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press release

Thursday 26 July 2007

National Express Group PLC
Interim Results
For the six months ended 30 June 2007

National Express Group PLC, a leading international public transport group, today announces interim results

Financial Highlights

- Revenue up 5% to £1,309.3 million (2006: £1,252.7 million)
- Group operating profit up 60% to £77.0 million (2006: £48.0 million)
- Operating cash flow* of £77.7 million (2006: £67.3 million)
- Normalised operating profit** up 8% to £90.6 million (2006: £84.0 million)
- Normalised profit before tax** up 18% to £79.0 million (2006: £67.2 million)
- Normalised diluted earnings per share** from continuing operations up 17% to 38.1 pence (2006: 32.5 pence)
- Interim dividend increased by 7.5% to 11.56 pence (2006: 10.75 pence)
- Net debt of £412.7 million (31 December 2006: £438.4 million)

* operating cash flow as defined in the Finance Review
** excluding profit or loss on the sale of non-current assets and businesses and charges for goodwill impairment, intangible amortisation, exceptional items and tax relief on qualifying exceptional items.

Half Year Highlights

- Acquisition of Continental Auto, one of Spain's leading coach and bus operators, for €659.3 million, subject to approval by the Spanish competition authorities
- Strong trading across all divisions
- Integration of UK operations releasing £11 million of annualised savings
- Another record North American bid season with over $38 million of new business won and over 95% of existing business retained
- Official travel supplier to Wembley Stadium and launch of partnership with the Football Association and Team England
- Industry leading operational performance in Trains
- Placement of £69 million coach and bus order for UK operations.

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

"The first half of the year has delivered a strong trading performance across all our operations driven primarily by sustained passenger growth and the introduction of new initiatives. The high quality of earnings in our overseas operations will be enhanced through the acquisition of Continental Auto. This complements Alsa, our Spanish coach and bus business, where trading has been encouraging over the past six months. In North America, continued success at the bid table demonstrates the strength of relationships we have with our key customers and provides a great platform for our future growth plans. Our UK operations continue to perform well. We are particularly pleased with the progress made by UK coaches to attract new customers and also generate repeat business.

Continued

We are very proud of our track record in trains. Whilst we have been disappointed by the recent franchise announcements, we are confident that our bids are ambitious, deliverable and structured to generate shareholder value over the long term. We await the outcome of the Inter-City East Coast bid in early Autumn.

We have today announced the integration of our UK operations into one business group which will enable us to respond more effectively to changes whilst ensuring we deliver our vision of a customer focused, innovative and profitable provider of transport and travel services. As we enter the second half we are encouraged by the Group's prospects, underpinned by a clear and straightforward strategy to make travel simpler for all our customers."

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- There will be an analyst and investor meeting at 0900 hours on 26 July 2007 at City Presentation Centre, 4 Chiswell Street, Finsbury Square, London EC1Y 4UP.
- A webcast of the analyst and investor presentation will be available on our website www.nationalexpressgroup.com at 0900 hours on 26 July 2007.
- High resolution images are available for the media to view and download, free of charge, from www.vismedia.co.uk or telephone 020 7613 2555.

Chairman's Statement

I am pleased to report the Group's interim results for the six month period ended 30 June 2007. Over the last six months the Group has traded well with all divisions providing strong contributions. This improved trading position is particularly encouraging as it is underpinned by strong passenger growth.

We are particularly delighted with the performance of our high margin overseas divisions which contributed almost half of the Group's operating profit. In Spain, Alsa's operations went from strength to strength with its financial performance supported by the opening of new coach stations as well as trialling new products and services to its customer base. In North America our approach to bidding and retention of contracts has resulted in the division reporting another record bid season. We are also pleased that we are starting to see more contract conversions from the public to private sector. We see conversions becoming an important feature of the market over the coming years.

At the end of April, we announced the acquisition of Continental Auto, a highly respected, well established Spanish coach and bus operator, providing an extensive north-south long distance coach network complementing Alsa's existing operations. Continental Auto has a strong financial track record, underpinned by long-term, predictable concessions. It is a quality business and we are delighted that it will join the Group as the transaction fits perfectly with our stated strategy of utilising our balance sheet to acquire businesses in our core markets. The acquisition is subject to the approval of the Spanish competition authorities. We expect to complete the transaction in the final quarter of the year.

Trading in the UK has also been encouraging. Our coach division performed strongly whilst consolidating its Superbrand status for the second year running. The equity in this brand positions the business well for partnerships which enhance and build on our core offering. As announced in April, our coach division is now the official travel supplier to Wembley Stadium. We believe similar opportunities exist with other venues across the UK and have recently entered into a partnership with the Rugby Football Union to support Twickenham.

Our West Midlands bus business has seen its first passenger growth in a number of years. Both Centro and ourselves are fully committed to our new Partnership Agreement which we look forward to signing in early Autumn.

We have seen sustained growth in our trains division with our 'one' franchise delivering a much improved performance. Our operational performance leads the industry. We are very proud of this record and believe it reflects our focus on getting things right and delivering for the passenger. We have been disappointed by the recent franchise announcements but are confident that our bids are ambitious, deliverable and structured to generate shareholder value over the long term. We await the outcome of the Inter-City East Coast bid in early Autumn.

In February, after a review of the Group's activities the Board decided to re-orientate the Group to deliver customer focused revenue growth initiatives leveraging off the Group's unique brand. Today we have announced a major step in reshaping the Group with the integration of our three UK businesses under a single UK business group. The new UK operation will be headquartered in Birmingham under the leadership of Ray O'Toole who will continue as a main board director with the priority of leading and completing the integration. The completion of the integration, planned for the first quarter of 2008, is expected to produce annualised cost savings of £11 million. The one-off costs associated with this move are expected to be £8.5 million.

As highlighted at the preliminary results, the Group continues to develop its operations with a greater focus on its customers and wider marketing of its services. With the issue of climate change becoming increasingly important, public transport is a very practical way in which consumers can reduce their carbon footprint. We are developing a number of products to satisfy this appetite including a Carbon Club incentive scheme that will encourage repeat travel on public transport whilst rewarding customers for making choices that are more environmentally sustainable. In addition, our operations are evaluating the benefits of the numerous alternative vehicle technologies available within the market, with a number of trials already underway.

National Express is a company focused on growth through investment. We are investing in the quality of our operations and in May announced a new £69 million order for up to 480 buses and coaches for our UK operations, incorporating the latest in European low exhaust emissions standards and providing fuel economy. This order is phased over the next three years and will result in a sustained improvement in the quality of our bus and coach fleets where the average fleet age is already below the industry average.

Results

Revenue for the six months to 30 June 2007 was up 5% to £1,309.3 million (2006: £1,252.7 million). Group operating profit was up 60% to £77.0 million (2006: £48.0 million) and profit before tax increased to £65.4 million (2006: £5.5 million). After taxation, the diluted earnings per share was 31.4 pence (2006: loss per share 5.9 pence).

In this review we will refer to normalised results, which we feel reflect the performance of the business more appropriately. Normalised results are defined as the statutory results before the following as appropriate: profit or loss on the sale of non-current assets and businesses and charges for goodwill impairment, intangible amortisation, exceptional items and tax relief on qualifying exceptional items.

Normalised operating profit was up 8% to £90.6 million (2006: £84.0 million). Normalised profit before tax increased to £79.0 million (2006: £67.2 million).

Normalised diluted earnings per share were up 17% to 38.1 pence (2006: 32.5 pence). Operating cash flow during the first six months was £77.7 million (2006: £67.3 million). Net debt at 30 June 2007 was £412.7 million (31 December 2006: £438.4 million).

An interim dividend of 11.56 pence per share, an increase of 7.5% over last year's interim dividend of 10.75 pence per share, will be paid on 28 September 2007 to shareholders on the register by 14 September 2007.

Current trading and prospects

The first half of the year has delivered a strong trading performance across all our operations driven primarily by sustained passenger growth and the introduction of new initiatives. The high quality of earnings in our overseas operations will be enhanced through the acquisition of Continental Auto. This complements Alsa, our Spanish coach and bus business, where trading has been encouraging over the past six months. In North America, continued success at the bid table demonstrates the strength of relationships we have with our key customers and provides a great platform for our future growth plans. Our UK operations continue to perform well. We are particularly pleased with the progress made by UK coaches to attract new customers and also generate repeat business.

We are very proud of our track record in trains. Whilst we have been disappointed by the recent franchise announcements, we are confident that our bids are ambitious, deliverable and structured to generate shareholder value over the long term. We await the outcome of the Inter-City East Coast bid in early Autumn.

We have today announced the integration of our UK operations into one business group which will enable us to respond more effectively to changes whilst ensuring we deliver our vision of a customer focused, innovative and profitable provider of transport and travel services. As we enter the second half we are encouraged by the Group's prospects, underpinned by a clear and straightforward strategy to make travel simpler for all our customers.

Operating Review

Alsa

Alsa is Spain's largest private coach and bus operator, with a high quality network of long distance and regional coach routes. It also operates urban bus networks in Spain, Portugal and Morocco.

Revenue was £121.7 million (2006: £117.1 million) and normalised operating profit was £18.9 million (2006: £18.1 million). The results were achieved despite a weakening of the euro with normalised operating profit in local currency improving 6% to €28.0 million (2006: €26.3 million).

In the first half Alsa's operations experienced passenger growth of 3% despite competitive pressure from rail and low cost airlines. The introduction of promotional fares, the use of differentiated product offerings and improvements to network services have all contributed to the growth achieved to date. We are developing our network on key routes with improvements to travel facilities around key hubs such as Barcelona and Seville. These encouraging results were achieved despite experiencing a reduction in passenger journeys in May due to unseasonal weather.

Alsa has focused on improving its relationship and information provision to customers on the back of sharing best practice with the UK coach division. In January "InfoSMS" was launched providing real-time information to customers through mobile phone text messages. In May, the new Alsa customer loyalty card called "BUS Plus" was launched incorporating cutting edge technology which gives customers a pre pay cash system combined with a smartcard. This has been well received with 30,000 members signed up in three months. In addition, payment of tickets via mobile phone and additional web capability are also under development.

The bus business saw good growth and we recently signed a new 15 year bus contract in Leon. With environmental credentials being a key criteria for procuring organisations, we have been improving them in our bus fleet and are undertaking trials of alternative technologies. We have increased our bus fleet in Marrakech, Morocco and look forward to news with respect to our recently submitted bid for a new 400 bus contract in Rabat. In May the new light rail route in Madrid commenced operation and has achieved anticipated passenger targets.

With the summer being a key trading period for the division, we are encouraged by the prospects across our operations and look forward to working with Continental Auto management later in the year.

Coaches

The Coach division provides Britain's only scheduled national coach network and services to almost 1,000 destinations. Eurolines offers value for money European travel by coach.

Revenue was £103.5 million (2006: £94.8 million) and normalised operating profit was £6.1 million (2006: £5.3 million). Overall revenue has grown by 9% and we have maintained our first half margins. Our coach division experienced a strong start to the year particularly on our airport and short distance routes with passenger growth of 3%. In addition we saw an improvement in yields as fewer promotional fares were offered than in 2006. We experienced strong internet growth driven by the success of our funfares which will be rolled out to other key routes later in the year.

Although the first six months of the year is traditionally quieter than the second, some important trends are becoming clear. Coach travel is becoming relevant to a far greater proportion of the population. We target those customers for whom value for money travel is a priority and who have an increased awareness of the role the coach can play in reducing an individual's carbon footprint. We are developing new products for coaches to address an increasingly diverse and segmented market. We continue to lobby the Highways Agency to allow coaches to use the proposed High Occupancy Vehicle Lanes on Britain's motorways. We are also talking to Transport for London to promote the coach as a key part of Greater London's transport infrastructure. In addition, we are reviewing our network to ensure our assets are deployed to maximum effect, without compromising the strength of our network overall.

As increasing demand is placed on transport infrastructure around our major cities, we are looking for new ways to meet this demand and grow our business by offering the motorist and other commuters real choice. At the end of this month, we are launching a pilot commuter coach service between Milton Keynes and Canary Wharf with dedicated vehicles fitted with wi-fi and power points amongst other facilities. We have plans to introduce further routes during 2007 and 2008.

Through our Wembley sponsorship we have supported eleven events at the venue to date with over 12,500 people travelling on our services. Our Wembley network from 43 UK towns is encouraging new customers to use our services.

Outline planning permission has been agreed to build a new landmark purpose built coach station in the centre of Birmingham incorporating a wide range of customer amenities as well as being an important interchange for the West Midlands. Detailed discussions with Birmingham City Council are now well underway and work is expected to start by the end of the year with completion anticipated in 2010. The transition of operations to a neighbouring temporary site is already underway. We anticipate this new coach station will provide enhanced customer facilities and make coach travel more appealing to a wider customer base. To support our network, we have invested in new services such as a sales desk at Luton Airport and improved customer amenities at our North London hub at Golders Green and Leicester Bus Station. We are also working with the local councils to offer improved customer facilities in Brighton and Milton Keynes.

Eurolines has benefited from the increased movement of passengers to the UK from across Eastern Europe with a total of 88 destinations now available as "through tickets" for our Polish customers. Passenger growth has also been strong on the London to Paris route following the introduction of new coaches and revised fares. When the Eurolines routes are combined with the international routes in Alsa, we are one of the leading coach providers across Europe. We see this as a future opportunity for growth given the flows of migrant travel, the benefits of coach as an environmentally friendly form of travel and our sustained value for money pricing structure.

Buses

The Bus division operates over 2,000 buses in the West Midlands, Dundee and London. We also operate the Midland Metro, the light rail service in the West Midlands.

Revenue for the period was £157.0 million (2006: £147.5 million) with normalised operating profit of £19.8 million (2006: £19.0 million). We have experienced a 2% increase in passenger growth in the West Midlands across both farepaying and concessionary fare passengers, reflecting the first concerted growth for several years. This was achieved despite the challenging weather conditions in the early part of the year and without a significant change in the terms of the local concessionary fare scheme. This trend was assisted by the introduction of a number of initiatives to increase the attractiveness of season tickets and making our tickets easier to purchase.

We have focused on improving the quality of our services with new cleaning regimes for the fleet. A greater focus on training employees has resulted in our Coventry business receiving the Investors in People accreditation in June.

Travel London performed well. Significant contracts were won including the East London rail replacement service as well as retention of key contracts with Surrey County Council. Working in partnership with Transport for London to reduce further the environmental impact of the fleet, we are introducing five hybrid single deck vehicles into the fleet on trial.

Our Dundee operation had a good first half with passenger growth of over 4%, despite Dundee having seen an 11% increase in car ownership over the past few years.

We expect further progress in the West Midlands in the second half of 2007. A new bus order will see 125 double and single deck vehicles enter the fleet for deployment on key Birmingham routes. We have been active in supporting the partnership themes within the Local Transport Bill and believe that our forthcoming Partnership Agreement with Centro illustrates that working together is by far the most effective route to deliver passenger growth and benefits.

North America

We operate a bus fleet entirely focused on school bus services both in the United States (27 states) and Canada (2 provinces), with a fleet of 14,000 buses.

Revenue was £162.8 million (2006: £155.0 million) and normalised operating profit was £24.1 million (2006: £26.6 million). In local currency, North America maintained normalised operating profit at US$47.6 million (2006: US$ 47.6 million) which is a strong result despite absorbing the anticipated increase in annual fuel costs of $13 million.

Our North American operations performed strongly with a revenue increase of 16% in local currency. This success has been achieved on the back of good operational delivery, increased focus on the needs of our customers and investment in our people. To reinforce this, we are investing in new streamlined systems and processes for our operations which will significantly enhance the quality of our business information.

Our business transformation project remains on schedule and detailed work commences during the second half of this year. Pilot studies in four of our customer service centres will take place during 2008 and we expect to see significant bottom line contribution from 2009 onwards.

In the current bid season we won over $38 million of net new business at improved margins, making this our best ever bid season. This success was complemented by the retention of over 98% of our existing business and conversions were secured in Illinois, Iowa, Texas and Mississippi. We have recently won new contracts in Tennessee and South Carolina and now operate in 27 states.

Operating in a market of 475,000 buses, our approach combines the power of a major international organisation with the detailed knowledge of local management. This allows us to invest time and resource with the school boards to listen to their requirements and ensure that, despite our overall scale, we are able to get close to our customers at a local level.

The sale of the Stewart airport lease for $78.5 million to the New York Port Authority was signed on 17 July 2007. The disposal remains subject to approval by the Federal Aviation Administration and the New York State Authorities.

Trains

We operate six train franchises in the UK: c2c, Central Trains, Gatwick Express, Midland Mainline, 'one' and Silverlink.

The Trains division achieved revenue of £771.1 million (2006: £744.0 million) and normalised operating profit of £28.7 million (2006: £20.0 million). Despite an increase in energy costs of £10 million, margins have been improved. Bid costs of £7.5 million (2006: £2.0 million) have been included within the normalised operating profit result.

Our Trains division continues to deliver the best operational performance within the industry. This has contributed to passenger growth of 6%. On the back of a joint improvement plan with Network Rail and customer focused adjustments to the timetable, the operational performance of 'one' has been substantially improved. This has experienced double digit growth arising from increased leisure travel, the roll-out of revenue protection initiatives at key stations including London's Liverpool Street and a number of station upgrades. On-board services continue to be a focus and we were awarded a National Customer Service award for our on-board catering on the London to Norwich route at the 2007 Rail Innovation Awards. c2c continues to be at the top of the national performance league holding the title of Britain's best performing railway, a position it has held for more than two years.

We continue to use technology to drive our business. Our yield management system is working well and currently 40,000 bookings a week are being taken through the Midland Mainline website, boosting off peak travel. We are pleased with our progress in improving the quality of our customer relationship marketing database and are looking at ways that this can be further developed. Technology is increasingly being used to simplify the customer experience with increased use of e-ticketing, mobile ticketing and car parking payments made using a mobile phone.

We have been investigating practical ways to address increased energy costs within the division. In June, c2c introduced regenerative braking and we subsequently introduced it at 'one', Silverlink and Central Trains where we have new trains. Throughout our rail business, we are working hard to reduce our carbon footprint and bring down our energy costs. During 2006 we achieved a 17% reduction in our site energy costs.

Earlier this month we launched our new shared service centre for our train operations, providing a one-stop shop for back office processes for our London-based train companies, 'one' and c2c. This will provide improved efficiency and cost savings for the division.

In June, the Department for Transport confirmed that the current Gatwick Express franchise will end in June 2008 and be incorporated into the Southern franchise. We have recently submitted our bid for the Inter-City East Coast franchise and await a decision from the DfT in the Autumn.

Finance Review

Seasonality

As a result of seasonality, the Group does not generate operating profit evenly between the first half and the second half of the year. In UK Coach and, to a lesser extent, Alsa, the higher volumes over the summer holiday months weight operating profit towards the second half of the year. Underlying operating profit in UK Trains is weighted towards the second half of the year because of the phasing of passenger revenue in a relatively fixed cost business. The actual weighting of profits is also affected by the commencement and termination of franchises. Offsetting this, the North America school bus business primarily earns revenue by operating contracts on behalf of school boards, and therefore generates less operating profit in the second half of the year because of school summer holidays. Operating profit in UK Bus is broadly weighted evenly between the first half and the second half of the year.

Foreign exchange

The weakening of the US and Canadian dollar has reduced the normalised operating profit by £2.4 million compared to 2006. If the results for the six months to 30 June 2007 were retranslated at the average exchange rates for the six months to 30 June 2006, North America would have achieved normalised operating profit of £26.5 million on revenue of £179.6 million.

The adverse impact of currency on Alsa's results is £0.4 million and if the results for the six months to 30 June 2007 were retranslated at the average exchange rates for the six months to 30 June 2006 the division would have achieved normalised operating profit of £19.3 million on revenue of £124.0 million.

Joint ventures and associates

The share of profit from the joint ventures and associates within Alsa was £0.5 million (2006: £nil).

In 2006, the total charge for associates and joint ventures was £29.5 million, which comprised our share of the post tax results from the Group's Eurostar associate, Inter-Capital and Regional Rail Limited ("ICRRL"), of £3.8 million and a £25.7 million exceptional charge for the designation of the contract with ICRRL as an onerous contract.

Finance cost

Net interest payable decreased to £12.1 million (2006: £13.0 million), reflecting the lower levels of net debt in the first half of the year when compared to 2006 offset by the £1.0 million charge for the unwind of the discounting on the ICRRL onerous contract provision.

Continuing normalised operating profit before depreciation and other non-cash items ("EBITDA") was £128.7 million (2006: £122.9 million) and continuing EBITDA finance cover before discounting increased to 12.1 times (2006: 9.9 times).

Intangibles, goodwill and exceptional items

Intangible asset amortisation of £13.6 million (2006: £14.3 million) comprises £10.0 million (2006: £10.1 million) on contracts acquired in Alsa, £2.4 million (2006: £2.4 million) on contracts acquired in North America, £0.6 million (2006: £0.8 million) on contracts acquired in UK Bus and £0.6 million (2006: £1.0 million) on the intangible asset that arises from the Group's right to operate its rail franchises.

The goodwill impairment charge in 2006 comprised £19.3 million on the goodwill arising from the acquisition of Prism Rail PLC in September 2000 and £0.9 million on the acquisition of the remaining share capital of Altram.

No exceptional costs were incurred in the period. Exceptional costs of £1.5 million in 2006 were incurred in relation to the Alsa integration project.

Tax

Our normalised tax rate has increased from the 2006 full year rate of 25.1% to 26.4%. The total tax charge includes a tax credit on exceptional items of £3.4 million (2006: £3.5 million) which includes the deferred tax impact of the Group's non-deductible intangible asset amortisation.

Cash flow

The Group continues to generate strong cash flow with an operating cash flow of £77.7 million (2006: £67.3 million).

Operating Cash Flow	Buses £m	Coaches £m	Trains £m	North America £m	Alsa £m	Central functions £m	Total £m
Normalised operating profit	19.8	6.1	28.7	24.1	18.9	(7.0)	90.6
Depreciation	8.3	2.3	8.1	12.6	6.6	0.3	38.2
Amortisation of property, plant and equipment grants	-	-	(0.3)	-	(0.1)	-	(0.4)
Profit on disposal	-	(0.1)	0.1	(0.4)	(0.3)	-	(0.7)
Share based payments	0.1	0.1	0.2	0.1	0.1	0.4	1.0
EBITDA	**28.2**	**8.4**	**36.8**	**36.4**	**25.2**	**(6.3)**	**128.7**
Working capital movement	(10.2)	5.1	(10.6)	7.0	(1.9)	0.3	(10.3)
Net cash inflow from operations	**18.0**	**13.5**	**26.2**	**43.4**	**23.3**	**(6.0)**	**118.4**
Net capital expenditure	(6.8)	1.0	(2.6)	(15.6)	(13.5)	-	(37.5)
Operating cash flow before one-offs	**11.2**	**14.5**	**23.6**	**27.8**	**9.8**	**(6.0)**	**80.9**
Other cash flows							
- Franchise exits							(3.2)
Operating cash flow							**77.7**

Operating cash flow is intended to be the cash flow equivalent to normalised operating profit. To reconcile the operating cash flow to the statutory cash flow the following items are included: "Cash generated from operations" plus "Proceeds from the disposal of property, plant and equipment" less "Purchase of property, plant and equipment" as set out in the cash flow statement. Non-operating items are then excluded which comprises the £8.4m payment in respect of the ICRRL liability.

The working capital outflow in UK Bus reflects payments to the defined benefit pension schemes in excess of the income statement charge and the losses associated with the onerous contracts in our acquired London business. In UK Trains a timing difference has contributed to the working capital outflow.

Net capital expenditure was £37.5 million (2006: £32.5 million) including £9.7 million (2006: £3.8 million) proceeds from disposals. The net inflow in UK Coach comprises the proceeds from the sale of vehicles. More than two thirds of the Group's capital expenditure program is projected to occur in the second half of the year.

Reconciliation of net debt	**2007 £m**	**2006 £m**
Operating cash flow	77.7	67.3
Exceptional cash flow	-	(0.9)
Payments to associates	(8.4)	(8.4)
Net interest	(12.2)	(13.6)
Non-equity dividends paid	(0.2)	-
Taxation	0.1	5.9
Share buy back	-	(11.6)
Share proceeds	4.8	13.3
Acquisitions and disposals	(3.6)	(10.5)
Dividends	(36.3)	(33.4)
Net funds flow	**21.9**	**8.1**
Foreign exchange	3.8	8.8
Funds flow post exchange	25.7	16.9
Opening net debt	(438.4)	(563.4)
Closing net debt	**(412.7)**	**(546.5)**

Payments to associates of £8.4 million represent the annual outflow in respect of the ICRRL onerous contract.

Net interest paid of £12.2 million (comprising cash outflow of £11.8 million plus loan fee amortisation of £0.4 million) is in excess of the net finance cost before discounting of £10.6 million due to the payment of interest in respect of 2006.

The timing of tax receipts in Spain has resulted in a net rebate in the six months to June.

The cash flow in relation to acquisitions comprises £2.5 million for the purchase of subsidiaries and £1.1 million of deferred consideration paid in respect of 2006 acquisitions.

NATIONAL EXPRESS GROUP PLC
GROUP INCOME STATEMENT
For the six months ended 30 June 2007

		Unaudited six months to 30 June						Audited
	Note	**Total before goodwill impairment, intangible amortisation & exceptional items 2007 £m**	**Goodwill impairment, intangible amortisation & exceptional items 2007 £m**	**Total 2007 £m**	Total before goodwill impairment, intangible amortisation & exceptional items 2006 £m	Goodwill impairment, intangible amortisation & exceptional items 2006 £m	Total 2006 £m	Year to 31 Dec Total 2006 £m
Continuing operations								
Revenue	3	**1,309.3**	**-**	**1,309.3**	1,252.7	-	1,252.7	2,525.5
Operating costs before goodwill impairment, intangible amortisation & exceptional items		**(1,218.7)**	**-**	**(1,218.7)**	(1,168.7)	-	(1,168.7)	(2,340.7)
Goodwill impairment	4	**-**	**-**	**-**	-	(20.2)	(20.2)	(20.2)
Intangible amortisation	4	**-**	**(13.6)**	**(13.6)**	-	(14.3)	(14.3)	(27.8)
Exceptional items	5	**-**	**-**	**-**	-	(1.5)	(1.5)	4.8
Total operating costs		**(1,218.7)**	**(13.6)**	**(1,232.3)**	(1,168.7)	(36.0)	(1,204.7)	(2,383.9)
Group operating profit		**90.6**	**(13.6)**	**77.0**	84.0	(36.0)	48.0	141.6
Profit on disposal of non-current assets		**-**	**-**	**-**	-	-	-	16.9
Profit from operations		**90.6**	**(13.6)**	**77.0**	84.0	(36.0)	48.0	158.5
Share of post tax results from associates and joint ventures accounted for using the equity method		**0.5**	**-**	**0.5**	(3.8)	(25.7)	(29.5)	(29.5)
Finance income	6	**6.7**	**-**	**6.7**	5.6	-	5.6	12.4
Finance costs	6	**(18.8)**	**-**	**(18.8)**	(18.6)	-	(18.6)	(37.3)
Profit before tax		**79.0**	**(13.6)**	**65.4**	67.2	(61.7)	5.5	104.1
Tax expense	7	**(20.8)**	**3.4**	**(17.4)**	(17.5)	3.5	(14.0)	(23.6)
Profit/(loss) after tax for the period from continuing operations		**58.2**	**(10.2)**	**48.0**	49.7	(58.2)	(8.5)	80.5
Loss for the period from discontinued operations		**-**	**-**	**-**	-	-	-	(3.2)
Profit/(loss) for the period		**58.2**	**(10.2)**	**48.0**	49.7	(58.2)	(8.5)	77.3
Profit/(loss) attributable to equity shareholders		**58.0**	**(10.2)**	**47.8**	49.4	(58.2)	(8.8)	76.5
Profit attributable to minority interests		**0.2**	**-**	**0.2**	0.3	-	0.3	0.8
		58.2	**(10.2)**	**48.0**	49.7	(58.2)	(8.5)	77.3
Earnings/(loss) per share:								
- basic earnings/(loss) per share	9			**31.5p**			(5.9p)	50.7p
- diluted earnings/(loss) per share	9			**31.4p**			(5.9p)	50.4p
Normalised earnings per share:								
- basic earnings per share	9			**38.3p**			32.8p	77.0p
- diluted earnings per share	9			**38.1p**			32.5p	76.5p
Earnings/(loss) per share from continuing operations:								
- basic earnings/(loss) per share	9			**31.5p**			(5.9p)	52.8p
- diluted earnings/(loss) per share	9			**31.4p**			(5.9p)	52.5p
Dividends per ordinary share:								
- interim 2007/2006	8			**11.56p**			10.75p	10.75p
- final 2006	8			**-**			-	24.00p
				11.56p			10.75p	34.75p

Dividends of £36.4m were due during the period (2006 interim: £33.9m; 2006 full year: £50.1m). Dividends of £17.6m were proposed for approval during the period (2006 interim: £16.2m; 2006 full year: £52.5m).

NATIONAL EXPRESS GROUP PLC
GROUP BALANCE SHEET
At 30 June 2007

	Note	**Unaudited 30 June 2007 £m**	Unaudited 30 June 2006 £m	Audited 31 December 2006 £m
Non-current assets				
Intangible assets		**687.4**	730.9	697.6
Property, plant and equipment		**499.3**	499.9	501.9
Financial assets – Available for sale	11	**13.5**	22.2	13.5
Financial assets – Derivative financial instruments	11	**6.1**	2.1	0.3
Investments accounted for using the equity method		**9.2**	8.7	8.7
Other receivables		**4.4**	32.4	4.1
Deferred tax asset		**-**	15.2	10.6
		1,219.9	1,311.4	1,236.7
Current assets				
Inventories		**16.9**	16.4	15.5
Trade and other receivables		**231.0**	236.4	272.3
Financial assets – Derivative financial instruments	11	**5.4**	6.8	8.1
Current tax assets		**5.3**	13.5	26.4
Cash and cash equivalents	14	**155.1**	105.3	143.6
		413.7	378.4	465.9
Disposal group assets classified as held for sale		**20.0**	-	20.1
Total assets		**1,653.6**	1,689.8	1,722.7
Non-current liabilities				
Financial liabilities – Borrowings	14	**(544.0)**	(595.6)	(538.4)
Financial liabilities – Derivative financial instruments	11	**(4.0)**	(4.1)	(8.3)
Deferred tax liability		**(84.7)**	(82.0)	(84.3)
Other non-current liabilities		**(3.0)**	(1.7)	(3.0)
Defined benefit pension liability	12	**(43.9)**	(94.1)	(52.8)
Provisions		**(57.5)**	(54.9)	(61.3)
		(737.1)	(832.4)	(748.1)
Current liabilities				
Trade and other payables		**(463.0)**	(459.6)	(518.4)
Financial liabilities – Borrowings	14	**(23.8)**	(57.2)	(43.6)
Financial liabilities – Derivative financial instruments	11	**(2.5)**	(4.0)	(6.4)
Current tax liabilities		**(33.5)**	(36.6)	(40.9)
Provisions		**(14.7)**	(26.4)	(17.4)
		(537.5)	(583.8)	(626.7)
Liabilities directly associated with disposal group assets classified as held for sale		**(2.1)**	-	(2.4)
Total liabilities		**(1,276.7)**	(1,416.2)	(1,377.2)
Net assets		**376.9**	273.6	345.5
Shareholders' equity				
Called up share capital	13	**7.7**	7.7	7.7
Share premium account	13	**194.6**	187.3	189.8
Capital redemption reserve	13	**0.2**	0.2	0.2
Own shares	13	**(16.4)**	(16.7)	(16.7)
Other reserves	13	**20.7**	22.1	7.9
Retained earnings	13	**166.8**	70.0	153.3
Total shareholders' equity		**373.6**	270.6	342.2
Minority interest in equity	13	**3.3**	3.0	3.3
Total equity		**376.9**	273.6	345.5

NATIONAL EXPRESS GROUP PLC
GROUP STATEMENT OF CASH FLOWS
For the six months ended 30 June 2007

	Note	**Unaudited six months to 30 June 2007 £m**	Unaudited six months to 30 June 2006 £m	Audited year to 31 December 2006 £m
Cash generated from operations	15	**106.8**	86.0	254.5
Tax received/(paid)		**0.1**	5.9	(9.0)
Net cash from operating activities		**106.9**	91.9	245.5
Cash flows from investing activities				
Payments to acquire businesses, net of cash acquired	10	**(2.5)**	(8.2)	(19.8)
Deferred consideration for businesses acquired		**(1.1)**	0.3	(3.0)
Purchase of property, plant and equipment		**(47.2)**	(35.8)	(73.5)
Proceeds from disposal of property, plant and equipment		**9.7**	8.3	24.3
Payments to acquire investments		**-**	-	(4.6)
Payments to acquire associates		**-**	-	(1.5)
Receipts from disposal of investments		**-**	-	13.2
Receipts from disposal of intangible assets		**-**	-	1.5
Interest received		**6.7**	5.6	12.4
Non-equity dividends paid		**(0.2)**	-	-
Net cash used in investing activities		**(34.6)**	(29.8)	(51.0)
Cash flows from financing activities				
Proceeds from issue of ordinary shares		**4.8**	13.3	15.8
Purchase of treasury shares		**-**	(11.6)	(11.6)
Interest paid		**(18.5)**	(18.4)	(32.1)
Finance lease principal payments		**(12.4)**	(10.5)	(21.5)
Net loans repaid		**-**	(33.7)	(89.9)
Loans receivable repaid		**-**	-	1.0
Dividends paid		**(36.3)**	(33.4)	(49.7)
Net cash used in financing activities		**(62.4)**	(94.3)	(188.0)
Increase/(decrease) in cash and cash equivalents		**9.9**	(32.2)	6.5
Opening cash and cash equivalents	14	**143.6**	140.0	140.0
Increase/(decrease) in cash and cash equivalents		**9.9**	(32.2)	6.5
Foreign exchange		**1.6**	(2.5)	(2.9)
Closing cash and cash equivalents	14	**155.1**	105.3	143.6

NATIONAL EXPRESS GROUP PLC
GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the six months ended 30 June 2007

	Unaudited six months to 30 June 2007 £m	Unaudited six months to 30 June 2006 £m	Audited year to 31 December 2006 £m
Income and expense recognised directly in equity			
Exchange differences on retranslation of foreign operations	**2.7**	(19.8)	(55.3)
Exchange differences on retranslation of foreign currency borrowings	**(1.0)**	11.0	46.8
Actuarial gains/(losses) on defined benefit pension plans	**3.2**	(8.9)	20.6
Gains on valuation of available for sale assets	**-**	10.8	-
Gain/(loss) on cash flow hedges taken to equity	**13.0**	8.9	(12.1)
	17.9	2.0	-
Transfers to the income statement			
On cash flow hedges	**3.1**	(2.9)	1.6
	3.1	(2.9)	1.6
Tax on exchange differences on retranslation of foreign currency borrowings	**(0.1)**	2.2	(1.3)
Tax on share based payments	**(1.0)**	(1.0)	2.4
Deferred tax on actuarial (gains)/losses	**(0.8)**	2.8	(6.2)
Deferred tax on cash flow hedges	**(4.9)**	(1.8)	3.7
Tax on items taken directly to or transferred from equity	**(6.8)**	2.2	(1.4)
Net gains recognised directly in equity	**14.2**	1.3	0.2
Profit/(loss) for the financial period	**47.8**	(8.8)	76.5
Profit attributable to minority interests	**0.2**	0.3	0.8
Total recognised income/(expense) for the period	**62.2**	(7.2)	77.5
Income/(expense) attributable to equity shareholders	**62.0**	(7.5)	76.7
Income attributable to minority interests	**0.2**	0.3	0.8
	62.2	(7.2)	77.5

NATIONAL EXPRESS GROUP PLC
NOTES TO THE INTERIM ACCOUNTS
For the six months ended 30 June 2007

1. Basis of preparation

These accounts have been prepared using the accounting policies set out in the Group's 2006 statutory accounts.

The interim results are unaudited but have been reviewed by the auditors. The financial information presented herein does not amount to full statutory accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the year to 31 December 2006 have been extracted from the Annual Report and Accounts 2006 which has been filed with the Registrar of Companies. The audit report on the Annual Report and Accounts 2006 was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

2. Exchange rates

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

	Six months to 30 June 2007		Six months to 30 June 2006		Year to 31 Dec 2006	
	Closing rate	**Average rate**	Closing rate	Average rate	Closing rate	Average rate
US dollar	**2.01**	**1.98**	1.85	1.79	1.96	1.85
Canadian dollar	**2.14**	**2.23**	2.06	2.03	2.28	2.09
Euro	**1.48**	**1.48**	1.44	1.45	1.48	1.47

If the results for the six months to 30 June 2007 had been retranslated at the average exchange rates for the six months to 30 June 2006, North America would have achieved normalised operating profit of £26.5m on revenue of £179.6m, and Alsa would have achieved normalised operating profit of £19.3m on revenue of £124.0m.

3. Segmental analysis

The revenue of the Group comprises income from road passenger transport, train passenger services, airport operations and related activities in the UK, North America and Europe. Within the UK Trains division, franchise agreement receipts from the Department for Transport Rail Division and local Passenger Transport Executives are treated as revenue. During the half year to 30 June 2007, franchise agreement receipts amounted to £191.4m (2006 interim: £179.0m; 2006 full year: £377.1m).

Analysis by class and geography of business	Unaudited six months to 30 June				Audited year to 31 December	
	Revenue 2007 £m	**Operating result 2007 £m**	Revenue 2006 £m	Operating result 2006 £m	Revenue 2006 £m	Operating result 2006 £m
UK Bus	**157.0**	**19.8**	147.5	19.0	300.8	40.7
UK Trains	**771.1**	**28.7**	744.0	20.0	1,497.6	49.1
UK Coach	**103.5**	**6.1**	94.8	5.3	207.3	23.7
Intercompany elimination	**(6.8)**	**-**	(5.7)	-	(13.2)	-
UK operations	**1,024.8**	**54.6**	980.6	44.3	1,992.5	113.5
North American Bus	**162.8**	**24.1**	155.0	26.6	283.7	39.1
European Coach & Bus (Alsa)	**121.7**	**18.9**	117.1	18.1	249.3	44.3
Central functions	**-**	**(7.0)**	-	(5.0)	-	(12.1)
Result from continuing operations	**1,309.3**	**90.6**	**1,252.7**	**84.0**	**2,525.5**	**184.8**
Goodwill impairment		**-**		(20.2)		(20.2)
Intangible asset amortisation		**(13.6)**		(14.3)		(27.8)
Exceptional items		**-**		(1.5)		4.8
Group operating profit		**77.0**		48.0		141.6
Profit on disposal of non-current assets		**-**		-		16.9
Profit from operations		**77.0**		48.0		158.5
Share of post tax results from associates and joint ventures		**0.5**		(29.5)		(29.5)
Net finance costs		**(12.1)**		(13.0)		(24.9)
Profit before tax		**65.4**		5.5		104.1
Tax expense		**(17.4)**		(14.0)		(23.6)
Profit/(loss) for the period from continuing operations		**48.0**		(8.5)		80.5
Loss on sale of discontinued operations		**-**		-		(3.2)
Profit/(loss) for the period		**48.0**		(8.5)		77.3

Intercompany sales only occur between the Group's UK Divisions. Inter-segment trading is undertaken on standard arm's length commercial terms.

4. Goodwill impairment and intangible asset amortisation

Intangible assets in UK Trains are subject to amortisation, which is charged on a straight-line basis to the end of the franchise, of £0.6m (2006 interim: £1.0m; 2006 full year: £1.6m). Intangible assets representing customer contracts have been subject to an amortisation charge in Alsa of £10.0m (2006 interim: £10.1m, 2006 full year: £20.1m), North America of £2.4m (2006 interim: £2.4m; 2006 full year: £4.5m) and in UK Bus of £0.6m (2006 interim: £0.8m; 2006 full year: £1.6m).

The goodwill impairment charge in 2006 related to the UK Trains' goodwill and goodwill arising on the acquisition of Altram, both of which are now fully written off.

5. Exceptional items and exceptional charge for associates

Exceptional items are material items of income or expenditure which due to their nature and infrequency require separate identification on the face of the income statement to allow a better understanding of the financial performance in the period, in comparison to prior periods.

The exceptional items can be analysed as follows:

	Six months to 30 June 2007 £m	Six months to 30 June 2006 £m	Year to 31 Dec 2006 £m
UK Bus	**-**	-	(4.9)
UK Coach	**-**	-	(1.3)
European Coach & Bus (Alsa)	**-**	1.5	1.9
Central functions	**-**	-	(0.5)
Total exceptional charge/(credit)	**-**	1.5	(4.8)

No exceptional costs were incurred in the six months to June 2007.

In the six months to 30 June 2006 and the year to 31 December 2006 exceptional costs were incurred in Spain in respect of integrating Alsa. Exceptional income in the year to 31 December 2006 comprised income arising from the release of balance sheet pension liabilities in UK Bus, UK Coach and Central functions. No cash was received in respect of this exceptional income.

In the six months to 30 June 2006 and the year to 31 December 2006 an exceptional charge of £25.7m was incurred for the designation of the Group's Eurostar contract with Inter-Capital and Regional Rail Limited ("ICRRL") as an onerous contract. This was included within share of results from associates and joint ventures.

6. Net finance costs

	Six months to 30 June 2007 £m	Six months to 30 June 2006 £m	Year to 31 Dec 2006 £m
Bank interest payable	**(14.6)**	(14.9)	(28.2)
Finance lease interest payable	**(2.7)**	(3.1)	(7.0)
Unwind of provision discounting	**(1.5)**	(0.6)	(2.1)
Finance costs	**(18.8)**	(18.6)	(37.3)
Finance income: Bank interest receivable	**6.7**	5.6	12.4
Net finance costs	**(12.1)**	(13.0)	(24.9)

7. Taxation

Tax on profit on ordinary activities for the six months to 30 June 2007 has been calculated on the basis of the estimated annual effective rate for the year ending 31 December 2007. The tax charge of £20.8m (2006 interim: £17.5m; 2006 full year: £39.2m) represents an effective tax rate on normalised profit before tax, for continuing and discontinued operations, of 26.4% (2006 interim: 26.0%; 2006 full year: 25.1%). The total tax charge of £17.4m (2006 interim: £14.0m; 2006 full year: £23.6m) includes overseas current taxation of £5.8m (2006 interim: £3.4m; 2006 full year: £8.6m), and total deferred taxation of £4.2m (2006 interim: £8.9m; 2006 full year: £9.8m).

8. Dividends paid and proposed

	Six months to 30 June 2007 £m	Six months to 30 June 2006 £m	Year to 31 Dec 2006 £m
Declared and paid during the period:			
Ordinary final dividend for 2005 paid of 22.25p per share	**-**	33.9	33.9
Ordinary interim dividend for 2006 paid of 10.75p per share	**-**	-	16.2
Ordinary final dividend for 2006 paid of 24.00p per share	**36.4**	-	-
	36.4	33.9	50.1
Proposed for approval and not recognised as a liability as at period end:			
Ordinary interim dividend for 2006 of 10.75p per share	**-**	16.2	-
Ordinary final dividend for 2006 of 24.00p per share	**-**	-	36.3
Ordinary interim dividend for 2007 of 11.56p per share	**17.6**	-	-

9. Earnings per share

	Six months to 30 June 2007	Six months to 30 June 2006	Year to 31 Dec 2006
Basic earnings/(loss) per share – continuing operations	**31.5p**	(5.9p)	52.8p
Basic loss per share – discontinued operations	**-**	-	(2.1p)
Basic earnings/(loss) per share – total	**31.5p**	(5.9p)	50.7p
Normalised basic earnings per share – continuing operations	**38.3p**	32.8p	77.0p
Diluted earnings/(loss) per share – continuing operations	**31.4p**	(5.9p)	52.5p
Diluted loss per share – discontinued operations	**-**	-	(2.1p)
Diluted earnings/(loss) per share – total	**31.4p**	(5.9p)	50.4p
Normalised diluted earnings per share – continuing operations	**38.1p**	32.5p	76.5p

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of £47.8m (2006 interim: loss of £8.8m; 2006 full year: profit of £76.5m) by the weighted average number of ordinary shares in issue during the period, excluding those held by employees' share ownership trusts and held as own shares which are both treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue 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.

In the six months to 30 June 2006, the weighted average number of ordinary shares for the purpose of calculating the diluted loss per share is identical to that used for the basic loss per share. This is because the adjustment for dilutive potential ordinary shares would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33, 'Earnings per Share'.

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

	Six months to 30 June 2007	Six months to 30 June 2006	Year to 31 Dec 2006
Basic weighted average shares	**151,529,606**	150,706,759	150,847,303
Adjustment for dilutive potential ordinary shares	**820,212**	1,252,945	915,923
Diluted weighted average shares	**152,349,818**	151,959,704	151,763,226

The normalised basic and normalised diluted earnings per share have been calculated in addition to the basic and diluted earnings per share required by IAS 33, 'Earnings per Share' 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:

	Six months to 30 June 2007 £m	Six months to 30 June 2006 £m	Year to 31 Dec 2006 £m
Profit/(loss) attributable to equity shareholders	**47.8**	(8.8)	76.5
Loss from discontinued operations	**-**	-	3.2
Profit/(loss) from continuing operations attributable to equity shareholders	**47.8**	(8.8)	79.7
Goodwill impairment on continuing operations	**-**	20.2	20.2
Intangible asset amortisation	**13.6**	14.3	27.8
Exceptional items	**-**	1.5	(4.8)
Exceptional associates charge	**-**	25.7	25.7
Profit on disposal of non-current assets	**-**	-	(16.9)
Tax relief on goodwill and exceptional items	**(3.4)**	(3.5)	(15.6)
Normalised profit attributable to equity shareholders	**58.0**	49.4	116.1

	Six months to 30 June 2007		Six months to 30 June 2006		Year to 31 Dec 2006	
	Basic eps p	**Diluted eps p**	Basic eps p	Diluted eps p	Basic eps p	Diluted eps p
Profit/(loss) attributable to equity shareholders	**31.5**	**31.4**	(5.9)	(5.9)	50.7	50.4
Loss from discontinued operations	**-**	**-**	-	-	2.1	2.1
Profit/(loss) from continuing operations attributable to equity shareholders	**31.5**	**31.4**	(5.9)	(5.9)	52.8	52.5
Dilutive effect	**-**	**-**	-	0.1	-	-
Goodwill impairment on continuing operations	**-**	**-**	13.4	13.3	13.4	13.3
Intangible asset amortisation	**9.0**	**8.9**	9.5	9.4	18.5	18.3
Exceptional items	**-**	**-**	1.0	1.0	(3.2)	(3.1)
Exceptional associates charge	**-**	**-**	17.1	16.9	17.0	16.9
Profit on disposal of non-current assets	**-**	**-**	-	-	(11.2)	(11.1)
Tax relief on goodwill and exceptional items	**(2.2)**	**(2.2)**	(2.3)	(2.3)	(10.3)	(10.3)
Normalised profit attributable to equity shareholders	**38.3**	**38.1**	32.8	32.5	77.0	76.5

10. Business combinations

In the period ended 30 June 2007 the Group acquired the entire share capital of two school bus operators in Canada. Dundas Bus Service Limited was acquired on 30 March 2007 and Hogan Bus Service Limited was acquired on 31 May 2007. On 31 March 2007 the Group also acquired the entire share capital of Hotelink Limited, a UK based business which transports customers between hotels in central London and Heathrow and Gatwick airports.

Total consideration for these acquisitions was £2.7m and £0.2m of cash was acquired with the business, resulting in net payments to acquire businesses of £2.5m.

On 26 April 2007 the Group agreed to acquire the entire share capital of Continental Auto S.L., a coach and bus operator in Spain, for €659.3m. The acquisition is subject to approval by the Spanish competition authorities and is expected to complete in the final quarter of the year.

11. Financial assets and liabilities

The Group's multi-national transport operations and debt financing expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rates and fuel prices. The Group has in place a risk management programme that seeks to limit the adverse effects of these financial risks on the financial performance of the group by using financial instruments, including foreign currency debt and fuel price and interest rate swaps. These financial instruments are held in the balance sheet at fair value, as determined by the third party financial institution with whom the Group holds the instrument.

The interest rate swaps are in place to hedge the cash flow risk in relation to changes in interest rates. The fuel price swaps are in place to hedge the changes in price of the different types of fuel used in each division. The foreign exchange forward contracts are in place to hedge the foreign exchange risk on translation of net assets and on earnings denominated in foreign currency.

	At 30 June 2007 £m	At 30 June 2006 £m	At 31 Dec 2006 £m
Non-current			
Interest rate swaps	**5.5**	-	0.3
Fuel price swaps	**0.6**	2.1	-
Derivative financial assets	**6.1**	2.1	0.3
Current			
Interest rate swaps	**2.2**	-	1.5
Fuel price swaps	**1.7**	6.8	-
Foreign exchange forward contracts	**1.5**	-	6.6
Derivative financial assets	**5.4**	6.8	8.1

Non-current			
Fuel price swaps	**-**	-	2.6
Interest rate swaps	**4.0**	4.1	5.7
Derivative financial liabilities	**4.0**	4.1	8.3
Current			
Foreign exchange forward contracts	**0.4**	0.8	-
Fuel price swaps	**-**	-	4.3
Interest rate swaps	**2.1**	3.2	2.1
Derivative financial liabilities	**2.5**	4.0	6.4

The foreign currency borrowings are included in 'Financial liabilities – Borrowings' which are analysed in note 14. Included in bank loans are foreign currency denominated borrowings which hedge the foreign currency denominated net assets of the Group.

The remaining financial assets in the balance sheet are the 'Financial assets – Available for sale' of £13.5m (30 June 2006: £22.2m; 31 December 2006: £13.5m) which represent the Group's available for sale investments in unlisted companies.

12. Pensions and other post-employment benefits

The UK Bus and UK Coach divisions operate funded defined benefit pension schemes and there is a single defined contribution scheme for the two Divisions. The majority of employees of the UK Train companies are members of the appropriate shared-cost section of the Railways Pension Scheme, a funded defined benefit scheme. Central Functions staff are included in the Group's UK Coach pension scheme. The assets of all schemes are held separately from those of the Group. Contributions to the schemes are determined by independent professionally qualified actuaries.

Subsidiaries in North America and Alsa contribute to a number of defined contribution plans. The Group also provides certain additional post-employment benefits to employees in North America, which are categorised as 'Other' below.

The total pension cost for the period was £14.7m (2006 interim: £15.7m; 2006 full year: £23.9m), of which £13.6m (2006 interim: £14.0m; 2006 full year: £20.5m) relates to the defined benefit schemes and £1.1m (2006 interim: £1.7m; 2006 full year: £3.4m) relates to the defined contribution benefit schemes.

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

	At 30 June 2007 £m	At 30 June 2006 £m	At 31 Dec 2006 £m
UK Bus	**(18.1)**	(46.0)	(17.3)
UK Coach	**(12.8)**	(15.5)	(12.7)
UK Train	**(12.1)**	(30.7)	(21.1)
Other	**(0.9)**	(1.9)	(1.7)
Total	**(43.9)**	(94.1)	(52.8)

The UK Train defined pension liability is net of the franchise adjustment of £35.8m (30 June 2006: £47.5m; 31 December 2006: £44.4m). Details of the franchise adjustment are included in note 35 to the Annual Report and Accounts 2006.

13. Reconciliation of movements in equity

	Share capital £m	Share premium £m	Capital Redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Total £m	Minority interests £m	Total £m
At 1 Jan 2007	7.7	189.8	0.2	(16.7)	7.9	153.3	342.2	3.3	345.5
Shares issued	-	4.8	-	-	-	-	4.8	-	4.8
Own shares released to satisfy employee share schemes	-	-	-	0.3	-	(0.3)	-	-	-
Total recognised income	-	-	-	-	12.8	49.2	62.0	0.2	62.2
Share-based payments	-	-	-	-	-	1.0	1.0	-	1.0
Dividends	-	-	-	-	-	(36.4)	(36.4)	(0.2)	(36.6)
At 30 June 2007	**7.7**	**194.6**	**0.2**	**(16.4)**	**20.7**	**166.8**	**373.6**	**3.3**	**376.9**

14. Net debt

	At 1 Jan 2007 £m	Cash flow £m	Acquisitions / Disposals £m	Exchange differences £m	Other movements £m	**At 30 June 2007 £m**	At 30 June 2006 £m
Cash and cash equivalents	143.6	9.9	-	1.6	-	**155.1**	105.3
Other debt receivable	-	-	-	-	-	**-**	1.0
Loan notes	(0.8)	-	-	-	-	**(0.8)**	(0.8)
Bank loans	(478.1)	-	-	1.1	(0.4)	**(477.4)**	(555.1)
Finance lease obligations	(103.1)	12.4	-	1.1	-	**(89.6)**	(96.9)
Net debt	(438.4)	22.3	-	3.8	(0.4)	**(412.7)**	(546.5)

Current 'Financial liabilities – Borrowings' of £23.8m (30 June 2006: £57.2m; 31 December 2006: £43.6m) comprises £0.8m of loan notes (30 June 2006: £0.8m; 31 December 2006: £0.8m), £20.2m of finance lease obligations (30 June 2006: £32.6m; 31 December 2006: £22.7m) and £2.8m of bank loans (30 June 2006: £23.8m; 31 December 2006: £20.1m).

Non-current 'Financial liabilities – Borrowings' of £544.0m (30 June 2006: £595.6m; 31 December 2006: £538.4m) comprises £69.4m of finance leases (30 June 2006: £64.3m; 31 December 2006: £80.4m) and £474.6m of bank loans (30 June 2006: £531.3m; 31 December 2006: £458.0m).

Included in cash and cash equivalents are restricted balances of £52.3m (30 June 2006: £36.2m; 31 December 2006: £33.5m) held by the Train Operating Companies and £nil (30 June 2006: £25.1m; 31 December 2006: £nil) held by NBC Pty Ltd in Australia.

Other non cash movements in net debt represent finance lease additions of £nil (2006 interim: £0.5m; 2006 full year: £20.7m) and amortisation of loan arrangement fees of £0.4m (2006 interim: £0.8m; 2006 full year: £0.9m).

15. Cash flow statement

Reconciliation of Group operating profit to cash generated from operations

	Six months to 30 June 2007 £m	Six months to 30 June 2006 £m	Year to 31 Dec 2006 £m
Net cash inflow from operating activities			
Group operating profit	**77.0**	48.0	141.6
Depreciation of property, plant and equipment	**38.2**	41.5	81.7
Amortisation of leasehold property prepayment	**-**	0.4	0.6
Goodwill impairment	**-**	20.2	20.2
Intangible asset amortisation	**13.6**	14.3	27.8
Amortisation of property, plant and equipment grants	**(0.4)**	(1.5)	(2.0)
Profit on disposal of property, plant and equipment	**(0.7)**	(2.4)	(3.1)
Share-based payments	**1.0**	0.9	2.0
(Increase)/decrease in inventories	**(1.4)**	2.1	2.9
Decrease in receivables	**41.1**	57.2	27.3
Decrease in payables	**(48.6)**	(88.8)	(21.1)
Decrease in provisions and defined benefit pension liability	**(13.0)**	(5.9)	(23.4)
Cash generated from operations	**106.8**	86.0	254.5

The Interim Report 2007 will be sent to all shareholders. Copies can also be obtained from the Company Secretary at 75 Davies Street, London, W1K 5HT.

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