STAGECOACH GROUP

24 June 2009

Stagecoach Group plc – Preliminary results for the year ended 30 April 2009

Highlights

- Strong financial results against challenging economic environment
  - Earnings per share+ up 12.8% to 22.9p
  - Full year dividend up 11.1% at 6.0p
- Flexible business model in UK Bus and North America
- Consistent growth at UK Bus - like-for-like* revenue up 8.9%
- Further UK Bus operating margin* enhancement, up to 15.1% from 14.8%
- North American operating margin, excluding megabus.com, maintained at over 10%
- Action to secure long-term business at UK Rail - c. £50m of annualised cost savings
- UK Rail like-for-like revenue up 6.2%
- Contractual issues at South Western Trains franchise referred to arbitration
- Plans in place at Virgin Rail Group to drive growth from 30% increase in services
- Significant committed undrawn bank facilities

+ excluding intangible asset expenses and exceptional items*
* see definitions in note 21 to the preliminary financial information

Financial summary

Year ended 30 April	Results excluding intangible asset expenses and exceptional items		Reported results	
	2009	2008	2009	2008
Revenue (£m)	2,103.3	1,763.6	2,103.3	1,763.6
Total operating profit (£m)	227.8	205.3	202.4	192.3
Disposal losses etc. (£m)	-	-	(0.2)	(1.4)
Net finance charges (£m)	(31.4)	(30.9)	(31.4)	(23.6)
Profit before taxation (£m)	196.4	174.4	170.8	167.3
Earnings per share (pence)	22.9p	20.3p	18.7p	34.6p
Proposed final dividend (pence)	4.2p	4.05p	4.2p	4.05p
Full year dividend (pence)	6.0p	5.4p	6.0p	5.4p

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

"We have delivered strong revenue and profit growth from our greener, smarter bus and rail services despite the challenging economic environment.

"Our bus operations are performing well, with our focus on delivering good value, high quality services. We have made targeted complementary acquisitions that support our successful organic growth strategy and we have a flexible and successful business model.

"While our rail operations are more sensitive to the macroeconomic cycle, we have acted quickly to protect our businesses. We have delivered a major cost reduction programme at our rail franchises and are implementing measures to protect passenger revenue and attract new customers to the rail network.

"There is no doubt the transport sector faces a challenging year ahead, but I believe Stagecoach is well placed to withstand the economic headwinds. We have a record of being able to respond quickly to the changing business environment. I am confident we can develop new ideas for future growth, maintain high quality public transport services to our customers and deliver long-term value to our shareholders."

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Notes to Editors:

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

Stagecoach Group is a leading international public transport group with bus and rail operations in the UK and North America. The Group employs around 30,000 people and runs around 12,000 buses and trains.

Chairman's statement

I am pleased to report that Stagecoach Group has achieved a strong performance in the year, with further growth in our revenue, operating profit and dividend.

The Group's diverse portfolio of businesses, robust bus operations and relatively low net debt have meant we have been well placed to withstand the economic slowdown.

Nevertheless, we are not immune to the current economic environment, which has resulted in slower rates of revenue and passenger volume growth, particularly in the second half of the year.

Our bus operations have continued to perform well and we have achieved further like-for-like revenue growth. We have also made some small bolt-on acquisitions to complement our existing operations.

In UK Rail, we have achieved further improvements in train punctuality as we continue to deliver on our commitments to passengers and the Government at our South Western and East Midlands rail franchises. Like all rail operators, our business is sensitive to changes in the macroeconomy and the negative trends in the UK economy have affected passenger demand. We have taken action to reduce costs, achieve sensible efficiencies and maximise revenue. These steps have helped to protect our underlying business and ensure we are in a strong position to capitalise on opportunities when the economy improves.

Group revenue for the year ended 30 April 2009 was up 19.3% at £2,103.3m (2008: £1,763.6m). Operating profit before intangible asset expenses and exceptional items was 11.0% higher at £227.8m (2008: £205.3m). Earnings per share before intangible asset expenses and exceptional items were up 12.8% at 22.9p (2008: 20.3p).

We are proposing a final dividend of 4.2p per share (2008: 4.05p), giving a total dividend for the year of 6.0p (2008: 5.4p). The proposed final dividend is payable to shareholders on the register at 28 August 2009 and will be paid on 30 September 2009.

Trading to date in the current financial year to 30 April 2010 is in line with our expectations. We will continue to monitor macroeconomic developments closely, particularly their impact on our UK Rail Division, and take action to protect our business for the future.

I am aware that our own employees have been affected by the challenging economic environment and I would like to thank them for their continued professionalism and support.

Robert Speirs
Chairman

24 June 2009

Chief Executive's review

Financial overview

Stagecoach Group has achieved continued strong financial and operational performance for the year ended 30 April 2009.

Revenue by division is summarised below:

REVENUE	2009	2008	Functional currency	2009	2008	Growth
	£m	£m		Functional currency (m)		%
Continuing Group operations						
UK Bus	**830.8**	743.9	£	**830.8**	743.9	11.7%
North America – excluding megabus.com	**276.4**	236.3	US$	**463.7**	474.3	(2.2)%
North America – megabus.com	**21.3**	5.6	US$	**35.8**	11.3	216.8%
UK Rail	**977.7**	777.8	£	**977.7**	777.8	25.7%
Intra-Group revenue	**(2.9)**	Nil	£	**(2.9)**	Nil	-
Group revenue	**2,103.3**	1,763.6				

Operating profit by division is summarised below:

OPERATING PROFIT	2009		2008			2009	2008
	£m	% margin	£m	% margin	Functional currency	Functional currency (m)	
Continuing Group operations							
UK Bus	**125.6**	15.1%	109.9	14.8%	£	**125.6**	109.9
North America – excluding megabus.com	**28.0**	10.1%	23.9	10.1%	US$	**47.0**	48.0
North America – megabus.com	**(2.8)**	(13.1)%	(2.9)	(51.8)%	US$	**(4.7)**	(5.8)
UK Rail	**55.7**	5.7%	59.1	7.6%	£	**55.7**	59.1
Group overheads	**(11.5)**		(13.0)				
Restructuring costs	**(2.5)**		(4.3)				
Total operating profit from continuing Group operations	**192.5**		172.7				
Joint ventures – share of profit/(loss) after tax							
Virgin Rail Group	**34.0**		32.2				
Citylink	**1.0**		0.8				
New York Splash Tours	**(0.6)**		(0.4)				
Twin America	**0.9**		Nil				
Total operating profit before intangible asset expenses and exceptional items	**227.8**		205.3				
Intangible asset expenses	**(13.4)**		(13.0)				
Exceptional items	**(12.0)**		Nil				
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	**202.4**		192.3				

We have had another strong year, reflecting the high quality of our bus and rail operations, and our focus on delivering excellent service and value for money to our customers. These qualities are more important than ever in the current economic slowdown.

One of our strengths is the ability to respond quickly to the changing operating environment. Since the turn of the year, the transport sector as a whole has faced challenging trading conditions. However, we identified the implications for our business early and moved fast to manage the issues effectively.

I also believe that the current economic slowdown presents opportunities for dynamic companies like Stagecoach that are driven by innovation. Issues around congestion and climate change are becoming more immediate and public transport is central to a low carbon economy.

Stagecoach is continuing to invest for long-term growth and we have achieved further increases in like-for-like revenue across the business. Pricing is central to consumer decisions in the current environment and we have further expanded our budget products over the past year, with more megabus.com destinations in North America and a new budget coach-rail service in the UK.

We have increased our focus on online marketing and sales channels to reflect the changing purchasing habits of our passengers. Our new Stagecoach web portal, www.stagecoach.com, will also allow us to market our greener, smarter bus and rail services more effectively.

UK Bus

Revenue from our UK Bus operations increased by 11.7% to £830.8m (2008: £743.9m). Like-for-like* revenue growth was 8.9%. Operating profit* was £125.6m (2008: £109.9m). Operating margin was 15.1% compared to 14.8% in 2008. The improvement in operating margin reflects the continued strong revenue growth and a rigorous focus on cost control.

We have achieved further revenue and organic passenger volume growth at our UK Bus Division. Consumer demand for good value travel has increased in the current economic environment and we are continuing to see modal shift from the car. We have now had a full year of the new England-wide concessionary fares scheme, which has resulted in additional journeys. Estimated like-for-like passenger volumes in the year to 30 April 2009 were 3.2% higher than the equivalent prior year period, which includes the effect of the concessionary fares scheme.

We have made a number of small acquisitions in the past 12 months and these will enhance our footprint of bus services across the UK.

During the period, we completed the acquisition of Highland Country Buses and Orkney Coaches, which employ around 400 people and runs a fleet of around 200 vehicles in the Scottish Highlands, Orkney and Skye. We have acquired two bus operations in Eastbourne – Eastbourne Buses, the former council-owned business, which has 150 employees and a fleet of nearly 70 vehicles, and the small operator, Cavendish Motor Services. In addition, we bought Preston Bus in the North West of England, which has around 300 employees and a fleet of around 120 vehicles. The combined annual revenue of these businesses is approximately £30.9m.

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* See definitions in note 21 to the preliminary financial information

The Office of Fair Trading has referred the acquisitions in Eastbourne and Preston to the Competition Commission, and we expect its decision within the next few months.

Price continues to be a key driver of consumer travel behaviour, along with convenience of services, reliability and sustainability. Our strategy of offering affordable multi-journey tickets and budget products is continuing to drive organic growth. Our research has demonstrated that commuting by bus is up to 80% cheaper than using the car and we have expanded our range of discounted online tickets to encourage further modal shift. In addition to our megabus.com and megatrain.com budget coach and rail products, we launched in March 2009 a new integrated coach-rail service, megabusplus.com. With headline fares from £1, plus 50p booking fee, it links a number of locations in Yorkshire and Lincolnshire with London using coaches and high speed trains via an interchange at East Midlands Parkway Station. While it is early in the development of the product, we have been pleased with the performance of megabusplus.com to date.

We are continuing to invest significantly in our UK Bus fleet and have already taken delivery of the first vehicles from a £71m programme of orders for 430 new buses and coaches 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 autumn 2009. We also have on order 26 new high specification double deck coaches to renew the highly successful Oxford Tube fleet.

North America

Our North American operations have performed well despite a tough economic environment. Revenue from our North America operations, excluding megabus.com, for the year was down 2.2% at US$463.7m (2008: US$474.3m) as a result of the transfer on 31 March 2009 of our New York sightseeing operations to the Twin America joint venture (see below) and also the adverse effect of movements in the US dollar:Canadian dollar exchange rate. Equivalent like-for-like revenue was up by 2.0%. Operating profit, excluding megabus.com, was US$47.0m (2008: US$48.0m). This maintains the operating margin at 10.1%. Converted to sterling, revenue for the year was £276.4m (2008: £236.3m) and operating profit for the year was £28.0m (2008: £23.9m).

In March 2009, the Group created a new joint venture, Twin America, LLC, to operate the sightseeing services of our Gray Line New York business and the business of CitySights NY. The Group and CitySights NY have contributed vehicles, licenses and certain other assets to the joint venture. The Group holds 50% of the voting rights and 60% of the economic rights in the joint venture. It has created a partnership of two powerful brands that will be the leading provider of sightseeing services in New York. The joint venture will allow us to deliver a more coordinated service to our customers, who will have access to a high-quality, good value range of sightseeing products.

We have been encouraged with the performance of our budget inter-city coach service, megabus.com, which has captured a 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 and towns in the Midwest and Northeast United States, and Canada.

North American megabus.com operations reported revenue of US$35.8m (2008: US$11.3m) for the year and an operating loss of US$4.7m (2008: US$5.8m). This equates to sterling revenue of £21.3m (2008: £5.6m) and an operating loss of £2.8m (2008: £2.9m). The original megabus.com network, in the US Midwest, delivered a good operating profit for the year, demonstrating the profit potential of the brand. The younger North East network was loss making but is progressing well.

UK Rail

Revenue from our UK Rail subsidiaries for the year ended 30 April 2009 was up by 25.7% to £977.7m (2008: £777.8m) including the full-year effect of East Midlands Trains that we began operating in November 2007. On a like-for-like basis revenue increased by 6.2%. Operating profit was £55.7m (2008: £59.1m). The operating margin has fallen from 7.6% to 5.7% as a result of slowing revenue growth, 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.

Rail bid costs of £6.5m (2008: £3.7m) were expensed during the year in arriving at the UK Rail operating profit of £55.7m (2008: £59.1m).

Rail businesses in the UK are facing a challenging operating environment as reduced economic growth and falling employment levels have a direct effect on passenger demand. Stagecoach Group has taken action to mitigate the effects at its South Western and East Midlands rail franchises, including a package of measures to reduce annualised costs by around £50m, achieve sensible efficiencies and maximise revenue.

We continue to believe that rail is an attractive mode of travel as journey times reduce and comparable car and domestic air journeys become more impacted by congestion and other factors. We support the Government's commitment to high-speed rail, which has the potential to deliver significant journey time and environmental benefits. As a result of these factors and the steps we have taken to protect our underlying business, we believe rail will continue to deliver long-term value to our shareholders despite the effects of the current recession.

South Western

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 both Central London employment and leisure travel have been affected by the tough economic environment, we have achieved revenue growth in both our peak and off-peak services.

The major programme to install automatic ticket gates at London Waterloo Station has been completed, delivering improved revenue protection. A total of 450 ticket vending machines have also now been installed across the franchise. Recent software improvements mean the machines now offer an extended ticket range.

South West Trains has launched a passenger pilot of the UK's first national rail smartcard. A number of season ticket holders are taking part in the pilot between Staines and Windsor to help test the ITSO smartcard technology before it is rolled out across the network. Equipment has been installed at stations across the South West Trains network to allow smartcards to be introduced gradually on a route-by-route basis. The Department for Transport ("DfT") is working with Transport for London ("TfL") on making TfL's Oystercard system compatible with the national ITSO system, to allow London to be included. We are in discussion with the DfT regarding a settlement payable by the DfT to the Group in respect of delays to certain aspects of the smartcard project. The financial risk in relation to the delayed aspects of the project contractually lies with the DfT. The nature, quantum and timing of any settlement have yet to be finalised but we expect to receive a settlement during the year to 30 April 2010.

As previously reported, we are in dispute with the DfT regarding aspects of the South Western franchise agreement. These matters relate to the timing of revenue support and the treatment of car parking revenue for the purpose of determining revenue support. We are seeking a resolution to these matters through arbitration under the Rail Industry Dispute Resolution Rules. The sums in question depend on future revenue, which in turn partly depends on future macroeconomic conditions. To the extent that these matters are not satisfactorily resolved, the UK Rail Division is likely to incur a significant operating loss in the year ending 30 April 2011. However, we have taken appropriate legal advice and consider that we have a strong position.

East Midlands Trains

We have completed the first full year of our East Midlands Trains franchise and have made a strong impact in progressing our £90m planned programme of improvements for our customers, and driving up operational performance.

Revenue at East Midlands Trains was 10.3% higher than the previous year including the equivalent businesses under their former ownership. We have achieved good growth on London services into St Pancras International Station as passengers benefit from the easy links to Eurostar train services from the UK to continental Europe. Consistent with the trends across the UK rail network, revenue growth in the second half of the year has reduced.

In December 2008, East Midlands Trains launched a new improved timetable, bringing some of the most significant improvements to rail services for passengers in nearly a decade. Customers are benefiting from a more regular service across the whole East Midlands network. There are shorter journey times and more seats and services to London from a range of locations, including Sheffield, Nottingham, Market Harborough, Kettering and Wellingborough. We have introduced the first direct service from Lincoln to London, new services linking Derby and Nottingham with Matlock and the Peak District, and both earlier and later trains on routes from London, Nottingham, Sheffield, Derby and Leicester.

Supertram

Passenger volumes at Sheffield Supertram are at record levels and we have completed our refurbishment programme on the 25-tram fleet. 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.

Manchester Metrolink

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 is targeting to be completed by late summer 2009.

Virgin Rail Group

The Group has a 49% shareholding in a joint venture, Virgin Rail Group. Our share of Virgin Rail Group's profit after tax for the year was £34.0m (2008: £32.2m). Our share of operating profit was £42.7m (2008: £41.9m), our share of finance income was £2.3m (2008: £4.0m) and our share of taxation charges was £11.0m (2008: £13.7m).

The completion of the £9billion upgrade to the West Coast mainline has delivered more trains and faster journey times on the West Coast franchise. The new timetable, which was introduced in December 2008, represents the most frequent long-distance inter-city service in Europe.

Train services overall have now increased by 30% on the key mainline that links London with some of Britain's most important cities - Birmingham, Manchester, Liverpool, and Glasgow - as well as important tourist destinations such as North Wales and the Lake District. Routes from Manchester and Birmingham to London Euston have seen train frequencies increased to every 20 minutes, and the journey time to Manchester is now just over two hours.

The revenue growth and operational performance at Virgin Rail Group has been adversely affected by significant disruption to its train services as a result of work undertaken by Network Rail on the railway infrastructure. However, because Virgin Rail Group is compensated for this disruption, its overall profitability has not been adversely affected. Virgin Rail Group is pressing for major improvements in Network Rail's performance contract to ensure there is a more effective way of maintaining reliable services.

Virgin Rail Group is continuing to take market share from domestic airlines and has launched a number of new initiatives for passengers. First Class, off-peak, walk-up, single fares, reduced in price by 30%, are being offered on a trial basis on the Liverpool and Runcorn to London route to make use of spare capacity. The trial will be reviewed later this year and if successful the off-peak First Class ticket could be extended to other routes. Virgin Rail Group has also partnered with Eurostar to offer faster, cheaper journeys to Paris and Brussels from a range of locations in England, Scotland and Wales. The entire fleet of Super Voyager diesel trains operated by Virgin Rail Group has now been refreshed, providing new seating layouts with laptop friendly tables. Virgin Rail Group has also invested in launching WiFi coverage on board all Pendolino trains and improving the mobile phone coverage across the network.

Virgin Rail Group has revenue support already contractually available to it and it therefore has some protection against shortfalls in revenue.

Scottish Citylink Coaches

Our share of Scottish Citylink's profit after tax for the year was £1.0m (2008: £0.8m).

Scottish Citylink is continuing to achieve growth on its 400 daily services linking over 200 villages, towns and cities across Scotland. Marketing has focused on emphasising the price and guaranteed seat advantage of the coach over many rail services. A new Family Day Ticket, has been launched, offering children accompanied by a fare-paying adult free travel on Saturdays and Sundays. Scottish Citylink has also launched a refreshed website with new Businesslink, Leisurelink and Eventslink sections to help passengers understand fully the benefits of travelling by coach.

Twin America

On 18 March 2009 the Group entered into an agreement with CitySights NY to create a joint venture, Twin America LLC, to operate the sightseeing services of the Group's Gray Line New York business and the business of CitySights NY. The Group holds 50% of the voting rights and 60% of the economic rights in the joint venture with CitySights NY holding the remaining voting rights and economic rights. Twin America commenced trading on 31 March 2009. Our share of Twin America's profit for the one-month period ended 30 April 2009 was in line with our expectations at US$1.5m (2008: US$Nil).

Depreciation and intangible asset expenses

Earnings before interest, taxation, depreciation, intangible asset expenses and exceptional items (pre-exceptional EBITDA) amounted to £299.9m (2008: £271.9m) including the Group's share of its joint ventures' profit after tax. Depreciation for the year was £72.1m (2008: £66.6m). The income statement charge for intangible assets increased from £13.0m to £13.4m, of which £5.1m (2008: £5.1m) related to joint ventures. The year on year increase reflects the acquisitions completed during the year.

Exceptional items

A pre-tax gain of £2.2m has been recognised during the year ended 30 April 2009 in relation to the release of a liability related to previous acquisitions and disposals of businesses.

Exceptional restructuring costs of £12.0m have been recognised during the year in relation to the substantial cost reduction programme and restructuring undertaken at the UK Rail Division.

An impairment charge of £2.4m was recognised in relation to measuring land held for sale at fair value less costs to sell.

Net finance costs

Pre-exceptional net finance costs increased from £30.9m to £31.4m. The ratio of pre-exceptional EBITDA to net finance charges was 9.6 times for the year ended 30 April 2009 (2008: 8.8 times), reflecting increased profit.

Taxation

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

	Year ended 30 April 2009			Year ended 30 April 2008		
	Pre-tax profit £m	Tax £m	Rate %	Pre-tax profit £m	Tax £m	Rate %
Excluding intangible asset expenses and exceptional items	**207.8**	**(44.4)**	21.4%	188.1	(42.0)	22.3%
Intangible asset expenses	**(13.4)**	**2.2**	16.4%	(13.0)	2.1	16.2%
	194.4	**(42.2)**	21.7%	175.1	(39.9)	22.8%
Exceptional items	**(12.2)**	**(6.5)**	n/a	5.9	88.1	n/a
	182.2	**(48.7)**	26.7%	181.0	48.2	n/a
Reclassify joint venture taxation for reporting purposes	**(11.4)**	**11.4**	n/a	(13.7)	13.7	n/a
Reported in income statement	**170.8**	**(37.3)**	21.8%	167.3	61.9	n/a

A one-off exceptional tax charge of £10.6m 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 tax charge in the above table for the year ended 30 April 2008 includes a tax credit of £1.5m 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 increased by 12.8% to 22.9p, compared to 20.3p in 2008. Basic earnings per share decreased from 34.6p to 18.7p, mainly due to the non-recurrence of the exceptional tax credit in the year ended 30 April 2008.

Fuel costs

The Group's operations as at 30 April 2009 consume approximately 336m 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 currently hedged using fuel swaps and/or fuel caps is as follows:

Year ending 30 April:	2010	2011	2012
UK Bus	96%	90%	10%
North America	76%	75%	10%
UK Rail	75%	75%	Nil

The Group has no fuel hedges in place for periods beyond 30 April 2012.

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.

Cash flows

The strong cash generative nature of the Group is once again highlighted by net cash from operating activities after tax of £277.8m (2008: £325.0m). Net cash outflows from investing activities were £101.6m (2008: £41.9m) and net cash used in financing activities was £168.7m (2008: £534.4m), with the prior year comparative for the latter comprising a return of value to shareholders offset by the associated increase in borrowings to fund this.

Net debt

Net debt increased from £319.7m at 30 April 2008 to £340.1m at 30 April 2009. This includes an increase of £66.5m arising from the effect of foreign exchange movements on the sterling value of US dollar and Canadian dollar denominated debt. Whilst the movement in sterling against the US dollar in particular 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 30 April 2009 is further analysed below:

	Fixed rate £m	Floating rate £m	Total £m
Unrestricted cash	Nil	56.4	56.4
Cash held within train operating companies	Nil	142.3	142.3
Restricted cash	Nil	78.6	78.6
Total cash and cash equivalents	Nil	277.3	277.3
Sterling bank borrowings under bi-lateral facilities*	(150.0)	0.1	(149.9)
US dollar bond (matures November 2009)	(197.7)	Nil	(197.7)
Sterling hire purchase and finance leases	(10.4)	(162.5)	(172.9)
US dollar hire purchase and finance leases	(53.9)	Nil	(53.9)
Canadian dollar hire purchase and finance leases	(3.8)	Nil	(3.8)
Loan notes	Nil	(33.8)	(33.8)
Preference shares	Nil	(5.4)	(5.4)
Net debt	(415.8)	75.7	(340.1)

* 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.

Net cash from operating activities before tax for the year ended 30 April 2009 was £281.5m (2008: £267.4m) and can be further analysed as follows:

	2009 £m	2008 £m
Operating profit of Group companies	**172.2**	164.8
Depreciation	**72.1**	66.6
Intangible asset expenses	**8.3**	7.9
EBITDA of Group companies before exceptionals	**252.6**	239.3
Loss on disposal of plant and equipment	**2.0**	0.4
Impairment of available for sale investment	**Nil**	0.2
Impairment of plant and equipment	**0.2**	Nil
Equity–settled share based payment expense	**3.1**	1.7
Working capital movements	**43.7**	87.4
Net interest paid	**(33.0)**	(24.2)
Dividends from joint ventures	**44.9**	31.6
Net cash from operating activities before excess pension contributions	**313.5**	336.4
Pension contributions in excess of pension costs	**(32.0)**	(69.0)
Net cash inflow from operating activities before taxation	**281.5**	267.4

The net impact of purchases of property, plant and equipment for the year on net debt was £183.5m (2008: £108.7m). This primarily related to expenditure on passenger service vehicles, and comprised cash outflows of £94.9m (2008: £45.3m) and new hire purchase and finance lease debt of £88.6m (2008: £63.4m). In addition, £12.8m (2008: £9.2m) of cash was received from disposals of property, plant and equipment.

Capital expenditure

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

	2009 **£m**	2008 £m
UK Bus	113.8	75.2
North America	36.7	28.2
UK Rail	37.8	11.7
Other	Nil	0.1
	188.3	115.2

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, and the inception of new rail franchises.

Liquidity

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 30 April 2009 to pre-exceptional EBITDA for the year ended 30 April 2009 was 1.1 times (2008: 1.2 times).
- Pre-exceptional EBITDA for the year ended 30 April 2009 was 9.6 times (2008: 8.8 times) net finance charges.
- Undrawn, committed bank facilities totaled £508.0m at 30 April 2009 (2008: £494.0m) including £17.0m (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.

Although the Group faces an uncertain outlook, particularly in UK Rail, it is confident of maintaining sufficient funding. Even if the Group did not secure a favourable outcome to the arbitration on South Western Trains contractual matters, we would still expect to comply with our bank covenants and maintain sufficient debt facilities.

The Group's US$293.1m bonds mature in November 2009 and these can be financed from the Group's existing bank facilities. The Group's main bank facilities are committed through to 2012.

Shares in issue

The weighted average number of ordinary shares during the year used to calculate basic earnings per share was 714.5m (2008: 720.6m). The number of ordinary shares ranking for dividend at 30 April 2009 was 715.0m (2008: 713.1m), with a further 4.5m (2008: 5.0m) of ordinary shares held by employee trusts and not ranking for dividend.

Net liabilities

Net liabilities at 30 April 2009 were £9.6m (2008: net assets of £80.4m) with the decrease primarily reflecting actuarial losses on Group defined benefit pension schemes of £104.1m after tax and net fair value losses on cash flow hedges of £68.5m after tax partly offset by the strong results for the year. 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 benefits

The reported net liabilities of £9.6m (2008: net assets of £80.4m) that are shown on the consolidated balance sheet are after taking account of retirement benefit liabilities of £80.6m (2008: assets of £33.2m).

The values of financial investments have fallen significantly in the year ended 30 April 2009 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 in part 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 year, resulting in an increase in assumed life expectancies. The Group recognised pre-tax actuarial losses of £144.5m (2008: gains of £4.6m) on Group defined benefit pension schemes in the year ended 30 April 2009, which included losses of £90.0m (2008: £Nil) from the revision of life expectancy assumptions.

Current trading and outlook

We have previously explained that the difficult economic environment presents some challenges for the Group, in particular in its rail businesses as a result of declining UK GDP and rising central London unemployment.

We have already implemented a programme of cost cutting appropriate to the circumstances in the UK Rail Division and will continue to seek further efficiencies and to maximise revenue.

Our dispute with the DfT on the terms of the South Western Trains franchise has now been referred to arbitration and we are confident of an outcome favourable to the Group.

Our UK Bus businesses are proving robust and are continuing to perform well through the economic cycle.

Trading for the new financial year ending 30 April 2010 has been in accordance with our expectations. We are in a strong financial position with significant committed, undrawn bank facilities enabling us to withstand the economic headwinds and take opportunities as the cycle improves.

Brian Souter
Chief Executive
24 June 2009

CONSOLIDATED INCOME STATEMENT

	Notes	Audited Year ended 30 April 2009 Performance pre intangibles and exceptional items £m	Intangibles and exceptional items (note 4) £m	**Results for the year** **£m**	Audited Year ended 30 April 2008 Performance pre intangibles and exceptional items £m	Intangibles and exceptional items (note 4) £m	**Results for the year** **£m**
CONTINUING OPERATIONS							
Revenue	3(A)	2,103.3	Nil	**2,103.3**	1,763.6	Nil	**1,763.6**
Operating costs		(1,933.0)	(20.3)	**(1,953.3)**	(1,734.5)	(7.9)	**(1,742.4)**
Other operating income	5	22.2	Nil	**22.2**	143.6	Nil	**143.6**
Operating profit of Group companies	3(B)	192.5	(20.3)	**172.2**	172.7	(7.9)	**164.8**
Share of profit of joint ventures after finance income and taxation	3(C)	35.3	(5.1)	**30.2**	32.6	(5.1)	**27.5**
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	3(B)	227.8	(25.4)	**202.4**	205.3	(13.0)	**192.3**
Gain on sale of properties	4	Nil	Nil	**Nil**	Nil	0.3	**0.3**
Impairment charge on properties	4	Nil	(2.4)	**(2.4)**	Nil	Nil	**Nil**
Gain/(loss) on disposed and closed operations and resolution of certain liabilities re acquisitions and disposals	4	Nil	2.2	**2.2**	Nil	(1.7)	**(1.7)**
Profit before interest and taxation		227.8	(25.6)	**202.2**	205.3	(14.4)	**190.9**
Finance costs	6	(38.9)	Nil	**(38.9)**	(45.2)	Nil	**(45.2)**
Finance income	6	7.5	Nil	**7.5**	14.3	7.3	**21.6**
Profit before taxation		196.4	(25.6)	**170.8**	174.4	(7.1)	**167.3**
Taxation	7	(33.0)	(4.3)	**(37.3)**	(28.3)	90.2	**61.9**
Profit for the year from continuing operations		163.4	(29.9)	**133.5**	146.1	83.1	**229.2**
DISCONTINUED OPERATIONS							
Profit for the year from discontinued operations		Nil	Nil	**Nil**	Nil	19.9	**19.9**
TOTAL OPERATIONS							
Profit after taxation for the year attributable to equity shareholders of the parent		163.4	(29.9)	**133.5**	146.1	103.0	**249.1**
Earnings per share from continuing and discontinued operations							
- Adjusted basic/Basic	9	22.9p		**18.7p**	20.3p		**34.6p**
- Adjusted diluted/Diluted	9	22.7p		**18.5p**	19.8p		**33.8p**
Earnings per share from continuing operations							
- Adjusted basic/Basic	9	22.9p		**18.7p**	20.3p		**31.8p**
- Adjusted diluted/Diluted	9	22.7p		**18.5p**	19.8p		**31.1p**
Dividends per ordinary share							
- Interim paid	8			**1.8p**			**1.35p**
- Final proposed	8			**4.2p**			**4.05p**

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

An interim dividend of £12.9m was paid during the year ended 30 April 2009 (2008: £9.5m). A final dividend of £30.0m has been proposed for approval in respect of the year ended 30 April 2009 (2008: £28.9m).

CONSOLIDATED BALANCE SHEET

	Notes	Audited As at 30 April 2009 £m	Audited As at 30 April 2008 £m
ASSETS			
Non-current assets			
Goodwill		**99.9**	95.5
Other intangible assets		**24.5**	24.7
Property, plant and equipment		**785.7**	652.4
Interests in joint ventures		**68.7**	33.9
Available for sale and other investments		**1.5**	1.8
Derivative instruments at fair value		**0.5**	11.0
Retirement benefit assets	11	**Nil**	51.6
Deferred tax asset		**5.3**	6.9
Other receivables		**6.8**	2.9
		992.9	880.7
Current assets			
Inventories		**22.0**	21.3
Trade and other receivables		**212.4**	185.0
Derivative instruments at fair value		**3.1**	33.4
Foreign tax recoverable		**Nil**	0.1
Cash and cash equivalents		**277.3**	262.2
Assets classified as held for sale		**2.4**	Nil
		517.2	502.0
Total assets		**1,510.1**	1,382.7
LIABILITIES			
Current liabilities			
Trade and other payables		**530.2**	467.2
Current tax liabilities		**15.0**	10.1
Foreign tax liabilities		**0.8**	Nil
Borrowings		**279.5**	79.4
Derivative instruments at fair value		**68.2**	1.4
Provisions		**56.7**	47.2
		950.4	605.3
Non-current liabilities			
Other payables		**24.2**	25.0
Borrowings		**347.4**	514.7
Derivative instruments at fair value		**14.4**	2.3
Deferred tax liabilities		**19.5**	64.6
Provisions		**83.2**	72.0
Retirement benefit obligations	11	**80.6**	18.4
		569.3	697.0
Total liabilities		**1,519.7**	1,302.3
Net (liabilities)/assets		**(9.6)**	80.4
EQUITY			
Ordinary share capital	12	**7.1**	7.0
Share premium account		**9.5**	8.0
Retained earnings		**(374.9)**	(363.6)
Capital redemption reserve		**413.5**	410.8
Own shares		**(13.9)**	(12.6)
Translation reserve		**1.1**	5.7
Available for sale reserve		**0.2**	0.6
Cash flow hedging reserve		**(52.2)**	24.5
Total equity		**(9.6)**	80.4

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Audited Year ended 30 April 2009 £m	Audited Year ended 30 April 2008 £m
Income and expense recognised directly in equity		
Foreign exchange differences on translation of foreign operations (net of hedging)	**(4.6)**	2.7
Actuarial (losses)/gains on Group defined benefit pension schemes	**(144.5)**	4.6
Share of actuarial gains/(losses) on joint ventures' defined benefit pension schemes	**2.9**	(2.1)
Net fair value (losses)/gains on cash flow hedges	**(97.4)**	54.6
Net fair value (losses)/gains on available for sale investments	**(0.4)**	0.6
	(244.0)	60.4
Transfers to the income statement		
Cash flow hedges reclassified and reported in profit for the year	**(11.2)**	(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)	**(0.9)**	(1.6)
Tax effect of actuarial losses/(gains) on Group defined benefit pension schemes	**40.4**	(0.1)
Tax effect of share of actuarial (gains)/losses on joint ventures' defined benefit pension schemes	**(0.8)**	0.6
Tax effect of share based payments	**(0.5)**	2.7
Tax effect of cash flow hedges	**31.9**	(11.7)
Tax adjustment re change in UK corporation tax rate	**Nil**	1.3
	70.1	(8.8)
Net (expenses)/income not recognised in income statement	**(185.1)**	37.8
Profit for the year attributable to equity shareholders of the parent	**133.5**	249.1
Total recognised income and expense for the year attributable to equity shareholders of the parent	**(51.6)**	286.9

CONSOLIDATED CASH FLOW STATEMENT

	Notes	**Audited Year ended 30 April 2009 £m**	Audited Year ended 30 April 2008 £m
Cash flows from operating activities			
Cash generated by operations	13	**269.6**	260.0
Interest paid		**(41.7)**	(45.6)
Interest received		**8.7**	21.4
Dividends received from joint ventures		**44.9**	31.6
Net cash flows from operating activities before tax		**281.5**	267.4
Tax (paid)/received		**(3.7)**	57.6
Net cash from operating activities after tax		**277.8**	325.0
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	10	**(19.0)**	(7.3)
Disposals and closures of subsidiaries and other businesses, net of cash disposed of		**0.3**	3.6
Cash outflow in respect of inception of rail franchise		**Nil**	(0.5)
Purchase of property, plant and equipment		**(94.9)**	(45.3)
Disposal of property, plant and equipment		**12.8**	9.2
Purchase of intangible assets		**(0.4)**	(1.0)
Purchase of other investments		**Nil**	(0.3)
Movement in loans to joint ventures		**(0.4)**	(0.3)
Net cash outflow from investing activities		**(101.6)**	(41.9)
Cash flows from financing activities			
Issue of ordinary shares for cash		**1.4**	7.7
VAT recovered on professional fees previously applied to share premium		**0.2**	Nil
Return of value to shareholders			
- Redemption and purchase of ‘B’ shares and ‘C’ shares		**(2.7)**	(397.0)
- Dividends paid on ‘C’ shares		**Nil**	(284.6)
- Costs associated with the return of value		**Nil**	(3.3)
Investment in own ordinary shares by employee share ownership trusts		**(2.8)**	(8.4)
Sale of own ordinary shares by employee share ownership trusts		**1.5**	3.1
Repayments of hire purchase and lease finance		**(47.5)**	(33.1)
Proceeds of sale and leaseback transaction		**20.3**	Nil
Movement in other borrowings		**(96.5)**	212.8
Dividends paid on ordinary shares		**(41.8)**	(30.0)
Sale of tokens		**4.5**	4.4
Redemption of tokens		**(5.3)**	(6.0)
Net cash used in financing activities		**(168.7)**	(534.4)
Net increase/(decrease) in cash and cash equivalents		**7.5**	(251.3)
Cash and cash equivalents at the beginning of the year		**261.6**	512.5
Exchange rate effects		**8.2**	0.4
Cash and cash equivalents at the end of the year		**277.3**	261.6
Cash and cash equivalents at the end of the year comprises:			
Cash and cash equivalents included within current assets		**277.3**	262.2
Bank overdrafts included within borrowings		**Nil**	(0.6)
		277.3	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 maturities at the balance sheet date of three months or less.

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

Consolidated statement of changes in shareholders' equity

	Notes	Ordinary share capital	Share premium account	Retained earnings	Capital redemption reserve	Own shares	Translation reserve	Available for sale reserve	Cash flow hedging reserve	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 30 April 2007 and 1 May 2007		7.0	179.4	91.8	243.0	(7.3)	3.0	-	(4.6)	512.3
Profit for the year		-	-	249.1	-	-	-	-	-	249.1
Foreign exchange differences on translation of foreign operations (net of hedging)		-	-	-	-	-	2.7	-	-	2.7
Actuarial gains on Group defined benefit pension schemes		-	-	4.6	-	-	-	-	-	4.6
Share of actuarial losses on joint ventures' defined benefit pension schemes		-	-	(2.1)	-	-	-	-	-	(2.1)
Net fair value gains on cash flow hedges		-	-	-	-	-	-	-	54.6	54.6
Net fair value gains on available for sale investments		-	-	-	-	-	-	0.6	-	0.6
Cash flow hedges reclassified and reported in profit for the year		-	-	-	-	-	-	-	(13.8)	(13.8)
Tax on items taken directly to equity (for split see Consolidated statement of recognised income and expense)		-	-	2.9	-	-	-	-	(11.7)	(8.8)
Own ordinary shares purchased		-	-	-	-	(8.4)	-	-	-	(8.4)
Own ordinary shares sold		-	-	-	-	3.1	-	-	-	3.1
Return of value to shareholders		-	(175.8)	(674.4)	160.6	-	-	-	-	(689.6)
Expenses associated with return of value		-	(3.3)	-	-	-	-	-	-	(3.3)
Preference shares redeemed		-	-	(7.2)	7.2	-	-	-	-	-
Arising on new ordinary share issues		-	7.7	-	-	-	-	-	-	7.7
Credit in relation to equity-settled share based payments		-	-	1.7	-	-	-	-	-	1.7
Dividends paid on ordinary shares	8	-	-	(30.0)	-	-	-	-	-	(30.0)
Balance at 30 April 2008 and 1 May 2008		7.0	8.0	(363.6)	410.8	(12.6)	5.7	0.6	24.5	80.4
Profit for the year		-	-	133.5	-	-	-	-	-	133.5
Foreign exchange differences on translation of foreign operations (net of hedging)		-	-	-	-	-	(4.6)	-	-	(4.6)
Actuarial losses on Group defined benefit pension schemes		-	-	(144.5)	-	-	-	-	-	(144.5)
Share of actuarial losses on joint ventures' defined benefit pension schemes		-	-	2.9	-	-	-	-	-	2.9
Net fair value losses on cash flow hedges		-	-	-	-	-	-	-	(97.4)	(97.4)
Net fair value losses on available for sale investments		-	-	-	-	-	-	(0.4)	-	(0.4)
Cash flow hedges reclassified and reported in profit for the year		-	-	-	-	-	-	-	(11.2)	(11.2)
Tax on items taken directly to equity (for split see Consolidated statement of recognised income and expense)		-	-	38.2	-	-	-	-	31.9	70.1
Own ordinary shares purchased		-	-	-	-	(2.8)	-	-	-	(2.8)
Own shares sold		-	-	-	-	1.5	-	-	-	1.5
Preference shares redeemed		-	-	(2.7)	2.7	-	-	-	-	-
Arising on new ordinary share issues		0.1	1.3	-	-	-	-	-	-	1.4
VAT recovered on professional fees previously applied to share premium account		-	0.2	-	-	-	-	-	-	0.2
Credit in relation to equity-settled share based payments		-	-	3.1	-	-	-	-	-	3.1
Dividends paid on ordinary shares	8	-	-	(41.8)	-	-	-	-	-	(41.8)
Balance at 30 April 2009		7.1	9.5	(374.9)	413.5	(13.9)	1.1	0.2	(52.2)	(9.6)

NOTES

1 BASIS OF PREPARATION

These results are extracts of consolidated financial statements that have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (that therefore comply with Article 4 of the EU IAS Regulation), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 1985 and 2006 applicable to companies reporting under IFRS. The accounting policies and methods of computation adopted are consistent with those used in the last set of published financial statements, with the exception of IFRIC 14, IAS 19: 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', and IFRS 8 'Operating Segments' which have been adopted for the first time for the year ended 30 April 2009.

The Group has early adopted IFRS 8, which is compulsory for accounting periods commencing after 1 January 2009. The impact of adopting IFRS 8 was only one of disclosure.

The Group has adopted for the first time IFRIC 14. The adoption of IFRIC 14 has had no material effect on the financial statements.

Where appropriate, comparative figures for the previous year have been adjusted to conform to changes in presentation. These changes have no impact on the consolidated income statement or on consolidated net assets.

The Board of Directors approved this announcement on 24 June 2009.

2 FOREIGN CURRENCIES

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

Principal rates of exchange	**2009**	2008
US Dollar:		
Year end rate	**1.4818**	1.9806
Average rate	**1.6780**	2.0072
Canadian Dollar:		
Year end rate	**1.7605**	1.9947
Average rate	**1.8955**	2.0525

3 SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group is managed, and reports internally, on a basis consistent with its three continuing operating 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 operating segments as follows:

Segment name	Service operated	Country of operations
UK Bus	Coach and bus operations	United Kingdom
North America	Coach and bus operations	USA and Canada
UK Rail	Rail operations	United Kingdom

3 SEGMENTAL INFORMATION (CONTINUED)

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

The Group has interests in four joint ventures: Virgin Rail Group that operates in UK Rail, Citylink that operates in UK Bus and New York Splash Tours LLC and Twin America LLC that both operate 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.

	Audited Year ended 30 April 2009 £m	Audited Year ended 30 April 2008 £m
Continuing operations		
UK Bus	**830.8**	743.9
North America	**297.7**	241.9
Total bus continuing operations	**1,128.5**	985.8
UK Rail	**977.7**	777.8
Total Group revenue	**2,106.2**	1,763.6
Intra-Group revenue	**(2.9)**	Nil
Reported Group revenue	**2,103.3**	1,763.6

3 SEGMENTAL ANALYSIS (CONTINUED)

(B) OPERATING PROFIT

	Notes	**Audited Year ended 30 April 2009** Performance pre intangibles and exceptional items	Intangibles and exceptional items	**Results for the year**	Audited Year ended 30 April 2008 Performance pre intangibles and exceptional items	Intangibles and exceptional items	**Results for the year**
		£m	£m	**£m**	£m	£m	**£m**
Continuing operations							
UK Bus		125.6	Nil	**125.6**	109.9	Nil	**109.9**
North America		25.2	Nil	**25.2**	21.0	Nil	**21.0**
Total bus continuing operations		150.8	Nil	**150.8**	130.9	Nil	**130.9**
UK Rail		55.7	Nil	**55.7**	59.1	Nil	**59.1**
Total continuing operations		206.5	Nil	**206.5**	190.0	Nil	**190.0**
Group overheads		(11.5)	Nil	**(11.5)**	(13.0)	Nil	**(13.0)**
Intangible asset expenses		Nil	(8.3)	**(8.3)**	Nil	(7.9)	**(7.9)**
Restructuring costs		(2.5)	(12.0)	**(14.5)**	(4.3)	Nil	**(4.3)**
Total operating profit of continuing Group companies		192.5	(20.3)	**172.2**	172.7	(7.9)	**164.8**
Share of profit of joint ventures after finance income and taxation	3(C)	35.3	(5.1)	**30.2**	32.6	(5.1)	**27.5**
Total operating profit: Group operating profit and share of joint ventures' profit after taxation		227.8	(25.4)	**202.4**	205.3	(13.0)	**192.3**

3 SEGMENTAL ANALYSIS (CONTINUED)

(C) JOINT VENTURES

	Audited Year ended 30 April 2009			Audited Year ended 30 April 2008		
	Performance pre intangibles and exceptional items	Intangibles and exceptional items	**Results for the year**	Performance pre intangibles and exceptional items	Intangibles and exceptional items	**Results for the year**
	£m	£m	**£m**	£m	£m	**£m**
Continuing						
Virgin Rail Group (UK Rail)						
Operating profit	42.7	Nil	**42.7**	41.9	Nil	**41.9**
Finance income (net)	2.3	Nil	**2.3**	4.0	Nil	**4.0**
Taxation	(11.0)	Nil	**(11.0)**	(13.7)	Nil	**(13.7)**
	34.0	Nil	**34.0**	32.2	Nil	**32.2**
Goodwill charged on investment in continuing joint ventures	Nil	(5.1)	**(5.1)**	Nil	(5.1)	**(5.1)**
	34.0	(5.1)	**28.9**	32.2	(5.1)	**27.1**
Citylink (UK Bus)						
Operating profit	1.4	Nil	**1.4**	1.1	Nil	**1.1**
Taxation	(0.4)	Nil	**(0.4)**	(0.3)	Nil	**(0.3)**
	1.0	Nil	**1.0**	0.8	Nil	**0.8**
New York Splash Tours LLC (North America)						
Operating loss	(0.6)	Nil	**(0.6)**	(0.7)	Nil	**(0.7)**
Taxation	Nil	Nil	**Nil**	0.3	Nil	**0.3**
	(0.6)	Nil	**(0.6)**	(0.4)	Nil	**(0.4)**
Twin America LLC (North America)						
Operating loss	0.9	Nil	**0.9**	Nil	Nil	**Nil**
Taxation	Nil	Nil	**Nil**	Nil	Nil	**Nil**
	0.9	Nil	**0.9**	Nil	Nil	**Nil**
Share of profit of joint ventures after finance income and taxation	35.3	(5.1)	**30.2**	32.6	(5.1)	**27.5**

3 SEGMENTAL ANALYSIS (CONTINUED)

(D) GROSS ASSETS AND LIABILITIES

	Audited Year ended 30 April 2009			Audited Year ended 30 April 2008		
	Gross assets	Gross liabilities	**Net assets/ (liabilities)**	Gross assets	Gross liabilities	**Net assets/ (liabilities)**
	£m	£m	**£m**	£m	£m	£m
UK Bus	630.7	(167.7)	**463.0**	634.8	(116.1)	**518.7**
North America	278.2	(106.2)	**172.0**	245.1	(72.7)	**172.4**
UK rail	234.9	(432.4)	**(197.5)**	188.0	(311.7)	**(123.7)**
	1,143.8	(706.3)	**437.5**	1,067.9	(500.5)	**567.4**
Central functions	15.0	(151.2)	**(136.2)**	11.7	(133.0)	**(121.3)**
Joint ventures	68.7	Nil	**68.7**	33.9	Nil	**33.9**
Borrowings and cash	277.3	(626.9)	**(349.6)**	262.2	(594.1)	**(331.9)**
Taxation	5.3	(35.3)	**(30.0)**	7.0	(74.7)	**(67.7)**
Total	1,510.1	(1,519.7)	**(9.6)**	1,382.7	(1,302.3)	**80.4**

Central assets and liabilities include the token provision, interest payable and receivable and other net assets of the holding company.

Segment assets and liabilities are determined by identifying the assets and liabilities that relate to the business of each segment but excluding intra-Group balances, cash, borrowings, interest payable, interest receivable and the token provision.

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 as defined in note 21.

The items shown in the column headed "Intangibles and exceptional items" on the face of the consolidated income statement for the year ended 30 April 2009 can be further analysed as follows:

	Audited Year ended 30 April 2009		
	Exceptional items £m	Intangible asset expenses £m	Intangibles and exceptional items £m
Operating costs			
Intangible asset expenses	Nil	(8.3)	(8.3)
Restructuring costs	(12.0)	Nil	(12.0)
	(12.0)	(8.3)	(20.3)
Share of profit of joint ventures			
Goodwill charged on investment in joint ventures	Nil	(5.1)	(5.1)
Impairment charge on properties	(2.4)	Nil	(2.4)
Resolution of certain liabilities re acquisitions and disposals	2.2	Nil	2.2
Intangible asset expenses and exceptional items	**(12.2)**	**(13.4)**	**(25.6)**
Tax effect of intangible asset expenses and exceptional items	4.1	2.2	6.3
Deferred tax charge re abolition of the Industrial Buildings Allowances	(10.6)	Nil	(10.6)
Intangible asset expenses and exceptional items after taxation	**(18.7)**	**(11.2)**	**(29.9)**

The items shown in the column headed "Intangibles and exceptional items" on the face of the consolidated income statement for the prior year comparatives can be further analysed as follows:

	Audited Year ended 30 April 2008		
	Exceptional items £m	Intangible asset expenses £m	Intangibles and exceptional items £m
Operating costs			
Intangible asset expenses	Nil	(7.9)	(7.9)
Share of profit of joint ventures			
Goodwill charged on investment in joint ventures	Nil	(5.1)	(5.1)
Gain on sale of properties	0.3	Nil	0.3
Loss on disposed and closed operations	(1.7)	Nil	(1.7)
Finance income	7.3	Nil	7.3
Profit for the period from discontinued operations	19.9	Nil	19.9
Intangible asset expenses and exceptional items	25.8	(13.0)	12.8
Tax effect of intangible asset expenses and exceptional items	(1.2)	2.1	0.9
Exceptional tax charge	87.8	Nil	87.8
Tax rate change	1.5	Nil	1.5
Intangible asset expenses and exceptional items after taxation	113.9	(10.9)	103.0

5 OTHER OPERATING INCOME

	Audited Year ended 30 April 2009 £m	Audited Year ended 30 April 2008 £m
Miscellaneous revenue	**88.6**	65.4
Rail franchise support	**31.5**	78.2
Rail franchise premia	**(97.9)**	Nil
	22.2	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 amount of financial support receivable from the Department for Transport ("DfT") in respect of the operation of UK passenger rail franchises. Rail Franchise premia is the amount of financial premia payable to the DfT in respect of the operation of UK passenger rail franchises.

6 FINANCE COSTS AND INCOME

	Audited Year ended 30 April 2009 £m	Audited Year ended 30 April 2008 £m
Finance costs:		
Interest payable and other facility costs on bank loans, loan notes and overdrafts	**9.8**	21.6
Hire purchase and finance lease interest payable	**7.8**	7.5
Interest payable on bonds	**15.1**	12.2
'B' share dividends	**0.2**	0.6
Unwinding of discount on provisions	**3.6**	3.3
Interest payable on interest rate swaps qualifying as cashflow hedges	**2.4**	Nil
	38.9	45.2
Finance income:		
Interest receivable	**(7.5)**	(14.0)
Interest receivable on interest rate swaps qualifying as cash flow hedges	**Nil**	(0.3)
	(7.5)	(14.3)
Net finance costs before exceptional items	**31.4**	30.9
Exceptional item:		
Interest receivable on tax repayments	**Nil**	(7.3)
Net finance costs	**31.4**	23.6

7 TAXATION

The taxation charge comprises:

	Audited Year ended 30 April 2009			Audited Year ended 30 April 2008		
	Performance pre intangibles and exceptional items £m	Intangibles and exceptional items £m	**Results for the year £m**	Performance pre intangibles and exceptional items £m	Intangibles and exceptional items £m	**Results for the year** £m
Current tax:						
UK corporation tax at 28% (2008: 29.84%)	19.9	(4.1)	**15.8**	1.2	2.5	**3.7**
Prior year (over)/under provision for corporation tax	(0.5)	Nil	**(0.5)**	1.4	(78.0)	**(76.6)**
Foreign tax (current year)	0.8	Nil	**0.8**	1.5	Nil	**1.5**
Total current tax	20.2	(4.1)	**16.1**	4.1	(75.5)	**(71.4)**
Deferred tax:						
Origination and reversal of temporary differences	13.4	(2.2)	**11.2**	25.4	(4.8)	**20.6**
Exceptional charge re abolition of IBAs	Nil	10.6	**10.6**	Nil	Nil	**Nil**
Adjustments in respect of prior years	(0.6)	Nil	**(0.6)**	(1.2)	(9.9)	**(11.1)**
Total deferred tax	12.8	8.4	**21.2**	24.2	(14.7)	**9.5**
Total tax on profit	33.0	4.3	**37.3**	28.3	(90.2)	**(61.9)**

8 DIVIDENDS

Dividends payable in respect of ordinary shares are shown below. Dividends payable in respect of 'B' shares of £0.2m (2008: £0.6m) are included as an expense in finance costs and shown separately in note 6.

	Audited Year ended 30 April 2009 pence per share	Audited Year ended 30 April 2008 pence per share	**Audited Year ended 30 April 2009 £m**	Audited Year ended 30 April 2008 £m
Amounts recognised as distributions in the year				
Dividends on ordinary shares				
Final dividend in respect of the previous year	**4.05**	2.90	**28.9**	20.5
Interim dividend in respect of the current year	**1.80**	1.35	**12.9**	9.5
Amounts recognised as distributions to equity holders in the year	**5.85**	4.25	**41.8**	30.0
Dividends proposed but neither paid nor included as liabilities in the financial statements				
Dividends on ordinary shares				
Final dividend in respect of the current year	**4.20**	4.05	**30.0**	28.9

The proposed final dividend in respect of the year ended 30 April 2009 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements. If approved, the final dividend will be payable on 30 September 2009 to shareholders on the register at close of business on 28 August 2009.

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

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 year, excluding any ordinary shares held by employee share ownership trusts that do not rank 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 (determined based on the average annual market share price of the Company's ordinary shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of ordinary shares calculated as above is compared with the number of ordinary shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issue of ordinary shares for no consideration and no adjustment is made to earnings (numerator).

9 EARNINGS PER SHARE (CONTINUED)

On 14 May 2007, the Company issued 277,777,735 redeemable 'B' shares of 63 pence each and 823,220,972 irredeemable 'C' shares of 63 pence each at the rate of 1 'B' or 'C' share for every 1 ordinary share held. The issue of the 'B' and 'C' shares was followed by a share capital consolidation whereby shareholders received 9 new ordinary shares for every 14 existing ordinary shares held. In determining the consolidated earnings per share, no adjustment has been made to the number of ordinary shares outstanding before the event where the issue of 'B' and 'C' shares was combined with the share capital consolidation. The weighted average number of ordinary shares outstanding for the year ended 30 April 2008 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".

	Audited Year ended 30 April 2009 No. of shares million	Audited Year ended 30 April 2008 No. of shares million
Basic weighted average number of ordinary shares	**714.5**	720.6
Dilutive ordinary shares		
- Executive Share Option Scheme	**1.3**	3.8
- Employee SAYE Scheme	**0.1**	6.0
- Long Term Incentive Plan	**2.4**	4.4
- Executive Participation Plan	**2.8**	2.0
Diluted weighted average number of ordinary shares	**721.1**	736.8
	£m	£m
Profit after taxation including discontinued operations (for basic EPS calculation)	**133.5**	249.1
Intangible asset expenses (see note 4)	**13.4**	13.0
Exceptional items before tax (see note 4)	**12.2**	(25.8)
Tax effect of intangible asset expenses and exceptional items (see note 4)	**4.3**	(90.2)
Profit for adjusted EPS calculation	**163.4**	146.1
	Earnings per share pence	Earnings per share pence
Basic	**18.7**	34.6
Adjusted basic	**22.9**	20.3
Diluted	**18.5**	33.8
Adjusted diluted	**22.7**	19.8

9 EARNINGS PER SHARE (CONTINUED)

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 further understanding of the underlying performance. The basic and diluted earnings per share can be further analysed as follows:

	Audited Year ended 30 April 2009			Audited Year ended 30 April 2008		
	Earnings £m	Weighted average number of shares Million	**Earnings per share pence**	Earnings £m	Weighted average number of shares Million	**Earnings per share pence**
Basic						
- Continuing operations	133.5	714.5	**18.7**	229.2	720.6	**31.8**
- Discontinued operations	Nil	714.5	**Nil**	19.9	720.6	**2.8**
	133.5	714.5	**18.7**	249.1	720.6	**34.6**
Adjusted basic						
- Continuing operations	163.4	714.5	**22.9**	146.1	720.6	**20.3**
- Discontinued operations	Nil	714.5	**Nil**	Nil	720.6	**Nil**
	163.4	714.5	**22.9**	146.1	720.6	**20.3**
Diluted						
- Continuing operations	133.5	721.1	**18.5**	229.2	736.8	**31.1**
- Discontinued operations	Nil	721.1	**Nil**	19.9	736.8	**2.7**
	133.5	721.1	**18.5**	249.1	736.8	**33.8**
Adjusted diluted						
- Continuing operations	163.4	721.1	**22.7**	146.1	736.8	**19.8**
- Discontinued operations	Nil	721.1	**Nil**	Nil	736.8	**Nil**
	163.4	721.1	**22.7**	146.1	736.8	**19.8**

10 ACQUISITIONS

During the year a number of small acquisitions of businesses have been concluded for a total consideration of £19.1m in cash. In each case, the Group acquired 100% of any voting rights. Due to the integration of the acquired businesses with the Group's existing businesses, it is impracticable to separately identify the revenue and operating profit contributed by the acquisitions but they are not considered material to the Group. Revenue and operating profit of the acquired businesses from 1 May 2009 to the date of acquisition is not material to the Group.

	2009	2008
	£m	£m
Fair value to Group		
Intangible fixed assets (excluding goodwill)	**7.1**	3.9
Property, plant and equipment	**14.6**	5.1
Other net liabilities	**(12.9)**	(0.4)
Net assets	**8.8**	8.6
Goodwill	**10.3**	1.9
Consideration	**19.1**	10.5
Costs of acquisitions in year	**0.3**	Nil
Less: deferred consideration outstanding	**(1.5)**	(0.9)
Add: deferred consideration paid in respect of businesses acquired in prior years	**0.7**	Nil
Less: net cash and cash equivalents acquired (including overdrafts)	**0.4**	(2.3)
Net cash outflow	**19.0**	7.3

The goodwill arising on the acquisitions is attributable to the value of the workforce, transport timetables, rosters, other business information and other potential economic benefits expected to be derived from the acquired businesses.

Further details of the acquisitions made during the year ended 30 April 2009 are provided below. As no individual acquisition was material to the Group, the information is not provided separately for each acquiree.

	Initial book value	Restatement to fair value	Fair value to the Group
	£m	£m	£m
Intangible fixed assets (excluding goodwill)	0.2	6.9	7.1
Property, plant and equipment	17.2	(2.6)	14.6
Inventories	0.5	(0.3)	0.2
Trade and other receivables	2.6	(0.2)	2.4
Trade and other payables	(6.8)	(0.6)	(7.4)
Bank overdrafts	(0.4)	Nil	(0.4)
Hire purchase liabilities	(6.4)	Nil	(6.4)
Other borrowings	(0.4)	Nil	(0.4)
Deferred tax liabilities	(1.1)	0.2	(0.9)
Net assets acquired	5.4	3.4	8.8
Goodwill arising on acquisition	Nil	10.3	10.3
Total consideration (to be settled in cash)	5.4	13.7	19.1

11 RETIREMENT BENEFITS

The Group contributes to a number of pension schemes. The principal defined benefit occupational 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");

During the year ended 30 April 2008, both the Yorkshire Traction Company Limited Pension Plan ("YTC") and the Strathtay Scottish Omnibuses Limited Pension and Life Assurance Scheme ("SSO") were merged with SGPS. All assets and liabilities of YTC and SSO were transferred into SGPS.

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 franchises. Therefore, the liability (or asset) recognised for the relevant sections of RPS only represents that part of the net deficit (or surplus) of each section that the employer is obliged to fund (or expected to recover) over the life of the franchise to which each section relates. The restriction on surplus to be recognised in the LGPS plans is based on the advice of independent professionally qualified actuaries.

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

The movements for the year ended 30 April 2009 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
Acquisitions	Nil	Nil	(0.9)	Nil	Nil	(0.9)
Current service cost	(20.5)	(19.1)	(2.4)	Nil	Nil	(42.0)
Curtailments	Nil	1.0	Nil	Nil	Nil	1.0
Interest cost	(38.6)	(23.2)	(16.3)	(0.1)	Nil	(78.2)
Expected return on plan assets	44.9	29.5	18.2	0.1	Nil	92.7
Employers' contributions and settlements	31.0	22.2	5.0	Nil	0.3	58.5
Foreign exchange movements	Nil	Nil	Nil	(0.4)	Nil	(0.4)
Actuarial losses	(55.7)	(58.1)	(29.3)	(1.1)	(0.3)	(144.5)
At 30 April 2009	(11.6)	(28.2)	(33.9)	(2.5)	(4.4)	(80.6)

The net pension liability before deferred tax of £80.6m (2008: net asset of £33.2m) is classified in the balance sheet as £Nil (2008: £51.6m) of assets and £80.6m (2008: £18.4m) of liabilities.

12 SHARE CAPITAL

	Audited As at 30 April 2009 £m	Audited As at 30 April 2008 £m
Authorised ordinary share capital		
936,428,571 (2008: 936,428,571) ordinary shares of 56/57 pence each	**9.2**	9.2

	2009		**2008**	
	No. of shares	**£m**	**No. of shares**	**£m**
Allotted, called-up and fully-paid ordinary shares of 56/57 pence each (1 May 2008: 12/19 pence)				
At beginning of year	**718,145,299**	**7.0**	1,100,998,707	7.0
Share capital consolidation (9 for 14 shares)	**Nil**	**Nil**	(393,213,824)	Nil
Allotted to employees and former employees under share option schemes	**1,333,135**	**0.1**	10,360,416	Nil
At end of year	**719,478,434**	**7.1**	718,145,299	7.0

The balance on the share capital account shown above 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 30 April 2009, the QUEST held 333,372 (2008: 384,279) ordinary shares in the Company and the EBT held 4,153,370 (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.

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.

12 SHARE CAPITAL (CONTINUED)

- 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.
- 1,351,871 'B' shares were redeemed at 63 pence each with the redemption proceeds paid to holders on 30 November 2008.
- 8,527,488 'B' shares remained in issue at 30 April 2009 and may be redeemed at the option of the holder on 31 May and 30 November 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.

13 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

	Audited Year ended 30 April 2009 £m	Audited Year ended 30 April 2008 £m
Operating profit of Group companies	**172.2**	164.8
Depreciation	**72.1**	66.6
Loss on disposal of plant and equipment	**2.0**	0.4
Intangible asset expenses	**8.3**	7.9
Impairment of plant and equipment	**0.2**	Nil
Impairment of investments	**Nil**	0.2
Equity-settled share based payment expense	**3.1**	1.7
Operating cashflows before working capital movements	**257.9**	241.6
Increase in inventories	**Nil**	(6.7)
Increase in receivables	**(25.9)**	(43.5)
Increase in payables	**63.9**	129.1
Increase in provisions	**5.7**	8.5
Differences between employer pension contributions and amounts recognised in the income statement	**(32.0)**	(69.0)
Cash generated by operations	**269.6**	260.0

During the year, 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 £92.2m (2008: £66.2m). After taking account of deposits paid up-front and other financing transactions of £20.3m (2008: £Nil), new hire purchase and finance lease liabilities of £108.9m (2008: £63.4m) were recognised.

14 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Audited Year ended 30 April 2009 £m	Audited Year ended 30 April 2008 £m
Increase/(decrease) in cash	**7.5**	(251.3)
Cash flow from movement in borrowings	**126.4**	501.9
	133.9	250.6
New hire purchase	**(88.6)**	(63.4)
Bonus issue of preference shares	**Nil**	(693.6)
Debt of acquired subsidiaries	**(6.8)**	(1.1)
Foreign exchange movements	**(58.3)**	(1.7)
Other movements	**(0.6)**	3.1
Increase in net debt	**(20.4)**	(506.1)
Opening net (debt)/funds (as defined in note 21)	**(319.7)**	186.4
Closing net debt (as defined in note 21)	**(340.1)**	(319.7)

15 ANALYSIS OF NET DEBT

The analysis provided below shows an analysis of net debt as defined in note 21. The analysis below further shows the other items classified as net borrowings in the consolidated balance sheet.

	Opening £m	Cashflows £m	New hire purchase/ finance leases £m	Acquisitions £m	Foreign exchange movements £m	(Charged)/ credited to income statement £m	Closing £m
Cash	195.0	(4.5)	Nil	Nil	8.2	Nil	198.7
Cash collateral	66.6	12.0	Nil	Nil	Nil	Nil	78.6
Hire purchase and finance lease obligations	(154.3)	27.2	(88.6)	(6.4)	(8.4)	(0.1)	(230.6)
Bank loans and loan stock	(250.7)	67.5	Nil	(0.4)	Nil	(0.1)	(183.7)
Bonds	(168.2)	29.0	Nil	Nil	(58.1)	(0.4)	(197.7)
'B' preference shares	(8.1)	2.7	Nil	Nil	Nil	Nil	(5.4)
Net debt	(319.7)	133.9	(88.6)	(6.8)	(58.3)	(0.6)	(340.1)
Accrued interest on bonds and preference shares	(6.7)	17.9	Nil	Nil	(1.9)	(17.2)	(7.9)
Unamortised gain on early settlement of interest rate swaps	(5.5)	Nil	Nil	Nil	Nil	3.9	(1.6)
Net borrowings (IFRS)	(331.9)	151.8	(88.6)	(6.8)	(60.2)	(13.9)	(349.6)

The net total of cash and cash collateral of £277.3m (2008: £261.6m) is classified in the balance sheet as £277.3m (2008: £262.2m) in cash and cash equivalents and £Nil (2008: £0.6m) as bank overdrafts within borrowings. £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 30 April 2009 of £78.6m (2008: £66.6m) comprises balances held in respect of insurance provision letters of credit of £44.9m (2008: £33.6m), balances held in trust in respect of loan notes of £31.4m (2008: £32.2m), and North America restricted cash balances of £2.3m (2008: £0.8m). In addition, cash includes train operating company cash of £142.3m (2008: £142.3m). Under the terms of the franchise agreements, train operating companies can only distribute cash out of retained earnings.

Cash and cash equivalents includes £53.0m (2008: £60.0m) of amounts deposited which are not accessible by the Group within one day. These deposits are due to mature between 1 May 2009 and 8 July 2009.

16 CONTINGENT LIABILITIES

(i) The following bonds and guarantees were in place relating to the Group's rail operations:

	Audited As at 30 April 2009 £m	Audited As at 30 April 2008 £m
Performance bonds backed by bank facilities		
- Stagecoach South Western Trains	**55.7**	33.5
- East Midlands Trains	**20.2**	18.2
Season ticket bonds backed by bank facilities		
- Stagecoach South Western Trains	**43.0**	37.9
- East Midlands Trains	**4.6**	4.3
Inter-company loan facilities and guarantees		
- Stagecoach South Western Trains	**25.0**	25.0
- East Midlands Trains	**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 UK's Department for Transport annual amounts receivable or payable in respect of the operation of rail franchises for future periods. Under these agreements, there is a requirement to comply with a number of obligations. Failure to comply with these obligations would be a breach of the relevant franchise. The Group has assessed whether a provision for onerous contracts is required in respect of its rail franchises. The Group has discounted the expected future cash flows related to its rail franchises to determine whether it is probable that the benefits to be derived by the Group from the franchises will be lower than the unavoidable costs of meeting its obligations under the franchises. The Group has determined that no provision is necessary. Estimates of cash flows are consistent with management's plans and forecasts, including an assumption supported by legal advice that the contractual disputes in respect of South Western Trains will be resolved in our favour. The estimate of future cash flows and the discount rate involves a significant degree of judgement. Actual results can differ from those assumed and there can be no absolute assurance that the assumptions used will hold true.

(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 30 April 2009, the accruals in the consolidated financial statements for such claims total £10.1m (2008: £9.8m).

(v) The Group provides details of guarantees and other financial commitments in its Annual Report.

17 CAPITAL COMMITMENTS

Capital commitments are as follows:

	Audited As at 30 April 2009 £m	Audited As at 30 April 2008 £m
Contracted for but not provided:		
For delivery in one year	**116.9**	95.8

18 RELATED PARTY TRANSACTIONS

Details of major related party transactions during the year ended 30 April 2009 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 year ended 30 April 2009, the Group earned fees of £60,000 (2008: £45,415) 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. For the year ended 30 April 2009, East Midlands Trains had purchases totalling £0.6m (2008: £0.3m) and sales totalling £0.8m (2008: Nil) from/to West Coast Trains Limited. East Midlands Trains has a receivable of £0.4m (2008: payable of £0.1m) owed from West Coast Trains Limited as at 30 April 2009.

(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 year. Total fees payable to Noble Grossart Limited in respect of the year ended 30 April 2009 amounted to £20,000 (2008: £20,000). At 30 April 2009, Noble Grossart Investments Limited, a subsidiary of Noble Grossart Limited, held 4,084,999 (2008: 4,084,999) ordinary shares in the Company, representing 0.6% (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% (2008: 37.9%) of the shares and voting rights. Noble Grossart Investments Limited (see (iii) above) controls a further 28.4% (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.

For the year ended 30 April 2009, the Group purchased £61.1m (2008: £34.8m) of vehicles from Alexander Dennis Limited and £2.8m (2008: £3.2m) 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.

18 RELATED PARTY TRANSACTIONS (CONTINUED)

(v) *Pension Schemes*
Details of contributions made to pension schemes are contained in note 11.

(vi) *Robert Walters plc*
Martin Griffiths became a non-executive director of Robert Walters plc in July 2006 and received remuneration of £47,200 (2008: £39,167) in respect of his services for the year ended 30 April 2009. Martin Griffiths holds 12,000 shares in Robert Walters plc, which represents 0.01% of the issued share capital.

(vii) *Glasgow Income Trust plc*
Martin Griffiths became a non-executive director of Glasgow Income Trust plc on 8 November 2007 and received £14,000 (2008: £6,689 from 8 November 2007 to 30 April 2008) in respect of his services for the year ended 30 April 2009.

(viii) *Loan to New York Splash Tours LLC*
A net interest bearing long-term loan of £2.7m (2008: £1.8m) was outstanding from New York Splash Tours LLC as at 30 April 2009.

19 POST BALANCE SHEET EVENTS

Holders of 2,658,827 redeemable 'B' preference shares elected to have these shares redeemed on 31 May 2009, leaving 5,868,661 redeemable 'B' preference shares in issue.

20 STATUTORY FINANCIAL STATEMENTS

The financial information set out in the preliminary announcement does not constitute the Group's statutory financial statements for the year ended 30 April 2009 within the meaning of section 434 of the Companies Act 2006 and has been extracted from the full financial statements for the years ended 30 April 2009 and 30 April 2008 respectively.

Statutory financial statements for the year ended 30 April 2008, which received an unqualified audit report, have been delivered to the Registrar of Companies.

The report of the auditors on the financial statements for the year ended 30 April 2008 is unqualified and does not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006. The financial statements for the year ended 30 April 2009 will be delivered to the Registrar of Companies and forwarded to all shareholders in due course. These financial statements will also be available on the Group's website and from the registered office of the Company at 10 Dunkeld Road, Perth PH1 5TW.

The Board of Directors approved this announcement on 24 June 2009.

21 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.

21 DEFINITIONS (CONTINUED)

- **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.