National Express Group PLC
75 Davies Street
London W1K 5HT

Telephone 020 7529 2000
Fax 020 7529 2100
www.nationalexpressgroup.com

press release

Thursday 1 March 2007

National Express Group PLC
Preliminary Results
For the year ended 31 December 2006

National Express Group PLC, a leading international public transport group, today announces preliminary results for the year ended 31 December 2006.

Financial Highlights

	2006	2005	Change
Revenue	£2.5 billion	£2.2 billion	+14%
Group operating profit	£141.6 million	£109.5 million	+29%
Normalised operating profit*	£184.8 million	£155.5 million	+19%
Profit before tax	£104.1 million	£89.3 million	+17%
Normalised profit before tax*	£156.1 million	£135.3 million	+15%
Operating cashflow**	£182.0 million	£79.9 million	+128%
Diluted earnings per share from continuing operations	52.5 pence	44.5 pence	+18%
Normalised diluted earnings per share*	76.5 pence	76.3 pence	-
Final dividend per share	24.0 pence	22.25 pence	+8%
Total dividend for the year per share	34.75 pence	32.25 pence	+8%
Net debt	£438.4 million	£563.4 million	-22%

* Normalised results are the statutory results excluding the profit or loss on the sale of businesses, exceptional profit or loss on sale of non-current assets and charges for goodwill impairment, intangible asset amortisation, exceptional items and tax relief on qualifying exceptional items.

** Operating cash flow as defined in the Finance Review.

Operating Highlights

- Passenger growth of over 4% in coaches and 6% in trains
- Rail businesses leading the industry performance tables
- Investment in new technology including yield management and customer relationship marketing
- Excellent North American bidding season with $30.0 million new business won with contract expansion into Florida, New Jersey, Louisiana and Arkansas
- Successful integration of Alsa with growth in all areas of the business in first full year of operation and the award of new contracts
- Sale of Stewart airport lease for $78.5 million agreed, subject to regulatory approvals, with completion anticipated later this year.

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

"I am very pleased to report that we have started the year well. We have prequalified for the Inter City East Coast franchise, have recently submitted our bid for the East Midlands franchise and will be submitting our New Cross Country bid shortly.

Continued

All of our businesses are performing well. We believe we can do more in 2007 and beyond by offering new services, putting our customers and stakeholders at the forefront of everything we do and bringing an even greater focus to sales and marketing. Our plans are designed to stimulate repeat business and attract new customers to our services thereby maximising the growth of our revenue.

Alongside this organic growth we will continue to seek attractive acquisitions in those core markets in which we operate. We have a strong balance sheet and look forward to utilising this to maximise our opportunities. We look to the future with confidence."

For further information, please contact:

Richard Bowker, Chief Executive
Adam Walker, Finance Director
Nicola Marsden, Director of Group Communications
National Express Group PLC **020 7529 2000**

Neil Bennett/Suzanne Bartch/Brian Hudspith
Maitland **020 7379 5151**

- There will be an analyst and investor meeting at 0900 hours on 1 March 2007 at City Presentation Centre, 4 Chiswell Street, Finsbury Square London, EC1Y 4UP.
- A webcast of the analyst presentation will be available on our website www.nationalexpressgroup.com at 0900 hours on 1 March 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.

National Express Group PLC
Preliminary Results
For the year ended 31 December 2006

Chairman's Statement

I am pleased to report that 2006 was another excellent year for the Group with a strong finish to the year delivering results ahead of our expectations. This was achieved through sustained topline growth driven by our continued focus on operational excellence, innovation and development of our broad range of products and services.

We are particularly pleased with the performance of Alsa, making its first full year contribution to the Group. We achieved excellent growth in our long distance operations and won a number of new contracts. We experienced yet another best ever bid season in North America.

In the UK, Midland Mainline retained its position as the best performing intercity rail operator as well as being awarded the prestigious "Operator of the Year" Award for 2006 in the National Rail Awards. c2c was once again named Britain's best performing train company. Our coach business, Britain's No 1 coach operator, goes from strength to strength with strong volume growth and innovative fare promotions. Our award winning Levante coaches are fully accessible to all our customers including those with wheelchairs. We have committed to making our entire fleet similarly accessible by 2012. Despite increased fuel costs, our bus division produced another strong contribution.

The publication of the Stern Review highlighted the pivotal role that transport can play in tackling climate change. During 2007, National Express Group will be launching and participating in a number of initiatives aimed at maximising the role bus, coach and rail can play in reducing the impact of climate change.

2006 was also a year of change for the Group. We welcomed Richard Bowker as Chief Executive in September. Richard has reviewed our businesses and with the Board concluded that:

- We have a strong and diversified portfolio of businesses. The Group will grow them through acquisitions and new developments, both in the UK and overseas. We are now actively seeking opportunities to do this and have a number of potential opportunities under consideration
- We are a leading provider of integrated transport solutions both in the UK and other geographies. Our long term commitment to rail is demonstrated in our submissions for the East Midlands and New Cross Country franchise bids and, later this year, the Inter City East Coast
- We will invest in the necessary products and systems to maximise the value of our customer base. We believe through greater customer relationship management and marketing we can develop this relationship further and, by providing a level of service and innovation that customers want, stimulate repeat business
- We will maintain the efficiency of our balance sheet to give us greater flexibility and greater capacity for acquisitions whilst ensuring our investment strategy is driven by long term value creation.

Above all, National Express Group is in the process of "Making Travel Simpler", by listening to our customers and wider stakeholders and then delivering what they want. To do that, we recognise our people are our most important asset. We ask great things of them day after day and the Board would like to thank all our employees for their efforts in 2006 and looks forward to their support in the future.

In early January 2007 a National Express coach accident occurred on the M25/M4. The safety and security of our customers and employees is of paramount importance to us and we were deeply saddened by the events of that evening. Our condolences go to those involved in this incident and particularly those who lost loved ones.

This year will be a period of change and growth at National Express. We will continue with the skills and values that have made this Group so successful such as operational excellence but we will build on them. We will apply an entrepreneurial approach to our product and business development and most of all we will listen to our customers, our stakeholders and our people.

Outlook and current trading

I am very pleased to report that we have started the year well. We have prequalified for the Inter City East Coast franchise, have recently submitted our bid for the East Midlands franchise and will be submitting our New Cross Country bid shortly.

All of our businesses are performing well. We believe we can do more in 2007 and beyond by offering new services, putting our customers and stakeholders at the forefront of everything we do and bringing an even greater focus to sales and marketing. Our plans are designed to stimulate repeat business and attract new customers to our services thereby maximising the growth of our revenue.

Alongside this organic growth we will continue to seek attractive acquisitions in those core markets in which we operate. We have a strong balance sheet and look forward to utilising this to maximise our opportunities. We look to the future with confidence.

Results and Dividend

Revenue was up 14% to £2.5 billion (2005: £2.2 billion) and normalised Group operating profit increased by 19% to £184.8 million (2005: £155.5 million). After interest and the Group's share of losses from associated undertakings, normalised profit before tax was up 15% to £156.1 million (2005: £135.3 million). Normalised diluted earnings per share from continuing operations were 76.5 pence (2005: 76.3 pence).

We are recommending a final dividend of 24.0 pence per ordinary share (2005: 22.25 pence), an increase of 7.9%, to be paid on 4 May 2007 to shareholders on the register at 27 April 2007. Including the interim dividend, the proposed total dividend for the year is 34.75 pence (2005: 32.25 pence).

Operational Review

Alsa

Alsa is Spain's leading private operator of coach and bus services operating 64 coach and 19 bus concessions within the Spanish market. The division provides nearly 62 million passenger journeys per annum and employs over 3,500 people.

Revenue in its first full year was £249.3 million (2005: £18.2 million) and normalised operating profit was £44.3 million (2005: £2.6 million). We are delighted with the progress of Alsa in its first full year as part of the Group. Our experienced local management team delivered an excellent performance and the financial integration project has been successfully completed.

We have continued to improve our fares and product offering. Our long distance coaching division saw passenger growth of 2%. Drawing on our experience in the UK for the first time, we introduced promotional fares and special offers. There has also been a greater focus on sales through the internet which now account for around 14% of total sales. We believe we can further reduce our cost of sales through increased promotion of the internet.

During the year, our urban bus division secured new business, retained contracts and moved into new geographic areas in Spain. We were awarded a contract to transfer customers to and from the new terminal at Madrid Airport and we won two new franchises in Catalonia to operate coach services from the AVE Station of Tarragona.

In December 2006, a 15 year contract to operate the urban network in the city of Leon was renewed and new school bus contracts were won in Levante. Bus station management contracts were awarded in Zaragoza and Seville. The regional franchises in Cantabria, have been renewed until 2012 and 2013 respectively. We also acquired a 25% shareholding in Bilbobus, the largest private operator in Bilbao which operates a fleet of over 270 buses. Our Moroccan bus operation continues to flourish and we are currently shortlisted on a tender for 400 buses in the capital city of Rabat.

We were also pleased to be awarded, with partners Madrid Metro and Caja Madrid bank, the concession to operate and maintain Madrid's newly constructed light rail system which is expected to commence in May 2007.

Coaches

The coach division provides Britain's only scheduled national coach network and serves more than 1,000 destinations, providing approximately 19 million passenger journeys each year. 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 over 1,500 people.

Revenue for the year was £207.3 million (2005: £200.5 million) with a normalised operating profit of £23.7 million (2005: £21.5 million). Passenger growth of 5.5% in the second half resulted in overall passenger growth of over 4%. Our key corridors have performed well and on some routes such as Bristol and Stansted to London we have seen double digit passenger growth. Our margins have increased above 11%.

Within our core schedule coaching business, the success of yield managed fares which ensure greater efficiency and utilisation of the fleet, helped drive growth. Such products enable us to provide customers with improved value for money fares. Funfares, from just £1, are now offered on 32 popular routes. Direct sales accounted for 65% of total sales and internet sales continued to improve with over a quarter of all bookings now made on-line, of which over 90% of all tickets booked on-line are distributed either as e- or m-tickets or SMS messages. New self service touch screen fast issue ticket and journey planning kiosks have been installed at Heathrow, Gatwick, Birmingham and Manchester coach stations. In September the division scooped the top prize at the National Customer Service Awards winning "Best Use of Technology in Customer Service".

In November, the National Express coach brand was awarded Superbrand status in a poll conducted amongst more than 1,000 business professionals and a select panel of marketing, advertising and branding experts by YouGov. In this prestigious survey National Express was placed in the top 300 brands as well as in the top 10 UK travel brands. We are using this strong position to develop our services to a broader customer base.

We introduced easy access coaches onto a number of routes across the network during 2006. Forty-four of these new style coaches are now operating on some of our busiest routes including East Midlands to Stansted Airport, Brighton to London and Yorkshire to Heathrow and Gatwick. Our new wheelchair accessible Levante coach won two awards this year, "Top Dual-Purpose vehicle" and the "Clarkes Trophy" for a coach offering the best access for the disabled. We are committed to making the whole network fully accessible by the 2012 Olympics representing a £100 million investment.

During the year we worked closely with BAA at Heathrow to redevelop the new £2.5 million Central Bus Station terminal. This includes investment in the infrastructure and taking on the responsibility of operating the facility on behalf of BAA. We are working closely with BAA on the provision of coach services for Terminal Five which opens in 2008. Discussions regarding the redevelopment of Digbeth coach station are ongoing and we expect work to commence later this year.

Trains

We operate c2c, Central Trains, Gatwick Express, Midland Mainline, 'one' including the Stansted Express, and Silverlink franchises. We provide 230 million passenger journeys per year and employ 10,000 people.

Revenue for the year was £1,497.6 million (2005: £1,497.2 million) with normalised operating profit of £49.1 million (2005: £64.2 million). The reduction in the operating profit primarily related to the transfer of the Great Northern and Wessex franchises in April 2006.

The division experienced a good year with a 6.1% increase in passenger numbers driven by investment in services, good operational performance and strong airport growth.

In the industry's operational performance tables[1] Gatwick Express topped the regional category and c2c retained its position as Britain's best performing rail franchise. Midland Mainline retained its position as the UK's best performing intercity train company as well as Passenger Operator of the Year award winner for 2006.

We have been working to deliver greater value for money to our customers. Off peak discounted fares promotions have been introduced using yield management systems in Midland Mainline ("MML") and these have delivered growth of 20%. MML became the first train operator to launch a new Print@Home facility, allowing customers to purchase and print their train tickets at home. In December the £50 million Sheffield Station Gateway Masterplan, a key hub for MML, was completed and in the last quarter of the year, MML moved into the new St Pancras International station.

In December we made our latest submission on the Brighton Main Line Route Utilisation Strategy, the outcome of which will affect Gatwick Express. Our other London franchises performed well in the period.

At 'one' a £25 million modernisation and refurbishment of the mainline intercity fleet was completed. In April a new customer service academy was opened in London. In addition the Stansted Express has seen an enhanced frequency to every 15 minutes and seating capacity to cater for the increased demands of this growing airport. To assist with the increased energy costs that the train industry is facing, a project to introduce regenerative braking onto the 'one' fleet of Class 360 trains is underway.

We have recently submitted our bid for the East Midlands franchise and within the next week will be submitting our bid for the New Cross Country franchise. We believe we have submitted winning bids which reflect the aspirations and expectations of customers as well as the financial considerations of the Department for Transport. We have also prequalified for the Inter City East Coast franchise, one of the most prestigious in the UK and look forward to submitting a similarly excellent bid later in the year. Whilst the market for rail franchises remains intense, we are committed to bidding for franchises where we believe long term growth and shareholder returns can be achieved.

Buses

The bus division operates over 2,000 buses, provides approximately 380 million passenger journeys and employs 7,000 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 year was £300.8 million (2005: £268.6 million) and normalised operating profit was £40.7 million (2005: £41.5 million). We are particularly pleased with this result given the £9 million year-on-year increase in fuel costs.

In Dundee we have relaunched a number of radial routes around the city as part of our partnership agreement with Dundee City Council. This included the provision of new bus shelters, customer information as well as investment in new liveries. In addition we commenced the operation of new contracted routes in Angus. A national concessionary fares scheme was introduced in Dundee in April 2006 and we have seen increases in both concessionary and commercial patronage. In the West Midlands we are starting to see the benefits of the launch of the national concessionary fare scheme. In partnership with Coventry City Council, an improved network was introduced following the findings of a joint network study.

We continue to invest in our fleet. 80% of the West Midlands fleet is low-floor, easy-access, the highest percentage of any major fleet outside London. Automatic vehicle technology has been fitted to over 20% of the TWM fleet and real time journey information is available across half of the network. In addition SMS timetable information is available via SMS codes published at over 1,200 bus stops. This service regularly receives over 3,000 hits a month. We believe the provision of accurate 'real-time' information is key to making our services attractive and accessible to customers.

Travel London continued to extend its operations with new contract awards and extensions to existing contracts. The redevelopment of the Battersea depot is planned which will give an additional capacity for 100 buses. In partnership with Surrey County Council and BAA, we are providing key services to support the construction of Terminal 5.

[1] National Rail Trends, ORR, 19 December 2006

A Group priority for 2007 is to re-energise our relationships with our key stakeholders in our heartland bus operation in the West Midlands to ensure that partnership working delivers new quality partnerships in the coming year. This will enable us to deliver marketing, customer care, investment in new buses and innovation. Looking to the future we are working with Centro and Birmingham City Council to put in place an overarching partnership agreement to deliver improvements on selected key routes in the region.

North America

The North American division consists of student transportation. It operates over 14,000 buses and provides approximately 200 million passenger journeys per annum. The division employs over 18,300 people.

Our North American division goes from strength to strength. Revenue in the division for the year was £283.7 million (2005: £241.8 million) and normalised operating profit was £39.1 million (2005: £35.0 million). In local currency, revenue was US$524.0 million (2005: US$440.5 million) and normalised operating profit was US$72.3 million (2005: US$63.7 million).

In 2006 we experienced our best bidding season ever. We won $30 million of new business and achieved a retention rate of greater than 95%. We now operate in twenty five US states and two Canadian provinces. We expanded into Florida, New Jersey, Louisiana and Arkansas and completed six tuck-in acquisitions.

Our focus during the latter part of the year has been to integrate our North American companies under one management team. Further progress continues in 2007 with the amalgamation of key office functions such as finance and information technology. The focus on one company and standardisation of processes and systems now provide us with the foundation to execute our Transformation Project.

Our Transformation Project, which commenced in the fourth quarter of 2006, is well underway and supporting further growth in North America. Our focus is to differentiate our offering in the market and deliver even higher standards of customer service and satisfaction. The project will bring new standard, streamlined systems and processes to our operations, will enhance significantly the quality of our information, allow our local management to focus on the key roles of customer and employee relationship management and also develop our leadership team. In addition to the change in management focus, investment in technology is a key enabler to deliver these improvements and to achieve benefits of scale in such a geographical diverse business. Ultimately the project will enable us to improve our product offering and therefore achieve greater success.

As announced on 26 January the Port Authority of New York and New Jersey Board Commissioners have approved the purchase of the operating lease at Stewart International Airport, New York State for $78.5 million. Completion of the sale is anticipated in the second half of the year.

Finance Review

Year at a glance

We have achieved another strong set of results, increasing profit before tax by 17% to £104.1m (2005: £89.3m), driven by a 29% increase in operating profit to £141.6m (2005: £109.5m). Diluted earnings per share from continuing operations improved 18% to 52.5p (2005: 44.5p).

Our financial key performance indicators are based on 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: profit or loss on the sale of businesses, exceptional profit or loss on the disposal of non-current assets and charges for goodwill impairment, intangible asset amortisation, exceptional items and tax relief thereon as appropriate.

Normalised group operating profit was up by 19% to £184.8m (2005: £155.5m), on revenue of £2,525.5m (2005: £2,216.0m) resulting in an increased operating margin of 7.3% (2005: 7.0%). Normalised profit before tax increased by 15% to £156.1m (2005: £135.3m). With an increase in the effective tax rate from 21.8% to 25.1% and the loss of rail profits, normalised diluted earnings per share from continuing operations marginally increased to 76.5p (2005: 76.3p). Net debt decreased by £125.0m to £438.4m. The proposed full year dividend per share will be increased by 8% to 34.75p (2005: 32.25p).

Divisional review

Commentary on the divisional results is included in the Operational Review above. Other financial points to note are included below.

Alsa

In local currency, Alsa's results are revenue of €365.6m (2005: €26.7m) and a normalised operating profit of €65.0m (2005: €3.8m).

This year has seen a great deal of work on the financial integration of Alsa, which is now complete. The integration has involved the development of Alsa reporting processes to deliver financial results prepared under IFRS in line with the Group's month end timetable. In addition, the valuation work on intangibles and key assets has been completed and the 31 December 2005 balance sheet updated in accordance with IFRS 3, 'Business Combinations'.

Trains

Increased fuel costs have added £5.3m to the cost base this year. We expect electricity charges to increase in 2007, although efficiency benefits such as regenerative braking would offset this increase.

Bid costs remain a significant investment for this Division with a total cost of £9.8m (2005: £6.1m) included in normalised operating profit.

As part of the DfT current re-mapping exercise, Central Trains, Silverlink and Midland Mainline will run until November 2007.

Buses

On 2 March 2006, we received clearance from the Office of Fair Trading regarding our acquisition of the outstanding 67% share holding in Altram LRT Limited ("Altram"). Completion occurred on 14 March 2006 and the results of Altram have been fully consolidated from this date. A normalised operating loss of £0.4m is included in the divisional result.

North America

In local currency, North America increased normalised operating profit to US$72.3m (2005: US$63.7m). Revenue has increased by US$83.5m to US$524.0m (2005: $440.5m). Additional legal costs and a new pay award in Canada contributed to a lower margin of 13.8% (2005: 14.5%). The historic fuel hedges that were in place have ended in 2006, which will lead to a US$13m increase in the cost base in 2007.

Following the Group's announcement of the planned sale of the operating lease on Stewart International Airport to the Port Authority of New York in 2007, the assets and related liabilities of the disposal group have been separately identified on the balance sheet, in accordance with IFRS 5, 'Non-current assets held for sale and discontinued operations'. The business does not meet the definition of a discontinued operation, therefore the results, which do not make a significant contribution, are included within continuing operations.

Joint ventures and Associates

We hold a 40% investment in Inter-Capital and Regional Rail Limited ("ICRRL") and account for a number of associates and joint ventures within Alsa.

The total charge for associates and joint ventures was £29.5m (2005: £8.8m), which comprises our share of the post tax results from associates and joint ventures of £3.8m (2005: £8.8m) and a £25.7m exceptional charge for the designation of the Group's Eurostar contract with ICRRL as an onerous contract. As noted at the half year we have provided for the Eurostar losses to the end of the contract in 2010.

Our share of the operating profit for Altram for the period to 14 March 2006 was £0.1m (2005: loss of £0.2m). The results of the joint ventures and associates within Alsa were a loss of £0.2m (2005: £nil) and a profit of £0.2m (2005: £nil) respectively.

Finance cost

Net interest payable increased to £24.9m (2005: £11.4m), principally reflecting a higher level of net debt as a result of the Alsa acquisition in December 2005. This was offset by the weakening of the US dollar which decreased the cost of servicing our foreign currency denominated financing.

After excluding £nil (2005: £5.1m) for discontinued operations, continuing normalised operating profit before depreciation and other non-cash items ("EBITDA") was £264.0m (2005: £212.5m) and continuing EBITDA finance cover was 11.6 times (2005: 20.2 times).

Goodwill and Intangible assets

The goodwill and intangible assets arising on the Alsa acquisition in 2005 were provisionally classified as goodwill at 31 December 2005. They have now been reallocated within the balance sheet. This has resulted in £174.2m reclassified as intangible assets representing the contracts acquired with the business. The balance of £294.1m, after further fair value adjustments, remains within goodwill.

Amortisation of £27.8m (2005: £4.9m) was charged on the intangible asset that arises from the Group's right to operate its rail franchises (£1.6m) and on contracts acquired in Alsa (£20.1m), UK Bus (£1.6m) and North America (£4.5m).

The impairment charge for the year on the goodwill arising from the acquisition of Prism Rail PLC in December 2000 was £19.2m (2005: £33.3m); this goodwill is now fully amortised. Although IFRS 3, 'Business Combinations' prohibits the amortisation of goodwill, the train franchises acquired with Prism have finite lives, and therefore the goodwill has been impaired over the remaining cash flows.

A goodwill impairment charge of £1.0m has been charged on goodwill acquired with the remaining share capital of Altram.

Exceptional items

Exceptional items totalled a net income of £4.8m (2005: cost of £7.8m), comprising a credit of £6.7m in relation to defined benefit pension liabilities and charges of £1.9m in relation to the integration of Alsa. The pension credit reflects a negative past service cost that arises as a result of the 'A-day' changes to pension legislation which increased the maximum limit on the lump-sum benefits that can be withdrawn tax free on retirement. We believe that to disclose this credit within normalised profit would present a misleading picture of the results.

The profit on disposal of non-current assets of £16.9m comprises £7.5m of profit on the disposal of a car park in Sheffield and £9.4m of profit on disposal of our 14% shareholding in Trainline. Both profits relate to the UK Trains division.

Discontinued operations

An additional provision of £3.2m was booked in relation to the Group's Public Transit business which was disposed of in 2005. This provision reflects the Directors' best estimate of the Group's liability regarding an industry wide employment issue in California, over which the Group provided an indemnity to the purchaser at the time of the disposal.

Taxation

The total tax charge of £23.6m (2005: £27.5m) on profit before tax of £104.1m (2005: £89.3m) represents an effective rate of 22.7% (2005: 30.8%). The tax charge on normalised profit of £156.1m (2005: £135.3m) was £39.2m (2005: £29.5m), which represents an effective rate of 25.1% (2005: 21.8%). The normalised effective tax rate has increased due to the higher proportion of overseas earnings in the Group.

The total tax charge includes a tax credit on exceptional items of £15.6m (2005: £2.0m) 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 a cash inflow from operations of £182.0m (2005: £79.9m), which includes an outflow of £27.7m in relation to the franchise exits in March. The increase reflects the full year contribution from Alsa of £40.1m (2005: outflow of £1.2m) and the benefit of various working capital timing benefits in UK Trains and Central functions. 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 contract wins.

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	40.7	23.7	49.1	39.1	44.3	(12.1)	184.8
Depreciation	15.7	5.7	21.6	25.3	12.9	0.5	81.7
Amortisation of leasehold property prepayment	0.1	-	-	0.5	-	-	0.6
Amortisation of fixed asset grants	-	-	(1.9)	-	(0.1)	-	(2.0)
Profit on disposal	0.2	(0.1)	(2.2)	(0.6)	(0.4)	-	(3.1)
Share-based payment	0.4	0.1	0.3	0.2	-	1.0	2.0
EBITDA	**57.1**	**29.4**	**66.9**	**64.5**	**56.7**	**(10.6)**	**264.0**
Working capital movement	(15.7)	0.2	34.3	(12.2)	0.3	26.2	33.1
Net cash inflow from operations	**41.4**	**29.6**	**101.2**	**52.3**	**57.0**	**15.6**	**297.1**
Net capital expenditure	(16.1)	(3.8)	(12.3)	(38.0)	(16.9)	(0.3)	(87.4)
Operating cash flow before one-offs	**25.3**	**25.8**	**88.9**	**14.3**	**40.1**	**15.3**	**209.7**
Other							
- Franchise exits							(27.7)
Operating cash flow							**182.0**

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 disposal of property, plant and equipment" less "Finance lease additions" and "Purchase of property, plant and equipment" as set out in note 10 *and the cash flow statement. The non-operating items are then excluded which comprise £13.0m exceptional property proceeds, £8.4m payment to associates and £2.0m payments in relation to other exceptional items.*

The working capital outflow in UK Bus comprises payments to the defined benefit pension schemes in excess of the income statement charge and the losses associated with the onerous contracts in our London business. The working capital movement in UK Trains relates to amounts received in the year in relation to 2005. In North America, a timing difference has contributed to the working capital outflow The cash flow benefit in Central Functions arises through the restructure of our insurance arrangements.

Net capital expenditure was £87.4m (2005: £110.6m) including £20.7m (2005: £57.0m) of additions purchased under finance leases and £6.8m (2005: £8.1m) of proceeds from disposals.

Reconciliation of net debt	**2006 £m**	**2005 £m**
Operating cash flow	182.0	79.9
Exceptional cash flow	(2.0)	(7.7)
Exceptional property proceeds	13.0	-
Payments to associates	(8.4)	(1.7)
Net interest	(20.6)	(22.0)
Taxation	(9.0)	(26.7)
Share buy back	(11.6)	(29.3)
Financial investments & shares	15.8	8.4
Acquisitions and disposals	(16.8)	(359.1)
Dividends	(49.7)	(41.6)
Net funds flow	**92.7**	**(399.8)**
Foreign exchange	32.3	(27.0)
Funds flow post exchange	125.0	(426.8)
Opening effective net debt	(563.4)	(136.6)
Closing effective net debt	**(438.4)**	**(563.4)**

Net interest paid of £20.6m (comprising the cash outflow of £19.7m adjusted for loan fee amortisation of £0.9m) is in line with last year as the 2005 cash flow included the termination of a US$200m interest rate swap during the year.

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

Acquisitions and disposals includes the acquisitions in the year of £19.8m, deferred consideration of £3.0m, acquisition of associates and investments of £8.7m and proceeds from the disposal of investments and intangible assets of £14.7m. The 2005 outflow includes the acquisition of Alsa for £367.4m.

Dividend

An interim dividend of 10.75p per share was paid in October 2006 and a final dividend of 24.0p per share will be paid in May 2007, bringing the total dividend for the year to 34.75p. This is a 8% increase in total dividends declared compared to 2005. This dividend is covered 2.2 times (2005: 2.3 times) by normalised profits after tax.

Facilities

During the first half of the year, we refinanced our two existing bank debt facilities into one new £800 million five year revolving credit facility maturing in June 2011. As at 31 December 2006, the headroom under the facility was £247.8m.

NATIONAL EXPRESS GROUP PLC
GROUP INCOME STATEMENT
For the year ended 31 December 2006

	Note	**Total before goodwill impairment, intangible amortisation & exceptional items 2006 £m**	**Goodwill impairment, intangible amortisation & exceptional items 2006 £m**	**Total 2006 £m**	Total before goodwill impairment, intangible amortisation & exceptional items 2005 £m	Goodwill impairment, intangible amortisation & exceptional items 2005 £m	Total 2005 £m
Continuing Operations							
Revenue	3	**2,525.5**	**-**	**2,525.5**	2,216.0	-	2,216.0
Operating costs before goodwill impairment, intangible amortisation & exceptional items		**(2,340.7)**	**-**	**(2,340.7)**	(2,060.5)	-	(2,060.5)
Goodwill impairment	3	**-**	**(20.2)**	**(20.2)**	-	(33.3)	(33.3)
Intangible amortisation	3	**-**	**(27.8)**	**(27.8)**	-	(4.9)	(4.9)
Exceptional items	3	**-**	**4.8**	**4.8**	-	(7.8)	(7.8)
Total operating costs		**(2,340.7)**	**(43.2)**	**(2,383.9)**	(2,060.5)	(46.0)	(2,106.5)
Group operating profit		**184.8**	**(43.2)**	**141.6**	155.5	(46.0)	109.5
Profit on disposal of non-current assets	3	**-**	**16.9**	**16.9**	-	-	-
Profit from operations		**184.8**	**(26.3)**	**158.5**	155.5	(46.0)	109.5
Share of post tax results from associates and joint ventures accounted for using the equity method		**(3.8)**	**(25.7)**	**(29.5)**	(8.8)	-	(8.8)
Finance income	4	**12.4**	**-**	**12.4**	10.8	-	10.8
Finance costs	4	**(37.3)**	**-**	**(37.3)**	(22.2)	-	(22.2)
Profit before tax		**156.1**	**(52.0)**	**104.1**	135.3	(46.0)	89.3
Tax expense	5	**(39.2)**	**15.6**	**(23.6)**	(29.5)	2.0	(27.5)
Profit after tax for the year from continuing operations		**116.9**	**(36.4)**	**80.5**	105.8	(44.0)	61.8
(Loss)/profit for the year from discontinued operations		**-**	**(3.2)**	**(3.2)**	3.8	(68.3)	(64.5)
Profit/(loss) for the year		**116.9**	**(39.6)**	**77.3**	109.6	(112.3)	(2.7)
Profit/(loss) attributable to equity shareholders		**116.1**	**(39.6)**	**76.5**	109.5	(112.3)	(2.8)
Profit attributable to minority interests		**0.8**	**-**	**0.8**	0.1	-	0.1
		116.9	**(39.6)**	**77.3**	109.6	(112.3)	(2.7)
Earnings/(loss) per share:							
- basic earnings/(loss) per share	7			**50.7p**			(2.0p)
- diluted earnings/(loss) per share	7			**50.4p**			(2.0p)
Normalised earnings per share:							
- basic earnings/(loss) per share	7	**77.0p**			77.4p		
- diluted earnings/(loss) per share	7	**76.5p**			76.3p		
Earnings per share from continuing operations:							
- basic earnings per share	7			**52.8p**			45.2p
- diluted earnings per share	7			**52.5p**			44.5p
Dividends per ordinary share:							
- interim	6			**10.75p**			10.00p
- final	6			**24.00p**			22.25p
				34.75p			32.25p

Dividends of £50.1m were paid during the year (2005: £41.6m). Dividends of £52.5m were proposed for approval during the year (2005: £47.0m).

NATIONAL EXPRESS GROUP PLC
GROUP BALANCE SHEET
At 31 December 2006

		Note	2006 £m	2005* £m
Non-current assets				
Intangible assets			**697.6**	766.3
Property, plant and equipment			**501.9**	514.4
Financial assets	*- Available for sale*		**13.5**	11.4
	- Derivative financial instruments		**0.3**	0.6
Investments accounted for using the equity method			**8.7**	4.8
Other receivables			**4.1**	26.2
Deferred tax asset			**10.6**	23.0
			1,236.7	1,346.7
Current assets				
Inventories			**15.5**	18.7
Trade and other receivables			**272.3**	301.8
Financial assets	*- Derivative financial instruments*		**8.1**	6.7
Current tax assets			**26.4**	11.3
Cash and cash equivalents			**143.6**	145.5
			465.9	484.0
Disposal group assets classified as held for sale			**20.1**	-
Total assets			**1,722.7**	1,830.7
Non-current liabilities				
Financial liabilities	*- Borrowings*		**(538.4)**	(495.5)
	- Derivative financial instruments		**(8.3)**	(8.3)
Deferred tax liability			**(84.3)**	(81.9)
Other non-current liabilities			**(3.0)**	(6.1)
Defined benefit pension liability		8	**(52.8)**	(88.8)
Provisions			**(61.3)**	(41.3)
			(748.1)	(721.9)
Current liabilities				
Trade and other payables			**(518.4)**	(532.4)
Financial liabilities	*- Borrowings*		**(43.6)**	(214.4)
	- Derivative financial instruments		**(6.4)**	(13.4)
Current tax liabilities			**(40.9)**	(24.0)
Provisions			**(17.4)**	(12.3)
			(626.7)	(796.5)
Liabilities directly associated with disposal group assets classified as held for sale			**(2.4)**	-
Total liabilities			**(1,377.2)**	(1,518.4)
Net assets			**345.5**	312.3
Shareholders' equity				
Called up share capital		9	**7.7**	7.5
Share premium account		9	**189.8**	174.2
Capital redemption reserve		9	**0.2**	0.2
Own shares		9	**(16.7)**	(5.1)
Other reserves		9	**7.9**	24.5
Retained earnings		9	**153.3**	108.1
Total shareholders' equity			**342.2**	309.4
Minority interest in equity		9	**3.3**	2.9
Total equity		9	**345.5**	312.3

**Adjusted for Alsa fair value movements as required by IFRS 3.*

NATIONAL EXPRESS GROUP PLC
GROUP STATEMENT OF CASH FLOWS
For the year ended 31 December 2006

	Note	**2006 £m**	2005 £m
Cash generated from operations	11	**254.5**	181.1
Tax paid		**(9.0)**	(26.7)
Net cash from operating activities		**245.5**	154.4
Cash flows from investing activities			
Payments to acquire businesses, net of cash acquired		**(19.8)**	(218.8)
Deferred consideration for businesses acquired		**(3.0)**	(0.3)
Purchase of property, plant and equipment		**(73.5)**	(61.7)
Proceeds from disposal of property, plant and equipment		**24.3**	8.1
Payments to acquire investments		**(4.6)**	-
Payments to acquire associates		**(1.5)**	-
Receipts from disposal of investments		**13.2**	-
Receipts from disposal of businesses, net of cash disposed		**-**	71.3
Receipts from disposal of intangible assets		**1.5**	-
Interest received		**12.4**	10.8
Receipts from sale of shares for employee schemes		**-**	3.5
Net cash used in investing activities		**(51.0)**	(187.1)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**15.8**	4.9
Purchase of treasury shares		**(11.6)**	(3.5)
Share buy back		**-**	(25.8)
Interest paid		**(32.1)**	(32.6)
Finance lease principal payments		**(21.5)**	(20.0)
Repayment of loan notes		**-**	(6.7)
Net loans (repaid)/advanced		**(89.9)**	148.1
Loans receivable repaid		**1.0**	-
Dividends paid		**(49.7)**	(41.6)
Net cash (used in)/from financing activities		**(188.0)**	22.8
Increase/(decrease) in cash and cash equivalents		**6.5**	(9.9)
Opening cash and cash equivalents		**140.0**	147.2
Increase/(decrease) in cash and cash equivalents		**6.5**	(9.9)
Foreign exchange		**(2.9)**	2.7
Closing cash and cash equivalents	10	**143.6**	140.0

NATIONAL EXPRESS GROUP PLC
GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the year ended 31 December 2006

	Note	2006 £m	2005 £m
Income and expense recognised directly in equity			
Exchange differences on retranslation of foreign operations		**(55.3)**	50.3
Exchange differences on retranslation of foreign currency borrowings		**46.8**	(45.5)
Actuarial gains/(losses) on defined benefit pension plans		**20.6**	(32.0)
(Loss)/gain on cash flow hedges taken to equity		**(12.1)**	14.5
		-	(12.7)
Transfers to the income statement			
Exchange differences on disposal of foreign operations		**-**	1.5
On cash flow hedges		**1.6**	(9.4)
		1.6	(7.9)
Tax on exchange differences on retranslation of foreign operations		**(1.3)**	7.1
Tax on share based payments		**2.4**	1.4
Deferred tax on actuarial (gains)/losses		**(6.2)**	9.0
Deferred tax on cash flow hedges		**3.7**	(1.4)
Tax on items taken directly to or transferred from equity		**(1.4)**	16.1
Net losses recognised directly in equity		**0.2**	(4.5)
Profit/(loss) for the financial year		**76.5**	(2.8)
Profit attributable to minority interests		**0.8**	0.1
Total recognised income/(expense) for the year	9	**77.5**	(7.2)
Income/(expense) attributable to equity shareholders		**76.7**	(7.3)
Income attributable to minority interests		**0.8**	0.1
		77.5	(7.2)
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)

NATIONAL EXPRESS GROUP PLC
NOTES TO THE ACCOUNTS
For the year ended 31 December 2006

1. Basis of preparation

The results have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the International Financial Reporting Interpretations Committee's interpretations as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

These results have been prepared using the accounting policies set out in the Group's 2005 statutory accounts.

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

2. Exchange rates

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

	2006 Closing rate	**2006 Average rate**	2005 Closing rate	2005 Average rate
US dollar	**1.96**	**1.85**	1.72	1.82
Canadian dollar	**2.28**	**2.09**	2.00	2.20
Euro	**1.48**	**1.47**	1.45	1.47
Australian dollar	**2.48**	**2.44**	2.35	2.39

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

If the results for the year to 31 December 2005 had been retranslated at the average exchange rates for the year to 31 December 2006, North America would have achieved normalised operating profit of £35.0m on revenue of £241.7m, compared to normalised operating profit of £35.0m on revenue of £241.8m as reported, and Alsa would have remained the same with normalised operating profit of £2.6m on revenue of £18.2m.

3. Segmental analysis

Analysis by class and geography of business

	Revenue 2006 £m	**Operating result 2006 £m**	Revenue 2005 £m	Operating result 2005 £m
UK Bus	**300.8**	**40.7**	268.6	41.5
UK Trains	**1,497.6**	**49.1**	1,497.2	64.2
UK Coach	**207.3**	**23.7**	200.5	21.5
Intercompany elimination	**(13.2)**	**-**	(10.3)	-
UK operations	**1,992.5**	**113.5**	1,956.0	127.2
North American Bus	**283.7**	**39.1**	241.8	35.0
European Coach & Bus (Alsa)	**249.3**	**44.3**	18.2	2.6
Central functions	**-**	**(12.1)**	-	(9.3)
Result from continuing operations	**2,525.5**	**184.8**	2,216.0	155.5
Goodwill impairment		**(20.2)**		(33.3)
Intangible asset amortisation		**(27.8)**		(4.9)
Exceptional items		**4.8**		(7.8)
Group operating profit		**141.6**		109.5
Profit on disposal of non-current assets		**16.9**		-
Profit from operations		**158.5**		109.5
Share of post tax results from associates		**(29.5)**		(8.8)
Net finance costs		**(24.9)**		(11.4)
Profit before tax		**104.1**		89.3
Tax expense		**(23.6)**		(27.5)
Profit for the year from continuing operations		**80.5**		61.8
Loss from discontinued operations		**(3.2)**		(64.5)
Profit/(loss) for the year		**77.3**		(2.7)

Intercompany sales only occur between the Group's UK Divisions.

3. Segmental analysis (continued)

Goodwill impairment, intangible asset amortisation, property and exceptional items can be analysed by class and geography of business as follows:

	Goodwill impairment 2006 £m	**Intangible asset amortisation 2006 £m**	**Exceptional items 2006 £m**	**Total 2006 £m**
UK Bus	**1.0**	**1.6**	**(4.9)**	**(2.3)**
UK Trains	**19.2**	**1.6**	**-**	**20.8**
UK Coach	**-**	**-**	**(1.3)**	**(1.3)**
North American Bus	**-**	**4.5**	**-**	**4.5**
European Coach & Bus (Alsa)	**-**	**20.1**	**1.9**	**22.0**
Central functions	**-**	**-**	**(0.5)**	**(0.5)**
Total	**20.2**	**27.8**	**(4.8)**	**43.2**

In the year to 31 December 2006 exceptional income arose in UK Bus, UK Coach and Central Functions for a past service pension credit. Integration costs of £1.9m were incurred in Alsa.

The profit on disposal of non-current assets of £16.9m (2005: £nil) comprises £7.5m (2005: £nil) of profit on the disposal of property and £9.4m (2005: £nil) of profit on disposal of investments. Both profits relate to the UK Trains division.

	Goodwill impairment 2005 £m	Intangible asset amortisation 2005 £m	Exceptional items 2005 £m	Total 2005 £m
UK Bus	-	0.9	1.5	2.4
UK Trains	33.3	2.4	3.5	39.2
North American Bus	-	1.6	2.8	4.4
Total continuing operations	33.3	4.9	7.8	46.0
Discontinued operations	60.0	-	0.2	60.2
Total	93.3	4.9	8.0	106.2

In the year to 31 December 2005 exceptional items were incurred in UK Bus for business reorganisation costs, in UK Trains for staff redundancy programmes and business reorganisations and in North America in respect of the divisional head office relocation.

4. Net finance costs

	2006 £m	2005 £m
Bank interest payable	**(28.2)**	(16.3)
Finance lease interest payable	**(7.0)**	(4.7)
Other interest payable	**-**	(0.3)
Unwind of provision discounting	**(2.1)**	(0.9)
Finance costs	**(37.3)**	(22.2)
Finance income: Bank interest receivable	**12.4**	10.8
Net finance costs	**(24.9)**	(11.4)

5. Taxation

Analysis of taxation charge in the year

	2006 £m	2005 £m
Current taxation:		
UK corporation tax – continuing operations	**10.0**	19.5
Overseas taxation – continuing operations	**8.8**	(1.2)
Overseas taxation – discontinued operations	**-**	(0.2)
Current income tax charge	**18.8**	18.1
Amounts overprovided in prior years – UK	**(4.8)**	(9.5)
Amounts overprovided in prior years – Overseas	**(0.2)**	-
Total current income tax	**13.8**	8.6
Deferred taxation:		
Origination and reversal of temporary differences – continuing operations	**9.8**	18.7
Total tax charge	**23.6**	27.3

	2006 £m	2005 £m
The tax charge in the income statement is disclosed as follows:		
Income tax expense on continuing operations	**23.6**	27.5
Income tax credit on discontinued operations	**-**	(0.2)
	23.6	27.3

	2006 £m	2005 £m
The tax expense on continuing operations is disclosed as follows:		
Tax charge on profit before goodwill impairment, intangible asset amortisation and exceptional items	**39.2**	29.5
Tax credit on intangible asset amortisation and exceptional items	**(15.6)**	(2.0)
	23.6	27.5

6. Dividends paid and proposed

Declared and paid during the year	2006 £m	2005 £m
Ordinary final dividend for 2005 paid of 22.25p per share (2004: 20.65p per share)	**33.9**	28.1
Ordinary interim dividend for 2006 paid of 10.75p per share (2005: 10.0p per share)	**16.2**	13.5
	50.1	41.6
Proposed for approval (not recognised as a liability at 31 December)		
Ordinary final dividend for 2006 of 24.00p per share (2005: 22.25p per share)	**36.3**	33.5

7. Earnings per share

	2006	2005
Basic earnings per share – continuing operations	**52.8p**	45.2p
Basic loss per share – discontinued operations	**(2.1p)**	(47.2p)
Basic earnings/(loss) per share – total	**50.7p**	(2.0p)
Normalised basic earnings per share – continuing operations	**77.0p**	77.4p
Diluted earnings per share – continuing operations	**52.5p**	44.5p
Diluted loss per share – discontinued operations	**(2.1p)**	(46.5p)
Diluted earnings/(loss) per share – total	**50.4p**	(2.0p)
Normalised diluted earnings per share – continuing operations	**76.5p**	76.3p

Basic earnings per share is calculated by dividing the earnings attributable to equity shareholders of £76.5m (2005: loss of £2.8m) by the weighted average number of ordinary shares in issue during the year, excluding those held by employee 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 basic and diluted weighted average number of ordinary shares is as follows:

	2006	2005
Basic weighted average shares	**150,847,303**	136,591,474
Adjustment for dilutive potential ordinary shares	**915,923**	2,017,744
Diluted weighted average shares	**151,763,226**	138,609,218

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.

The reconciliation of the earnings and earnings per share to their normalised equivalent is as follows:

	2006 £m	**2006 Basic EPS p**	**2006 Diluted EPS p**	2005 £m	2005 Basic EPS p	2005 Diluted EPS p
Profit/(loss) attributable to equity shareholders	**76.5**	**50.7**	**50.4**	(2.8)	(2.0)	(2.0)
Loss from discontinued operations	**3.2**	**2.1**	**2.1**	64.5	47.2	46.5
Profit from continuing operations attributable to equity shareholders	**79.7**	**52.8**	**52.5**	61.7	45.2	44.5
Goodwill impairment on continuing operations	**20.2**	**13.4**	**13.3**	33.3	24.4	24.1
Intangible asset amortisation	**27.8**	**18.5**	**18.3**	4.9	3.6	3.5
Exceptional charge for associate onerous contract provision	**25.7**	**17.0**	**16.9**	-	-	-
Exceptional items	**(4.8)**	**(3.2)**	**(3.1)**	7.8	5.7	5.6
Profit on disposal of non-current assets	**(16.9)**	**(11.2)**	**(11.1)**	-	-	-
Tax relief on goodwill and exceptional items	**(15.6)**	**(10.3)**	**(10.3)**	(2.0)	(1.5)	(1.4)
Normalised profit attributable to equity shareholders	**116.1**	**77.0**	**76.5**	105.7	77.4	76.3

8. Pensions and other post-employment benefits

The UK Bus and UK Coach divisions operate both funded defined benefit schemes and a defined contribution scheme. The majority of employees of the UK Train companies are members of the appropriate shared-cost section of the Railways Pension Scheme ("RPS"), a funded defined benefit 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 contribute to a number of defined contribution plans. The Group also provides certain additional unfunded post-employment benefits to employees in North America and Spain, which are disclosed in the Other category below.

The total pension cost for the year was £23.9m (2005: £27.5m), of which £3.4m (2005: £2.5m) relates to the defined contribution schemes.

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

	2006 £m	2005 £m
UK Bus	**(17.3)**	(37.8)
UK Coach	**(12.7)**	(14.9)
UK Train	**(21.1)**	(34.2)
Other	**(1.7)**	(1.9)
Total	**(52.8)**	(88.8)

9. Share capital and reserves

	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 equity £m
At 1 January 2006	7.5	174.2	0.2	(5.1)	24.5	108.1	309.4	2.9	312.3
Shares issued	0.2	15.6	-	-	-	-	15.8	-	15.8
Shares purchased	-	-	-	(11.6)	-	-	(11.6)	-	(11.6)
Total recognised income/(expense)	-	-	-	-	(16.6)	93.3	76.7	0.8	77.5
Share based payments	-	-	-	-	-	2.0	2.0	-	2.0
Dividends	-	-	-	-	-	(50.1)	(50.1)	-	(50.1)
Payments to minority interests	-	-	-	-	-	-	-	(0.4)	(0.4)
At 31 December 2006	**7.7**	**189.8**	**0.2**	**(16.7)**	**7.9**	**153.3**	**342.2**	**3.3**	**345.5**

Own shares comprise treasury shares and shares held in the Employee Benefit Trust.

Treasury shares include 1,825,000 (2005: 400,000) ordinary shares in the Company. During the year, the Group repurchased 1,425,000 (2005: 3,300,000) shares for consideration of £11.6m (2005: £29.3m). 1,425,000 (2005: 400,000) shares have been retained as treasury shares within equity for future issue under the Group's share schemes or cancellation. No shares were cancelled during the year (2005: 2,900,000).

Own shares include 663,351 (2005: 849,456) ordinary shares in the Company that have been purchased by the Trustees of the National Express Employee Benefit Trust (the "Trust"). During the year, the Trust purchased no (2005: 5,329) shares and 186,105 (2005: 899,417) shares were used to satisfy options granted under a number of the Company's share schemes. The value of shares within the Trust has been recognised as an investment in treasury shares. The market value of these shares at 31 December 2006 was £7.5m (2005: £7.3m). The dividends payable on these shares have been waived.

10. Net debt

Net debt at 31 December 2006 comprises cash and cash equivalents of £143.6m (2005: £145.5m), current interest bearing loans and borrowings of £43.6m (2005: £214.4m) and non-current interest bearing loans and borrowings of £538.4m (2005: £495.5m) and other debt receivable of £nil (2005: £1.0m).

	At 1 January 2006 £m	Cash flow £m	Acquisitions/ Disposals £m	Exchange Differences £m	Other movements £m	**At 31 December 2006 £m**
Cash	53.2	(8.1)	-	(1.4)	-	**43.7**
Overnight deposits	24.5	(2.9)	-	-	-	**21.6**
Other short term deposits	67.8	12.0	-	(1.5)	-	**78.3**
Bank overdrafts	(5.5)	5.5	-	-	-	**-**
Cash and cash equivalents	140.0	6.5	-	(2.9)	-	**143.6**
Other debt receivable	1.0	(1.0)	-	-	-	**-**
Borrowings:						
Loan notes	(0.8)	-	-	-	-	**(0.8)**
Bank loans	(594.5)	89.9	(2.6)	30.0	(0.9)	**(478.1)**
Finance lease obligations	(109.1)	21.5	-	5.2	(20.7)	**(103.1)**
	(704.4)	111.4	(2.6)	35.2	(21.6)	**(582.0)**
Net debt	(563.4)	116.9	(2.6)	32.3	(21.6)	**(438.4)**

Short term deposits included within liquid resources relate to term deposits repayable within three months. Changes in cash and cash equivalents 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 £20.7m (2005: £57.0m) and £0.9m (2005: £0.2m) amortisation of loan arrangement fees.

11. Cash flow statement

The net cash inflows from operating activities include outflows of £2.0m (2005: £7.7m) from continuing operations which related to exceptional costs.

The reconciliation of Group operating profit to cash generated from operations is as follows:

Total Operations	**2006 £m**	2005 £m
Net cash inflow from operating activities		
Group operating profit	**141.6**	109.5
Operating loss of discontinued operations	**-**	(56.4)
Depreciation of property, plant and equipment	**81.7**	56.8
Amortisation of leasehold property prepayment	**0.6**	0.8
Goodwill impairment	**20.2**	93.3
Intangible asset amortisation	**27.8**	4.9
Amortisation of fixed asset grants	**(2.0)**	(0.9)
Profit on disposal of fixed assets (in operating profit)	**(3.1)**	(2.0)
Share-based payment	**2.0**	3.6
Decrease/(increase) in inventories	**2.9**	(0.7)
Decrease in receivables	**27.3**	22.4
Decrease in payables	**(21.1)**	(37.2)
Decrease in provisions	**(23.4)**	(13.0)
Cash generated from operations	**254.5**	181.1

12. Financial information

The financial information set out above, which was approved by the Board on 1 March 2007, is derived from the full Group accounts for the year ended 31 December 2006 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.

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.

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