

## Press Release

19 February 2009

**THE GO-AHEAD GROUP PLC**  
("Go-Ahead" or "the Group")

**INTERIM RESULTS FOR THE HALF YEAR ENDED 27 DECEMBER 2008**

**HIGHLIGHTS**

- Results slightly ahead of expectations
- Revenue increased by 19.1% to £1,223.9m (2007: £1,027.9m)
- Operating profit\* rose by 0.2% to £64.6m (2007: £64.5m)
- Profit before tax\* increased by 1.0% to £58.9m (2007: £58.3m)
- Adjusted earnings per share\* increased by 0.4% to 78.7p (2007: 78.4p)
- Proposed interim dividend of 25.5p per share (2007: 25.5p)
- Significant non cash exceptional items (as previously reported)
- After amortisation and exceptional items, profit before tax £3.1m (2007: £45.2m)
- Continued growth in demand for bus and rail
- Conditions in aviation services division remain difficult
- Strong cashflows and balance sheet, and financing secure to 2012

*\*before amortisation and exceptional items*

**Commenting on Go-Ahead's outlook, Chairman, Sir Patrick Brown said:**

"The forecasts for the UK economy in the second half of our financial year have become increasingly pessimistic and we have been taking management action accordingly to curb costs and improve efficiency.

"We expect the results of our bus division to remain robust in the second half of the year. Around two thirds of our revenue is either from Transport for London (TfL) or deregulated concessionary fares which are less sensitive to economic conditions.

"In rail, we expect the recent underlying revenue trends to continue, leading to further growth in passenger revenue in the second half, albeit at a lower rate of increase than achieved in the first half. This should not have a material impact on our second half results, thanks to our cost saving initiatives and the profit share and revenue share mechanisms in the franchises. We have recently submitted our bid to retain the Southern franchise from September 2009, and expect the result in June.

"Our cash flow remains strong and our balance sheet is robust, with financing secured through to 2012. We will continue to emphasise service quality, cost savings and financial discipline.

"We remain confident in the underlying strengths of our business and in our expectations for the full year to June 2009."

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*An analysts' presentation will be held at 8.30am today at Weber Shandwick Financial, Fox Court,  
14 Gray's Inn Road, London, WC1X 8WS*

*Copies of the presentation will be available on the Company's website: [www.go-ahead.com](http://www.go-ahead.com)*

**Notes to Editors**

Go-Ahead is one of the UK's leading providers of passenger transport services operating in the bus, rail and aviation services sectors. Employing over 27,500 people across the country, around 920 million passenger journeys are undertaken on our services each year. In addition to the travelling public, customers include the Department for Transport (DfT), Transport for London (TfL), local authorities, British Airports Authority (BAA) and major airlines.

**BUS**

Go-Ahead is one of the UK's largest bus operators. With a fleet of over 3,400 buses, we carry, on average, around 1.6 million passengers every day. Our operations are focused on high density commuter markets. We have a strong presence in London, with around 20% market share, where we provide regulated services for TfL. We operate deregulated services in the north east; Oxford; the south east and southern England.

**RAIL**

The rail operation, Govia, is 65% owned by Go-Ahead and 35% by Keolis. It is the busiest rail operation in the UK, responsible for nearly 30% of all UK passenger rail journeys through its three rail companies: Southern (which includes the Gatwick Express), Southeastern and London Midland. The Southeastern franchise will include the operation of new high speed trains on the domestic Channel Tunnel Rail Link into St Pancras International from 2009, significantly reducing current journey times.

For further information about our rail franchises please visit our factsheets:  
[http://www.go-ahead.com/goahead/aboutus/our\\_markets/uk\\_rail\\_market/](http://www.go-ahead.com/goahead/aboutus/our_markets/uk_rail_market/)

**AVIATION SERVICES**

The Group's aviation services division is one of the UK's largest independent providers of cargo services (primarily Plane Handling), ground handling (primarily Aviance UK) and car parking (Meteor). The division operates from 16 airports and services major airline operators such as British Airways (BA), Virgin and bmi. Market leading services within Meteor include 'Meet & Greet' and 'Pink Elephant' services.

Please visit the Group's website for further information: [www.go-ahead.com](http://www.go-ahead.com)

## **INTERIM RESULTS FOR THE HALF YEAR ENDED 27 DECEMBER 2008**

### **Chairman's statement**

We are pleased to report a good first half for the Group.

Results were slightly ahead of our expectations for the period, and we remain confident in our expectations for the full year to June 2009.

### **Highlights**

Revenue increased by £196.0m, or 19.1%, to £1,223.9m (2007: £1,027.9m), primarily due to the full year contributions from our new London Midland and Gatwick Express rail operations. Operating profit\* was level with last year at £64.6m (2007: £64.5m), as was profit before tax\* of £58.9m (2007: £58.3m). Adjusted earnings per share\* was 78.7p (2007: 78.4p).

Like for like passenger revenue increased by 7.6% in our bus division and 9.9% in rail. Around half of this growth was due to an increase in passenger numbers, illustrating the strength of our services. Demand for our aviation services reduced as expected, although much of the impact on our results was offset by our ongoing restructuring plans.

As previously reported, we have recognised a number of exceptional items in the period which total £49.8m before tax. These include a non-cash impairment charge of £38.4m against the carrying value of our ground handling and cargo operations. After these exceptional items and amortisation, profit before tax was £3.1m (2007: £45.2m).

*\* Before amortisation and exceptional items*

### **Dividends**

The Board is proposing an interim dividend of 25.5p per share, in line with the first half of last year (2007: 25.5p).

The interim dividend is payable on 9 April 2009 to shareholders on the register at the close of business on 20 March 2009.

### **Outlook**

The forecasts for the UK economy in the second half of our financial year have become increasingly pessimistic and we have been taking management action accordingly to curb costs and improve efficiency.

We expect the results of our bus division to remain robust in the second half of the year. Around two thirds of our revenue is either from Transport for London (TfL) or deregulated concessionary fares which are less sensitive to economic conditions.

In rail, we expect the recent underlying revenue trends to continue, leading to further growth in passenger revenue in the second half, albeit at a lower rate of increase than achieved in the first half. This should not have a material impact on our second half results, thanks to our cost saving initiatives and the profit share and revenue share mechanisms in the franchises. We have recently submitted our bid to retain the Southern franchise from September 2009, and expect the result in June.

Our cash flow remains strong and our balance sheet is robust, with financing secured through to 2012. We will continue to emphasise service quality, cost savings and financial discipline.

We remain confident in the underlying strengths of our business and in our expectations for the full year to June 2009.

## **Chief Executive's Statement**

### **Overview of operating performance**

The first half of this year has confirmed the underlying strengths of our operations as well as some of the challenges we expect to face through the recession.

#### ***Bus***

The underlying performance of our bus operations has remained strong, notwithstanding a £2.3m reduction in operating profit\* compared with the same period last year. This was in line with our expectations given the timing of fuel price increases and higher accident provision, despite fewer incidents. We are making good progress in managing costs and improving efficiency, such as energy saving training and technology, without reducing the quality of our services.

In London, we retained a number of important routes, won three new routes and maintained our high level of quality incentive earnings. As one of the largest bus operators in London, with over 90% of our depot capacity owned as freehold property, we continue to deliver high quality services to TfL. In our deregulated operations, we increased the number of both fare paying passengers and concessionary passengers. We believe that this provides further evidence of a switch to using public transport, reflecting the value for money and quality of our services. We benefit from excellent networks in a number of intensive urban markets where travelling by bus is typically cheaper and often more convenient than using the car. We were also pleased to win the Oxford Brookes University bus contract which will start next year.

#### ***Rail***

Our rail operating profit\* increased by £3.5m compared with the first half of last year, ahead of our expectations due to slightly higher passenger revenue than expected and additional performance payments from Network Rail of around £2m.

We own 65% of our rail division, with 35% held by Keolis. Our three franchises benefit from a number of defensive strengths in the current environment.

The current Southern franchise operates a profit share mechanism, whereby 60% of incremental profit or loss is taken by the Department for Transport (DfT), thus dampening the impact of changes in revenue on our operating profit\*. In addition, the expiry of the franchise in September 2009 means that our recently submitted bid for the next franchise reflects the current economic outlook.

Our Southeastern franchise has a strong commuter base which results in less exposure to discretionary travel. Nevertheless, an increase in unemployment in London would impact demand and we have been taking management action to reduce our cost base. As a further protection in the event of a more severe economic downturn than currently forecast, the Southeastern franchise has a revenue support mechanism from 1 April 2010. This means that the DfT would assume half of any incremental shortfall in revenue below 98% of target revenue agreed in the bid, and 80% of any shortfall below 94% of target revenue.

Our London Midland franchise enjoys a relatively stable subsidy profile and should benefit from recent investment, including an improved timetable on the West Coast Main Line and new rolling stock.

#### ***Aviation services***

As expected, the operating loss\* in our aviation services division increased by £1.1m compared to the same period last year. This results from lower volumes in both our ground handling and cargo operations which more than offset the significant reduction in costs. We continue to improve the quality of our services, with over 99% on time delivery for a number of our key customers.

We do not expect conditions to improve significantly for this division in the near term and so have recognised an exceptional, non cash impairment charge of £38.4m to reduce the carrying value of our ground handling and cargo operations to £20m.

## Divisional analysis

<b>BUS</b>	<b>2008</b>	<b>2007</b>
Revenue (£m)	291.9	277.0
Operating profit*(£m)	31.4	33.7
Margin	10.8%	12.2%
<b>Revenue growth</b>		
Regulated	8.5%	11.9%
Deregulated **	6.6%	8.7%
<b>Volume Growth</b>		
Regulated – miles operated	6.4%	10.8%
Deregulated – passenger journeys **	3.6%	2.5%

\* Before amortisation and exceptional items

\*\* 2008 excludes Go West Midlands (sold in February 2008)

### **The underlying performance of our bus operations remained strong, in line with our expectations**

Revenue increased by 5.4%, or £14.9m, to £291.9m (2007: £277.0m, including £5.8m for Go West Midlands which was sold in February 2008), equivalent to an increase of 7.6% excluding Go West Midlands.

Operating profit was £31.4m, 6.8% or £2.3m below the same period last year (2007: £33.7m, including a loss of £3.0m for Go West Midlands). Operating profit\* margin was 10.8%, 1.4ppts below last year (2007: 12.2%). As expected, this year's first half operating profit\* included a number of costs which more than offset the benefit from the sale of Go West Midlands.

Our first half fuel costs were £7.2m above the same period last year, before delivery and duty. We expect to recover the full year increase in fuel of approximately £10m through fare rises and consumption efficiency improvements. We have hedged all of our fuel requirements for the current financial year at 43p per litre (ppl) and for the next financial year at 47ppl. This compares with an average price of 30ppl in the first half of last year, and 38ppl in the second half of last year.

The first half of this year also included provision for an additional £2.9m of accident costs compared with the first half of last year, despite a reduction in the number of incidents compared to the same period last year. The increase includes a small number of significant claims in our London and North East operations.

Total depreciation for the division was £15.3m (2007: £15.3m) and net capital expenditure was £14.1m (2007: £14.9m). Our bus fleet remains the youngest in the sector.

### **Regulated bus operations**

Our regulated bus operations in London continued to perform well. Revenue increased by 8.5% in the period, contracted mileage by 6.4% and quality incentive bonuses were similar to last year at £6.7m (2007: £7.2m). We continue to perform well in the TfL quality league tables and operated in excess of 99.3% of our target mileage before traffic congestion losses.

We have recently retained the Red Arrow network based at our Waterloo depot and Routes 85 and 213 with a total peak vehicle requirement of 81, and won Routes 54, 75 and 202 which will add 36 peak vehicles to our Metrobus operations.

## **Deregulated bus operations**

Growth continued in our deregulated bus operations, with like for like revenue (excluding Go West Midlands) increasing by 6.6%.

The number of passenger journeys was 3.6% above the same period last year (excluding Go West Midlands), of which 3.0% was due to an increase in concessionary passenger numbers and 0.6% to an increase in fare paying passengers. We were pleased to secure reasonable fare increases in most markets and to grow passenger numbers.

## **Outlook**

We expect the underlying performance of our bus operations to remain robust in the second half of the year.

Further revenue growth in both our regulated and deregulated markets is expected, with the latter continuing to benefit from the national concessionary scheme which was introduced on 1 April 2008.

Ongoing cost control will remain a priority. Wage negotiations are largely complete, securing labour costs (which account for approximately two thirds of our cost base) at reasonable levels. We expect to recover the full year increase in our fuel cost of around £10m this year, and have fully hedged our fuel costs for the year ending 30 June 2010 at 47ppl, equivalent to an incremental annual increase of around £4m. As previously reported, we expect full year pension costs to be around £3m higher this year. We are making good progress with a number of cost saving initiatives including energy savings, fuel consumption and procurement.

## RAIL

	2008	2007
Revenue (£m)	818.0	616.5
Operating profit*(£m)	34.9	31.4
Margin	4.3%	5.1%
<b>Passenger revenue growth</b>		
Southern**	11.1%	12.9%
Southeastern	8.9%	13.4%
<b>Volume Growth</b>		
Southern**	6.7%	6.1%
Southeastern	4.3%	5.9%

\* Before amortisation and exceptional items

\*\* excludes Gatwick Express (became part of Southern on 22 June 2008)

**The results from our rail division were ahead of our expectations for the period due to slightly higher passenger revenue and additional performance payments from Network Rail of around £2m.**

Revenue increased by 32.7% or £201.5m, to £818.0m (2007: £616.5m). The increase included an additional £174.7m for the first year of ownership of London Midland and Gatwick Express, and a like for like increase in passenger revenue of 9.9%, or £40.2m, for Southern and Southeastern.

Operating profit\* rose by 11.1% or £3.5m, to £34.9m (2007: £31.4m). The increase included £4.1m for the first year of ownership of London Midland less £1.4m of bid costs relating to the new Southern franchise.

Operating profit\* margin reduced by 0.8ppts from 5.1% to 4.3% reflecting the addition of the lower margin London Midland and Gatwick Express operations.

Total depreciation for the rail division was £6.6m (2007: £5.2m) and £0.7m of the increase related to London Midland. Net capital expenditure was £5.3m (2007 £3.0m).

### Southern

Like for like passenger revenue (excluding Gatwick Express) increased by 11.1%, underpinned by passenger growth of 6.7%. As previously reported, the growth rate in passenger revenue in the second quarter was slightly below the first quarter growth rate. We also benefited from higher than expected performance payments from Network Rail at the end of the period.

Our operational performance in Southern remained strong. Our public performance measure (PPM) showed that 90% (2007/8: 90%) of our trains arrived on time and our customer satisfaction rating improved to 82% (2007/8: 81%). We introduced an extensively revised timetable in mid December 2008, which included extra peak services on the Brighton Main line and additional, newly refurbished rolling stock.

As expected, Gatwick Express experienced a decline in passenger numbers as a result of reduced air traffic at Gatwick airport.

### Southeastern

Passenger revenue increased by 8.9% and passenger numbers were up 4.3% compared to the same period last year, with revenue growth in the second quarter easing slightly more than in Southern in line with our expectations.

Our operating performance remains at record levels, with a PPM at 91% (2007/8: 91%) for on time arrivals and a customer satisfaction rating of 80% (2007/8: 79%) for the period.

## **London Midland**

The financial performance of our London Midland franchise remains strong and our revenue is around 106% of the target revenue in the franchise bid, triggering revenue share with the DfT.

We achieved a PPM of 88% and a customer satisfaction rating of 80% for the period. The new timetable, introduced in mid December, included the addition of nine new Desiro 350/2 trains to our fleet together with extra services for new destinations.

## **Outlook**

As previously reported, we believe that the recent underlying revenue trends will continue through the rest of this financial year, leading to further growth in passenger revenue in the second half, albeit at a lower rate of increase than achieved in the first half.

In January 2009, our regulated fares increased by 6% in Southern and London Midland and by 8% in Southeastern. These fares are set by reference to the July 2008 retail price index (RPI) of 5% in line with the terms of each franchise.

In Southern, we have completed a number of cost saving initiatives and the profit share regime means that 60% of incremental profit or loss is taken by the DfT until the end of the franchise in September 2009. We believe that we have submitted a strong and deliverable bid for the new Southern franchise, which is expected to be awarded in June 2009. Bid costs for this year are expected to total around £4m, including the first half costs of £1.4m.

In Southeastern, we are making some significant changes to our cost base, including up to 300 redundancies which we announced in January, and a number of procurement and efficiency savings. We believe that these initiatives will largely offset the expected reduction in passenger volume growth. In addition, preparations are well underway for the introduction of our new high speed services in December 2009 which will transform journey times from Kent to London.

In London Midland, we expect to benefit from the new timetable changes and are well progressed with capital expenditure initiatives such as gating and car parking to enhance revenue.

Overall, we are confident that the results for the second half of the year will remain robust and broadly in line with the underlying results achieved in the first half of the year.

## AVIATION SERVICES

	2008	2007
Revenue (£m)	114.0	134.4
Operating loss*(£m)	(1.7)	(0.6)
Margin	(1.5)%	(0.4)%
<b>Revenue growth</b>		
Ground Handling	(12.9)%	14.8%
Cargo	(9.8)%	6.2%
Meteor	(20.3)%	3.7%
<b>Volume Growth</b>		
Ground handling – aircraft turnarounds	(11.0)%	18.9%
Cargo – tonnages	(15.9)%	5.8%
Meteor – parking transactions	(8.2)%	11.9%

\* Before amortisation and exceptional items

Revenue fell 15.2% or £20.4m to £114.0m (2007: £134.4m) and the operating loss\* increased by £1.1m to £1.7m (2007: loss £0.6m).

Our Meteor parking and security operations reported revenue of £26.5m (2007: £34.7m) and an operating profit\* of £0.8m (2007: £1.2m).

Our ground handling and cargo operations achieved revenue of £87.6m (2007: £99.7m), of which approximately 70% was attributable to ground handling, and an operating loss\* of £2.5m (2007: loss £1.8m).

Total depreciation for the division was £3.6m (2007: £3.6m) and net capital expenditure was £1.0m (2007: £7.0m).

Further restructuring costs of £2.4m have been incurred in the ground handling and cargo operations and these are shown as an exceptional charge, together with the exceptional impairment charge of £38.4m referred to elsewhere in this report.

### Ground handling

Revenue in ground handling decreased by 12.9%, reflecting a fall in aircraft turnarounds of 11.0%. Almost 60% of the decrease was due to the closure of our operations in Gatwick at the end of August. Excluding Gatwick, aircraft turnarounds were down approximately 5% due to a combination of a reduced winter schedule, primarily outside of Heathrow, and cancellations.

Operating performance continues to improve with high service levels achieved for aircraft turnaround and baggage handling.

### Cargo

Revenue from our cargo operations decreased by 9.8% and total tonnage handled reduced by 15.9%. The lower volume was particularly acute in the second quarter, reflecting the slowdown in the world economy.

### Meteor operations

The reduction in revenue in our Meteor operations largely reflects the change in the nature of contracts from gross revenue collection to a management fee basis. Operating profit\* was down by £0.4m to £0.8m, in part due to around £0.3m of start up costs relating to new parking arrangements at a number of airport hotels.

**Outlook**

We expect ground handling to remain difficult in the second half, cargo volumes to continue to reduce and Meteor to remain relatively stable. Our restructuring activity continues and we have identified a number of areas where we believe further efficiencies can be achieved whilst maintaining and improving service quality.

Overall, we are not expecting any significant improvement in the results for the second half compared to the first half of this year.

## FINANCIAL REVIEW AND RISK MANAGEMENT

	H1 08	H1 07	Increase/ (Decrease)
	£m	£m	£m
Operating profit*	64.6	64.5	0.1
Net finance costs	(5.7)	(6.2)	0.5
Profit before tax*	58.9	58.3	0.6
Amortisation	(6.0)	(4.9)	(1.1)
Exceptional items	(49.8)	(8.2)	(41.6)
Profit before tax	3.1	45.2	(42.1)
Tax	(5.1)	(11.7)	6.6
Exceptional tax	(8.6)	-	(8.6)
(Loss)/profit for the period	(10.6)	33.5	(44.1)
Minority interest	(7.8)	(8.1)	0.3
(Loss)/profit attributable to members	(18.4)	25.4	(43.8)
Adjusted profit attributable to members	33.8	34.7	(0.9)
Weighted average number of shares (m)	42.9	44.3	(1.4)
Adjusted earnings per share (p)	78.7	78.4	0.3

\* Before amortisation and exceptional items

Operating profit\* for the period was level with last year at £64.6m (2007: £64.5m) and adjusted earnings per share increased by 0.4%, or 0.3p, to 78.7p per share (2007: 78.4p). Operating profit before depreciation, amortisation and exceptional items (EBITDA) was £90.1m (2007: £88.6m) and converted to operating cash flow generation of £79.9m (2007: £86.1m). Adjusted net debt to EBITDA reduced from 1.65x at June 2008 to 1.48x at December 2008. Our funding is secured to December 2012 through a 5 year syndicated loan facility and at December 2008 we had headroom within this facility of £119m.

### EBITDA

Operating profit before amortisation and exceptional items was £64.6m (2007: £64.5m), depreciation charges amounted to £25.5m (2007: £24.1m) giving EBITDA of £90.1m (2007: £88.6m).

### Pensions

The net cost of the Group's defined benefit pension plans for the period was £18.4m (2007: £12.8m) consisting of a service cost of £24.1m (2007: £18.2m) less a net financing benefit of £5.7m (2007: £5.4m). Company contributions to the schemes totalled £19.2m (2007: £24.3m, including a £7.5m additional contribution).

The net deficit before taxation on the non rail defined benefit schemes was £25.1m (28 June 2008: deficit £59.4m), consisting of estimated liabilities of £390.1m (28 June 2008: £436.2m) less assets of £365.0m (28 June 2008: £376.8m). The net deficit on the rail schemes was £4.1m (28 June 2008: £nil).

### Goodwill and intangible amortisation

The charge for the period of £6.0m (2007: £4.9m) represents the non cash cost of amortising goodwill, intangibles including assets associated with pension accounting for the rail franchises and computer costs.

The increase against the prior period reflects the full year of ownership of the London Midland franchise.

## **Net finance costs**

The net finance costs for the period reduced to £5.7m (2007: £6.2m) due to a reduction in average levels of net debt and lower interest rates toward the end of the period. The average net interest rate was 5.65% (2007: 6.4%) for the period and the proportion of net debt held under fixed interest rate agreements at December 2008 was 22%.

## **Exceptional items**

As previously highlighted, the current difficult conditions in ground handling and cargo have resulted in a non cash impairment charge of £38.4m to reduce the carrying value of these operations to approximately £20m. Further exceptional cash costs of £2.4m have been recognised in the ongoing restructuring of this division.

This year includes a number of fuel hedge contracts which we moved from future periods. Whilst these contracts are effective on an economic basis, they are considered ineffective under IFRS 39 for accounting. As a consequence, we will recognise a non cash exceptional item for the full year of £6.9m, consisting of a first half charge of £8.9m (including a mark to market loss on the outstanding portion of that hedge at December) and a £2.0m benefit in the second half.

## **Taxation**

The effective rate of taxation for the period was 27.5% (2007: 25.3%) before exceptional items. The principal reason for the reduced rate last year compared to the UK statutory rate for the period of 28.0% (2007: 29.5%) relates to the effective management of asset finance arrangements, which have not been available this year.

## **Exceptional taxation**

In the 2007 budget the UK Government announced its intention to legislate to abolish industrial buildings allowances. This legislation was enacted on 21 July 2008 giving a one off reduction in deferred tax assets of £8.6m in the period.

## **Minority interest**

The minority interest in the income statement of £7.8m (2007: £8.1m) arises from our 65% holding in Govia Limited which owns 100% of the rail operations and therefore represents 35% of the profit after taxation of these operations.

## **Adjusted earnings per share**

Adjusted profit attributable to members\* was £33.8m (2007: £34.7m). This consisted of loss attributable to members of £18.4m (2007: profit £25.4m) adjusted to add back members' share of post tax amortisation of £3.3m (2007: £2.9m), and members' share of post tax exceptional items of £48.9m (2007: £6.4m).

The weighted average number of shares reduced to 42.9 million (2007: 44.3 million) due to the repurchase of shares during last year. The closing number of shares in issue, net of treasury shares, was 42.9 million (2007 43.4 million).

Adjusted earnings per share\* increased by 0.4% or 0.3p to 78.7 pence per share (2007: 78.4 pence per share) with 2.3p of the increase due to a lower weighted average number of shares, partly offset by a reduction in adjusted profit attributable to members\* of 2.0p.

## **Dividends**

The Board is proposing an interim dividend of 25.5p per share (2007: 25.5p), payable on 9 April 2009 to shareholders on the register at the close of business on 20 March 2009.

Dividends paid in the period represents the payment of last year's final dividend of 55.5p (2007: 47.0p).

<b>Summary cash flow</b>	<b>H108 £m</b>	<b>H107 £m</b>	<b>Increase £m</b>
EBITDA*	90.1	88.6	1.5
Working capital/other	(10.2)	(2.5)	(7.7)
Cash flow generated from operations	79.9	86.1	(6.2)
Tax paid	(0.3)	(10.1)	9.8
Net interest paid	(5.9)	(6.2)	0.3
Net capital investment	(25.8)	(27.3)	1.5
Free cash flow	47.9	42.5	5.4
Net acquisitions (inc acquired debt) less disposals	0.0	(5.1)	5.1
Franchise transfer	0.0	5.6	(5.6)
Dividends paid	(33.2)	(25.5)	(7.7)
Share issues less share buybacks	0.6	(65.0)	65.6
Decrease / (increase) in net debt	15.3	(47.5)	(62.8)
Opening net debt	(197.8)	(144.5)	
Closing net debt	(182.5)	(192.0)	

\* Before amortisation and exceptional items

#### **Cash flow**

Cash generated from operations before taxation was £79.9m, a decrease of £6.2m compared with the same period last year (2007: £86.1m). This consisted of EBITDA of £90.1m (2007: £88.6m), less a net increase in working capital of £6.5m and other items of £3.7m totalling £10.2m (2007: £2.5m).

Tax paid of £0.3m (2007: £10.1m) was primarily the current portion of the pre-exceptional tax charge of £5.1m (2007: £11.7m) less a refund of £5.2m in respect of prior years. Net interest paid of £5.9m (2007: £6.2m) reflects the charge for the period of £5.7m (2007: £6.2m). Capital expenditure, net of sale proceeds, totalled £25.8m (2007: £27.3m), equivalent to 101% of depreciation (2007: 113%).

Dividends paid to parent company shareholders amounted to £23.8m (2007: £20.5m) and dividends to minority interests were £9.4m (2007: £5.0m). During the period there have been no repurchases of shares (2007: 2.52 million shares at a cost of £65.1m) and 0.05 million shares were issued (2007: less than 0.01 million shares) on exercise of share options for proceeds of £0.6m (2007: £0.1m).

<b>Capital structure</b>	<b>Dec 08</b>	<b>Dec 07</b>
	<b>£m</b>	<b>£m</b>
Five year syndicated facility 2012	340.0	340.0
Amount drawn down	221.0	250.0
Balance available	119.0	90.0
Restricted cash	106.3	116.6
Net debt	182.5	192.0
Adjusted net debt	288.8	308.6
EBITDA*	90.1	88.6
Adjusted net debt/EBITDA* (twelve month rolling basis)	1.48x	1.78x

### **Balance sheet**

Net debt at December 2008 was £182.5m (December 2007: £192.0m). This consisted of loans under the five year syndicated facility of £221.0m (2007: £250.0m), other bank loans and loan notes of £41.1m (2007: £53.5m), hire purchase and lease agreements of £25.7m (2007: £44.1m), less cash and short term deposits of £105.3m (2007: £155.6m).

The core medium term financing for the group is provided by the £340m five year syndicated loan facility, of which £119.0m was available at December 08 (June 2008: £78.0m; December 2007: £90.0m).

Adjusted net debt, consisting of net debt plus restricted cash in our rail division of £106.3m (2007: £116.6m), was £288.8m (2007: £308.6m), equivalent to 1.48x EBITDA\* (2007: 1.78x).

Net assets totalled £11.4m at the end of the period compared to £67.5m at 28 June 2008. The reduction of £56.1m consisted of the loss for the period, after exceptional items, of £10.6m; actuarial gains on the defined benefit pension plans of £29.3m less unrealised losses on financial instruments of £51.4m; tax benefits recognised in equity of £8.6m and other favourable items of £1.2m; less dividends paid the parent of £23.8m and to minority interests of £9.4m.

### **Risk management**

The risks and uncertainties described for the year ended 28 June 2008 remain the principal risks and uncertainties for the Group and include the potential impact of a reduction in demand due to the UK economy.

These can be summarised as major accident or incident; inappropriate strategy or investment; financial market instability; bus fuel price increases; concessionary bus fare scheme agreements; economic downturn affects demand for our services; loss of Southern franchise; loss of key aviation contracts.

More details can be found on page 17 of the "Financial review and risk management" section of the Group Annual Report and Accounts, available on our website at [www.go-ahead.com](http://www.go-ahead.com)

**Condensed consolidated income statement**  
for the six months ended 27 December 2008

	Notes	Six months to 27 Dec 08 £m Unaudited	Six months to 29 Dec 07 £m Unaudited	Year to 28 Jun 08 £m Audited
Group revenue	4	1,223.9	1,027.9	2,199.1
Operating costs (excluding amortisation and exceptional items)		(1,159.3)	(963.4)	(2,054.2)
Group operating profit (before amortisation and exceptional items)	4	64.6	64.5	144.9
Goodwill and intangible amortisation		(6.0)	(4.9)	(11.6)
Exceptional items	5	(49.8)	(8.2)	(16.4)
Group operating profit (after amortisation and exceptional items)		8.8	51.4	116.9
Finance revenue		4.8	4.0	8.8
Finance costs		(10.5)	(10.2)	(22.6)
Profit on ordinary activities before taxation		3.1	45.2	103.1
Analysed as:				
Before amortisation and exceptional items		58.9	58.3	131.1
Amortisation and exceptional items		(55.8)	(13.1)	(28.0)
Tax expense	6	(13.7)	(11.7)	(26.3)
Analysed as:				
Tax charges		(14.5)	(12.2)	(29.1)
Exceptional items		(8.6)	–	–
Tax on exceptional items		9.4	0.5	2.8
(Loss)/Profit for the period from continuing operations		(10.6)	33.5	76.8
Attributable to:				
Equity holders of the parent		(18.4)	25.4	56.0
Minority interest		7.8	8.1	20.8
		(10.6)	33.5	76.8
(Loss)/earnings per share from continuing operations				
– basic	7	(42.9p)	57.4p	128.8p
– diluted	7	(42.9p)	56.5p	127.3p
– adjusted	7	78.7p	78.4p	174.8p
Dividend paid (pence per share)	10	55.5p	47.0p	72.5p
Dividend proposed (pence per share)	10	25.5p	25.5p	55.5p

**Condensed consolidated balance sheet**  
as at 27 December 2008

	Notes	27 Dec 08 £m Unaudited	29 Dec 07 £m Unaudited	28 Jun 08 £m Audited
<b>Assets</b>				
Non-current assets				
Property, plant and equipment		404.9	430.8	426.6
Intangible assets		115.0	143.2	136.2
Trade and other receivables		0.9	2.2	1.5
Other financial assets		–	3.6	8.7
Deferred tax assets		17.5	12.4	17.2
		<b>538.3</b>	<b>592.2</b>	<b>590.2</b>
Current assets				
Inventories		12.4	12.8	12.0
Trade and other receivables		248.8	214.5	238.2
Cash and short-term deposits		108.5	158.2	157.1
Other financial assets		–	3.3	18.6
		<b>369.7</b>	<b>388.8</b>	<b>425.9</b>
Assets classified as held for sale		2.7	1.9	2.6
<b>Total assets</b>		<b>910.7</b>	<b>982.9</b>	<b>1,018.7</b>
<b>Liabilities</b>				
Current liabilities				
Trade and other payables		(451.1)	(463.7)	(444.0)
Interest-bearing loans and borrowings		(31.6)	(44.4)	(38.6)
Current tax liabilities		(18.4)	(12.3)	(6.0)
Other financial liabilities		(16.8)	–	–
		<b>(517.9)</b>	<b>(520.4)</b>	<b>(488.6)</b>
Non-current liabilities				
Interest-bearing loans and borrowings		(258.0)	(305.8)	(314.6)
Retirement benefit obligations	8	(29.2)	(30.9)	(59.4)
Deferred tax liabilities		(70.6)	(64.8)	(77.9)
Provisions		(0.9)	(1.0)	(0.9)
Other liabilities		(7.1)	(7.3)	(9.8)
Other financial liabilities		(15.6)	–	–
		<b>(381.4)</b>	<b>(409.8)</b>	<b>(462.6)</b>
<b>Total liabilities</b>		<b>(899.3)</b>	<b>(930.2)</b>	<b>(951.2)</b>
<b>Net assets</b>		<b>11.4</b>	<b>52.7</b>	<b>67.5</b>
<b>Capital &amp; reserves</b>				
Share capital		71.9	65.1	71.3
Reserve for own shares		(68.8)	(87.2)	(68.8)
Hedging reserve		(14.6)	5.0	17.5
Capital redemption reserve		0.7	0.6	0.7
Other reserves		1.6	1.6	1.6
Retained earnings		11.7	58.6	31.9
Total shareholders' equity	12	2.5	43.7	54.2
Minority interest	12	8.9	9.0	13.3
<b>Total equity</b>	<b>12</b>	<b>11.4</b>	<b>52.7</b>	<b>67.5</b>

**Condensed consolidated cash flow statement**  
for the six months ended 27 December 2008

	Notes	Six months to 27 Dec 08 £m Unaudited	Six months to 29 Dec 07 £m Unaudited	Year to 28 Jun 08 £m Audited
(Loss)/profit for the period		(10.6)	33.5	76.8
Net finance costs		5.7	6.2	13.8
Tax expense		13.7	11.7	26.3
Depreciation		25.5	24.1	49.1
Amortisation		6.0	4.9	11.6
(Profit) /loss on sale of property, plant and equipment		(0.3)	(0.3)	1.7
Share based payments		–	1.2	2.5
Non cash exceptional items		47.3	6.2	5.6
Pension contributions paid in excess of amounts recognised in income statement		(0.9)	(21.9)	(16.8)
Movement in provisions		–	(0.3)	(0.4)
(Increase)/decrease in inventories		(0.4)	(0.9)	1.3
Increase in trade and other receivables		(10.5)	(41.4)	(45.4)
Increase in trade and other payables		4.4	63.1	66.4
Cash flow generated from operations		79.9	86.1	192.5
Net taxation paid		(0.3)	(10.1)	(18.1)
Net receipt on transfer of rail franchises		–	5.6	–
<b>Net cash flows from operating activities</b>		<b>79.6</b>	<b>81.6</b>	<b>174.4</b>
Interest received		4.4	3.3	8.5
Proceeds from sale of property, plant and equipment		2.2	3.9	6.2
Purchase of property, plant and equipment		(27.2)	(28.5)	(55.5)
Purchase of intangible assets		(0.8)	(2.7)	(5.4)
Other investing activities		–	(5.1)	(30.2)
<b>Net cash flows used in investing activities</b>		<b>(21.4)</b>	<b>(29.1)</b>	<b>(76.4)</b>
Interest paid		(10.3)	(9.5)	(22.5)
Dividends paid to members of the parent	10	(23.8)	(20.5)	(31.4)
Dividends paid to minority interests		(9.4)	(5.0)	(16.7)
Proceeds from issue of shares		0.6	0.1	6.4
Payment to acquire own shares		–	(65.1)	(87.3)
Repayment of borrowings		(52.7)	(169.4)	(259.0)
Proceeds from borrowings		–	250.0	351.2
Proceeds from finance lease and hire purchase		0.1	–	4.5
Payment of finance lease and hire purchase liabilities		(8.7)	(6.0)	(20.1)
Repayment of loan notes		–	(0.1)	(0.4)
<b>Net cash outflows on financing activities</b>		<b>(104.2)</b>	<b>(25.5)</b>	<b>(75.3)</b>
Net (decrease)/increase in cash and cash equivalents		(46.0)	27.0	22.7
Cash and cash equivalents at start of period		151.3	128.6	128.6
Cash and cash equivalents at end of period	9	105.3	155.6	151.3

**Condensed consolidated statement of recognised income and expense**  
for the six months ended 27 December 2008

	Six months to 27 Dec 08 £m Unaudited	Six months to 29 Dec 07 £m Unaudited	Year to 28 Jun 08 £m Audited
Income and expense recognised directly in equity			
Actuarial gains /(losses) on defined benefit pension plans	29.3	(10.8)	(44.6)
Unrealised (losses)/gains on fuel hedges	(51.4)	4.5	33.3
Losses /(gains) on cash flow hedges taken to income statement – operating costs	0.6	–	(6.7)
Tax recognised directly in equity	8.6	3.2	5.1
Net expense recognised directly in equity	(12.9)	(3.1)	(12.9)
(Loss)/profit for the period	(10.6)	33.5	76.8
Total recognised income and expense for the period	(23.5)	30.4	63.9
Attributable to:			
Equity holders of the parent	(28.5)	22.2	39.5
Minority interest	5.0	8.2	24.4
	(23.5)	30.4	63.9

**Notes to the condensed financial statements**  
for the six months ended 27 December 2008

**1. Corporate information**

The Go-Ahead Group plc is a public limited company that is incorporated, domiciled and has its registered office in England. Its ordinary shares are publicly traded and it is not under the control of any single shareholder.

**2. Basis of preparation**

The condensed financial statements for the six months ended 27 December 2008 have been prepared in accordance with the DTR of the Financial Services Authority and IAS 34, 'Interim Financial Reporting', as adopted by the European Union. The condensed financial information has been prepared using the same accounting policies and methods of computation used to prepare the Group's 2008 Annual Report as described on pages 40 to 45 of that report which can be found on the Group's website at [www.go-ahead.com](http://www.go-ahead.com), except for the change in accounting policy and the adoption of new standards and interpretations, noted below. The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union.

The following new standards or interpretations are mandatory for the first time for the financial year ending 27 June 2009:

- IFRIC 14 IAS19 – The limit on defined benefit assets, minimum funding requirements
- IFRIC 12 – Service concession agreements

These new standards are expected to have no impact on the Group's reported results.

The financial information for the six months ended 27 December 2008 and the comparative financial information for the six months ended 29 December 2007 has not been audited, but has been reviewed by the auditors. The comparative financial information for the year ended 28 June 2008 has been extracted from the 2008 annual report and accounts. The financial information contained in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006 and does not reflect all of the information contained in the Group's annual report and financial statements. The annual financial statements for the year ended 28 June 2008, which were approved by the Board of Directors on 4 September 2008, received an unqualified audit report, did not contain a statement under section 237 (2) or (3) of the Companies Act 1985 and have been filed with the Registrar of Companies.

The Board of Directors approved this report including the condensed financial statements on 18 February 2009.

**3. Risks and uncertainties**

The risks and uncertainties described in the Operating and Financial Review for the year ended 28 June 2008 remain the principal risks affecting the Group's business for the second six months of the financial year ended 27 June 2009.

The preparation of the financial statements requires the use of estimates and assumptions. Although these estimates are based on management's best knowledge, actual results ultimately may differ from these estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities are disclosed in the Group's annual report.

The Group's operations do not suffer from significant seasonality demand fluctuations.

#### 4. Segmental analysis

The Group's primary reporting format is business segments and its secondary format is geographical segments. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

##### Business segments

The following tables present revenue and profit information regarding the Group's business segments for the six months ended 27 December 2008, the six months ended 29 December 2007 and the year ended 28 June 2008, respectively.

##### Six months ended 27 December 2008 (unaudited)

	Bus £m	Rail £m	Aviation services £m	Total £m
Segment revenue	296.3	819.3	116.4	1,232.0
Inter-segment revenue	(4.4)	(1.3)	(2.4)	(8.1)
Group revenue	291.9	818.0	114.0	1,223.9
Group operating profit/(loss) (before amortisation and exceptional items)	31.4	34.9	(1.7)	64.6
Goodwill and intangible amortisation	(0.9)	(4.9)	(0.2)	(6.0)
Exceptional items	(9.0)	–	(40.8)	(49.8)
Segment result	21.5	30.0	(42.7)	8.8
Net finance costs				(5.7)
Profit before tax and minority interest				3.1
Tax expense				(13.7)
Loss for the period				(10.6)

**Six months ended 29 December 2007 (unaudited)**

	Bus £m	Rail £m	Aviation services £m	Total £m
Segment revenue	281.0	617.7	135.9	1,034.6
Inter-segment revenue	(4.0)	(1.2)	(1.5)	(6.7)
Group revenue	277.0	616.5	134.4	1,027.9
Group operating (loss)/profit (before amortisation and exceptional items)	33.7	31.4	(0.6)	64.5
Goodwill and intangible amortisation	(0.9)	(3.8)	(0.2)	(4.9)
Exceptional items	(8.2)	–	–	(8.2)
Segment result	24.6	27.6	(0.8)	51.4
Net finance costs				(6.2)
Profit before tax and minority interest				45.2
Tax expense				(11.7)
Profit for the period				33.5

**Year ended 28 June 2008 (audited)**

	Bus £m	Rail £m	Aviation services £m	Total £m
Segment revenue	578.5	1,381.4	267.0	2,226.9
Inter-segment revenue	(20.8)	(3.0)	(4.0)	(27.8)
Group revenue	557.7	1,378.4	263.0	2,199.1
Group operating profit (before amortisation and exceptional items)	66.2	77.2	1.5	144.9
Goodwill and intangible amortisation	(1.9)	(9.3)	(0.4)	(11.6)
Exceptional items	(8.4)	–	(8.0)	(16.4)
Segment result	55.9	67.9	(6.9)	116.9
Net finance costs				(13.8)
Profit before tax and minority interest				103.1
Tax expense				(26.3)
Profit for the year				76.8

#### 4. Segmental analysis continued

##### Total segment assets

The following table presents segment assets as at 27 December 2008 and as at 28 June 2008.

	27 Dec 08 £m Unaudited	28 Jun 08 £m Audited
Bus	463.6	481.6
Rail	353.2	376.8
Aviation services	75.4	129.3
Total segment assets	892.2	987.7
Cash and short term deposits	1.0	13.8
Deferred tax	17.5	17.2
Total consolidated assets	910.7	1,018.7

During the six months to 27 December 2008 the Group purchased £28.3m (2007 : £29.1m) of tangible fixed assets.

#### 5. Exceptional items

Exceptional items are significant items of income and expense which are shown separately due to their nature or expected frequency.

	Six months to 27 Dec 08 £m Unaudited	Six months to 29 Dec 07 £m Unaudited	Year to 28 Jun 08 £m Audited
Aviation impairment charges	(38.4)	–	–
Redundancy and reorganisation costs	(2.4)	–	(8.0)
Fuel hedging	(8.9)	–	–
Impairment charges and loss on sale of business	(0.1)	(8.2)	(8.4)
	(49.8)	(8.2)	(16.4)

The redundancy and reorganisation costs relate to the closure and restructuring of a number of our operations within our aviation business. An impairment review of the aviation business has resulted in a charge of £38.4m.

During 2008 fuel hedging was undertaken to underpin the commercial cost of fuel for the 2008/09 period. Of the instruments taken out some £6.9m have been designated as ineffective under IAS 39 and in accordance with that standard the costs attributable to this period of £8.9m are charged to income and expense, these have been designated as exceptional costs. £2.0m of this charge will reverse during the second half of this financial year.

The other impairment charge relates to the sale of Go West Midlands on 29 February 2008 and includes residual charges of £0.1m in the current period. The non cash element within the other impairment charge of £0.1m (2008 : £8.4m) was £0.1m (2008 : £6.4m).

## 6. Taxation

The taxation charge is made up as follows:

	Six months to 27 Dec 08 £m Unaudited	Six months to 29 Dec 07 £m Unaudited	Year to 28 Jun 08 £m Audited
Current tax charge	12.7	8.4	16.8
Adjustments in respect of current tax of previous years	–	–	(3.1)
	12.7	8.4	13.7
Deferred tax relating to origination and reversal of temporary differences	1.0	3.3	9.6
Previously unrecognised deferred tax of a prior period	–	–	3.0
Tax reported in condensed consolidated income statement	13.7	11.7	26.3

The taxation charge has been calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period after adjusting for exceptional items.

	Six months to 27 Dec 08 £m Unaudited	Six months to 29 Dec 07 £m Unaudited	Year to 28 Jun 08 £m Audited
Tax charges	14.5	12.2	29.1
Exceptional items	8.6	–	–
Tax on exceptional items	(9.4)	(0.5)	(2.8)
	13.7	11.7	26.3

In the 2007 budget the UK government announced its intention to abolish industrial buildings allowances. This change has been substantially enacted. The impact of this change has been classed as an exceptional tax charge of £8.6m in the period to 27 December 2008. The balance sheet impact has been a £8.6m increase to deferred tax liabilities.

Tax on exceptional items represents the tax credits obtained on the exceptional items in the income statement.

## 7. Earnings per share

Basic (loss)/earnings per share

	Six months to 27 Dec 08 Unaudited	Six months to 29 Dec 07 Unaudited	Year to 28 Jun 08 Audited
Net profit attributable to equity holders of the parent (£m)	(18.4)	25.4	56.0
Weighted average number of shares in issue ('000)	42,936	44,254	43,481
Basic (loss)/earnings per share (pence per share)	(42.9)	57.4	128.8

The weighted average number of shares in issue excludes treasury shares held by the company, and shares held in trust for the Directors' Long Term Incentive Plan.

## Diluted earnings per share

	Six months to 27 Dec 08 Unaudited	Six months to 29 Dec 07 Unaudited	Year to 28 Jun 08 Audited
Net profit attributable to equity holders of the parent (£m)	(18.4)	25.4	56.0
Weighted average number of shares in issue ('000)	42,936	44,254	43,481
Effect of dilution:			
Dilutive potential ordinary shares under share option schemes ('000)	-	724	505
Adjusted weighted average number of shares ('000)	42,936	44,978	43,986
Diluted (loss)/earnings per share (pence per share)	(42.9)	56.5	127.3

The dilution calculation assumes conversion of all potentially dilutive ordinary shares except in the period to 27 December 2008 where the effect would be anti-dilutive.

## Adjusted earnings per share

Adjusted earnings per share is also presented to eliminate the impact of goodwill and intangible amortisation and non-recurring exceptional costs and revenues in order to show a 'normalised' earnings per share. This is analysed as follows:

	Profit for the year £m Unaudited	Exceptional items £m Unaudited	Amortisation £m Unaudited	Six months to 27 Dec 08 Total £m Unaudited
Profit before taxation	3.1	49.8	6.0	58.9
Less: Taxation	(13.7)	(0.9)	(1.3)	(15.9)
Less: Minority Interest	(7.8)	-	(1.4)	(9.2)
Adjusted (loss)/profit attributable to equity holders of the parent	(18.4)	48.9	3.3	33.8
Adjusted earnings per share (pence per share)				78.7

	Profit for the year £m Unaudited	Exceptional items £m Unaudited	Amortisation £m Unaudited	Six months to 29 Dec 07 Total £m Unaudited
Profit before taxation	45.2	8.2	4.9	58.3
Less: Taxation	(11.7)	(1.8)	(0.9)	(14.4)
Less: Minority Interest	(8.1)	-	(1.1)	(9.2)
Adjusted profit attributable to equity holders of the parent	25.4	6.4	2.9	34.7
Adjusted earnings per share (pence per share)				78.4

	Profit for the year £m Audited	Exceptional items £m Audited	Amortisation £m Audited	Year to 28 Jun 08 Total £m Audited
Profit before taxation	103.1	16.4	11.6	131.1
Less: Taxation	(26.3)	(2.8)	(2.7)	(31.8)
Less: Minority Interest	(20.8)	–	(2.5)	(23.3)
Adjusted profit attributable to equity holders of the parent	56.0	13.6	6.4	76.0
Adjusted earnings per share (pence per share)				174.8

No shares were bought back and cancelled by the Group in the period from 27 December 2008 to 18 February 2009.

### 8. Pensions

The net deficit before taxation on the non rail defined benefit scheme was £25.1m (28 June 2008 : £59.4m), consisting of estimated liabilities of £390.1m (28 June 2008 : £436.2m) less assets of £365.0m (28 June 2008 : £376.8m).

The net deficit on the rail schemes was £4.1m (28 June 2008 : £nil). The nature of these schemes means that we only recognise the share of surplus or deficit expected to be funded or benefited during the franchise period. The net deficit on the pension schemes was calculated based on the following assumptions.

	Six months to 27 Dec 08 £m Unaudited	Year to 28 Jun 08 £m Audited
Price inflation	2.9	3.8
Discount rate	6.2	6.2
Rate of increase in salaries	4.4	5.3
Rate of increase of pensions in payment and deferred pension*	2.9	3.8

\*in excess of any Guaranteed Minimum Pension (GMP) element

The most significant non-financial assumption is the assumed rate of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of a male member of each pension scheme at age 65.

	Rail		Non rail	
	27 Dec 08 Years	28 June 08 Years	27 Dec 08 Years	28 June 08 Years
Pensioner	20	20	18	18
Non Pensioner	22	22	19	19

### Sensitivity analysis

The following is an approximate sensitivity analysis of the impact of the change in the key assumptions calculated as at 28 June 2008. In isolation the following adjustments would adjust the pension deficit and cost as shown.

	Pension deficit £m	Non rail 2009 Pension cost £m
Discount Factor – increase of 0.1%	(8.6)	(0.4)
Price Inflation – increase of 0.1%	7.3	0.3
Rate of increase in salaries – increase of 0.1%	2.7	0.3
Rate of increase of pension in payment - increase of 0.1%	3.7	0.4
Increase in life expectancy of pensioners or non pensioners by 1 year	16.3	1.6

### 9. Notes to the cash flow statement

Analysis of Group net debt (unaudited)

	Loans £m	Loan notes £m	Hire purchase/ finance leases £m	Cash and cash equivalents £m	Total £m
28 June 2008	(314.8)	–	(34.3)	151.3	(197.8)
Cash flow	52.7	–	8.6	(46.0)	15.3
27 December 2008	(262.1)	–	(25.7)	105.3	(182.5)

Cash and cash equivalents includes overdrafts amounting to £3.2m (28 June 2008 : £5.8m) and amounts held by rail companies which can be distributed subject to DfT dispensation, up to the value of revenue reserves. As at 27 December 2008, balances amounting to £106.3m (28 June 2008 : £122.9m) were restricted.

### 10. Dividends paid and proposed

	Six months to 27 Dec 08 £m Unaudited	Six months to 29 Dec 07 £m Unaudited	Year to 28 Jun 08 £m Audited
Declared and paid during the period			
Equity dividends on ordinary shares:			
Final dividend for 2008: 55.5p per share (2007 : 47p)	23.8	20.5	20.5
Interim dividend for 2008: 25.5p per share	–	–	10.9
	23.8	20.5	31.4

	Six months to 27 Dec 08 £m Unaudited	Six months to 29 Dec 07 £m Unaudited	Year to 28 Jun 08 £m Audited
Dividend proposed (not recognised as a liability)			
Equity dividends on ordinary shares:			
Interim dividend for 2009: 25.5p per share (2008 : 25.5p)	10.9	12.0	23.2

## 11. Changes in commitments and contingencies

### Capital commitments

Capital commitments contracted but not provided at 27 December 2008 were £45.3m (28 June 2008 : £31.4m).

### Performance bonds

The Group has provided bank guaranteed performance bonds of £96.5m (28 June 2008 : £96.5m), and season ticket bonds of £110.2m (28 June 2008 : £97.9m) to the DfT in support of the Group's rail franchise operations.

## 12. Statement of changes in equity

	Six months to 27 Dec 2008 £m Unaudited	Six months to 29 Dec 2007 £m Unaudited	Year to 28 Jun 2008 £m Audited
Equity at start of period	67.5	131.6	131.6
Total recognised income and expense	(23.5)	30.4	63.9
Dividends of the parent	(23.8)	(20.5)	(31.4)
Dividends of the minority interest	(9.4)	(5.0)	(16.7)
Acquisition of own shares	–	(85.1)	(87.3)
Arising on shares issued for share options	0.6	0.1	6.4
Share based payments charge	–	1.2	1.0
Net (decrease)/increase in equity	(56.1)	(78.9)	(64.1)
Equity at end of period	11.4	52.7	67.5
Attributable to:			
Equity holders of the parent	2.5	43.7	54.2
Minority interest	8.9	9.0	13.3
	11.4	52.7	67.5

The reserve for own shares is in respect of 3,947,000 (28 June 2008: 3,970,000) ordinary shares (8.4% of share capital), of which 44,982 (28 June 2008: 67,994) are held for Directors' bonus plans. The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances.

During the six months ended 27 December 2008 the company has not repurchased any shares (year ended 28 June 2008: 3,571,000 shares repurchased for a consideration of £87.3m). No shares were cancelled in the period (year ended 28 June 2008: 4,571,000 shares cancelled).

At 27 December 2008 there were 46,892,000 ordinary shares in issue (28 June 2008: 46,842,000).

## 13. Post balance sheet events

There are no post balance sheet events to report.

## 14. Related party transactions

There are no related party transactions or changes since the last year end that could have a material effect on the Group's financial position or performance for the period.