

6 September 2007

Arriva plc

INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2007

Highlights

- Outlook for UK Trains division transformed by New Cross Country franchise gain
- Continued double-digit revenue and operating profit growth in mainland Europe*
 - Market positions significantly strengthened in Germany and Scandinavia
 - First contract won in Poland
- Strong performance from UK Bus, operating profit ahead 16 per cent at £37.8 million
- Further improvements in operational performance at Arriva Trains Wales
- Revenue up 6 per cent to £909.2 million
- Operating profit marginally up at £52.9 million despite cost of three UK rail franchise bids. Including share of associates*, operating profit up 5 per cent
- Interim dividend up by 5 per cent to 5.59 pence

**Before goodwill impairment and intangible asset amortisation and including share of associated companies' revenue and operating profit*

Commenting on the results, Arriva's chief executive, David Martin, said: "In 2007 so far we have further strengthened our position in Europe, made excellent progress on contract wins, and achieved improvements in operational performance in many parts of the group.

"With a number of contracts won and due to start over the coming months, we are already well positioned for 2008. The building blocks are in place for an exciting phase of profitable growth.

"We are also continuing to explore numerous additional opportunities for further development of the business, both in our existing operating areas and in new European territories."

ENDS

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Significant Business Developments

In mainland Europe, including our share of associated companies' results, we again achieved double-digit revenue and operating profit growth.

In July, we were delighted to be awarded the New Cross Country rail franchise, the most geographically extensive in the UK, with annual revenue expected to exceed £600 million and an anticipated lifetime revenue of almost £5 billion in real terms, considerably strengthening our order book.

The year began with the acquisition of 85 per cent of Osthannoversche Eisenbahnen AG (OHE) in Lower Saxony, Germany, a second bus business near Prague in the Czech Republic, Bosak Bus s.r.o, and Esfera, a privately-held bus company in Madrid. In August, we completed the acquisition of Veolia's bus business in Denmark, the country's second largest operator with 640 buses. The integration of these businesses is progressing well.

In June, we successfully started operation of our first contract in the Swedish rail market. We also won entry into the large Polish rail market, as part of a joint venture, with a three-year contract due to start operation in December 2007. Four more rail contracts will start operation in Germany in December 2007.

Summary of Results

Revenue from continuing operations was up 6 per cent to £909.2 million (2006: £860.7 million), reflecting strong growth across the group. Including our share from associated companies, revenue increased 7 per cent to £938.3 million (2006: £873.6 million).

Operating profit from continuing operations rose marginally to £52.9 million (2006: £52.6 million), despite significant bid costs for three UK rail franchises and further increases in fuel costs. The group's share of post-tax profits from associates increased to £2.0 million (2006: £0.8 million), reflecting a full half-year contribution from Barraqueiro SGPS SA. Including the share of operating profit from associated companies and before goodwill impairment and intangible asset amortisation, operating profit was up 5 per cent to £60.2 million (2006: £57.5 million). Strong progress in our UK Bus division, continued growth in mainland Europe and further improved operational performance in Arriva Trains Wales (ATW) are reflected in the operating results.

Net finance costs were higher at £7.6 million (2006: £5.4 million) due to investment in acquisitions and higher interest rates. Profit before taxation thereby reduced slightly to £47.3 million (2006: £48.0 million). After taxation, profit for the period from continuing operations was £37.5 million (2006: £37.2 million).

Earnings per share from continuing operations excluding goodwill impairment, intangible asset amortisation and exceptional items, was 19.6 pence (2006: 19.5 pence). Basic earnings per share was 18.1 pence (2006: 28.3 pence), the fall reflecting the inclusion in 2006 of the exceptional gain arising on the disposal of Arriva Vehicle Rental, of £20.0 million.

The Board is declaring an interim dividend of 5.59 pence per share, an increase of 5 per cent, to be paid on 1 October 2007 to shareholders on the Register at the close of business on 14 September 2007.

Business Review

Divisional Results

Six months ended 30 June	Revenue		Operating profit	
	2007	2006	2007	2006
£m				
UK Bus	399.7	373.8	37.8	32.7
Mainland Europe*	417.0	374.4	28.1	25.0
UK Trains	121.6	125.4	1.1	5.9
Central	-	-	(6.8)	(6.1)
	938.3	873.6	60.2	57.5
Associated companies - mainland Europe	(29.1)	(12.9)	(3.7)	(1.3)
Continuing operations	909.2	860.7	56.5	56.2
Goodwill impairment and intangible asset amortisation	-	-	(3.6)	(3.6)
Group revenue and operating profit	909.2	860.7	52.9	52.6

*Including share of associated companies' revenue and operating profit

The remainder of this commentary reflects the segmental analysis set out in the table above, which shows divisional results, including Arriva's share of revenue and operating profit from associated companies, before goodwill impairment, intangible asset amortisation and net finance costs.

Mainland Europe

Reflecting further growth in the division, operating profit increased by 12 per cent to £28.1 million (2006: £25.0 million) from revenue of £417.0 million (2006: £374.4 million), up 11 per cent.

Germany

OHE, acquired in March, has much untapped capacity which provides a platform for further growth. OHE operates more than 400 buses in Lower Saxony, rail infrastructure, rail and road freight, port storage and a share of two rail franchises. In 2006, OHE had revenue of €150 million (£102 million). Included in these interim results is revenue of £23.4 million and operating profit of £0.5 million.

Metronom, a subsidiary of OHE, currently operates two rail franchises, with 18 locomotives and 124 coaches. By December 2007, Metronom will have a further two passenger rail franchises in operation, adding 16 locomotives and 68 double-deck coaches to the rail fleet. Mobilisation is proceeding as planned.

In December 2007, we will begin operating two new rail services in southern Germany. The two ten-year contracts are expected to generate lifetime revenues of approximately €370 million (£252 million) between them. Two further rail contracts are due to start in December 2008 and December 2009, with combined lifetime revenue of approximately €270 million (£184 million).

Netherlands

In December 2006, we commenced bus and rail operations in the central Dordrecht region as part of the DAV contract, won in July 2006. The 12-year contract is expected to generate revenue of approximately €500 million (£340 million) over its lifetime. Future improvements include the planned introduction of seven new trains in December 2008, representing a €30 million (£20 million) investment by Arriva.

In January 2007, we began operating an eight-year contract to provide buses in the Den Bosch region in southern Holland, with lifetime revenue of €150 million (£102 million).

In July 2007, Arriva Nederland was awarded the Hoekse Waard and Goeree Overflakkee contract to operate bus services south of Rotterdam. The seven-year contract, which has a one-year extension option, starts in January 2008, and is expected to generate lifetime revenue of some €150 million (£102 million).

Scandinavia

In June 2007, our first Swedish rail contract, won in February 2006, got off to a smooth start. The nine-year contract to operate the Pågatåg regional train service in the Skåne region of southern Sweden will generate lifetime revenue of approximately SEK 1.8 billion (£135 million).

The acquisition of Veolia Scandinavia, with 640 buses across Denmark, was completed on 31 August. Some established unprofitable contracts in the acquired portfolio will take time to expire. However the acquisition changes the dynamics of this market enabling Arriva to build on its position as the leading bus operator in the country, whilst making the most of available synergies.

Italy

In June, Arriva strengthened its position as the largest private bus operator in the Italian transport market by entering into a 50:50 joint venture which has agreed to acquire 49 per cent of SPT Linea, in northern Italy, for €6.8 million (£4.6 million). SPT Linea was previously wholly publicly owned, with annual revenue of €38.9 million (£26.5 million) and 317 buses.

Iberia

Barraqueiro SGPS SA, the leading Portuguese passenger transport operator, in which Arriva has a 21.5 per cent investment, has continued to perform well, with revenue growth in both bus and rail. We also acquired a small privately-held Spanish bus company, Esfera, providing a strategic foothold in the key Madrid area.

Eastern Europe

In January we acquired Czech bus operator Bosak Bus s.r.o. Operating 50 buses to the south west of Prague, Bosak strengthens our position in the greater Prague area, following our entry into the Czech market with the acquisition of Transcentrum Bus s.r.o in December 2006. Both businesses are integrating smoothly into Arriva.

In June, Arriva won a pioneering three-year rail contract in north-west Poland, as part of a 50:50 joint venture with one of Poland's fastest growing cargo operators. This is the first Polish rail tender of its kind and highlights the potential of this large market.

UK Bus

Our UK Bus division showed a significant increase in operating profit of 16 per cent to £37.8 million (2006: £32.7 million) from revenue of £399.7 million (2006: £373.8 million), up 7 per cent.

The strong performance of the division reflects the positive effects of network development and patronage growth as well as growth from acquisitions and continuing progress in London, and was achieved despite further year on year increases in the cost of fuel of approximately £4 million.

Since the publication of the draft Local Transport Bill in May we have been playing a full part in the consultation process in support of the government objective of encouraging even closer partnership working between operators and local authorities.

UK Regions

Our regional bus businesses have turned in a strong trading performance in the first half of the year, with route revitalisation continuing to bring benefits. Patronage growth, including that from concessionary fares schemes, has been encouraging.

In February we acquired Chase Coaches, which operates commercial and tendered services in Staffordshire. In August, we completed the purchase of Stagecoach's bus operations in Darlington.

London

Arriva is one of London's largest bus operators, and continues to grow in the capital having made net contract gains during the period, with some new contracts having already started and more to start in 2008.

Operational performance during the year to date has been affected by unusually high levels of street-works, especially those relating to the replacement of north London's Victorian water and sewage systems. The business has done well to mitigate the operational and financial impact.

Our London tourist bus operation, The Original Tour, succeeded in attracting more passengers than in the comparable period last year, despite poor weather. The customer experience has been enhanced further with the introduction of 10 additional new buses and a new visitor centre near Trafalgar Square, opened in August.

Bus & Coach distribution

Our Bus & Coach distribution business has performed well, contributing £2.3 million to the divisional operating profit, an improvement of £0.6 million.

UK Trains

As a result of substantial expenditure on three concurrent UK franchise bids, East Midlands, New Cross Country and InterCity East Coast, operating profit at our UK Trains division was reduced to £1.1 million (2006: £5.9 million) on revenue of £121.6 million (2006: £125.4 million). The reduction in total revenue reflects the end of an external maintenance contract as expected, offset by passenger numbers rising approximately 10 per cent.

The latest National Passenger Survey, by Passenger Focus, also showed significant improvements in passenger satisfaction in a number of areas, to levels well in excess of our franchise commitments. ATW achieved record operational performance for the franchise with the latest Public Performance Measure (PPM) issued by the Office of Rail Regulation showing 90.9 per cent of trains arriving at their destination within five minutes of schedule.

Arriva's success in winning the New Cross Country franchise, the most geographically extensive rail franchise in the UK, will transform the outlook for our UK Trains division. Stretching from Aberdeen to Penzance, and from Stansted to Cardiff, it covers around 1,500 route miles and calls at over 100 stations. The franchise will run from 11 November 2007 to 31 March 2016, with the last two years and five months conditional upon achieving agreed performance targets. Annual revenue (including franchise support payments) is expected to exceed £600 million, with an estimated order book value of almost £5 billion in real terms, significantly strengthening our UK rail position.

Finance

EBITDA (earnings before interest, tax, depreciation, goodwill impairment and intangible asset amortisation) from continuing operations was £110.6 million, up from £108.5 million in the comparable period last year. A working capital inflow in the first half of the year of £24.4 million (2006: outflow from continuing operations, £39.7 million), resulted in cash generated from continuing operations almost doubling to £135.0 million (2006: £68.8 million).

Net capital investment was £55.1 million. The comparable number for last year was £56.5 million, after adjusting for £25.6 million of investment in new trains that was subsequently refinanced. Acquisitions in the period, including inherited net debt, absorbed £30.7 million (2006: £41.9 million).

Payments of interest, taxation and dividends totalled £43.9 million (2006: £48.0 million).

Net debt overall at £371.8 million was reduced by £6.6 million relative to the position at the last year end (31 December 2006: £378.4 million).

In early August, we took advantage of market conditions to sign a new £615 million, five-year, revolving credit facility agreement, on improved terms, with a group of leading European banks. This replaces the £310 million facility arranged in 2004, providing stability, flexibility and additional financial capacity for the medium-term development of the group in the UK and mainland Europe.

Technology and Innovation

Technology continues to be an important feature of the business with increasing transfer of best practice and innovation between country operations. We have begun a series of investments in new technology for depots in a variety of locations across Europe during 2007 and into 2008.

A new ATW depot at Machynlleth provides an improved working environment and state-of-the-art facilities for train maintenance. Water harvesting, wind turbine and solar energy are also being installed as part of our drive to better understand the contribution these technologies can make to reducing the environmental impact of our operations.

In Germany, we have substantially completed the conversion of a recently acquired company, BB Reisen GmbH, to operating on 100 per cent bio-diesel. Further conversions of Arriva's German bus operations are planned to join our existing fleet of bio-diesel powered buses and trains, our German fleet being the first in Europe to adopt this technology in 1998.

In the UK, in July, 75 buses operating from our Blyth depot in Northumberland, and carrying around 130,000 passengers every week, started a trial of a fuel containing a mixture of soya products, used cooking oil and normal ultra low sulphur diesel, known as B20. The trial is believed to be the first of its kind in the UK, and should lead to a 14 per cent reduction in net CO₂ emissions. Elsewhere in our UK Bus division we are developing, in-house, a new system similar to technology used on our German trains, which provides real-time information to drivers to enable more fuel efficient driving.

Our participation in Transport for London's (TfL) hybrid double-decker bus trial continues, working closely with the vehicle manufacturer and TfL to gather research data aimed at improvements in battery life and performance of the technology. Also in London we are engaged in TfL's iBus project, of a digital system which locates and reports the movements of buses in real time for the benefit of the travelling public, due to be rolled out to the rest of London over the next two years.

Outlook

Having achieved solid underlying trading for the first six months of the year, we have a robust platform to build on, and are already well positioned for 2008.

In UK Trains we look forward to the start of the New Cross Country franchise in November 2007, and maintaining the excellent operating performance of ATW.

The performance of our UK Bus business is especially pleasing and we expect to see further benefits from our continuing programme of route revitalisation during 2007.

We have strongly advanced Arriva's agenda in mainland Europe, where our footprint is deepening and broadening through contract wins and acquisitions, in line with our strategy.

On top of the progress already made this year, we continue to explore new tendering and acquisition opportunities, to increase momentum through 2008 and beyond.

end

Group Income Statement
Six months to 30 June 2007

		Unaudited six months to 30 June 2007 £m	Unaudited six months to 30 June 2006 £m	Year to 31 Dec 2006 £m
	notes			
Continuing operations				
Revenue	2	909.2	860.7	1,729.0
Net operating expenses		<u>(856.3)</u>	<u>(808.1)</u>	<u>(1,609.5)</u>
Group operating profit	2	52.9	52.6	119.5
Share of post tax profits from associates		2.0	0.8	1.9
Finance income		3.0	1.5	5.5
Finance costs		<u>(10.6)</u>	<u>(6.9)</u>	<u>(17.1)</u>
Net finance costs		<u>(7.6)</u>	<u>(5.4)</u>	<u>(11.6)</u>
Profit on ordinary activities before taxation	2	47.3	48.0	109.8
Tax on profit on ordinary activities	3	<u>(9.8)</u>	<u>(10.8)</u>	<u>(25.2)</u>
Profit for the period from continuing operations		37.5	37.2	84.6
Discontinued operations				
Profit for the period from discontinued operations	4	<u>-</u>	<u>20.1</u>	<u>20.1</u>
Profit for the period		<u>37.5</u>	<u>57.3</u>	<u>104.7</u>
Attributable to:				
Equity holders of the parent		35.9	55.9	102.3
Minority interests		<u>1.6</u>	<u>1.4</u>	<u>2.4</u>
		<u>37.5</u>	<u>57.3</u>	<u>104.7</u>
Dividends per ordinary share	5	5.59p	5.32p	20.83p
Earnings per share				
Basic earnings per share	6	18.1p	28.3p	51.8p
Diluted earnings per share	6	18.0p	28.1p	51.4p
Earnings per share from continuing operations				
Basic earnings per share	6	18.1p	18.1p	41.6p
Diluted earnings per share	6	18.0p	18.0p	41.3p
Basic earnings per share before goodwill impairment, intangible asset amortisation and exceptional items from continuing operations	6	19.6p	19.5p	44.4p

Group Balance Sheet
At 30 June 2007

	Unaudited 30 June 2007 £m	Unaudited 30 June 2006 £m	31 Dec 2006 £m
	<u> </u>	<u> </u>	<u> </u>
Non-current assets			
Goodwill	293.1	281.8	286.4
Other intangible assets	32.2	38.3	34.9
Property, plant and equipment	1,023.3	1,032.8	982.5
Investments	52.9	50.0	51.4
Derivative financial instruments	7.0	17.0	3.9
	<u>1,408.5</u>	<u>1,419.9</u>	<u>1,359.1</u>
Current assets			
Inventories	36.9	33.0	34.9
Trade and other receivables	222.2	223.0	221.1
Cash and cash equivalents	103.0	109.2	87.6
Derivative financial instruments	7.4	10.8	9.4
	<u>369.5</u>	<u>376.0</u>	<u>353.0</u>
Total assets	<u>1,778.0</u>	<u>1,795.9</u>	<u>1,712.1</u>
Current liabilities			
Trade and other payables	411.4	402.1	369.6
Tax liabilities	23.8	29.3	16.5
Obligations under finance leases	17.1	19.9	24.8
Bank overdrafts and loans	144.8	185.8	131.5
Derivative financial instruments	3.1	-	13.6
	<u>600.2</u>	<u>637.1</u>	<u>556.0</u>
Non-current liabilities			
Bank loans	128.8	172.7	108.7
Other loans	127.2	71.4	147.4
Retirement benefit obligations	106.1	206.0	173.8
Deferred tax liabilities	64.4	34.9	45.3
Obligations under finance leases	56.9	70.4	53.6
Other non-current liabilities	69.8	68.2	67.3
Derivative financial instruments	1.6	-	1.2
	<u>554.8</u>	<u>623.6</u>	<u>597.3</u>
Total liabilities	<u>1,155.0</u>	<u>1,260.7</u>	<u>1,153.3</u>
Net assets	<u>623.0</u>	<u>535.2</u>	<u>558.8</u>
Equity			
Share capital	9.9	9.9	9.9
Share premium account	23.8	21.5	22.4
Other reserves	66.9	80.0	58.0
Retained earnings	502.9	407.1	452.2
Total shareholders' equity	<u>603.5</u>	<u>518.5</u>	<u>542.5</u>
Minority interest in equity	<u>19.5</u>	<u>16.7</u>	<u>16.3</u>
Total equity	<u>623.0</u>	<u>535.2</u>	<u>558.8</u>

Group Cash Flow Statement
Six months to 30 June 2007

	Unaudited six months to 30 June 2007 £m	Unaudited six months to 30 June 2006 £m	Year to 31 Dec 2006 £m
notes			
Cash flows from operating activities			
Cash generated from operations	7(b) 135.0	71.9	160.0
Interest and finance charges paid	(7.6)	(5.9)	(12.1)
Tax paid	(4.5)	(12.9)	(24.9)
Net cash inflow from operating activities	122.9	53.1	123.0
Cash flows from investing activities			
Acquisitions of businesses	(20.1)	(14.1)	(20.9)
Net cash assumed on acquisitions	7.0	1.7	1.9
Investment in associates	-	(24.6)	(41.8)
Disposal of business	-	126.5	130.2
Purchase of property, plant and equipment	(64.5)	(93.4)	(171.2)
Disposal of property, plant and equipment	9.4	11.3	78.7
Net cash (used)/generated in investing activities	(68.2)	7.4	(23.1)
Cash flows from financing activities			
Proceeds from issuing ordinary share capital	0.8	0.9	1.2
(Decrease)/increase in loans due within one year	(2.1)	55.4	(6.6)
Increase/(decrease) in loans due after one year	0.2	(54.1)	(45.9)
(Decrease)/increase in finance lease obligations	(4.9)	2.3	(7.9)
Dividends paid to the company's shareholders	(30.8)	(29.2)	(39.6)
Dividends paid to minority interests	(1.0)	-	(0.9)
Net cash used in financing activities	(37.8)	(24.7)	(99.7)
Net increase in cash, cash equivalents and overdrafts	7(d) 16.9	35.8	0.2
Cash, cash equivalents and overdrafts at the beginning of the period	7(d) 71.1	71.6	71.6
Exchange (losses)/gains on cash, cash equivalents and overdrafts	7(d) (0.1)	0.4	(0.7)
Cash, cash equivalents and overdrafts at the end of the period	7(d) 87.9	107.8	71.1

Group Statement of Recognised Income and Expense
Six months to 30 June 2007

	Unaudited six months to 30 June 2007 £m	Unaudited six months to 30 June 2006 £m	Year to 31 Dec 2006 £m
Net foreign exchange adjustments offset in reserves, net of tax	(0.8)	(1.7)	(3.4)
Cash flow hedges, net of tax	8.9	5.0	(17.0)
Actuarial gains on defined benefit schemes, net of tax	46.5	-	9.9
Net income/(expense) recognised directly in equity	54.6	3.3	(10.5)
Profit for the period	37.5	57.3	104.7
Total recognised income and expense for the period	92.1	60.6	94.2
Attributable to:			
Equity holders of the parent	90.5	59.2	92.3
Minority interests	1.6	1.4	1.9
	92.1	60.6	94.2

Notes to the Interim Report
Six months to 30 June 2007

1. Basis of preparation

(a) This financial information comprises the interim Group Income Statement, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Recognised Income and Expense and related notes.

This financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority. The financial information has been prepared using the principal accounting policies as set out on pages 52 to 55 in the group's Annual Report and Accounts for the year ended 31 December 2006.

The group has chosen not to adopt IAS 34 'Interim Financial Statements' in preparing these financial statements.

The results for the six months ended 30 June 2007 are unaudited but have been reviewed by the auditors. The comparative figures for the six months ended 30 June 2006 are unaudited and are derived from the Interim Report for the six months ended 30 June 2006, which was also reviewed by the auditors. The condensed financial information for the year ended 31 December 2006 is extracted from the latest statutory accounts which have been filed with the Registrar of Companies. The report of the auditors on the accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. This Interim Report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

(b) The Interim Report is being posted to shareholders on 13 September 2007. Copies of the Interim Report are available from the company secretary, Arriva plc, Admiral Way, Doxford International Business Park, Sunderland, SR3 3XP.

(c) The Interim Report was approved by the Board of Directors on 5 September 2007.

**Notes to the Interim Report
Six months to 30 June 2007**

2. Segmental analysis

	Unaudited six months to 30 June 2007		Unaudited six months to 30 June 2006		Year to 31 December 2006	
	Revenue £m	Operating profit £m	Revenue £m	Operating profit £m	Revenue £m	Operating profit £m
UK Bus	399.7	37.8	373.8	32.7	762.8	76.0
Mainland Europe	387.9	24.4	361.5	23.7	712.3	52.0
UK Trains	121.6	1.1	125.4	5.9	253.9	12.3
Central	-	(6.8)	-	(6.1)	-	(13.6)
Continuing operations*	909.2	56.5	860.7	56.2	1,729.0	126.7
Goodwill impairment and intangible asset amortisation		(3.6)		(3.6)		(7.2)
Group operating profit		52.9		52.6		119.5
Share of post tax profits from associates		2.0		0.8		1.9
Net finance costs		(7.6)		(5.4)		(11.6)
Profit on ordinary activities before taxation		47.3		48.0		109.8

*Before goodwill impairment and intangible asset amortisation

Included above is £26.2 million of revenue and £0.7 million of operating profit, before goodwill impairment and intangible asset amortisation, relating to the acquisitions made by the mainland Europe division during the year. There is £0.5 million of revenue and nil operating profit relating to acquisitions made by the UK Bus division.

Notes to the Interim Report
Six months to 30 June 2007

3. Taxation

Tax on profit on ordinary activities for the six months to 30 June 2007 has been calculated on the basis of the estimated annual effective rate for the year ending 31 December 2007. The tax charge of £9.8 million (six months to 30 June 2006: £10.8 million and for the year ended 31 December 2006: £25.2 million) represents an effective tax rate on profit before tax for continuing operations of 20.7 per cent (six months to 30 June 2006: 22.5 per cent and for the year ended 31 December 2006: 23.0 per cent).

4. Discontinued operations

Profit from discontinued operations of £20.1 million in the prior year relates to the disposal of the vehicle rental business. £20.0 million relates to the gain on disposal of the subsidiary.

Net cash inflows from discontinued operations for the six months ended 30 June 2007 were nil (six months to 30 June 2006: £131.2 million and for the year ended 31 December 2006: £132.1 million).

5. Dividends

	Unaudited six months to 30 June 2007 £m	Unaudited six months to 30 June 2006 £m	Year to 31 Dec 2006 £m
Final dividend paid for the year ended 31 December 2006 of 15.51 pence (2006: final dividend paid for the year ended 31 December 2005 of 14.77 pence) per share	30.8	29.2	29.2
Interim dividend paid of 5.32 pence for the year ended 31 December 2006	-	-	10.4
Amounts recognised as distributions to equity holders in the period	30.8	29.2	39.6
Proposed interim dividend for the year ending 31 December 2007 of 5.59 pence (2006: 5.32 pence) per share	11.1	10.5	-

The proposed interim dividend was approved by the Board on 5 September 2007 and has not been included as a liability as at 30 June 2007.

**Notes to the Interim Report
Six months to 30 June 2007**

6. Earnings per share

Basic earnings per share is based on earnings of £35.9 million (six months to 30 June 2006: £55.9 million and for the year ended 31 December 2006: £102.3 million) and on the weighted average number of ordinary shares of 198.3 million (six months to 30 June 2006: 197.4 million and for the year ended 31 December 2006: 197.7 million).

Diluted earnings per share is based on the same earnings for each of the periods and on the weighted average number of ordinary shares of 199.3 million (six months to 30 June 2006: 198.6 million and for the year ended 31 December 2006: 198.8 million). The difference in the number of shares between the basic and the diluted calculation represents the weighted average number of dilutive potential ordinary shares.

	Unaudited six months to 30 June 2007 p	Unaudited six months to 30 June 2006 p	Year to 31 Dec 2006 p
Basic earnings per share	18.1	28.3	51.8
Gain on disposal of subsidiary	-	(10.2)	(10.2)
Basic earnings per share from continuing operations	18.1	18.1	41.6
Diluted earnings per share	18.0	28.1	51.4
Gain on disposal of subsidiary	-	(10.1)	(10.1)
Diluted earnings per share from continuing operations	18.0	18.0	41.3
Basic earnings per share	18.1	28.3	51.8
Earnings per share relating to:			
Goodwill impairment and intangible asset amortisation	1.5	1.5	2.8
Other items	-	(0.1)	-
Gain on disposal of subsidiary	-	(10.2)	(10.2)
Basic earnings per share before goodwill impairment, intangible asset amortisation and exceptional items from continuing operations	19.6	19.5	44.4

**Notes to the Interim Report
Six months to 30 June 2007**

7. Notes to the group cash flow statement

	Unaudited six months to 30 June 2007 £m	Unaudited six months to 30 June 2006 £m	Year to 31 Dec 2006 £m
(a) Reconciliation of net debt			
Opening net debt	378.4	435.9	435.9
Increase in cash, cash equivalents and overdrafts	(16.9)	(35.8)	(0.2)
(Decrease)/increase in loans due within one year	(2.1)	55.4	(6.6)
Increase/(decrease) in loans due after one year	0.2	(54.1)	(45.9)
(Decrease)/increase in finance lease obligations	(4.9)	2.3	(7.9)
Loans acquired	17.1	4.9	5.7
Finance leases acquired	0.5	-	0.3
Currency translation adjustments	(0.5)	2.4	(2.9)
Closing net debt	371.8	411.0	378.4

	Unaudited six months to 30 June 2007 £m	Unaudited six months to 30 June 2006 £m	Year to 31 Dec 2006 £m
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(b) Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	52.9	52.6	119.5
Depreciation	54.1	52.3	106.2
Goodwill impairment and intangible asset amortisation	3.6	3.6	7.2
EBITDA	110.6	108.5	232.9
Increase in inventories, excluding acquisitions and disposal	(0.5)	(4.8)	(6.6)
Decrease/(increase) in trade and other receivables, excluding acquisitions and disposal	13.1	(25.2)	(23.3)
Increase/(decrease) in creditors, excluding acquisitions and disposal	11.8	(9.7)	(43.3)
Cash generated from continuing operating activities	135.0	68.8	159.7
Cash generated from discontinued operations	-	3.1	0.3
Cash generated from operations	135.0	71.9	160.0

	Unaudited six months to 30 June 2007 £m	Unaudited six months to 30 June 2006 £m	Year to 31 Dec 2006 £m
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(c) Segmental EBITDA

UK Bus	65.1	59.7	130.4
Mainland Europe	49.8	47.5	100.9
UK Trains	2.3	6.7	14.5
Central	(6.6)	(5.4)	(12.9)
Continuing operations	110.6	108.5	232.9

	1 January 2007 £m	Cash flow £m	Acquisitions (excluding cash & overdrafts) £m	Exchange differences £m	Unaudited 30 June 2007 £m
(d) Analysis of net debt					
Cash, cash equivalents and overdrafts	(71.1)	(16.9)	-	0.1	(87.9)
Loans due within one year	115.0	(2.1)	17.1	(0.3)	129.7
Loans due after one year	256.1	0.2	-	(0.3)	256.0
Finance leases	78.4	(4.9)	0.5	-	74.0
	378.4	(23.7)	17.6	(0.5)	371.8