

STAGECOACH GROUP

3 December 2008

Stagecoach Group plc – Interim results for the six months ended 31 October 2008

Highlights

- Strong first-half results – adjusted earnings per share* up 29%
- Interim dividend increased by 33% to 1.8p per ordinary share
- Group in good shape to withstand challenging global economic conditions
- Strong balance sheet enabling further investment for growth
 - Continued targeted capital investment
 - Shortlisted for South Central rail franchise
- Challenging 2009/10 outlook in UK Rail
- UK Bus revenue still growing strongly - up 11.8% (like-for-like* growth 9.2%)
- Like-for-like* UK Bus passenger volumes up 4.1%: marketing, fleet investment, good value fares and concessionary fare schemes
- Growth in revenue and operating margin in North America
- UK Rail revenue up 50.7% (like-for-like* growth 8.2%)
- Virgin Rail Group poised for significant increase in services

* see definitions in note 25 to the condensed financial statements

Financial summary

Six months ended 31 October	Results excluding intangible asset expenses and exceptional items		Reported results	
	2008	2007	2008	2007
Revenue (£m)	1,045.0	820.8	1,045.0	820.8
Total operating profit (£m)	119.8	100.0	113.3	93.8
Net exceptional gains (£m)	-	-	2.0	2.0
Net finance charges (£m)	(14.6)	(15.4)	(14.6)	(15.4)
Profit before taxation (£m)	105.2	84.6	100.7	80.4
Earnings per share (pence)	12.1	9.4	9.7	9.0
Interim dividend (pence)	1.8	1.35	1.8	1.35

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

“We have achieved good growth in our bus and rail operations and the overall trading of the Group remains in line with our expectations for the year ending 30 April 2009. Rising consumer household bills, as well as increasing environmental awareness, are helping drive modal shift to our greener, smarter and good value bus and rail services. We are experiencing particularly strong demand for value-products in both bus and rail.

“The short to medium term outlook for our UK rail operations is challenging and in anticipation of a further deterioration in economic conditions, we are taking action now to ensure our rail businesses remain competitive. Our bus operations in the UK and North America are performing strongly and reporting good organic growth. We expect our bus businesses to continue to perform well through difficult economic conditions.”

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Chairman's statement

I am pleased to report that Stagecoach Group has achieved another strong set of results. The Group is well funded, in a strong financial position and we have a portfolio of businesses that continues to deliver organic growth. The Group is therefore well positioned to withstand the challenging global economic conditions.

Revenue for the six months ended 31 October 2008 was £1,045.0m (2007: £820.8m). Total operating profit (before intangible asset expenses and exceptional items) was £119.8m (2007: £100.0m). Earnings per share before intangible asset expenses and exceptional items were up 28.7% at 12.1p (2007: 9.4p).

Stagecoach has made a promising start to the second half of its financial year. The overall trading of the Group has been robust and remains in line with our expectations for the year ending 30 April 2009. The Group's strong financial position is enabling us to continue to invest for growth through significant capital expenditure and contract bids, including our bid for the new South Central rail franchise.

We believe our greener, smarter and good value bus, coach, train and tram services are the ideal offerings in the current financial climate as consumers face rising household bills. Our commitment to high quality, good value travel, built on strong partnership and innovation, has underpinned further growth in our business as more people switch from the car to bus, train and tram.

It is clear that the travel sector is not immune to the current macro-economic environment and that the UK economy is expected to weaken in 2009/10. We believe the operating profits of the Group's bus operations in the UK and North America, which accounted for 61%⁺ of the combined bus and rail operating profit for the six months ended 31 October 2008, should be relatively protected from the effects of an economic slowdown.

Our rail operations are more susceptible to changes in economic conditions, partly because of the relatively high fixed cost base of the UK train operating company model. While the depth and duration of the economic downturn is difficult to forecast, we anticipate a sharp reduction in central London employment and a fall in UK Gross Domestic Product during the next 12 to 18 months.

As a result, we are taking action now to ensure that our UK rail businesses remain competitive. Our plan includes a cost reduction programme in our rail operations, which will include headcount reductions, and maximising revenue from planned rail initiatives.

The Group has a broad rail portfolio and revenue from its train services will benefit from the current trend towards good-value products and services, rising environmental concerns, the planned introduction of more train services, installation of automatic ticket gates and other revenue protection measures, together with the introduction of smartcards.

In light of the challenges and uncertainties facing our UK Rail operations, we have less visibility of UK Rail profits for 2009/10. Notwithstanding the management action being taken, based on our current assessment of the various risks and opportunities facing our rail businesses, we are likely to see downward pressure on 2009/10 rail profits. Thereafter, 2010/11 rail profits should benefit from greater contractual protection against revenue shortfalls at South Western Trains.

⁺ Calculated based on operating profits of £60.9m for UK Bus, £19.8m for North America, £31.7m for UK Rail and £19.4m for Virgin Rail Group, together amounting to £131.8m.

The Group previously indicated that the interim dividend per share each year would be set at one-third of the preceding year's full-year dividend per share. Accordingly, the Directors have declared an interim dividend of 1.8p per share (2007: 1.35p), a 33.3% increase. This reflects the Group's strong financial performance and our continuing progressive dividend policy. The interim dividend is payable on 4 March 2009 to shareholders on the register at 6 February 2009.

I would like to thank our employees, whose continued hard work and commitment is crucial in growing our business.

Robert Speirs
Chairman

3 December 2008

Interim management report

The Directors are pleased to present their report on the Group for the six months ended 31 October 2008.

Cautionary statement

The interim management report and the preceding Chairman's statement has been prepared for the shareholders of the Company, as a body, and no other persons. Their 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 and the preceding Chairman's statement 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 will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation. Nothing in the Chairman's statement nor the interim management statement should be considered or construed as a profit forecast for the Group. Except as required by law, the Group has no obligation to update forward-looking statements or to correct any inaccuracies therein.

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, train, 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 2008.

Revenue by division is summarised below:

REVENUE	6 months to 31 October 2008 £m	6 months to 31 October 2007 £m	Currency	6 months to 31 October 2008 Local currency (m)	6 months to 31 October 2007	Growth %
Continuing Group operations						
UK Bus	410.4	367.1	£	410.4	367.1	11.8%
North America – excluding megabus.com	142.3	128.6	US\$	267.7	258.9	3.4%
North America – megabus.com	8.2	2.4	US\$	15.4	4.8	220.8%
UK Rail	486.4	322.7	£	486.4	322.7	50.7%
Intra-Group revenue	(2.3)	Nil	£	(2.3)	Nil	n/a
Group revenue	1,045.0	820.8				

Operating profit by division is summarised below:

OPERATING PROFIT	6 months to 31 October 2008		6 months to 31 October 2007		Currency	6 months to 31 October 2008	6 months to 31 October 2007
	£m	% margin	£m	% margin		Local currency (m)	
Continuing Group operations							
UK Bus	60.9	14.8%	52.5	14.3%	£	60.9	52.5
North America – excluding megabus.com	20.2	14.2%	18.0	14.0%	US\$	38.0	36.2
North America – megabus.com	(0.4)	(4.9)%	(1.1)	(45.8)%	US\$	(0.8)	(2.2)
UK Rail	31.7	6.5%	25.3	7.8%	£	31.7	25.3
Group overheads	(7.2)		(6.2)				
Restructuring costs	(1.0)		(1.7)				
	104.2		86.8				
Joint ventures – share of profit after tax							
Virgin Rail Group	15.1		12.9				
Citylink	0.7		0.6				
New York Splash Tours LLC	(0.2)		(0.3)				
Total operating profit before intangible asset expenses	119.8		100.0				
Intangible asset expenses	(6.5)		(6.2)				
Total operating profit: Group operating profit and share of joint ventures' profit after tax	113.3		93.8				

UK Bus

Revenue from our continuing UK Bus operations for the six months ended 31 October 2008 was up 11.8% to £410.4m, compared to £367.1m in the prior year. Like-for-like revenue growth was 9.2%. Operating profit* was £60.9m (2007: £52.5m). Operating margin was 14.8%, compared to 14.3% in 2007. The improvement in operating margin reflects the continued strong revenue growth and a rigorous focus on cost control.

We have delivered further revenue and organic passenger volume growth at our UK Bus Division as we benefit from modal shift from the car and growing consumer demand for good value travel against a background of rising household costs. Revenue and passenger volumes have also benefited from the new England-wide concessionary fares scheme that was introduced by Government in April 2008. Estimated like-for-like passenger volumes in the six months were 4.1% higher than the equivalent prior year period, which includes the effect of the concessionary fares scheme.

Our recent marketing campaigns have focused closely on promoting the price and environmental benefits of bus travel. This has included a £500,000 national marketing campaign targeting motorists through e-mail, national newspapers and advertising on fuel pump nozzles at hundreds of roadside and supermarket forecourts.

We have made a constructive contribution to the consultation process for the Local Transport Bill, which received Royal Assent on 26 November 2008 and is now an Act of Parliament. Close partnership working between operators and local authorities remains an important element of the new measures. We remain committed to investing in our services to make bus travel an even more attractive option and believe the bus can be at the heart of Government initiatives to tackle climate change.

Stagecoach is well placed to benefit from measures at local and national level to address road congestion. We have actively supported Greater Manchester Passenger Transport Executive's ("GMPTE") plans for a £3 billion package of public transport improvements, combined with a road user charging scheme, and the results of the local referendum are expected shortly.

We have made further investments in new technology to make travel easier for customers and drive further revenue growth through online sales. Next year, more than 200 of our buses will be the first in the UK to be fitted with special "tap and go" technology to allow passengers to use a bankcard to make on-board payment for bus travel under a partnership with MasterCard and The Royal Bank of Scotland. In Manchester, we have worked with GMPTE to install new solar-powered on-street ticket machines to make it even easier for customers to buy tickets in advance, speeding up boarding and helping services run on time.

Stagecoach is continuing to invest significantly in its fleet and has already taken delivery of the first vehicles from a £71m programme of orders for nearly 500 new buses with the latest green engine technology. Our investment programme includes 20 new state-of-the-art vehicles to operate in Cambridgeshire on the longest and greenest guided busway in the world. The 20 vehicles will run on 100% biofuel produced from recycled food waste when the busway opens in April 2009.

* See definitions in note 25 to the condensed financial statements

During the period, we completed the acquisition of Highland Country Buses and Orkney Coaches. The business - which employs around 400 people and runs a fleet of around 200 vehicles in the Scottish Highlands, Orkney and Skye – is an excellent fit with our existing North of Scotland operations and we look forward to improving the quality of bus services to our customers in the area. We also acquired the business of Bullocks during the period, a small bus operator in the Manchester area.

North America

Revenue from our North American operations, excluding megabus.com, for the six months to 31 October 2008 was up 3.4% at US\$267.7m (2007: US\$258.9m), and the equivalent like-for-like revenue was up by 4.2%. Operating profit excluding megabus.com was US\$38.0m (2007: US\$36.2m). This resulted in an increase in the operating margin from 14.0% to 14.2% notwithstanding a US\$6.9m increase in fuel costs. Converted to sterling, revenue was £142.3m (2007: £128.6m) and operating profit was £20.2m (2007: £18.0m).

Our North American operations continue to report solid revenue and profit growth. In the United States, revenues from our commuter services have increased as a result of our marketing targeted at attracting motorists out of their cars. We have had a successful contract renewal season and we have also seen growth in our airport services due to additional marketing of our good value services and improved service schedules. Revenue in the more leisure dependent parts of our US business has been affected by economic conditions and we continue to monitor performance closely and redeploy fleet as appropriate.

North American megabus.com operations reported revenue of US\$15.4m (2007: US\$4.8m) for the six months and an operating loss of US\$0.8m (2007: US\$2.2m), which included marketing and other start-up costs. This equates to sterling revenue of £8.2m (2007: £2.4m) and an operating loss of £0.4m (2007: £1.1m).

We have been delighted with the performance of our budget inter-city coach service, megabus.com, which has capitalised on the demand for value products and services in the current environment where household costs have increased dramatically. megabus.com has expanded to new locations and we now serve more than 30 cities in the Midwest and Northeast United States, and Canada.

In Canada, our charter revenues remain strong, particularly in southern Ontario and Quebec, and our scheduled service operations continue to perform well. We are also pleased with the performance of our contract services on behalf of school boards, municipalities and international airports in Toronto and Montreal, which delivered good operating margins.

UK Rail

Revenue from our UK Rail subsidiaries for the six months to 31 October 2008 was up by 50.7% to £486.4m (2007: £322.7m). On a like-for-like basis revenue increased 8.2%. The reported growth of 8.2% includes the negative effect of the transfer of Reading – Brighton train services from South Western Trains to another operator, which has reduced the reported growth rate by around 1.0%. Operating profit was £31.7m (2007: £25.3m), giving an operating margin of 6.5% (2007: 7.8%). The change in the operating margin reflects changes in the mix of rail businesses and the benefit in the prior year operating margin from the early introduction of revenue protection and other initiatives at South Western Trains.

South Western Trains

We are continuing to deliver on our plans for the South Western rail franchise and we have achieved further revenue growth during the period. While the rate of growth has slowed as Central London employment has been affected by the tough economic environment, we have achieved growth in both our peak and off-peak services. Off-peak revenue in the six months to 31 October 2008 has grown faster than peak revenue, consistent with a switch from car to train travel during off-peak times.

The programme to install automatic ticket gates at London Waterloo Station is progressing well. It is due to open by early 2009 and will further assist revenue protection and improve passenger flow. We have installed a further 160 ticket vending machines across our network this year, bringing the total number of machines to around 450, the highest of any train operator. Recent software improvements mean the machines also now offer an extended ticket range.

South West Trains' operational performance continues to be amongst the best achieved by train operating companies in London and the South East, with 92.8% (as measured by the Department for Transport's Passenger Performance Measure, "PPM") of trains arriving on time during the year to 9 November 2008.

We have nearly completed work to increase both mainline and suburban capacity by around 20% through a programme of rolling stock cascades and refurbishments. These measures, which were part of our original franchise plan, will better match capacity to demand at key times during the day.

In line with our franchise commitments, we have carried out a range of station, car park and footbridge improvements, as well as progressing facilities for passengers with disabilities under the Department for Transport's ("DfT") Access for All scheme. Our investment in further security measures has seen a 12% drop in reported crime at South West Trains, making rail travel safer and more attractive to passengers.

We are progressing our plans to introduce smartcard technology on the South West Trains network. In addition, further to the DfT's High Level Output Specification, discussions are continuing with the DfT regarding potential increases in capacity at South West Trains supported by new trains and the scope to make some use of the Waterloo International rail terminal.

East Midlands Trains

We have completed the first year of our East Midlands Trains franchise and have made a strong impact in delivering passenger growth and progressing our £90m planned programme of improvements.

Revenue growth on London services into St Pancras International Station has continued to be strong as passengers benefit from the easy links to Eurostar train services from the UK to continental Europe. Our marketing is also focused on attracting car users affected by the ongoing programme of roadworks on the M1 motorway.

We have started the £10m refurbishment of the Class 158 trains, which includes new seats, additional seating capacity, installation of CCTV and new toilets. Improvements have also been made to the remainder of the train fleet, including new engines for the High Speed Trains ("HSTs") and altering the seating configuration on the Meridian trains. We have also taken steps to ensure cleaner and fresher train interiors and exteriors.

Our passengers are also benefiting from our Right Time Railway programme, which has driven up punctuality to 88.4% (measured by PPM) of trains arriving on time during the year to 9 November 2008.

Work is underway to improve customer service at stations by introducing new ticket machines, additional car parking spaces, free WiFi, and a new First Class Lounge at St. Pancras International station. In addition, two new stations will shortly be opened on the East Midlands Trains network - East Midlands Parkway, a £25m scheme near junction 24 of the M1 motorway at Radcliffe-on-Soar; and Corby, a £10m scheme intended to provide a direct train service between Corby and London.

Light Rail

Passenger volumes at Sheffield Supertram are at record levels and we will complete our refurbishment programme on the 25-tram fleet by the end of December 2008. A major project has started to install fibre optic cable along the entire tramway to deliver improved CCTV, passenger information displays, signalling and management information.

Planning is well underway to prepare for the extensions to the Manchester Metrolink tram network, which will double in size as a result of the new lines and also see the introduction of new ticket machines. Work has already commenced on track renewals on the existing City Centre network, which GMPTE are targeting to be completed by late summer 2009.

Rail franchising opportunities

We are pleased to have been shortlisted by the DfT to bid for the South Central passenger rail franchise and are currently working in conjunction with local stakeholders to develop plans to maximise the potential of the franchise and attract more people to greener, smarter rail travel. Based on our excellent record of high operational performance, successful project management and major investment to improve services for passengers across our existing rail networks, we believe we are well positioned to deliver a strong and competitive bid. The Group projects that the costs of its South Central bid will be around £5m and that these costs will be expensed during the year ending 30 April 2009.

Virgin Rail Group

Stagecoach Group has a 49% shareholding in a joint venture, Virgin Rail Group ("VRG"). Our share of VRG's profit after tax for the six-month period amounted to £15.1m (2007: £12.9m). Our share of operating profit was £19.4m (2007: £16.3m), our share of finance income was £1.6m (2007: £1.8m) and our share of taxation charges was £5.9m (2007: £5.2m). The prior year period included the contribution from the CrossCountry franchise, which ended in November 2007.

Plans are in place to increase the number of train services operated by the franchise by around one-third from December 2008. Some services have been removed from the initial timetable as a contingency measure but the full service is planned to be operational from the end of January 2009. This will be achieved through the introduction of a new timetable following significant investment in upgrading the railway infrastructure.

As previously reported, recent train performance and reported revenue at VRG have been adversely affected by work being undertaken on the railway infrastructure by Network Rail in anticipation of the increase in train services from December 2008. However, because VRG is compensated for this disruption, its overall profitability has not been adversely affected. There remain significant risks surrounding the delivery of reliable railway infrastructure from December 2008, and whilst in principle VRG has contractual protection against the potential

adverse financial affects of this risk, it is crucial that Network Rail delivers the physical infrastructure on time and to the right quality and standard to ensure passengers are provided with a consistently reliable railway.

Scottish Citylink Coaches Limited

Our share of Citylink's profit after tax for the six months to 31 October 2008 was £0.7m (2007: £0.6m). The business is seasonal with the greater proportion of profit earned during the summer period.

Depreciation and intangible asset expenses

Earnings from continuing operations before interest, taxation, depreciation, intangible asset expenses and exceptional items (pre-exceptional EBITDA) amounted to £156.2m (2007: £135.1m). Depreciation from continuing businesses for the period increased from £31.4m to £32.0m. The income statement charge for intangible assets increased from £6.2m to £6.5m, of which £2.5m (2007: £2.5m) relates to joint ventures.

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

	6 months to 31 October 2008	6 months to 31 October 2007
	£m	£m
Total operating profit before intangible asset expenses and exceptional items (Consolidated income statement)	119.8	100.0
Depreciation – continuing operations (note 13)	32.0	31.4
Add back joint venture finance income & tax (note 3(C))	4.4	3.7
Pre-exceptional EBITDA	156.2	135.1

Exceptional items

A pre-tax gain of £2.2m has been recognised in the six months ended 31 October 2008 in relation to the release of a liability related to previous acquisitions and disposals of businesses.

A net loss of £0.2m was recognised in relation to the disposal of properties across the Group for the six months ended 31 October 2008.

Net finance costs

Net finance costs from continuing Group operations decreased from £15.4m to £14.6m. Including the net finance income from joint ventures, net finance costs decreased from £13.6m to £13.0m. The ratio of pre-exceptional EBITDA to net finance charges (including joint venture net finance income) was 12.0 times for the six months ended 31 October 2008 (2007: 9.9 times), reflecting increased EBITDA but reduced finance costs.

Taxation

The tax charge can be analysed as follows:

	6 months to 31 October 2008			6 months to 31 October 2007		
	Pre-tax profit £m	Tax £m	Rate %	Pre-tax profit £m	Tax £m	Rate %
Excluding intangible asset expenses and exceptional items	111.2	(24.9)	22.4%	90.1	(21.2)	23.5%
Intangible asset expenses	(6.5)	1.1	16.9%	(6.2)	1.1	17.7%
	104.7	(23.8)	22.7%	83.9	(20.1)	24.0%
Exceptional items	2.0	(13.5)		2.0	Nil	
	106.7	(37.3)	35.0%	85.9	(20.1)	23.4%
Reclassify joint venture taxation for reporting purposes	(6.0)	6.0		(5.5)	5.5	
Reported in income statement	100.7	(31.3)	31.1%	80.4	(14.6)	18.2%

The overall effective tax rate excluding exceptional items was 22.7% (2007: 24.0%). A one-off exceptional tax charge of £13.5m has been recognised in relation to an increase in the UK deferred tax liability arising on the abolition of Industrial Buildings Allowances ("IBAs"). This exceptional tax charge did not result in any immediate cash outflow.

The above tax charge for the comparative period includes a portion of the total tax credit 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 applied from April 2008.

Earnings per share

Earnings per share before intangible asset expenses and exceptional items for the six months ended 31 October 2008 increased 28.7% to 12.1p, from 9.4p in the prior year. This increase reflects the strong performance from our core operating divisions, the inclusion of East Midlands Trains in the first-half results for the first time and a year-on-year benefit from the earnings enhancing return of value to shareholders that took place part-way through the equivalent prior year period. Basic earnings per share increased from 9.0p to 9.7p.

Fuel costs

The Group's operations as at 31 October 2008 consume approximately 333m litres of diesel fuel per annum. As a result, the Group's profit is exposed to movements in the underlying price of fuel.

The proportion of the Group's projected fuel usage that is now hedged using fuel swaps and/or fuel caps is as follows:

Year ending 30 April	2009	2010	2011
UK Bus	92%	78%	6%
North America	76%	63%	5%
UK Rail	76%	75%	75%

The Group has no fuel hedges in place for periods beyond 30 April 2011.

The Group's fuel costs include the costs of delivery and duty as well as the costs of the underlying product. Accordingly, not all of the cost varies with movements in oil prices.

If market fuel prices remain at current levels, the Group's like-for-like fuel costs will increase further in the year ending 30 April 2010 but will reduce in the following year because the Group's average hedge prices for 2009/10 are above current market spot prices.

Cash flows

The strong cash generative nature of the Group is once again highlighted by net cash from operating activities after tax of £107.1m (2007: £73.3m). Net cash outflows from investing activities were £50.6m (2007: £8.5m) and net cash used in financing activities was £83.0m (2007: £385.5m), with the prior period comparative for the latter comprising the return of value to shareholders offset by the associated increase in borrowing to fund this.

Net debt and liquidity

Net debt (as analysed in note 20 to the condensed financial statements) increased from £319.7m at 30 April 2008 to £370.2m at 31 October 2008. This includes an increase of £38.1m arising from the effect of foreign exchange rate movements on the sterling value of US\$ denominated bonds. Whilst the movement in sterling against the US\$ has increased sterling net debt, it also increases sterling EBITDA and the sterling value of the Group's US assets.

The Group's net debt at 31 October 2008 is further analysed below.

	Fixed rate £m	Floating rate £m	Total £m
Unrestricted cash	Nil	47.8	47.8
Cash held within train operating companies	Nil	116.7	116.7
Restricted cash	Nil	74.0	74.0
Total cash and cash equivalents	Nil	238.5	238.5
Sterling bank borrowings under bi-lateral facilities*	(150.0)	(34.8)	(184.8)
US dollar bond (matures November 2009)	(206.9)	Nil	(206.9)
Sterling hire purchase and finance leases	(10.9)	(140.2)	(151.1)
US dollar hire purchase and finance leases	(19.9)	Nil	(19.9)
Canadian dollar hire purchase and finance leases	(4.0)	Nil	(4.0)
Loan notes	Nil	(35.8)	(35.8)
Preference shares	Nil	(6.2)	(6.2)
Net debt	(391.7)	21.5	(370.2)

* The 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.

As a result of its strong financial position, the Group has not been subject to any significant problems arising from the difficulties in the banking and credit markets. Our strong financial position is evidenced by:

- The ratio of net debt at 31 October 2008 to pre-exceptional EBITDA for the year ended 31 October 2008 was 1.2 times.
- Pre-exceptional EBITDA for the six months ended 31 October 2008 was 12.0 times (2007: 9.9 times) net finance charges (including joint venture net finance income).

- Undrawn, committed bank facilities totalled £498.2m at 31 October 2008 (30 April 2008: £494.0m) including £37.1m (30 April 2008: £45.1m) that is only available for non-cash utilisation. In addition, the Group continues to secure new asset finance.
- The three main credit rating agencies continue to assign investment grade credit ratings to the Group.
- The Group is cash generative and has the flexibility to vary capital expenditure and other cash outflows where appropriate.

The Group's US\$334.1m bonds mature in November 2009 and these can be financed from the Group's existing bank facilities. The Group also has £48.9m of rail bonding facilities to be renewed in 2009. The Group's main bank facilities are committed through to 2012.

The Group expects to see margins charged by lenders increase as new facilities are arranged. Indeed, the Group has already seen an increase in the margins payable for new UK asset finance. It also expects to see a reduction in the appetite of individual banks to lend to it as a result of changes in the credit markets and changes in the ownership and strategies of banks. There is a risk that a lack of available finance (for example, for railway rolling stock or for major acquisitions) constrains future expansion of the Group. Nevertheless, the Group's strong financial position and the committed facilities through to 2012 gives it access to a variety of funding sources as well as providing a reasonably long time frame during which to plan any refinancing. The Group has relationships with various banks and insurers so whilst certain of its banks and insurers have reportedly encountered financial difficulties, the Group should have sufficient access to alternatives. The Group therefore remains confident of maintaining appropriate funding for the long-term, notwithstanding wider credit market issues.

Net cash from operating activities before tax for the six months ended 31 October 2008 was £107.8m (2007: £78.2m) and can be further analysed as follows:

	6 months to 31 October 2008	6 months to 31 October 2007
	£m	£m
EBITDA of Group companies before exceptional items	136.2	118.2
Loss on disposal of plant & equipment	0.6	Nil
Equity-settled share based payment expense	1.2	1.6
Working capital movements	(19.6)	7.1
Net interest paid	(14.5)	(12.7)
Dividends from joint ventures	19.4	11.0
Net cash from operating activities before excess pension contributions	123.3	125.2
Pension contributions in excess of pension costs	(15.5)	(47.0)
Net cash flows from operating activities before taxation	107.8	78.2

The net impact of purchases of property, plant and equipment for the six months on net debt was £83.2m (2007: £43.9m). This primarily related to expenditure on passenger service vehicles, and comprised cash outflows of £47.3m (2007: £11.8m) and new hire purchase and finance lease debt of £35.9m (2007: £32.1m). In addition, £4.1m (2007: £2.3m) cash was received from disposals of property, plant and equipment.

Capital expenditure

Additions to property, plant and equipment for the year were:

	6 months to 31 October 2008 £m	6 months to 31 October 2007 £m
UK Bus	54.0	33.8
North America	13.6	6.6
UK Rail	19.5	3.6
Other	Nil	0.1
	<u>87.1</u>	<u>44.1</u>

The differences between the amounts shown above and the impact of capital expenditure on net debt arose from movements in fixed asset deposits and creditors.

The Group's capital expenditure budget (net of disposal proceeds) for the year ending 30 April 2009 is approximately £185m.

Acquisitions

The UK Bus Division completed two acquisitions during the six months ended 31 October 2008, which complement its existing operations. The businesses acquired were:

- Highland Country Buses and Orkney Coaches, which operate local bus services in the Highlands, Orkney and Skye.
- Bullocks, which operates local bus services in the Manchester area.

The acquisitions in the six months are summarised below:

	Impact on net debt in six months to 31 October 2008 £m	Estimated annual revenue £m
UK Bus acquisitions made during the period	8.7*	13.8
Deferred consideration on prior years' acquisitions	0.7	
Deposit on future acquisition	0.3	
Deferred consideration on current period acquisitions	(0.3)	
	<u>9.4</u>	

* UK Bus acquisitions comprised the purchase of Highland Country Buses and Orkney Coaches on 16 May 2008 and Bullocks on 10 August 2008.

Since 31 October 2008, the Group has acquired Eastern Travel & Tours for US\$5.1m, which operates longer distance coach services in the North East of the United States.

Shares in issue

The weighted average number of ordinary shares used to calculate basic earnings per share for the six months ended 31 October 2008 was 714.2m (31 October 2007: 732.9m). The number of ordinary shares ranking for dividend at 31 October 2008 was 714.9m (30 April 2008: 713.1m), with a further 4.3m (30 April 2008: 5.0m) ordinary shares held by employee trusts and not ranking for dividend.

Net assets

Net assets at 31 October 2008 were £31.7m (30 April 2008: £80.4m) with the decrease primarily reflecting actuarial losses on defined benefit pension schemes of £43.6m after tax and net fair value losses on cash flow hedges of £29.2m partly offset by the strong results for the six months. The net fair value losses on cash flow hedges arise principally due to the fall in market fuel prices. Whilst the expected future net cash flows on these hedges have worsened from the perspective of the Group, this is offset by a reduction in the expected cost of the associated future fuel purchases.

Retirement benefit obligations

The reported net assets of £31.7m (30 April 2008: £80.4m) that are shown on the consolidated balance sheet are after taking account of net retirement benefit liabilities of £11.9m (30 April 2008: assets of £33.2m) as analysed in note 15 to the condensed financial statements.

The values of financial investments have fallen significantly in the six months ended 31 October 2008 and whilst the pension schemes to which the Group contributes have been affected, their investments have generally out-performed wider equity returns. The actuarial loss on assets has been broadly offset by the effect on the schemes' liabilities of an increase in the discount rate since 30 April 2008. We have reassessed expected life expectancies in the period, resulting in an increase in assumed life expectancies. The Group recognised actuarial losses of £60.6m (2007: gains of £13.0m) in the six months ended 31 October 2008, which included losses of £73.0m (2007: £Nil) from the revision of life expectancy assumptions.

Seasonality

The Group's North American bus operations typically report higher operating profit 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.

Principal risks and uncertainties

Like most businesses, there are a range of risks and uncertainties facing the Group. A summary of these risks is described below. These matters are not intended to be an exhaustive list of all possible risks and uncertainties. In assessing the Group's likely financial performance for the second half of the current financial year, these risks and uncertainties should be considered in addition to the matters referred to above under "seasonality" and the comments made later under the heading "current trading and outlook".

Generally, the Group is subject to risk factors both internal and external to its businesses. External risks include global political and economic conditions, competitive developments, supply interruption, regulatory changes, foreign exchange, materials and consumables (including fuel) prices, pensions funding, environmental risks, industrial action, litigation and the risk of terrorism. Internal risks include risks related to capital expenditure, acquisitions, regulatory compliance and failure of internal controls.

The focus below is on those specific risks and uncertainties that the Directors believe could have the most significant impact on the Group's performance.

Terrorism

There have been multiple acts of terrorism on public transport systems and other terrorist attacks that whilst not directly targeting public transport have discouraged travel. There is a risk that the demand for the Group's services could be adversely affected by a significant terrorist incident. Such a fall in demand would have a negative effect on the Group's revenue and financial performance. The Group has plans in place designed to reduce the financial impact of a terrorist incident and these plans take account of the Group's experience of managing the North American business during the period of depressed demand following the major terrorist attack on 11 September 2001.

Economy

The economic environment in the geographic areas in which the Group operates affects the demand for the Group's bus and rail services. In particular, the revenue of the Group's UK rail operations is historically correlated with factors such as UK Gross Domestic Product ("GDP") and Central London Employment. In North America, a greater proportion of the revenue is derived from tour, charter and sightseeing services than in the UK and these services tend to be more susceptible to economic changes. The revenue and profit of the Group could therefore be positively or negatively affected by changes in the economy.

Management monitors actual and projected economic trends in order to match capacity to demand and where possible, minimise the impact of adverse economic trends on the Group.

Rail cost base

A substantial element of the cost base in the Group's Rail division is essentially fixed because under its UK rail franchise agreements, the Group is obliged to provide a minimum level of train services and is therefore less able to flex supply in response to changes in demand. In addition, a significant part of the cost base is comprised of payments to the infrastructure provider, Network Rail, and payments under train operating leases which are committed and do not vary with revenue. Accordingly, a significant proportion of any change in revenue (for example, arising as a result of the terrorism or economic risks described above) will impact profit in the Rail division.

Sustainability of rail profits

A significant element of the Group's revenue and profit is generated by UK rail franchises. There is a risk that the Group's revenue and profit could be significantly affected (either positively or negatively) as a result of the Group winning new franchises or failing to retain its existing franchises.

In order to manage the risks, the Group has devoted significant management resource and financial investment to bidding for new rail franchises. Appropriately experienced personnel are retained to work on rail bids and third party consultants are engaged to provide additional expertise. The Board approves the overall rail bidding strategy and the key parameters for each bid. The Group is currently shortlisted to bid for the new South Central rail franchise.

Breach of franchise

The Group is required to comply with certain conditions as part of its rail franchise agreements. If it fails to comply with these conditions, it may be liable to penalties including the potential termination of one or more of the rail franchise agreements. This would result in the Group losing the right to continue operating the affected operations and consequently, the related revenues and cash flows. The Group may also lose some or all of the amounts set aside as security for the shareholder loan facilities, the performance bonds and the season ticket bonds. The Group can do more to prevent breaches of franchise where it has sole control than where it has joint control. As the holder of a 49% joint venture interest in VRG, the Group has less control over the joint venture's operations and that means the Group's management may be less able to prevent a breach of the VRG franchise agreement.

Our UK Rail businesses are subject to complex contractual arrangements. Contractual management is an important part of our rail activities because the way in which contracts are managed can be a significant determinant of financial performance.

Compliance with franchise conditions is closely managed and monitored and procedures are in place to minimise the risk of non-compliance.

Pension scheme funding

The Group participates in a number of defined benefit pension schemes. There is a risk that the cash contributions required to these schemes increases or decreases due to changes in factors such as investment performance, the rates used to discount liabilities and life expectancies. Any increase in contributions will reduce the Group's cash flows.

Decisions on pension scheme funding, asset allocation and benefit promises are taken by management and/or pension scheme trustees in consultation with trade unions and suitably qualified advisors. A Pensions Oversight Committee, comprising the Finance Director, a Non-Executive Director and other senior executives, oversees the Group's overall pensions strategy. The Board participates in major decisions on the funding and design of pension schemes.

Insurance and claims environment

The Group receives claims in respect of traffic incidents and employee claims. The Group protects itself against the cost of such claims through third party insurance policies. An element of the claims is not insured as a result of the “excess” on insurance policies.

There is a risk that the number or magnitude of claims are not as expected and that the cost to the Group of settling these claims is significantly higher or lower than expected. In the US, in particular, there is a risk that given the size of the “excess”, that a small number of large-value claims could have a material impact on the Group’s financial performance and/or financial position.

The Group has a proactive culture that puts health and safety at the top of its agenda and this helps mitigate the potential for claims arising. Where claims do arise, they are managed by dedicated insurance and claims specialists in order to minimise the cost to the Group. Where appropriate, legal advice is obtained from appropriately qualified advisors. The balance between insured and retained risks is re-evaluated at least once a year and insurance and claims activity is monitored closely.

Regulatory changes and availability of public funding

Public transport is subject to varying degrees of regulation across the locations in which the Group operates. There is a risk that changes to the regulatory environment could impact the Group’s prospects.

Similarly, many of the Group’s businesses benefit from some form of financial support from government including direct financial support, the provision of equipment, government contracts and concessionary fare schemes. There is a risk that the availability of sufficient government financial support changes due to regulatory or other reasons.

Management closely monitors relevant proposals for changes in the regulatory environment and communicates the Group’s views to key decision makers and bodies. The Group actively participates in various industry and national trade bodies along with domestic and international government forums. The Group seeks to maintain good, co-operative relationships with all levels of government, by developing and promoting ideas that offer cost effective ways of improving public transport.

Management and Board succession

The Group values the continued services of its senior employees, including its Directors and management who have operational, marketing, engineering, technical, project management, financial and administrative skills that are important to the operation of the Group’s business.

Succession planning for the Directors and senior management is an important issue and as such is considered by the Nomination Committee and the Board. The appropriate level of management deals with recruitment and retention of other staff.

Catastrophic events

There is a risk that the Group is involved (directly or indirectly) in a major operational incident resulting in significant human injuries or damage to property. This could have a significant impact on claims against the Group, the reputation of the Group and its chances of winning and retaining contracts or franchises.

The Group has a proactive culture that puts health and safety at the top of its agenda in order to mitigate the potential for major incidents. In the unlikely event that a major incident did occur, the Group has procedures in place for responding to such incidents.

Treasury risks

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance and financial position of the Group. The Group uses derivative financial instruments to reduce exposure to foreign exchange risk, commodity price risk and interest rate movements.

A Group Treasury Committee and central treasury department ("Group Treasury") oversee financial risk management in the context of policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Group Treasury is responsible for the execution of derivative financial instruments to manage financial risks. Certain financial risk management activities are devolved to the management of individual business units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

At this time, there is a heavy focus on the liquidity risks of companies. Whilst the Group is not fully protected from changes in credit markets, it is in a strong financial position as described further in the section of this interim management statement headed 'net debt and liquidity'.

Related parties

Related party disclosures are given in note 23 to the condensed financial statements.

Current trading and outlook

Stagecoach has made a promising start to the second half of its financial year. The overall trading of the Group has been robust and remains in line with our expectations for the year ending 30 April 2009.

Our rail businesses are not immune to the impact of the current tough economic climate and we will continue to monitor economic developments, as well as focusing closely on the cost base of our rail operations to ensure we maximise efficiencies. Our bus businesses are growing strongly and we expect them to continue to perform well through difficult economic conditions.

Our rail businesses face an exciting and important 2009. Both West Coast Trains and East Midlands Trains will see significant increases in train services resulting from new timetables to be introduced from December 2008 and East Midlands Trains should see the opening of new stations at East Midlands Parkway and Corby in 2009. East Midlands Trains also expects to have automatic ticket gates installed at the four largest stations that it serves. South West Trains will see the operation of automatic ticket gates at London Waterloo station from early 2009 as well as other new developments such as the introduction of smartcards. The financial plans of all three businesses include an assumption of significant revenue growth from these new initiatives and this is reflected in the profile of franchise payments to/from Government that the businesses have committed to. Whilst we are confident that the planned developments will result in a significant step up in revenue, they represent fundamental changes to the businesses.

Given these changes and the increasingly uncertain economic outlook, we have less visibility of the 2009/10 financial performance of our rail businesses than in more normal circumstances. Based on our current assessment of the various risks and opportunities facing our rail businesses, we are likely to see downward pressure on 2009/10 rail profits. Thereafter, 2010/11 rail profits should benefit from greater contractual protection against revenue shortfalls at South Western Trains.

However, the Group is in a strong overall position to withstand the challenging economic conditions and based on trends to date and our consumer research on potential future growth, we believe the overall prospects for the Group remain positive.

Brian Souter
Chief Executive

3 December 2008

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 and on behalf of the Board

Brian Souter
Chief Executive

3 December 2008

Martin Griffiths
Finance Director

3 December 2008

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 2008, which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expense, consolidated cash flow statement 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 2008 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 LLP
Chartered Accountants

3 December 2008

Kintyre House
209 West George Street
GLASGOW
G2 2LW

Notes:

- (a) The maintenance and integrity of the Stagecoach Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Interim Report since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONDENSED FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited			Audited			
		6 months to 31 October 2008			6 months to 31 October 2007			Year to 30 April 2008
		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)	1,045.0	Nil	1,045.0	820.8	Nil	820.8	1,763.6
Operating costs		(1,051.0)	(4.0)	(1,055.0)	(789.1)	(3.7)	(792.8)	(1,742.4)
Other operating income	5	110.2	Nil	110.2	55.1	Nil	55.1	143.6
Operating profit of Group companies	3(B)	104.2	(4.0)	100.2	86.8	(3.7)	83.1	164.8
Share of profit of joint ventures after finance income and taxation	3(C)	15.6	(2.5)	13.1	13.2	(2.5)	10.7	27.5
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	3(B)	119.8	(6.5)	113.3	100.0	(6.2)	93.8	192.3
(Loss)/gain on sale of properties	4	Nil	(0.2)	(0.2)	Nil	Nil	Nil	0.3
Gain/(loss) on disposed and closed operations and resolution of certain liabilities re acquisitions and disposals	4	Nil	2.2	2.2	Nil	2.0	2.0	(1.7)
Profit before interest and taxation		119.8	(4.5)	115.3	100.0	(4.2)	95.8	190.9
Finance costs	6	(19.7)	Nil	(19.7)	(22.5)	Nil	(22.5)	(45.2)
Finance income	6	5.1	Nil	5.1	7.1	Nil	7.1	21.6
Profit before taxation		105.2	(4.5)	100.7	84.6	(4.2)	80.4	167.3
Taxation	7	(18.9)	(12.4)	(31.3)	(15.7)	1.1	(14.6)	61.9
Profit for the period from continuing operations		86.3	(16.9)	69.4	68.9	(3.1)	65.8	229.2
DISCONTINUED OPERATIONS								
Profit for the period from discontinued operations		Nil	Nil	Nil	Nil	Nil	Nil	19.9
TOTAL OPERATIONS								
Profit after taxation for the period attributable to equity shareholders of the parent		86.3	(16.9)	69.4	68.9	(3.1)	65.8	249.1
Earnings per share from continuing and discontinued operations								
- Adjusted/Basic	9	12.1p		9.7p	9.4p		9.0p	34.6p
- Diluted	9	11.9p		9.6p	9.2p		8.8p	33.8p
Earnings per share from continuing operations								
- Adjusted/Basic	9	12.1p		9.7p	9.4p		9.0p	31.8p
- Diluted	9	11.9p		9.6p	9.2p		8.8p	31.1p
Dividends per ordinary share								
- Interim	8			1.80p			1.35p	1.35p
- Final				-			-	4.05p

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

CONSOLIDATED BALANCE SHEET

	Notes	Unaudited		Audited
		As at 31 October 2008 £m	As at 31 October 2007 £m	As at 30 April 2008 £m
ASSETS				
Non-current assets				
Goodwill	11	113.4	90.2	95.5
Other intangible assets	12	23.9	18.3	24.7
Property, plant and equipment	13	733.8	610.2	652.4
Interests in joint ventures	14	27.5	39.1	33.9
Available for sale and other investments		1.5	1.8	1.8
Derivative instruments at fair value		4.1	0.6	11.0
Retirement benefit assets	15	20.6	44.9	51.6
Deferred tax asset		6.9	6.8	6.9
Other receivables		3.1	3.2	2.9
		934.8	815.1	880.7
Current assets				
Inventories		23.1	12.8	21.3
Trade and other receivables		235.1	167.3	185.0
Derivative instruments at fair value		11.4	11.7	33.4
Foreign tax recoverable		Nil	1.1	0.1
Cash and cash equivalents		238.5	191.3	262.2
		508.1	384.2	502.0
Total assets		1,442.9	1,199.3	1,382.7
LIABILITIES				
Current liabilities				
Trade and other payables		501.8	383.0	467.2
Current tax liabilities		27.2	18.0	10.1
Borrowings		76.0	83.2	79.4
Derivative instruments at fair value		20.9	1.5	1.4
Provisions		39.7	36.4	47.2
		665.6	522.1	605.3
Non-current liabilities				
Other payables		23.2	9.1	25.0
Borrowings		544.5	617.0	514.7
Derivative instruments at fair value		17.2	1.2	2.3
Deferred tax liabilities		44.1	62.1	64.6
Provisions		84.1	71.5	72.0
Retirement benefit obligations	15	32.5	21.1	18.4
		745.6	782.0	697.0
Total liabilities		1,411.2	1,304.1	1,302.3
Net assets/(liabilities)		31.7	(104.8)	80.4
EQUITY				
Ordinary share capital	16	7.1	7.0	7.0
Share premium account		8.9	2.3	8.0
Retained earnings		(366.2)	(522.9)	(363.6)
Capital redemption reserve		412.6	403.6	410.8
Own shares		(13.3)	(12.6)	(12.6)
Translation reserve		1.9	7.6	5.7
Available for sale reserve		0.3	0.6	0.6
Cash flow hedging reserve		(19.6)	9.6	24.5
Total equity	17	31.7	(104.8)	80.4

The retained earnings deficit of £366.2m (30 April 2008: £363.6m) is the consolidated position. The holding company's distributable reserves as at 31 October 2008 under UK GAAP were £366.0m (30 April 2008: £393.9m).

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 2008 £m	6 months to 31 October 2007 £m	Year to 30 April 2008 £m
Income and expense recognised directly in equity			
Foreign exchange differences on translation of foreign operations (net of hedging)	(3.8)	4.6	2.7
Actuarial (losses)/gains on Group defined benefit pension schemes	(60.6)	13.0	4.6
Share of actuarial losses on joint ventures' defined benefit pension schemes	Nil*	Nil	(2.1)
Net fair value (losses)/gains on cash flow hedges	(46.4)	18.9	54.6
Net fair value (losses)/gains on available for sale investments	(0.3)	0.6	0.6
	(111.1)	37.1	60.4
Transfers to the income statement			
Cash flow hedges reclassified and reported in profit for the period	(14.9)	(4.7)	(13.8)
Tax on items taken directly to or transferred from equity			
Tax on foreign exchange differences on translation of foreign operations (net of hedging)	1.0	Nil	(1.6)
Tax effect of actuarial losses/(gains) on Group defined benefit pension schemes	17.0	(3.9)	(0.1)
Tax effect of share of actuarial losses on joint ventures' defined benefit pension schemes	Nil	Nil	0.6
Tax effect of share based payments	0.1	2.9	2.7
Tax effect of cash flow hedges	17.2	Nil	(11.7)
Tax adjustment re change in UK corporation tax rate	Nil	0.7	1.3
	35.3	(0.3)	(8.8)
Net (expense)/income not recognised in income statement	(90.7)	32.1	37.8
Profit for the financial period attributable to equity shareholders of the parent	69.4	65.8	249.1
Total recognised income and expense for the period attributable to equity shareholders of the parent	(21.3)	97.9	286.9

* The estimated share of actuarial gains on joint ventures' defined benefit pension schemes for the six months ended 31 October 2008 is not material to the Group.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Unaudited		Audited
		6 months to 31 October 2008 £m	6 months to 31 October 2007 £m	Year to 30 April 2008 £m
Cash flows from operating activities				
Cash generated by operations	18	102.9	79.9	260.0
Interest paid		(19.7)	(19.8)	(45.6)
Interest received		5.2	7.1	21.4
Dividends received from joint ventures		19.4	11.0	31.6
Net cash flows from operating activities		107.8	78.2	267.4
Tax (paid)/received		(0.7)	(4.9)	57.6
Net cash from operating activities after tax		107.1	73.3	325.0
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	10	(7.4)	(1.9)	(7.3)
Disposals and closures of subsidiaries and other businesses, net of cash disposed of		0.3	3.3	3.6
Cash outflow in respect of inception of rail franchise		Nil	Nil	(0.5)
Purchase of property, plant and equipment		(47.3)	(11.8)	(45.3)
Disposal of property, plant and equipment		4.1	2.3	9.2
Purchase of intangible assets		(0.1)	Nil	(1.0)
Purchase of other investments		(0.1)	(0.2)	(0.3)
Movement in loans to joint ventures		(0.1)	(0.2)	(0.3)
Net cash outflow from investing activities		(50.6)	(8.5)	(41.9)
Cash flows from financing activities				
Issue of ordinary shares for cash		1.0	2.1	7.7
Return of value to shareholders				
- Redemption and purchase of 'B' shares and 'C' shares		(1.9)	(389.9)	(397.0)
- Dividends paid on 'C' shares		Nil	(284.6)	(284.6)
- Costs associated with the return of value		Nil	(3.3)	(3.3)
Investment in own ordinary shares by employee share ownership trusts		(2.4)	(7.7)	(8.4)
Sale of own ordinary shares by employee share ownership trusts		1.7	2.4	3.1
Repayments of hire purchase and lease finance		(20.6)	(15.1)	(33.1)
Movement in other borrowings		(30.1)	333.1	212.8
Dividends paid on ordinary shares	8	(28.9)	(20.5)	(30.0)
Sale of tokens		0.7	1.0	4.4
Redemption of tokens		(2.5)	(3.0)	(6.0)
Net cash used in financing activities		(83.0)	(385.5)	(534.4)
Net decrease in cash and cash equivalents		(26.5)	(320.7)	(251.3)
Cash and cash equivalents at the beginning of the period		261.6	512.5	512.5
Exchange rate effects		3.4	(0.5)	0.4
Cash and cash equivalents at the end of the period		238.5	191.3	261.6
Cash and cash equivalents at the end of the period comprises:				
Cash and cash equivalents included within current assets		238.5	191.3	262.2
Bank overdrafts included within borrowings		Nil	Nil	(0.6)
		238.5	191.3	261.6

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.

NOTES

1 BASIS OF PREPARATION

The condensed financial statements for the six months ended 31 October 2008 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 2008 Annual Report as described on pages 46 to 53 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 2008 has not been audited, nor has the comparative financial information for the six months ended 31 October 2007 but they have both been reviewed by the auditors. The comparative financial information presented in this announcement for the year ended 30 April 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 (which was still applicable for the Group's year ended 30 April 2008) 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 2008, which were approved by the Board of Directors on 25 June 2008, received an unqualified audit report, did not contain an emphasis of matter paragraph, did not contain a statement under section 237 of the Companies Act 1985 and have been filed with the Registrar of Companies.

The Board of Directors approved this announcement, including the condensed financial statements, on 3 December 2008. This announcement will shortly be available on the Group's website at <http://www.stagecoachgroup.com/scg/ir/finanalysis/reports/>.

2 FOREIGN CURRENCIES

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

	6 months to 31 October 2008	6 months to 31 October 2007	Year to 30 April 2008
US Dollar:			
Period end rate	1.6158	2.0774	1.9806
Average rate	1.8811	2.0133	2.0072
Canadian Dollar:			
Period end rate	1.9645	1.9731	1.9947
Average rate	1.9767	2.1034	2.0525

3 SEGMENTAL ANALYSIS

The Group is managed, and reports internally, on a basis consistent with its three continuing business segments, being 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:

<u>Segment name</u>	<u>Business segment</u>	<u>Geographical segment</u>
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.

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 results 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.

	<u>Unaudited</u>		<u>Audited</u>
	6 months to 31 October 2008 £m	6 months to 31 October 2007 £m	Year to 30 April 2008 £m
Continuing operations			
UK Bus	410.4	367.1	743.9
North America	150.5	131.0	241.9
Total bus continuing operations	560.9	498.1	985.8
UK Rail	486.4	322.7	777.8
Total Group revenue	1,047.3	820.8	1,763.6
Intra-Group revenue	(2.3)	Nil	Nil
Reported Group revenue	1,045.0	820.8	1,763.6

3 SEGMENTAL ANALYSIS (CONTINUED)

(B) OPERATING PROFIT

Notes	Unaudited						Audited
	6 months to 31 October 2008			6 months to 31 October 2007			Year to 30 April 2008
	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 operations							
UK Bus	60.9	Nil	60.9	52.5	Nil	52.5	109.9
North America	19.8	Nil	19.8	16.9	Nil	16.9	21.0
Total bus continuing operations	80.7	Nil	80.7	69.4	Nil	69.4	130.9
UK Rail	31.7	Nil	31.7	25.3	Nil	25.3	59.1
Total continuing operations	112.4	Nil	112.4	94.7	Nil	94.7	190.0
Group overheads	(7.2)	Nil	(7.2)	(6.2)	Nil	(6.2)	(13.0)
Intangible asset expenses	Nil	(4.0)	(4.0)	Nil	(3.7)	(3.7)	(7.9)
Restructuring costs	(1.0)	Nil	(1.0)	(1.7)	Nil	(1.7)	(4.3)
Total operating profit of continuing Group companies	104.2	(4.0)	100.2	86.8	(3.7)	83.1	164.8
Share of profit of joint ventures after finance income and taxation	15.6	(2.5)	13.1	13.2	(2.5)	10.7	27.5
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	119.8	(6.5)	113.3	100.0	(6.2)	93.8	192.3

(C) JOINT VENTURES

	Unaudited						Audited
	6 months to 31 October 2008			6 months to 31 October 2007			Year to 30 April 2008
	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	19.4	Nil	19.4	16.3	Nil	16.3	41.9
Finance income (net)	1.6	Nil	1.6	1.8	Nil	1.8	4.0
Taxation	(5.9)	Nil	(5.9)	(5.2)	Nil	(5.2)	(13.7)
	15.1	Nil	15.1	12.9	Nil	12.9	32.2
Goodwill charged on investment in continuing joint ventures	Nil	(2.5)	(2.5)	Nil	(2.5)	(2.5)	(5.1)
	15.1	(2.5)	12.6	12.9	(2.5)	10.4	27.1
Citylink (UK Bus)							
Operating profit	1.0	Nil	1.0	0.9	Nil	0.9	1.1
Taxation	(0.3)	Nil	(0.3)	(0.3)	Nil	(0.3)	(0.3)
	0.7	Nil	0.7	0.6	Nil	0.6	0.8
New York Splash Tours LLC (North America)							
Operating loss	(0.4)	Nil	(0.4)	(0.3)	Nil	(0.3)	(0.7)
Taxation	0.2	Nil	0.2	Nil	Nil	Nil	0.3
	(0.2)	Nil	(0.2)	(0.3)	Nil	(0.3)	(0.4)
Share of profit of joint ventures after finance income and taxation	15.6	(2.5)	13.1	13.2	(2.5)	10.7	27.5

4 EXCEPTIONAL ITEMS AND INTANGIBLE ASSET EXPENSES

Where applicable, the Group intends to continue to highlight amounts before intangible asset expenses and exceptional items as well as clearly reporting the results in accordance with IFRS. Exceptional items are defined in note 25.

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 2008 can be further analysed as follows:

	Unaudited		
	6 months to 31 October 2008		
	Exceptional items £m	Intangible asset expenses £m	Intangibles and exceptional items £m
Operating costs			
Intangible asset expenses	Nil	(4.0)	(4.0)
Share of profit of joint ventures			
Goodwill charged on investment in joint ventures	Nil	(2.5)	(2.5)
Resolution of certain liabilities re acquisitions and disposals	2.2	Nil	2.2
Loss on sale of properties	(0.2)	Nil	(0.2)
Intangible asset expenses and exceptional items	2.0	(6.5)	(4.5)
Tax effect	Nil	1.1	1.1
Deferred tax charge re abolition of UK Industrial Buildings Allowances	(13.5)	Nil	(13.5)
Intangible asset expenses and exceptional items after taxation	(11.5)	(5.4)	(16.9)

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 2007 can be further analysed as follows:

	Unaudited		
	6 months to 31 October 2007		
	Exceptional items £m	Intangible asset expenses £m	Intangibles and exceptional items £m
Operating costs			
Intangible asset expenses	Nil	(3.7)	(3.7)
Share of profit of joint ventures			
Goodwill charged on investment in joint ventures	Nil	(2.5)	(2.5)
Gain on disposed operations	2.0	Nil	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)

5 OTHER OPERATING INCOME

	Unaudited		Audited
	6 months to 31 October 2008 £m	6 months to 31 October 2007 £m	Year to 30 April 2008 £m
Miscellaneous revenue	39.9	23.3	65.4
Rail franchise support, excluding incentive payments	70.3	31.8	78.2
	110.2	55.1	143.6

Miscellaneous revenue comprises revenue incidental to the Group's principal activities. It includes commissions receivable, advertising income, maintenance income, railway station access income, railway depot access income, fuel sales and property income.

Rail franchise support is the gross amount of financial support receivable from the Department for Transport ("DfT") in respect of the operation of UK passenger rail franchises.

6 FINANCE COSTS AND INCOME

	Unaudited		Audited
	6 months to 31 October 2008 £m	6 months to 31 October 2007 £m	Year to 30 April 2008 £m
Finance costs:			
Interest payable and other facility costs on bank loans and overdrafts	6.7	11.6	21.6
Hire purchase and finance lease interest payable	4.1	3.0	7.5
Interest payable on bonds	6.9	6.0	12.2
'B' share dividends	0.1	0.3	0.6
Unwinding of discount on provisions	1.7	1.6	3.3
Interest payable on interest rate swaps qualifying as cashflow hedges	0.2	Nil	Nil
	19.7	22.5*	45.2
Finance income:			
Interest receivable	(5.1)	(7.1)	(14.0)
Interest receivable on interest rate swaps qualifying as cash flow hedges	Nil	Nil	(0.3)
	(5.1)	(7.1)*	(14.3)
Net finance costs before exceptional items	14.6	15.4	30.9
Exceptional item:			
Interest receivable on tax repayments	Nil	Nil	(7.3)
Net finance costs	14.6	15.4	23.6

* £2.1m of finance income has been reallocated to finance costs. This represents an amount relating to the early close out of interest rate swaps on the bonds which has now been netted off against the interest payable on those bonds.

7 TAXATION

The taxation charge comprises:

	Unaudited			Audited			
	6 months to 31 October 2008			6 months to 31 October 2007			Year to 30 April 2008 £m
	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	
Group companies - UK tax	(14.3)	(12.4)	(26.7)	(11.4)	1.1	(10.3)	63.4
- Overseas tax	(4.6)	Nil	(4.6)	(4.3)	Nil	(4.3)	(1.5)
	(18.9)	(12.4)	(31.3)	(15.7)	1.1	(14.6)	61.9

8 DIVIDENDS

Dividends on ordinary shares are shown below. Dividends payable in respect of 'B' shares of £0.1m (2007: £0.3m) are included as an expense in finance costs and are shown separately in note 6.

	Unaudited 6 months to 31 October 2008	Unaudited 6 months to 31 October 2007	Audited Year to 30 April 2008	Unaudited 6 months to 31 October 2008	Unaudited 6 months to 31 October 2007	Audited Year to 30 April 2008
	pence per share	pence per share	pence per share	£m	£m	£m
Amounts recognised as distributions in the period						
<u>Dividends on ordinary shares</u>						
Final dividend in respect of the previous period	4.05	2.90	2.90	28.9	20.5	20.5
Interim dividend in respect of the current period	-	-	1.35	-	-	9.5
Amounts recognised as distributions to equity holders in the period	4.05	2.90	4.25	28.9	20.5	30.0
Dividends declared or proposed but neither paid nor included as liabilities in the financial statements						
<u>Dividends on ordinary shares</u>						
Interim dividend in respect of the current period	1.80	1.35	-	12.9	9.5	-
Final dividend in respect of the current period	-	-	4.05	-	-	28.9
	1.80	1.35	4.05	12.9	9.5	28.9

The interim ordinary dividend of 1.8p per ordinary share was declared by the Board of Directors on 3 December 2008 and has not been included as a liability as at 31 October 2008. It is payable on 4 March 2009 to shareholders on the register at close of business on 6 February 2009.

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.

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 (using the average market share price of the Company's ordinary shares during the period) 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 14 ordinary shares 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 2008 No. of shares million	6 months to 31 October 2007 No. of shares million	Year to 30 April 2008 No. of shares million
Basic weighted average number of ordinary shares	714.2	732.9	720.6
Dilutive ordinary shares			
- Executive Share Option Scheme	1.7	5.0	3.8
- Employee SAYE Scheme	0.3	3.3	6.0
- Long Term Incentive Plan	4.9	4.2	4.4
- Executive Participation Plan	2.4	1.8	2.0
Diluted weighted average number of ordinary shares	723.5	747.2	736.8

9 EARNINGS PER SHARE (CONTINUED)

	Unaudited		Audited
	6 months to 31 October 2008 £m	6 months to 31 October 2007 £m	Year to 30 April 2008 £m
Profit after taxation including discontinued operations (for basic EPS calculation)	69.4	65.8	249.1
Intangible asset expenses (see note 4)	6.5	6.2	13.0
Exceptional items before tax (see note 4)	(2.0)	(2.0)	(25.8)
Tax effect of intangible asset expenses and exceptional items (see note 4)	12.4	(1.1)	(90.2)
Profit for adjusted EPS calculation	86.3	68.9	146.1
	Earnings per share pence	Earnings per share pence	Earnings per share pence
Basic	9.7	9.0	34.6
Adjusted basic	12.1	9.4	20.3
Diluted	9.6	8.8	33.8
Adjusted diluted	11.9	9.2	19.8

Earnings per share before intangible asset expenses and exceptional items is calculated after adding back intangible asset expenses and exceptional items after taking account of taxation, as shown on the consolidated income statement. This has been presented to allow shareholders to gain a clearer understanding of underlying performance. The basic and diluted earnings per share can be further analysed as follows:

	Unaudited					
	6 months to 31 October 2008			6 months to 31 October 2007		
	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 and total operations	69.4	714.2	9.7p	65.8	732.9	9.0p
Adjusted basic						
- Continuing and total operations	86.3	714.2	12.1p	68.9	732.9	9.4p
Diluted						
- Continuing and total operations	69.4	723.5	9.6p	65.8	747.2	8.8p
Adjusted diluted						
- Continuing and total operations	86.3	723.5	11.9p	68.9	747.2	9.2p

10 ACQUISITIONS

During the period, the Group's UK Bus division completed two acquisitions of businesses for a total consideration of £6.7m in cash. Highland Country Buses and Orkney Coaches were acquired on 16 May 2008. Bullocks was acquired on 10 August 2008. Due to the integration of the acquired businesses with the Group's existing businesses the revenue and operating profit contributed by the UK Bus acquisitions is unknown but not material to the Group. The fair value of the net assets acquired was £5.2m giving rise to goodwill of £1.5m which has been capitalised. The aggregate fair value of the net assets acquired is as follows:

	UK Bus £m
<u>Fair value to Group</u>	
Intangible fixed assets (excluding goodwill)	3.0
Property, plant and equipment	6.3
Other net liabilities	(4.1)
Net assets acquired	<u>5.2</u>
Goodwill	<u>1.5</u>
Consideration	6.7
Less: Deferred consideration not yet paid in respect of current period acquisitions	(0.3)
Add: Deposit on future acquisition	0.3
Add: Deferred consideration in respect of businesses acquired in prior years	0.7
Net cash outflow	<u>7.4</u>

Further details of the significant UK Bus acquisitions made during the six months ended 31 October 2008 are provided below.

	Initial book value £m	Restatement to fair value £m	Fair value to the Group £m
Intangible fixed assets (excluding goodwill)	Nil	3.0	3.0
Property, plant and equipment	8.4	(2.1)	6.3
Inventories	0.2	(0.1)	0.1
Trade and other receivables	1.0	(0.1)	0.9
Trade and other payables	(2.1)	Nil	(2.1)
Hire purchase liabilities	(2.0)	Nil	(2.0)
Deferred tax liability	(1.0)	Nil	(1.0)
Net assets acquired	<u>4.5</u>	<u>0.7</u>	5.2
Goodwill			<u>1.5</u>
Total consideration (to be settled in cash)			6.7
Less: deferred consideration outstanding			(0.3)
Net cash outflow			<u>6.4</u>

11 GOODWILL

	Unaudited 6 months to 31 October 2008 £m	Unaudited 6 months to 31 October 2007 £m	Audited Year to 30 April 2008 £m
Cost at beginning of period	95.5	92.8	92.8
Acquired through business combinations	1.5	Nil	1.9
Foreign exchange movements	16.4	(2.6)	0.8
At end of period	113.4	90.2	95.5
Accumulated impairment losses at beginning and end of period	Nil	Nil	Nil
Net book value at beginning of period	95.5	92.8	92.8
Net book value at end of period	113.4	90.2	95.5

12 OTHER INTANGIBLE ASSETS

	Unaudited 6 months to 31 October 2008 £m	Unaudited 6 months to 31 October 2007 £m	Audited Year to 30 April 2008 £m
Cost at beginning of period	47.2	43.6	43.6
Acquired on inception of rail franchise	Nil	Nil	7.8
Acquired through business combinations	3.0	1.1	3.9
Additions	0.1	Nil	Nil
Disposals	(0.4)	(8.1)	(8.1)
Foreign exchange movements	0.8	(0.1)	Nil
At end of period	50.7	36.5	47.2
Accumulated amortisation at beginning of period	(22.5)	(22.7)	(22.7)
Amortisation for period	(4.0)	(3.7)	(7.9)
Disposals	0.4	8.1	8.1
Foreign exchange movements	(0.7)	0.1	Nil
At end of period	(26.8)	(18.2)	(22.5)
Net book value at beginning of period	24.7	20.9	20.9
Net book value at end of period	23.9	18.3	24.7

13 PROPERTY, PLANT AND EQUIPMENT

	Unaudited 6 months to 31 October 2008 £m	Unaudited 6 months to 31 October 2007 £m	Audited Year to 30 April 2008 £m
Cost at beginning of period	1,167.0	1,094.3	1,094.3
Additions	87.1	44.1	115.2
Acquired through business combinations	6.3	1.4	5.1
Acquired on inception of rail franchise	Nil	Nil	4.2
Disposals	(20.7)	(24.0)	(54.6)
Sale/closure of subsidiary undertakings and other businesses	Nil	Nil	(5.2)
Foreign exchange movements	50.9	(1.1)	8.0
At end of period	1,290.6	1,114.7	1,167.0
Depreciation at beginning of period	(514.6)	(495.1)	(495.1)
Charge for period	(32.0)	(31.4)	(66.6)
Disposals	15.3	20.7	46.9
Sale/closure of subsidiary undertakings and other businesses	Nil	Nil	3.8
Foreign exchange movements	(25.5)	1.3	(3.6)
At end of period	(556.8)	(504.5)	(514.6)
Net book value at beginning of period	652.4	599.2	599.2
Net book value at end of period	733.8	610.2	652.4

14 INTERESTS IN JOINT VENTURES

	Unaudited 6 months to 31 October 2008 £m	Unaudited 6 months to 31 October 2007 £m	Audited Year to 30 April 2008 £m
Cost at beginning of period	71.9	72.0	72.0
Share of recognised profit	15.8	13.5	33.0
Share of actuarial losses on defined benefit pension schemes net of tax	Nil	Nil	(1.5)
Dividends received	(19.4)	(11.0)	(31.6)
Waived shareholder loan	(0.3)*	Nil	Nil
At end of period	68.0	74.5	71.9
Amounts written off at beginning of period	(38.0)	(32.9)	(32.9)
Goodwill charged to income statement during period	(2.5)	(2.5)	(5.1)
At end of period	(40.5)	(35.4)	(38.0)
Net book value at beginning of period	33.9	39.1	39.1
Net book value at end of period	27.5	39.1	33.9

* The waived shareholder loan represent monies due by the Group to Citylink which were subsequently waived by Citylink in lieu of dividend payments by Citylink to the Group.

In addition to the above interest in joint ventures, a net loan receivable (after provision for impairment) from New York Splash Tours LLC of £1.7m (30 April 2008: £1.8m) is included within non-current assets under the caption of 'Other receivables'. New York Splash Tours LLC had net liabilities at 31 October 2008 of £0.8m (30 April 2008: £0.4m). The Group has not recognised its share of the net liabilities but has assessed the loan receivable for impairment and a provision for impairment of £0.5m (30 April 2008: £0.2m) was held against the receivable.

15 RETIREMENT BENEFITS

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");
- The East Midlands Trains section of the Railways Pension Scheme ("RPS"); and
- A number of UK Local Government Pension Schemes ("LGPS");

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 expects to recover (or expects to fund) over the life of the franchise to which each section relates.

15 RETIREMENT BENEFITS (CONTINUED)

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 2008 in the net pre-tax assets/(liabilities) recognised in the balance sheet were as follows:

	SGPS £m	RPS £m	LGPS £m	Other £m	Unfunded Plans £m	Total £m
At 1 May 2008	27.3	19.5	(8.2)	(1.0)	(4.4)	33.2
Current service cost	(10.4)	(9.5)	(1.2)	Nil	Nil	(21.1)
Interest cost	(19.1)	(11.3)	(7.9)	Nil	Nil	(38.3)
Expected return on plan assets	22.0	14.4	8.8	Nil	Nil	45.2
Employers' contributions	15.7	11.7	2.2	Nil	0.1	29.7
Actuarial losses	(17.9)	(29.3)	(12.2)	(1.2)	Nil	(60.6)
Asset/(liability) at 31 October 2008	17.6	(4.5)	(18.5)	(2.2)	(4.3)	(11.9)
Assets recognised in the balance sheet	17.6	Nil	3.0	Nil	Nil	20.6
Liabilities recognised in the balance sheet	Nil	(4.5)	(21.5)	(2.2)	(4.3)	(32.5)

16 ORDINARY SHARE CAPITAL

The ordinary share capital of the Company was as follows:

	As at 31 October 2008 £m	As at 30 April 2008 £m
Authorised ordinary share capital		
936,428,571 (30 April 2008: 936,428,571) ordinary shares of 56/57 pence each	9.2	9.2
	2008	
	Number of shares	£m
Allotted, called-up and fully-paid ordinary shares of 56/57 pence each		
At 1 May 2008	718,145,299	7.0
Allotted to employees and former employees under share option schemes	999,802	0.1
At 31 October 2008	719,145,101	7.1

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 2008, the QUEST held 39 (30 April 2008: 384,279) ordinary shares in the Company and the EBT held 4,273,623 (30 April 2008: 4,600,165) ordinary shares in the Company. The trusts have waived dividends on the shares they hold.

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.

16 ORDINARY 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.
- 11,409,623 'B' shares were redeemed at 63 pence each with the redemption proceeds paid to holders on 30 November 2007.
- 2,904,318 'B' shares were redeemed at 63 pence each with the redemption proceeds paid to holders on 31 May 2008.
- 9,879,359 'B' shares remained in issue at 31 October 2008 and may be redeemed at the option of the holder on 30 November and 31 May 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.

17 RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY

	Unaudited		Audited
	6 months to 31 October 2008	6 months to 31 October 2007	Year to 30 April 2008
Profit for the financial period	69.4	65.8	249.1
Dividends paid on ordinary shares	(28.9)	(20.5)	(30.0)
	40.5	45.3	219.1
Other recognised income and expense relating to the period (for split see consolidated statement of recognised income and expense)	(90.7)	32.1	37.8
Credit in relation to equity-settled share based payments	1.2	1.6	1.7
Arising on new ordinary share issues	1.0	2.1	7.7
Return of value to shareholders	Nil	(689.7)	(689.6)
Expenses associated with the return of value	Nil	(3.3)	(3.3)
Own ordinary shares purchased	(2.4)	(7.7)	(8.4)
Own ordinary shares sold	1.7	2.5	3.1
Net decrease in equity	(48.7)	(617.1)	(431.9)
Equity at the start of the period	80.4	512.3	512.3
Equity at the end of the period	31.7	(104.8)	80.4

18 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

	Unaudited		Audited
	6 months to 31 October 2008 £m	6 months to 31 October 2007 £m	Year to 30 April 2008 £m
Operating profit of Group companies	100.2	83.1	164.8
Depreciation	32.0	31.4	66.6
Loss on disposal of plant and equipment	0.6	Nil	0.4
Intangible asset expenses	4.0	3.7	7.9
Impairment of investment	Nil	Nil	0.2
Equity-settled share based payment expense	1.2	1.6	1.7
Operating cashflows before working capital movements	138.0	119.8	241.6
Increase in inventories	(1.1)	(1.2)	(6.7)
Increase in receivables	(43.4)	(26.1)	(43.5)
Increase in payables	27.9	33.2	129.1
(Decrease)/increase in provisions	(3.0)	1.2	8.5
Differences between employer pension contributions and amounts recognised in the income statement	(15.5)	(47.0)	(69.0)
Cash generated by operations	102.9	79.9	260.0

During the period, the Group entered into hire purchase and finance lease arrangements in respect of new assets with a total capital value at inception of the contracts of £37.3m (31 October 2007: £33.7m). After taking account of deposits paid up-front, new hire purchase and finance lease liabilities of £35.9m (31 October 2007: £32.1m) were recognised.

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

	Unaudited		Audited
	6 months to 31 October 2008	6 months to 31 October 2007	Year to 30 April 2008
	£m	£m	£m
Decrease in cash	(26.5)	(320.7)	(251.3)
Cash flow from movement in borrowings	50.7	356.5	501.9
	24.2	35.8	250.6
Bonus issue of preference shares	Nil	(693.6)	(693.6)
Hire purchase debt of acquired subsidiaries	(2.0)	(0.5)	(1.1)
New hire purchase and finance leases	(35.9)	(32.1)	(63.4)
Other movements	(36.8)	9.3	1.4
Increase in net debt	(50.5)	(681.1)	(506.1)
Opening net (debt)/funds (see note 20)	(319.7)	186.4	186.4
Closing net debt (see note 20)	(370.2)	(494.7)	(319.7)

20 ANALYSIS OF NET DEBT

IFRS does not explicitly define “net debt”. The analysis provided below therefore shows the analysis of net debt as defined in note 25. The analysis below further shows the other items classified as net borrowings in the consolidated balance sheet.

	Opening (restated – see below) £m	Cashflows £m	Preference shares redeemed £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	195.0	(33.9)	Nil	Nil	3.4	Nil	Nil	164.5
Cash collateral	66.6	7.4	Nil	Nil	Nil	Nil	Nil	74.0
Hire purchase and finance lease obligations	(154.3)	20.6	Nil	(35.9)	(3.4)	(2.0)	Nil	(175.0)
Bank loans and loan stock	(250.7)	30.1	Nil	Nil	Nil	Nil	Nil	(220.6)
Bonds	(168.2)	Nil	Nil	Nil	(38.1)	Nil	(0.6)	(206.9)
'B' preference shares	(8.1)	Nil	1.9	Nil	Nil	Nil	Nil	(6.2)
Net debt	(319.7)	24.2	1.9	(35.9)	(38.1)	(2.0)	(0.6)	(370.2)
Accrued interest on bonds and preference shares	(6.7)	Nil	Nil	Nil	(1.2)	Nil	(0.3)	(8.2)
Unamortised gain on early settlement of interest rate swaps	(5.5)	Nil	Nil	Nil	Nil	Nil	1.9	(3.6)
Net borrowings (IFRS)	(331.9)	24.2	1.9	(35.9)	(39.3)	(2.0)	1.0	(382.0)

The net total of cash and cash collateral of £238.5m (30 April 2008: £261.6m) is classified in the balance sheet as £238.5m (30 April 2008: £262.2m) in cash and cash equivalents and £Nil (30 April 2008: £0.6m) as bank overdrafts within borrowings. Cash and cash equivalents includes £120.3m (30 April 2008: £113.8m) of fixed-term deposits and amounts deposited in money market accounts that are due to mature between 3 November 2008 and 23 December 2008 (30 April 2008: 1 May 2008 and 16 June 2008).

£33.6m of cash as at 30 April 2008 that was not previously identified as cash collateral has been reclassified as cash collateral following further analysis of the relevant agreements. This cash collateralises letters of credit issued in respect of the Group's insurance provisions.

The cash collateral balance as at 31 October 2008 of £74.0m (30 April 2008: £66.6m) comprises balances held in respect of insurance provision letters of credit of £41.2m (30 April 2008: £33.6m), balances held in trust in respect of loan notes of £32.0m (30 April 2008: £32.2m) and North America restricted cash balances of £0.8m (30 April 2008: £0.8m). In addition, cash includes train operating company cash of £116.7m (30 April 2008: £142.3m). Under the terms of the franchise agreements, train operating companies can only distribute cash out of retained earnings.

21 CONTINGENT LIABILITIES

- (l) At 31 October 2008, the following bonds and guarantees were in place relating to the Group's rail operations:

	Unaudited		Audited
	As at 31 October 2008 £m	As at 31 October 2007 £m	As at 30 April 2008 £m
Performance bonds backed by bank facilities			
- Stagecoach South Western Trains	33.5	10.7	33.5
- East Midlands Trains	20.2	18.2	18.2
Season ticket bonds backed by bank facilities			
- Stagecoach South Western Trains	39.6	34.3	37.9
- East Midlands Trains	4.8	Nil	4.3
Inter-company loan facilities and guarantees			
- Stagecoach South Western Trains	25.0	25.0	25.0
- East Midlands Trains	35.0	35.0	35.0

These contingent liabilities are not expected to crystallise.

- (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 new 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 DfT 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 2008, the accruals in the consolidated financial statements for such claims total £11.1m (30 April 2008: £9.8m).
- (v) The Group provides details of guarantees and other financial commitments in its Annual Report.

22 CAPITAL COMMITMENTS

Capital commitments are as follows:

	Unaudited		Audited
	As at 31 October 2008 £m	As at 31 October 2007 £m	As at 30 April 2008 £m
Contracted for but not provided: For delivery within one year	113.3	50.2	95.8

23 RELATED PARTY TRANSACTIONS

Details of major related party transactions during the six months ended 31 October 2008 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 2008, the Group earned fees of £30,000 (six months ended 31 October 2007: £15,417) from Virgin Rail Group Holdings Limited in this regard.

(ii) *West Coast Trains Limited*

West Coast Trains Limited is a subsidiary of Virgin Rail Group. In the six months to 31 October 2008 East Midlands Trains had purchases totalling £0.4m and sales totalling £0.3m from/to West Coast Trains Limited. East Midlands Trains has a liability of £0.2m owed to West Coast Trains Limited at 31 October 2008.

(iii) *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 2008 amounted to £10,000 (six months ended 31 October 2007: £10,000). At 31 October 2008, Noble Grossart Investments Limited, a subsidiary of Noble Grossart Limited, held 4,084,999 (30 April 2008: 4,084,999) ordinary shares in the Company, representing 0.6% (30 April 2008: 0.6%) of the Company's issued ordinary share capital.

(iv) *Alexander Dennis Limited*

Brian Souter (Chief Executive) and Ann Gloag (Non-Executive Director) collectively hold 37.9% (30 April 2008: 37.9%) of the shares and voting rights in Alexander Dennis Limited. Noble Grossart Investments Limited (see (ii) above) controls a further 28.4% (30 April 2008: 28.4%) 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.

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) *Alexander Dennis Limited (continued)*

For the six months ended 31 October 2008, the Group purchased £30.3m (six months ended 31 October 2007: £19.1m) of vehicles from Alexander Dennis Limited and £1.0m (six months ended 31 October 2007: £1.3m) of spare parts and other services.

For new 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.

(v) *Pension Schemes*

Details of contributions made to pension schemes are contained in note 15.

(vi) *Loan to New York Splash Tours LLC*

A net interest bearing long-term loan (after provision for impairment) of £1.7m (30 April 2008: £1.8m) was outstanding from a joint venture, New York Splash Tours LLC, as at 31 October 2008. Interest accruing in the six months ended 31 October 2008 amounted to £0.1m and was fully provided against.

24 POST BALANCE SHEET EVENTS

Details of the interim dividend declared are given in note 8.

On 5 November 2008, the Group acquired Eastern Travel & Tours for US\$5.1m, an inter-city express coach operator in the Eastern United States.

On 28 November 2008, holders of 1,351,871 redeemable 'B' preference shares elected to have these shares redeemed leaving 8,527,488 redeemable 'B' preference shares in issue.

25 DEFINITIONS

The following definitions are used in this document:

- **Like-for-like amounts** are derived, on a constant currency basis, by comparing the relevant year-to-date amount with the equivalent prior year period for those businesses and individual operating units that have been part of the Group throughout both periods.
- **Operating profit** for a particular business unit or division within the Group refers to profit before net finance income/charges, taxation, intangible asset expenses, exceptional items and restructuring costs.
- **Operating margin** for a particular business unit or division within the Group means operating profit as a percentage of revenue.
- **Exceptional items** means 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 financial performance of the Group.
- **Net debt (or net funds)** is the net of cash and borrowings as reported on the consolidated balance sheet, adjusted to exclude any accrued interest and deferred gains on derivatives.