



Martin Griffiths  
Finance Director

## OVERALL REVIEW

Turnover for the six months increased by 1.6% to £1,085.5m and operating profit decreased by 45.9% to £92.0m. These trends reflect the disposals of Porterbrook and Swebus partly offset by a full six months' contribution from Coach USA. Excluding Porterbrook and Swebus from last year's figures, turnover and profit before interest, tax and goodwill amortisation have increased by 29.8% and 12.5% respectively.

The first-half results reflect Coach USA's seasonally stronger six months and include the benefits of continued passenger growth at South West Trains, and in our bus operations in Hong Kong, Portugal, New Zealand and Australia.

Depreciation for the period decreased from £103.5m to £56.8m, largely as a result of the Group no longer bearing depreciation on the rolling stock owned by Porterbrook. Goodwill amortisation increased from £18.2m to £32.2m, reflecting the full six months' impact of the acquisition of Coach USA completed during the prior year period.

Exceptional losses before tax of £2.1m (1999–£Nil) were reported. This reflects thetrainline.com marketing expenditure and Virgin Rail Group arbitration costs offset by gains made on property disposals.

Restructuring costs amounted to £2.6m (1999–£3.8m), of which £1.1m relates to the

ongoing restructuring at Coach USA and £1.4m relates to the management restructuring within our UK Bus division.

Earnings before interest, taxation, depreciation, amortisation and exceptional items amounted to £185.5m (1999–£291.9m).

Overall, earnings per share before goodwill amortisation and exceptional items amounted to 5.3p (1999–7.6p) reflecting the disposals of Porterbrook and Swebus in the prior financial year, a full six-month's contribution from Coach USA and the impact of our share buyback programme.

## ACQUISITIONS AND DISPOSALS

During the six months ended 31 October 2000, Coach USA has acquired new businesses with a total enterprise value of approximately £45m which have contributed approximately £3m to operating profit in the period. These have largely been 'tuck-in' acquisitions that complement the established business.

## SHARES IN ISSUE

Since commencing our share buyback programme in April 2000, we have repurchased and cancelled 333.9 million shares at a total cost of £221.0m, representing approximately 20% of the shares in issue when our buyback programme commenced. Of these, 85.7 million shares at a total cost of £58.9m were repurchased in the current financial period.

The weighted average number of shares for the six months ended 31 October 2000 was 1,374.8 million. The number of shares ranking for dividend at 31 October 2000 was 1,311.8 million. If no further shares are issued or repurchased in the remainder of this financial year, the weighted average number of shares for the full year will fall to 1,343.5 million.

### OPERATING CASH FLOWS AND CAPITAL EXPENDITURE

Operating cash flows fell from £226.0m to £152.6m following the disposal of Porterbrook and free cash flow decreased from £149.4m to £115.8m.

Capital expenditure in the six-month period was £75.4m reflecting the purchase of 156 buses in the UK, 116 vehicles in North America and an investment in land and buildings.

### NET ASSETS AND NET DEBT

Net assets increased by £10.2m in the six months from £1,391.2m at 30 April 2000 to £1,401.4m at 31 October 2000. This represents net assets per share of 106.8p (30 April 2000 – 99.7p). Net debt increased from £549.6m at 30 April 2000 to £840.6m, and primarily reflects the impact of the share buyback programme and the impact of foreign currency movements on our predominately US dollar denominated debt. This represents a gearing ratio of 60% (30 April 2000 – 40%).

Our strong net assets and historically low gearing ratios mean that we are well positioned to take advantage of future investment opportunities.

### INTEREST

The ratio EBITDA (earnings before interest, tax, depreciation, amortisation and exceptional items) to interest is our primary interest cover measure and was 5.0 times (six months ended 31 October 1999 – 5.0 times).

Our total interest charge amounted to £36.9m. This represents an average effective interest rate of 9.4% which reflects the higher interest rate environment over the last six months, the lower rate earned on cash deposits together with costs of amortising issue costs and non-utilisation facility fees.

At 31 October 2000, a total of 71% of the Group's gross borrowings were covered by fixed and capped interest rates (30 April 2000 – 53%).

### TAXATION

The tax charge for the six months of £17.3m represents an effective tax rate of 30.1%. This is an increase from 22.7% in the year ended 30 April 2000, and reflects the fact that the prior year tax charge included the benefits of capital allowances on the ongoing investment in rolling stock by Porterbrook.

### FUEL HEDGING

We have hedging arrangements in place to cover 100% of our expected fuel consumption until 30 April 2001. For the financial year ending 30 April 2002, we are approximately 20% hedged at the current time and our hedging position is under constant review.

### ACCOUNTING POLICIES

There have been no changes in the Group's accounting policies during the six months ended 31 October 2000. Our policies have been reviewed against recent accounting pronouncements and the most significant changes expected in the medium term are in respect of deferred taxation and accounting

for pensions and other post-retirement benefits.

In particular, the Accounting Standards Board issued Financial Reporting Standard Number 17 ('FRS 17'), 'Retirement Benefits' on 30 November 2000. FRS 17 will require a change in the Group's accounting policy for defined benefit pension schemes. The Standard's requirements are to be applied on a phased basis with the first impact on the Group's accounts being for the financial year ending 30 April 2002.



MARTIN A GRIFFITHS

Finance Director

5 December 2000

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Unaudited		Audited
	6 months to 31 October 2000 £m	6 months to 31 October 1999 £m	Year to 30 April 2000 £m
<b>TURNOVER: GROUP AND SHARE OF JOINT VENTURE</b>	<i>4</i>	<b>1,085.5</b>	<b>2,179.1</b>
Less: Share of joint venture turnover	<i>4</i>	<b>(145.3)</b>	<b>(255.6)</b>
<b>GROUP TURNOVER</b>	<i>4</i>	<b>940.2</b>	<b>1,923.5</b>
Continuing group operations		<b>940.2</b>	<b>1,528.2</b>
Discontinued operations		<b>Nil</b>	<b>395.3</b>
		<b>940.2</b>	<b>1,923.5</b>
Operating costs excluding asset impairment (including goodwill amortisation £27.9m (6 months to 31 October 1999 – £14.0m; year to 30 April 2000 – £39.2m))		<b>(889.8)</b>	<b>(1,710.0)</b>
Impairment of assets at Prestwick airport		<b>Nil</b>	<b>(30.0)</b>
Other operating income	<i>3</i>	<b>49.9</b>	<b>109.5</b>
Group overheads (including ESOP charge)		<b>(10.4)</b>	<b>(21.7)</b>
<b>OPERATING PROFIT OF GROUP COMPANIES</b>	<i>4</i>	<b>89.9</b>	<b>271.3</b>
Share of operating (loss)/profit from interest in joint venture		<b>(0.6)</b>	<b>6.4</b>
Goodwill amortised on joint venture		<b>(4.0)</b>	<b>(8.0)</b>
Share of operating profit from interest in associates		<b>7.0</b>	<b>15.2</b>
Impairment of investment in associates		<b>Nil</b>	<b>(85.0)</b>
Goodwill amortised on associates		<b>(0.3)</b>	<b>(0.2)</b>
<b>TOTAL OPERATING PROFIT: GROUP AND SHARE OF JOINT VENTURE AND ASSOCIATES</b>		<b>92.0</b>	<b>199.7</b>
Represented by:			
Continuing group operations		<b>89.9</b>	<b>114.3</b>
Joint ventures and associates		<b>2.1</b>	<b>(71.6)</b>
		<b>92.0</b>	<b>42.7</b>
Discontinued operations		<b>Nil</b>	<b>157.0</b>
<b>TOTAL OPERATING PROFIT: GROUP AND SHARE OF JOINT VENTURE AND ASSOCIATES</b>		<b>92.0</b>	<b>199.7</b>
Profit on sale of properties – continuing operations		<b>2.4</b>	<b>2.4</b>
Profit on disposal of Porterbrook		<b>Nil</b>	<b>135.5</b>
Loss on disposal of overseas operations		<b>Nil</b>	<b>(10.7)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>		<b>94.4</b>	<b>326.9</b>
Finance charges (net)		<b>(36.9)</b>	<b>(144.6)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>57.5</b>	<b>182.3</b>
Taxation on profit on ordinary activities	<i>5</i>	<b>(17.3)</b>	<b>(41.4)</b>
<b>PROFIT FOR THE FINANCIAL PERIOD</b>		<b>40.2</b>	<b>140.9</b>
<b>DIVIDENDS (1.3p PER SHARE (1.2p – 31 OCTOBER 1999; 3.6p – 30 APRIL 2000))</b>		<b>(16.7)</b>	<b>(54.0)</b>
<b>RETAINED PROFIT FOR THE PERIOD</b>		<b>23.5</b>	<b>86.9</b>
<b>EARNINGS PER SHARE</b>			
– Basic	<i>6</i>	<b>2.9p</b>	<b>9.4p</b>
– Basic before goodwill amortisation and exceptional items	<i>6</i>	<b>5.3p</b>	<b>13.4p</b>
– Diluted	<i>6</i>	<b>2.9p</b>	<b>9.3p</b>

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

# CONSOLIDATED BALANCE SHEET

	Unaudited		Audited
	As at 31 October 2000 £m	As at 31 October 1999 Restated £m	As at 30 April 2000 £m
<b>FIXED ASSETS</b>			
Intangible assets	1,035.5	913.7	953.0
Tangible assets	1,199.9	2,125.3	1,127.7
Investments			
– Investment in joint venture			
Goodwill	91.8	100.2	96.2
Share of gross assets	88.8	92.3	106.3
Share of gross liabilities	(57.3)	(60.8)	(74.4)
Shareholder loan notes	10.0	20.0	10.0
	133.3	151.7	138.1
– Investment in associates	66.0	109.5	59.1
– Other investments	2.3	4.6	2.7
	2,437.0	3,304.8	2,280.6
<b>CURRENT ASSETS</b>			
Stocks	44.6	34.9	37.4
Debtors and prepaid charges – due within one year	225.4	260.4	199.0
– due after more than one year	31.9	35.6	34.4
Cash at bank and in hand	170.0	373.8	816.0
	471.9	704.7	1,086.8
<b>CREDITORS: Amounts falling due within one year</b>	(538.8)	(846.2)	(836.0)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	(66.9)	(141.5)	250.8
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	2,370.1	3,163.3	2,531.4
<b>CREDITORS: Amounts falling due after more than one year</b>	(863.1)	(2,141.6)	(1,039.4)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	(105.6)	(237.1)	(100.8)
<b>NET ASSETS</b>	1,401.4	784.6	1,391.2
<b>CAPITAL AND RESERVES</b>			
Equity share capital	6.6	7.0	7.1
Share premium account	781.2	393.6	779.7
ESOP distribution reserve	0.9	1.2	1.8
Capital redemption reserve	1.7	Nil	1.2
Profit and loss account	611.0	382.8	601.4
<b>SHAREHOLDERS' FUNDS – EQUITY</b>	1,401.4	784.6	1,391.2

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

# CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	Audited	
	6 months to	6 months to	
	31 October	31 October	
	2000	1999	
		Restated	
	£m	£m	
	£m	£m	
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>152.6</b>	<b>226.0</b>	<b>511.7</b>
<b>DIVIDENDS FROM JOINT VENTURE AND ASSOCIATES</b>	<b>3.6</b>	<b>3.6</b>	<b>6.7</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest paid	(43.0)	(57.0)	(138.3)
Interest element of HP and lease finance	(4.6)	(4.4)	(9.6)
Interest received	9.5	10.7	26.9
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>(38.1)</b>	<b>(50.7)</b>	<b>(121.0)</b>
<b>TAXATION</b>	<b>(2.3)</b>	<b>2.4</b>	<b>(49.9)</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Purchase of tangible fixed assets	(59.9)	(116.9)	(258.6)
Maintenance capital expenditure	Nil	(31.9)	(63.6)
Sale of tangible fixed assets	7.9	6.3	17.4
<b>NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	<b>(52.0)</b>	<b>(142.5)</b>	<b>(304.8)</b>
<b>ACQUISITIONS AND DISPOSALS</b>			
Acquisition of subsidiaries	(29.4)	(728.2)	(768.0)
Net cash acquired with subsidiaries	0.5	47.3	49.2
Purchase of goodwill	(0.1)	Nil	(0.8)
Purchase of investments in joint venture and associates	(1.8)	(0.3)	(9.8)
Repayment of shareholder loan	Nil	Nil	10.0
Purchase of other investments	Nil	(12.5)	Nil
Cost of disposed subsidiaries	Nil	Nil	(196.1)
Disposal of subsidiaries	Nil	0.3	872.2
Disposal of other investments	0.4	Nil	Nil
<b>NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS</b>	<b>(30.4)</b>	<b>(693.4)</b>	<b>(43.3)</b>
<b>EQUITY DIVIDENDS PAID</b>	<b>(33.2)</b>	<b>(27.7)</b>	<b>(47.4)</b>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>	<b>0.2</b>	<b>(682.3)</b>	<b>(48.0)</b>
<b>FINANCING</b>			
Sale of tokens	6.1	5.8	14.5
Redemption of tokens	(7.5)	(8.4)	(14.6)
Issue of share capital for cash	0.1	0.1	400.4
Costs of issuing new shares	Nil	Nil	(12.6)
Repurchase of own shares	(172.4)	Nil	(45.3)
Decrease in collateral balances	23.9	3.7	3.6
Repayment of loan notes	(12.5)	(0.3)	(28.5)
(Decrease)/increase in borrowings	(421.6)	771.3	295.1
Cost of bond redemption	(15.4)	Nil	Nil
Repayments of hire purchase and lease finance	(25.4)	(32.9)	(68.2)
<b>NET CASH (OUTFLOW)/INFLOW FROM FINANCING</b>	<b>(624.7)</b>	<b>739.3</b>	<b>544.4</b>
<b>(DECREASE)/INCREASE IN CASH IN PERIOD</b>	<b>8</b> <b>(624.5)</b>	<b>57.0</b>	<b>496.4</b>
<b>FREE CASH FLOW</b>	<b>115.8</b>	<b>149.4</b>	<b>283.9</b>
<b>FREE CASH FLOW PER SHARE</b>	<b>8.4p</b>	<b>10.8p</b>	<b>18.9p</b>

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

# CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Unaudited		Audited
	6 months to 31 October 2000	6 months to 31 October 1999 Restated	Year to 30 April 2000
	£m	£m	£m
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>40.2</b>	<b>86.8</b>	<b>140.9</b>
Translation differences on foreign currency net investments	44.9	(9.4)	13.5
UK tax effect of translation differences on foreign currency net investments	Nil	Nil	(1.4)
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD</b>	<b>85.1</b>	<b>77.4</b>	<b>153.0</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>Nil</b>	<b>(5.6)</b>	<b>(5.6)</b>
<b>TOTAL RECOGNISED GAINS AND LOSSES RECOGNISED FOR THE PERIOD</b>	<b>85.1</b>	<b>71.8</b>	<b>147.4</b>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Unaudited		Audited
	6 months to 31 October 2000	6 months to 31 October 1999 Restated	Year to 30 April 2000
	£m	£m	£m
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>40.2</b>	<b>86.8</b>	<b>140.9</b>
Dividends	(16.7)	(19.7)	(54.0)
	23.5	67.1	86.9
Goodwill previously written off to reserves	Nil	0.3	339.5
Other recognised gains and losses relating to the period (see above)	44.9	(9.4)	12.1
New share capital issued less costs	1.6	2.1	389.7
ESOP distribution reserve decrease	(0.9)	(0.9)	(0.3)
Shares repurchased	(58.9)	Nil	(162.1)
<b>NET ADDITIONS TO SHAREHOLDERS' FUNDS</b>	<b>10.2</b>	<b>59.2</b>	<b>665.8</b>
<b>OPENING SHAREHOLDERS' FUNDS AS PREVIOUSLY STATED</b>	<b>1,391.2</b>	<b>731.0</b>	<b>731.0</b>
<b>REVERSAL OF UNREALISED REVALUATION SURPLUS RECOGNISED IN PREVIOUS PERIODS</b>	<b>Nil</b>	<b>(5.6)</b>	<b>(5.6)</b>
<b>OPENING SHAREHOLDERS' FUNDS AS RESTATED</b>	<b>1,391.2</b>	<b>725.4</b>	<b>725.4</b>
<b>CLOSING SHAREHOLDERS' FUNDS</b>	<b>1,401.4</b>	<b>784.6</b>	<b>1,391.2</b>