

5 December 2007

Stagecoach Group plc - Interim results for the six months ended 31 October 2007

Business highlights

- Strong revenue growth in bus and rail in UK and North America
- Continued capital investment to further enhance services
- Continuing growth in UK Bus division
 - Revenue up 8.1% (like-for-like growth** 7.8%)
 - Operating profit* up 54.0%
 - Marketing campaigns, investment in fleet and excellent value fares help drive 3.9% estimated passenger growth
- Strong revenue growth and excellent operational performance in UK Rail
 - Revenue up 16.6% (like-for-like growth** 15.2%)
 - Best ever operational performance at South Western
 - New East Midlands rail franchise from November 2007
 - Good start to 10-year Manchester Metrolink operations and maintenance contract
- Continued steady growth in North American bus operations
 - Revenue growth and operating margin improvement

Financial highlights

- Revenue from continuing businesses up 9.1% at £820.8m
- 62.1% increase in earnings per share* to 9.4p
- Interim dividend up 12.5% at 1.35 pence per share
- £690m return of value to shareholders completed

Six months ended 31 October	Results excluding intangible asset expenses and exceptional items		Reported results	
	2007	2006	2007	2006
Revenue (£m)	820.8	752.1	820.8	752.1
Total operating profit (£m)	100.0	80.7	93.8	101.5
Disposal gains/losses (£m)	-	-	2.0	(0.9)
Net finance charges (£m)	(15.4)	(3.3)	(15.4)	(3.3)
Profit before taxation (£m)	84.6	77.4	80.4	97.3
Earnings per share (pence)	9.4	5.8	9.0	18.9
Interim dividend (pence)	1.35	1.2	1.35	1.2

Commenting on the results, Stagecoach Chief Executive Brian Souter said:

“We have achieved further strong growth in our bus and rail operations, leading the market with our innovation and strong stakeholder partnerships.

“Our bus operations in the UK and North America are performing strongly. We believe increasing car congestion, inward migration and a growing focus on environmental issues will provide more opportunities to attract passengers to our public transport services in the years ahead.

“We are delighted to have started our new East Midlands rail franchise, which will deliver a further significant revenue stream for the Group over the next eight years. We are now also Britain’s biggest tram operator and have made an encouraging start to our 10-year Manchester Metrolink contract.

“Stagecoach has taken further steps to develop its budget bus and rail brands, megabus.com and megatrains.com, in the UK and North America and we believe these have additional growth potential. The Group is well-positioned to deliver further value to our shareholders and we are confident in the prospects for the rest of the year.”

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* Excluding intangible asset expenses and exceptional items (refer to definition of exceptional items contained in note 4 to the condensed financial statements contained in this document)

** Like-for-like revenue growth is derived, on a constant currency basis, by comparing year-to-date revenue with the equivalent prior year period for those businesses and individual operating units that have been part of the Group throughout both periods.

Chairman's statement

I am delighted to report that Stagecoach Group has achieved another strong set of results and that our strategy has been successful in producing further growth in our bus and rail operations in the UK and North America. These strong financial results have been achieved while maintaining our focus on providing safe, secure and reliable transport services. The safety and security of our staff and customers remains of paramount importance to us.

We have continued to achieve impressive passenger growth by providing a high quality and "green" alternative to the car. Our commitment to partnership and innovation has been the platform for further growth in our business.

Trading across the Group remains strong. Revenue for the six months ended 31 October 2007 was £820.8m (2006: £752.1m). Total operating profit (before intangible asset expenses and exceptional items) was £100.0m (2006: £80.7m). Earnings per share before intangible asset expenses and exceptional items were up 62.1% at 9.4p (2006: 5.8p).

Stagecoach is pursuing a highly successful growth strategy in its UK bus operations, where the rate of revenue growth continues to exceed the UK industry average. This has been driven by continued investment in our fleet, industry-leading marketing campaigns, excellent value fares and additional travel under concessionary fares schemes.

Trading in the Group's North American operations remains encouraging and further improvement in operating profit margin has been achieved, reflecting a continuing focus on revenue growth and the management of controllable costs.

In Rail, we have made a strong start to the new 10-year South Western rail franchise, which incorporates the South West Trains and Island Line networks. We are also delighted that the Group has now taken over responsibility for the East Midlands rail franchise. Our management teams in both businesses are focused on delivering the opportunities and commitments presented by the new franchises. While we are disappointed that the CrossCountry franchise operated by our joint venture, Virgin Rail Group ("VRG"), has now ended, we are encouraged by the strong passenger volume and revenue growth being achieved at VRG's West Coast franchise and the potential to increase its share of the market on this key transport corridor.

Stagecoach is now Britain's largest tram operator with the addition of a new 10-year operation and maintenance contract at Manchester Metrolink. Sheffield Supertram has been transformed under our management and we are confident we can deliver similar success working with the Greater Manchester Passenger Transport Executive.

Reflecting the strong performance of the Group and confidence in its future prospects, the Directors have declared an interim dividend of 1.35p per share (2006: 1.2p), a 12.5% increase. The interim dividend is payable on 5 March 2008 to shareholders on the register at 8 February 2008. Based on continued strong cash flows and profits, we will look to further increase the dividend per share each year.

Stagecoach has made a promising start to the second half of our financial year and current trading of the Group remains in line with our expectations. I would like to thank our employees across the Group, whose continued hard work and commitment to first-class customer service is crucial in growing our business.

Putting passengers first is at the heart of what we do every day and we have clear plans to build on our new and existing operations. We believe the Group is well placed to benefit from further opportunities for growth in the transport sector and to deliver increased value to our shareholders.

Robert Speirs
Chairman

5 December 2007

Interim management report

The Directors are pleased to present their report on the Group for the six months ended 31 October 2007.

Cautionary statement

The interim management report has been prepared for the shareholders of the Company, as a body, and no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Company and the potential for those strategies to succeed and for no other purpose. This interim management report contains forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this interim management report will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation.

Description of the business

Stagecoach Group is a leading international public transportation group, with extensive operations in the UK, United States and Canada. The Group employs around 30,000 people, and operates bus, coach, rail, and tram services. The Group has three main divisions – UK Bus, UK Rail and North America.

Stagecoach Group plc is a public limited company that is incorporated, domiciled and has its registered office in Scotland. Its ordinary shares are publicly traded and it is not under the control of any single shareholder. The Company has its primary listing on the London Stock Exchange.

Throughout this document, Stagecoach Group plc is referred to as “the Company” and the group headed by it is referred to as “Stagecoach” or “the Group”.

Overview of financial results

The Group has achieved continued strong financial and operational performance in the six months ended 31 October 2007.

Revenue by division (excluding the discontinued London bus operations from the comparative period figures) is summarised below:

REVENUE	6 months to 31 October 2007 £m	6 months to 31 October 2006 £m	Currency	6 months to 31 October 2007 Local currency (m)	6 months to 31 October 2006	Growth %
Continuing Group operations						
UK Bus	367.1	339.6	£	367.1	339.6	8.1%
North America – excluding megabus.com	128.6	134.5	US\$	258.9	251.3	3.0%
North America – megabus.com	2.4	1.2	US\$	4.8	2.2	118.2%
UK Rail	322.7	276.8	£	322.7	276.8	16.6%
Total Group revenue	820.8	752.1				

Operating profit by division (excluding the discontinued London bus operations from the comparative period figures) is summarised below:

OPERATING PROFIT	6 months to 31 October 2007 £m	% margin	6 months to 31 October 2006 £m	% margin	Currency	6 months to 31 October 2007 Local currency (m)	6 months to 31 October 2006
Continuing Group operations							
UK Bus	52.5	14.3%	34.1	10.0%	£	52.5	34.1
North America – excluding megabus.com	18.0	14.0%	17.2	12.8%	US\$	36.2	32.2
North America – megabus.com	(1.1)	(45.8)%	(0.5)	(41.7)%	US\$	(2.2)	(1.0)
UK Rail	25.3	7.8%	31.4	11.3%	£	25.3	31.4
Group overheads	(6.2)		(5.2)				
Restructuring costs	(1.7)		(0.7)				
	86.8		76.3				
Joint ventures – share of profit after tax							
Virgin Rail Group	12.9		3.7				
Citylink	0.6		0.7				
New York Splash Tours LLC	(0.3)		Nil				
Total operating profit before intangible asset expenses and exceptional items	100.0		80.7				
Intangible asset expenses	(6.2)		(7.5)				
Exceptional items	Nil		28.3				
Total operating profit: Group operating profit and share of joint ventures' profit after tax	93.8		101.5				

UK Bus

Our UK Bus division connects communities in more than 100 towns and cities across the UK on networks stretching from the Highlands of Scotland to south west England. These include major city bus operations in Liverpool, Newcastle, Hull, Manchester, Oxford, Sheffield and Cambridge.

Revenue from our continuing UK Bus operations for the six months ended 31 October 2007 was up 8.1% to £367.1m, compared to £339.6m in the prior year. Like-for-like revenue growth was 7.8%. Operating profit^{*} was £52.5m (2006: £34.1m). Operating margin was 14.3%, compared to 10.0% in 2006. The improvement in operating margin reflects the continued strong revenue growth, relatively stable year-on-year fuel prices, returns on additional pension contributions and a continued focus on cost control.

We have delivered further revenue and organic passenger growth at our UK Bus Division. Our high quality services have attracted additional passengers in both metropolitan areas and shire counties. Overall estimated passenger volumes in the six months were 3.9% higher than the equivalent prior year period. We estimate that underlying full fare passenger volume growth was around 2.4% with the remaining growth coming from concessionary travel schemes.

We have invested heavily in marketing bus travel and in the past two years have contacted more than 600,000 people through our telemarketing programme, with an encouraging success rate in converting non-users to the bus. We have been testing a series of television commercials in the south of England to emphasise the economic, social and environmental advantages of bus travel and have plans to roll the campaign out to further key regions in the UK.

Strong partnerships with local transport authorities continue to be key elements of our approach, and we are involved in a wide range of Kickstart pump-priming initiatives in Scotland and England. The concessionary fares schemes funded by the Department for Transport, Scottish Government, and Welsh Assembly in England, Scotland and Wales respectively are also contributing to strong demand for bus services.

The UK Government has placed before Parliament a draft Road Transport Bill that we believe contains a number of positive proposals that will allow us to build on the growth we have achieved in our UK bus operations. We believe the bus can be at the heart of initiatives to tackle climate change. Stagecoach is well placed to benefit from measures to address road congestion and we have already held detailed discussions with our partner transport authorities in Manchester and Cambridge on how we can play a part in the delivery of successful road user charging schemes that promote intelligent car use.

In May 2007, we acquired Somerset-based Cooks Coaches, which operates a mix of commercial and tendered services and in August 2007, we completed the disposal of our bus operations in Darlington to Arriva.

Stagecoach is continuing to invest significantly in its local bus fleets to sustain and grow its highly profitable, cash generative UK bus business. The year to 30 April 2008 will see delivery of around 440 new vehicles for the UK bus operations. Vehicle manufacturers Alexander Dennis, Optare, MAN, Plaxton, Scania and Volvo will supply the latest Stagecoach orders, which have a total value of around £55m.

^{*} References to the operating profit or loss of a particular division in the interim management report refer to operating profit or loss before restructuring costs, intangible asset expenses and exceptional items. Further details of the divisional split of operating profit can be found in note 3 to the condensed financial statements contained in this document.

North America

Stagecoach, principally through its Coach USA and Coach Canada brands, provides transport services in North America. Our businesses include commuter/transit services, inter-city services, tour and charter, sightseeing and school bus operations.

Revenue from our North American operations, excluding megabus.com, for the six months to 31 October 2007 was up 3.0% at US\$258.9m (2006: US\$251.3m), and the equivalent like-for-like revenue was up by 3.5%. Operating profit excluding megabus.com was US\$36.2m (2006: US\$32.2m), resulting in an operating margin of 14.0%, compared to 12.8% the previous year. Converted to sterling, revenue excluding megabus.com for the six months to 31 October 2007 was £128.6m (2006: £134.5m). Operating profit excluding megabus.com for the six months was £18.0m (2006: £17.2m).

North American megabus.com operations reported revenue of US\$4.8m (2006: US\$2.2m) for the six months and an operating loss of US\$2.2m (2006: US\$1.0m), which included marketing and other start-up costs. This equates to sterling revenue of £2.4m (2006: £1.2m) and an operating loss of £1.1m (2006: £0.5m).

In the United States, we continue to experience strong revenue growth in our sightseeing and scheduled services. Sightseeing revenue has been particularly strong and we have had a positive response to our enhanced products and extended marketing initiatives. We have achieved an excellent renewal rate for contract services and there has been a solid performance from our charter businesses which have seen revenue similar to last year but with a reduced number of vehicles. We are also delighted with the progress of megabus.com, our budget inter-city coach service, which now links around 20 key cities in the Midwest and Western United States following the introduction of franchised operations from a new Los Angeles hub in August 2007. Megabus.com in the US has carried over 630,000 passengers to date. We have also invested \$10m in America's first inter-city double-decker coaches for megabus.com, with all of the fleet of 17 new vehicles due in service by January 2008. In Canada, charter revenue remains strong and scheduled service operations have also performed well.

UK Rail

Our principal wholly-owned rail business during the six-month period was Stagecoach South Western Trains, which operates the South Western rail franchise, incorporating the South West Trains and Island Line networks. South West Trains runs around 1,600 trains a day in south-west England out of London Waterloo railway station, while Island Line operates on the Isle of Wight. The South Western franchise is planned to run until February 2017. We also operate Supertram, a 28km light rail network incorporating three routes in the city of Sheffield, on a concession running until 2024. In May 2007, we signed a contract with Greater Manchester Passenger Transport Executive ("GMPTA") to operate and maintain the Manchester Metrolink tram network, which commenced in July 2007. From 11 November 2007, we have operated the East Midlands franchise. The franchise is made up of all of the existing main line train services running to London St Pancras International, regional rail services in the East Midlands area and inter-regional services between Norwich and Liverpool.

Revenue from our UK Rail subsidiaries for the six months to 31 October 2007 was up by 16.6% to £322.7m (2006: £276.8m). This includes £3.9m (2006: £Nil) from our Manchester Metrolink operations. On a like-for-like basis revenue is up 15.2%. Operating profit was £25.3m (2006: £31.4m), giving an operating margin of 7.8% (2006: 11.3%). We had anticipated that the operating margin of our Rail division would decrease following the commencement of the new South Western franchise reflecting the competitive bidding environment for rail franchises. Whilst the reported margin has fallen, it is better than our original expectations for this point in the franchise.

The Group has made a strong start to the 10-year South Western rail franchise. As part of the Group's bid for the franchise, the Group planned a number of specific revenue-enhancing initiatives. Some of these initiatives have been introduced earlier than had been assumed in the original

franchise bid and the exceptionally good revenue growth in the UK Rail division in the period partly reflects the benefits of this. Around 100 extra revenue protection officers have been deployed across the franchise to ensure all passengers travel with the correct ticket, while our programme to install nearly 200 extra ticket vending machines is already underway. The subsidy that the South Western franchise receives from the Department for Transport will reduce by over £100m over the next two financial years and changes in the timing of our initiatives may result in some variability in profits over the life of the franchise.

South West Trains' operational performance continues to be amongst the best achieved by train operating companies in London and the South East, with more than 90% (as measured by the Department for Transport's Passenger Performance Measure, "PPM") of trains arriving on time. We are well on the way to achieving our planned increases of 20% or more in both mainline and suburban capacity through a programme of rolling stock cascades and refurbishments. The measures we are introducing will better match capacity to demand at key times during the day.

We are delighted to have now taken over the East Midlands rail franchise, which started in November 2007, and which will deliver a significant additional revenue stream for the Group. East Midlands Trains will operate all of the existing main line train services running to London St Pancras and the regional rail services in the East Midlands area. Our plans include significant investment in station and train improvements and closer partnership with Network Rail to improve train performance. We look forward to working closely with local stakeholders to maximise the opportunities for growth from these rail networks and to improve the level of service to passengers.

In July 2007, Stagecoach became Britain's biggest tram operator with the start of a 10-year contract to operate and maintain the Manchester Metrolink system on behalf of the Greater Manchester Passenger Transport Executive ("GMPTE"). The contract includes managing a number of special projects sponsored by GMPTE to improve the trams and infrastructure to benefit passengers. Stagecoach Metrolink will also be responsible for operating tram services on the new lines to Oldham, Rochdale, Droylsden and Chorlton. The contract has started well and we have successfully completed the upgrade of the key Bury line. GMPTE has also ordered eight new trams, which are expected to go into service in 2009.

Sheffield Supertram, the Group's other tram operation, continues to perform well and is carrying record passenger volumes. Our major three-year project to refresh the livery and interiors of the 25-strong tram fleet is progressing well and should be completed in late summer 2008. Passengers have benefited from Stagecoach's integrated tram and bus network in Sheffield, which offers joint ticketing.

As previously announced on 10 July 2007 and 14 August 2007 respectively, we were disappointed our bids with our partners for the New Cross Country and InterCity East Coast rail franchises were unsuccessful. Nevertheless, we are satisfied with our overall rail bidding record over the last eighteen months, having secured three new contracts and Virgin Rail Group having renegotiated the West Coast franchise.

Virgin Rail Group

Stagecoach Group has a 49% holding in Virgin Rail Group ("VRG"), which operates the West Coast Trains rail franchise and operated the CrossCountry Trains rail franchise up until its termination in November 2007. The other shareholder in VRG is the Virgin Group of Companies.

The West Coast franchise has been expanded as a result of the restructuring of the Cross Country franchise. West Coast now has the use of 21 Super Voyagers for the expanded network, which will be operating from December 2007. Furthermore, plans are in place to increase the number of services operated by the franchise by around one-third from December 2008

Our share of VRG's profit after tax for the six-month period amounted to £12.9m (2006: £9.2m). The prior year comparative figure included an exceptional credit of £5.5m in relation to the gain on disposal of Trainline recorded by VRG. Our share of operating profit, excluding the exceptional

credit from the prior period comparative, was £16.3m (2006: £3.9m), our share of finance income was £1.8m (2006: £1.6m) and our share of taxation charges was £5.2m (2006: £1.8m).

Passenger volumes increased on West Coast by a further 9.5% in the six months to 31 October 2007. Our share of West Coast Trains revenue in the six months was £149.1m (2006: £131.3m).

West Coast train performance continued to improve in the period driven largely by the enhanced reliability of the fleet of Pendolino trains operating the West Coast services.

As previously announced, VRG's contract to operate the CrossCountry franchise ended in November 2007. Since taking over the CrossCountry rail franchise, VRG has doubled the number of passengers from 12 million to 24 million a year, replaced the entire train fleet and enhanced train service frequencies. We are proud of VRG's record of improving services to passengers and the team has worked hard to ensure a smooth transition to the new operator.

Scottish Citylink Coaches Limited

In Scotland, Stagecoach has a joint venture (Scottish Citylink Coaches Limited) with international transport group, ComfortDelGro, to operate megabus.com and Scottish Citylink coach services. Stagecoach owns 35% of the share capital of Scottish Citylink Coaches Limited and ComfortDelGro owns the remaining 65%. The joint venture is the leading provider of express coach services in Scotland.

Our share of Citylink's profit after tax for the six months to 31 October 2007 was £0.6m (2006: £0.7m). The business is seasonally strongest over the summer period. Citylink has achieved significant passenger growth on its inter-city coach service in addition to new journeys under the Scottish Government's national concessionary travel scheme. This has been achieved as a result of better connections, faster services and low fares under the joint venture.

Following the Competition Commission's confirmation in May 2007 of its ruling that some services on the Saltire Cross network should be divested, we have now reached a provisional agreement that will involve a proportion of our services on the Saltire Cross network being sold to another bus operator. We expect the final agreement, which requires approval by the Competition Commission, to be completed in early 2008.

Depreciation and intangible asset expenses

Earnings from continuing operations before interest, taxation, depreciation, intangible asset expenses and exceptional items (pre-exceptional EBITDA) amounted to £135.1m (2006: £113.5m). Depreciation from continuing businesses for the period decreased from £32.2m to £31.4m. The income statement charge for intangible assets decreased from £7.5m to £6.2m, of which £2.5m (2006: £2.5m) relates to joint ventures.

Pre-exceptional EBITDA can be reconciled to the condensed financial statements as follows:

	6 months to 31 October 2007	6 months to 31 October 2006
	£m	£m
Total operating profit before intangible asset expenses and exceptional items (Consolidated income statement)	100.0	80.7
Depreciation – continuing operations (note 15)	31.4	32.2
Add back joint venture finance income & tax (note 3(C))	3.7	0.6
Pre-exceptional EBITDA	135.1	113.5

Exceptional items

The Group's Darlington bus operations were disposed of to Arriva in the period resulting in a gain on disposal of £2.0m. Exceptional items are analysed in note 4 to the condensed financial statements.

Return of value

A return of value of £689.7m to shareholders was completed in June 2007. This equated to 63 pence per ordinary share. The return of value was approved by shareholders at an Extraordinary General Meeting on 27 April 2007. Notes 9 and 14 to the condensed financial statements include further information on the return of value.

Net finance costs

Net finance costs from continuing operations increased from £3.3m to £15.4m as a result of an increase in average net debt during the period primarily due to the £689.7m return of value to shareholders. The ratio of pre-exceptional EBITDA to net finance charges was 8.8 times for the six months ended 31 October 2007 (2006: 34.4 times), reflecting the increase in financing costs.

Taxation

The tax charge, excluding discontinued operations, can be analysed as follows:

	6 months to 31 October 2007			6 months to 31 October 2006		
	Pre-tax profit £m	Tax £m	Rate %	Pre-tax profit £m	Tax £m	Rate %
Excluding intangible asset expenses and exceptional items	90.1	(21.2)	23.5%	79.6	(20.7)	26.0%
Intangible asset expenses	(6.2)	1.1	17.7%	(7.5)	1.5	20.0%
Exceptional items	2.0	Nil	0.0%	27.4	(6.4)	23.4%
	85.9	(20.1)	23.4%	99.5	(25.6)	25.7%
Reclassify joint venture taxation for reporting purposes	(5.5)	5.5		(2.2)	2.2	
Reported on income statement	80.4	(14.6)	18.2%	97.3	(23.4)	24.0%

The above tax charge includes a portion of the total tax credit of £2.9m attributable to the restatement of the UK deferred tax liability arising on the reduction in the UK corporation tax rate from 30% to 28%, which will apply from April 2008.

Earnings per share

Earnings per share before intangible asset expenses and exceptional items increased 62.1% to 9.4p, from 5.8p in the prior year reflecting the strong performance from our core operating divisions and the earnings-enhancing impact of the return of value to shareholders.

Shares in issue

The weighted average number of ordinary shares used to calculate basic earnings per share for the six months ended 31 October 2007 was 732.9m (31 October 2006: 1,090.0m).

The number of ordinary shares ranking for dividend at 31 October 2007 was 707.0m (30 April 2007: 1,094.8m), with a further 5.5m (30 April 2007: 6.2m) ordinary shares held by employee trusts and not ranking for dividend.

Net liabilities/assets

Net liabilities at 31 October 2007 were £104.8m (30 April 2007: net assets of £512.3m) with the decrease primarily reflecting the return of value of £689.7m that was completed in June 2007, partly offset by the strong results for the six months.

Retirement benefit obligations

The reported net liabilities of £104.8m (30 April 2007: net assets of £512.3m) that are shown on the consolidated balance sheet are after taking account of net retirement benefit assets of £23.8m (30 April 2007: net obligations of £36.2m) as analysed in note 18 to the condensed financial statements. The improved position includes the effect of a £30.0m special employer contribution to the main Group scheme, Stagecoach Group Pension Scheme ("SGPS"), which was paid to that scheme in June 2007.

Net debt/funds

Net debt (as analysed in note 17 to the condensed financial statements) increased from a net funds position of £186.4m at 30 April 2007 to a net debt position of £494.7m at 31 October 2007. This reflects the completion of our return of value of £693.0m (including costs) to shareholders in June 2007 and special pension contributions of £30.0m. Excluding these factors, net debt improved by £41.9m in the six months.

The Group's net debt at 31 October 2007 is further analysed below.

	Fixed rate £m	Floating rate £m	Total £m
Unrestricted cash	Nil	30.7	30.7
Cash on deposit excluding train operating companies and restricted cash (matures within two months)	Nil	34.5	34.5
Cash held within train operating companies	Nil	92.8	92.8
Restricted cash	Nil	33.3	33.3
Total cash and cash equivalents	Nil	191.3	191.3
Sterling bank borrowings under bi-lateral facilities*	(150.0)	(184.5)	(334.5)
US dollar bond (matures November 2009)	(160.6)	Nil	(160.6)
Sterling hire purchase and finance leases	(9.5)	(120.8)	(130.3)
US dollar hire purchase and finance leases	(4.8)	Nil	(4.8)
Canadian dollar hire purchase and finance leases	(4.3)	Nil	(4.3)
Loan notes	Nil	(36.3)	(36.3)
Preference shares	Nil	(15.2)	(15.2)
Net debt	(329.2)	(165.5)	(494.7)

* Split between fixed rate and floating rate sterling bank borrowings is after taking account of the effect of interest rate derivatives that synthetically convert floating rate debt to fixed rate debt.

Pre-exceptional EBITDA for the year to 31 October 2007 was £250.5m giving a net debt to pre-exceptional EBITDA ratio of 2.0 times.

Net cash from operating activities for the six months ended 31 October 2007 was £78.2m (2006: £99.4m) and can be further analysed as follows:

	6 months to 31 October 2007	6 months to 31 October 2006
	£m	£m
EBITDA of Group companies before exceptionals:		
- continuing	118.2	108.5
- discontinued	Nil	7.7
Loss on disposal of property, plant & equipment	Nil	0.1
Equity-settled share based payment expense	1.6	0.9
Working capital movements	7.1	39.1
Net interest paid	(12.7)	(4.0)
Dividends from joint ventures	11.0	7.7
Net cash from operating activities before excess pension contributions	125.2	160.0
Pension contributions in excess of pension costs	(47.0)	(60.6)
Net cash flows from operating activities before taxation	78.2	99.4

Excluding the additional pension contributions shown in the table above, net cash flows from operating activities were £125.2m (2006: £160.0m). The prior year amount included £43.0m of revenue/profit share liabilities due to the Department for Transport under the previous South West Trains rail franchise, which were expensed in the period but not paid until the second half of the financial year.

The net impact of purchases of property, plant and equipment for the six months on net debt was £43.9m (2006: £54.3m). This primarily related to expenditure on passenger service vehicles, and comprised cash outflows of £11.8m (2006: £22.1m) and new hire purchase debt of £32.1m (2006: £32.2m). In addition, £2.3m (2006: £1.1m) cash was received from disposals of property, plant and equipment.

We expect net debt to increase in the period to 30 April 2008 principally because of capital expenditure being more weighted to the second half of the current financial year and lower expected cash generation from the North American operations in the second half of the financial year.

Fuel hedging

The Group currently expects to consume approximately 322 million litres of diesel fuel per annum. As a result, the Group's financial performance is affected by movements in the underlying price of crude oil, which is the major driver of diesel prices. The Group manages the volatility in its fuel costs with a fuel hedging programme, using derivatives to effectively fix or cap the variable unit cost of a percentage of anticipated fuel consumption.

The fuel hedging levels are summarised below:

	Year to 30 April 2008	Year to 30 April 2009	Year to 30 April 2010
Proportion of actual/forecast fuel consumption hedged:			
- UK Bus	86%	95%	Nil
- North America	93%	76%	Nil
- UK Rail	56%	77%	77%

Seasonality

The Group's North American bus operations typically report higher operating profits for the first half of the financial year (i.e. the six months ended 31 October) than for the second half. This is because leisure customers generate an element of the revenue with demand being at its strongest in the summer months. UK Rail operating profits are affected by the commencement and termination of rail franchises.

Principal risks and uncertainties for the six months ending 30 April 2008

Like most businesses, there are a range of risks and uncertainties facing the Group and the principal risks and uncertainties are described in the Group's Annual Report for the year ended 30 April 2007. In assessing the Group's likely financial performance for the second half of current financial year, these risks and uncertainties should be considered in addition to the matters referred to above under "seasonality".

Related parties

Related party disclosures are given in note 21 to the condensed financial statements.

Current trading and outlook

The Group has made a promising start to the second half of its financial year to 30 April 2008. In November, we announced that our expectations of the Group's profit for the financial year had further increased. The current trading of the Group remains in line with these revised expectations.

The longer term prospects for the Group remain positive, notwithstanding increasing fuel prices and weaker economic conditions in North America. We expect demand for bus and rail services in general to continue to be driven by supportive government policy, increasing environmental awareness, rising road congestion, increased airport security and inward immigration. In addition, our experienced management team has demonstrated that it can organically grow revenue at a faster rate than the industry average through good operational performance, development of new products, and an entrepreneurial, performance-focused approach.

The Group has strong market positions, continues to generate significant cash and is well positioned to benefit from further growth in demand for its services.

Brian Souter
Chief Executive

5 December 2007

Responsibility Statement

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements contained in this document has been prepared in accordance with International Accounting Standard 34 (“IAS 34”), “Interim Financial Reporting” as adopted by the European Union;
- (b) the interim management report contained in this document includes a fair review of the information required by the Financial Services Authority’s Disclosure and Transparency Rules (“DTR”) 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) this document includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Brian Souter
Chief Executive

5 December 2007

Martin Griffiths
Finance Director

5 December 2007

Independent review report to Stagecoach Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 31 October 2007, which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expense, consolidated cash flow statement, reconciliation of movements in consolidated equity and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1 to the condensed financial statements, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency 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 into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 31 October 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers
Chartered Accountants

5 December 2007

Kintyre House
209 West George Street
GLASGOW
G2 2LW

CONDENSED FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited			Unaudited			Audited
		6 months to 31 October 2007			6 months to 31 October 2006			Year to 30 April 2007
		Performance pre intangibles and exceptional items	Intangibles and exceptional items (note 4)	Results for the period	Performance pre intangibles and exceptional items	Intangibles and exceptional items (note 4)	Results for the period	
£m	£m	£m	£m	£m	£m	£m		
CONTINUING OPERATIONS								
Revenue	3(A)	820.8	Nil	820.8	752.1	Nil	752.1	1,504.6
Operating costs		(789.1)	(3.7)	(792.8)	(809.4)	17.8	(791.6)	(1,551.7)
Other operating income	5	55.1	Nil	55.1	133.6	Nil	133.6	213.5
Operating profit of Group companies	3(B)	86.8	(3.7)	83.1	76.3	17.8	94.1	166.4
Share of profit of joint ventures after finance income and taxation	3(C)	13.2	(2.5)	10.7	4.4	3.0	7.4	14.5
Total operating profit: Group operating profit and share of joint ventures' profit after tax	3(B)	100.0	(6.2)	93.8	80.7	20.8	101.5	180.9
Gain on sale of properties	4	Nil	Nil	Nil	Nil	0.2	0.2	3.6
Gain/(loss) on disposed operations and sale of investments	4	Nil	2.0	2.0	Nil	(1.1)	(1.1)	(1.1)
Profit before interest and taxation		100.0	(4.2)	95.8	80.7	19.9	100.6	183.4
Finance costs		(24.6)	Nil	(24.6)	(9.8)	Nil	(9.8)	(20.7)
Finance income		9.2	Nil	9.2	6.5	Nil	6.5	21.4
Profit before taxation		84.6	(4.2)	80.4	77.4	19.9	97.3	184.1
Taxation	6	(15.7)	1.1	(14.6)	(18.5)	(4.9)	(23.4)	(43.6)
Profit for the period from continuing operations		68.9	(3.1)	65.8	58.9	15.0	73.9	140.5
DISCONTINUED OPERATIONS								
Profit for the period from discontinued operations	8	Nil	Nil	Nil	4.0	128.5	132.5	136.8
TOTAL OPERATIONS								
Profit after taxation for the period attributable to equity shareholders of the parent		68.9	(3.1)	65.8	62.9	143.5	206.4	277.3
Earnings per share from continuing and discontinued operations								
- Adjusted/Basic	9	9.4p		9.0p	5.8p		18.9p	25.4p
- Diluted	9	9.2p		8.8p	5.7p		18.8p	25.1p
Earnings per share from continuing operations								
- Adjusted/Basic	9	9.4p		9.0p	5.4p		6.8p	12.9p
- Diluted	9	9.2p		8.8p	5.3p		6.7p	12.7p
Dividends per ordinary share	7							
- Interim				1.35p			1.2p	1.2p
- Final				-			-	2.9p

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

CONSOLIDATED BALANCE SHEET

		Unaudited		Audited	
		As at 31 October 2007 £m	As at 31 October 2006 £m	As at 30 April 2007 £m	
Notes					
ASSETS					
Non-current assets					
	Goodwill	10	90.2	96.4	92.8
	Other intangible assets	11	18.3	12.3	20.9
	Property, plant and equipment	12	610.2	607.5	599.2
	Interests in joint ventures	13	39.1	51.7	39.1
	Interest in associate		Nil	1.0	Nil
	Available for sale and other investments		1.8	4.3	1.1
	Derivative instruments at fair value		0.6	Nil	Nil
	Retirement benefit assets	18	44.9	Nil	16.6
	Deferred tax assets		6.8	8.4	6.8
	Other receivables		3.2	1.3	3.1
			815.1	782.9	779.6
Current assets					
	Inventories		12.8	12.6	11.7
	Trade and other receivables		167.3	179.7	142.1
	Derivative instruments at fair value		11.7	0.6	1.7
	Foreign tax recoverable		1.1	Nil	0.3
	Cash and cash equivalents		191.3	479.1	513.3
			384.2	672.0	669.1
Total assets			1,199.3	1,454.9	1,448.7
LIABILITIES					
Current liabilities					
	Trade and other payables		383.0	375.7	347.8
	Current tax liabilities		18.0	38.4	24.6
	Borrowings		67.7	83.0	70.9
	Preference shares		15.5	Nil	Nil
	Derivative instruments at fair value		1.5	2.4	3.7
	Provisions		36.4	58.0	50.7
			522.1	557.5	497.7
Non-current liabilities					
	Other payables		9.1	10.1	9.1
	Borrowings		617.0	274.2	272.4
	Derivative instruments at fair value		1.2	7.0	2.6
	Deferred tax liabilities		62.1	6.6	44.1
	Provisions		71.5	70.0	57.7
	Retirement benefit obligations	18	21.1	144.3	52.8
			782.0	512.2	438.7
Total liabilities			1,304.1	1,069.7	936.4
Net (liabilities)/assets			(104.8)	385.2	512.3
EQUITY					
	Ordinary share capital	14	7.0	6.9	7.0
	Share premium account		2.3	177.8	179.4
	Retained earnings		(522.9)	(32.4)	91.8
	Capital redemption reserve		403.6	243.0	243.0
	Own shares		(12.6)	(7.6)	(7.3)
	Translation reserve		7.6	4.2	3.0
	Available for sale reserve		0.6	2.0	Nil
	Cash flow hedging reserve		9.6	(8.7)	(4.6)
Total equity			(104.8)	385.2	512.3

The retained earnings deficit of £522.9m (30 April 2007: surplus of £91.8m) is the consolidated position. The holding company's distributable reserves as at 31 October 2007 under UK GAAP were £185.8m (30 April 2007: £735.4m).

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Unaudited		Audited
	6 months to 31 October 2007 £m	6 months to 31 October 2006 £m	Year to 30 April 2007 £m
Income and expense recognised directly in equity			
Foreign exchange differences on translation of foreign operations (net of hedging)	4.6	0.2	(1.0)
Actuarial gains on Group defined benefit pension schemes	13.0	Nil	79.4
Share of actuarial gains on joint ventures' defined benefit pension schemes	Nil	Nil	5.0
Net fair value gains/(losses) on cash flow hedges	18.9	(7.9)	(9.2)
Net fair value gains/(losses) on available for sale investments	0.6	0.1	(1.9)
	37.1	(7.6)	72.3
Transfers to the income statement			
Cash flow hedges reclassified and reported in profit for the period	(4.7)	Nil	5.4
Tax on items taken directly to or transferred from equity			
Tax on foreign exchange differences on translation of foreign operations (net of hedging)	Nil	Nil	(0.3)
Tax effect of actuarial gains on Group defined benefit pension schemes	(3.9)	Nil	(20.3)
Tax effect of share of actuarial gains on joint ventures' defined benefit pension schemes	Nil	Nil	(1.5)
Tax effect of share based payments	2.9	0.8	3.8
Tax adjustment re change in UK corporation tax rate	0.7	Nil	Nil
	(0.3)	0.8	(18.3)
Net income/(expense) not recognised in income statement	32.1	(6.8)	59.4
Profit for the financial period attributable to equity shareholders of the parent	65.8	206.4	277.3
Total recognised income and expense for the period attributable to equity shareholders of the parent	97.9	199.6	336.7

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Unaudited		Audited
		6 months to 31 October 2007 £m	6 months to 31 October 2006 £m	Year to 30 April 2007 £m
Cash flows from operating activities				
Cash generated by operations	15	79.9	95.7	158.0
Interest paid		(16.8)	(8.4)	(21.4)
Interest received		7.1	6.5	22.0
Interest element of hire purchase contracts and finance lease payments		(3.0)	(2.1)	(4.5)
Dividends received from joint ventures		11.0	7.7	31.1
Net cash flows from operating activities		78.2	99.4	185.2
Tax paid		(4.9)	(11.4)	(22.9)
Net cash from operating activities after tax		73.3	88.0	162.3
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired		(1.9)	(0.1)	(0.1)
Disposals and closures of subsidiaries and other businesses, net of cash disposed of		3.3	260.4	267.0
Purchases of property, plant and equipment		(11.8)	(22.1)	(44.5)
Disposals of property, plant and equipment		2.3	1.1	11.0
Purchase of intangible assets		Nil	(0.1)	(1.7)
Purchase of other investments		(0.2)	(0.2)	(0.4)
Disposal of other investments		Nil	0.2	0.2
Movement in loans to joint ventures		(0.2)	3.3	1.4
Net cash (outflow)/inflow from investing activities		(8.5)	242.5	232.9
Cash flows from financing activities				
Issue of ordinary shares for cash		2.1	3.0	4.7
Return of value to shareholders				
- Redemption and purchase of 'B' shares		(389.9)	Nil	Nil
- Dividends paid on 'C' shares		(284.6)	Nil	Nil
- Costs associated with return of value		(3.3)	Nil	Nil
Investment in own ordinary shares by employee share ownership trusts		(7.7)	(1.9)	(2.1)
Sale of own ordinary shares by employee share ownership trusts		2.4	0.4	0.9
Repayments of hire purchase and lease finance		(15.1)	(18.6)	(28.2)
Movement in other borrowings		333.1	(1.0)	(11.6)
Dividends paid on ordinary shares	7	(20.5)	(28.4)	(41.5)
Sale of tokens		1.0	2.2	6.8
Redemption of tokens		(3.0)	(5.0)	(9.1)
Net cash used in financing activities		(385.5)	(49.3)	(80.1)
Net (decrease)/increase in cash and cash equivalents		(320.7)	281.2	315.1
Cash and cash equivalents at the beginning of the period		512.5	198.3	198.3
Exchange rate effects		(0.5)	(0.4)	(0.9)
Cash and cash equivalents at the end of the period		191.3	479.1	512.5
Cash and cash equivalents at the end of the period comprises:				
Cash and cash equivalents included within current assets		191.3	479.1	513.3
Bank overdrafts included within borrowings		Nil	Nil	(0.8)
		191.3	479.1	512.5

Cash and cash equivalents for the purposes of the consolidated cash flow statement comprise cash at bank and in hand, overdrafts and other short-term highly liquid investments with a maturity of three months or less.

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

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY

	Unaudited		Audited
	6 months to 31 October 2007 £m	6 months to 31 October 2006 £m	Year to 30 April 2007 £m
Profit for the financial period	65.8	206.4	277.3
Equity dividends	(20.5)	(28.4)	(41.5)
	45.3	178.0	235.8
Other recognised income and expense relating to the period			
- Foreign exchange differences on translation of foreign operations (net of hedging)	4.6	0.2	(1.0)
- Actuarial gains on Group defined benefit pension schemes	13.0	Nil	79.4
- Share of actuarial gains on joint ventures' defined benefit pension schemes	Nil	Nil	5.0
- Net fair value gains/(losses) on cash flow hedges	18.9	(7.9)	(9.2)
- Net fair value gains/(losses) on available for sale investments	0.6	0.1	(1.9)
- Cash flow hedges reclassified and reported in profit for the period	(4.7)	Nil	5.4
- Tax on foreign exchange differences on translation of foreign operations	Nil	Nil	(0.3)
- Tax effect of actuarial gains on Group defined benefit pension schemes	(3.9)	Nil	(20.3)
- Tax effect of share of actuarial gains on joint ventures' defined benefit pension schemes	Nil	Nil	(1.5)
- Tax effect of share based payments	2.9	0.8	3.8
- Tax adjustment re corporation tax rate change	0.7	Nil	Nil
Credit in relation to equity-settled share based payments	1.6	0.9	2.0
Arising on new ordinary share issues	2.1	3.0	4.7
Return of value to shareholders	(689.7)	Nil	Nil
Expenses associated with return of value	(3.3)	Nil	Nil
Own ordinary shares purchased	(7.7)	(1.9)	(2.1)
Own ordinary shares sold	2.5	0.4	0.9
Net (decrease)/increase in equity	(617.1)	173.6	300.7
Equity at the start of the period	512.3	211.6	211.6
Equity at the end of the period	(104.8)	385.2	512.3

NOTES

1 BASIS OF PREPARATION

The condensed financial statements for the six months ended 31 October 2007 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union. The financial information has been prepared using the principal accounting policies used to prepare the Group's 2007 Annual Report as described on pages 45 to 52 of that report which can be found on the Stagecoach Group website at <http://www.stagecoachgroup.com/scg/ir/finanalysis/reports/>.

The financial information for the six months ended 31 October 2007 has not been audited, nor has the comparative financial information for the six months ended 31 October 2006 but they have both been reviewed by the auditors. The comparative financial information presented in this announcement for the year ended 30 April 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 and does not reflect all of the information contained in the Company's annual financial statements. The annual financial statements for the year ended 30 April 2007, which were approved by the Board of Directors on 27 June 2007, received an unqualified audit report and have been filed with the Registrar of Companies.

The Board of Directors approved this announcement, including the condensed financial statements, on 5 December 2007.

The following new standards or interpretations are mandatory for the first time for the financial year ending 30 April 2008:

- International Financial Reporting Interpretations Committee ("IFRIC") 9, 'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1 June 2006. This interpretation has not had a significant impact on the Group's financial performance or financial position.
- IFRIC 10, 'Interims and impairment', effective for annual periods beginning on or after 1 November 2006. This interpretation has not had any impact on the timing of recognition of impairment losses as the Group already accounted for such amounts using principles consistent with IFRIC 10.
- International Financial Reporting Standard ("IFRS") 7, 'Financial instruments; Disclosures', effective for annual periods beginning on or after 1 January 2007. As this interim report contains only condensed financial statements, full IFRS 7 disclosures are not required at this stage. Appropriate disclosures will be given in the annual financial statements for the year ending 30 April 2008.

2 FOREIGN CURRENCIES

The principal rates of exchange used to translate the results of foreign operations are as follows:

	6 months to 31 October 2007	6 months to 31 October 2006	Year to 30 April 2007
US Dollar			
Period end rate	2.0774	1.9073	1.9999
Average rate	2.0133	1.8687	1.9103
Canadian Dollar			
Period end rate	1.9731	2.1370	2.2102
Average rate	2.1034	2.0914	2.1738

3 SEGMENTAL ANALYSIS

The Group is managed, and reports internally, on a basis consistent with its three continuing business segments: UK Bus, North America and UK Rail. The Group's IFRS accounting policies are applied consistently, where appropriate to each segment.

The segmental information provided in this note is on the basis of three primary segments, and gives the details for both business segments and geographical segments as follows:

<i>Segment name</i>	<i>Business segment</i>	<i>Geographical segment</i>
UK Bus	Coach and bus operations	United Kingdom
North America	Coach and bus operations	North America
UK Rail	Rail operations	United Kingdom

UK Bus and North America provide coach and bus services while UK Rail provides rail services.

The Group's London bus operations were disposed of during the year ended 30 April 2007. These operations were formerly part of the UK Bus segment but have been reclassified as "discontinued" for the comparative periods shown.

Due to the nature of the services the Group provides, the primary and secondary segments coincide.

The Group has interests in three joint ventures: Virgin Rail Group that operates in UK Rail, Citylink that operates in UK Bus and New York Splash Tours LLC that operates in North America. The profits and losses of these joint ventures are shown separately in note 3(C).

(A) REVENUE

Due to the nature of the Group's business, the origin and destination of revenue is the same in all cases. As the Group sells bus and rail services to individuals, it has few customers that are individually "major". Its major customers are typically public bodies that subsidise or procure transport services – such customers include local authorities, transport authorities and the UK Department for Transport.

No material part of each segment's revenue shown below relates to transactions with other segments.

	Unaudited		Audited
	6 months to 31 October 2007 £m	6 months to 31 October 2006 £m	Year to 30 April 2007 £m
Continuing operations			
UK Bus	367.1	339.6	690.4
North America	131.0	135.7	242.7
Total bus continuing operations	498.1	475.3	933.1
UK Rail	322.7	276.8	571.5
Group revenue	820.8	752.1	1,504.6

3 SEGMENTAL ANALYSIS (CONTINUED)

(B) OPERATING PROFIT

	Unaudited						Audited
	6 months to 31 October 2007			6 months to 31 October 2006			Year to 30 April 2007
	Performance pre intangibles and exceptional items	Intangibles and exceptional items	Results for the period	Performance pre intangibles and exceptional items	Intangibles and exceptional items	Results for the period	
Notes	£m	£m	£m	£m	£m	£m	
Continuing operations							
UK Bus			52.5	34.1	22.8	56.9	113.4
North America			16.9	16.7	Nil	16.7	18.1
Total bus continuing operations			69.4	50.8	22.8	73.6	131.5
UK Rail			25.3	31.4	Nil	31.4	58.8
Total continuing operations			94.7	82.2	22.8	105.0	190.3
Group overheads			(6.2)	(5.2)	Nil	(5.2)	(11.1)
Intangible asset amortisation			(3.7)	Nil	(5.0)	(5.0)	(9.6)
Redundancy/restructuring costs			(1.7)	(0.7)	Nil	(0.7)	(3.2)
Total operating profit of continuing Group companies			86.8	76.3	17.8	94.1	166.4
Share of profit of joint ventures after finance income and taxation	3(C)		10.7	4.4	3.0	7.4	14.5
Total operating profit: Group operating profit and share of joint ventures' profit after tax			93.8	80.7	20.8	101.5	180.9

(C) JOINT VENTURES

	Unaudited						Audited
	6 months to 31 October 2007			6 months to 31 October 2006			Year to 30 April 2007
	Performance pre intangibles and exceptional items	Intangibles and exceptional items	Results for the period	Performance pre intangibles and exceptional items	Intangibles and exceptional items	Results for the period	
	£m	£m	£m	£m	£m	£m	£m
Continuing							
Virgin Rail Group (UK Rail)							
Operating profit			16.3	3.9	5.5	9.4	17.8
Finance income (net)			1.8	1.6	Nil	1.6	3.7
Taxation			(5.2)	(1.8)	Nil	(1.8)	(2.6)
			12.9	3.7	5.5	9.2	18.9
Goodwill charged on investment in continuing joint ventures			(2.5)	Nil	(2.5)	(2.5)	(5.1)
			10.4	3.7	3.0	6.7	13.8
Citylink (UK Bus)							
Operating profit			0.9	1.1	Nil	1.1	1.3
Taxation			(0.3)	(0.4)	Nil	(0.4)	(0.4)
			0.6	0.7	Nil	0.7	0.9
New York Splash Tours LLC (North America)							
Operating loss			(0.3)	Nil	Nil	Nil	(0.2)
Share of profit of joint ventures after finance income and taxation			10.7	4.4	3.0	7.4	14.5

4 EXCEPTIONAL ITEMS AND INTANGIBLE ASSET EXPENSES

There is no explicit definition of exceptional items in IFRS. For this purpose exceptional items are items which individually, or if of a similar type, in aggregate, need to be disclosed, by virtue of their nature, size or incidence in order to allow a proper understanding of the underlying performance of the Group.

The items shown in the column headed "Intangibles and exceptional items" on the face of the consolidated income statement for the six months ended 31 October 2007 can be further analysed as follows:

	Unaudited		
	6 months to 31 October 2007		
	Exceptional items	Intangible asset expenses	Intangibles and exceptional items
	£m	£m	£m
Operating costs			
Amortisation of intangible assets	-	(3.7)	(3.7)
Share of profit of joint ventures			
Goodwill charged on investment in joint ventures	-	(2.5)	(2.5)
Gain on disposed operations	2.0	-	2.0
Intangible asset expenses and exceptional items	2.0	(6.2)	(4.2)
Tax effect	Nil	1.1	1.1
Intangible asset expenses and exceptional items after taxation	2.0	(5.1)	(3.1)

The gain on disposed operations of £2.0m relates to the sale of the Group's Darlington bus operations to Arriva.

4 EXCEPTIONAL ITEMS AND INTANGIBLE ASSET EXPENSES (CONTINUED)

The items shown in the column headed "Intangibles and exceptional items" on the face of the consolidated income statement for the six months ended 31 October 2006 can be further analysed as follows:

	Unaudited		
	6 months to 31 October 2006		
	Exceptional items	Intangible asset expenses	Intangibles and exceptional items
	£m	£m	£m
Operating costs			
Past service adjustment – pension scheme	22.8	-	22.8
Amortisation of intangible assets	-	(5.0)	(5.0)
	22.8	(5.0)	17.8
Share of profit of joint ventures			
Gain on sale of VRG's investment in Trainline	5.5	-	5.5
Goodwill charged on investment in joint ventures	-	(2.5)	(2.5)
	5.5	(2.5)	3.0
Gain on sale of properties	0.2	-	0.2
Loss on disposed operations and sale of investments	(1.1)	-	(1.1)
Profit for the period from discontinued operations			
Gain on sale of London bus business (note 8)	127.9	-	127.9
Gain on sale of New Zealand operations (note 8)	0.6	-	0.6
	128.5	-	128.5
Intangible asset expenses and exceptional items	155.9	(7.5)	148.4
Tax effect	(6.4)	1.5	(4.9)
Intangible asset expenses and exceptional items after taxation	149.5	(6.0)	143.5

5 OTHER OPERATING INCOME

	Unaudited		Audited
	6 months to 31 October 2007 £m	6 months to 31 October 2006 £m	Year to 30 April 2007 £m
Miscellaneous revenue	23.3	25.3	50.3
Rail franchise support, excluding incentive payments	31.8	87.5	130.9
Rail incentive payments	Nil	20.8	32.3
	55.1	133.6	213.5

Miscellaneous revenue comprises revenue incidental to the Group's principal activities. It includes advertising income, maintenance income and property income.

Rail franchise support is the gross amount of financial support receivable from the Department for Transport ("DfT").

Rail incentive payments comprise amounts that were receivable from the DfT in respect of the operational performance of our rail companies measured against benchmarks agreed with the DfT. The incentive arrangements have changed since the previous year such that no incentive income was received in the six months ended 31 October 2007 (2006: £20.8m), although performance regime amounts continue to be payable to Network Rail and such amounts are included within operating costs in the consolidated income statement.

6 TAXATION

The taxation charge comprises:

	Unaudited			Unaudited			Audited
	6 months to 31 October 2007			6 months to 31 October 2006			Year to 30 April 2007
	Performance pre intangibles and exceptional items £m	Intangibles and exceptional items £m	Results for the period £m	Performance pre intangibles and exceptional items £m	Intangibles and exceptional items £m	Results for the period £m	£m
Group companies - UK tax	(11.4)	1.1	(10.3)	(17.0)	(5.4)	(22.4)	(41.9)
- Overseas tax	(4.3)	Nil	(4.3)	(1.5)	0.5	(1.0)	(1.7)
	(15.7)	1.1	(14.6)	(18.5)	(4.9)	(23.4)	(43.6)

7 DIVIDENDS

	Unaudited		Audited
	6 months to 31 October 2007 £m	6 months to 31 October 2006 £m	Year to 30 April 2007 £m
Amounts recognised as distributions in the period			
<u>Dividends on ordinary shares</u>			
Final dividend paid of 2.6p per share for the year ended 30 April 2006	-	28.4	28.4
Interim dividend paid of 1.2p per share for the year ended 30 April 2007	-	-	13.1
Final dividend paid of 2.9p per share for the year ended 30 April 2007	20.5	-	-
Amounts recognised as distributions to equity holders in the period	20.5	28.4	41.5

Dividends proposed or declared but not paid or included as liabilities in the financial statements

Dividends on ordinary shares

Interim dividend declared of 1.2p per share for the year ended 30 April 2007	-	13.1	-
Final dividend proposed of 2.9p per share for the year ended 30 April 2007	-	-	20.4
Interim dividend declared of 1.35p per share for the year ending 30 April 2008	9.5	-	-
	9.5	13.1	20.4

The interim ordinary dividend of 1.35p per ordinary share was approved by the Board of Directors on 5 December 2007 and has not been included as a liability as at 31 October 2007. It is payable on 5 March 2008 to shareholders on the register at close of business on 8 February 2008.

The dividends proposed or declared and the actual dividends recognised as distributions differ slightly due to the number of shares at the balance sheet date being different to that of the record date.

Dividends accrued on 'B' shares of £0.2m (2006: £Nil) are included in finance costs.

The one-off dividends paid on 'C' shares of £284.6m (2006: £Nil) are included as a movement in equity.

Note 14 provides further information on 'B' and 'C' shares.

8 DISCONTINUED OPERATIONS

The Group disposed of its London bus business during the comparative six months ended 31 October 2006. The business was disposed of on 30 August 2006 to Macquarie Bank Limited.

The results of the discontinued London bus operations for the comparative periods shown, which have been included in the consolidated income statement, were as follows:

	Unaudited			Audited
	6 months to 31 October 2006 London £m	6 months to 31 October 2006 New Zealand £m	6 months to 31 October 2006 Total £m	Year to 30 April 2007 Total £m
Revenue	76.1	Nil	76.1	76.1
Operating costs	(72.0)	Nil	(72.0)	(72.0)
Other operating income	1.1	Nil	1.1	1.1
Operating profit	5.2	Nil	5.2	5.2
Finance income (net)	0.6	Nil	0.6	0.6
Taxation	(1.8)	Nil	(1.8)	(1.8)
Profit for the period before gain on disposal	4.0	Nil	4.0	4.0
Gain on disposal	127.9	0.6	128.5	132.8
Profit for the period from discontinued operations	131.9	0.6	132.5	136.8

In the comparative six months ended 31 October 2006 and the comparative year ended 30 April 2007, the London bus operations contributed £13.2m of cash outflows from operating activities that included £30.0m of one-off pension contributions, £0.8m of cash outflows from investment activities and £9.6m of cash outflows from financing activities.

9 EARNINGS PER SHARE

Basic earnings per share ("EPS") have been calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period, excluding any ordinary shares held by employee share ownership trusts and not ranking for dividend.

Earnings per share before intangible asset expenses and exceptional items are calculated after adding back intangible asset expenses and exceptional items after taking account of related taxation. This has been presented to allow shareholders to gain a clearer understanding of the underlying performance.

The diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares in relation to share options and long term incentive plans. In respect of share options, a calculation was done to determine the number of ordinary shares that could have been acquired at fair value (determined based on the average annual market share price of the Company's ordinary shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of ordinary shares calculated as above is compared with the number of ordinary shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issue of ordinary shares for no consideration and no adjustment is made to earnings (numerator).

On 14 May 2007, the Company issued 277,777,735 redeemable 'B' shares of 63 pence each and 823,220,972 irredeemable 'C' shares of 63 pence each at the rate of 1 'B' or 'C' share for every 1 ordinary share held. The issue of the 'B' and 'C' shares was followed by a share capital consolidation whereby shareholders received 9 new ordinary shares for every 14 existing ordinary shares held. In determining the consolidated earnings per share, no adjustment has been made to the number of ordinary shares outstanding before the event where the issue of 'B' and 'C' shares was combined with the share capital consolidation. The weighted average number of ordinary shares outstanding for the six months ended 31 October 2007 has been adjusted for the reduction in the number of ordinary shares from the date on which the issue of 'B' and 'C' shares and share consolidation took place. This treatment is consistent with paragraph 29 of International Accounting Standard 33, "Earnings per share".

	Unaudited		Audited
	6 months to 31 October 2007	6 months to 31 October 2006	Year to 30 April 2007
Basic weighted average ordinary share capital (number of shares, million)	732.9	1,090.0	1,091.7
Dilutive ordinary shares (number of shares, million)			
- Executive Share Option Scheme	5.0	6.6	7.4
- Employee SAYE Scheme	3.3	1.0	2.2
- Long Term Incentive Plan	4.2	1.8	2.3
- Executive Participation Plan	1.8	Nil	1.0
Diluted weighted average ordinary share capital (number of shares, million)	747.2	1,099.4	1,104.6
	£m	£m	£m
Profit after taxation including discontinued operations (for basic EPS calculation)	65.8	206.4	277.3
Intangible asset expenses (see note 4)	6.2	7.5	14.7
Exceptional items (see note 4)	(2.0)	(155.9)	(169.6)
Tax effect of intangible asset expenses and exceptional items (see note 4)	(1.1)	4.9	5.8
Profit for adjusted EPS calculation	68.9	62.9	128.2
	Earnings per share pence	Earnings per share pence	Earnings per share pence
Basic	9.0	18.9	25.4
Adjusted basic	9.4	5.8	11.7
Diluted	8.8	18.8	25.1
Adjusted diluted	9.2	5.7	11.6

9 EARNINGS PER SHARE (CONTINUED)

The basic and diluted earnings per share can be further analysed as follows:

	Unaudited					
	6 months to 31 October 2007			6 months to 31 October 2006		
	Earnings £m	Weighted average number of shares Million	Earnings per share pence	Earnings £m	Weighted average number of shares Million	Earnings per share pence
Basic						
- Continuing operations	65.8	732.9	9.0p	73.9	1,090.0	6.8p
- Discontinued operations	Nil	732.9	Nil	132.5	1,090.0	12.1p
	65.8	732.9	9.0p	206.4	1,090.0	18.9p
Adjusted basic						
- Continuing operations	68.9	732.9	9.4p	58.9	1,090.0	5.4p
- Discontinued operations	Nil	732.9	Nil	4.0	1,090.0	0.4p
	68.9	732.9	9.4p	62.9	1,090.0	5.8p
Diluted						
- Continuing operations	65.8	747.2	8.8p	73.9	1,099.4	6.7p
- Discontinued operations	Nil	747.2	Nil	132.5	1,099.4	12.1p
	65.8	747.2	8.8p	206.4	1,099.4	18.8p
Adjusted diluted						
- Continuing operations	68.9	747.2	9.2p	58.9	1,099.4	5.3p
- Discontinued operations	Nil	747.2	Nil	4.0	1,099.4	0.4p
	68.9	747.2	9.2p	62.9	1,099.4	5.7p

10 GOODWILL

	Unaudited 6 months to 31 October 2007 £m	Unaudited 6 months to 31 October 2006 £m	Audited Year to 30 April 2007 £m
Cost at beginning of period	92.8	100.1	100.1
Translation adjustment	(2.6)	(3.7)	(7.3)
At end of period	90.2	96.4	92.8
Accumulated impairment losses at beginning and end of period	Nil	Nil	Nil
Net book value at beginning of period	92.8	100.1	100.1
Net book value at end of period	90.2	96.4	92.8

11 OTHER INTANGIBLE ASSETS

	Unaudited 6 months to 31 October 2007 £m	Unaudited 6 months to 31 October 2006 £m	Audited Year to 30 April 2007 £m
Cost at beginning of period	43.6	30.5	30.5
Additions	Nil	0.1	13.3
Acquired through business combinations	1.1	Nil	Nil
Disposals	(8.1)	Nil	Nil
Translation adjustment	(0.1)	(0.1)	(0.2)
At end of period	36.5	30.5	43.6
Accumulated amortisation at beginning of period	(22.7)	(13.2)	(13.2)
Amortisation for period	(3.7)	(5.0)	(9.6)
Disposals	8.1	Nil	Nil
Translation adjustment	0.1	Nil	0.1
At end of period	(18.2)	(18.2)	(22.7)
Net book value at beginning of period	20.9	17.3	17.3
Net book value at end of period	18.3	12.3	20.9

12 PROPERTY, PLANT AND EQUIPMENT

	Unaudited 6 months to 31 October 2007 £m	Unaudited 6 months to 31 October 2006 £m	Audited Year to 30 April 2007 £m
Cost at beginning of period	1,094.3	1,233.1	1,233.1
Additions	44.1	53.3	92.6
Acquired through business combinations	1.4	Nil	Nil
Disposals	(24.0)	(16.8)	(53.5)
Sale/closure of subsidiary undertakings and other businesses	Nil	(154.5)	(154.5)
Translation adjustment	(1.1)	(12.5)	(23.4)
At end of period	1,114.7	1,102.6	1,094.3
Depreciation at beginning of period	(495.1)	(524.3)	(524.3)
Charge for period	(31.4)	(34.7)	(70.8)
Disposals	20.7	15.7	46.7
Sale/closure of subsidiary undertakings and other businesses	Nil	42.3	42.3
Translation adjustment	1.3	5.9	11.0
At end of period	(504.5)	(495.1)	(495.1)
Net book value at beginning of period	599.2	708.8	708.8
Net book value at end of period	610.2	607.5	599.2

13 INTERESTS IN JOINT VENTURES

	Unaudited 6 months to 31 October 2007 £m	Unaudited 6 months to 31 October 2006 £m	Audited Year to 30 April 2007 £m
Cost at beginning of period	72.0	79.8	79.8
Share of recognised profits	13.5	9.9	19.8
Share of actuarial gains on defined benefit pension schemes net of tax	Nil	Nil	3.5
Dividends received	(11.0)	(7.7)	(31.1)
At end of period	74.5	82.0	72.0
Amounts written off at beginning of period	(32.9)	(27.8)	(27.8)
Goodwill charged to income statement during period	(2.5)	(2.5)	(5.1)
At end of period	(35.4)	(30.3)	(32.9)
Net book value at beginning of period	39.1	52.0	52.0
Net book value at end of period	39.1	51.7	39.1

In addition to the above interest in joint ventures, a loan receivable from New York Splash Tours LLC of £1.5m (30 April 2007: £1.9m) is included within non-current assets under the caption of 'Other receivables'. Our share of net liabilities in New York Splash Tours LLC totalling £0.5m (30 April 2007: £0.2m), the movement for the period being the loss of £0.3m for the 6 months ended 31 October 2007, is included within current liabilities under the caption of 'Trade and other payables' on the balance sheet.

14 CALLED UP SHARE CAPITAL

The ordinary share capital of the Company was as follows:

	As at 31 October 2007 £m	As at 30 April 2007 £m
Authorised		
936,428,571 (30 April 2007: 1,456,666,666) ordinary shares of 56/57 pence (30 April 2007: 12/19 pence) each	9.2	9.2
		2007
	Number of shares	£m
Allotted, called-up and fully-paid		
Ordinary shares of 56/57 pence (30 April 2007: 12/19 pence) each		
At 1 May 2007	1,100,998,707	7.0
Share capital consolidation (9 for 14 shares)	(393,213,824)	Nil
Allotted under share option schemes	4,698,611	-
At 31 October 2007	712,483,494	7.0

The balance on the share capital account represents the aggregate nominal value of all ordinary shares in issue.

The Group operates two Employee Share Ownership Trusts: the Stagecoach Group Qualifying Employee Share Ownership Trust ("QUEST") and the Stagecoach Group Employee Benefit Trust ("EBT"). Shares held by these trusts are treated as a deduction from equity in the Group's financial statements. Other assets and liabilities of the trusts are consolidated in the Group's financial statements as if they were assets and liabilities of the Group. As at 31 October 2007, the QUEST held 184,683 (30 April 2007: 369,399) ordinary shares in the Company and the EBT held 5,299,516 (30 April 2007: 5,825,879) ordinary shares in the Company.

On 14 May 2007, a share capital consolidation took place that replaced every 14 existing ordinary shares with 9 new ordinary shares. The effect of this share capital consolidation changed the par value of an ordinary share from 12/19 pence to 56/57 pence.

14 CALLED UP SHARE CAPITAL (CONTINUED)

Also, on 14 May 2007 shareholders received 1 'B' share or 1 'C' share for each existing ordinary share held. This was a means of returning cash to shareholders. The 'B' and 'C' shares issued were subsequently dealt with as follows:

- A dividend of 63 pence per 'C' share was paid on 451,806,110 'C' shares, with the dividend paid to holders on 25 May 2007. These 'C' shares were then converted to deferred shares. The deferred shares have been subsequently cancelled.
- Employee share ownership trusts received 6,195,278 'C' shares and waived their entitlement to dividends on such shares. These 'C' shares were then converted to deferred shares. The deferred shares have been subsequently cancelled.
- 253,584,435 'B' shares were redeemed at 63 pence each with the redemption proceeds paid to holders on 5 June 2007.
- 365,219,584 'C' shares were sold to Credit Suisse Securities (Europe) Limited for 63 pence each and the proceeds paid to holders on 5 June 2007. The 'C' shares were subsequently purchased by the Company from Credit Suisse Securities (Europe) Limited at 63 pence each and were cancelled.
- 24,193,300 'B' shares remained in issue at 31 October 2007 and may be redeemed at the option of the holder on 30 November and 31 March each year. These retained 'B' shares are entitled to receive a dividend at the rate of 70% of six month LIBOR, payable six-monthly in arrears on the par value of 63 pence per 'B' share.

The 'B' shares that remain in issue are classified as liabilities and the dividends payable on such shares are classified in the consolidated income statement within finance costs.

15 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Unaudited		Audited
	6 months to 31 October 2007 £m	6 months to 31 October 2006 £m	Year to 30 April 2007 £m
Operating profit of Group companies	83.1	94.1	166.4
Operating profit of discontinued operations	Nil	5.2	5.2
Depreciation			
- continuing operations	31.4	32.2	68.3
- discontinued operations	Nil	2.5	2.5
Loss on disposal of property, plant and equipment	Nil	0.1	0.2
Intangible asset expenses	3.7	5.0	9.6
Impairment of available for sale investment	Nil	Nil	1.3
Equity-settled share based payment expense	1.6	0.9	2.0
Operating cashflows before working capital	119.8	140.0	255.5
(Increase)/decrease in inventories	(1.2)	(0.2)	0.5
(Increase)/decrease in receivables	(26.1)	(19.3)	14.9
Increase/(decrease) in payables	33.2	60.7	(2.8)
Increase/(decrease) in provisions	1.2	(2.1)	13.7
Non-cash past service pensions adjustment	Nil	Nil	(28.9)
Decrease in retirement benefit obligations/increase in retirement benefit assets	(47.0)	(83.4)	(94.9)
Cash generated from operations	79.9	95.7	158.0

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 £33.7m (31 October 2006: £33.9m). After taking account of deposits paid upfront, new hire purchase liabilities of £32.1m (31 October 2006: £32.2m) were recognised.

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	Unaudited		Audited
	6 months to 31 October 2007 £m	6 months to 31 October 2006 £m	Year to 30 April 2007 £m
(Decrease)/increase in cash	(320.7)	281.2	315.1
Cash flow from movement in borrowings	356.5	19.6	40.9
	35.8	300.8	356.0
Bonus issue of preference shares	(693.6)	Nil	Nil
Hire purchase debt of acquired subsidiaries	(0.5)	Nil	Nil
New hire purchase and finance leases	(32.1)	(32.2)	(49.0)
Other movements	9.3	8.2	15.3
	(681.1)	276.8	322.3
Opening net funds/(debt) (see note 17)	186.4	(135.9)	(135.9)
Closing net (debt)/funds (see note 17)	(494.7)	140.9	186.4

17 ANALYSIS OF NET (DEBT)/FUNDS

IFRS does not explicitly define “net debt/funds”. The analysis provided below therefore shows the analysis of net debt/funds as the Company defines it. The analysis below further shows the other items classified as borrowings in the consolidated balance sheet.

	Opening £m	Cashflows £m	Preference shares issued £m	Preference shares liability waived £m	New hire purchase and finance leases £m	Foreign exchange movements £m	Acquisitions £m	(Charged)/ credited to income statement £m	Closing £m
Cash and cash equivalents	479.1	(320.7)	Nil	Nil	Nil	(0.4)	Nil	Nil	158.0
Cash collateral	33.4	Nil	Nil	Nil	Nil	(0.1)	Nil	Nil	33.3
Hire purchase and finance lease obligations	(122.3)	15.1	Nil	Nil	(32.1)	0.4	(0.5)	Nil	(139.4)
Bank loans and loan stock	(37.0)	(333.1)	Nil	Nil	Nil	Nil	Nil	(0.7)	(370.8)
Bonds	(166.8)	Nil	Nil	Nil	Nil	6.2	Nil	Nil	(160.6)
Preference shares	Nil	674.5	(693.6)	3.9	Nil	Nil	Nil	Nil	(15.2)
UK GAAP net funds/(debt)	186.4	35.8	(693.6)	3.9	(32.1)	6.1	(0.5)	(0.7)	(494.7)
Accrued interest on bonds and preference shares	(6.6)	7.3	Nil	Nil	Nil	0.1	Nil	(7.5)	(6.7)
Unamortised gain on early settlement of interest rate swaps	(9.8)	Nil	Nil	Nil	Nil	Nil	Nil	2.3	(7.5)
Net funds/(borrowing)	170.0	43.1	(693.6)	3.9	(32.1)	6.2	(0.5)	(5.9)	(508.9)

The net total of cash and cash collateral of £191.3m (30 April 2007: £512.5m) is classified in the balance sheet as £191.3m (30 April 2007: £513.3m) in cash and cash equivalents and £Nil (30 April 2007: £0.8m) as bank overdrafts within borrowings. The cash collateral balance as at 31 October 2007 of £33.3m (30 April 2007: £33.4m) comprises balances held in trust in respect of loan notes of £32.3m (30 April 2007: £32.3m), £0.4m (30 April 2007: £0.4m) held in Escrow in relation to the sale of businesses and North America restricted cash balances of £0.6m (30 April 2007: £0.7m). In addition, cash includes train operating company cash of £92.8m (30 April 2007: £96.2m). Under the terms of the franchise agreements, train operating companies can only distribute cash out of retained profits, and subject to meeting specified liquidity ratios.

Cash and cash equivalents includes £64.5m (30 April 2007: £Nil) of amounts deposited in money market accounts that are due to mature between 30 November 2007 and 7 December 2007.

18 RETIREMENT BENEFIT ASSETS/OBLIGATIONS

The Group contributes to a number of pension schemes. The principal defined benefit occupational benefit schemes are as follows:

- The Stagecoach Group Pension Scheme (“SGPS”);
- The South West Trains section of the Railways Pension Scheme (“RPS”);
- The Island Line section of the Railways Pension Scheme (“RPS”);
- A number of UK Local Government Pension Schemes (“LGPS”);
- The Yorkshire Traction Company Limited Pension Plan (“YTC”);
- The Strathtay Scottish Omnibuses Limited Pension and Life Assurance Scheme (“SSO”); and
- From 11 November 2007, the East Midlands Trains section of the Railways Pension Scheme (“RPS”).

These schemes are devised in accordance with local employment terms and conditions. Each scheme is administered independently of the employers and the schemes’ assets are held in trusts that are managed by investment managers appointed by the schemes’ trustees.

The Directors believe that separate consideration should be given to RPS as the Group has no rights or obligations in respect of sections of the scheme following expiry of the relevant franchise. Therefore, the asset (or liability) recognised for the relevant sections of RPS only represents that part of the net surplus (or deficit) of the sections that the employer is expected to recover (or obliged to fund) over the life of the franchise to which each section relates.

In addition, the Group contributes to a number of defined contribution schemes covering UK and non-UK employees.

The movements for the six months ended 31 October 2007 in the net pre-tax assets/(liabilities) recognised in the balance sheet were as follows:

	SGPS	RPS	LGPS	YTC	SSO	Other	Unfunded	Total
	£m	£m	£m	£m	£m	£m	Plans	£m
							£m	£m
At 1 May 2007	(27.3)	4.8	1.8	(8.3)	(2.9)	(0.8)	(3.5)	(36.2)
Current service cost	(5.0)	(6.7)	(1.6)	(0.7)	(0.2)	Nil	Nil	(14.2)
Defined contribution costs	Nil	Nil	Nil	Nil	Nil	(0.5)	Nil	(0.5)
Interest cost	(16.1)	(6.8)	(6.9)	(1.4)	(0.2)	(0.1)	(0.1)	(31.6)
Expected return on plan assets	22.4	9.9	9.0	1.3	0.2	Nil	Nil	42.8
One-off employers’ contributions	30.0	Nil	Nil	Nil	Nil	Nil	Nil	30.0
Other employers’ contributions	8.7	7.6	2.3	1.0	0.3	0.5	0.1	20.5
Actuarial gains	3.4	7.6	0.1	1.6	0.1	0.2	Nil	13.0
At 31 October 2007	16.1	16.4	4.7	(6.5)	(2.7)	(0.7)	(3.5)	23.8
- Assets	16.1	16.4	12.4	-	-	-	-	44.9
- Liabilities	-	-	(7.7)	(6.5)	(2.7)	(0.7)	(3.5)	(21.1)

The net pension assets before deferred tax of £23.8m (30 April 2007: net liabilities of £36.2m) is classified in the balance sheet as £44.9m (30 April 2007: £16.6m) of assets and £21.1m (30 April 2007: £52.8m) of liabilities. The related net deferred tax liabilities on the net assets is £7.1m (30 April 2007: net deferred tax assets on the net liabilities of £10.9m) resulting in post-tax retirement benefit net assets of £16.7m (30 April 2007: net liabilities of £25.3m).

19 CONTINGENT LIABILITIES

(i) At 31 October 2007, the following bonds and guarantees were in place relating to the Group's rail operations:

	Unaudited		Audited
	As at 31 October 2007 £m	As at 31 October 2006 £m	As at 30 April 2007 £m
Performance bonds backed by bank facilities			
- Stagecoach South Western	10.7	10.7	10.7
- East Midlands Trains	18.2	Nil	Nil
- South West Trains	Nil	44.3	44.3
Season ticket bonds backed by bank facilities:			
- Stagecoach South Western	34.3	Nil	34.5
- East Midlands Trains (£4.6m from November 2007)	Nil	Nil	Nil
- South West Trains	Nil	32.9	Nil
Inter-company loan facilities/guarantees			
- Stagecoach South Western	25.0	25.0	25.0
- East Midlands Trains	35.0	Nil	Nil
- South West Trains	Nil	15.7	15.7

- (ii) The Group and its joint venture, Virgin Rail Group Holdings Limited, have in the normal course of business, entered into a number of long term supply contracts. The most significant of these relate to track, station and depot access facilities, together with train lease and maintenance arrangements.
- (iii) Under UK Rail franchise agreements, the Group and its joint venture, Virgin Rail Group Holdings Limited, have agreed with the UK's Department for Transport annual amounts receivable or payable in respect of the operation of rail franchises for future periods. Under these agreements, there is a requirement to comply with a number of obligations. Failure to comply with these obligations would be a breach of the relevant franchise.
- (iv) The Group and the Company are from time to time party to legal actions arising in the ordinary course of business. Liabilities have been recognised in the financial statements for the best estimate of the expenditure required to settle obligations arising under such legal actions. As at 31 October 2007, the accruals in the consolidated financial statements for such claims total £3.1m (30 April 2007: £2.6m).
- (v) The Group provides details of guarantees and other financial commitments in its Annual Report.

20 CAPITAL COMMITMENTS

Capital commitments are as follows:

	Unaudited	Audited
	As at	As at
	31 October	31 October
	2007	2006
	£m	£m
Contracted for but not provided: for delivery within one year	50.2	39.2
		74.3

21 RELATED PARTY TRANSACTIONS

Details of major related party transactions during the six months ended 31 October 2007 are provided below, except for those relating to the remuneration of the Directors and management.

(i) Virgin Rail Group Holdings Limited - Non-Executive Directors

Two of the Group's managers are non-executive directors of Virgin Rail Group Holdings Limited. During the six months ended 31 October 2007, the Group earned fees of £15,417 (six months ended 31 October 2006: £12,500) from Virgin Rail Group Holdings Limited in this regard.

(ii) Noble Grossart Limited

Ewan Brown (Non-Executive Director) is a former executive director and current non-executive director of Noble Grossart Limited that provided advisory services to the Group during the period. Total fees payable to Noble Grossart Limited in respect of the six months ended 31 October 2007 amounted to £10,000 (six months ended 31 October 2006: £10,000). At 31 October 2007, Noble Grossart Investments Limited, a subsidiary of Noble Grossart Limited, held 4,084,999 (30 April 2007: 6,354,443) ordinary shares in the Company, representing 0.6% (30 April 2007: 0.6%) of the Company's issued ordinary share capital.

(iii) Alexander Dennis Limited

On 21 May 2004, Brian Souter and Ann Gloag together gained control of 39.3% of the shares and voting rights in Alexander Dennis Limited. They now collectively hold 37.7% (30 April 2007: 37.2%) of the shares and voting rights. Noble Grossart Investments Limited (see (ii) above) controls a further 28.3% (30 April 2007: 27.9%) of the shares and voting rights of Alexander Dennis Limited. None of Brian Souter, Ann Gloag or Ewan Brown is a director of Alexander Dennis Limited nor do they have any involvement in the management of Alexander Dennis Limited. Furthermore, they do not participate in deciding on and negotiating the terms and conditions of transactions between the Group and Alexander Dennis Limited.

For the six months ended 31 October 2007, the Group purchased £19.1m (six months ended 31 October 2006: £24.7m) of vehicles from Alexander Dennis Limited and £1.3m (six months ended 31 October 2006: £2.5m) of spare parts and other services.

For new vehicle orders placed with Alexander Dennis Limited for vehicles, the Group has consulted with the UK Listing Authority and taken the appropriate measures to ensure that the transactions with Alexander Dennis Limited comply with the Listing Rules.

(iv) Pension Schemes

Details of employer contributions made to pension schemes are contained in note 18 to the condensed financial statements.

(v) Robert Walters plc

Martin Griffiths became a non-executive director of Robert Walters plc in July 2006 and received £18,833 in respect of his services for the 6 months ended 31 October 2007 (£12,500 from 12 July 2006 to 31 October 2006).

(vi) Loan to New York Splash Tours LLC

An interest bearing long-term loan of £1.5m was outstanding from New York Splash Tours LLC as at 31 October 2007 (30 April 2007: £1.9m).

22 POST BALANCE SHEET EVENTS

Details of the interim dividend declared are given in Note 7.

On 11 November 2007, the Group commenced operation of the East Midlands rail franchise.

On 30 November 2007, the Group redeemed 11,409,623 B shares at 63 pence each, leaving 12,783,677 B shares in issue.