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press release

28 July 2005

NATIONAL EXPRESS GROUP PLC Interim Results For the six months ended 30 June 2005

Financial Highlights

- Revenue of £1,077.7m (2004: £1,157.9m*)
- Normalised operating profit** up 26.5% to £67.3m (2004: £53.2m*)
- Normalised profit before tax** up 47.5% to £58.1m (2004: £39.4m*)
- Normalised diluted earnings per share** up 44.9% to 31.3 pence (2004: 21.6 pence*)
- Interim dividend up 7% to 10 pence per share (2004: 9.35 pence*)
- Operating cash flow*** before one-off items of £106.2m (2004: £127.8m)
- Net debt of £143.3m (31 December 2004: £136.6m)
- Normalised Group margin** increased to 6.2% (2004: 4.6%*)
- £29.3 million returned to shareholders through share buy-back

Operational Highlights

- Continued growth in coach patronage
- Successful roll-out of coach best value fare promotions
- Improved operational bus performance through recruitment initiatives
- Doubling of bus market share in London through acquisition of Tellings Golden Miller bus division
- Operator of 7 of the UK's top 9 performing train companies
- Shortlisted for Greater Western and Thameslink / GN rail bids
- Successful student bus bid season in North America
- Conditional disposal of US public transit operations to Connex.

* as restated for the transition to IFRS

** excluding goodwill impairment, intangible amortisation, exceptional items and tax relief thereon as appropriate

*** operating cash flow as defined in the Finance Director's Review

Commenting on the results, David Ross, Chairman said:

"Today's results reflect the excellent progress the Group has made over the six month period. We are focused on improving the quality and performance of our businesses. We will continue to invest in the facilities, fleet and customer service initiatives that underpin our strategy of attracting more people to our services through our improved service offering."

It is too early to assess any impact recent terrorist activity may have on the discretionary travel market. Given our financial resilience and excellent cash generation, we remain confident in our prospects for the year. Our track record of consistent growth and our low debt level place us in a strong position to continue to invest in our businesses. Shareholder value will continue to be enhanced through a combination of our dividend policy, the buyback programme and careful investment in acquisitions."

- E N D S -

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National Express Group PLC

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- There will be an analyst and investor meeting at 1100 hours on 28 July 2005 at Financial Dynamics, Holborn Gate, London.
- A webcast of the analyst presentation will be available on website www.nationalexpressgroup.com at 1100 hours on 28 July 2005. For further details, contact Sara Freeman at Financial Dynamics on 020 7269 7134.
- Photographs are available through Vismedia at www.vismedia.co.uk or telephone 020 7436 9595.

NATIONAL EXPRESS GROUP PLC
Interim Results
For the six months ended 30 June 2005

Chairman's Statement

I am pleased to report on the Group's interim results for the six month period ended 30 June 2005.

First of all, I would like to express my sympathy to all those who lost loved ones and were affected by the tragic events in London on 7 July. Many of our passengers and people were involved in these events. I would like to thank all of our employees for their outstanding efforts in very difficult circumstances and our passengers for their continued patronage and vigilance during this time. I would like to reassure both customers and our employees that their safety and security are a priority and will remain so.

The year has started well. Our coach division is fully focused on innovation and quality. We currently run 7 of the UK's top 9 performing train companies and we are launching new initiatives generating passenger growth in our bus division. In North America, we have experienced our best ever bidding season.

Following a strategic review of our North American operations, we are announcing the conditional sale of our public transit services. We have concluded that our public transit operations are no longer core to the Group's North American strategy.

We aim to make public transport the preferred choice for travel and believe there is a strong correlation between the quality of service we provide to our customers and the morale of our employees. We regularly seek the views of our customers and employees to help us improve the quality of the services offered to our customers.

We will be working closely with the Department for Transport ("DfT") and Transport for London on their bus and rail strategy. Following the announcement that London is to host the Olympics in 2012, we look forward to working with the newly formed Olympic Transport Authority to develop a comprehensive transport strategy for this event.

Board Changes

After four years on the Board, Tim Stevenson will be retiring in September. I would like to thank Tim for his contribution over this period. He has brought great counsel and strategic input to the Board and on behalf of all my colleagues I wish him well for the future. Barry Gibson will be taking over the role of senior independent director.

Results

Revenue for the six months to 30 June 2005 was £1,077.7 million (2004: £1,157.9 million*). Normalised operating profit was £67.3 million (2004: £53.2 million*). Normalised profit before tax increased to £58.1 million (2004: £39.4 million*).

Normalised diluted earnings per share were up 44.9% to 31.3 pence (2004: 21.6 pence*). Operating cash flow before one-off items during the first six months was £106.2 million (2004: £127.8 million). Net debt at 30 June was £143.3 million (31 December 2004: £136.6 million).

An interim dividend of 10 pence per share, an increase of 7% over last year's interim dividend of 9.35 pence per share, will be paid on 7 October 2005 to shareholders on the register on 9 September 2005.

Current trading

Today's results reflect the excellent progress the Group has made over the six month period. We are focused on improving the quality and performance of our businesses. We will continue to invest in the facilities, fleet and customer service initiatives that underpin our strategy of attracting more people to our services through our improved service offering.

It is too early to assess any impact recent terrorist activity may have on the discretionary travel market. Given our financial resilience and excellent cash generation, we remain confident in our prospects for the year. Our track record of consistent growth and our low debt level place us in a strong position to continue to invest in our businesses. Shareholder value will continue to be enhanced through a combination of our dividend policy, the buyback programme and careful investment in acquisitions.

Chief Executive's Review of Operations

Coaches

The coach division provides Britain's only scheduled national coach network and services to more than 1,200 destinations. Eurolines offers value for money European travel by coach.

Revenue was £91.7 million (2004: £87.8 million*) and normalised operating profit was £4.1 million (2004: £2.1 million*.)

Our coach division goes from strength to strength. Passenger numbers rose by over 5% as we have enhanced the overall coach network. We have improved the quality of our fleet through the introduction of state-of-the-art vehicles which currently operate on the Birmingham, Bristol, Cheltenham and Gloucester routes. We will continue to roll out our "Wow" coaches to other areas of the network.

We have extended the use of dynamic pricing. We have repeated successful initiatives such as our £9 'Go Anywhere' promotion and also introduced new pricing offers such as the 'Million Seat Sale'. These initiatives have been promoted by national advertising campaigns.

One in four tickets is now sold via the internet. Our m-Ticket solution enables passengers to receive ticket reservations directly on their mobile phones.

Good progress has been made in the development of a new landmark coach station in Birmingham and construction is expected to commence in 2006. Working in partnership with BAA, construction has already started on improving the Heathrow Central Bus Station which will include improved waiting and refreshment facilities. We will be taking over the management of this new facility.

We have been working closely with vehicle manufacturers and the Mobility and Inclusion Unit of the DfT to develop a coach which complies with the new Disability Discrimination Act ("DDA") legislation. In September we will launch our new bespoke DDA compliant vehicle with a front end lift for wheelchairs. These vehicles will be the first of their kind in Europe and will be trialled during Autumn on a number of routes before going into full service in 2006. This will mark the introduction of the first wheelchair accessible coaches in the UK.

Buses

The bus division operates over 1,800 buses in the West Midlands, Dundee and London. We also operate the Midland Metro, the light rail service in the West Midlands.

Revenue was £127.0 million (2004: £115.5 million*) with operating profit of £18.2 million (2004: £19.6 million*). This division incurred a one-off £2.1 million charge as a result of the introduction of IFRS.

We have experienced a reduction in the number of concessionary travellers through changes in the scheme. However, we welcome the announcement by the Chancellor in March this year of the new national concessionary fare scheme which was introduced early in the West Midlands on 24 July. The closure of the Rover plant at Longbridge has also impacted on our performance in the first half.

New initiatives such as Premier Bus and Saver Bus have been successful in growing patronage. Premier Bus, a high quality limited stop commuter bus service, has experienced double digit growth after six months. On the back of significant growth, our Saver Bus service will be extended to North Solihull. Working in partnership with Birmingham City Council, we are developing further new initiatives to improve the quality of services in the West Midlands to attract more people to public transport.

To improve our quality of service, we have centralised our customer after-sales team and implemented a series of passenger research initiatives. We continue to invest in new technology; automatic vehicle location technology has been installed on over 300 Birmingham buses, enabling the provision of real-time information for our passengers. In addition we continue to invest in the safety and security of our employees and passengers through the installation of 'crystaleyes', which monitors on-board behaviour and further development of the Operation Safer Travel initiative.

Our recruitment drive in Poland has resulted in 300 drivers joining our workforce which has significantly improved the reliability of our services. A further 50 will be joining our team shortly. Nearly 70% of all our bus drivers are NVQ2 qualified or currently in training to achieve the qualification.

In London, the Travel London Walworth bus garage was opened by the Mayor of London in February. In June, we extended our London bus operations through the acquisition of the bus division of Tellings Golden Miller. This added a further 181 buses to the Travel London fleet and increases our London market share to nearly 5%. We look forward to growing this business further.

In Dundee, a new cross city link was funded by the Scottish Executive through £1.3 million of "Kickstart" funding. Travel Dundee continues to perform well.

Trains

We operate c2c, Central Trains, Gatwick Express, Midland Mainline, 'one' including the Stansted Express, Silverlink, Great Northern and Wessex Trains franchises.

The Trains division achieved revenue of £739.3 million (2004: £842.0 million*) and operating profit of £27.1 million (2004: £15.0 million*). These results have been achieved on the back of continued passenger growth resulting from the improved punctuality and reliability of our services. We are pleased to report passenger growth of 4% for the period.

Our concerted focus on improving operational performance has resulted in the Group currently running 7 of the UK's top 9 performing train operating companies. In the SRA's latest Quarterly Performance Figures, Midland Mainline ("MML") and 'one' intercity were placed first and second amongst long distance operators. In addition, we ran 4 of the top 5 peak-time operators in London and the South East.

We continue to work closely with Network Rail on improving the operating environment through joint performance improvement plans and integrated control centres. This has already led to significantly better performance at MML and Wagn.

At MML, our new Meridian four-car trains have continued to perform well and are currently the most reliable diesel fleet on the UK network. At the beginning of July the first of the nine-car Meridian trains were introduced into service. Recent National Passenger Survey results have confirmed that MML has increased customer satisfaction levels from 74% to 85% year-on-year. With Sheffield being a major terminal for MML, we are working with major stakeholders in the region on the redevelopment of Sheffield station, including a new Travel Centre.

We continue to integrate the operations of 'one' and have achieved improved punctuality and reliability scores on the franchise. We have started to deliver a major train refurbishment programme, provided new timetables and introduced new ticketing technology. During the coming months, a new Customer Service Academy will be opened in Stratford, east London.

Our c2c, Silverlink and Wagn franchises have all seen good revenue growth, despite Silverlink County losing its services north of Northampton to allow West Coast Modernisation work to be completed.

Gatwick Express had a good six months with increased traffic at the airport. For the fourth time running, Gatwick was awarded top place in the SRA's National Passenger Survey Spring 2005 customer satisfaction scores.

Despite being an operationally complex franchise to run, Central Trains has achieved its best performance since July 2000, through closer working with Network Rail and greater collaboration on the new Midlands integrated control centre. Our Wessex Trains franchise continues to perform well and build on its excellent local stakeholder relationships.

Following receipt in early June of the Invitations to Tenders for both the Greater Western and Thameslink/GN franchises, we are preparing our bids for submission in September. We are focused on delivering bids which meet the DfT's objective of value for money and quality performance.

We continue to work closely with the DfT on the franchise remapping, particularly the future of the Central Trains, MML and Silverlink franchises.

North America

Following a strategic review of our North American operations, we have concluded that our public transit operations ("ATC") are no longer core to the Group's North American strategy. Today, we are announcing the conditional sale of ATC to Connex for cash consideration of US\$93 million, before working capital and other completion adjustments. ATC provides public transit passenger services operating in 50 cities and 18 American states. In the year ended 31 December 2004, ATC made a normalised operating profit of £7.1 million (US\$13.1 million) on turnover of £152.1 million (US\$279.9 million). Net assets as at that date were £115.5 million (US\$221.8 million). The impairment charge at 30 June 2005 is £60.0 million (US\$112.6 million). Connex are looking to expand further in the public transit market and we believe that these operations will continue to be developed under their ownership. We would like to take this opportunity to thank ATC's employees for their commitment to the Group during our ownership. The sale proceeds will be used to fund the future development of the Group's North American school bus operations. The transaction is expected to be completed in September.

Revenue was £123.8 million (2004: £115.9 million*) and operating profit was £22.6 million (2004: £20.6 million*).

During the period we experienced good growth in our student transport division whilst maintaining operating margins. This was achieved following a successful bid season in 2004 and further organic growth from the development of existing contracts. During this year's bidding season we won 9 new contracts and significantly extended a number of other contracts. In addition we were awarded a conversion in Iowa. We entered new markets in Rhode Island, Massachusetts and Connecticut.

At the beginning of July, we extended our presence in Ontario through the acquisition of Aboutown Transportation which added an additional 140 routes to our business. We believe that proposed changes to the funding for transport by the Canadian Government will prove beneficial in the future. We are actively seeking further school bus acquisitions in both Canada and the United States as we focus on the growth of our student bus division.

We continue to improve efficiency in the business through our re-engineering initiative to increase both productivity and service quality. During the second half of the year we will be relocating our school bus headquarters from Austin, Texas to Chicago, Illinois as we continue to grow our operations in the north east region of the country.

Phil White, Chief Executive
28 July 2005

- ENDS -

Finance Director's Review

Half year at a glance

I am pleased to report that the Group has produced another strong set of results. The Group achieved 26.5% growth in normalised** operating profit, up to £67.3m (2004: £53.2m*). Normalised** diluted earnings per share were 31.3p (2004: 21.6p*), an increase of 44.9%. The Group continued to generate strong operating cash flow across all its divisions and in the six months to 30 June 2005, net debt increased by only £6.7m to £143.3m despite buying back shares for consideration of £29.3m.

* As restated for the transition to IFRS

** Where we refer to a normalised result, this is defined as the statutory result before the following as appropriate: charges for goodwill impairment, intangible amortisation, exceptional items and tax relief on certain North American goodwill amortisation and exceptional items.

UK Coach

Our coach operations continue to deliver strong growth, with normalised** operating profit increasing to £4.1m (2004: £2.1m*). Innovative promotions and competitive pricing, illustrated by the 'Million Seat' promotion and best value fares respectively, drove patronage up by over 5%. Reducing costs through the increased use of direct sales and the disposal of our low margin Heathrow Airport airside operation helped increase the margin to 4.5% (2004: 2.4%*). The seasonality of this operation means that the majority of the profit is earned in the second half of the year.

UK Bus

Patronage growth in our UK Bus division remains challenging, with concessionary fare passengers falling year-on-year. Revenue excluding Travel London increased by £2.3m but was offset by increased driver costs, pension contributions and accident claims costs. Normalised** operating profit reduced by £1.4m to £18.2m (2004: £19.6m*) primarily because of a £2.1m share based payment charge in 2005 for the final appropriation of shares from the WMT Share Incentive Plan. Driver costs rose as we invested in our workforce to maintain our high frequency network through the recruitment of 300 drivers from Poland. The Travel London operations acquired from Connex in February 2004 are trading ahead of our expectations. The acquisition on 17 June 2005 of the London bus operations of Tellings Golden Miller doubles our market share and will make a solid contribution in the second half of the year. We are in negotiations with our two joint venture partners to acquire all the shares in Altram, the company which owns our light rail operation Midland Metro.

UK Trains

Normalised** operating profit in UK Trains increased significantly to £27.1m (2004: £15.0m*) as we benefited from the changes to our portfolio that have occurred over the past 15 months. We commenced operation of the 'one' franchise on 1 April 2004 and both Central Trains and ScotRail were loss making in the three months to 31 March 2004, whereas Central is now generating a profit under its franchise extension. Normalised operating margin improved to 3.7% (2004: 1.8%*). Our franchises have consistently been at the top of the TOC league tables in terms of performance, which helps drive passenger growth. Due to the blockade that was in place at St Pancras until May 2005, growth remained challenging at Midland Mainline. Nevertheless, patronage growth of 4% across the division has enabled us to offset increases in the cost of diesel, franchise bid costs and the costs of introducing new fleets at Midland Mainline, Central Trains and Silverlink.

North America

In local currency terms, Student Transportation increased normalised** operating profit to US\$42.5m (2004: US\$37.5m*). We have successfully grown our revenue by US\$21.8m year on year to US\$232.7m. This was achieved whilst maintaining pricing levels and, as a result, our normalised operating margin improved to 18.3% (2004: 17.8%*). We continue to focus on driving down costs, particularly in making more effective use of the fleet. The school summer holiday means that this operation earns the majority of its profit in the first half of the year.

Our Public Transit business produced normalised** operating profits of US\$5.1m (2004: US\$5.6m*). We have reviewed the future strategy of the Group and have concluded that our US Public Transit operations are non core and will be disposed of to Connex for cash consideration of \$93.0m (before working capital adjustments). In accordance with IFRS5, “Non-current assets held for sale and discontinued operations”, the trading results for Public Transit have been reclassified into one line in the income statement, and the assets and liabilities disclosed as held for sale.

Central functions

The cost of the Group’s Central Functions increased to £4.7m (2004: £4.1m*) as a result of increased charges for share based payments and professional fees.

Share of operating losses of associates

The Group’s share of operating losses from associates was £4.4m (2004: £4.3m).

Eurostar UK has maintained its strong year-on-year revenue growth following the opening of the first section of the high speed Channel Tunnel Rail Link. However the outturn continues to lag behind the benchmark set in our operating contract, and our share of the operating loss was £4.3m (2004: £4.2m).

Our share of the operating loss at Midland Metro remained £0.1m (2004: £0.1m).

Finance cost

Interest payable benefited from the lower levels of net debt and the termination of a US\$200m interest rate swap as reported in our Annual Report and Accounts 2004. Together this reduced the finance cost to £4.8m (2004: £9.5m*). EBITDA finance cover before discounting improves to 22.4 times (2004: 9.4 times), compared to the full year 2004 figure of 12.4 times.

Goodwill, Intangibles and Exceptional items

The impairment charge for the six months on the goodwill arising from the acquisition of Prism Rail PLC in December 2000 was £16.6m (2004: £16.5m). Although IFRS3, ‘Business Combinations’ prohibits the amortisation of goodwill, the train franchises acquired with Prism have finite lives, and therefore the goodwill will be impaired over the remaining cash flows.

Amortisation of £1.7m (2004: £0.7m) was charged on the intangible asset that arises from the Group’s right to operate its rail franchises and on contracts acquired in UK Bus and North America.

Exceptional costs of £0.3m arose in the North America Bus division, where we have started the relocation of our head office functions from Austin, Texas to Chicago, Illinois in a program that will be completed in the second half of the year. The exceptional costs of £5.3m in 2004 arose in the UK Trains division.

Discontinued operations

As disclosed in the Annual Report and Accounts 2004, the Group’s remaining bus operations in Australia are now in administration and are no longer controlled by the Group. The division was cash neutral for the Group on an operating cash flow basis in the six months to 30 June 2005.

Our Public Transit business has been reclassified as discontinued in the first half of 2005. The charge to the income statement of £57.5m comprises the profit before tax for the six months ended 30 June 2005 of £2.5m, offset by the impairment charge on the goodwill arising on the acquisition of £60.0m. The net assets of £47.4m have been disclosed as non current assets and liabilities classified as held for sale.

Tax

The tax charge on normalised profit before tax of £58.1m (2004: £39.4m) was £14.8m (2004: £9.5m). Before the reclassification of the results for the discontinued Public Transit and Australia Bus businesses, this represents an effective tax rate of 24.5% (2004: 22.2%). This tax rate principally reflects the benefit of low effective tax rates on overseas earnings and the utilisation of brought forward losses.

Cash flow

The Group generated £106.2m of operating cash flow before one-offs (2004: £127.8m) from normalised operating profit of £67.3m (2004: £53.2m).

Divisional cash flow

	UK Coach £m	UK Bus £m	UK Trains £m	North American Bus £m	Central functions £m	Total £m
Normalised operating profit	4.1	18.2	27.1	22.6	(4.7)	67.3
Normalised operating profit from discontinued operations	-	-	-	2.7	-	2.7
Share based payments	-	2.1	0.1	-	0.8	3.0
Depreciation and profit/ (loss) on disposal	2.4	5.5	6.7	10.9	0.2	25.7
Amortisation of fixed asset grants	-	-	(0.3)	-	-	(0.3)
EBITDA	6.5	25.8	33.6	36.2	(3.7)	98.4
Working capital movement	1.1	(0.1)	20.1	2.9	12.9	36.9
Eurostar	-	-	-	-	(1.7)	(1.7)
Net cash inflow from operations	7.6	25.7	53.7	39.1	7.5	133.6
Net capital expenditure	(0.6)	(2.1)	(13.1)	(12.6)	1.0	(27.4)
Operating cash flow before one-offs	7.0	23.6	40.6	26.5	8.5	106.2
Other items	-	-	-	-	-	(1.1)
Operating cash flow						105.1

Operating cash flow represents "Net cash inflow from operating activities", plus "Receipts from the sale of tangible assets", less "Finance lease additions" and "Payments to acquire tangible assets".

All divisions generated on-going operating cash flow in excess of their normalised operating profit. The working capital in UK Trains benefited from the fact that in the first half year we receive seven of the year's thirteen subsidy receipts and from delays in settling performance payments with the SRA. The cash inflow for Central Functions is caused by the cash settlement of foreign exchange swaps and fuel swaps.

Net capital expenditure was £27.4m (2004: £18.1m), including £7.3m (2004: £6.3m) of additions purchased under finance leases. In UK Trains, £5.0m of the capital expenditure was invested in our 'one' franchise which commenced in 2004. In North America, £12.2m of the capital expenditure arose on the acquisition of 670 vehicles for student transportation.

Other items give rise to a net outflow of £1.1m comprising the North American reorganisation costs charged in the period and certain UK Trains exceptional costs that were charged to the income statement in 2004.

After other investing activities, financing and tax, the net funds inflow was £5.7m, before a foreign exchange translation effect of £12.4m. Even after foreign exchange, net debt increased by only £6.7m to £143.3m.

We anticipate the second half of the year will see an increase in the Group's net debt. Firstly, around two-thirds of the Group's capital expenditure program is projected to occur in the second half of the year. There will be an intake of approximately 490 vehicles (£16.0m) in North America for the new school year and we will continue to invest in fleet and other facilities in both our UK Bus and UK Trains divisions. Additionally, the UK Trains division is expected to settle outstanding performance payments and profit share monies with the SRA.

Rail franchises

The Group is on the shortlist for the Thameslink/GN franchise and the Greater Western franchise, and we will be submitting bids in the second half of the year. Contractually two more of the Group's existing rail franchises could be re-franchised in 2006. Whilst it is therefore difficult to predict the level of profit beyond 2006, our financial position will remain robust whatever the outcome.

Accounting policies

The Group's Interim Report for the six months to 30 June 2005 has been prepared using accounting policies that comply with International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS"). These accounting policies were used for the preparation of the restated IFRS financial information for the year ended 31 December 2004, issued in a press release on 27 June 2004. The accounting policies and the IFRS restatement of the 2004 results are both available on the group's website, www.nationalexpressgroup.com.

We expect to use consistent accounting policies for the preparation of the results for the year ending 31 December 2005. However, there is a possibility that the accounting policies may need to be updated because interpretations may be issued by the International Financial Reporting Interpretations Committee ("IFRIC") that will be mandatory, new standards may yet be issued by the International Accounting Standards Board ("IASB") that will be mandatory, or the interpretation of existing IFRS may evolve.


Adam Walker
Finance Director
28 July 2005

NATIONAL EXPRESS GROUP PLC
GROUP INCOME STATEMENT

For the six months ended 30 June 2005

	Note	Unaudited six months to 30 June			Unaudited			
		Total before goodwill, intangible & exceptional items 2005 £m	Goodwill, intangible & exceptional items 2005 £m	Total 2005 £m	Total before goodwill, intangible & exceptional items 2004* £m	Goodwill, intangible & exceptional items 2004* £m	Total 2004* £m	Year to 31 Dec Total 2004* £m
Revenue	4	1,077.7	-	1,077.7	1,157.9	-	1,157.9	2,354.5
Operating costs before goodwill, intangible amortisation & exceptional items		(1,010.4)	-	(1,010.4)	(1,104.7)	-	(1,104.7)	(2,211.2)
Goodwill impairment	5	-	(16.6)	(16.6)	-	(16.5)	(16.5)	(33.3)
Intangible amortisation	5	-	(1.7)	(1.7)	-	(0.7)	(0.7)	(2.4)
Exceptional items	6	-	(0.3)	(0.3)	-	(5.3)	(5.3)	(7.7)
Total operating costs		(1,010.4)	(18.6)	(1,029.0)	(1,104.7)	(22.5)	(1,127.2)	(2,254.6)
Group operating profit		67.3	(18.6)	48.7	53.2	(22.5)	30.7	99.9
Loss on disposal of non-current assets		-	-	-	-	-	-	(0.9)
Profit from operations		67.3	(18.6)	48.7	53.2	(22.5)	30.7	99.0
Share of post tax results from associates		(4.4)	-	(4.4)	(4.3)	-	(4.3)	(3.4)
Finance income	7	6.0	-	6.0	5.1	-	5.1	13.2
Finance costs	7	(10.8)	-	(10.8)	(14.6)	-	(14.6)	(30.9)
Profit before tax		58.1	(18.6)	39.5	39.4	(22.5)	16.9	77.9
Tax expense	8	(14.8)	0.1	(14.7)	(9.5)	2.3	(7.2)	(22.8)
Profit for the period from continuing operations		43.3	(18.5)	24.8	29.9	(20.2)	9.7	55.1
(Loss)/profit for the period from discontinued operations	9	2.5	(60.0)	(57.5)	4.1	0.5	4.6	3.5
(Loss)/profit for the period		45.8	(78.5)	(32.7)	34.0	(19.7)	14.3	58.6
(Loss)/profit attributable to equity shareholders		45.8	(78.5)	(32.7)	34.9	(19.7)	15.2	62.2
Loss attributable to minority interests		-	-	-	(0.9)	-	(0.9)	(3.6)
		45.8	(78.5)	(32.7)	34.0	(19.7)	14.3	58.6
(Loss)/earnings per share:								
- basic (loss)/earnings per share				(24.0p)			11.3p	45.7p
- diluted (loss)/earnings per share				(23.7p)			11.0p	45.0p
Earnings per share from continuing operations:								
- basic earnings per share				18.2p			7.2p	40.5p
- diluted earnings per share				17.9p			7.0p	39.9p

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1. In addition, results for the six months ended 30 June 2004 are restated for change in revenue recognition. See note 2.

Dividends of £28.1m were paid during the period (six months to 30 June 2004: £23.6m; year to 31 December 2004: £36.4m). Dividends of £13.5m were proposed for approval during the period (six months to 30 June 2004: £12.8m; year to 31 December 2004: £40.9m).

NATIONAL EXPRESS GROUP PLC
GROUP BALANCE SHEET
At 30 June 2005

	Note	Unaudited 30 June 2005 £m	Unaudited 30 June 2004* £m	Unaudited 31 Dec 2004* £m
Assets				
Non-current assets				
Goodwill		253.0	379.9	338.7
Intangible assets		17.1	11.7	14.1
Property, plant and equipment		369.9	383.4	354.9
Financial assets/Other investments	13	15.3	10.2	10.5
Other receivables		9.6	2.7	9.1
Deferred tax asset		11.6	18.8	18.3
		676.5	806.7	745.6
Current assets				
Inventories		14.8	18.5	16.1
Trade and other receivables		233.0	260.4	309.7
Financial assets - <i>Other</i>	13	6.8	-	-
Cash and cash equivalents		135.3	182.5	143.1
		389.9	461.4	468.9
Disposal group assets classified as held for sale	9	72.8	-	33.8
Total assets		1,139.2	1,268.1	1,248.3
Non-current liabilities				
Financial liabilities - <i>Borrowings</i>		(257.5)	(296.0)	(251.8)
- <i>Other</i>	13	(10.9)	-	-
Deferred tax liability		(6.5)	(2.6)	(4.5)
Other non-current liabilities		(2.7)	(4.3)	(3.0)
Retirement benefit obligations	14	(40.9)	(68.5)	(65.1)
Provisions		(54.3)	(56.5)	(47.2)
		(372.8)	(427.9)	(371.6)
Current liabilities				
Trade and other payables		(468.0)	(543.0)	(510.9)
Financial liabilities - <i>Borrowings</i>		(22.1)	(29.4)	(30.3)
- <i>Other</i>	13	(11.0)	-	-
Current tax liabilities		(31.5)	(18.6)	(36.8)
Provisions		(12.1)	(15.6)	(25.0)
		(544.7)	(606.6)	(603.0)
Liabilities directly associated with disposal group assets classified as held for sale	9	(25.4)	-	(6.9)
Total liabilities		(942.9)	(1,034.5)	(981.5)
Net assets		196.3	233.6	266.8
Shareholders' equity				
Ordinary shares		6.8	6.9	7.0
Share premium account	15	49.6	45.8	47.5
Own shares	15	(5.1)	(5.3)	(5.1)
Treasury shares	15	(3.5)	-	-
Other reserves	15	15.8	16.2	15.4
Cumulative translation adjustments	15	1.9	(0.1)	(2.1)
Retained earnings	15	130.8	166.6	203.2
Total shareholders' equity		196.3	230.1	265.9
Minority interest in equity		-	3.5	0.9
Total equity		196.3	233.6	266.8

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1. In addition, results for the six months ended 30 June 2004 are restated for change in revenue recognition. See note 2.

NATIONAL EXPRESS GROUP PLC
GROUP STATEMENT OF CASH FLOWS
For the six months ended 30 June 2005

	Unaudited six months to 30 June 2005 £m	Unaudited six months to 30 June 2004* £m	Unaudited year to 31 Dec 2004* £m
Note			
Net cash inflow from operating activities			
Net (loss)/profit	(32.7)	15.2	62.2
Minority interest	-	(0.9)	(3.6)
Loss/(profit) from discontinued operations (excluding op profit)	60.2	(0.1)	5.9
Tax expense	14.7	7.2	22.8
Net finance cost	4.8	9.5	17.7
Loss on disposal of non-current assets	-	-	0.9
Depreciation of property, plant & equipment	26.1	33.6	64.2
Goodwill amortisation and impairment	16.6	16.5	33.3
Intangible asset amortisation	1.7	0.7	2.4
Amortisation of fixed asset grants	(0.3)	(5.6)	(6.5)
Profit on disposal of fixed assets	(0.4)	(0.3)	(0.6)
Share of operating losses of associates	4.4	4.3	3.4
Share-based payments	3.0	0.4	0.6
Movement in pension liabilities	(2.0)	0.3	(1.1)
(Increase)/decrease in inventories	-	(1.0)	0.7
Decrease in receivables	72.0	87.5	18.7
(Decrease)/increase in payables	(35.7)	6.5	34.7
Increase/(decrease) in provisions	0.1	(3.2)	(1.6)
Cash generated from operations	132.5	170.6	254.1
Tax paid	(10.3)	(3.1)	(3.2)
Net cash from operating activities	122.2	167.5	250.9
Cash flows from investing activities			
Payments to acquire businesses, net of cash acquired	(18.6)	18.9	12.6
Deferred consideration for businesses (acquired)/disposed	(0.3)	(4.5)	(4.5)
Purchase of property, plant and equipment	(23.1)	(16.0)	(69.2)
Proceeds from disposal of property, plant and equipment	3.0	1.7	18.8
Payments in respect of businesses disposed/closed	-	(0.8)	(1.5)
Receipts from disposal of businesses, net of cash disposed	(1.5)	-	24.7
Interest received	6.0	5.3	13.1
(Payments for) /receipts from (purchase) /sale of shares for employee schemes	-	(0.1)	0.1
Net cash (used in)/from investing activities	(34.5)	4.5	(5.9)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	2.1	0.7	2.5
Purchase of treasury shares	(3.5)	-	-
Share buy back	(25.8)	-	-
Interest paid	(19.8)	(15.1)	(31.6)
Receipt/(repayment) of maintenance bond at ScotRail	-	24.0	(18.7)
Finance lease principal (payments)/receipts	(7.9)	29.7	(15.8)
Repayment of loan notes	(6.5)	(0.9)	(0.9)
Loans repaid	(11.5)	(100.6)	(93.1)
Dividends paid	(28.1)	(23.6)	(36.4)
Net cash used in financing activities	(101.0)	(85.8)	(194.0)
(Decrease)/increase in cash and cash equivalents	(13.3)	86.2	51.0
Opening cash and cash equivalents	147.2	96.8	96.8
(Decrease)/increase in cash and cash equivalents	(13.3)	86.2	51.0
Exchange	1.4	(1.4)	(0.6)
Closing cash and cash equivalents	135.3	181.6	147.2

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1. In addition, results for the six months ended 30 June 2004 are restated for change in revenue recognition. See note 2.

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the six months ended 30 June 2005

	Unaudited six months to 30 June 2005 £m	Unaudited six months to 30 June 2004* £m	Unaudited year to 31 Dec 2004* £m
Net exchange adjustments offset in reserves net of tax	4.0	(0.1)	(2.1)
Balances recognised on adoption of IAS 39 net of tax	(12.8)	-	-
Cash flow hedges net of tax			
- net fair value gains	8.6	-	-
- reclassified and reported in profit	(2.2)	-	-
- reclassified and reported in translation reserve	(0.3)	-	-
Deferred tax on share based payments	2.0	0.3	0.8
Actuarial gains/(losses)	22.2	(4.9)	(2.3)
Tax on actuarial gains/(losses)	(6.1)	1.5	(0.2)
Net gains/(losses) not recognised in income statement	15.4	(3.2)	(3.8)
(Loss)/profit for the financial period	(32.7)	15.2	62.2
Total recognised (expense)/income for the period	(17.3)	12.0	58.4

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1. In addition, results for the six months ended 30 June 2004 are restated for change revenue recognition. See note 2.

SEGMENTAL ANALYSIS

For the six months ended 30 June 2005

Analysis by class and geography of business	Unaudited six months to 30 June		Unaudited six months to 30 June		Unaudited year to 31 December	
	Revenue 2005 £m	Operating result 2005 £m	Revenue 2004* £m	Operating result 2004* £m	Revenue 2004* £m	Operating result 2004* £m
UK Bus	127.0	18.2	115.5	19.6	239.8	41.6
UK Trains	739.3	27.1	842.0	15.0	1,712.1	61.3
UK Coach	91.7	4.1	87.8	2.1	195.6	19.3
Intercompany sales elimination	(4.1)	-	(3.3)	-	(6.2)	-
UK operations	953.9	49.4	1,042.0	36.7	2,141.3	122.2
North America Bus	123.8	22.6	115.9	20.6	213.2	29.6
Central functions	-	(4.7)	-	(4.1)	-	(8.5)
Normalised profit from continuing operations	1,077.7	67.3	1,157.9	53.2	2,354.5	143.3
Goodwill impairment		(16.6)		(16.5)		(33.3)
Intangible amortisation		(1.7)		(0.7)		(2.4)
Exceptional items		(0.3)		(5.3)		(7.7)
Group operating profit		48.7		30.7		99.9
Loss on disposal of non-current assets		-		-		(0.9)
Profit from operations		48.7		30.7		99.0
Share of post tax results from associates		(4.4)		(4.3)		(3.4)
Net finance costs		(4.8)		(9.5)		(17.7)
Profit before tax		39.5		16.9		77.9
Tax expense		(14.7)		(7.2)		(22.8)
Profit for the year from continuing operations		24.8		9.7		55.1
(Loss)/profit from discontinued operations		(57.5)		4.6		3.5
(Loss)/profit for the period		(32.7)		14.3		58.6

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1. In addition, results for the six months ended 30 June 2004 are restated for change in revenue recognition. See note 2.

Revenues include £3.4m property rentals receivable (2004 interim: £4.5m; 2004 full year: £8.5m). Intercompany sales only occur between the Group's UK Divisions.

NATIONAL EXPRESS GROUP PLC
NOTES TO THE INTERIM ACCOUNTS
For the six months ended 30 June 2005

1. Basis of preparation

As an EU-listed company National Express Group PLC has been required to adopt International Financial Reporting Standards ("IFRS") with effect from 1 January 2005. The results for the six months ended 30 June 2005 represent the Group's first interim financial statements prepared in accordance with its accounting policies under IFRS. The Group's first IFRS Annual Report and Accounts will be for the year ended 31 December 2005. Previously the Group reported under UK generally accepted accounting policies ("UK GAAP"). Detailed UK GAAP to IFRS reconciliations of equity for the date of transition, 31 December 2004, 30 June 2004 and 1 January 2005, and of profit for the six months ended 30 June 2004 and for the year ended 31 December 2004 were issued on 27 June 2005 and are available on the Group's website. A revised summary of the Group's accounting policies under IFRS is also published on the Group's website.

These interim financial statements have been prepared by the Group using those standards it expects to be endorsed and applicable when the IFRS accounts are prepared for the year ending 31 December 2005, specifically the amendment to IAS 19, 'Employee Benefits', allowing actuarial gains and losses to be recognised in full through reserves. These standards are subject to ongoing review and endorsement by the European Union or possible amendment by interpretive guidance from the International Accounting Standard Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") and are therefore still subject to change.

The interim results are unaudited but have been reviewed by the auditors. The financial information herein does not amount to full statutory accounts within the meaning of Section 240 of the Companies Act 1985 (as amended). The figures for the year to 31 December 2004 or 1 January 2005 have been extracted from the IFRS restatements issued on 27 June 2005 which were themselves based on the Annual Report and Accounts 2004 which has been filed with the Registrar of Companies. The audit report on the Annual Report 2004 was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

2. Change in UK GAAP accounting policy for revenue recognition (as disclosed in 2004 Annual Report and Accounts)

The 30 June 2004 UK GAAP balance sheet prior to IFRS transition has been restated for a change in revenue recognition accounting policy resulting in an additional £8.2m recognised as deferred income, and a £2.4m reduction in the corporation tax liability. After a reduction in revenue and operating profit of £2.3m, and a reduction in the tax charge of £0.7m, the net effect is to reduce the Group's profit after tax by £1.6m from £7.8m to £6.2m in the six months ended 30 June 2004. Net assets and reserves have been reduced by £5.8m at 30 June 2004 and £4.2m at 1 January 2004. This restatement is included in the IFRS reconciliations issued on 27 June 2005 and is available on the Group's website.

3. Exchange rates

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

	Six months to 30 June 2005		Six months to 30 June 2004		Year to 31 Dec 2004	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
US dollar	1.79	1.88	1.82	1.82	1.92	1.84
Canadian dollar	2.20	2.31	2.43	2.43	2.31	2.38
Australian dollar	2.35	2.42	2.60	2.46	2.45	2.48

If the results for the six months to 30 June 2004 were retranslated at the average exchange rates for the six months to 30 June 2005, North America would have achieved normalised operating profit of £20.4m on revenue of £114.0m.

4. Revenue

The revenue of the Group comprises revenue from road passenger transport, train passenger services, airport operations and related activities in the UK and North America. Within the UK Trains division, franchise agreement receipts from the Strategic Rail Authority and local Passenger Transport Executives within the West Midlands region and Scotland are treated as revenue. During the half year to 30 June 2005, franchise agreement receipts amounted to £157.2m (2004 interim: £275.7m; 2004 full year: £497.0m).

5. Goodwill impairment and intangible amortisation

Goodwill in UK Trains is subject to an annual impairment charge reflecting the finite life of the rail franchises. The charge for the six months to 30 June 2005 is £16.6m (2004 interim restated: £16.5m; 2004 full year restated: £33.3m).

Other intangible assets in UK Trains are subject to amortisation, which is charged on a straight-line basis to the end of the franchise, of £1.2m (2004 interim restated: £0.7m; 2004 full year restated: £1.9m). Intangible assets in North America (representing customer contracts on a school bus acquisition in 2004) have been subject to an amortisation charge of £0.5m (2004 interim restated: £nil; 2004 full year restated: £0.5m).

6. Exceptional items

Exceptional items are those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the financial performance achieved by the Group and in making projections of future results.

6. Exceptional items (continued)

The exceptional items can be analysed as follows:

	Six months to 30 June 2005 £m	Six months to 30 June 2004 £m	Year to 31 Dec 2004* £m
UK Trains	-	5.3	7.2
UK Bus	-	-	0.4
North America	0.3	-	0.1
Total exceptional charge	0.3	5.3	7.7

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1.

In the six months to 30 June 2005, exceptional costs of £0.3m have been incurred in the reorganisation of our North American operations.

In the six months to 30 June 2004 and the year to 31 December 2004 UK Trains exceptional costs were incurred at 'one' (integration of the three legacy Train Operating Companies ("TOCs") resulted in redundancy charges and start up costs, together with the cost of the Competition Commission review), Qjump (redundancy, property and pension charges following the merger) and Maintrain (redundancy costs incurred as a result of the decision to cease tendering for external work and focus on improving service to Central Trains and Midland Mainline). The balance of exceptional items comprised the cost of reorganisations at UK Bus (£0.4m) and North America (£0.1m).

7. Net finance costs

	Six months to 30 June 2005 £m	Six months to 30 June 2004* £m	Year to 31 Dec 2004* £m
Finance lease interest payable	(1.9)	(2.7)	(6.6)
Bank interest payable	(8.4)	(11.3)	(23.0)
Other interest payable	(0.1)	(0.2)	(0.5)
Unwind of insurance provision discounting	(0.4)	(0.4)	(0.8)
Finance costs	(10.8)	(14.6)	(30.9)
Bank interest receivable	6.0	5.1	13.2
Net finance costs	(4.8)	(9.5)	(17.7)

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1.

8. Taxation

Tax on profit on ordinary activities for the six months to 30 June 2005 has been calculated on the basis of the estimated annual effective rate for the year ending 31 December 2005. The tax charge of £14.8m (2004 interim: £9.5m restated; 2004 full year restated: £26.4m) represents an effective tax rate on normalised profit before tax, for continuing and discontinued operations, of 24.5% (2004 interim restated: 22.2%; 2004 full year restated: 20.0%). It includes overseas taxation of £4.6m (2004 interim: £3.4m; 2004 full year: £5.4m), and deferred taxation of £2.9m (2004 interim restated: £1.7m; 2004 full year restated: credit of £1.1m).

9. Discontinued operations

The Group's North American Public Transit operations (ATC) will be disposed of in the second-half of 2005 and have been classified in discontinued operations at 30 June 2005. The Group sold National Bus Company (Victoria) Pty Limited, National Bus Company (Queensland) Pty Limited and Transport Management Group Pty Limited on 1 October 2004. The Group also announced the voluntary administration of the Bosnjak Holdings Group (comprising the Group's remaining operations in Australia) on 31 January 2005. The results of the Group's discontinued operations are presented below. The results for the Australia Bus & Bosnjak Group are immaterial in 2005.

	ATC 2005 £m	ATC 2004* £m	Australia Bus & Bosnjak Group 2004* £m	Total 2004* £m
Revenue	73.7	76.2	35.0	111.2
Operating expenses	(71.0)	(73.1)	(33.6)	(106.7)
Operating profit before impairment charges	2.7	3.1	1.4	4.5
Goodwill impairment	(60.0)	-	-	-
Operating (loss)/profit	(57.3)	3.1	1.4	4.5
Finance income	-	-	0.2	0.2
Finance costs	(0.2)	(0.2)	(0.2)	(0.4)
(Loss)/profit before tax from discontinued operations	(57.5)	2.9	1.4	4.3
Tax	-	0.5	(0.2)	0.3
Total	(57.5)	3.4	1.2	4.6

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1

9. Discontinued operations (continued)

	Year to 31 Dec 2004*		Total £m
	ATC £m	Australia Bus & Bosnjak Group £m	
Revenue	152.1	62.4	214.5
Operating expenses	(145.0)	(59.9)	(204.9)
Operating profit before impairment charges	7.1	2.5	9.6
Goodwill impairment	-	(10.6)	(10.6)
Tangible fixed asset impairment	-	(6.1)	(6.1)
Exceptional items	(0.2)	-	(0.2)
Operating profit/(loss)	6.9	(14.2)	(7.3)
Finance income	-	0.3	0.3
Finance costs	(0.4)	(0.3)	(0.7)
Profit on sale of properties	-	0.8	0.8
Gain on sale of discontinued operations	-	8.9	8.9
Profit before tax from discontinued operations	6.5	(4.5)	2.0
Tax	1.4	0.1	1.5
Total	7.9	(4.4)	3.5

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1.

The major classes of assets and liabilities of discontinued operations measured at the lower of carrying amount and fair value less costs to sell as at 30 June 2005 and 31 December 2004 are as follows:

	At 30 June 2005 £m	31 Dec 2004* £m
Assets:		
Goodwill	36.6	-
Property, plant and equipment	5.2	25.4
Inventories	1.8	0.2
Receivables	29.2	4.1
Cash	-	4.1
Disposal group assets classified as held for sale	72.8	33.8
Liabilities:		
Payables	(13.0)	(4.2)
Provisions	(10.5)	-
Deferred tax liability	(1.9)	-
Interest bearing liabilities	-	(2.7)
Liabilities directly associated with disposal group assets classified as held for sale	(25.4)	(6.9)
Net assets attributable to discontinued operations	47.4	26.9

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1.

Cash flows and (loss)/earnings per share from discontinued operations are as follows:

	Six months to 30 June 2005 £m	Six months to 30 June 2004* £m	Year to 31 Dec 2004* £m
Net cash flows from operating activities	3.4	7.8	9.1
Net cash flows from investing activities	(1.3)	(0.1)	24.7
Net cash flows from financing activities	-	(1.4)	(2.5)
(Loss)/earnings per share			
Basic from discontinued operations	(42.2p)	4.1p	5.2p
Diluted from discontinued operations	(41.6p)	4.0p	5.1p

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1.

10. Business combinations

On 17 June 2005 the Group acquired 100% of the share capital of TGM Buses Limited and TGM Middlesex Limited, representing the London bus operations of Tellings Golden Miller PLC. The Group paid £20.4m cash in consideration for the investment, and expects to pay a further £0.9m completion adjustment. Total consideration of £21.5m has been incurred including accrued acquisition costs.

The fair value of identifiable assets and liabilities of the business acquired are £10.0m, including intangible assets of £4.6m representing the value of customer contracts acquired with the business, cash of £1.8m and finance leases of £2.1m giving rise to goodwill of £11.5m. Included in the £11.5m of goodwill are certain intangible assets that cannot be individually separated from the acquired business and reliably measured due to their nature. These assets included in this balance comprise control over the acquired business and increased scale in our London Bus operations.

10. Business combinations (continued)

The acquisition became unconditional on 17 June 2005 and under the terms of the sale and purchase agreement a first draft of the balance sheet acquired was provided by the vendor on 11 July 2005. Therefore, the fair value adjustments above are subject to revision in the second half of 2005.

The contribution of the acquired business to the Group's revenue and profit for the six months to 30 June 2005 has been immaterial.

11. Dividends paid and proposed

Dividends charged in the period:

	Six months to 30 June 2005 £m	Six months to 30 June 2004* £m	Year to 31 Dec 2004* £m
Ordinary final dividend for 2003 paid of 17.5p per share	-	23.6	23.6
Ordinary interim dividend for 2004 paid of 9.35p per share	-	-	12.8
Ordinary final dividend for 2004 paid of 20.65p per share	28.1	-	-
	28.1	23.6	36.4
Proposed for approval (not recognised as liability as at period end)			
Ordinary interim dividend for 2004 of 9.35p per share	-	12.8	-
Ordinary final dividend for 2004 of 20.65p per share	-	-	28.1
Ordinary interim dividend for 2005 of 10.0p per share	13.5	-	-

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1.

12. Earnings per share

	Six months to 30 June 2005	Six months to 30 June 2004*	Year to 31 Dec 2004*
Basic earnings per share – continuing operations	18.2p	7.2p	40.5p
Basic (loss)/earnings per share – discontinued operations	(42.2p)	4.1p	5.2p
Basic (loss)/earnings per share – total	(24.0p)	11.3p	45.7p
Normalised basic earnings per share	31.8p	22.1p	70.4p
Diluted earnings per share – continuing operations	17.9p	7.0p	39.9p
Diluted (loss)/earnings per share – discontinued operations	(41.6p)	4.0p	5.1p
Diluted (loss)/earnings per share – total	(23.7p)	11.0p	45.0p
Normalised diluted earnings per share	31.3p	21.6p	69.3p

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1.

Basic earnings per share is calculated by dividing the loss attributable to equity shareholders of £32.7m (2004 interim: profit of £15.2m; 2004 full year: profit of £62.2m) by the weighted average number of ordinary shares in issue during the period, excluding those held by employees' share ownership trusts and held as treasury shares which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period.

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

	Six months to 30 June 2005	Six months to 30 June 2004*	Year to 31 Dec 2004*
Basic weighted average shares	136,140,675	135,226,325	136,166,921
Adjustment for dilutive potential ordinary shares	2,054,305	2,956,871	2,039,292
Diluted weighted average shares	138,194,980	138,183,196	138,206,213

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1.

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 financial performance of the core business more appropriately.

12. Earnings per share (continued)

Normalised profits for the financial period are:

	Six months to 30 June 2005 £m	Six months to 30 June 2004* £m	Year to 31 Dec 2004* £m
(Loss)/profit attributable to equity shareholders	(32.7)	15.2	62.2
(Profit)/loss from discontinued operations	57.5	(5.5)	(7.1)
Profit from continuing operations	24.8	9.7	55.1
Goodwill impairment on continuing operations	16.6	16.5	33.3
Intangible asset amortisation	1.7	0.7	2.4
Exceptional items	0.3	5.3	7.7
Loss on disposal of non-current assets	-	-	0.9
Tax relief on goodwill and exceptional items	(0.1)	(2.3)	(3.6)
Normalised profit attributable to equity shareholders	43.3	29.9	95.8

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1.

Profit/loss from discontinued operations comprises the results from note 9 and minority interests of £0.9m in the six months to 30 June 2004 and £3.6m in the year to 31 December 2004.

	Six months ended 30 June 2005		Six months ended 30 June 2004*		Year ended 31 Dec 2004*	
	Basic eps p	Diluted eps p	Basic eps p	Diluted eps p	Basic eps p	Diluted eps p
(Loss)/profit attributable to equity shareholders	(24.0)	(23.7)	11.3	11.0	45.7	45.0
Loss/(profit) from discontinued operations	42.2	41.6	(4.1)	(4.0)	(5.2)	(5.1)
Profit from continuing operations	18.2	17.9	7.2	7.0	40.5	39.9
Goodwill impairment on continuing operations	12.2	12.0	12.2	11.9	24.4	24.1
Intangible asset amortisation	1.2	1.2	0.5	0.5	1.8	1.7
Exceptional items	0.2	0.2	3.9	3.8	5.7	5.6
Loss on disposal of non-current assets	-	-	-	-	0.7	0.6
Tax relief on goodwill and exceptional items	-	-	(1.7)	(1.6)	(2.7)	(2.6)
Normalised profit attributable to equity shareholders	31.8	31.3	22.1	21.6	70.4	69.3

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1.

13. Financial assets and liabilities

Under the exemption available in IFRS 1, 'First-time Adoption of IFRS' the Group has not restated its results for the six months ended 30 June 2004 or the year ended 31 December 2004 for the effect of IAS 32, 'Financial instruments: Disclosure and Presentation', or IAS 39, 'Financial Instruments: Recognition and Measurement'. Additional financial instruments have been recognised on the balance sheet from 1 January 2005 as reported in the Group's IFRS reconciliations as published on 27 June 2005 and available on the Group's website. A summary is included below:

	At 30 June 2005 £m	At 30 June 2004 £m	At 31 Dec 2004 £m	At 1 Jan 2005* £m
Fuel swaps	4.8	-	-	1.4
Available for sale investments/Other investments	10.5	10.2	10.5	10.5
Financial instruments held as non-current assets	15.3	10.2	10.5	11.9
Fuel swaps	6.8	-	-	4.9
Foreign exchange forward contracts	-	-	-	14.9
Financial instruments held as current assets	6.8	-	-	19.8
Interest rate swaps	(10.9)	-	-	(7.6)
Financial instruments held as non-current liabilities	(10.9)	-	-	(7.6)
Interest rate swaps	(3.3)	-	-	(19.9)
Foreign exchange forward contracts	(7.7)	-	-	-
Financial instruments held as current liabilities	(11.0)	-	-	(19.9)

*£14.6m included in foreign exchange forward contracts at 1 January 2005 had previously been included in other receivables as at 31 December 2004, and £2.5m included in interest rate swaps (in current liabilities) had been included in accruals and deferred income at 31 December 2004.

14. Retirement benefit obligations

As per note 1 the Group's IFRS policies for retirement benefits are published on the Group's website.

The defined benefit schemes for the UK Bus and UK Coach divisions are accounted for in accordance with the requirements of IAS 19, 'Employee benefits'.

The majority of employees of the UK Train companies are members of the appropriate shared-cost section of the Rail Pension Scheme ("RPS"), a funded defined benefit scheme. To date, the Group has experienced three changes of UK Train franchise ownership where the Group has funded the scheme during the franchise term and the pension deficit at franchise exit has transferred to the new owner, without cash settlement. However, although the Group's past experience has proven otherwise, our legal advice has opined that in certain situations, the full liability for the deficit on the relevant sections of the RPS could theoretically crystallise for funding by an individual TOC during the franchise terms. To comply with IAS 19, the Group is required to account for its legal obligation under the formal terms of the RPS and its constructive obligation that arises under the terms of each franchise agreement.

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

In calculating the Group's constructive obligations in respect of the RPS, the Group has calculated the total pension deficits in each of the RPS sections in accordance with IAS 19 and the assumptions set out in the Annual Report and Accounts 2004. These deficits are reduced by a "franchise adjustment" which is that portion of the deficit projected to exist at the end of the franchise and for which the Group will not be required to fund. The franchise adjustment, which has been calculated by the Group's actuaries, is the deficit forecast to exist at the end of the current franchises, and invokes the true and fair override provision of the Companies Act 1985.

The franchise adjustment decreased from £67.6m at 31 December 2004 to £61.8m at 30 June 2005. The decrease is caused by net actuarial movements in scheme liabilities of £7.7m offset by unwinding the discount (£1.9m).

The franchise adjustment increased by £5.2m from £62.4m at 1 January 2004 to £67.6m at 31 December 2004. The increase is caused by unwinding the discounting (£3.3m) and net actuarial movements in scheme liabilities (£28.1m), offset by franchise exits net of franchise wins / extensions (£26.2m).

If the Group had accounted for its legal obligation in respect of the RPS instead of the constructive obligation, the following adjustments would have been made to the financial information in these interim accounts:

	At 30 June 2005 £m	At 30 June 2004 £m	At 31 Dec 2004 £m
Balance Sheet			
Retirement benefit obligations	(61.8)	(63.7)	(67.6)
Deferred tax asset	9.9	14.1	11.3
Intangible asset	16.4	25.6	24.0
	(35.5)	(24.0)	(32.3)
Statement of recognised income and expense			
Actuarial gains/ (losses)	7.7	(0.3)	(28.1)
Tax on actuarial gains and losses	(0.3)	0.1	1.4
	7.4	(0.2)	(26.7)
Income Statement			
Financing cost – unwind of discount	(1.9)	(1.8)	(3.3)
Curtailement gain on franchise exit	-	-	14.0
Intangible asset amortisation	(7.6)	(4.6)	(11.5)
Deferred tax credit/ (charge)	(0.1)	0.1	1.0
	(9.6)	(6.3)	0.2

15. Share capital and reserves

During the six months ended 30 June 2005 the Group has repurchased 3,300,000 shares for consideration of £29.3m. 2,900,000 shares have been cancelled, and the remaining 400,000 shares retained as treasury shares within equity for future issue under the Group's various share schemes. Details of these schemes are included the 2004 Annual Report and Accounts.

	Share premium £m	Capital Redemption reserve £m	Own shares £m	Treasury shares £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 31 Dec 2004*	47.5	-	(5.1)	-	15.4	-	(2.1)	203.2	258.9
Financial instrument recognition	-	-	-	-	-	(5.9)	-	(6.9)	(12.8)
At 1 January 2005*	47.5	-	(5.1)	-	15.4	(5.9)	(2.1)	196.3	246.1
Shares issued	2.1	-	-	-	-	-	-	-	2.1
Shares purchased	-	0.2	-	(3.5)	-	-	-	(25.8)	(29.1)
Actuarial gains	-	-	-	-	-	-	-	16.1	16.1
Share based payments	-	-	-	-	-	-	-	3.0	3.0
Deferred tax on share based payments	-	-	-	-	-	-	-	2.0	2.0
Hedge movements	-	-	-	-	-	6.1	-	-	6.1
Loss for the period	-	-	-	-	-	-	-	(32.7)	(32.7)
Dividends	-	-	-	-	-	-	-	(28.1)	(28.1)
Exchange differences	-	-	-	-	-	-	4.0	-	4.0
At 30 June 2005	49.6	0.2	(5.1)	(3.5)	15.4	0.2	1.9	130.8	189.5

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1.

16. Net debt

	At 30 June 2005 £m	At 30 June 2004 £m	At 31 Dec 2004 £m
Due within one year			
Loan notes	1.0	7.6	7.5
Bank loans	-	-	8.0
Bank overdrafts	-	0.9	-
Finance lease obligations	21.1	20.9	16.3
	22.1	29.4	31.8
Due within one to two years			
Finance lease obligations	16.9	20.3	16.7
	16.9	20.3	16.7
Due within two to five years			
Bank loans	216.3	218.4	207.5
Finance lease obligations	19.4	45.2	25.1
	235.7	263.6	232.6
Due by instalment after five years			
Finance lease obligations	4.9	12.1	3.7
Total borrowings	279.6	325.4	284.8
Cash and cash equivalents	(135.3)	(182.5)	(147.2)
Other debt receivable	(1.0)	(1.0)	(1.0)
Net borrowings	143.3	141.9	136.6

Net debt at 31 December 2004 includes £4.1m cash and £1.5m finance leases due within one year and £1.2m finance leases due within one to two years attributable to discontinued operations and classified separately on the balance sheet within the "Disposal group assets classified as held for sale" and "Liabilities directly associated with disposal group assets classified as held for sale" headings.

"Cash and cash equivalents" in the Group Statement of Cash Flows includes £0.9m bank overdrafts at 30 June 2004.

Secured borrowings within the Group (representing finance leases) total £62.3m (30 June 2004: £98.5m; 31 December 2004: £61.8m).

Included in cash and cash equivalents are restricted balances of £105.2m (30 June 2004: £119.0m; 31 December 2004: £73.9m) held by the train companies which cannot be distributed by means of a dividend or loaned to other Group companies. Within the restricted balances at 30 June 2004 was £42.7m of cash deposits secured against a bond issued in respect of future rolling stock maintenance at ScotRail Railways Limited. The Group did not earn interest on these monies as an amount equal to the interest earned on the deposit is added to the bond. This cash deposit transferred with the ScotRail franchise in 2004.

17. Cash flow statement

Reconciliation of net cash flow to movement in net debt:

	Six months to 30 June 2005 £m	Six months to 30 June 2004* £m	Year to 31 Dec 2004* £m
(Decrease)/increase in cash and cash equivalents in the period	(13.3)	86.2	51.0
Cash outflow from movement in debt and lease financing	25.9	71.8	109.8
Change in net debt resulting from cash flows	12.6	158.0	160.8
Change in net debt resulting from acquisitions and disposals	0.5	(9.2)	(8.5)
Change in net debt resulting from non cash flows	(19.8)	(1.6)	0.2
Movement in net debt in the period	(6.7)	147.2	152.5
Opening net debt	(136.6)	(289.1)	(289.1)
Net debt	(143.3)	(141.9)	(136.6)

*Results are restated for the impact of transition to International Financial Reporting Standards (IFRS). See note 1.

Net debt at 31 December 2004 includes £4.1m cash and £1.5m finance leases due within one year and £1.2m finance leases due within one to two years attributable to discontinued operations and classified separately on the balance sheet within the "Disposal group assets classified as held for sale" and "Liabilities directly associated with disposal group assets classified as held for sale" headings.

Changes in net debt resulting from non cash flows represent £12.4m exchange loss movements (30 June 2004: £5.2m gain; 31 December 2004: £18.2m gain), £0.1m loan arrangement fees (30 June 2004: £0.5m; 31 December 2004: £1.8m), £7.3m finance lease additions (30 June 2004: £6.3m; 31 December 2004: £16.2m).

The Interim Report 2005 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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