

10 December 2003

## Stagecoach Group plc - Interim results for the six months ended 31 October 2003

### Highlights

- Strong half-year with UK Bus, Rail, Coach USA and New Zealand operating profits all up on the same period last year
- Substantial growth in London bus business with revenue up 19.8%
- Passenger numbers at UK Bus up 1.3% outside London
- Innovative growth ideas introduced in UK bus operations
- New South West Trains and Island Line franchises agreed
- South West Trains passenger volumes up 3.1%
- Coach USA restructuring largely completed
- Continued revenue and passenger growth in New Zealand
- Disposal of Citybus

### Financial Highlights

- Turnover £963.8m (2002 - £1,067.7m)
- Total operating profit\* £76.9m (2002 - £86.9m)  
- £75.9m (2002 - £74.3m), excluding disposed Citybus business
- Profit before tax £44.8m (2002 - loss of £524.1m)
- Profit before tax\* £60.3m (2002 - £75.2m\*\*)
- Earnings per share\* 3.2p, down from 4.4p
- Free cash flow £100.3m (2002 - £100.2m)
- Net debt down 62.3% from £560.0m to £210.9m
- Interim dividend up 12.5% to 0.9p (2002 - 0.8p)

\* excluding goodwill amortisation and exceptional items

\*\* prior year included £15.0m of non-recurring gains on repurchase of bonds and £7.2m non-recurring liquidated damages at South West Trains

**Commenting on the results, Stagecoach Chief Executive, Brian Souter said:** "These are a strong set of results and reflect the further significant progress we have made across the Group in the past six months in delivering on our strategy.

"Our growth prospects are good and our innovative approach to attracting passengers to public transport is beginning to deliver good results.

"The restructuring of our Coach USA operations is nearing completion and we are very focused on delivering value from the strong businesses we have retained in the North East and North Central regions of the United States, and in Canada

"We now have a strong portfolio of cash-generative businesses and good potential for further growth."

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**Note to Editors:**

High resolution photographs are available to the media free of charge at [www.newscast.co.uk](http://www.newscast.co.uk)  
(telephone +44 (0) 207 608 1000).

## **Chairman's statement**

Stagecoach Group has enjoyed a strong trading performance in the first six months of the year. Operating profit at each of UK Bus, Rail, Coach USA and New Zealand is up on the same period last year and we are encouraged by the particularly strong growth in our UK bus and rail businesses. Across the Group, we have a strong portfolio of profitable and cash generative businesses.

We have continued to reduce our net debt from a combination of cash flows generated by our operations and business disposals. This will bring long-term benefits to the business. Net debt reduced by 62.3% in the six months ended 31 October 2003, down from £560.0m to £210.9m.

Total turnover for the six months was £963.8m (2002 - £1,067.7m). Total operating profit (before goodwill amortisation and exceptional items) was £76.9m (2002 - £86.9m). The fall in operating profits largely reflects the disposal of Citybus. Excluding Citybus, operating profit on an equivalent basis was up from £74.3m to £75.9m.

The Directors have declared an interim dividend of 0.9p per share (2002 – 0.8p) and this reflects the Board's confidence in the prospects for the Group. The interim dividend is payable to shareholders on the register at 13 February 2004 and will be paid on 10 March 2004. Based on continued strong and stable cash flows and profits within the business, we will look to progressively grow the dividend.

Stagecoach is leading the way in the UK bus industry with new ideas and new products. We have launched two UK firsts in the past six months – Megabus.com, the country's first Internet-only inter-city bus service, and Yellow Taxibus, an innovative demand responsive service that combines the benefits of a fixed bus route with the flexibility of a taxi. Our UK Bus operations have achieved strong revenue growth, and will be boosted by investment in new buses during this financial year.

Stagecoach New Zealand has also delivered further passenger and revenue growth over the past six months, continuing a consistent trend over more than a decade.

Revenues and passenger volumes have grown strongly in our UK Rail operations, and we continue to seek to improve our service to customers. South West Trains has achieved a significant reduction in delay minutes under its control, and the first of our new Desiro trains, part of a £1billion investment in new rolling stock, has now entered service.

At Virgin Rail Group, management is continuing to progress negotiations with the Strategic Rail Authority ("SRA") regarding the longer-term commercial arrangements for the CrossCountry and West Coast franchises.

This time last year, we had just completed a business review of our North American operations. One year on, we are now in the final phase of our Coach USA restructuring programme. We have made a number of targeted disposals in recent months and have demonstrated an ability to deliver our strategy as planned. I believe that our businesses in the North East, North Central, and Canada provide a strong platform for future growth.

We have made an encouraging start to the second half of the year and I am pleased to report that the current trading of the Group remains in line with the expectations set out in the Company Statement of 21 October 2003. I believe that the Group's portfolio of businesses offers good prospects for further growth and increased shareholder value.

**Robert Speirs**  
Chairman

**10 December 2003**

## **Chief Executive's operating review**

### **Overview**

We have made significant progress across the Group in the past six months and are well positioned to deliver enhanced value from our core businesses.

Our growth prospects are good and our innovative approach to attracting passengers to public transport is beginning to deliver good results.

Our restructuring at Coach USA is nearing completion and we are focusing on delivering value from the strong businesses we have retained in the North East and North Central regions of the United States, and in Canada.

### **UK Bus**

Turnover from our UK Bus operations was up 8.2% to £317.9m, compared to £293.8m in the prior year. Operating profits\* were £34.3m (2002 – £31.1m). Operating margins were 10.8%, compared to 10.6% in 2002. The reported profits include the effects of an increasing use of operating leases to fund new vehicles. Excluding the impact of this change in financing, operating margins increased from 10.7% to 11.3%. This is a very encouraging performance and the reported profits have been achieved after taking account of increased National Insurance and pension costs.

UK Bus has also seen passenger growth in the first half of the year. Growth is continuing in our strong provincial bus networks across the UK and passenger volumes outside London have increased by approximately 1.3%. We are greatly encouraged by this volume growth which has been achieved even after taking account of nine days of industrial action in our Devon operations.

We have achieved further success in London, where we operate buses on behalf of Transport for London. We have introduced new vehicles and revenue is up 19.8% compared to the same period last year. This growth is partly a result of the introduction of congestion charging in February 2003.

We are leading the way with a range of new products that we believe have significant potential to attract new users to public transport.

Megabus.com, the UK's first Internet-only bus operation, has only been in operation for four months, and we are encouraged by the growth we have seen on existing routes. We have adapted the revenue yield management techniques of other industries to buses and we are now considering extending the product to other locations.

We are also using the Internet with success to target the significant student market in key locations around the country, including Aberdeen, Glasgow, Manchester and Newcastle. A new improved e-commerce site has been developed to encourage students to take up our Unirider term and year tickets, which promote increased customer loyalty.

Our "phone and go" Yellow Taxibus operation in Fife, Scotland, which was launched in the summer, is the first commercially run service of its kind in the country. It is an innovative idea that combines the benefits of a fixed bus route with the flexibility of a taxi, allowing pre-booked pick-ups. We believe it offers a new public transport alternative for commuters who travel on the heavily congested route from Fife into Edinburgh.

\* Operating profit of a particular business unit referred to in the Chief Executive's operating review is operating profit before restructuring costs, goodwill amortisation and exceptional items. Operating margins are referred to on an equivalent basis.

Both the Department for Transport and the Scottish Executive are taking forward our “Kick Start” proposal for targeted funding to support the introduction of new services and reinvigorate the UK Bus network. We are also planning additional schemes of our own following the success of a pilot project in Perth, Scotland, over the past three years.

We are seeking to improve the environmental and operational performance of our bus fleet. Stagecoach has signed an agreement with Cerulean International Ltd, the Oxford-based subsidiary of the nanomaterials company Oxonica Ltd, to trial a fuel additive product in up to 1,000 buses across the country. Initial trials of the product in Hong Kong delivered a significant cut in engine carbon deposits and lower vehicle emissions and a 10% fuel consumption reduction. We believe this new product has huge potential for the whole UK bus industry and, if the commercial evaluation is successful, we plan to adopt the technology across our 7,000-vehicle UK Bus fleet.

## **Rail**

We operate two wholly owned UK heavy rail franchises – South West Trains and Island Line - and Sheffield Supertram.

Turnover from our UK Rail subsidiaries for the six months to 31 October 2003 was £216.7m (2002 - £206.0m). Overall passenger volumes at South West Trains increased by 3.1% over the equivalent six-month period last year. Operating profit was £21.5m (2002 - £18.9m), with an operating margin of 9.9% (2002 – 9.2%). The prior year figure of £18.9m included non-recurring liquidated damages of £7.2m.

The first of our new state-of-the-art Desiro Class 450 trains, manufactured by Siemens, went into service in October, providing passengers with an improved travelling environment. Proposals have been agreed with the SRA for extensive refurbishment of our inner suburban train fleet to provide better passenger comfort and improved reliability.

Our investment in TravelSafe officers has made a significant impact on customer confidence with a 10% reduction in crime. The ground-breaking security and anti-crime initiative was one of several South West Trains successes at the National Rail Awards. In May, we introduced a new station at Chandlers Ford in Hampshire, the first station to be opened on the South West Trains network since privatisation and the fruit of an innovative partnership with Hampshire County Council, the SRA and Network Rail.

At South West Trains, we have concentrated closely on driving up operational performance and during 2003 the business has delivered significant improvement in delay minutes under its control. A major project is well underway to bring together South West Trains and Network Rail in one integrated control centre. The initiative aims to improve performance and the ability to recover more quickly from operational incidents.

Stagecoach has taken a lead role as the representative for the rail industry in helping Network Rail improve train service delivery. Graham Eccles, our Executive Director - Rail, has been appointed as a part-time advisor to Network Rail and will help the infrastructure operator develop its operational structure and procedures following its decision to take all maintenance in-house. This appointment is recognition of Graham’s vast experience in the industry and the need for close working between Network Rail and train operators to improve punctuality.

South West Trains is operating under a one-year extension to the existing franchise and the new three-year franchise will come into effect on 1 February 2004. A similar three-year franchise to run to February 2007 has been finalised for Island Line, which brings stability to the local transport service for the eastern side of the Isle of Wight.

We continue to evaluate targeted opportunities in the rail market and we have expressed interest in the new Integrated Kent Franchise. The franchise is expected to include routes on the national rail network throughout Kent, parts of Sussex and South East London, as well as domestic services on the Channel Tunnel Rail Link. The SRA has indicated that an operator is expected to run the franchise from early 2005 and we believe it would be an excellent fit with our successful South West Trains high-volume commuter network.

### **Virgin Rail Group**

Our joint venture with Virgin Management Group, Virgin Rail Group, in which Stagecoach has a 49% share, operates the West Coast and CrossCountry franchises. Our share of Virgin Rail Group's turnover for the period amounted to £149.5m (2002 - £140.6m) and our share of operating profits was £5.0m (2002 - £7.7m).

Negotiations with the SRA regarding the arrangements for the West Coast and CrossCountry franchises from March 2004 are progressing well. Both franchises are currently operating on a budget determined by the SRA in accordance with the agreement reached between Virgin Rail Group and the SRA in July 2002.

The introduction of new Voyager trains on the CrossCountry franchise has been completed with year on year passenger growth of 22.6% experienced in the six months to 31 October 2003, while new Pendolino trains will be operating 40% of West Coast services from 15 December 2003.

### **Coach USA**

Trading at Coach USA is in line with our expectations. Turnover for the six months to 31 October 2003 was £234.0m (2002 - £334.2m). The fall in revenue largely reflects business disposals in the period. Overall, like for like revenues are 3.1% below prior year levels, reflecting a continued weakness in the leisure-related markets. We have, of course, reduced our ongoing exposure to these markets through our restructuring of Coach USA.

Operating profit for the six months was £15.9m (2002 - £15.8m), giving an operating margin of 6.8%, up from 4.7%.

We have made excellent progress with the restructuring of Coach USA over the past six months and we are now in the final phase of the programme. Since 30 April 2003, we have completed the sale of our New England, Transit, West, South Central and South East regions, as well as the disposal of a number of our taxi businesses, including the substantial Texas taxi operations.

Negotiations for the sale of our remaining taxi businesses are at an advanced stage. Consistent with our strategy, the Group is reducing overheads in line with the business restructuring and sales programme. This includes the phased closure of the Coach USA corporate office in Houston.

We are focusing our investment and service development in the North East (covering the states of New York and New Jersey) and North Central (covering the states of Illinois, Wisconsin and Pennsylvania) regions, and Canada.

These residual businesses are far more robust, with approximately 60% of the revenue base being traditional bus services and contract work, which is more predictable. We have, however, retained some charter, tour and sightseeing businesses, which have good potential to grow as the US economy recovers and the leisure market expands.

In the North East, we are benefiting from the development of Jersey City, which is thriving as major corporations open offices in the area. Commuter travel to and from New York City by express coach remains strong. We continue to look for opportunities for targeted bolt-on acquisitions.

Our popular New York sightseeing product, which has performed extremely well over the last two years, continues to have a leading market share and has experienced further passenger growth as new routes and vehicles are added. We have a similar sightseeing operation in Chicago and the introduction of new double decker vehicles has seen further revenue growth.

Within our North Central region, we have a significant and growing school bus business in Wisconsin, which now accounts for around 8% of the revenue base of our retained operations in North America. This is an excellent, predictable business, which provides strong cashflow over the winter months, and we are very focused on winning new contracts.

## **Overseas Bus**

### *(i) New Zealand*

Stagecoach New Zealand, which operates around 1,000 buses in Auckland and Wellington, the country's largest metropolitan areas, continues to perform strongly.

Turnover from our New Zealand businesses has increased from £21.5m to £26.4m, while operating profits are up from £4.4m to £4.9m. This represents an operating margin of 18.6% (2002 - 20.5%). The strong performance reflects the organic growth achieved together with the ongoing focus on cost control.

The Flyer premium express service has recently been extended and now links Wellington International Airport, Wellington Central Business District, Lower Hutt City, and Upper Hutt City, using distinctively branded buses with upgraded seating and specially chosen drivers. Year on year patronage on this service has grown by 15% and revenue is up 20% since the route was extended, with the service now approaching capacity at peak times.

Stagecoach New Zealand has played a leading role in setting up integrated ticketing companies in both Auckland and Wellington. Owned by consortia of local operators, these companies provide clearing house services and marketing for a range of multi-modal and multi-operator passes, which are currently being rolled out in Auckland and Wellington.

### *(ii) Citybus*

Citybus, which was disposed of in June 2003, contributed £17.8m (2002 - £70.3m) to turnover in the six-month period and £1.0m (2002 - £12.6m) to operating profit.

## **thetrainline**

thetrainline, our joint venture with Virgin, is the market leader in direct rail retailing in the UK, and offers considerable scope for future growth through Internet and telephone based sales.

Our share of thetrainline's operating losses was £1.7m (2002 - £1.4m). We are currently working on opportunities to maximise value from our investment in thetrainline.

## **Road King Infrastructure**

Our investment in Road King Infrastructure continues to generate acceptable returns and cash dividends. Our share of operating profits for the half-year was £5.0m (2002 - £5.8m), reflecting Road King's results for the six months ended 30 June 2003. Traffic and toll revenue growth for the six months were 1.9% and 10.3% respectively, excluding the impact of the disposal of Road King's interest in two projects. Our investment in Road King Infrastructure remains a non-core part of our portfolio.

## **Group Strategy and Outlook**

Stagecoach Group is a leading international transport operator with interests in the UK, North America and New Zealand. We will continue to seek to maximise shareholder returns from our existing operations.

Our challenge is to achieve organic growth from our core UK bus business by developing new products and reinvigorating existing networks.

With a significant share of the UK rail market, we will also look to maximise value from our existing rail franchises, whilst pursuing new opportunities in the commuter rail, inter-city rail and light rail arenas.

Our completion of the restructuring programme at Coach USA will result in a smaller, but still significant North American business. It will have over US\$300m of revenue per annum and, importantly, a more predictable income stream. We believe the US\$22m operating profit achieved in the year ended 30 April 2003 can be sustained and grown despite the lower revenue base. In addition, we will explore organic growth opportunities and the potential for small bolt on acquisitions.

Stagecoach New Zealand is a core part of the Group and we believe there are continued growth characteristics in that business.

I am confident in the prospects for the Group, which has a strong portfolio of cash-generative businesses and good potential for further growth.

**Brian Souter**  
**Chief Executive**

**10 December 2003**

## Finance Director's review

### Overall Review

We have seen a strong trading performance in the six months ended 31 October 2003 with operating profit growth in each of our four key continuing divisions. In the period, net debt reduced by £349.1m to £210.9m. The results are a confirmation of the Group's strategy, and reflect our increased financial strength.

Turnover for the six months ended 31 October 2003 was £963.8m (2002 - £1,067.7m). Total operating profit (before goodwill amortisation and exceptional items) was £76.9m compared to £86.9m in the prior year. The decrease in operating profit reflects the impact of the Citybus disposal which was completed in June 2003. Excluding the effect of this disposal, operating profit (before goodwill amortisation and exceptional items) increased from £74.3m to £75.9m for the six months.

The divisional results are summarised below:

	Six months ended 31 October 2003			Six months ended 31 October 2002		
	Turnover £m	Operating Profit £m	Operating Margin %	Turnover £m	Operating Profit £m	Operating Margin %
UK Bus	317.9	34.3	10.8%	293.8	31.1	10.6%
Coach USA	234.0	15.9	6.8%	334.2	15.8	4.7%
Overseas Bus						
- New Zealand	26.4	4.9	18.6%	21.5	4.4	20.5%
- Discontinued	17.8	1.0	5.6%	70.8	12.6	17.8%
Rail	216.7	21.5	9.9%	206.0	18.9	9.2%
Virgin Rail	149.5	5.0	3.3%	140.6	7.7	5.5%
Road King	-	5.0		-	5.8	
Group overheads	-	(4.2)		-	(4.5)	
Other*	1.5	(6.5)		0.8	(4.9)	
	<u>963.8</u>	<u>76.9</u>		<u>1,067.7</u>	<u>86.9</u>	
Exceptionals	-	-		-	(575.0)	
Goodwill	-	(9.6)		-	(24.3)	
	<u>963.8</u>	<u>67.3</u>		<u>1,067.7</u>	<u>(512.4)</u>	

\* includes restructuring costs and strategic investments including the trainline

Earnings before interest, taxation, depreciation, goodwill amortisation and exceptional items (pre-exceptional EBITDA) amounted to £111.4m (2002 - £138.5m). Depreciation for the period decreased from £51.6m to £34.5m. Goodwill amortisation fell from £24.3m to £9.6m. These decreases in goodwill amortisation and depreciation reflect the disposals completed in the six months ended 31 October 2003 and the Coach USA impairment losses recognised in the year ended 30 April 2003.

Net exceptional charges before tax of £5.9m (2002 - £575.0m) were reported. The exceptional charges comprise a loss on the sale of our Citybus operations and Chongqing investment of £0.8m and a loss on sale of £5.1m on the disposals at Coach USA.

Non-exceptional restructuring costs included within operating profit amounted to £4.1m (2002 - £2.9m), of which £3.5m (2002 - £0.9m) relates to the restructuring at Coach USA and £0.6m (2002 - £2.0m) relates to redundancy costs incurred in our other divisions.

Overall, earnings per share before goodwill amortisation and exceptional items decreased to 3.2p, compared to 4.4p in the prior year reflecting the disposals completed in the six months.

Prior year earnings per share benefited from non-recurring gains on the repurchase of bonds and non-recurring liquidated damages at South West Trains, which before tax together amounted to £22.2m (£15.5m after tax).

### **Acquisitions and Disposals**

In June 2003, we announced the disposal of Citybus. The consideration amounted to HK\$2,200m. The net cash received was HK\$1,646m, which represented the gross consideration less the amount of net third party debt as at 30 April 2003. Further details on the disposal were given in the Group's announcement on 9 June 2003. The sale of our Citybus operations realised a gain on sale of £0.3m and we recorded a loss on sale of £1.1m on our investments in associated companies operating in the Chinese city of Chongqing.

As part of the Group's restructuring of Coach USA, we completed the disposal of certain of our US divisions in the six months. The net loss on these disposals amounted to £5.1m.

The overall effect of the disposals in the six months ended 31 October 2003 was to reduce net debt by £305.7m.

Net debt increased by £6.5m in the six months from cash spent on acquisitions, comprising small acquisitions in the period and payment of deferred consideration in respect of acquisitions made in previous years.

### **Shares in Issue**

The weighted average number of shares for the six months ended 31 October 2003 was 1,318.1m. The number of shares ranking for dividend at 31 October 2003 was 1,323.1m.

### **Operating Cash Flows and Capital Expenditure**

The strong cash generative nature of the Group is once again highlighted by free cash flow for the six months of £100.3m (2002 - £100.2m). This, combined with the significant cash generated from disposals of businesses in both America and Hong Kong, saw the Group achieve a recent credit rating upgrade to investment grade status giving the Group added financial flexibility.

Capital expenditure for the six months was £39.2m (2002 - £33.4m). This primarily related to expenditure on passenger service vehicles.

### **Net Assets and Net Debt**

Net assets at 31 October 2003 were £336.6m (30 April 2003 - £317.1m).

Net debt decreased from £560.0m at 30 April 2003 to £210.9m at 31 October 2003. This mainly reflects the cash received in disposal proceeds, the cash generation of our continuing businesses and a £17.5m reduction in net debt arising from the re-translation of balances denominated in foreign currencies.

### **Interest**

Net finance charges increased from £11.7m to £16.6m. The ratio of pre-exceptional EBITDA to net finance charges was 6.7 for the six months ended 31 October 2003 (2002 - 11.8). The finance charges of £11.7m for the comparative period last year included non-recurring gains of £15.0m on the buyout of our bonds. The reduction of £10.1m in underlying finance charges is as a result of our reduced net debt levels.

At 31 October 2003, 53% (30 April 2003 – 41%) of the Group's gross borrowings were covered by fixed and capped/floored interest rates.

### **Taxation**

Our effective tax rate for the interim period is 33.7% (2002 – 31.4% excluding exceptional write-offs of £575.0m at Coach USA) and the effective tax rate before goodwill amortisation and all exceptional items is 29.7% (2002 – 23.8%). The increased rates reflect the change in the mix of pre-tax profits by division and the differences in the corporate tax rates applying to each division.

### **Fuel Hedging**

We have hedging arrangements in place to cover all of our expected fuel consumption until 30 April 2004 at the current time at a hedge price below the current market level and our hedging position is under constant review.

### **Accounting Policies**

There have been no changes to our accounting policies during the six months ended 31 October 2003. Our policies have been reviewed against recent accounting pronouncements and no significant changes are expected in the current financial year.

**Martin A Griffiths**  
**Finance Director**

**10 December 2003**

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Unaudited						Audited	
	6 months to 31 October 2003			6 months to 31 October 2002			Year to 30 April 2003	
	Performance pre goodwill and exceptionals	Goodwill and exceptional items	Results for the period	Performance pre goodwill and exceptionals	Goodwill and exceptional items	Results for the period		
Notes	£m	£m	£m	£m	£m	£m		
<b>Turnover: Group and share of joint ventures</b>	4	963.8	Nil	<b>963.8</b>	1,067.7	Nil	<b>1,067.7</b>	2,076.6
Less: Share of joint ventures' turnover	4	(151.0)	Nil	<b>(151.0)</b>	(141.4)	Nil	<b>(141.4)</b>	(277.9)
Group turnover	4	812.8	Nil	<b>812.8</b>	926.3	Nil	<b>926.3</b>	1,798.7
Continuing group operations	4	699.5	Nil	<b>699.5</b>	674.3	Nil	<b>674.3</b>	1,335.7
Discontinued operations	4	113.3	Nil	<b>113.3</b>	252.0	Nil	<b>252.0</b>	463.0
		812.8	Nil	<b>812.8</b>	926.3	Nil	<b>926.3</b>	1,798.7
Operating costs (including asset impairment)		(802.0)	(5.1)	<b>(807.1)</b>	(891.3)	(594.8)	<b>(1,486.1)</b>	(2,356.2)
Other operating income	3	58.5	Nil	<b>58.5</b>	40.4	Nil	<b>40.4</b>	87.7
<b>Operating profit/(loss) of group companies</b>	4	69.3	(5.1)	<b>64.2</b>	75.4	(594.8)	<b>(519.4)</b>	(469.8)
Share of operating profit/(loss) of joint ventures		2.8	(4.3)	<b>(1.5)</b>	6.2	(4.3)	<b>1.9</b>	(6.1)
Share of operating profit from interest in associates		4.8	(0.2)	<b>4.6</b>	5.3	(0.2)	<b>5.1</b>	9.7
<b>Total operating profit/(loss): group and share of joint ventures and associates</b>	4	76.9	(9.6)	<b>67.3</b>	86.9	(599.3)	<b>(512.4)</b>	(466.2)
Represented by:								
Continuing group operations	4	68.3	(4.1)	<b>64.2</b>	62.8	(590.9)	<b>(528.1)</b>	(481.3)
Joint ventures and associates	4	7.6	(4.5)	<b>3.1</b>	11.5	(4.5)	<b>7.0</b>	3.6
		75.9	(8.6)	<b>67.3</b>	74.3	(595.4)	<b>(521.1)</b>	(477.7)
Discontinued operations	4	1.0	(1.0)	<b>Nil</b>	12.6	(3.9)	<b>8.7</b>	11.5
<b>Total operating profit/(loss): group and share of joint ventures and associates</b>	4	76.9	(9.6)	<b>67.3</b>	86.9	(599.3)	<b>(512.4)</b>	(466.2)
Loss on sale of properties – continuing operations		Nil	Nil	<b>Nil</b>	Nil	Nil	<b>Nil</b>	(0.5)
Loss on disposal of operations		Nil	(5.9)	<b>(5.9)</b>	Nil	Nil	<b>Nil</b>	Nil
<b>Profit/(loss) on ordinary activities before interest and taxation</b>		76.9	(15.5)	<b>61.4</b>	86.9	(599.3)	<b>(512.4)</b>	(466.7)
Finance charges (net)		(16.6)	Nil	<b>(16.6)</b>	(11.7)	Nil	<b>(11.7)</b>	(33.5)
<b>Profit/(loss) on ordinary activities before taxation</b>		60.3	(15.5)	<b>44.8</b>	75.2	(599.3)	<b>(524.1)</b>	(500.2)
Taxation on profit/(loss) on ordinary activities	5	(17.9)	2.8	<b>(15.1)</b>	(17.9)	1.9	<b>(16.0)</b>	(25.0)
<b>Profit/(loss) for the financial period</b>		42.4	(12.7)	<b>29.7</b>	57.3	(597.4)	<b>(540.1)</b>	(525.2)
Dividends (0.9p per share (0.8p – 31 October 2002; 2.6p – full year to 30 April 2003))		(11.9)	Nil	<b>(11.9)</b>	(10.6)	Nil	<b>(10.6)</b>	(34.3)
<b>Retained profit/(loss) for the period</b>		30.5	(12.7)	<b>17.8</b>	46.7	(597.4)	<b>(550.7)</b>	(559.5)
<b>Earnings/(loss) per share</b>								
- Basic	6			<b>2.3p</b>			<b>(41.2)p</b>	(40.0)p
- Basic before goodwill amortisation and exceptional items	6			<b>3.2p</b>			<b>4.4p</b>	6.4p
- Diluted	6			<b>2.2p</b>			<b>(41.2)p</b>	(40.0)p

The accompanying notes form an integral part of this consolidated profit and loss account.

## CONSOLIDATED BALANCE SHEET

	Unaudited		Audited
	As at 31 October 2003	As at 31 October 2002	As at 30 April 2003
	£m	£m	£m
<b>Fixed Assets</b>			
Intangible assets	111.9	216.3	206.9
Tangible assets	619.0	879.9	851.6
Investments			
- Investment in joint ventures			
Goodwill	67.8	77.1	72.7
Share of gross assets	153.1	133.7	167.5
Share of gross liabilities	(101.3)	(85.9)	(122.0)
Shareholder loan notes	10.0	10.0	10.4
	129.6	134.9	128.6
- Investment in associates	62.0	69.3	70.0
- Other investments	2.2	2.5	2.7
	924.7	1,302.9	1,259.8
<b>Current Assets</b>			
Stocks	19.4	38.0	38.1
Debtors and prepaid charges	216.6	241.1	192.3
- due within one year	61.3	48.5	59.9
- due after more than one year	338.1	168.5	164.7
Cash at bank and in hand	635.4	496.1	455.0
	(475.5)	(530.6)	(504.2)
<b>Net current assets/(liabilities)</b>	159.9	(34.5)	(49.2)
<b>Total assets less current liabilities</b>	1,084.6	1,268.4	1,210.6
<b>Creditors: Amounts falling due after more than one year</b>	(522.6)	(721.1)	(640.7)
<b>Provisions for liabilities and charges</b>			
- Joint ventures			
Goodwill	0.6	Nil	Nil
Share of gross assets	4.8	4.6	5.3
Share of gross liabilities	(31.5)	(23.4)	(27.9)
Shareholder loan	3.3	Nil	Nil
- Other provisions	(202.6)	(209.5)	(230.2)
<b>Net assets</b>	336.6	319.0	317.1
<b>Capital and reserves</b>			
Equity share capital	6.6	6.6	6.6
Share premium account	389.1	384.4	386.1
Profit and loss account*	(60.8)*	(74.6)	(77.3)
Capital redemption reserve	1.7	1.7	1.7
Distribution reserve	Nil	0.9	Nil
<b>Shareholders' funds – Equity</b>	336.6	319.0	317.1

The accompanying notes form an integral part of this consolidated balance sheet.

\* The profit and loss reserve deficit of £60.8m is the consolidated position after taking account of cumulative goodwill of £113.8m that was written off against reserves in periods prior to the adoption of FRS 10 "Goodwill and Intangible Assets". The holding company's distributable reserves as at 31 October 2003 were £87.3m.

## CONSOLIDATED CASH FLOW STATEMENT

	Notes	Unaudited		Audited
		6 months to 31 October 2003 £m	6 months to 31 October 2002 £m	Year to 30 April 2003 £m
<b>Net cash inflow from operating activities</b>	7	111.4	113.8	272.2
<b>Dividends from associates</b>		4.1	2.7	5.3
<b>Returns on investments and servicing of finance</b>				
Interest paid		(34.2)	(18.2)	(52.6)
Interest element of hire purchase and lease finance		(1.7)	(2.7)	(4.7)
Interest received		36.9	2.7	5.4
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>	10	1.0	(18.2)	(51.9)
<b>Taxation</b>		(16.2)	1.9	(7.8)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		(27.3)	(26.1)	(52.9)
Sale of tangible fixed assets		2.7	6.5	20.1
<b>Net cash outflow for capital expenditure and financial investment</b>		(24.6)	(19.6)	(32.8)
<b>Acquisitions and disposals</b>				
Acquisition of subsidiaries		(6.5)	(5.2)	(10.1)
Purchase of goodwill		Nil	(0.4)	(0.8)
Purchase of investment in joint ventures and associates		Nil	(0.4)	(0.9)
Cash of disposed subsidiaries		(4.2)	Nil	Nil
Disposal of subsidiaries and other businesses		261.7	2.0	7.0
Disposal of associates		0.9	Nil	Nil
Loans to joint ventures		(2.9)	Nil	Nil
<b>Net cash inflow/(outflow) from acquisitions and disposals</b>		249.0	(4.0)	(4.8)
<b>Equity dividends paid</b>		(23.8)	(17.1)	(27.6)
<b>Net cash inflow before financing</b>		300.9	59.5	152.6
<b>Financing</b>				
Sale of tokens		4.0	3.5	12.9
Redemption of tokens		(6.1)	(5.7)	(10.8)
Issue of share capital for cash		3.0	Nil	Nil
Decrease/(increase) in collateral balances		35.3	(34.2)	(32.1)
Decrease in borrowings		(126.8)	(12.0)	(90.9)
Repayments of hire purchase and lease finance		(32.9)	(22.7)	(44.4)
Cash inflows from lease finance		34.9	Nil	Nil
<b>Net cash outflow from financing</b>		(88.6)	(71.1)	(165.3)
<b>Increase/(decrease) in cash in period</b>	8	212.3	(11.6)	(12.7)
<b>Free cash flow</b>		100.3	100.2	217.8
<b>Free cash flow per share</b>		7.6p	7.6p	16.6p

Free cash flow comprises net cash inflow from operating activities, dividends from associates, net cash inflow/(outflow) from returns on investments and servicing of finance, and taxation.

The accompanying notes form an integral part of this consolidated cash flow statement.

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<b>Unaudited</b>		Audited
	<b>6 months to</b>	6 months to	Year to
	<b>31 October</b>	31 October	30 April
	<b>2003</b>	2002	2003
	<b>£m</b>	£m	£m
<b>Profit/(loss) for the financial period</b>	29.7	(540.1)	(525.2)
Translation differences on foreign currency net investments	(0.5)	(33.7)	(26.6)
UK tax effect of translation differences on foreign currency net investments	(0.6)	(5.5)	(6.4)
Share of other recognised gains and losses of associates	(0.2)	Nil	(0.1)
<b>Total recognised gains and losses relating to the period</b>	<b>28.4</b>	<b>(579.3)</b>	<b>(558.3)</b>

## RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

	<b>Unaudited</b>		Audited
	<b>6 months to</b>	6 months to	Year to
	<b>31 October</b>	31 October	30 April
	<b>2003</b>	2002	2003
	<b>£m</b>	£m	£m
<b>Profit/(loss) for the financial period</b>	29.7	(540.1)	(525.2)
Dividends	(11.9)	(10.6)	(34.3)
	17.8	(550.7)	(559.5)
Goodwill sold, previously written off to reserves	Nil	0.5	0.5
Other recognised gains and losses relating to the period			
- Translation differences on foreign currency net investments	(0.5)	(33.7)	(26.6)
- UK tax effect of translation differences on foreign currency net investments	(0.6)	(5.5)	(6.4)
- Share of other recognised gains and losses of associates	(0.2)	Nil	(0.1)
Share capital issued less costs	3.0	Nil	1.7
Distribution reserve decrease	Nil	(0.7)	(1.6)
<b>Net increase/(decrease) in shareholders' funds</b>	<b>19.5</b>	<b>(590.1)</b>	<b>(592.0)</b>
<b>Opening shareholders' funds</b>	<b>317.1</b>	<b>909.1</b>	<b>909.1</b>
<b>Closing shareholders' funds</b>	<b>336.6</b>	<b>319.0</b>	<b>317.1</b>

## NOTES

### 1 BASIS OF PREPARATION

The financial information for the six months ended 31 October 2003 has not been audited, nor has the comparative financial information for the six months ended 31 October 2002. The comparative financial information for the year ended 30 April 2003 does not reflect all of the information contained in the Company's annual accounts. These annual accounts received an unqualified audit report and have been filed with the Registrar of Companies.

This announcement was approved by the Board of Directors on 10 December 2003. There have been no changes in accounting policies since those used in the annual accounts for the year ended 30 April 2003.

The interim report for the six months to 31 October 2003 will be published in the Financial Times on 11 December 2003. The interim report, which is extracted from this announcement and which includes the independent review report by the auditors, has been prepared in accordance with the Listing Rules of the Financial Services Authority. The full text of the interim report is included at the end of this announcement released to the London Stock Exchange.

## 2 EXCEPTIONAL ITEMS

The following items have been treated as exceptional:

	<b>Unaudited</b>		Audited
	<b>6 months to</b>	6 months to	Year to
	<b>31 October</b>	31 October	30 April
	<b>2003</b>	2002	2003
	<b>£m</b>	£m	£m
Loss on sale of Coach USA divisions	<b>(5.1)</b>	Nil	Nil
Gain on sale of Citybus	<b>0.3</b>	Nil	Nil
Loss on sale of Chongqing investment	<b>(1.1)</b>	Nil	Nil
Provision for losses on operations to be terminated or sold	<b>Nil</b>	(7.7)	(7.7)
Impairment of tangible fixed assets at Coach USA	<b>Nil</b>	(162.7)	(162.7)
Write-down of current assets to net realisable value at Coach USA	<b>Nil</b>	(17.8)	(17.8)
Impairment of goodwill at Coach USA	<b>Nil</b>	(386.8)	(386.8)
Loss on sale of properties	<b>Nil</b>	Nil	(0.5)
	<b>(5.9)</b>	(575.0)	(575.5)
Tax effect of exceptional items	<b>2.0</b>	Nil	Nil
	<b>(3.9)</b>	(575.0)	(575.5)

Net exceptional charges before tax of £5.9m for the six months ended 31 October 2003 relate to the total pre-tax losses arising on the disposals of Citybus, our investment in former associated companies operating in the Chinese city of Chongqing and various parts of Coach USA.

The net exceptional charges before tax of £575.0m in the six months ended 31 October 2002 related to write-downs of the carrying value of Coach USA's assets following an impairment review conducted as at 31 October 2002. To the extent that the written-down values as at 31 October 2002 were based on projected cash flows, the actual cash flows for the six months ended 30 April 2003 were compared to projections. Actual cash flows were not significantly different to those projected, and no further write-downs were recorded. There have been no new events in the six months ended 31 October 2003 that suggest any further impairment of Coach USA's assets. The directors will update their assessment of the carrying value of Coach USA's assets as at 30 April 2004.

The directors also undertook an impairment review as at 30 April 2003 of the carrying value of the Group's 49% joint venture interest in Virgin Rail Group ("VRG") and concluded that there had been no impairment loss. VRG's two train franchises are presently operating with additional subsidy support from the Strategic Rail Authority ("SRA") in line with commercial arrangements agreed on 19 July 2002. The value of Stagecoach Group's investment in VRG depends on the agreement of long-term commercial arrangements with the SRA for the operation of the franchises. Negotiations are continuing between VRG and the SRA in this regard but it is not yet known with certainty when agreement will be reached. The directors of Stagecoach Group have concluded there is no impairment loss at 31 October 2003 and they continue to monitor the situation regularly and to assess any implications for the Group's investment in VRG. In particular, they have carefully reviewed the underlying assets and liabilities of VRG and made appropriate provision where considered necessary in accounting for Stagecoach Group's share of the consolidated net assets of VRG as at 31 October 2003, having given due regard to all relevant factors. The directors will update their assessment of the carrying value of Virgin Rail Group as at 30 April 2004.

## 3 OTHER OPERATING INCOME

	<b>Unaudited</b>		Audited
	<b>6 months to</b>	6 months to	Year to
	<b>31 October</b>	31 October	30 April
	<b>2003</b>	2002	2003
	<b>£m</b>	£m	£m
Miscellaneous revenue	<b>21.8</b>	22.1	47.9
Liquidated damages received	<b>Nil</b>	7.2	8.5
Losses on disposal of assets, other than properties	<b>(2.1)</b>	(1.3)	(2.7)
Rail franchise support	<b>38.8</b>	12.4	34.0
	<b>58.5</b>	40.4	87.7

**4 SEGMENTAL ANALYSIS**  
**(A) TURNOVER**

	<b>Unaudited</b>		Audited
	<b>6 months to</b>	6 months to	Year to
	<b>31 October</b>	31 October	30 April
	<b>2003</b>	2002	2003
	<b>£m</b>	£m	£m
<b>Continuing operations</b>			
UK Bus	<b>317.9</b>	293.8	598.4
New Zealand	<b>26.4</b>	21.5	51.0
Coach USA	<b>138.5</b>	153.0	272.7
Total bus continuing operations	<b>482.8</b>	468.3	922.1
Rail	<b>216.7</b>	206.0	413.6
<b>Total continuing operations</b>	<b>699.5</b>	674.3	1,335.7
<b>Discontinued operations</b>			
Citybus	<b>17.8</b>	70.3	132.3
Australia	<b>Nil</b>	0.5	0.4
Coach USA	<b>95.5</b>	181.2	330.3
<b>Group Turnover</b>	<b>812.8</b>	926.3	1,798.7
Share of joint ventures' turnover			
- Virgin Rail Group	<b>149.5</b>	140.6	276.1
- thetrainline	<b>5.4</b>	5.1	11.0
- Elimination of inter-segment turnover	<b>(3.9)</b>	(4.3)	(9.2)
<b>Group turnover and share of joint ventures' turnover</b>	<b>963.8</b>	1,067.7	2,076.6

**4 SEGMENTAL ANALYSIS (CONTINUED)**  
**(B) OPERATING PROFIT/(LOSS)**

	Unaudited						Audited
	6 months to 31 October 2003			6 months to 31 October 2002			Year to 30 April 2003
	Performance pre goodwill and exceptionals	Goodwill and exceptional items	Results for the period	Performance pre goodwill and exceptionals	Goodwill and exceptional items	Results for the period	
£m	£m	£m	£m	£m	£m	£m	
<b>Continuing operations</b>							
UK Bus	34.3	Nil	<b>34.3</b>	31.1	Nil	<b>31.1</b>	67.0
New Zealand	4.9	Nil	<b>4.9</b>	4.4	Nil	<b>4.4</b>	11.2
Coach USA	15.9	Nil	<b>15.9</b>	15.8	(575.0)	<b>(559.2)</b>	(561.0)
<b>Total bus continuing operations</b>	<b>55.1</b>	<b>Nil</b>	<b>55.1</b>	<b>51.3</b>	<b>(575.0)</b>	<b>(523.7)</b>	(482.8)
Rail	21.5	Nil	<b>21.5</b>	18.9	Nil	<b>18.9</b>	38.2
<b>Total continuing operations</b>	<b>76.6</b>	<b>Nil</b>	<b>76.6</b>	<b>70.2</b>	<b>(575.0)</b>	<b>(504.8)</b>	(444.6)
Group overheads	(4.2)	Nil	<b>(4.2)</b>	(4.5)	Nil	<b>(4.5)</b>	(9.4)
Goodwill amortisation	Nil	(4.1)	<b>(4.1)</b>	Nil	(15.9)	<b>(15.9)</b>	(21.0)
Redundancy/restructuring costs							
- Continuing operations	(4.1)	Nil	<b>(4.1)</b>	(2.9)	Nil	<b>(2.9)</b>	(6.3)
<b>Total operating profit/(loss) of continuing group companies</b>	<b>68.3</b>	<b>(4.1)</b>	<b>64.2</b>	<b>62.8</b>	<b>(590.9)</b>	<b>(528.1)</b>	(481.3)
<b>Discontinued operations</b>							
- Citybus	1.0	Nil	<b>1.0</b>	12.6	Nil	<b>12.6</b>	19.1
- Goodwill amortisation	Nil	(1.0)	<b>(1.0)</b>	Nil	(3.9)	<b>(3.9)</b>	(7.6)
<b>Total operating profit/(loss) of group companies</b>	<b>69.3</b>	<b>(5.1)</b>	<b>64.2</b>	<b>75.4</b>	<b>(594.8)</b>	<b>(519.4)</b>	(469.8)
Share of operating profit/(loss) of joint ventures							
- Virgin Rail Group	5.0	Nil	<b>5.0</b>	7.7	Nil	<b>7.7</b>	7.2
- thetrainline	(1.7)	Nil	<b>(1.7)</b>	(1.4)	Nil	<b>(1.4)</b>	(4.3)
- other	(0.5)	Nil	<b>(0.5)</b>	(0.1)	Nil	<b>(0.1)</b>	(0.3)
Goodwill amortised on investments in joint ventures	Nil	(4.3)	<b>(4.3)</b>	Nil	(4.3)	<b>(4.3)</b>	(8.7)
Share of operating profit of associates							
- Road King	5.0	Nil	<b>5.0</b>	5.8	Nil	<b>5.8</b>	10.5
- other	(0.2)	Nil	<b>(0.2)</b>	(0.5)	Nil	<b>(0.5)</b>	(0.5)
Goodwill amortised on investments in associates	Nil	(0.2)	<b>(0.2)</b>	Nil	(0.2)	<b>(0.2)</b>	(0.3)
<b>Total operating profit/(loss): group and share of joint ventures and associates</b>	<b>76.9</b>	<b>(9.6)</b>	<b>67.3</b>	<b>86.9</b>	<b>(599.3)</b>	<b>(512.4)</b>	(466.2)

The operating profit from discontinued operations includes Citybus. The operating profit from the discontinued element of Coach USA is not separately shown because it is not clearly distinguishable due to certain "shared" costs that relate to Coach USA as a whole. However, the discontinued element of Coach USA's operating profit is not believed to be material in the context of the Group's annual operating profit as a whole.

## 5 TAXATION

The taxation charge comprises:

	<b>Unaudited</b> <b>6 months to</b> <b>31 October</b> <b>2003</b>	6 months to 31 October 2002	Audited Year to 30 April 2003
	£m	£m	£m
Group companies	13.3	15.8	22.4
Share of joint ventures' tax	1.2	Nil	2.0
Share of associates' tax	0.6	0.2	0.6
	<b>15.1</b>	16.0	25.0

## 6 EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per ordinary share have been calculated in accordance with FRS 14 'Earnings per Share', by calculating the profit/(loss) on ordinary activities after taxation divided by the weighted average number of ordinary shares in issue during the period based on the following:

	<b>Unaudited</b> <b>6 months to</b> <b>31 October</b> <b>2003</b>	6 months to 31 October 2002	Audited Year to 30 April 2003
Basic weighted average share capital (number of shares, million)	1,318.1	1,311.2	1,314.4
Dilutive shares			
- Executive Share Option Scheme	17.3	Nil	2.3
- Employee SAYE Scheme	1.3	Nil	Nil
Diluted weighted average share capital (number of shares, million)	<b>1,336.7</b>	1,311.2	1,316.7
	£m	£m	£m
Profit/(loss) after taxation (for basic EPS calculation)	29.7	(540.1)	(525.2)
Goodwill amortised on subsidiaries	5.1	19.8	28.6
Goodwill amortised on joint ventures	4.3	4.3	8.7
Goodwill amortised on associates	0.2	0.2	0.3
Exceptional items (see note 2)	5.9	575.0	575.5
Tax effect of goodwill amortisation and exceptional items	(2.8)	(1.9)	(3.8)
Profit for adjusted EPS calculation	<b>42.4</b>	57.3	84.1

## 7 RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASHFLOW FROM OPERATING ACTIVITIES

	Unaudited		Audited
	6 months to 31 October 2003	6 months to 31 October 2002	Year to 30 April 2003
	£m	£m	£m
Operating profit/(loss) of group companies	<b>64.2</b>	(519.4)	(469.8)
Depreciation	<b>34.5</b>	51.6	105.3
Impairment of tangible fixed assets	<b>Nil</b>	162.7	162.7
Impairment of goodwill	<b>Nil</b>	386.8	386.8
Loss on sale of tangible fixed assets, other than properties	<b>2.1</b>	1.3	2.7
Goodwill amortisation	<b>5.1</b>	19.8	28.6
Provision for losses on operations to be terminated or sold	<b>Nil</b>	7.7	7.7
Distribution reserve	<b>Nil</b>	(0.7)	0.2
Decrease in stocks	<b>5.4</b>	9.5	11.7
(Increase)/decrease in debtors	<b>(24.1)</b>	(10.1)	13.6
Increase/(decrease) in creditors	<b>26.1</b>	2.7	(1.7)
(Decrease)/increase in provisions	<b>(1.9)</b>	1.9	24.4
Net cash inflow from operating activities	<b>111.4</b>	113.8	272.2

During the period the Group entered into hire purchase arrangements in respect of new assets with a total capital value at the inception of the contracts of £14.3m (31 October 2002 - £9.4m).

## 8 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	Unaudited		Audited
	6 months to 31 October 2003	6 months to 31 October 2002	Year to 30 April 2003
	£m	£m	£m
Increase/(decrease) in cash	<b>212.3</b>	(11.6)	(12.7)
Bond repayments	<b>10.7</b>	38.1	40.0
Cash flow from decrease/(increase) in debt and lease financing	<b>114.1</b>	(3.4)	95.3
	<b>337.1</b>	23.1	122.6
Loans of disposed subsidiaries	<b>47.3</b>	Nil	Nil
Other movements	<b>Nil</b>	57.5	59.9
Movement in cash collateral	<b>(35.3)</b>	34.2	32.1
Decrease in net debt	<b>349.1</b>	114.8	214.6
Opening net debt	<b>(560.0)</b>	(774.6)	(774.6)
Closing net debt	<b>(210.9)</b>	(659.8)	(560.0)

## 9 ANALYSIS OF NET DEBT

	Opening £m	Cashflows £m	Cash collateral £m	Acquisitions and disposals £m	Other movements £m	Closing £m
Cash	90.1	212.3	Nil	Nil	(3.6)	298.8
Cash collateral	74.6	(34.9)	(0.4)	Nil	Nil	39.3
Hire purchase and lease obligations	(80.6)	(2.0)	Nil	Nil	(10.6)	(93.2)
Bank loans and loan stock	(240.0)	115.7	0.4	47.3	2.2	(74.4)
Bonds	(404.1)	10.7	Nil	Nil	12.0	(381.4)
	(560.0)	301.8	Nil	47.3	Nil	(210.9)

The net total of cash and cash collateral of £338.1m (30 April 2003- £164.7m) is classified in the balance sheet as cash at bank and in hand. The cash collateral balance as at 31 October 2003 of £39.3m (30 April 2003 - £74.6m) comprises balances held in trust in respect of loan notes of £33.9m (30 April 2003 – £34.3m) and Coach USA letter of credit and insurance collateral cash of £5.4m (30 April 2003 - £40.3m). In addition, cash includes train operating company cash of £65.6m (30 April 2003 - £42.9m). Under the terms of the franchise agreements, train operating companies can only distribute cash out of retained profits.

## 10 FINANCE CHARGES

The net cash inflow from returns on investments and servicing of finance of £1.0m compares to net finance charges of £16.6m reported in the consolidated profit and loss account. The largest element of the £17.6m difference relates to a restructuring of interest rate derivatives.

In June 2003, we took advantage of a sharp decline in long term US\$ interest rates to extend the maturity of our fixed rate debt. This was achieved by closing out a number of interest rate derivatives that were linked to our 2009 US\$ bond. As a result of this restructuring we realised a net cash inflow of £12.3m. This amount will be recognised as income in the profit and loss account over the life of the original debt.

# **APPENDIX**

**Stagecoach Group plc  
Interim Report for the six months ended 31 October 2003  
(to be published in the Financial Times on 11 December 2003)**

**Consolidated Profit & Loss Account**  
For the six months ended 31 October 2003

	Unaudited 6 months ended 31 Oct 2003 £m	Unaudited 6 months ended 31 Oct 2002 £m	Audited Year ended 30 April 2003 £m
<b>Turnover: Group and share of joint ventures</b>	963.8	1,067.7	2,076.6
Less: Share of joint ventures' turnover	(151.0)	(141.4)	(277.9)
<b>Group turnover</b>	<b>812.8</b>	<b>926.3</b>	<b>1,798.7</b>
Continuing group operations	699.5	674.3	1,335.7
Discontinued operations	113.3	252.0	463.0
Operating costs (including exceptional items of £Nil (£575.0m – 31 October 2002 and full year to 30 April 2003))	812.8	926.3	1,798.7
Other operating income	(807.1)	(1,486.1)	(2,356.2)
<b>Operating profit/(loss) of group companies</b>	<b>64.2</b>	<b>(519.4)</b>	<b>(469.8)</b>
Share of operating (loss)/profit of joint ventures	(1.5)	1.9	(6.1)
Share of operating profit from interest in associates	4.6	5.1	9.7
<b>Total operating profit/(loss): group and share of joint ventures and associates</b>	<b>67.3</b>	<b>(512.4)</b>	<b>(466.2)</b>
Represented by:			
Continuing group operations	64.2	(528.1)	(481.3)
Joint ventures and associates	3.1	7.0	3.6

Discontinued operations	67.3	(521.1)	(477.7)
	Nil	8.7	11.5
<b>Total operating profit/(loss): group and share of joint ventures and associates</b>	<b>67.3</b>	<b>(512.4)</b>	<b>(466.2)</b>
Loss on sale of properties – continuing operations	Nil	Nil	(0.5)
Loss on disposal of operations	(5.9)	Nil	Nil
<b>Profit/(loss) on ordinary activities before interest and taxation</b>	<b>61.4</b>	<b>(512.4)</b>	<b>(466.7)</b>
Finance charges (net)	(16.6)	(11.7)	(33.5)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>44.8</b>	<b>(524.1)</b>	<b>(500.2)</b>
Taxation on profit/(loss) on ordinary activities	(15.1)	(16.0)	(25.0)
<b>Profit/(loss) for the financial period</b>	<b>29.7</b>	<b>(540.1)</b>	<b>(525.2)</b>
<b>Dividends (0.9p per share (0.8p – 31 October 2002; 2.6p – full year to 30 April 2003))</b>	<b>(11.9)</b>	<b>(10.6)</b>	<b>(34.3)</b>
<b>Retained profit/(loss) for the period</b>	<b>17.8</b>	<b>(550.7)</b>	<b>(559.5)</b>
<b>Earnings/(loss) per share</b>			
- Basic	2.3p	(41.2)p	(40.0)p
- Basic before goodwill amortisation and exceptional items	3.2p	4.4p	6.4p
- Diluted	2.2p	(41.2)p	(40.0)p

<b>Consolidated Balance Sheet</b>	Unaudited	Unaudited	Audited
As at 31 October 2003	31 Oct 2003	31 Oct 2002	30 April 2003
	£m	£m	£m
<b>Fixed Assets</b>			
Intangible assets	111.9	216.3	206.9
Tangible assets	619.0	879.9	851.6
Investments	193.8	206.7	201.3
	<b>924.7</b>	<b>1,302.9</b>	<b>1,259.8</b>
<b>Current Assets</b>			
Stocks	19.4	38.0	38.1
Debtors and prepaid charges			
- due within one year	216.6	241.1	192.3
- due after more than one year	61.3	48.5	59.9
Cash at bank and in hand	338.1	168.5	164.7
	<b>635.4</b>	<b>496.1</b>	<b>455.0</b>
<b>Creditors: Amounts falling due within one year</b>	<b>(475.5)</b>	<b>(530.6)</b>	<b>(504.2)</b>
<b>Net current assets/(liabilities)</b>	<b>159.9</b>	<b>(34.5)</b>	<b>(49.2)</b>

#### Chairman's Statement

Stagecoach Group has enjoyed a strong trading performance in the first six months of the year. Operating profit at each of UK Bus, Rail, Coach USA and New Zealand is up on the same period last year and we are encouraged by the particularly strong growth in our UK bus and rail businesses. Across the Group, we have a strong portfolio of profitable and cash generative businesses.

We have continued to reduce our net debt from a combination of cash flows generated by our operations and business disposals. This will bring long-term benefits to the business. Net debt reduced by 62.3% in the six months ended 31 October 2003, down from £560.0m to £210.9m.

Total turnover for the six months was £963.8m (2002 - £1,067.7m). Total operating profit (before goodwill amortisation and exceptional items) was £76.9m (2002 - £86.9m). The fall in operating profits largely reflects the disposal of Citybus. Excluding Citybus, operating profit on an equivalent basis was up from £74.3m to £75.9m.

The Directors have declared an interim dividend of 0.9p per share (2002 - 0.8p) and this reflects the Board's confidence in the prospects for the Group. Based on continued strong and stable cash flows and profits within the business, we will look to progressively grow the dividend.

We have made an encouraging start to the second half of the year and I am pleased to report that the current trading of the Group remains in line with the expectations set out in the Company Statement of 21 October 2003. I believe that the Group's portfolio of businesses offers good prospects for further growth and increased shareholder value.

Robert Speirs, Chairman

#### Independent Review Report to Stagecoach Group plc

##### Introduction

We have been instructed by the company to review the financial information which comprises the consolidated profit and loss account, consolidated balance sheet, and consolidated cash flow statement. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

##### Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

##### Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with UK Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

##### Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 October 2003.

PricewaterhouseCoopers LLP, Chartered Accountants, Glasgow  
10 December 2003

<b>Total assets less current liabilities</b>	<b>1,084.6</b>	<b>1,268.4</b>	<b>1,210.6</b>
<b>Creditors: Amounts falling due after more than one year</b>	<b>(522.6)</b>	<b>(721.1)</b>	<b>(640.7)</b>
<b>Provisions for liabilities and charges</b>	<b>(225.4)</b>	<b>(228.3)</b>	<b>(252.8)</b>
<b>Net assets</b>	<b>336.6</b>	<b>319.0</b>	<b>317.1</b>
<b>Capital and reserves</b>			
Equity share capital	6.6	6.6	6.6
Share premium account	389.1	384.4	386.1
Profit and loss account	(60.8)	(74.6)	(77.3)
Capital redemption reserve	1.7	1.7	1.7
Distribution reserve	Nil	0.9	Nil
<b>Shareholders' funds - Equity</b>	<b>336.6</b>	<b>319.0</b>	<b>317.1</b>

**Consolidated Cash Flow Statement**

For the six months ended 31 October 2003

	Unaudited 6 months ended 31 Oct 2003 £m	Unaudited 6 months ended 31 Oct 2002 £m	Audited Year Ended 30 April 2003 £m
Net cash inflow from operating activities	111.4	113.8	272.2
Dividends from associates	4.1	2.7	5.3
Returns on investments and servicing of finance	1.0	(18.2)	(51.9)
Taxation	(16.2)	1.9	(7.8)
Capital expenditure and financial investment	(24.6)	(19.6)	(32.8)
Acquisitions and disposals	249.0	(4.0)	(4.8)
Equity dividends paid	(23.8)	(17.1)	(27.6)
Net cash inflow before financing	300.9	59.5	152.6
Financing	(88.6)	(71.1)	(165.3)
<b>Increase/(decrease) in cash in the period</b>	<b>212.3</b>	<b>(11.6)</b>	<b>(12.7)</b>
<b>Free cash flow</b>	<b>100.3</b>	<b>100.2</b>	<b>217.8</b>
<b>Free cash flow per share</b>	<b>7.6p</b>	<b>7.6p</b>	<b>16.6p</b>