reported in our Annual Report and Accounts 2004. This was offset by the strengthening of the US dollar which increased the cost of servicing our US dollar denominated financing.

After excluding £5.1m (2004*: £15.9m) for discontinued operations, continuing normalised operating profit before depreciation and other non-cash items ("EBITDA") was £212.5m (2004*: £194.7m) and continuing EBITDA finance cover improved to 20.2 times (2004*: 11.5 times).

Goodwill and Intangibles

The impairment charge for the year on the goodwill arising from the acquisition of Prism Rail PLC in December 2000 was £33.3m (2004*: £33.3m). Although IFRS 3, 'Business Combinations' prohibits the amortisation of goodwill, the train franchises acquired with Prism have finite lives, and therefore the goodwill will be impaired in line with the remaining cash flows.

Amortisation of £4.9m (2004*: £2.4m) was charged on the intangible asset that arises from the Group's right to operate its rail franchises (£2.4m) and on contracts acquired in UK Bus (£0.9m) and North America (£1.6m).

The goodwill and intangible assets, of £421.4m, arising on the Alsa acquisition are provisionally classified as goodwill at 31 December 2005 and these will be allocated during 2006 after the valuation work is complete.

Exceptional items

Exceptional items totalled £7.8m (2004*: £7.7m), of which £3.5m was incurred in relation to restructuring and redundancies in the UK Trains division following a review of our rail franchise portfolio.

In North America £2.8m was incurred in respect of the relocation of the divisional head office from Texas to Chicago in the year. The balance comprises £1.5m of costs incurred in a reorganisation of our Birmingham operations.

Discontinued operations

As disclosed in the Annual Report and Accounts 2004, the Group's remaining bus operations in Australia are now in administration and are no longer controlled by the Group. The Group received proceeds of £25.4m from the administrator in December and it is possible that further amounts will be received but it is not practicable to forecast the amount or timing of any receipt.

As anticipated in our Interim report, our Public Transit business was sold on 1 September 2005, for net proceeds of £49.6m.

Taxation

The total tax charge of £27.5m (2004*: £22.8m) on profit before tax of £89.3m (2004*: £77.9m) represents an effective rate of 30.8% (2004: 29.3%). The tax charge on normalised profit of £135.3m (2004*: £122.2m) was £29.5m (2004*: £26.4m), which represents an effective rate of 21.8% (2004*: 21.6%).

We expect our normalised tax rate to increase over the medium term to reflect the higher tax rates in overseas jurisdictions.

Cash flow

The Group continues to generate strong cash flow with a cash inflow from operations of £188.8m (2004: £247.9m). The fall reflects the working capital timing reversals highlighted last year in connection with performance and profit share payments. This cash flow was used to maintain high levels of investment across the Group, particularly in North America where most of the capital expenditure relates to new bidding work.

Operating Cash Flow	UK Bus £m	UK Coaches £m	UK Trains £m	North American Bus £m	Alsa £m	Central functions £m	Total £m
Normalised operating profit	41.5	21.5	64.2	35.0	2.6	(9.3)	155.5
Normalised operating profit of discontinued operations	-	-	-	3.8	-	-	3.8
Depreciation	12.2	5.3	15.4	22.5	0.9	0.5	56.8
Amortisation of leasehold property prepayment	0.1	-	-	0.7	-	-	0.8
Amortisation of fixed asset grants	-	-	(0.9)	-	-	-	(0.9)
Profit on disposal	(1.2)	(0.5)	-	(0.3)	-	-	(2.0)
Share based payments	2.2	0.1	0.3	0.2	-	0.8	3.6
EBITDA	**54.8**	**26.4**	**79.0**	**61.9**	**3.5**	**(8.0)**	**217.6**
Working capital movement	2.8	(0.1)	(20.2)	(2.0)	(4.1)	(3.5)	(27.1)
Eurostar	-	-	-	-	-	(1.7)	(1.7)
Net cash inflow from operations	**57.6**	**26.3**	**56.8**	**59.9**	**(0.6)**	**(13.2)**	**188.8**
Net capital expenditure	(44.5)	(8.2)	(24.8)	(33.3)	(0.6)	0.8	(110.6)
Operating cash flow before one-offs	**13.1**	**18.1**	**34.0**	**26.6**	**(1.2)**	**(12.4)**	**78.2**
Other							
- Exceptional items							(7.7)
Operating cash flow							**70.5**

Operating cash flow represents "Cash generated from operations" plus "Proceeds from disposal of property, plant and equipment" less "Finance lease additions" and "Purchase of property, plant and equipment" as set out in note 11 *and the cash flow statement.*

Net capital expenditure was £110.6m (2004: £66.5m) including £57.0m (2004: £16.2m) of additions purchased under finance leases offset by £8.1m of proceeds from disposals. The finance lease expenditure included £37.8m (2004: £0.2m) in UK Buses that arose from the conversion of operating lease arrangements to finance leases in the year.

Reconciliation of net debt	2005 £m	2004 £m
Operating cash flow	70.5	187.5
Net interest	(22.0)	(20.3)
Taxation	(26.7)	(3.2)
Share buy back	(29.3)	-
Financial investments & shares	8.4	2.6
Acquisitions and disposals	(359.1)	22.8
Dividends	(41.6)	(36.4)
Net funds flow	**(399.8)**	**153.0**
Foreign exchange	(27.0)	18.2
Funds flow post exchange	(426.8)	171.2
Opening effective net debt	(136.6)	(307.8)
Closing effective net debt	**(563.4)**	**(136.6)**

Net interest paid of £22.0m (comprising the cash outflow of £21.8m adjusted for loan fee amortisation of £0.2m) increased in the year following the termination of a US$200m interest rate swap during they year.

The receipt of tax rebates in respect of prior years in 2004 resulted in reduced tax payments last year.

Acquisitions and disposals includes the acquisition of the Alsa Group of £367.4m, other acquisitions of £65.5m, net proceeds of £49.6m from the sale of ATC, £25.4m from the disposal of Bosnjak Group and other items, including cash disposed, of £1.2m. The 2004 inflow includes £26.4m from the disposal of three Australian Bus subsidiaries in October 2004.

Dividend

An interim dividend of 10.0p per share was paid in October 2005 and a final dividend of 22.25p per share will be paid in May 2006, bringing the total dividend for the year to 32.25p. This is a 7.5% increase in total dividends declared compared to 2004. This dividend is covered 2.5 times (2004*: 2.3 times) by normalised profits after tax.

Pensions

The Group's principal defined benefit pension schemes are all in the UK. The most recent triennial actuarial valuations were carried out at 31 March 2004 and 31 March 2002 for the two Bus schemes, 5 April 2004 for Coaches and 31 December 2004 for the Train schemes. These valuations showed funding levels of 88% to 107% on the Bus schemes, 65% on the Coach scheme and 86% to 95% on the Train schemes. Approximately 1,400 (20%) Bus division employees are members of the two schemes, which have been closed for some years, and some 450 members of staff are members of the Coach division scheme which was closed in June 2002. New employees in the Bus and Coach division are offered membership of defined contribution pension schemes. In the Trains division approximately 11,000 employees are members of the Train schemes.

The balance sheet includes provision for the deficits of the defined benefit schemes in the group which includes the Railways Pension Scheme ("RPS"), where our main obligation is to pay the contributions agreed with the scheme actuary over the life of our franchise.

Overall, the IAS 19 deficits have increased as the increased values of the financial assets, reflecting the improvements in global equities, have been offset by increased liabilities arising from decreases in the discount rate and in the case of the RPS, an increase in the longevity assumptions. In the coach scheme the deficit increased to £14.9m (2004: £11.0m). In the Bus schemes, the deficit has increased slightly to £37.8m (2003: £36.2m). The RPS deficit increased by £16.3m to £34.2m, mainly due to the change in the longevity assumptions and the reduction in the discount rate.

Facilities

One of the Group's banking facilities expires in October 2006. We are working with the Group's banks to put in place a new banking arrangement over the next two to three months.

Accounting policies

IFRS

The Group's Annual Report and Accounts for the year ended 31 December 2005 has been prepared using accounting policies that comply with International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS").

We released our restated 2004 results under IFRS on 27 June 2005 and issued our first set of Interim Results under IFRS on 28 July 2005. It has been a significant additional workload for the Group Finance team and shareholders will note a number of changes in presentation of our primary statements and significant additional disclosure. Due to the length of the disclosures required under the new financial standards, the Group will prepare a summary report and accounts for the 2006 year end. Shareholders will have the option whether to receive the full annual report and accounts or the summary version.

We believe that one of the principal benefits of IFRS is to provide consistency in accounting standards across geographic areas and industries. With this in mind, we have worked with our peers to produce a consistent approach to the unique difficulties generated by the RPS to the requirements of IAS 19.

Adam Walker
Finance Director

NATIONAL EXPRESS GROUP PLC
GROUP INCOME STATEMENT
For the year ended 31 December 2005

	Note	**Total before goodwill impairment, intangible amortisation & exceptional items 2005 £m**	**Goodwill impairment, intangible amortisation & exceptional items 2005 £m**	**Total 2005 £m**	Total before goodwill impairment, intangible amortisation & exceptional items 2004* £m	Goodwill impairment, intangible amortisation & exceptional items 2004* £m	Total 2004* £m
Continuing Operations							
Revenue		**2,216.0**	**-**	**2,216.0**	2,354.5	-	2,354.5
Operating costs before goodwill impairment, intangible amortisation & exceptional items		**(2,060.5)**	**-**	**(2,060.5)**	(2,211.2)	-	(2,211.2)
UK Trains goodwill impairment		**-**	**(33.3)**	**(33.3)**	-	(33.3)	(33.3)
Intangible amortisation		**-**	**(4.9)**	**(4.9)**	-	(2.4)	(2.4)
Exceptional items		**-**	**(7.8)**	**(7.8)**	-	(7.7)	(7.7)
Total operating costs		**(2,060.5)**	**(46.0)**	**(2,106.5)**	(2,211.2)	(43.4)	(2,254.6)
Group operating profit		**155.5**	**(46.0)**	**109.5**	143.3	(43.4)	99.9
Loss on disposal of non-current assets		**-**	**-**	**-**	-	(0.9)	(0.9)
Profit from operations		**155.5**	**(46.0)**	**109.5**	143.3	(44.3)	99.0
Share of post tax results from associates and joint ventures accounted for using the equity method		**(8.8)**	**-**	**(8.8)**	(3.4)	-	(3.4)
Finance income	3	**10.8**	**-**	**10.8**	13.2	-	13.2
Finance costs	3	**(22.2)**	**-**	**(22.2)**	(30.9)	-	(30.9)
Profit before tax		**135.3**	**(46.0)**	**89.3**	122.2	(44.3)	77.9
Tax expense	4	**(29.5)**	**2.0**	**(27.5)**	(26.4)	3.6	(22.8)
Profit after tax for the period from continuing operations		**105.8**	**(44.0)**	**61.8**	95.8	(40.7)	55.1
(Loss)/profit for the period from discontinued operations	5	**3.8**	**(68.3)**	**(64.5)**	9.3	(5.8)	3.5
(Loss)/profit for the period		**109.6**	**(112.3)**	**(2.7)**	105.1	(46.5)	58.6
(Loss)/profit attributable to equity shareholders		**109.5**	**(112.3)**	**(2.8)**	106.1	(43.9)	62.2
Profit/(loss) attributable to minority interests		**0.1**	**-**	**0.1**	(1.0)	(2.6)	(3.6)
		109.6	**(112.3)**	**(2.7)**	105.1	(46.5)	58.6

	Note	Total 2005	Total 2004*
(Loss)/earnings per share:			
- basic (loss)/earnings per share	7	**(2.0p)**	45.7p
- diluted (loss)/earnings per share	7	**(2.0p)**	45.0p
Earnings per share from continuing operations:			
- basic earnings per share	7	**45.2p**	40.5p
- diluted earnings per share	7	**44.5p**	39.9p

*Results are restated for the transition to International Financial Reporting Standards.

Dividends of £41.6m were paid during the year (2004: £36.4m). Dividends of £47.0m were proposed for approval during the year (2004: £40.9m).

NATIONAL EXPRESS GROUP PLC
GROUP BALANCE SHEET
At 31 December 2005

		Note	**2005** **£m**	2004* £m
Assets				
Non-current assets				
Intangible assets			**719.4**	352.8
Property, plant and equipment			**507.2**	333.5
Financial assets	*- Other investments*		**11.4**	10.2
	- Derivative financial instruments		**0.6**	-
Investments accounted for using the equity method			**4.8**	-
Other receivables			**26.2**	30.5
Deferred tax asset			**23.0**	18.3
			1,292.6	745.3
Current assets				
Inventories			**18.7**	16.1
Trade and other receivables			**301.8**	301.8
Financial assets	*- Derivative financial instruments*		**6.7**	-
Current tax assets			**11.3**	-
Cash and cash equivalents			**145.5**	143.1
			484.0	461.0
Disposal group assets classified as held for sale			**-**	33.8
Total assets			**1,776.6**	1,240.1
Non-current liabilities				
Financial liabilities	*- Borrowings*		**(495.5)**	(251.8)
	- Derivative financial instruments		**(8.3)**	-
Deferred tax liability			**(27.1)**	(4.5)
Other non-current liabilities			**(6.1)**	(3.0)
Defined benefit pension liability		10	**(88.8)**	(65.7)
Provisions			**(41.3)**	(36.4)
			(667.1)	(361.4)
Current liabilities				
Trade and other payables			**(533.1)**	(514.5)
Financial liabilities	*- Borrowings*		**(214.4)**	(30.3)
	- Derivative financial instruments		**(13.4)**	-
Current tax liabilities			**(24.0)**	(36.8)
Provisions			**(12.3)**	(23.4)
			(797.2)	(605.0)
Liabilities directly associated with disposal group assets classified as held for sale			**-**	(6.9)
Total liabilities			**(1,464.3)**	(973.3)
Net assets			**312.3**	266.8
Shareholders' equity				
Called up share capital			**7.5**	7.0
Share premium account			**174.2**	47.5
Capital redemption reserve			**0.2**	-
Treasury shares			**(5.1)**	(5.1)
Other reserves			**24.5**	13.3
Retained earnings			**108.1**	203.2
Total shareholders' equity			**309.4**	265.9
Minority interest in equity			**2.9**	0.9
Total equity		9	**312.3**	266.8

*Results are restated for the transition to International Financial Reporting Standards.

NATIONAL EXPRESS GROUP PLC
GROUP STATEMENT OF CASH FLOWS
For the year ended 31 December 2005

	Note	2005 £m	2004* £m
Cash generated from operations	11	**181.1**	254.1
Tax paid		**(26.7)**	(3.2)
Net cash from operating activities		**154.4**	250.9
Cash flows from investing activities			
Payments to acquire businesses, net of cash acquired		**(218.8)**	12.6
Deferred consideration for businesses acquired		**(0.3)**	(4.5)
Purchase of property, plant and equipment		**(61.7)**	(69.2)
Proceeds from disposal of property, plant and equipment		**8.1**	18.8
Payments in respect of businesses disposed		**-**	(1.5)
Receipts from disposal of businesses, net of cash disposed		**71.3**	24.7
Interest received		**10.8**	13.1
Receipts from sale of shares for employee schemes		**3.5**	0.1
Net cash used in investing activities		**(187.1)**	(5.9)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**4.9**	2.5
Purchase of treasury shares		**(3.5)**	-
Share buy back		**(25.8)**	-
Interest paid		**(32.6)**	(31.6)
Repayment of maintenance bond at ScotRail		**-**	(18.7)
Finance lease principal payments		**(20.0)**	(15.8)
Repayment of loan notes		**(6.7)**	(0.9)
Loans advanced/(repaid)		**148.1**	(93.1)
Dividends paid		**(41.6)**	(36.4)
Net cash from/(used in) financing activities		**22.8**	(194.0)
(Decrease)/increase in cash and cash equivalents		**(9.9)**	51.0
Opening cash and cash equivalents		**147.2**	96.8
(Decrease)/increase in cash and cash equivalents		**(9.9)**	51.0
Foreign exchange		**2.7**	(0.6)
Closing cash and cash equivalents	11	**140.0**	147.2

*Results are restated for the transition to International Financial Reporting Standards.

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2005

	Note	2005 £m	2004* £m
Income and expense recognised directly in equity			
Exchange differences on retranslation of foreign operations		**50.3**	(28.0)
Exchange differences on retranslation of foreign currency borrowings		**(45.5)**	29.8
Actuarial losses on defined benefit pension plans	10	**(32.0)**	(2.3)
Gains on cash flow hedges taken to equity		**14.5**	-
		(12.7)	(0.5)
Transfers to the income statement			
Exchange differences on disposal of foreign operations		**1.5**	-
On cash flow hedges		**(9.4)**	-
		(7.9)	-
Tax on exchange differences on retranslation of foreign operations		**7.1**	(4.1)
Deferred tax on share based payments		**1.4**	0.8
Deferred tax on actuarial gains/(losses)		**9.0**	(0.2)
Deferred tax on cash flow hedges		**(1.4)**	-
Tax on items taken directly to or transferred from equity		**16.1**	(3.5)
Net losses recognised directly in equity		**(4.5)**	(4.0)
(Loss)/profit for the financial period		**(2.8)**	62.2
Profit/(loss) attributable to minority interests		**0.1**	(3.6)
Total recognised (expense)/income for the period	9	**(7.2)**	54.6
(Expense)/ income attributable to equity shareholders		**(7.3)**	58.4
Income/ (expense) attributable to minority interests		**0.1**	(3.8)
		(7.2)	54.6
Effects of changes in accounting policy:			
Equity shareholders:			
Net loss on hedges on first-time adoption of IAS 39		**(18.4)**	-
Tax recognised on hedges on first-time adoption of IAS 39		**5.6**	-
		(12.8)	-

*Results are restated for the transition to International Financial Reporting Standards.

NATIONAL EXPRESS GROUP PLC
NOTES TO THE ACCOUNTS
For the year ended 31 December 2005

1 Basis of preparation

As a company registered and listed in an EU country, National Express Group PLC has been required to adopt International Financial Reporting Standards ("IFRS") with effect from 1 January 2005. The results for the year ended 31 December 2005 represent the Group's first annual report and accounts prepared in accordance with its accounting policies under IFRS. Previously the Group reported under UK generally accepted accounting policies ("UK GAAP"). Detailed UK GAAP to IFRS reconciliations of equity for the date of transition, 31 December 2004 and 1 January 2005, and of profit for the year ended 31 December 2004 were issued on 27 June 2005.

The Group's accounting policies under IFRS are published on the Group's website (www.nationalexpressgroup.com).

Normalised results are defined as the statutory results before the following as appropriate: profit or loss on the sale of businesses and charges for goodwill impairment, intangible amortisation, fixed asset impairments, exceptional items and tax relief on qualifying exceptional items.

2 Exchange rates

The most significant exchange rates to the pound for the Group are as follows:

	2005 Closing rate	**2005 Average rate**	2004 Closing rate	2004 Average rate
US dollar	**1.72**	**1.82**	1.92	1.84
Canadian dollar	**2.00**	**2.20**	2.31	2.38
Euro	**1.45**	**1.47**		
Australian dollar	**2.35**	**2.39**	2.45	2.48

The 2005 average rate for Euros reflects the average rate since the Alsa acquisition.

If the results for the year to 31 December 2004 were retranslated at the average exchange rates for the year to 31 December 2005, North America would have achieved normalised operating profit of £29.9m on revenue of £215.5m, compared to normalised operating profit of £29.6m on revenue of £213.2m as reported.

3 Net finance costs

	2005 £m	2004 £m
Bank interest payable	**(16.3)**	(23.0)
Finance lease interest payable	**(4.7)**	(6.6)
Other interest payable	**(0.3)**	(0.5)
Unwind of insurance provision discounting	**(0.9)**	(0.8)
Finance costs	**(22.2)**	(30.9)
Finance income: Bank interest receivable	**10.8**	13.2
Net finance costs	**(11.4)**	(17.7)

4 Taxation

Analysis of taxation charge/ (credit) in the year

	2005 **£m**	2004 £m
Current taxation:		
UK corporation tax – continuing operations	**19.5**	22.2
Overseas taxation – continuing operations	**(1.2)**	2.7
Overseas taxation – discontinued operations	**(0.2)**	(1.5)
Current income tax charge	**18.1**	23.4
Amounts overprovided in prior years – UK	**(9.5)**	(2.2)
Amounts overprovided in prior years – Overseas	**-**	(0.1)
Total current income tax	**8.6**	21.1
Deferred taxation:		
Origination and reversal of timing differences – continuing operations	**18.7**	0.2
Total tax charge	**27.3**	21.3
The tax charge in the income statement is disclosed as follows:		
Income tax expense on continuing operations	**27.5**	22.8
Income tax credit on discontinued operations	**(0.2)**	(1.5)
	27.3	21.3
The tax expense on continuing operations is disclosed as follows:		
Tax charge on profit before goodwill impairment, intangible amortisation and exceptional items	**29.5**	26.4
Tax credit on goodwill impairment and exceptional items	**(2.0)**	(3.6)
	27.5	22.8

5 Discontinued operations

The Group decided to exit its non-core markets in North American Public Transit and Australia Bus in 2005 and 2004 respectively.

The Group's North American Public Transit operation (trading as ATC) was disposed of on 1 September 2005 and has been classified in discontinued operations.

In the year ended 31 December 2004 the Group sold National Bus Company (Victoria) Pty Limited, National Bus Company (Queensland) Pty Limited and Transport Management Group Pty Limited on 1 October 2004. The Group also announced the voluntary administration of the Bosnjak Holdings Group (comprising the Group's remaining operations in Australia) on 31 January 2005.

The results of the Group's discontinued operations are presented below. Normalised results are defined as the statutory results before the following as appropriate: profit or loss on the sale of business and charges for goodwill impairment, intangible amortisation, fixed asset impairments, exceptional items and tax relief on qualifying exceptional items. The results for the Australia Bus and Bosnjak Group are immaterial in 2005.

5 Discontinued operations (continued)

	2005	2004		
	N. American Public Transit £m	N. American Public Transit £m	Australia Bus £m	Total £m
Revenue	**100.8**	152.1	62.4	214.5
Operating expenses	**(97.0)**	(145.0)	(59.9)	(204.9)
Normalised operating profit	**3.8**	7.1	2.5	9.6
Finance income	**-**	-	0.3	0.3
Finance costs	**(0.2)**	(0.4)	(0.3)	(0.7)
Normalised profit before tax	**3.6**	6.7	2.5	9.2
Tax on normalised profit	**0.2**	-	0.1	0.1
Normalised profit	**3.8**	6.7	2.6	9.3
Goodwill impairment	**(60.0)**	-	(10.6)	(10.6)
Property, plant & equipment impairment	**-**	-	(6.1)	(6.1)
Exceptional items	**(0.2)**	(0.2)	-	(0.2)
	(60.2)	(0.2)	(16.7)	(16.9)
Profit on disposal of non-current assets	**-**	-	0.8	0.8
(Loss)/gain on sale of discontinued operations	**(6.6)**	-	8.9	8.9
Cumulative exchange differences transferred from reserves	**(1.5)**	-	-	-
	(68.3)	(0.2)	(7.0)	(7.2)
Tax – related to exceptional and other items	**-**	1.4	-	1.4
	(68.3)	1.2	(7.0)	(5.8)
(Loss)/ profit for the period from discontinued operations	**(64.5)**	7.9	(4.4)	3.5

6 Dividends paid and proposed

Declared and paid during the year	**2005 £m**	2004 £m
Ordinary final dividend for 2004 paid of 20.65p per share (2003: 17.5p per share)	**28.1**	23.6
Ordinary interim dividend for 2005 paid of 10.0p per share (2004: 9.35p per share)	**13.5**	12.8
	41.6	36.4
Proposed for approval (not recognised as liability as at 31 December)		
Ordinary final dividend for 2005 of 22.25p per share (2004: 20.65p per share)	**33.5**	28.1

7 Earnings per share

	2005	2004
Basic earnings per share – continuing operations	**45.2p**	40.5p
Basic (loss)/earnings per share – discontinued operations	**(47.2p)**	5.2p
Basic (loss)/earnings per share – total	**(2.0p)**	45.7p
Normalised basic earnings per share – continuing operations	**77.4p**	70.4p
Diluted earnings per share – continuing operations	**44.5p**	39.9p
Diluted (loss)/earnings per share – discontinued operations	**(46.5p)**	5.1p
Diluted (loss)/earnings per share – total	**(2.0p)**	45.0p
Normalised diluted earnings per share – continuing operations	**76.3p**	69.3p

Normalised earnings per share are defined as the statutory earnings per share before the following: profit or loss on the sale of business and charges for goodwill impairment, intangible amortisation, fixed asset impairments, exceptional items and tax relief on qualifying exceptional items.

Basic loss per share is calculated by dividing the loss attributable to equity shareholders of £2.8m (2004: profit of £62.2m) by the weighted average number of ordinary shares in issue during the year, excluding those held by employees' share ownership trusts and those held as treasury shares which are both treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue during the year is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

7 Earnings per share (continued)

The reconciliation of weighted average number of ordinary shares is detailed as follows:

	2005	2004
Basic weighted average shares	**136,591,474**	136,166,921
Adjustment for dilutive potential ordinary shares	**2,017,744**	2,039,292
Diluted weighted average shares	**138,609,218**	138,206,213

The normalised basic and normalised diluted earnings per share have been calculated in addition to the basic and diluted earnings per shares required by IAS 33 since, in the opinion of the Directors, they reflect the underlying performance of the business's operations more appropriately.

Normalised profits for the financial period are:

	2005 £m	**2005 Basic EPS p**	**2005 Diluted EPS p**	2004 £m	2004 Basic EPS p	2004 Diluted EPS p
(Loss)/profit attributable to equity shareholders	**(2.8)**	**(2.0)**	**(2.0)**	62.2	45.7	45.0
Loss/(profit) from discontinued operations	**64.5**	**47.2**	**46.5**	(7.1)	(5.2)	(5.1)
Profit from continuing operations attributable to equity shareholders	**61.7**	**45.2**	**44.5**	55.1	40.5	39.9
Goodwill impairment on continuing operations	**33.3**	**24.4**	**24.1**	33.3	24.4	24.1
Intangible asset amortisation	**4.9**	**3.6**	**3.5**	2.4	1.8	1.7
Exceptional items	**7.8**	**5.7**	**5.6**	7.7	5.7	5.6
Loss on disposal of non-current assets	**-**	**-**	**-**	0.9	0.7	0.6
Tax relief on goodwill and exceptional items	**(2.0)**	**(1.5)**	**(1.4)**	(3.6)	(2.7)	(2.6)
Normalised profit attributable to equity shareholders	**105.7**	**77.4**	**76.3**	95.8	70.4	69.3

Profit/loss from discontinued operations comprises the results as disclosed in note 5 net of minority interests of £3.6m in the year to 31 December 2004.

8 Business combinations

a) Acquisition of Alsa

On 1 December 2005 the Group acquired the entire share capital of General Tecnica Industrial S.L., Dabliu Consulting S.L. and Turyexpress S.A. which together hold the companies that comprise Alsa, a bus and coach operator based in Spain. Consideration of £268.6m was satisfied by the issue of 13,503,600 ordinary shares of 5p at £9.07 (£122.5m), being the price of National Express Group PLC shares on 1 December 2005, and cash of £146.1m (net of a provisional £2.6m completion adjustment that is receivable at 31 December 2005). Additionally costs of £4.4m have been included in total consideration.

2005 Net assets at date of acquisition:	Alsa book value £m	Alsa fair value adjustments £m	Alsa fair value total £m
Intangible assets	178.2	(178.2)	-
Property, plant and equipment	59.2	14.4	73.6
Available for sale investments	1.2	-	1.2
Investments accounted for under the equity method	6.0	(1.2)	4.8
Inventories	3.1	-	3.1
Trade and other receivables	52.8	(3.8)	49.0
Current tax	0.8	-	0.8
Cash and cash equivalents	10.0	-	10.0
Trade and other payables	(55.4)	-	(55.4)
Retirement benefit obligations	(0.2)	(0.9)	(1.1)
Provisions	(1.0)	-	(1.0)
Financial liabilities – Borrowings	(211.8)	-	(211.8)
Deferred tax liability	0.4	(6.5)	(6.1)
Net assets	43.3	(176.2)	(132.9)
Less minority interest	(11.4)	(4.1)	(15.5)
Group's share of net assets	31.9	(180.3)	(148.4)
Goodwill on acquisition			421.4
Total consideration			273.0
Net consideration			268.6
Acquisition costs			4.4
Total consideration			273.0
Less: shares issued			(122.5)
Add: provisional completion adjustment receivable			2.6
Less: accrued acquisition costs			(0.2)
Less: net cash acquired			(10.0)
Net cash outflow			142.9

8 Business combinations (continued)

In accordance with Group accounting policies, provisional fair value adjustments have been made to the assets and liabilities acquired. In particular, due to the proximity of the combination to the year end the Group has been unable to complete a detailed valuation of the intangible and tangible assets acquired with the business. Accordingly, the surplus of consideration over fair value of the share of net assets acquired has been allocated to goodwill at 31 December 2005. The Group expects to identify intangible assets, including brands, customer relationships and customer contracts, and will complete a property valuation. Independent valuers have been retained by the Group to complete this exercise and the results will be reflected in the Group's next accounts. The value of goodwill will be adjusted by a corresponding amount for the value of intangible assets identified and the difference between the market and book values of the property assets. Management believes that goodwill remaining after this exercise will comprise value to the Group for which the recognition of a discrete intangible asset is not permitted and will represent future growth opportunities.

On 15 December 2005 the Group paid £12.7m of cash consideration to acquire the 10.2% minority interest of Enatcar, a subsidiary of Alsa. This payment represented fair value and consequently had no impact on the goodwill recognised above. Due to the date of acquisition, the profit accrued in 2005 was not material to the Group.

From the date of acquisition, Alsa has contributed £2.6m to the normalised operating profit of the Group. As a privately owned group Alsa did not prepare consolidated financial information. Using the December 2005 results as being indicative of the profit for the full year, if the combination had taken place at the beginning of the year, the normalised operating profit for the Group would have been £184.1m and revenue from continuing operations would have been £2,416.2m.

Normalised results are defined as the statutory results before the following as appropriate: profit or loss on the sale of businesses and charges for goodwill impairment, intangible amortisation, fixed asset impairments, exceptional items and tax relief on qualifying exceptional items.

b) Other acquisitions

The Group acquired the entire share capital of TGM Buses Limited and TGM Middlesex Limited, representing the London bus operations of Tellings Golden Miller PLC (TGM) on 17 June 2005. In Canada the Group acquired the entire share capital of Aboutown School Transit Inc., a school bus operator on 15 July 2005 and the entire share capital of Northstar Passenger Services LP and Walsh Transportation LP, representing the school bus operations of Contrans Income Fund (a Canadian freight haulage company) on 1 August 2005. The Group also acquired the entire share capital of Jones School Bus Service Inc on 10 November 2005, a school bus operator in the United States. The net cash outflow in respect of these acquisitions was £63.2m.

9 Share capital and reserves

	Total equity £m
At 31 December 2004	266.8
Financial instruments recognition	(12.8)
At 1 January 2005	254.0
Shares issued	127.4
Shares purchased	(29.3)
Acquisition of minority interest	2.8
Total recognised expense	(7.2)
Shares awarded to satisfy share scheme	3.5
Disposal of subsidiaries	(0.9)
Share based payments	3.6
Dividends	(41.6)
At 31 December 2005	**312.3**

10 Pensions and other post-employment benefits

i) Financial results for pension benefits

The defined benefit pension liability included in the balance sheet is as follows:

	2005 £m	2004 £m
UK Bus	**(37.8)**	(36.2)
UK Coach	**(14.9)**	(11.0)
UK Train	**(34.2)**	(17.9)
Other	**(1.9)**	(0.6)
Total	**(88.8)**	(65.7)

10 Pensions and other post-employment benefits (continued)

The amounts charged to the Group income statement and Group statement of recognised income and expense for the year ended 31 December 2005 are set out in the following tables.

Group income statement	UK Bus 2005 £m	UK Coach 2005 £m	UK Trains 2005 £m	Other 2005 £m	**Total 2005 £m**
Amounts charged to operating profit:					
Current service cost	(5.3)	(1.6)	(31.2)	(0.2)	**(38.3)**
Past service cost	-	-	-	-	**-**
Expected return on pension scheme assets	23.9	2.1	30.1	-	**56.1**
Interest on pension liabilities	(20.2)	(2.2)	(24.0)	-	**(46.4)**
Interest on franchise adjustment	-	-	3.6	-	**3.6**
Charge to operating profit	(1.6)	(1.7)	(21.5)	(0.2)	**(25.0)**
Total charge to income statement	(1.6)	(1.7)	(21.5)	(0.2)	**(25.0)**
Actual return on plan assets	59.2	4.6	84.5	-	**148.3**

Group statement of recognised income and expense	UK Bus 2005 £m	UK Coach 2005 £m	UK Trains 2005 £m	Other 2005 £m	**Total 2005 £m**
Actual return less expected return on pension scheme assets	35.3	2.5	54.4	-	**92.2**
Other actuarial gains and losses	(41.6)	(7.3)	(75.3)	-	**(124.2)**
Actuarial loss	(6.3)	(4.8)	(20.9)	-	**(32.0)**

The amounts recognised in the balance sheet at 31 December 2005 are:

	UK Bus 2005 £m	UK Coach 2005 £m	UK Trains 2005 £m	Other 2005 £m	**Total 2005 £m**
Equities	218.5	17.2	638.1	-	**873.8**
Bonds	159.7	18.5	88.2	-	**266.4**
Property	3.6	**-**	67.3	-	**70.9**
Other	4.0	**-**	2.8	-	**6.8**
Fair value of scheme assets	385.8	35.7	796.4	-	**1,217.9**
Present fair value of scheme liabilities	(423.6)	(50.6)	(901.6)	(1.9)	**(1,377.7)**
Franchise adjustment	-	-	71.0	-	**71.0**
Group's defined benefit obligation	(423.6)	(50.6)	(830.6)	(1.9)	**(1,306.7)**
Defined benefit pension deficit	(37.8)	(14.9)	(34.2)	(1.9)	**(88.8)**

ii) Accounting for the Railways Pension Scheme

The majority of employees of the UK Train companies are members of the appropriate section of the Railways Pension Scheme ("RPS"), a funded defined benefit scheme. The RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. To date, the Group has experienced three changes of UK Train franchise ownership where the current owner has funded the scheme during the franchise term and the pension deficit at franchise exit has transferred to the new owner, without cash settlement. However, although the Group's past experience has proven otherwise, our legal advice has opined that in certain situations, some of the liability for the deficit on the relevant sections of the RPS could theoretically crystallise for funding by an individual TOC at the end of the franchise. By entering into the franchise contract, the TOC becomes the designated employer for the term of the contract and under the rules of the RPS must fund its share of the pension liability in accordance with the schedule of contributions agreed with the Scheme trustees and actuaries and for which there is no funding cap set out in the franchise contract. We understand that franchise contracts entered into in the future will clarify that RPS pension deficits and surpluses will not be the responsibility of the outgoing franchisee following exit.

To comply with IAS 19, the Group is required to account for its legal obligation under the formal terms of the RPS and its constructive obligation that arises under the terms of each franchise agreement.

In determining the appropriate accounting policy for the RPS to ensure that the Group's accounts present fairly its financial position, financial performance and cash flows, management has consulted with TOC industry peers and has concluded that the Group's constructive but not its legal RPS defined benefit obligations should be accounted for in accordance with IAS 19. This accounting policy, which in all other respects is consistent with that set out in this note for the Group's other defined benefit schemes, means that the Group's accounts reflect that element of the deficits anticipated to be settled by the Group during the franchise term and will prevent gains arising on transfer of the existing RPS deficits to a new owner at franchise exit.

In calculating the Group's constructive obligations in respect of the RPS, the Group has calculated the total pension deficits in each of the RPS sections in accordance with IAS 19 and the assumptions set out above. These deficits are reduced by a "franchise adjustment" which is that portion of the deficit projected to exist at the end of the franchise and for which the Group will not be required to fund. The franchise adjustment, which has been calculated by the Group's actuaries, is offset against the present value of the RPS liabilities so as to fairly present the financial performance, position and cash flows of the Group's obligations.

11 Cash flow statement

The net cash flows from operating activities include outflows of £7.7m (2004: £5.2m) from continuing operations which related to exceptional costs.

a) Reconciliation of Group operating profit to cash generated from operations

Total Operations	**2005 £m**	2004 £m
Net cash inflow from operating activities		
Group operating profit	**109.5**	99.9
Operating profit of discontinued operations	**(56.4)**	(7.3)
Depreciation of property, plant & equipment	**56.8**	63.6
Amortisation of leasehold property prepayment	**0.8**	0.6
Goodwill impairment	**93.3**	43.9
Intangible asset amortisation	**4.9**	2.4
Property, plant and equipment impairment	**-**	6.1
Amortisation of fixed asset grants	**(0.9)**	(6.5)
Profit on disposal of fixed assets (in normalised operating profit)	**(2.0)**	(0.6)
Share-based payments	**3.6**	0.6
(Increase)/decrease in inventories	**(0.7)**	0.7
Decrease in receivables	**22.4**	18.7
(Decrease)/increase in payables	**(37.2)**	34.7
Decrease in provisions	**(13.0)**	(2.7)
Cash generated from operations	**181.1**	254.1

Discontinued Operations	**2005 £m**	2004 £m
Net cash inflow from operating activities		
Operating profit	**(56.4)**	(7.3)
Depreciation of property, plant & equipment	**1.3**	6.3
Goodwill impairment	**60.0**	10.6
Property, plant and equipment impairment	**-**	6.1
Profit on disposal of fixed assets (in normalised operating profit)	**(0.1)**	-
Share-based payments	**0.1**	-
Increase in inventories	**(0.1)**	-
(Increase)/decrease in receivables	**(1.1)**	1.2
Increase/(decrease) in payables	**1.2**	(4.9)
Decrease in provisions	**(1.3)**	(2.9)
Cash generated from operations	**3.6**	9.1

b) Analysis of changes in net debt

Net debt at 31 December 2005 of £563.4m (2004: £136.6m) comprises cash and cash equivalents of £145.5m (2004: £147.2m), current interest bearing loans and borrowings of £214.4m (2004: £30.3m) and non-current interest bearing loans and borrowings of £495.5m (2004: £251.8m) and other debt receivable of £1.0m (2004: £1.0m).

Additionally, net debt at 31 December 2004 includes £1.5m finance leases due within one year and £1.2m finance leases due within one to two years attributable to discontinued operations and classified separately on the balance sheet within the "Disposal group assets classified as held for sale" and "Liabilities directly associated with disposal group assets classified as held for sale" headings.

	At 1 January 2005 £m	Cash flow £m	Acquisitions/ Disposals £m	Exchange Differences £m	Other movements £m	**At 31 December 2005 £m**
Cash	26.8	25.0	-	1.4	-	**53.2**
Overnight deposits	24.1	0.4	-	-	-	**24.5**
Other short term deposits	96.3	(29.8)	-	1.3	-	**67.8**
Bank overdrafts	-	(5.5)	-	-	-	**(5.5)**
Cash and cash equivalents (including overdrafts)	147.2	(9.9)	-	2.7	-	**140.0**
Other debt receivable	1.0	-	-	-	-	**1.0**
Debt due within one year:						
Loan notes	(7.5)	6.7	-	-	-	**(0.8)**
Bank loans	(8.0)	(174.8)	-	(1.5)	(0.2)	**(184.5)**
	(15.5)	(168.1)	-	(1.5)	(0.2)	**(185.3)**
Debt due after one year:						
Bank loans	(207.5)	26.7	(204.0)	(25.2)	-	**(410.0)**
Finance lease obligations	(61.8)	20.0	(7.3)	(3.0)	(57.0)	**(109.1)**
Net debt	(136.6)	(131.3)	(211.3)	(27.0)	(57.2)	**(563.4)**

11 Cash flow statement (continued)

Short term deposits included within liquid resources relate to term deposits repayable within three months. Changes in net debt arising from acquisitions and disposals in the year are disclosed separately on the face of the cash flow statement.

Other non cash movements in net debt represent finance lease additions of £57.0m (2004: £16.2m) and £0.2m (2004: £1.8m) amortisation of loan arrangement fees.

c) Reconciliation of net cash flow to movement in net debt

	2005 **£m**	2004 £m
(Decrease)/increase in cash and cash equivalents in the period	**(9.9)**	51.0
Cash (inflow)/outflow from movement in debt and lease financing	**(121.4)**	109.8
Change in net debt resulting from cash flows	**(131.3)**	160.8
Change in net debt resulting from acquisitions and disposals	**(211.3)**	(8.5)
Change in net debt resulting from non cash flows	**(84.2)**	0.2
Movement in net debt in the period	**(426.8)**	152.5
Opening net debt	**(136.6)**	(289.1)
Net debt	**(563.4)**	(136.6)

12 Financial Information.

The financial information set out above, which was approved by the Board on 9 March 2006, is derived from the full Group accounts for the year ended 31 December 2005 and does not constitute the full accounts within the meaning of section 240 of the Companies Act (as amended). The Group accounts on which the auditors have given an unqualified report, which does not contain a statement under section 237 (2) or (3) of the Companies Act 1995, will be delivered to the Registrar of Companies in due course.