

Go Ahead



On track

Our companies are significant contributors to the UK's public transport infrastructure with around 960 million passenger journeys undertaken on our services each year.

Group overview

Bus (100% owned)

Go-Ahead is one of the UK's largest bus operators. With a fleet of over 3,500 buses, we carry, on average, around 1.6 million passengers every day. We have a strong presence in London, with around 21% market share, and also operate in the north east, Oxford, the south east and southern England.

Revenue (£m)




£584.7m

2008: £557.7m 2007: £514.0m

Operating profit* (£m)

£66.6m

2008: £66.2m 2007: £55.8m

Operating Company			
Revenue (£m)	283.3	82.5	70.5
Managing Director	John Trayner	Peter Huntley	Alex Carter
Nature of business	Regulated	Deregulated	Deregulated
Geographical area	Central London South London East London	Tyne & Wear County Durham Northumberland Teesside	Dorset Wiltshire Hampshire Isle of Wight Southampton
Approx passenger journeys#	365 million	70 million	40 million
Average number of employees	4,507	2,043	1,494
Fleet size**	1,444 buses	665 buses	592 buses

Rail (65% owned)

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 UK passenger rail journeys through its three rail franchises: Southern, Southeastern and London Midland.

Revenue (£m)


£1,552.0m

2008: £1,378.4m 2007: £1,071.3m

Operating profit* (£m)

£61.5m

2008: £77.2m 2007: £66.1m

Operating Company		
Revenue (£m)	602.4	577.8
Managing Director	Chris Burchell	Charles Horton
Geographical area	London Surrey East / West Sussex Hampshire Kent	London Kent East Sussex
Approx passenger journeys#	155 million	155 million
Average number of employees	4,153	3,824
Fleet size**	295 trains	338 trains

Aviation Services (100% owned)

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 15 airports and services major airline operators such as Virgin and bmi.

Revenue (£m)

£209.4m

2008: £263.0m 2007: £241.6m

Operating (loss) / profit* (£m)

£(4.5)m

2008: £1.5m 2007: £(3.8)m

Operating Company			
Revenue (£m)	166.5		42.9
Managing Directors	Patrick Verwer – aviance UK Rob Williams – Plane Handling		Stephen Turner
Geographical area	Nationwide		Nationwide
Approx passengers served# / journeys	40 million		2.5 million
Average number of employees	4,732		959
Physical statistics**	15 airports		48,000 parking spaces

■ Division ■ Rest of Group

* Before amortisation and exceptional items.

** As at 27 June 2009.

Rounded to the nearest 5 million.

† Keolis is a French-based operator of passenger transport services which is majority owned by the French national railway SNCF.

METROBUS

68.2
 Alan Eatwell
 Regulated/deregulated
 South East London
 Kent
 Surrey
 East Sussex
 West Sussex
 60 million
 1,344
 412 buses

Brighton & Hove
worldwide services

48.3
 Roger French
 Deregulated
 Brighton
 Hove
 Eastbourne
 Tunbridge Wells
 Steyning/Shoreham
 45 million
 1,056
 257 buses

oxford
 bus company

31.9
 Philip Kirk
 Deregulated
 Oxfordshire
 Routes to:
 London,
 Heathrow and
 Gatwick
 20 million
 554
 149 buses

londonmidland

371.8
 Mike Hodson
 London
 Milton Keynes
 Northampton
 Birmingham / West Midlands
 Liverpool
 50 million
 2,461
 183 trains



Bus
operating
company



Go-Ahead's
rail network



Aviation
Services



Parking



2009

Go-Ahead is one of the UK's leading providers of bus, rail and aviation services.

Our devolved structure and local focus keep us on track to deliver efficient and high quality public transport.

Directors' Report: **Business Review**

This section provides information about the Group's performance, including detailed reviews of each of our three divisions. It also contains background market information, the four core elements of our strategy and our performance against Key Performance Indicators.

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Directors' Report: **Corporate Governance**

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For more information or to view this report online visit:
www.go-ahead.com

Group highlights

Operational and financial highlights

- Retention of the Southern rail franchise from September 2009
- High speed preview service successfully introduced
- Record results for our bus division
- Robust results from our rail franchises
- Strong cash management
- Proposed full year dividend maintained at 81.0 pence per share

Five year financial history

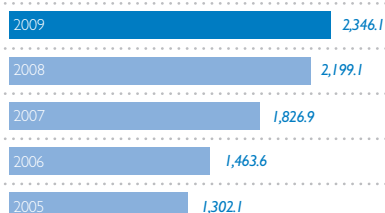
	2009	2008	2007	2006	2005
Revenue (£m)	2,346.1	2,199.1	1,826.9	1,463.6	1,302.1
Operating profit (£m)*	123.6	144.9	118.1	97.8	97.0
Profit before tax (£m)*	112.1	131.1	110.1	91.9	100.3
Profit before tax (£m)	42.0	103.1	94.8	83.6	93.9
Cashflow generated from operations (£m)	233.4	192.5	191.2	116.9	131.7
Basic earnings per share (p)	14.7	128.8	124.2	108.1	113.8
Adjusted earnings per share (p)*	152.3	174.8	140.7	118.4	116.3
Dividend paid and proposed per share (p)†	81.0	81.0	70.0	56.0	48.0

* Before amortisation of £12.4m and exceptional items of £57.7m.

† Includes interim dividend paid and final dividend proposed.

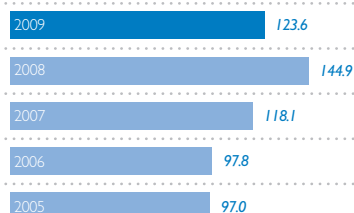
Revenue (£m)

£2,346.1m



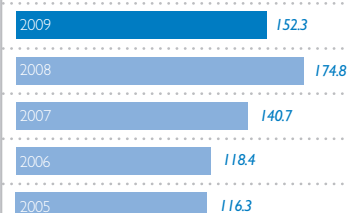
Operating profit (£m)*

£123.6m



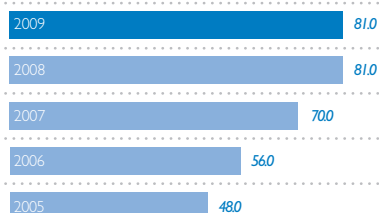
Adjusted earnings per share (p)*

152.3p



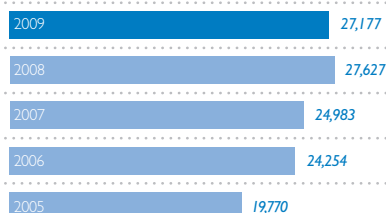
Dividend paid and proposed per share (p)†

81.0p



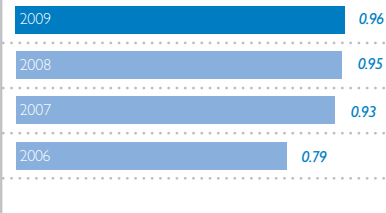
Average number of employees

27,177



CO₂ emissions per passenger journey*

0.96 kgs CO₂ ppj



* Before amortisation and exceptional items.

† Includes interim dividend paid and final proposed dividend.

+ Excludes data from our aviation services division. The conversion factors used are in accordance with 'Guidelines to DEFRA's Greenhouse Gas Conversion Factors for Company Reporting' June 2008.

Today's key issues

In today's challenging marketplace there are a number of key issues which we continue to focus on to keep the Group on track to meet our targets and deliver value to our shareholders. Our devolved structure gives us the ability to understand our markets and respond quickly to take full advantage of opportunities and issues as they arise. As a Group, we are committed to being a responsible operator and to ensuring a sustainable future for our business and our industry. This year, tackling climate change has been a key area of focus, not only reducing our impact on the environment but also generating substantial cost savings across the Group.

Focusing on local markets

Our UK focus and devolved structure differentiates us from the other major public transport groups. Our operations are located in high density commuter markets, predominantly in the South East of England, where there is strong demand for public transport.

We believe that public transport is best provided locally. All of our bus and rail companies are locally branded and form an integral part of the communities they serve. Our customers typically make simple journeys over fairly short distances. Many of those passengers are daily commuters who recognise the local brands they use.

We empower our local managers to deliver services to their own markets in the way they best see fit. This local focus and understanding of culture means that we are able to provide high quality services and can respond quickly to passenger needs.

We believe that our devolved organisation is the most effective way to run our Group. This flat structure enables us to monitor closely the performance of each operating company while giving local managers the autonomy they need to run their businesses.



As an example of our community focus, Brighton & Hove's buses feature local passengers who are proud to use their services. Brighton & Hove bus patronage has grown by around 5% per year since 1993 contributing to a 3% reduction in city centre traffic in the last three years.

We're on track: Group leadership

The Group adopts a flat decentralised management structure. The devolved nature of the Group ensures accountability for operating performance lies with each operating company, while the flat structure means that the Executive Directors stay very close to the Group's operating businesses.

The Group Chief Executive and Group Finance Director meet with each of

our twelve operating companies once a month to review and discuss their operating and financial performance.

In addition to providing strategic direction, financial expertise and governance, the Group shares best practice and co-ordinates IT, procurement, property, pensions, energy, engineering and communication activities. The total number of employees at the Group level

remains fewer than 50 out of a total of over 27,100.

An example of a Group initiative to secure financial benefits of scale is the drive to improve the procurement process and reduce the number of suppliers. This has resulted in savings of around £7 million in 2009 and should continue to show benefits in subsequent years.

We're on track



In recognition of our commitment to operating responsibly, we have become the first UK public transport company to be officially certified with the Carbon Trust Standard after taking action on climate change.

The Carbon Trust Standard is the UK's only independent certification recognising

achievements in action on climate change by leading organisations in industry, commerce and the public sector. It is also the world's first carbon award scheme that requires an organisation to measure, manage and reduce its carbon footprint and actually make real reductions year-on-year.

"We congratulate Go-Ahead in achieving the Carbon Trust Standard and challenge other organisations to follow their example and prove that they too are taking tangible steps to fight climate change."

Tom Delay,
CEO, Carbon Trust

Tackling climate change

Climate change is one of the greatest challenges facing the world today. Reducing our environmental impact is an integral part of our Group strategy. It helps to ensure we are a responsible operator as well as realising significant cost efficiencies.

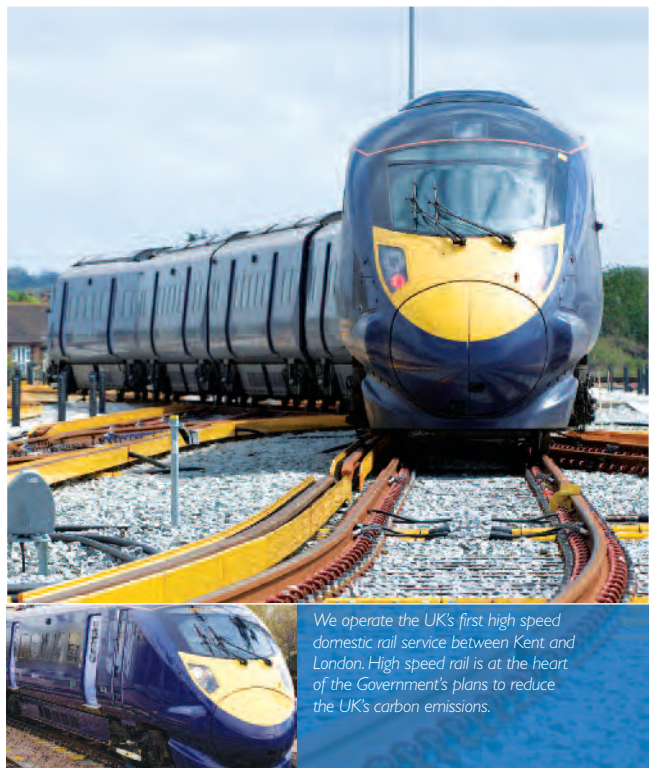
We have implemented a number of key energy efficiency projects across the Group this year which we estimate will reduce annual operating costs by approximately £5 million and CO₂ emissions by around 30,000 tonnes.

In addition, our progress will help mitigate the financial implications of the Carbon Reduction Commitment obligations which come into effect in April 2010.*

The Government has set legally binding carbon targets, to reduce UK greenhouse gas emissions by 80% by 2050. Transport now contributes a quarter of UK carbon emissions, with cars accounting for more than half of this. In contrast, buses and trains contribute less than 5%. More people on our services mean fewer car journeys on the road, reducing congestion and pollution.

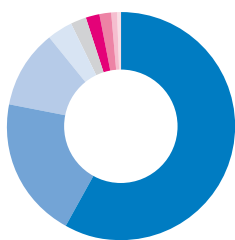
We therefore have two key responsibilities: to deliver high quality services that provide attractive alternatives to car travel; and at the same time to provide those services in a sustainable and environmentally responsible manner.

* The Carbon Reduction Commitment (CRC) is a proposed mandatory cap and trade scheme that will apply to large non-energy intensive UK organisations in the public and private sectors. It will apply to the Group's site energy consumption.



We operate the UK's first high speed domestic rail service between Kent and London. High speed rail is at the heart of the Government's plans to reduce the UK's carbon emissions.

CO₂ emissions from UK domestic transport by source



Passenger cars	58.3%	Railways	1.9%
HGVs	20.0%	Domestic aviation	1.6%
Vans	11.0%	Other	0.8%
Domestic shipping	3.7%	Mopeds & Motorcycles	0.5%
Buses	2.3%		

Gold Award

For the third year in a row Go-Ahead achieved a gold rating in Business in the Community's (BITC) 2009 Corporate Responsibility Index – the highest rating amongst comparable participating public transport operators.

Source: National Atmospheric Emissions Inventory (IPCC categories) 2007. Chart included in Department for Transport: A Carbon Reduction Strategy for Transport – July 2009.
‘Other’ includes LPG emissions; road vehicle engines; aircraft support vehicles.

On track



Sir Patrick Brown, Chairman

"We believe we are well placed for the year ahead, although we continue to assume economic conditions in the UK will remain difficult over the next twelve months."

The effects of the economic downturn during the past twelve months have demanded exceptional effort to stay on track. We have achieved that and have delivered a good set of results as a consequence.

Our long standing strategy is to deliver high quality passenger transport services in dense, urban markets, primarily through bus and rail. This has provided us with a core of strong and sustainable positions in regulated and deregulated bus markets, which have been resilient in the current economic environment. The bus operations are complemented by our significant UK rail presence which consists of a 65% share in three strategically selected, commuter focused rail franchises. These are tightly managed to deliver shareholder value and we are delighted to have retained the Southern franchise for another five years from September 2009.

Business performance highlights

Overall, revenue increased by £147.0m, or 6.7%, to £2,346.1m (2008: £2,199.1m) primarily due to a full year of London Midland and Gatwick Express rail revenue. Operating profit* was slightly ahead of our expectations at £123.6m, albeit £21.3m or 14.7% below last year's particularly strong result (2008: £144.9m). Adjusted earnings per share (before amortisation and exceptional items) were 152.3p (2008: 174.8p) and basic earnings per share were 14.7p (2008: 128.8p). Profit for the year, after tax and exceptional items, was £18.3m (2008: £76.8m).

Dividends

Following the Group's good performance, the Board is proposing a final dividend of 55.5p per share (2008: 55.5p) to maintain the total dividend for the year at 81.0p (2008: 81.0p). The final dividend is payable on 20 November 2009 to shareholders on the register at the close of business on 6 November 2009.

The Board of Directors and Governance

Christopher Collins retired from the Board as a Non-Executive Director on 23 October 2008. As I said last year, we will miss Christopher's significant contribution to the Group. Andrew Allner joined the Board as a Non-Executive Director and Chairman of the Audit Committee on 24 October 2008. Rupert Pennant-Rea was appointed as the Senior Independent Director on 23 October 2008.

Information in this Annual Report

The Group has always been committed to open and transparent reporting. We recognise the importance of enhancing our disclosure in these challenging economic times so that our shareholders are able to better understand our business. In this year's Annual Report we have provided more information on the Group's markets, strategy, performance against financial and non-financial Key Performance Indicators (KPIs) and risks. We have also provided more detail about corporate governance and the Group's devolved nature and local focus.

Corporate Responsibility

As a public transport operator, corporate responsibility is integral to the way we run our business. The safety and security of our passengers, our people and the general public is an absolute priority for the Group. We have included employee, bus and rail safety KPIs throughout this report. Although we operate through a devolved structure, we recognise the importance of sharing best practice. This year we strengthened the Group's health & safety forums to enhance the transfer of knowledge and expertise across the Group.

We remain committed to improving the energy efficiency of our operations. Not only does this have important environmental benefits but it helps to reduce operating costs. Highlighted throughout this report are key Group wide energy saving initiatives which we estimate will reduce annual operating costs by around £5m and CO₂ emissions by 30,000 tonnes. One of our primary environmental responsibility measures is CO₂ emissions per passenger journey (ppj) for bus and rail. Overall, this has increased slightly from last year as a result

Financial highlights

	2009	2008	Increase/ decrease	Increase/ decrease
Revenue (£m)	2,346.1	2,199.1	147.0	6.7%
Operating profit* (£m)	123.6	144.9	(21.3)	(14.7)%
Profit before tax* (£m)	112.1	131.1	(19.0)	(14.5)%
Adjusted earnings per share* (p)	152.3	174.8	(22.5)	(12.9)%
Dividend paid and proposed [†] (p)	81.0	81.0	—	—

of the full year contribution from London Midland, a predominantly diesel, and therefore more carbon intensive, franchise. Excluding London Midland, the underlying measure has reduced by 2%.

Employees

The number of employees in the Group averaged 27,177 for the financial year, below last year's 27,627 due to the various restructuring programmes across the Group. I would like to thank all of our employees for their dedication and hard work through these challenging economic conditions, ensuring that we remain a strong and successful Group.

Outlook

We have not changed our overall view on the outlook since our trading update in June 2009. We believe we are well placed for the year ahead, although we continue to assume economic conditions in the UK will remain difficult over the next twelve months.

Our bus operations have proven to be robust and we expect demand for these services to remain strong.

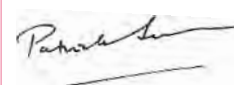
Our rail operations should deliver a good level of profitability in the year ahead, albeit below the level achieved to June 2009. Our aim is to supplement the expected modest

growth in underlying passenger revenue with additional revenue from our new high speed rail services in Southeastern, revenue initiatives in our new Southern franchise and comprehensive cost control across all three franchises.

In aviation services, we expect our ongoing restructuring programme to protect against near term deterioration whilst strengthening our position for the medium term.

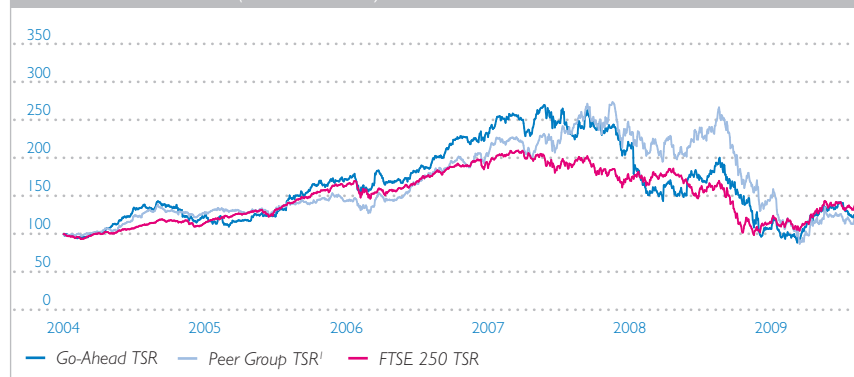
Our strategy remains to provide high quality public transport services in the UK, targeting organic growth through the economic cycle and from value-adding capital investment and acquisitions. We will maintain our financial discipline and strong balance sheet; our financing is secure and we remain committed to providing solid returns to shareholders.

We have started the new financial year well and trading has been in line with the Board's expectations.



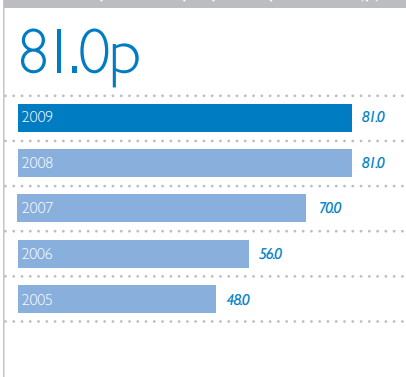
Sir Patrick Brown,
Chairman
2 September 2009

Total shareholder return (rebased to 100)



[†] TSR peer group consists of Arriva plc, FirstGroup plc, National Express Group plc and Stagecoach Group plc.

Dividend paid and proposed per share (p)[†]



* Before amortisation and exceptional items.

[†] Includes interim dividend paid and final proposed dividend.

Experienced



"Our strategy is straightforward and we remain confident in the underlying strengths of the Group."

Keith Ludeman, Group Chief Executive

We are pleased with this year's performance, which has been delivered through our experienced and focused management style and devolved structure.

Overview of operating performance

Overall operating performance was slightly ahead of our expectations, with operating profit* of £123.6m underpinned by record results from our bus operations and good results from rail after a particularly strong year to June 2008.

Strong cash management resulted in a reduction in net debt to £91.0m (2008: £197.8m). Total capital investment was in line with depreciation to maintain our high quality asset base. We remain highly disciplined in our assessment of potential acquisitions and franchise bids. We were delighted to retain our Southern rail franchise which we believe we secured on the basis of current and prudent economic assumptions and deliverable initiatives. We did not complete any acquisitions during the year but, as recently announced, we have agreed to acquire East Thames Buses from Transport for London (TfL) for £5m and Arriva's Horsham bus operations for £5m. Both are due to complete in the second quarter of the new financial year.

We remain financially robust, with a strong balance sheet and secure financing and propose to maintain our full year dividend to shareholders at 81.0p per share (2008: 81.0p per share).

Divisional performance overview **Bus**

Our bus division performed slightly ahead of our expectations for the year, reporting record results despite adverse movements in fuel, pension and accident claims costs. We increased revenue in all six of our bus companies; a result which endorses the economic resilience of these operations. Our devolved structure provided high levels of service quality, customer focus and strong local cost control. This was supplemented by Group purchasing power and de-risked through comprehensive fuel hedging. Capital investment above depreciation ensured we continued to benefit from well maintained freehold depot locations and from one of the youngest bus fleets in the sector.

Rail

Our rail operations performed well, in line with our expectations.

Each UK rail franchise is different and we believe our three franchises are relatively robust given their focus on high density, urban commuter markets. Revenue continued to grow in all three operations, albeit, as expected, at a slower rate in the second half and overall service quality remained strong.

We are making good progress with cost control initiatives, particularly in Southeastern and also in London Midland where we have recently appointed a new managing director to lead the changes in that franchise. Looking forward, we are well advanced with preparations for the new Southern franchise commencing in September 2009 and the UK's first domestic high speed rail service in Southeastern from December 2009.

Aviation Services

Aviation services delivered a performance in line with our expectations. This was despite difficult trading conditions in ground handling and cargo and the previously reported loss of contracts in Meteor parking. We recognised an exceptional non-cash impairment charge of £38.4m in the first half to reduce the carrying value of our ground handling and cargo operations to approximately £20m. We will continue with the necessary restructuring in this division to protect against near term deterioration in operating results and to strengthen our medium term position.

Market environment

Public transport remains crucial to the development of the UK and is strongly supported by the main political parties. We believe that it is likely to generate long term growth if supported by operators with strong local stakeholder relationships providing high quality services and innovation.

In the short term, we need to deal with the current phase of the economic cycle. Demand for our bus operations has proven to be resilient. In rail, we believe that the underlying passenger revenue growth (before new services and other initiatives) will broadly follow

Revenue and operating profit* by division

	2009 (£m)	2008 (£m)	Increase/(decrease) (£m)	Increase/(decrease) (%)
Revenue				
Bus	584.7	557.7	27.0	4.8%
Rail	1,552.0	1,378.4	173.6	12.6%
Aviation Services	209.4	263.0	(53.6)	(20.4)%
Total	2,346.1	2,199.1	147.0	6.7%
Operating profit/(loss)*				
Bus	66.6	66.2	0.4	0.6%
Rail	61.5	77.2	(15.7)	(20.3)%
Aviation Services	(4.5)	1.5	(6.0)	n/a
Total	123.6	144.9	(21.3)	(14.7)%

the economic cycle. We expect the market conditions for our aviation services division to remain challenging in the near term.

Our strategy

Our strategy remains to provide high quality passenger transport in the UK.

The underlying elements of this strategy are to:

- Run our companies in a socially and environmentally responsible manner
- Provide high quality, locally focused passenger transport services
- Prioritise high density, urban markets in the UK
- Maintain strong financial discipline to deliver shareholder value

These elements have a number of performance indicators, both financial and non financial, which are routinely measured for improvement trends and comparison between operating companies.

In the near term, our priority is to deliver value from our existing portfolio of operations.

Key risks to our performance include a major accident or incident, or an unexpected reduction in demand for our services. We operate a strong governance structure and control environment to mitigate these and other risks as far as possible.

In summary

We are pleased with this year's performance. Our strategy is straightforward and we remain confident in the underlying strengths of the Group. Going forward, we will maintain our financial discipline and prioritise the delivery of value from our existing portfolio of operations.



Keith Ludeman
Group Chief Executive
2 September 2009

* Before amortisation and exceptional items.

"A well-functioning public transport system is crucial to the UK: it plays a key role in building a strong economy and is an essential means of creating a fair society. Public transport also has a central part to play in helping to reduce carbon emissions. Put simply, by encouraging the travelling public out of their cars and onto the lower carbon alternatives of public transport, congestion can be reduced and emissions can be cut."

Lord Adonis,
Secretary of State for Transport, June 2009

Our Markets

This section focuses on the UK bus and rail markets, where over 90% of the Group's revenue is generated.

Long term growth in public transport

We firmly believe in the fundamental strengths of UK public transport. All major political parties support and recognise the importance of public transport for the UK's present and future needs. Not only do we anticipate a long term increase in the demand for public transport as the population grows, we also recognise that growth in an efficient public transport system is a necessity for the UK Government to meet its ambitious climate change obligations.

2009 Climate Change Act: To reduce CO₂ emissions by 80% by 2050

UK Bus

Bus travel is the most frequently used mode of public transport. It accounts for two-thirds of all public transport journeys and 95% of local bus journeys involve a single bus ride.

The UK bus market is split into two models: the regulated London market and the deregulated market outside London.

Go-Ahead operates in the UK bus market through six business units: Go-Ahead London, Go North East, Go South Coast, Metrobus, Brighton & Hove and Oxford Bus Company.

Go-Ahead London and most of Metrobus' operations are regulated by Transport for London (TfL).

London regulated market

The London bus market is different from the rest of the UK. Figure 1 shows the London bus market share. With the recent agreement to acquire East Thames Buses, Go-Ahead will become the largest operator in the capital with a market share of around 21%.

TfL is responsible for the provision of bus services in the capital. Operating under a regulated system, TfL issues

tenders for each bus route and private operators enter a competitive bidding process for the right to operate them. The contracts are usually five years in duration with a two year extension if TfL performance targets are met. Route contracts are awarded on a cost per mile basis. This means that bus operators are not subject to any revenue risk.

TfL contracts are price index adjusted, designed to offset inflationary increases in costs. Broadly speaking, operators' profits are therefore not impacted by inflation changes.

Having a good network of bus depots is important for London operators. Go-Ahead has 15 strategically located London depots, with around 85% of our capacity owned as freehold.



View a map of our London bus depots on page 23

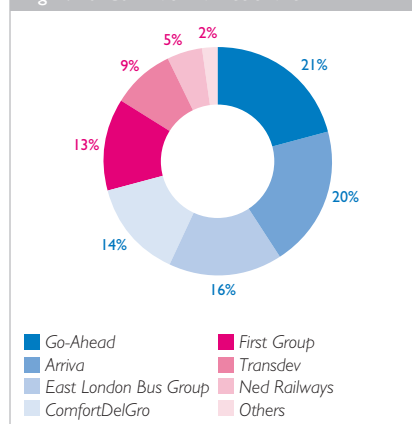
Quality Incentive Contracts

Companies are awarded bonuses for achieving TfL performance targets in areas such as punctuality, cleanliness and customer service. These bonuses are called Quality Incentive Contracts (QICs). Our London bus operations rank consistently high in the TfL performance league tables, resulting in bonus payments from TfL. In 2009 quality incentive bonuses totalled £14.2m (2008: £13.7m).



Bus operator league tables are published by TfL and can be viewed on its website at: <http://www.tfl.gov.uk/businessandpartners/busoperators/1232.aspx>

Fig 1: London Bus market share



Source: Transit (a specialist transport publication), June 2009 and JPMorgan research, August 2009.




London passenger growth and the impact of the current climate

Figure 2 shows that after a period of relatively flat growth, from the mid 1990s bus use in London has increased significantly. Indeed, the network underwent considerable expansion in the run up to the introduction of the congestion zone in 2003.

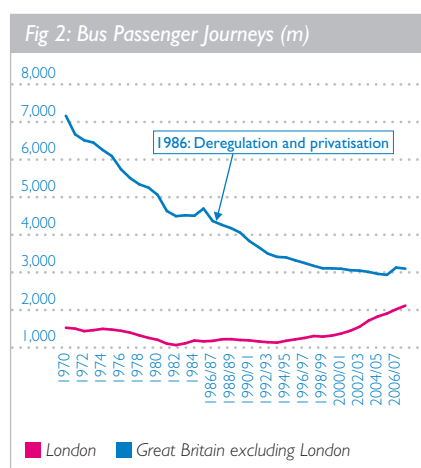
Demand for bus travel in the capital remains strong and the market is regarded as being relatively resilient to the current economic climate. Bus use in the UK is at its highest in London with around 2 billion passenger journeys a year. This is due to many localised factors such as:

- Congestion zone charging for private car use
- Limited and expensive car parking facilities
- High proportion of bus lanes (almost 300km)
- Significant percentage of the population without car ownership
- Bus is typically the cheapest method of public transport in the capital

 For a detailed performance review of our regulated London bus operations please go to page 23

Deregulated passenger growth and the impact of the current climate

Figure 2 shows that local bus volumes significantly declined in the 1970s as car ownership widened and investment in public transport reduced. The deregulation and privatisation of the bus industry took place in 1986.




Source: Department for Transport.
Data from 1986/7 to 2006/07 – March year end.
2008/09 data to be published in October 2009.

From the mid 1990s the rate of decline has slowed significantly and volumes have increased in recent years as investment by operators and the Government has increased service quality.

Within the overall deregulated market it is important to note that there are considerable local and regional variations. Go-Ahead's strategy is to focus our operations in dense urban markets which can support a comprehensive network of bus routes, offering good value and ease of use for both commuter and leisure travel. We believe that important factors for operating successfully include providing high quality and punctual services and having strong local relationships with customers and local authorities.

The deregulated market is generally perceived to be resilient to economic downturns. Bus can often be the cheapest way to travel and offers a low-cost alternative to other modes in a more difficult economic environment.

 For a detailed performance review of our deregulated bus operations please go to page 24

Bus Concessionary Fares Scheme

In April 2008, the Bus Concessionary Fares Scheme was extended so that anyone aged 60 or over, or who is registered disabled, is entitled to free travel on any off-peak local bus service in any part of England. The Government has invested £1.2bn in the scheme, resulting in around 11 million people being eligible for free travel. Operators are reimbursed a percentage of the full fare by local authorities for each journey taken.


Overall, we believe that the scheme is a positive step for the industry as it increases bus use. However, the implementation of the scheme is complicated and has given rise to a small number of disputes with some local authorities. Concessionary fare passengers have continued to grow beyond April 2009, the first anniversary of the scheme, as 'free' travel has further increased in attractiveness as a result of the economic downturn.

Concessionary passengers now represent just over 30% of Go-Ahead's bus passengers and just over 20% of bus revenue.

Bus operating cost base

Ongoing cost control is an important part of running a good bus operation. As the pie chart on page 22 shows, labour cost accounts for around 60% of total costs. Fuel accounts for around 11%. Typically, bus operators have some flexibility within their cost base and in economic downturns may be able to match service levels to demand.

 For the cost base of our bus operations please go to page 22

 For our bus fuel hedging policy & prices please go to page 26


UK Rail

Go-Ahead

Our rail operation, Govia, is owned 65% by Go-Ahead and 35% by Keolis, a French-based operator of passenger transport services which is majority owned by the French national railway SNCF. Through Govia, Go-Ahead operates three rail franchises – Southeastern, Southern and London Midland – making us the UK's busiest rail operator, carrying almost 30% of rail passengers. There are currently 19 rail franchises in the UK. Figure 3 shows UK rail market share by revenue.

Our strategy is to operate urban intensive commuter franchises centred around London. Around 45% of all commuter rail journeys into London are made on our franchises.

Figure 4 shows that across Britain commuting is the most common reason for taking the train.

 For detailed information and performance reviews of our three rail franchises please go to pages 28 – 34

Rail franchising system

The franchise model was introduced with the privatisation of the rail industry in 1996. Each franchise agreement tenders specific rail operations on a contract basis and typically lasts for around eight years. The Department for Transport (DfT) submits an Invitation to Tender (ITT) to interested bidders which outlines the detailed commitments the franchise must deliver, such as timetabling and capacity. The

ITT also outlines the formula to be used for annual regulated (peak time) fare increases, which is typically the preceding year's July RPI +1%.

Once the DfT has issued the ITT, train operating companies (TOCs) enter a competitive bidding process for the right to operate the franchise. TOCs assume how much revenue growth they can generate through passenger demand and growth. This is driven by a combination of economic conditions and 'self help' measures such as revenue protection and marketing. Based on these revenue and cost assumptions and required returns, the bidder specifies the premium profile they will pay to the DfT or the subsidy profile they require from the DfT to make running the franchise a viable business. Broadly speaking, the subsidy and

premium profile takes into account indexation so TOCs' profits are not impacted by inflation changes. The bidding process usually takes around a year and typically costs around £3-4 million per franchise.

TOCs are required to take the revenue risk for any franchise contract, subject to revenue share and support mechanisms outlined below. If TOCs forfeit their franchise agreements for any reason the Government may seek to enforce penalties. This may include a cross default provision of other franchises operated by the parent group.

Over the past four years, Govia has achieved the greatest success rate in UK rail bidding, winning three franchises out of four bids. Most recently, it was announced in June 2009 that Govia had retained the Southern franchise.

94% of target, the government provides support of 80% of the shortfall below 94%. Revenue support is designed to provide significant mitigation for revenue shortfalls in the later part of the franchise. There is a symmetrical system for revenue share if revenue exceeds the original target revenue specified in the contract.


Passenger growth & the impact of the current climate

Figure 6 shows that, since the rail industry was privatised, the market has experienced an unprecedented level of growth. Indeed, for the first time since the second world war over 1 billion train journeys were made in the UK in 2003-04, rising to 1.27 billion in 2008-09.

Since 1996 the rail industry has been through a period of unprecedented investment by TOCs and the UK Government, resulting in an improved quality of service. Punctuality levels have reached new highs and according to the National Passenger Survey published in June 2009, 81% of passengers are satisfied with their rail experience.

Levels of growth in passenger numbers and revenue have slowed recently as a result of rising unemployment, less discretionary rail travel and more cost-conscious consumers trading down. At the same time this has been mitigated in part by more people choosing to travel by rail, rather than incurring the costs of private motoring.

It is important to note that the rail industry is not a single homogeneous entity as each franchise has distinct characteristics. Significant variables include the type of franchise (eg. Intercity; commuter), the age and length of the franchise and the revenue bid assumptions and subsidy/premium profiles.

 **New Southern franchise**
View a detailed presentation of our new Southern franchise at www.go-ahead.com/goahead/ir/presentations/

Revenue share & support mechanism

A franchise agreement typically includes a revenue share and support mechanism. Figure 5 shows the DfT model which applies to our franchises.

The revenue share mechanism begins at the start of the franchise and the revenue support mechanism typically starts at the beginning of the fifth year.

If revenue falls to between 94% and 98% of the original target revenue specified in the contract, the government provides additional subsidy equal to 50% of the shortfall between these thresholds. If revenue is below


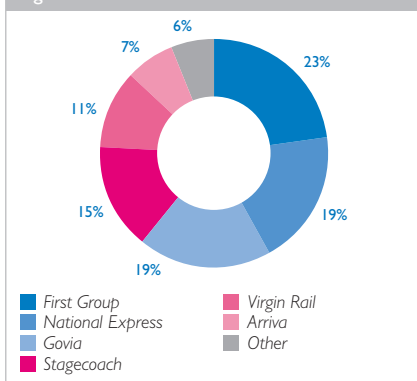
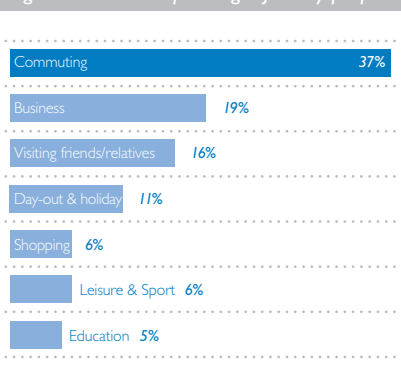
 For information on our three franchises including subsidy/premium profile and eligibility for revenue support go to pages 29 – 33

Fig 3: Rail market share



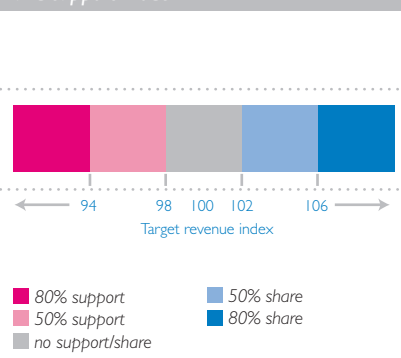
Source: Govia estimates.

Fig 4: National rail passenger journey purpose



Source: 2008 National Passenger Survey. Chart included in Journey Solutions/ATOC: 'Door-to-door by Public Transport', June 2009.

Fig 5: Standard DfT revenue share and support model



NB: Revenue share begins at the start of the franchise and revenue support typically starts at the beginning of the fifth year.



Rail franchises have a relatively high proportion of fixed costs which means that profits are sensitive to a fall in revenue. However, TOCs have taken action to help mitigate the impact of the economic climate by reducing costs, where possible, and implementing revenue enhancing initiatives, such as promoting cheaper off-peak fares and greater revenue protection. In addition, the revenue support mechanism may help TOCs who are eligible to receive it.



View the operating cost base and subsidy/premium profile for each of our three rail franchises on pages 28 – 33

Modal shift

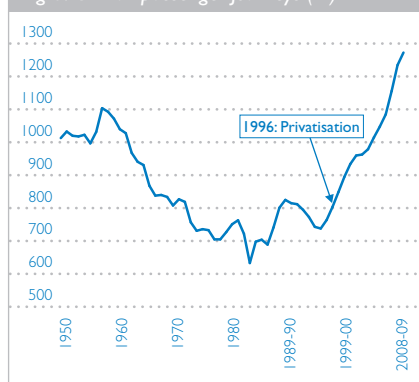
While mostly anecdotal, evidence suggests that passengers are increasingly making the switch from private car to public transport. It is believed that high fuel prices last year acted as a stimulus for people to use bus and rail services. Many passengers have continued to use public transport as they found it had improved significantly from previous experiences.

In addition, the population is increasingly seeking 'greener' and healthier lifestyles. Instead of taking the car, people may choose to cycle to the train station or walk to the bus stop. An online survey undertaken by our Brighton & Hove bus company showed that 48% of respondents had made the switch from car to bus for some of their journeys.



View modal shift push and pull factors at www.go-ahead.com/goahead/aboutus/our_markets/modal_shift/

Fig 6: UK rail passenger journeys (m)



Source: Office of Rail Regulation (ORR) National Rail Trends – July 2009. Data: March year end.

The focus on reducing carbon emissions, combined with the frustration of driving on congested road networks, is improving people's attitudes towards public transport.

Aviation Services

The aviation services division accounts for less than 10% of the Group's revenue. Go-Ahead operates in the aviation services market through ground handling (primarily aviance UK) and cargo handling (primarily Plane Handling). We have operations at 15 UK airports, with a particularly strong presence at Heathrow where we are the largest independent handler accounting for 28% of all aircraft turnarounds. Our car parking operation, Meteor, also falls within the aviation services division.

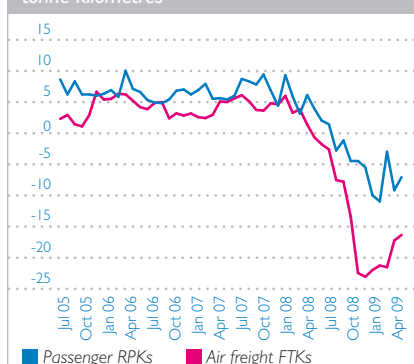
Aviation Services and the impact of the current climate

It has been widely reported that the airline industry has experienced challenging market conditions. Figure 7 shows the impact the economic climate has had on passenger volumes and in particular cargo. A combination of high oil prices in 2007/08 and deteriorating economic conditions resulting in fewer passengers has impacted airline profitability. Air cargo volumes have been significantly hit as final demand has fallen and inventory 'destocking' has taken place. However, Figure 7 also



View the cost base of our aviation services operations on page 36

Fig 7: International air passenger and freight tonne kilometres



Source: International Air Transport Association (IATA)
RPK: Revenue passenger kilometre
FTK: Freight tonne kilometre

shows that there are signs the markets may now be stabilising.

Go-Ahead has taken robust management action to restructure the business. This has helped, in part, to mitigate the impact of the challenging economic environment.

Long term growth

The UK remains one of the largest aviation markets in the world. Around 240 million passengers a year travel through UK airports and Heathrow is one of the world's busiest. Whilst there are challenges for the aviation industry in the short term, the long term growth prospects are positive, driven by a rising population, globalisation and economic growth. In addition, international air freight forms a vital component of global supply chains as prosperity grows, trade is liberalised and the demand for just-in-time delivery increases.



For a detailed performance review of our aviation services operations please go to pages 36 – 37

Our strategy

Our long-standing strategy is to deliver high quality passenger transport services in dense, urban markets, primarily through bus and rail.

	1.	2.	3.	4.
Priorities	To run our companies in a socially & environmentally responsible manner	To provide high quality, locally focused passenger transport services	To prioritise our operations in high density urban markets in the UK	To run our business with strong financial discipline to deliver shareholder value
Why it's important	As a public transport operator, corporate responsibility is integral to the way we run our business. Ensuring the safety and security of our passengers and employees is an absolute priority for us and our performance on such issues is linked to senior managers' and the Board's remuneration. We are also committed to reducing the environmental impacts of our operations and strongly believe that a sustainable public transport network is key to the future of the UK. We believe acting responsibly directly contributes to the success of our business. In addition, reducing our energy consumption helps to reduce costs.	We believe that providing a high quality service encourages passenger growth and offers an attractive alternative to the private car. We understand that punctuality, reliability and value for money are the most important factors for passengers when choosing to travel by public transport. We believe our devolved structure and local focus helps to generate passenger growth as our local managers are able to respond quickly to community needs. This flat structure enables us to closely manage the performance of each operating company while giving local managers the autonomy they need to run their local businesses. Our aim is to combine the value of this local identity culture with the financial benefits of Group scale and transfer of best practice.	We are unique among the other major public transport groups as we operate exclusively in the UK. We focus our operations in high density commuter markets, predominantly in the South East of England, where there is a strong demand for public transport. We are recognised as having significant expertise in the UK bus and rail market. This is welcomed by our shareholders and will remain our primary focus. However, we will consider investment in overseas operations if we believe that it will add value for our shareholders.	Our aim is to deliver shareholder value through a combination of earnings growth, strong cash generation and balance sheet management, supplemented by value adding acquisitions and disposals.

Managing progress

KPIs In order to measure progress against our strategy the Board uses a number of Key Performance Indicators based around operating responsibly and providing a high quality service. These are underpinned by strong financial indicators to ensure we deliver shareholder value. KPIs are outlined on pages 13 and 14.

Managing key risks

Risks The effective delivery of our strategy is dependent on the Group successfully managing our risks and opportunities. A full assessment of how we internally manage risks and our key risk factors are outlined on pages 19 and 20.



Key performance indicators (KPIs)

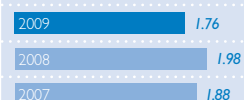
Safety and environment KPIs

[Link to Strategic Priority 1.](#) ▶ The following KPIs underpin our strategic objective to be a responsible operator:

RIDDOR accidents per 100 employees

The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) is a statutory requirement for all companies and relates to a work place incident which results in loss of work for over three days or a legally reportable incident to the Health & Safety Executive. Monitoring this KPI helps us to measure against our commitment to provide a safe working environment for our employees. Our aim is to reduce the number of accidents each year. We were pleased to report no employee fatalities this financial year. Group data is broken down by bus, rail and aviation services on pages 24, 34 and 37 respectively.

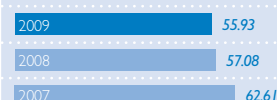
RIDDOR accidents per 100 employees



Bus accidents* per million miles

The Board monitors the number of bus accidents which result in a notification to a claims handler. Monitoring this KPI helps us to measure against our commitment to provide a safe and positive travel experience for our passengers and helps us to manage accident claim costs. Our aim is to reduce the number of accidents each year.

Bus accidents per million miles



* Bus accidents which result in a notification to a claims handler.

SPADs per million miles

Across the rail industry train operating companies are legally required to report Signals Passed at Danger (SPADs). Although every SPAD is treated as a serious incident, most SPADs occur at low speed where braking distance has been misjudged and the train is stopped by automatic warning systems and therefore the likelihood of an accident is very low. Monitoring SPADs helps us to measure against our commitment to provide a safe passenger service. Our aim each year is to reduce the number of SPADs and the risk of any incident when a SPAD does occur.

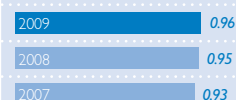
SPADs per million miles



Environmental performance

We are committed to improving our energy efficiency and to delivering high quality services that provide attractive alternatives to car travel. We monitor the carbon emissions from our core bus and rail operations per passenger journey. A breakdown of our bus and rail emissions per passenger journey and the Group's total carbon emissions can be found on pages 23, 28 and 41 respectively.

Carbon emissions per passenger journey*



* Excludes data from our aviation services division. The conversion factors used are in accordance with 'Guidelines to DEFRA's Greenhouse Gas Conversion Factors for Company Reporting' June 2008.

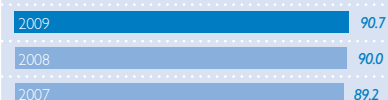
Punctuality KPIs

[Link to Strategic Priority 2.](#) ▶ The following KPIs underpin our strategic objective to be a high quality operator:

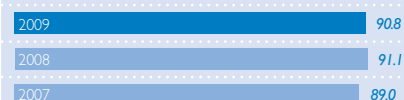
Rail punctuality

The punctuality of our rail operations is measured on the basis of the Department for Transport's Public Performance Measure (PPM) moving annual average. This is the percentage of trains that arrive at their final destination within five minutes of their scheduled arrival time having called at all scheduled stations. This time frame is an industry standard definition of what constitutes being 'on-time'. We are committed to providing reliable services and our aim is to improve punctuality each year. The PPM industry average is 90.6%**.

Southern (%)



Southeastern (%)



London Midland* (%)



* London Midland was acquired in November 2007.

** Office of Rail Regulation – National Rail Trends – for the year ended March 2009.

Punctuality KPIs continued

London bus punctuality

The reliability of our London bus operations is measured on the basis of Transport for London's (TfL) excess waiting time. This is the time in minutes passengers have to wait for a bus above the average scheduled waiting time. Therefore, the lower the excess waiting time the better. We are committed to providing punctual services and our aim is to maintain our low excess waiting time performance. The industry average is 1.09 minutes.

Source: TfL. Data for 1 April 09 – 26 June 09.

Excess waiting time (minutes)

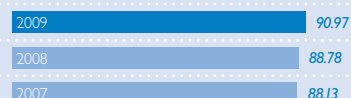


Deregulated bus punctuality

The punctuality of our deregulated bus operations is measured as a percentage of buses that arrive at their stop one minute early to five minutes late. Therefore the higher the percentage the better. This time frame is an industry standard definition of what constitutes being 'on-time'. We are committed to providing reliable services and our aim is to improve punctuality each year. The industry average is 74%*.

* Source: DfT Public Transport Statistics 2008. Latest available data.

Punctuality (%)



Financial KPIs

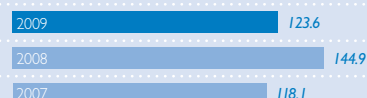
[Link to Strategic Priority 4.](#) ► The following KPIs underpin our strategic objective to deliver shareholder value:

Operating profit growth

This helps us to measure the underlying performance of our operating companies. It is measured before amortisation and exceptional items to provide more comparable year on year information. We aim to increase operating profit* (excluding acquisitions or disposals) and adjusted earnings per share* year on year.

* Before amortisation and exceptional items.

Operating profit* (£m)

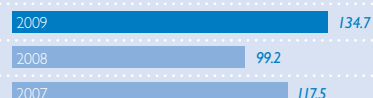


Strong cash management

We manage payment and receipts closely to convert operating profit (before amortisation & exceptional items) into operating cash. Our aim is to match cashflow generated from operations to operating profit* plus depreciation (EBITDA).

* Before amortisation and exceptional items.

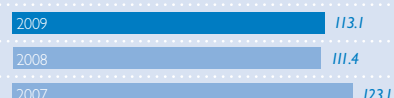
Cashflow generated from operations/EBITDA (%)



Capital investment

We invest in capital to both maintain and enhance our operations. Our aim is for capital investment to match depreciation through the cycle, except if additional spend will add shareholder value.

Net capital investment/depreciation (%)

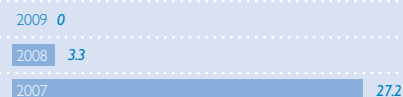


Value adding acquisitions

We continue to assess acquisition opportunities primarily in the UK, but these will only be pursued if we believe they will add value for our shareholders. We made no acquisitions in the financial year. Our aim is for post tax operating profit* from transactions to exceed our post tax weighted average cost of capital of 8%.

* Before amortisation and exceptional items.

Net acquisition spend (£m)

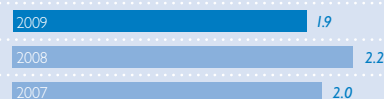


Progressive dividend policy

We are committed to delivering shareholder value through our progressive dividend policy. We measure our dividend cover (adjusted earnings per share* divided by dividend per share) to assess how much of our profits we can pay out as a dividend. Our aim is for dividend cover to average 2x adjusted earnings per share* through the cycle.

* Before amortisation and exceptional items.

Dividend cover (x)



Strong capital structure

We are committed to preserving a strong capital structure. Our aim is to maintain adjusted net debt/EBITDA at between 1.5x and 2.5x through the cycle.

Adjusted Net Debt/EBITDA (x)





Nick Swift, Group Finance Director

"We will maintain our strong financial discipline to deliver shareholder value."

Disciplined

The past year has seen unprecedented turmoil in the financial markets, highlighting the importance of financial discipline and strong cash management.

Operating profit

Operating profit* for the year was £123.6m, 14.7% below last year (2008: £144.9m) primarily due to a particularly strong prior year in our rail division. Adjusted earnings per share* followed a similar trend, down 12.9% to 152.3p per share (2008: 174.8p). Basic earnings per share were 14.7p per share (2008: 128.8p per share) as a result of significant exceptional items.

Cash conversion

Cash conversion was excellent, with cashflow generated from operations of £233.4m (2008: £192.5m) compared to operating profit before depreciation, amortisation and exceptional items (EBITDA) of £173.3m (2008: £194.0m). Most of this improvement came from favourable working capital movements in our rail division which are expected to reverse next year.

Balance sheet

Our balance sheet and financing remains strong. Adjusted net debt to EBITDA was 1.57x at June 2009 (June 2008: 1.65x) and remains well within our target range of 1.5x-2.5x through the cycle. Our funding is secured to November 2012 through a five year syndicated loan facility and at June 2009 we had headroom within this facility of £101.0m.

Operating profit before depreciation, amortisation and exceptional items (EBITDA)

EBITDA was £173.3m (2008: £194.0m), consisting of operating profit* of £123.6m (2008: £144.9m) and depreciation of £49.7m (2008: £49.1m).

* Before amortisation and exceptional items.

Pensions

Operating profit* included the net cost of the Group's defined benefit pension plans of £36.1m (2008: £24.9m). The increase of £11.2m comprised an additional £8.5m in rail, of which £2.6m was due to a full year of London Midland, and £2.7m was non-rail costs (primarily bus). Company cash contributions to the schemes were £2.8m higher than the net cost in the income statement, totalling £38.9m (2008: £41.7m, inclusive of a £7.5m additional contribution).

The total net pension deficit after tax was £60.1m (2008: £42.8m), consisting of a total pre-tax liability of £83.5m (2008: £59.4m) less a deferred tax asset of £23.4m (2008: £16.6m).

The net deficit before taxation on the non-rail defined benefit schemes was £76.0m (2008: £59.4m), consisting of estimated liabilities of £428.7m (2008: £436.2m) less assets of £352.7m (2008: £376.8m).

The net deficit before taxation on the rail schemes was £7.5m (2008: £nil). The nature of these schemes means that we only recognise the share of deficit (or surplus) expected to be funded (or received) over the franchise period.

Goodwill and intangible amortisation

The charge for the period of £12.4m (2008: £11.6m) 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 a full year of ownership of the London Midland franchise.

Net finance costs

The net finance costs for the period reduced to £11.5m (2008: £13.8m) due to a reduction in average levels of net debt and lower interest rates towards the end of the period. The average net interest rate was 5.0% (2008: 6.4%) for the period and the proportion of gross debt held under fixed interest agreements at 27 June 2009 was 47.2% (2008: 30.2%).

Exceptional items

Exceptional items were significant in the year, totalling £57.7m before taxation, of which £49.8m was recognised in the first half. Most of the items were non-cash, with cash items totalling £10.1m. The largest item was a first half, non-cash impairment charge of £38.4m reflecting the challenging conditions in aviation services. This reduced the carrying value of the ground handling and cargo operations within the aviation services division to approximately £20m at December 2008 and remains appropriate at the year end.

Non-cash exceptional items also included £6.9m relating to the fair value of part of the current year bus fuel hedge (designated as ineffective under IAS 39 'Financial Instruments: Recognition and Measurement'),

£0.8m in respect of accelerated depreciation on articulated buses in London with a further exceptional charge of around £3m expected in relation to this issue over the next two years, and £1.5m of provision for onerous contracts in our Meteor parking operations.

Exceptional cash costs totalled £10.1m, consisting of restructuring and reorganisation costs of £5.4m in aviation services and £4.7m in rail.

Taxation

The net taxation charge in the income statement of £23.7m (2008: £26.3m) included underlying tax on ordinary activities of £26.6m (2008: £29.1m), equivalent to an effective rate of 26.7% (2008: 24.4%). The increase in effective rate compared to the decrease in UK statutory rate for the period of 28.0% (2008: 29.5%) reflects the reduced availability of cost effective, tax efficient asset finance arrangements in the period.

The charge also included an exceptional, non-cash tax charge of £8.6m (following the UK Government's abolition of industrial buildings allowances announced in July 2008) and a tax benefit of £11.5m (2008: £2.8m) resulting from the exceptional costs.

Minority interest

The minority interest in the income statement of £12.0m (2008: £20.8m) arises from our 65% holding in Govia Limited (which owns our rail operations) and therefore represents 35% of the profit after taxation of the rail division.

Adjusted earnings per share

Adjusted profit attributable to members* was £65.4m (2008: £76.0m). This consisted of a profit attributable to members of £6.3m (2008: profit £56.0m) adjusted to add back members' share of post tax amortisation of £6.9m (2008: £6.4m), and members' share of exceptional items of £52.2m (2008: £13.6m).

The weighted average number of shares reduced to 42.9 million (2008: 43.5 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 (2008: 42.8 million).

Adjusted earnings per share* decreased by 12.9% or 22.5p per share to 152.3p per share (2008: 174.8p per share).

Summary income statement

	2009 (£m)	2008 (£m)	Increase / (decrease) (£m)	Increase / (decrease) (%)
Operating profit*	123.6	144.9	(21.3)	(14.7)%
Net finance costs	(11.5)	(13.8)	2.3	16.7%
Profit before tax*	112.1	131.1	(19.0)	(14.5)%
Amortisation	(12.4)	(11.6)	(0.8)	(6.9)%
Exceptional items	(57.7)	(16.4)	(41.3)	(251.8)%
Profit before tax	42.0	103.1	(61.1)	(59.3)%
Total tax expense	(23.7)	(26.3)	2.6	9.9%
Profit for the year	18.3	76.8	(58.5)	(76.2)%
Minority interest	(12.0)	(20.8)	8.8	42.3%
Profit attributable to members	6.3	56.0	(49.7)	(88.8)%
Adjusted profit attributable to members*	65.4	76.0	(10.6)	(13.9)%
Weighted average number of shares (m)	42.9	43.5	(0.6)	(1.4)%
Adjusted earnings per share* (p)	152.3	174.8	(22.5)	(12.9)%

* Before amortisation and exceptional items.

Dividends

The Board is proposing a total dividend for the year of 81.0p per share, unchanged from last year and including a proposed final payment of 55.5p payable on 20 November 2009 to shareholders on the register at the close of business on 6 November 2009. The is equivalent to a total payment of £34.7m, based on 42.9 million shares.

Dividends paid in the period represents the payment of last year's final dividend of 55.5p (2008: 55.5p) and the interim dividend in respect of this year of 25.5p per share (2008: 25.5p).

Dividend cover for the year was 1.9x adjusted earnings per share* (2008: 2.2x).

Cashflow

Cash generated from operations before taxation was £233.4m, an increase of £40.9m against the same period last year (2008: £192.5m). Favourable working capital movements of £72.4m, most of which are expected to reverse next year and which primarily related to the phasing of debtor and creditor payments in rail, offset other cash outflows of £12.3m which included exceptional cash costs of £10.1m.

Tax paid of £11.4m (2008: £18.1m) was primarily the current portion of

the tax charge of £23.7m, of which £8.6m was a non-cash charge relating to the abolition of industrial buildings allowances, less a refund of £5.2m in respect of prior years. Net interest paid of £11.9m (2008: £14.0m) is in line with the charge in the income statement for the period of £11.5m (2008: £13.8m). Capital expenditure, net of sale proceeds, was similar to last year at £56.2m (2008: £54.7m), equivalent to 113% of depreciation (2008: 111%).

Dividends paid to parent company shareholders amounted to £34.8m (2008: £31.4m) and dividends to minority interests were £12.3m (2008: £16.7m). During the period the company has repurchased 13,615 shares at a cost of £0.2m (2008: 3,571,000 shares at a cost of £87.3m) and 50,000 shares were issued (2008: 523,000 shares) on exercise of share options for proceeds of £0.6m (2008: £6.4m).

“Cash generated from operations before taxation was £233.4m, an increase of £40.9m against the same period last year.”

Summary cashflow

	2009 (£m)	2008 (£m)	Increase / (Decrease) (£m)	Increase / (Decrease) (%)
EBITDA+	173.3	194.0	(20.7)	(10.7)%
Working capital/other	60.1	(1.5)	61.6	n/a
Cashflow generated from operations	233.4	192.5	40.9	21.2%
Tax paid	(11.4)	(18.1)	6.7	37.0%
Net interest paid	(11.9)	(14.0)	2.1	15.0%
Net capital investment	(56.2)	(54.7)	(1.5)	(2.7)%
Free cashflow	153.9	105.7	48.2	45.6%
Net acquisitions (incl. acquired debt) less disposals	—	(3.3)	3.3	n/a
Franchise transfer	(0.4)	(26.7)	26.3	98.5%
Dividends paid	(47.1)	(48.1)	1.0	n/a
Share issues less share buybacks	0.4	(80.9)	81.3	n/a
Decrease / (increase) in net debt	106.8	(53.3)	160.1	n/a
Opening net debt	(197.8)	(144.5)	n/a	n/a
Closing net debt	(91.0)	(197.8)	n/a	n/a

+ Operating profit before interest, tax, depreciation, amortisation and exceptional items.

Capital structure		
	2009 (£m)	2008 (£m)
Five year syndicated facility Dec 2012	340.0	340.0
Amount drawn down at year end	239.0	262.0
Balance available	101.0	78.0
Restricted cash	181.3	122.9
Net debt	91.0	197.8
Adjusted net debt	272.3	320.7
EBITDA ⁺	173.3	194.0
Adjusted net debt / EBITDA ⁺	1.57x	1.65x

Balance sheet

Net debt reduced in the year by £106.8m (2008: increase £53.3m) to £91.0m (2008: £197.8m).

Net debt consisted of amounts drawn down against the £340.0m five year syndicated loan facility of £239.0m (2008: £262.0m); other bank loans of £36.0m (2008: £52.8m); hire purchase and lease agreements of £18.1m (2008: £34.3m) and overdrafts of £5.0m (2008: £5.8m), partly offset by cash and short term deposits of £207.1m (2008: £157.1m) which included restricted cash in rail of £181.3m (2008: £122.9m).

Most of the increase in restricted cash reflects the working capital movements in rail which are expected to reverse next year. Adjusted net debt, consisting of net debt excluding restricted cash, was £272.3m (2008: £320.7m), equivalent to 1.57x EBITDA (2008: 1.65x), well within our target range of 1.5x to 2.5x through the cycle.

In addition, amounts provided to the DfT for rail bank guaranteed performance bonds were £131.7m (2008: £96.5m) and season ticket bonds of £110.2m (2008: £97.9m).

The Group had net liabilities of £9.5m, primarily due to the low level of capital employed within the rail operations. The reduction of £77.0m compared to net assets of £67.5m at 28 June 2008 consisted of profit for the period of £18.3m plus proceeds of shares issued of £0.6m and share based payment credits of £0.5m, less: losses on financial instruments of £29.9m net of tax; an increase in pension scheme liabilities of £19.4m net of tax and dividends paid of £47.1m.

Distributable reserves in the parent company used to pay dividends were £443.3m (2008: £446.0m) which is equivalent to 12.8 times the current full year proposed dividend of £34.7m.

Financial outlook

We expect our financial position over the next twelve months to remain strong. The favourable working capital movements in rail are expected to reverse in the year, increasing net debt but reducing restricted cash by a similar amount. Capital investment is expected to increase by around £20m compared to 2009, reflecting the investment in the new Southern franchise. We have recently secured additional three year loan facilities of £30m to refinance payments of medium term debt made last year which will preserve funding headroom under our five year syndicated facility.

Overall, we will maintain our strong financial discipline to deliver shareholder value.



Nick Swift,
Group Finance Director
2 September 2009

⁺ Operating profit before interest, tax, depreciation, amortisation and exceptional items.

Risk management

The effective management of risk is essential to the delivery of the Group's objectives, protection of its reputation and achievement of sustainable shareholder value. Go-Ahead's devolved management structure supports our robust risk management and internal control framework, as detailed in the Corporate Governance report on pages 44 to 62.

The diagram below illustrates the key roles and responsibilities for each of the respective functions within our risk management framework. Ultimate accountability for risk management lies with the Board, supported by the work of the Audit Committee to which the Board has delegated responsibility for reviewing the effectiveness of the Group's risk management and internal control systems. With clear leadership from the Board and Audit Committee, the Executive Directors play an integral

role in helping the operating companies identify, assess and monitor their respective risks and controls. Through monthly meetings with the senior management of each operating company, the Executive Directors encourage open communication on risk matters within a clearly defined infrastructure and reporting process. Ownership of risk identification and mitigation lies with the senior management in operating companies where it is an integral part of day-to-day local company operations.

Principal risks and uncertainties structure

The Go-Ahead Group plc Board of Directors

- leadership of risk management
- sets strategic objectives and risk appetite
- monitors performance
- accountable for the effectiveness of the Group's internal control and risk management processes

Audit Committee

- delegated responsibility from the Board to oversee risk management and internal controls
- reviews the effectiveness of the Group's internal control and risk management processes
- monitors the role and effectiveness of the internal auditors and the independence and expertise of the external auditors

Executive Directors

- communicate and disseminate risk policies
- support and help operating companies assess risk
- encourage open communication on risk matters
- oversee risk management
- monitor performance
- assess materiality of risks in the context of the whole Group
- monitor mitigation and controls
- facilitate sharing of risk management information and best practice across the Group

Internal Audit

- independently reviews the effectiveness of the Group's risk management and internal control processes
- monitors and validates action taken by management
- provides assurance
- reports monthly to the Executive Directors
- reports quarterly to the Audit Committee

Operating Company Boards

- define risk management roles at operational and project level
- use risk as an explicit part of decision-making and management of external relationships
- continuous identification of risk, assurance and self-assessment

Principal risks and uncertainties continued

The below table summarises our assessment of the key risks and uncertainties that could impact the Group's performance. These risks are monitored on an ongoing basis through the Group's risk management processes, together with the effectiveness of mitigation through the internal control environment. Material residual risk is assessed by the Board and accepted if appropriate as an integral part of the risk and reward of the business, or deemed unacceptable and therefore either reduced, transferred to third parties or avoided by no longer pursuing the relevant activity. The matters described are not intended to be an exhaustive list of all possible risks and uncertainties.

	Risk description	Potential impact on KPIs	Mitigation
Group	Major accident or incident (including terrorism or disease such as swine flu)	Potential for serious injury, service disruption and lost earnings	<ul style="list-style-type: none"> • Rigorous high profile safety programme throughout the Group • Comprehensive insurance cover • Appropriate contingency plans
	Inappropriate strategy or investment	Reduction in economic and shareholder value	<ul style="list-style-type: none"> • Comprehensive strategic discussions with main board and advisers • Extensive valuation and due diligence, supported by external expertise • Discipline to 'walk away' from opportunities • Value adding investments are required to return in excess of the Group's post tax weighted average cost of capital
	Financial market instability	Loss of access to funds, loss of investments, interest rate exposure	<ul style="list-style-type: none"> • Formally approved and regularly reviewed treasury policy in place • Three year cashflow and covenant forecasts • Five year financing secured to 2012 • Comprehensive, low risk cash investment policy • Over 50% of net debt held at fixed interest rates
	Reduction in earnings due to 'excessive' wage settlements	A 1% increase in staff costs and salaries across the Group would increase costs by £8.7m	<ul style="list-style-type: none"> • Experienced approach to wage negotiations and fostering of good relationships with employees and unions at operating company level
	Political or budgetary changes	Changes to the regulatory environment or financial support from the government could impact the Group's prospects	<ul style="list-style-type: none"> • Closely monitor relevant proposals for change in the regulatory environment • Actively participate in industry, trade and government forums
	Increased pension scheme contributions required	Adverse cashflow impact	<ul style="list-style-type: none"> • Railway pension schemes and obligations cease at end of franchise • Non-rail defined benefit schemes closed to new entrants • Asset allocations de-risked. See note 28 for more detail
Bus	Bus fuel prices increase	An increase of ten pence per litre increases the cost of fuel by approximately £11m	<ul style="list-style-type: none"> • Rolling fuel hedging programme • Fuel fully hedged for next two years • See page 26 for more detail
	Concessionary fare schemes do not provide an adequate economic return	Concessionary fares accounted for around 20% of the current year's deregulated bus revenue	<ul style="list-style-type: none"> • Two thirds of our schemes have been successfully agreed with local authorities for 2008/09 • Discussions are continuing with the remaining schemes
	Economic downturn reduces demand for bus services	A 1% loss of revenue results in a reduction in operating profit of approximately £0.5m, assuming all costs are variable	<ul style="list-style-type: none"> • Improved revenue forecasting • Management action plans to reduce costs in the event of a downturn
	London bus contracts not renewed	Adverse earnings impact	<ul style="list-style-type: none"> • Well located depots, 85% capacity freehold • Strong reputation for quality and cost control
Rail	Earnings volatility impacts Group's financial strength	Rail represents half of the Group's current year operating profit*	<ul style="list-style-type: none"> • All rail operations held through Govia, which is 65% owned by Go-Ahead and 35% by Keolis
	Economic downturn reduces demand for rail services	A 1% loss of revenue results in a reduction in operating profit of approximately £11m, assuming all costs are fixed	<ul style="list-style-type: none"> • Improved revenue forecasting • Management action plans to reduce costs in the event of a downturn • DfT revenue support from 1 April 2010 in Southeastern
	New Southeastern timetable (including high speed) from Dec 09 does not meet bid assumptions	Each 1% of revenue growth not achieved is approximately £5m of operating profit,* assuming all costs are fixed	<ul style="list-style-type: none"> • Strong and experienced team assembled to deliver the new timetable • DfT revenue support from 1 April 2010 in Southeastern
	Profit improvement plans in Southern franchise bid not delivered	Each 1% of revenue growth not achieved is approximately £5m of operating profit,* assuming all costs are fixed	<ul style="list-style-type: none"> • Strong and experienced team assembled to deliver the new Southern franchise • Comprehensive tracking of delivery
Aviation Services	Cyclical downturn in aviation sector	Reduced earnings due to lower number of aircraft turnarounds and cargo volume, and pressure on prices from airlines	<ul style="list-style-type: none"> • Significant restructuring to reduce the cost base of the operations • Strategic review of options
	Loss of key aviation services contracts	A significant amount of revenue is held through contracts which may be terminated with less than 90 days notice	<ul style="list-style-type: none"> • Maintain high quality of service and competitive cost base

* Before amortisation and exceptional items.

On average, around **1.6 million** people
travel on our buses every day

Bus operating review

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Bus

Go-Ahead is one of the UK's largest bus operators. We have a strong presence in London, with around 21% market share. We also have operations in the north east, Oxford, the south east and Southern England.

2009 Bus highlights

- Record operating profit* of £66.6m (2008: £66.2m).
- Revenue growth in all six operating companies
- Expected to remain robust

* Before amortisation and exceptional items.

2009 Bus highlights

Our bus brands



Financial highlights

	2009	2008
Revenue (£m)	584.7	557.7
Operating profit* (£m)	66.6	66.2
Margin*	11.4%	11.9%
Revenue growth		
Regulated	6.1%	12.4%
Deregulated**	6.4%	8.2%
Volume growth		
Regulated – miles operated	1.8%	12.7%
Deregulated – passenger journeys**	2.9%	2.9%

* Before amortisation and exceptional items.

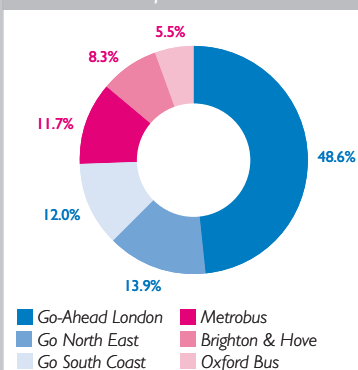
** Excludes Go West Midlands (sold in February 2008).

Revenue by operating company

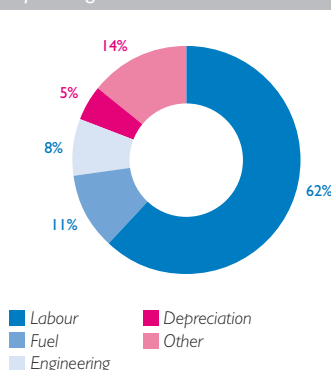
	2009 (£m)	2008 (£m)
Go-Ahead London	283.3	267.0
Go North East	82.5	76.4
Go South Coast	70.5	66.8
Metrobus	68.2	64.8
Brighton & Hove	48.3	45.4
Oxford Bus	31.9	30.1
Go West Midlands†	–	7.2
Total Bus	584.7	557.7

† Sold in February 2008.

2009 revenue split



Operating cost base



Performance overview

The performance of our bus operations was slightly ahead of our expectations, delivering a record operating profit* for the year.

Revenue increased by 4.8%, or £27.0m, to £584.7m (2008: £557.7m, including £7.2m for Go West Midlands sold in February 2008), equivalent to an increase of 6.2% excluding Go West Midlands. Revenue increased in all six operating companies.

Operating profit* was £66.6m, marginally ahead of last year (2008: £66.2m, including a loss of £3.9m for Go West Midlands). Operating profit* margin was 11.4%, 0.5 pts below last year (2008: 11.9%). As expected, this year's operating profit* included additional costs for fuel, pensions and accident claims as well as the year on year benefit from the sale of the loss making Go West Midlands business in February 2008.

Our underlying fuel costs, before delivery and duty, were around £10m higher than the same period last year. We consume around 110 million litres of fuel each year and hedged all of our fuel requirements for the 2009 financial year at 43 pence per litre (ppl) compared with an average price of 34ppl in 2008.

The 2009 financial year also included an additional £2.6m of pension costs and an additional £5.3m charged for accident claim costs compared with last year, despite a reduction in the number of incidents compared to 2008. The increases in claim costs primarily relate to our London and North East operations and we continue to manage these claims closely.

Ongoing cost control remained a priority across our bus operations. Labour accounts for around two thirds of our cost base and is closely controlled through local wage negotiations and ongoing productivity improvements. In addition, we estimate we have saved around £2.5m compared to last year through better procurement, fuel consumption and site energy consumption.

* Before amortisation and exceptional items.



Total depreciation for the division was £31.5m (2008: £30.9m) and capital expenditure was £44.9m (2008: £36.3m). Capital expenditure included £34.0m on new buses to upgrade vehicles operating on a number of our key revenue generating routes and to maintain the average age of our deregulated fleet as one of the youngest in the sector.

Regulated

Our regulated bus operations in London continued to perform well. Revenue increased by 6.1% in the period, consisting of an increase in contracted mileage of 1.8%, an average increase in contract prices of approximately 4% and an increase in quality incentive bonuses to £14.2m (2008: £13.7m). We continue to perform well in the TfL quality league tables and operated in excess of 99.6% of our target mileage before traffic congestion losses.

Revenue trends were as expected. The second half growth rate of 3.8% compared to a first half of 8.5% was due to a 2.5% reduction in mileage resulting from a net loss of contracts in the second half. Much of this has been subsequently recovered for the new financial year. Around 85% of our depot capacity in London is owned as freehold which provides a strong base for contract renewals.

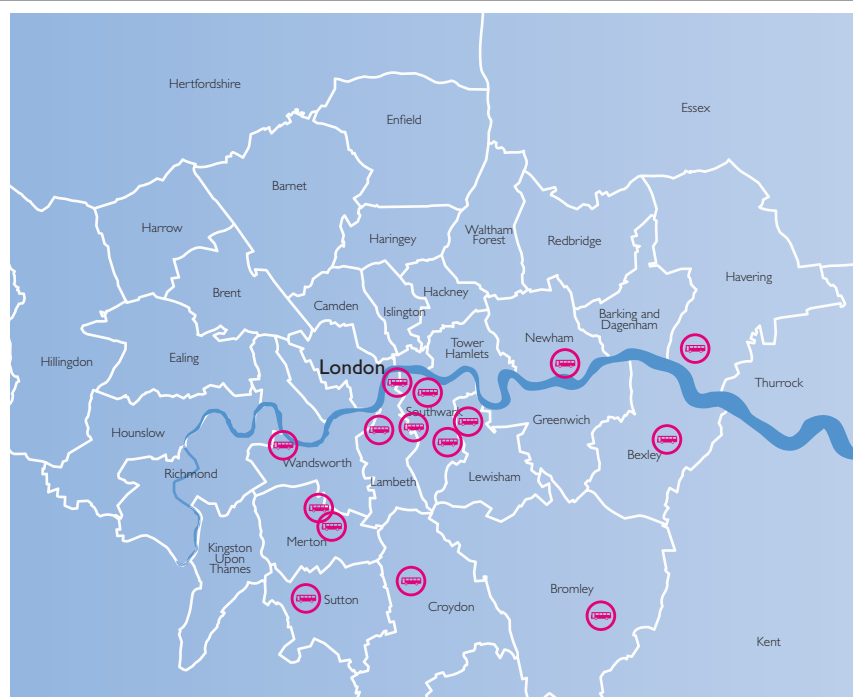
During 2009, TfL commenced the decommissioning of articulated 'bendy' buses as contracts are renewed. This is expected to reduce residual values and so we will provide for accelerated depreciation of around £4m over the next three years as an exceptional cost, of which £0.8m has been recognised in 2009.



A convenient way to travel

As urban areas become more congested buses are increasingly seen as a quick and convenient way to travel. Investment in modern and high quality fleets by operating companies, combined with investment by local authorities in dedicated bus routes, has resulted in cleaner, safer, more frequent and punctual services.

Go-Ahead's London bus depots



Having a good network of bus depots is important for London operators. Go-Ahead has 15 strategically located London depots with around 85% of our capacity owned as freehold.

Bus division fleet with CCTV

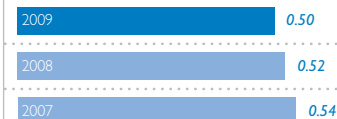
90%



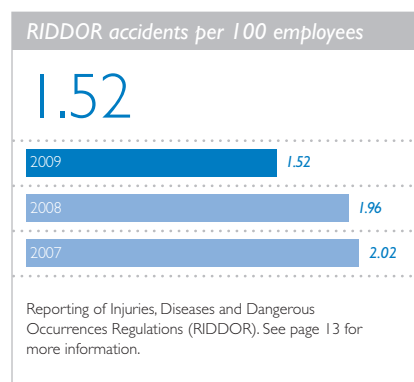
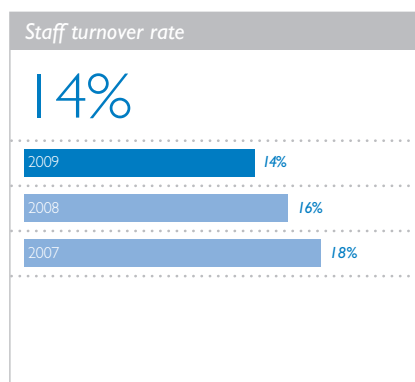
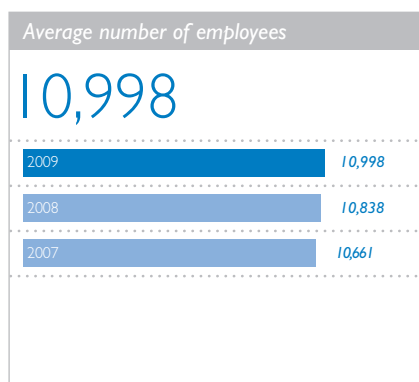
Data as at year end.
The industry average is 52%. Source: DfT 2008 Public Transport Statistics – Data as at 31 March 2008.

Bus division CO₂ emissions per passenger journey

0.50 kgs CO₂ ppj



The conversion factors used are in accordance with 'Guidelines to DEFRA's Greenhouse Gas Conversion Factors for Company Reporting' June 2008.



Deregulated

Revenue growth continued in our deregulated bus operations through a combination of fare increases and growing passenger numbers.

Like for like revenue (excluding Go West Midlands) was up 6.4% and increased in each of our deregulated businesses. The number of passenger journeys was 2.9% above the same period last year, with around two thirds of the increase due to concessionary passengers. Non concessionary passenger numbers increased by 1.2% for the full year.

Revenue growth trends remain robust, with second half growth of 6.2%, broadly similar to first half growth of 6.6%. Passenger numbers in the second half increased by 2.1% compared to a first half rise of 3.6%. The latter reflects the timing of the national concessionary scheme which started on 1 April 2008. The rate of increase in non concessionary passenger numbers accelerated from 0.8% in the first half to 1.6% in the second half.



Value for money

Our devolved structure gives local bus companies the autonomy to tailor products to their local markets. In light of the current economic climate, Go North East has focused heavily on marketing value for money fares. The bus market is relatively resilient to economic downturns as buses can often be the cheapest mode of transport.



We're on track



Tomas Koroknai, one of Go-Ahead London's top performing fuel efficient drivers receives his 'Go-Green' certificate from Keith Ludeman, Group Chief Executive.



The 'RIBAS' in cab prompt alerts drivers when they are not driving fuel efficiently.

Capital expenditure: £3 million
(Avg life of technology up to 10 years)

Aim: To improve fuel efficiency by around 5%

Estimated annual savings:

- £2.5 million cost saving
- 14,500 CO₂ tonnes. Equivalent to annual emissions from 2,600 households.

We're doing our part to cut emissions

We have made a significant investment in the latest 'black box' technology which monitors engine behaviour and alerts the driver through an in-cab prompt when they are not driving efficiently.

We recognise the environmental and business benefits of improving our fuel efficiency. During this financial year we fitted all of our 3,500 buses with 'black box' technology which monitors engine behaviour. The technology includes an 'in-cab' prompt which notifies the driver when they are not driving in a fuel efficient way. Data collected from the black box is monitored and analysed back in the office. Results have been encouraging with fuel efficiency improving by around 5%.

In addition to improving fuel efficiency the technology, which promotes smoother driving, can be used to reduce accidents and data collected can also play a key part in helping to mitigate contentious accident claims. Improving passenger comfort and meeting the higher standards of Quality Incentive Contracts (QICs) for our London operators are also major benefits of the technology.

Our bus drivers are a key element to making the programme a success. All drivers have been through a 'Safe & Fuel Efficient Driving' programme which includes both theoretical and practical training. To help motivate employees, operating companies run competitions and schemes to reward drivers who drive safely and efficiently.



Hybrid technology

In addition to improving our fuel efficiency, we are committed to trialling new technologies. Go-Ahead London is already an active participant in on-going trials of the latest hybrid buses, working in partnership with Transport for London to keep abreast of developing technology in this area.



Outlook

We expect the underlying performance of our bus operations to remain robust for the next financial year:

Revenue growth in both our regulated and deregulated operations is expected to continue, albeit at a slower rate than the last two years. In deregulated, this is primarily because we are past the first anniversary of the national concessionary scheme (introduced on 1 April 2008) and are in a lower inflation environment.

In London, we continue to assume that forthcoming contract renewals will be more competitive than when originally negotiated in 2002-2004 and that quality incentive targets will become increasingly challenging.

Cost control across the division will remain a priority. This includes ongoing wage negotiations and productivity improvements to maintain competitive labour costs (which account for approximately two thirds of our cost base). We have fully hedged our fuel costs for the financial year to June 2010 at 47 ppl and at 41 ppl for the following financial year to June 2011 and are confident we can recover the additional cost of around £4m for the new financial year. We are targeting further progress with energy savings, fuel consumption and procurement initiatives and are not assuming any significant change in pensions or accident claim costs compared to the last financial year.

Overall, we expect performance next year to be a little below the record level achieved this year. The following year (to June 2011) is expected to benefit from a lower cost of fuel and contribution from two acquisitions, namely East Thames Buses from TfL for £5m and Arriva's Horsham bus operations for £5m, both of which are expected to complete in the second quarter of the new financial year.



Making bus travel easier

In partnership with local authorities, many of our deregulated bus routes offer 'real time text service'. Bus stops display a unique seven letter code and when passengers text that number they receive details of the next few real time bus departures back within seconds.

In addition, many of our bus companies have pages on facebook and twitter where passengers can keep up to date with the latest service information and special promotions.



Hedging Policy & Prices

Our bus fuel hedging programme uses fuel swaps to fix the price of our diesel fuel in advance. Our aim is to be fully hedged for the next financial year three months before the start of that year; at which point we aim to have also fixed at least 50% of the following year and at least 25% of the year after that. This hedging profile is then maintained on a quarterly basis.

Bus fuel accounts for 11% of the cost base and we consume around 110 million litres of fuel each year.

Financial year

Underlying cost of fuel*

2007/08	33.7p (50% hedged at 29p)
2008/09	Fully hedged at 43 pence per litre
2009/10	Fully hedged at 47 pence per litre
2010/11	Fully hedged at 41 pence per litre

* Before delivery, duty and duty rebate through the bus services grant.

On average, around **1 million** people
travel on our trains every day

Rail operating review

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Rail

Our 65% owned rail operation is the busiest in the UK, responsible for nearly 30% of UK passenger rail journeys through its three rail franchises: Southern, Southeastern and London Midland.

2009 Rail highlights

- Operating profit* of £61.5m
- Continued revenue growth
- Three franchises focused on high density, urban commuter markets

* Before amortisation and exceptional items.

2009 Rail highlights

Our rail brands



southeastern.

londonmidland

Financial highlights

	2009	2008
Revenue (£m)	1,552.0	1,378.4
Operating profit* (£m)	61.5	77.2
Margin*	4.0%	5.6%
Passenger revenue growth		
Southern**	7.9%	13.2%
Southeastern	5.5%	13.0%
London Midland	9.1%	n/a
Passenger volume growth		
Southern**	4.4%	6.7%
Southeastern	1.0%	6.4%
London Midland***	3.6%	n/a

* Before amortisation and exceptional items.

** Growth rates exclude Gatwick Express (became part of Southern on 22 June 2008).

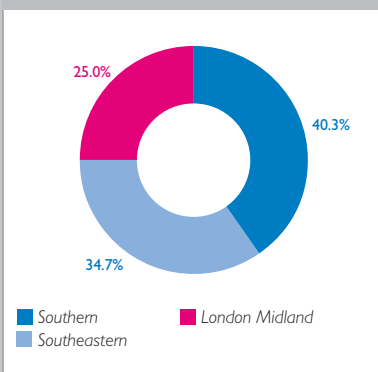
*** Growth rates based on comparison with 11 November 2007 to 28 June 2008 (London Midland became part of the Group 11 November 2007).

Revenue by franchise

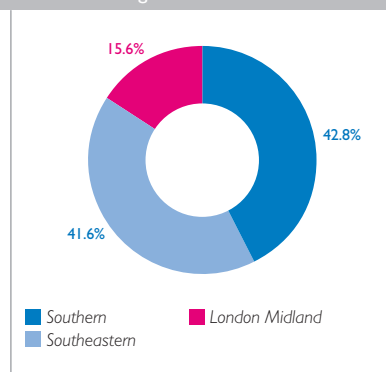
	2009 (£m)	2008 (£m)
Southern	602.4	557.1
Southeastern	577.8	581.6
London Midland*	371.8	239.7
Total Rail	1,552.0	1,378.4

* Part year in 2008. Franchise acquired in November 2007.

2009 Total Revenue



2009 Passenger Revenue



Performance overview

The results from our rail division were in line with our expectations, following a particularly strong performance last year.

Revenue trends were in line with our expectations, broadly following macro-economic indicators such as Gross Domestic Product (GDP) and employment levels. Revenue increased by 12.6% or £173.6m, to £1,552.0m (2008: £1,378.4m), primarily due to the addition of the London Midland and Gatwick Express operations and continued growth in like for like passenger revenue in Southern and Southeastern.

Operating profit* fell by 20.3% or £15.7m, to £61.5m (2008: £77.2m). The reduction in operating profit* is partly attributable to around £7m of favourable settlements last year (which were not repeated this year) and to higher costs this year for the Southern franchise bid of £3.5m (2008: £0.3m) and £2m for industrial relations issues in London Midland.

Total depreciation for the rail division was £13.0m (2008: £11.3m) and £0.7m of the increase related to London Midland. Capital expenditure was £12.2m (2008: £9.3m), of which £8.1m (2008: £1.9m) was in London Midland and included investment in gating and car parks to enhance revenue.

Rail division CO₂ emissions per passenger journey

1.72 kgs CO₂ ppj

2009	1.72
2008	1.67
2007	1.66

The increase in CO₂ emissions per passenger journey is mainly a result of the addition of the London Midland franchise. Most of London Midland trains run on the diesel network. Diesel is five times more carbon intensive than electricity. The conversion factors used are in accordance with 'Guidelines to DEFRA's Greenhouse Gas Conversion Factors for Company Reporting' June 2008.



Southern

2009 revenue: **£602.4m**

Start of franchise: **August 2001**

Franchise renewal: **September 2009**

Profit share: **Currently in 60% profit share with the DfT**

Approx. 50% of passengers are commuters

Regulated (peak-time) fare increases: RPI* +1%

* Annual regulated fare increases are made in January based on the Retail Price Index (RPI) as at July of the previous year.

The Southern franchise provides frequent train services connecting central London to south London, the South Coast and East and West Sussex, including express services to Croydon, Gatwick and Brighton.

Performance Overview

Our Southern franchise performed well, delivering an integrated Gatwick Express service from 22 June 2008, significant timetable changes from December 2008, including new services on the Brighton Main Line, and operational support to the Thameslink programme, whilst maintaining high levels of operational and financial performance.

Our operational performance in Southern remained strong despite adverse weather in February, with a record public performance measure (PPM) showing that 90.7% (2008: 90.0%) of our trains arrived on time. Initial teething difficulties with rolling stock on the Brighton Main Line, which have now been resolved, resulted in a small reduction in our Spring national passenger survey customer satisfaction rating to 80% (2008: 81%).

Total revenue in Southern consisted of passenger revenue of £487.2m (2008: £393.0m), other income of £32.5m (2008: £29.8m) and net subsidy receipts of £82.7m (2008: £134.3m).

The increase in passenger revenue consisted of £63.0m from Gatwick Express and like for like growth in passenger revenue (excluding Gatwick Express) of 7.9%. Like for like passenger numbers increased by 4.4% compared to last year. As previously reported, growth rates slowed in the second half of the year, with like for like passenger revenue growth of 6.0% compared to 11.1% in the first half. Like for like passenger numbers increased by 2.2% in the second half compared to 6.7% in the first half.

As expected, Gatwick Express experienced a reduction in passenger numbers as a result of the fall in air traffic at Gatwick airport. Overall, the Gatwick operations are estimated to have contributed a small operating profit* for the year.

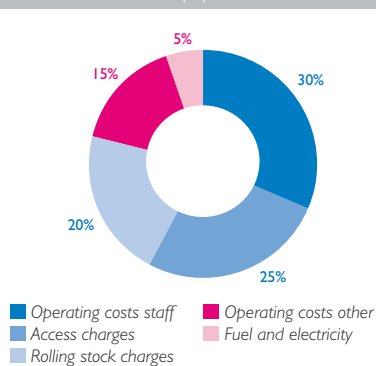
Like for like operating profit* for Southern was slightly below last year, with cost reduction and profit share offsetting the reduction in subsidy and the slowing in the rate of revenue growth. Approximately £21.1m of the reduction in subsidy related to the change in the Network Rail access charge regime from 1 April 2009, with an equal and opposite change in the rail access charges. Other cost reduction measures included energy savings through regenerative braking and the benefits of Group procurement. The profit share arrangements in the current franchise provide the DfT with 60% of any profit increases or decreases.



Making rail travel easier

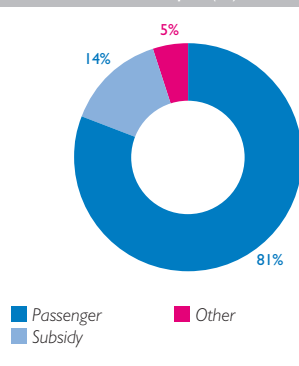
We are committed to making it easier for passengers to travel on our services. Southern has launched an online booking system where passengers can quickly and easily buy their tickets and can save a significant amount by buying advance tickets online.

Southern cost base (%)



Costs rounded to the nearest 5%.

Southern revenue split (%)

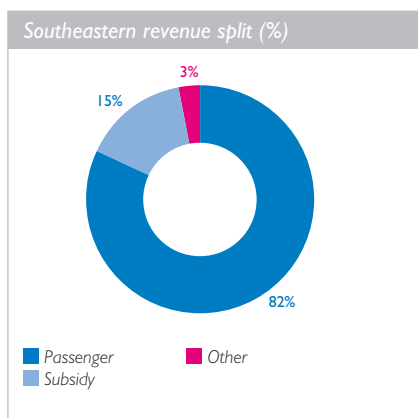


Awarded

We were delighted to have been awarded the Southern franchise for a second term.

SOUTHERN

See page 33 for details of the new franchise.



Southeastern

2009 revenue: **£577.8m**

Start of franchise: **April 2006**

Franchise renewal: **March 2014***

Eligible for revenue support:
1 April 2010

Approx. 70% of passengers are commuters

Regulated (peak-time) fare increases: RPI +3% to January 2010 and RPI+1% from January 2011**

* Assuming two year extension granted.

** Annual regulated fare increases are made in January based on the Retail Price Index (RPI) as at July of the previous year.

The Southeastern franchise provides frequent train services connecting Central London to south east London, Kent and parts of East Sussex. In December 2009 it will introduce the full timetable for the UK's first high speed domestic service between Kent and London. Preview services began in June 2009.

Performance Overview

Our Southeastern franchise has enjoyed a good year, delivering significant timetable changes from December 2008 and providing operational support to the Thameslink programme as well as preparing for the new timetable in December 2009 which will include the UK's first domestic high speed rail service.

Our operational performance in Southeastern remained strong despite adverse weather in February. Our punctuality (PPM) was 90.8% (2008: 91.1%) and the franchise achieved a customer satisfaction rating of 76% in the Spring national passenger survey (2008: 79%).

Total revenue in Southeastern consisted of passenger revenue of £473.6m (2008: £449.1m), other income of £18.7m (2008: £19.1m) and net subsidy receipts of £85.5m (2008: £113.4m).

The increase in full year passenger revenue was 5.5%, consisting of a first half increase of 8.9% and a second half increase of 3.8%. Passenger numbers increased by 1.0% compared to last



The high speed trains travel at speeds of up to 140mph.

southeastern.

We're on track

We're leading the way in high speed travel

We are the first company to operate a high speed domestic rail service in the UK. The state of the art Hitachi trains travel at speeds of up to 140mph.

In December 2009 we will launch the full timetable for the UK's first high speed domestic rail service on High Speed 1 (Channel Tunnel Rail Link). The Hitachi built trains will run at speeds of up to 140 mph and will dramatically reduce current journey times between Kent and London. Based on detailed modelling, we expect the service to open up new markets among people currently commuting by car to London and the Docklands. Regulated fares for the service are capped by the DfT at 20 – 30% higher than current mainline fares.

At the end of June 2009, we began running limited high speed 'preview' services. We are proud of the fact that the project is ahead of schedule and wanted passengers to be able to try the service early. The preview service also allows us to test the service and to learn what passengers need and want. Cutting journey times from Ashford to London by 45 minutes to 37 minutes, the preview services have already proven to be very popular.

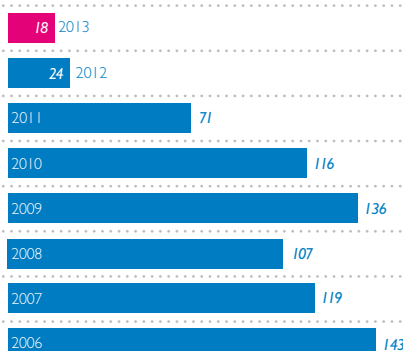


year, with a first half increase of 4.3% and a second half reduction of 1.7% which was slightly better than the 2% reduction we anticipated. The trends in this franchise reflect the relatively large percentage of London commuters and hence the sensitivity to central London employment. The difference between passenger revenue and passenger numbers reflects the RPI + 3% fare regime in this franchise which continues to 2010 and then reverts to RPI+1% from 2011.

Approximately £21.2m of the reduction in subsidy related to the change in the Network Rail access charge regime from 1 April 2009.

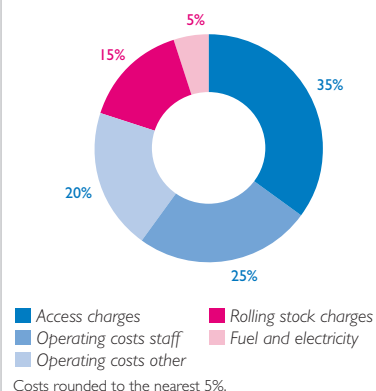
Operating profit* was below the exceptionally strong result for last year but broadly in line with the franchise bid. This was partly achieved through a significant cost savings programme which Southeastern started in the first half of the year, including a reduction of up to 300 positions which incurred an exceptional charge of £1.9m, procurement savings and other efficiency savings which in total are estimated to have saved nearly £10m compared to last year:

Southeastern subsidy profile (£m)



The above chart shows the subsidy Southeastern receives from the DfT. Amounts shown are nominal and are before changes to the access charge regime from 1 April 2009. The subsidy turns to a premium of £18m in 2013/14. Years commencing 1 April.

Southeastern cost base (%)



Ashford International to
London St Pancras
1 hour 24 minutes to 37 minutes

1.5 hours off your
daily commute

£4 extra a day*

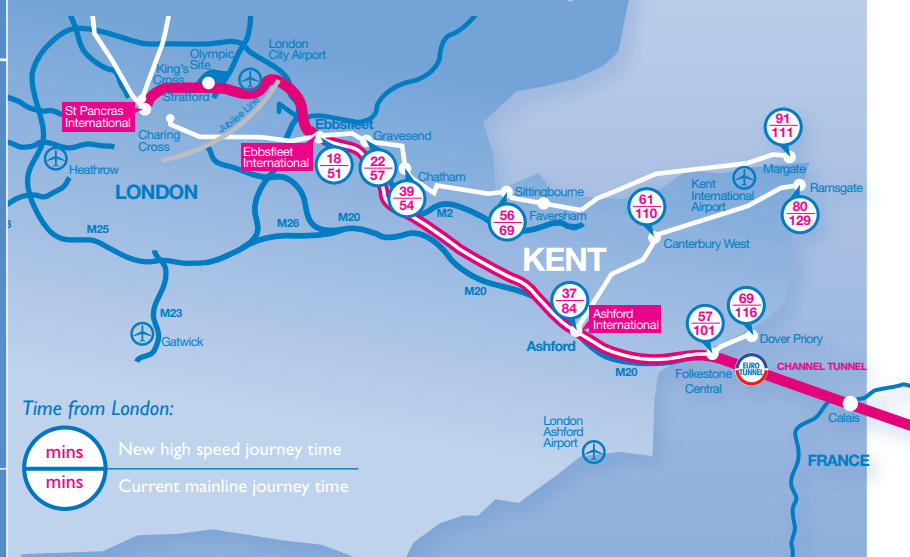
* Based on a weekly season high speed preview service ticket compared with the current mainline fare.

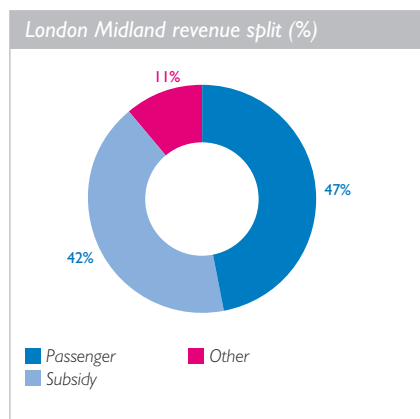
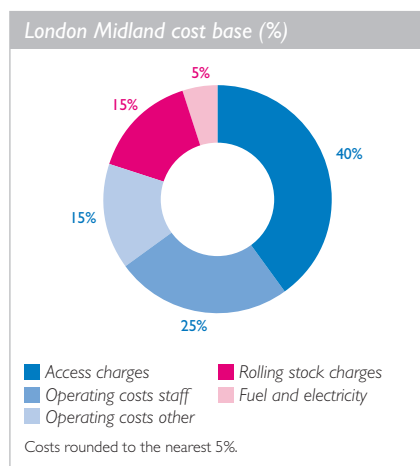
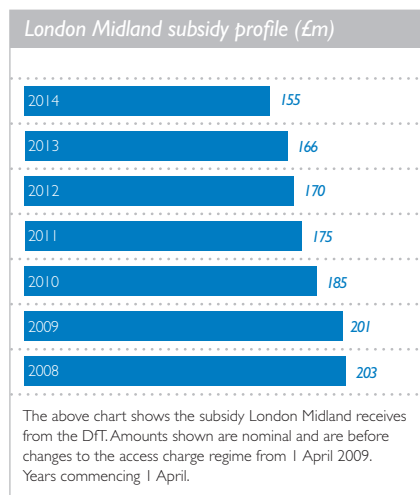


For more information about the high speed service, including timetables, fares and an interactive map please visit www.southeasternrailway.co.uk

London St Pancras International: Excellent connections:

London: six tube lines: Metropolitan, Circle, Hammersmith, Northern, Victoria, Piccadilly
UK: Close to Kings Cross and Euston Station connecting London with the rest of the UK
International: Eurostar to Lille, Brussels, Paris and Amsterdam. Close to London City Airport.





London Midland

2009 revenue: **£371.8m**

Start of franchise: **November 2007**

Franchise renewal: **September 2015***

Eligible for revenue support:
11 November 2011

Approx. 50% of passengers are commuters

Regulated (peak-time) fare increases: RPI +1%**

* Assumes 17 month extension is granted.

** Annual regulated fare increases are made in January based on the Retail Price Index (RPI) as at July of the previous year

London Midland operates through the heart of England, connecting London, the West Midlands and the North West. Go-Ahead was awarded the London Midland franchise in November 2007. The franchise is formed from parts of the former Silverlink County and Central Trains businesses.

Performance Overview

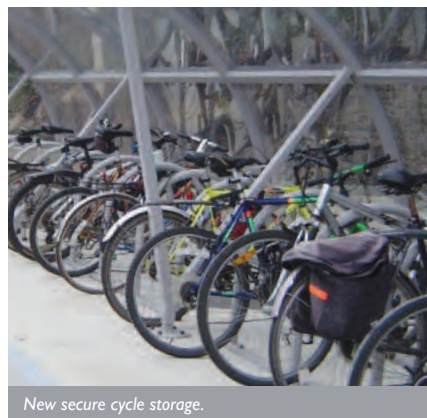
The second half performance of our London Midland franchise was mixed, with good levels of revenue growth offset by a number of operational issues with the new December 2008 timetable and industrial relations disputes which added around £2m of costs in the period. Despite these issues, we achieved a PPM of 86.7% (2008: 88.6%) and a customer satisfaction rating of 78% (2008: 81%) for the period.

Total revenue in London Midland consisted of passenger revenue of £173.8m (2008: £103.0m), other income of £39.8m (2008: £23.6m) and net subsidy receipts of £158.2m (2008: £113.1m). Comparative figures are from the start of the current franchise on 11 November 2007.

Like for like passenger revenue growth for the period from mid November to end of June was 9.1% and like for like passenger numbers for the same period increased by 3.6%.

The change in the Network Rail access charge regime from 1 April 2009 reduced subsidy payments by approximately £21.2m.

As with Southeastern, we are undertaking a significant amount of restructuring in this franchise and have recently appointed a new managing director to lead these changes. Restructuring costs to date have resulted in a one off exceptional cash charge of £2.8m.



New secure cycle storage.

Sustainable integration

We are committed to providing a sustainable and integrated transport network. London Midland offers reduced price parking for low emission vehicles and free parking for electric vehicles. We are looking at extending this across our other franchises. Across the Southern network we have doubled the amount of secure cycle spaces and as part of the new Southern franchise, we will be providing 1,500 extra cycle spaces.



Outlook

The overall outlook for rail for the financial year to June 2010 remains in line with our previously reported expectations. We believe our three franchises are relatively robust given their focus on high density, urban commuter markets. However, we continue to assume that underlying demand (before new services and initiatives) will slow in line with the recent half year trends.

Changes to regulated fares will be based on the July 2009 RPI of -1.4% compared to our previous assumption of -3%. This means regulated fares in January 2010 are expected to reduce by 0.4% in Southern and London Midland and increase by 1.6% in Southeastern.

In combination, we are not expecting underlying passenger revenue growth (before new services and other initiatives) to be significant to June 2010.

Southern

In Southern, our existing franchise operates until 20 September 2009. During this period, we expect to maintain earnings at similar levels to the equivalent period last year – in part due to the profit share regime which allocates 60% of any incremental profit or loss to the DfT until the end of the franchise. The new franchise aims to improve the underlying revenue trends by 4-5% to June 2010 through initiatives which were not financially viable under the profit share regime. We are well progressed with mobilisation for the new franchise and with preparation for these initiatives, which include improvements to timetable, revenue protection and train and station investment.

Southeastern

In the first half for Southeastern, we expect benefits from our restructuring programme to offset broadly the adverse trends in passenger revenue growth. Results for the second half will largely depend on the success of the new timetable and high speed rail services from 13 December 2009. To date, the public reaction to the preview of the high speed service has been excellent. The high speed fares will average 20-30% above the current fares. This increase is generally perceived to be reasonable by passengers given the significant reduction in journey times. Whilst difficult to predict, at this stage we are targeting a mid single digit percentage increase in overall passenger revenue growth for the year as a result of the new timetable and services, with revenue support from the DfT available from 1 April 2010 if the revenue growth is below this level.

London Midland

In London Midland, our new management team will aim to offset the impact of lower revenue growth through operational improvements, restructuring programmes and further investment in revenue enhancement projects including gating and car parking.

Overall

Our rail operations should deliver a good level of profitability in the year ahead, albeit below the level achieved to June 2009.

New Southern Franchise

We were delighted to have been awarded the Southern franchise for a second term.

Start of franchise: 20 September 2009

Franchise renewal: July 2015*

Eligible for revenue support:

21 September 2013

Approx. 50% of passengers are commuters

Regulated (peak-time) fare increases: RPI* +1%

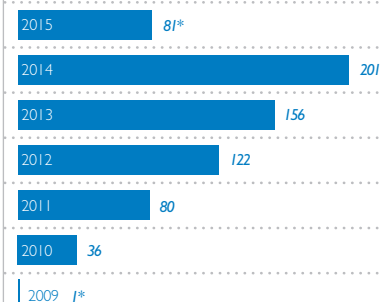
* With a two year extension at the discretion of the DfT.

** Annual regulated fare increases are set by the DfT at Retail Price Index (RPI) as at July of the previous year.



View a detailed presentation of our new Southern franchise on www.go-ahead.com/goahead/ir/presentations/

The new Southern franchise premium profile (£m)



The above chart shows the premium the new Southern franchise will pay the DfT. Amounts shown are nominal. Years commencing 1 April.

* Part year (franchise runs from 20 September 2009 to July 2015).

Rail carriages with CCTV

72%



* Before amortisation and before exceptional items.



One of our live CCTV monitoring centres.

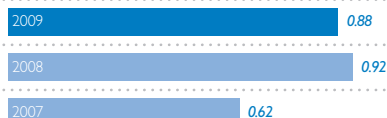
A safe and secure way to travel

We are committed to ensuring the safety of our passengers. We have made excellent progress in reducing the level of crime on our rail networks. Southeastern has seen a 25% drop in reported crime over the past four years and the level of crime across the Southern network is now at half the rate it was in 2003. In addition, as part of the new Southern franchise we have committed to providing live 24 hour CCTV monitoring across all of our stations. London Midland has achieved secure station accreditation at 51 of its stations covering 76% of passengers travelling on the network.



RIDDOR accidents per 100 employees

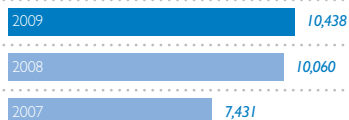
0.88



Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR). See page 13 for more information.

Average number of employees

10,438



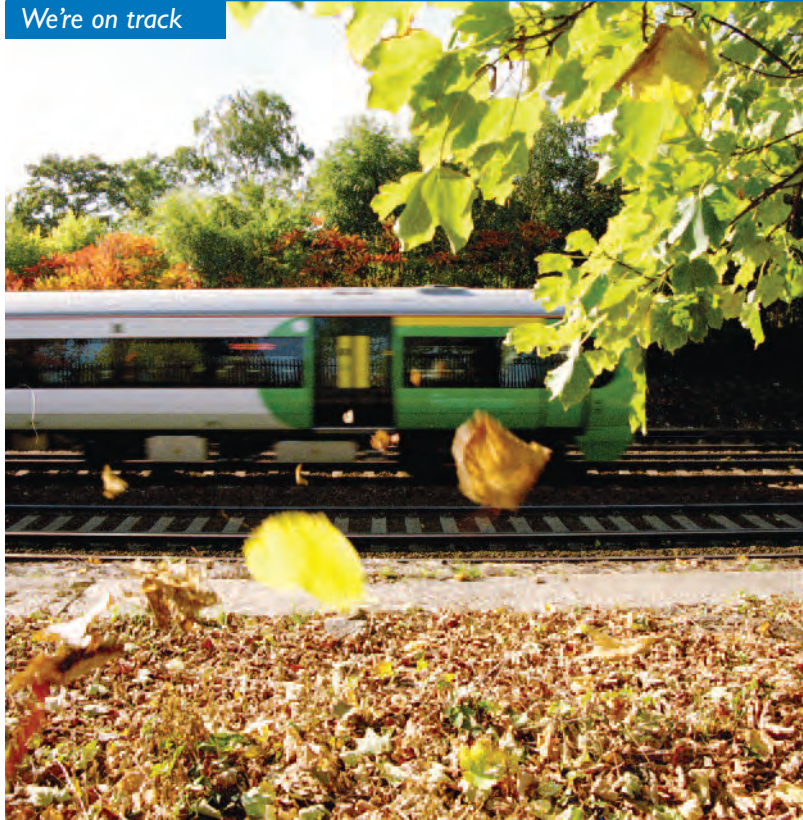
Staff turnover rate

7%



For more information you can download our rail factsheets at: www.go-ahead.com/goahead/railfactsheets_rail

We're on track



Reducing train electricity consumption

Over half of the Group's carbon emissions result from rail traction electricity. It was therefore a significant achievement when in 2008 Southern and Southeastern became the first rail operators to introduce regenerative braking on the third rail system*. This saves energy by capturing electricity through braking and returning it to the rail network. In addition, coasting boards and eco-driver training will help further reduce energy consumption across our rail operations.

* The third rail or conductor rail is the electrical system by which some trains draw their power. This system is mainly found in the South of England.

2009 Southern results*:

5% reduction in electricity traction consumption.

* Results are for Southern only as Southeastern currently have a small proportion, around 5%, of fleet fitted with regenerative braking. 65% of Southern's fleet is now fitted with regenerative braking. The number of trains fitted with the braking technology will continue to increase across both franchises next financial year, further reducing electricity traction consumption.

2009 savings:

- £1.3 million cost saving
- 10,740 CO₂ tonnes. Equivalent to annual emissions from 2,000 households.

We serve around **40 million** passengers
each year through our aviation services

Aviation Services operating review

Performance Overview..... 36

Outlook..... 37



Aviation Services

We are one the UK's largest independent cargo handlers, ground handlers and car parking operators. The division operates from 15 airports and services major airline operators such as British Airways, Virgin and bmi.

2009 Aviation Services highlights

- Operating loss* of £4.5m
- Difficult trading conditions
- Ongoing restructuring plans

* Before amortisation and exceptional items.

2009 Aviation Services highlights

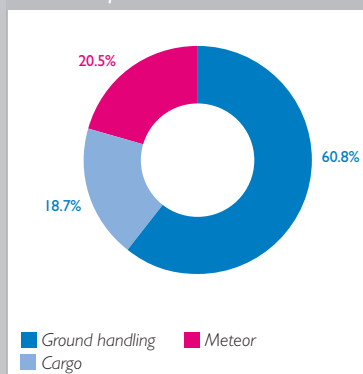
Our aviation services brands



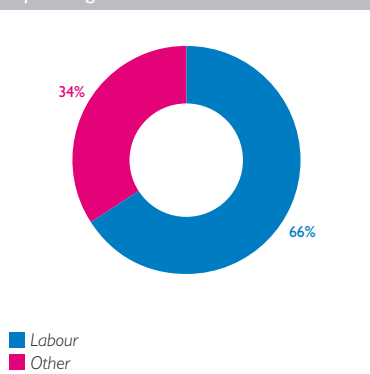
Financial highlights

	2009	2008
Revenue (£m)	209.4	263.0
Operating (loss)/profit* (£m)	(4.5)	1.5
Margin*	(2.1)%	0.6%
Revenue growth		
Ground handling	(15.1)%	12.7%
Cargo	(14.9)%	4.2%
Meteor	(36.0)%	4.0%
Volume growth		
Ground handling – aircraft turnarounds	(14.4)%	13.4%
Cargo – tonnes	(19.0)%	4.7%
Meteor – parking transactions	(11.4)%	9.7%
* Before amortisation and exceptional items		
Revenue by operating activity		
	2009 (£m)	2008 (£m)
Ground handling	127.4	150.0
Cargo	39.1	45.9
Meteor	42.9	67.1
Total	209.4	263.0

Revenue split



Operating cost base*



* Excludes Meteor

Performance overview

The results from the aviation services division were in line with our expectations despite the difficult trading conditions.

Revenue fell 20.4% or £53.6m to £209.4m (2008: £263.0m) and the operating profit* decreased by £6.0m to an operating loss of £4.5m (2008: profit £1.5m). The operating margin* fell 2.7% from an operating profit margin of 0.6% to a negative margin of 2.1%.

Total depreciation for the division was £5.2m (2008: £6.9m) and capital expenditure was £2.5m (2008: £9.9m).

Ground handling and cargo

Our ground handling and cargo operations achieved revenue of £166.5m (2008: £195.9m) and an operating loss* of £5.2m (2008: loss £0.7m). The second half loss of £2.7m was similar to the loss in the first half of £2.5m and was achieved through cost reduction plans to offset accelerating revenue reduction.

Revenue in ground handling decreased by 15.1% for the full year, consisting of a first half reduction of 12.9% and a second half reduction of 17.3%, reflecting a similar trend in the number of aircraft turnarounds. Around 40% of the full year reduction was due to the closure of our operations in Gatwick at the end of August 2008 and, to a lesser

Through our ground handling operations we are responsible for 28% of all Heathrow's turnarounds.





Average number of employees

5,691



Staff turnover rate

30%



RIDDOR accidents per 100 employees

3.86



* Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR). See page 13 for more information.

extent, the closure of Leeds Bradford towards the end of the year. The underlying reduction in aircraft turnarounds reflects the broader economic impact on the aviation sector, leading to reduced flight schedules and additional cancellations which reduces our revenue given we are primarily paid on a per turnaround basis.

Revenue reduction in our cargo operations was particularly significant in the second half, with a decrease of 20.5% following a first half reduction of 9.8% to give a full year decrease of 14.9% compared to last year. This was driven by reduced levels of world trade which resulted in a reduction in our cargo volumes of 19.0% for the year. Throughout this period, we have managed to maintain high levels of service quality whilst achieving significant reductions in our cost base.

Around two thirds of our cost base is labour, and we have continued with our restructuring programme, incurring £5.4m (2008: £8.0m) of exceptional costs, which typically pay back through reduced operating costs within twelve months. In addition, in the second half of the year we renewed the Virgin ground handling and cargo contracts for a further five years.

We also recognised a non-cash exceptional impairment charge of £38.4m in the first half, reflecting the difficult trading conditions, to reduce the carrying value of these operations to around £20m.

Meteor

Our Meteor parking and security operations reported revenue of £42.9m, 36.1% or £24.2m below last year (2008: £67.1m) and an operating profit* of £0.7m (2008: £2.2m). The reduction in revenue reflects the expiry of our BAA parking contract at Stansted in September 2008. Operating profit* was down by £1.5m to £0.7m, consisting of a profit of £0.8m in the first half and a second half loss of £0.1m. The second half included start up costs of £0.5m incurred from January to May relating to new parking arrangements at a number of airport hotels.

We have also recognised an exceptional provision of £1.5m for three parking contracts which we consider to be onerous in the current economic climate.



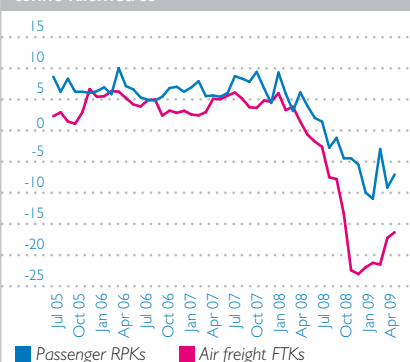
Meteor is one of the UK's largest independent parking companies. It has an established presence at many UK airports and manages car parks across our rail network.

Outlook

Whilst there are some signs that activity levels in ground handling and cargo have stabilised, we will continue with our restructuring plans to protect against near term deterioration in operating results and strengthen our position for the medium term.

As previously reported, in Meteor parking our BAA contract at Heathrow expires in September 2009. We have made a number of changes to our cost base and expect the operating results from Meteor next year to be similar to those achieved to June 2009.

International air passenger and freight tonne kilometres



Source: International Air Transport Association (IATA)
RPK: Revenue passenger kilometre
FTK: Freight tonne kilometre

Responsible

2009 Highlights

Carbon Trust Standard

We became the first UK transport operator to be awarded the Carbon Trust Standard in recognition of our work to reduce carbon emissions.

16% site energy reduction

We achieved a 16% reduction in site energy* as a result of the commitment of our employees and new energy efficient lighting systems.

Improved efficiency

Across our bus operations we have made significant investments in engine monitoring technology and driver training schemes. This has resulted in fuel efficiency improvements of around 5%.

Renewable sources

Around 75% of our site electricity is generated from renewable sources including hydro-power, wind-power and biomass fuels.

Energy saving

The introduction of regenerative braking on the third rail system has resulted in around a 5% reduction in traction electricity usage on the Southern network.

Energy Forums

Five Group energy forums were held this year where operating companies share best and emerging practice on reducing carbon emissions.

Gold Rating

For the third year in a row Go-Ahead achieved a gold rating in Business in the Community's (BITC) Responsibility Index – the highest rating amongst comparable participating public transport operators.

Operating our companies in a socially and environmentally responsible manner is a key part of the Group's strategy and is deeply embedded across our organisation at all levels.

Benchmarking our performance

We continue to participate in the Business in the Community (BITC) Corporate Responsibility Index. These voluntary indices help us to compare performance against other leading UK businesses, including many FTSE 100 companies. For the third year in a row we were awarded a gold rating by BITC, the highest rating amongst comparable participating public transport operators. In achieving this level, Go-Ahead has demonstrated that it improves responsibility throughout its operations by providing a systematic approach to managing, measuring and reporting on business impacts in society and on the environment.

In December 2008 we became the first public transport company to be officially certified with the Carbon Trust Standard. The Carbon Trust Standard is the UK's only independent certification recognising achievements in action on climate change by leading organisations in industry, commerce and the public sector. It is also the world's first carbon award scheme that requires an organisation to measure, manage and reduce its carbon footprint and actually make real reductions year-on-year.

We have been included in the FTSE4Good index every year since its creation.

Our responsibilities

Through engagement with stakeholders we have identified seven key areas of responsibility:

1. Safety & Security
2. Improving our environmental performance.
3. Reliability, convenience, punctuality
4. Accessibility for all
5. Affordability
6. Community relationships
7. Role as an employer

Our performance against all of these issues can be found in our corporate responsibility web report and accompanying summary document. We are in the process of standardising and enhancing our responsibility targets across the Group and look forward to reporting on these next year.

This section focuses on how we manage our safety and environmental performance and highlights key achievements this year.

Robust management

The safety and security of our passengers, our people and the general public is an absolute priority for the Group. The Board also places a significant emphasis on improving energy efficiency as this has important environmental benefits and helps to reduce operating costs. We do not have separate Board level committees for corporate responsibility and health & safety as we believe it is fundamental for the Board as a whole to be involved in these areas, which are integral to our business.

We believe that effective management can only be achieved through robust measurement. Internal safety and energy targets for each of our twelve operating companies are set at the beginning of each financial year. Performance against safety

Publishing our responsibility data

Corporate responsibility has always been at the heart of Go-Ahead. We were the first in our sector to publish our environmental data and this year we will be publishing the Group's corporate responsibility data in a new upgraded web report which gives stakeholders easier access to more in-depth information.

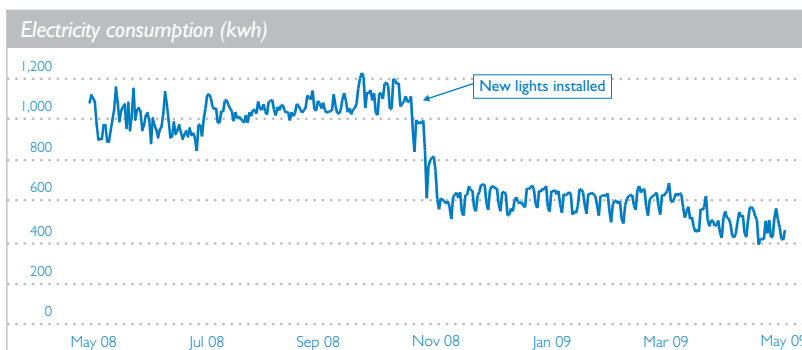
Last year we were the first in our sector to produce an Economic Impact Report which measures the significant contribution we make to the towns and cities we operate in.

* Like for like comparison. Gas consumption data has been normalised by use of degree days to account for variations in temperature.

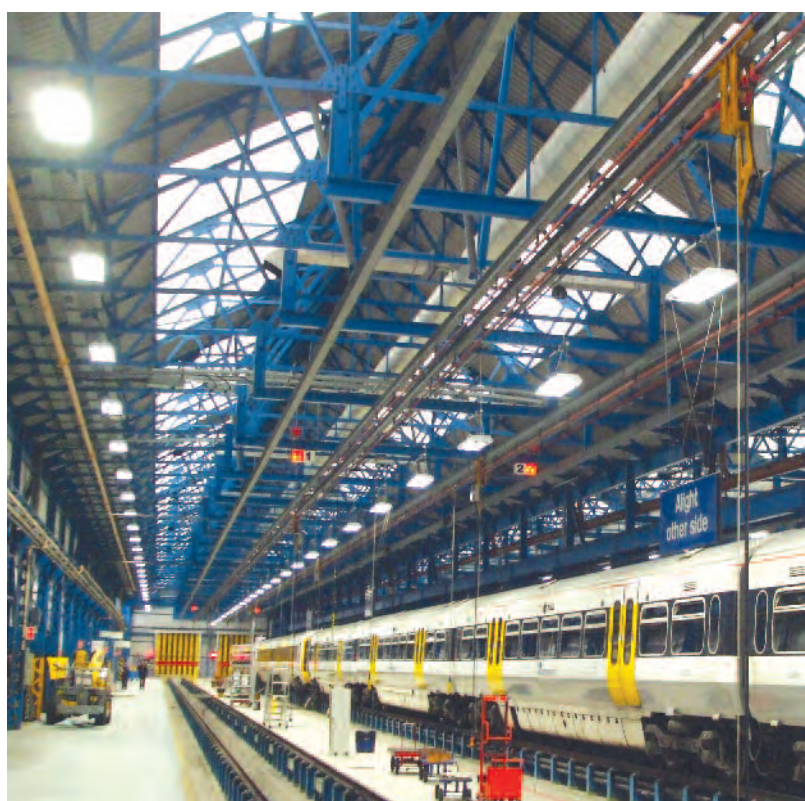


targets is linked to both operating company senior managers' and Group Executive Directors' remuneration.

The Group's flat structure enables the Board to closely monitor the performance of each operating company. For example, safety and energy KPIs are reviewed at monthly operating company board meetings, chaired by the Group Chief Executive and Group Finance Director. See page 44 in the Corporate Governance section for more information about how our devolved management structure enables the Group to be managed in a particularly effective way.



The above chart shows the effect of the energy saving lights at our Victoria Sidings train depot, near Victoria Station London.



Reducing our site energy

In June 2009 we replaced traditional high bay lights at our bus and rail depots and multi storey car parks with new intelligent energy saving lights. The traditional lights accounted for a significant proportion of the carbon dioxide emissions caused by our site energy use and were very expensive to run. The new lights have sensors so that they turn on and off according to movement and if it is a sunny day they can adjust themselves to be less bright. This means that the system only provides light when it is needed. Initial results have been very encouraging and at some depots electricity usage has reduced by around 50%.

Capital expenditure: £2.4 million
(average life of technology: up to 10 years)

Aim: to reduce Group site electricity consumption by around 10%

Estimated annual savings:

- £1 million cost saving
- 4,300 CO₂ tonnes. Equivalent to annual emissions from 780 households.

This year, our economic impacts have been incorporated within our Corporate Responsibility Report.

As part of our commitment to provide locally focused services we continue to be the only company in our sector to produce a separate environmental and social report for each of our operating companies.



To view our environmental data publications visit: www.go-ahead.com/publications





2009 safety highlights

11% reduction

RIDDOR* accidents per 100 employees reduced by 11%.

* Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR). See page 13 for more detail.

28% reduction

SPADs* per million miles reduced by 28%.

* Signals Passed at Danger. See page 13 for more detail.

New technology

Engine monitoring technology fitted and 'safe and fuel efficient' driver training completed across bus division. This is designed to reduce the number of accidents as well as improve fuel efficiency.

Secure station status

Southern has achieved secure station status at 68 of its stations representing 93% of passengers across its network. London Midland and Southeastern have 51 and 35 stations accredited respectively.

CCTV

90% of bus fleet and 72% of train carriages now fitted with CCTV.

Sharing best practice

Four health & safety forums held and health & safety section on Group intranet established to help share best practice across operating companies.

Sharing best practice

The Board is ultimately responsible for the Group's corporate responsibility. However, as we operate through a devolved structure, each operating company manages their own safety and energy programmes and performance is reported to the Board through the Executive Directors. Operating companies have safety and energy committees which are each led by a senior manager specifically responsible for the company's performance (see the chart below for our internal responsibility structure). Companies often run internal competitions and specific safety and environmental days in order to encourage staff participation and to ensure these issues maintain a high profile.

Although the Group is decentralised, we recognise the importance of sharing best practice. The Group regularly holds health & safety and energy forums where companies share best practice and help develop Group wide standards and policies. In addition, each operating company works closely with the Group Engineering Director and the Group Environment & Energy Manager.



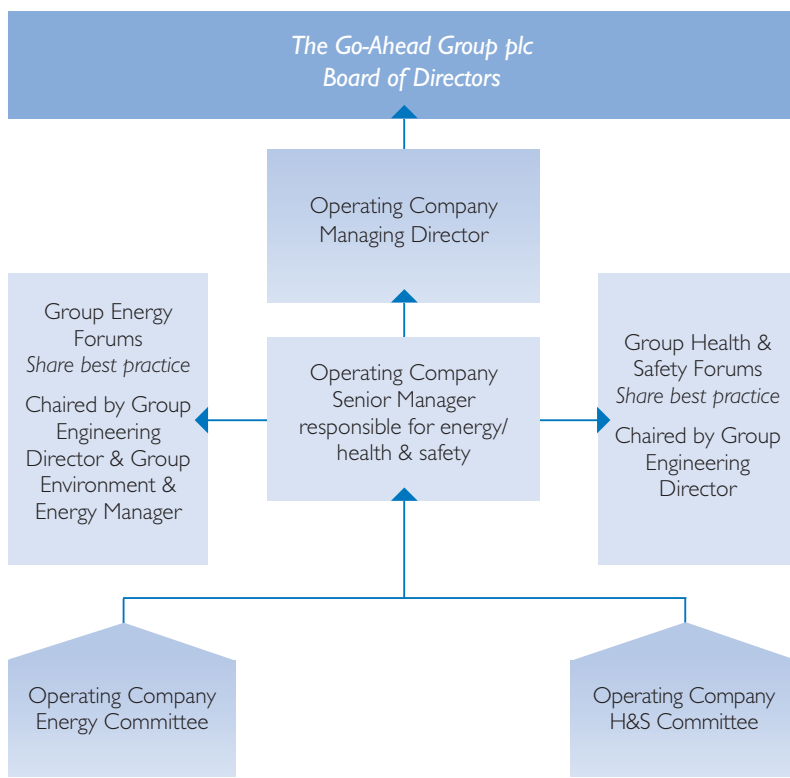
Greenest Bus Fleet

Investing in a modern public transport system is key to attracting passengers out of private cars. Through sustained investment Go-Ahead is recognised as having the youngest and greenest bus fleet of the major UK operators*.

Southern Vectis, part of Go South Coast, is the main bus operator on the Isle of Wight. Its modern fleet and frequent services mean it is integral to the community and a core contributor to the Island's vision of obtaining carbon neutrality by 2020.

* TAS Partnership – August 2008 (analysis excludes regulated London operations).

Group safety and energy responsibility structure





The Group's health & safety and energy & environment policies can be found on the Group's website www.go-ahead.com. In addition, we have arrangements and policies at Group and operating company levels to deal with major events, including terrorism or potential significant disasters.

Partnerships

We work closely with Personnel Health & Safety Consultants Ltd (PHSC) to ensure compliance with health & safety legislation. PHSC undertake regular staff interviews and audits and present their findings to the Audit Committee.

To help improve the Group's energy efficiency and to keep abreast of the latest technologies we work closely with the Carbon Trust and are members of a number of working groups.

We are the only public transport operator to sit on the Council of the Low CVP (Carbon Vehicle Partnership). The Low CVP is a government funded undertaking with industry financial support; its mission statement being 'To accelerate a sustainable shift to low carbon vehicles and fuels and create opportunities for UK business.'

We are also a member of Green500, one of a number of London Development Agency initiatives to work with organisations with the greatest carbon saving potential. It aims to set a global standard of environmental excellence which will set members apart as bastions of global organisational citizenship.

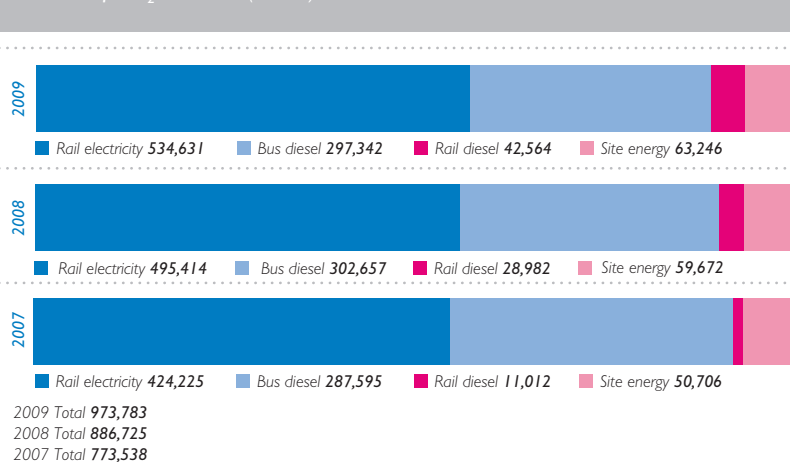
In addition, we have just become a member of the Electric Vehicle Partnership (EVP) created by the London Mayor's office. EVP is designed to encourage the use and development of electric vehicles. To date we are the only passenger transport operator of pure electric service support vehicles in England.



Smart metering

We believe that effective management can only be achieved through robust measurement. We have fitted 'smart' electricity and gas meters at our largest consuming sites to ensure accurate measurement.

Total Group CO₂ emissions (tonnes)



The chart above shows absolute CO₂ emissions and includes acquisitions of new businesses. The conversion factors used are in accordance with 'Guidelines to DEFRA's Greenhouse Gas Conversion Factors for Company Reporting' June 2008.

Directors' Report: Corporate Governance

Board of Directors



Sir Patrick Brown

Non-Executive Chairman

Term of office: Sir Patrick Brown joined the Board in January 1999 as Non-Executive Director; becoming Non-Executive Chairman in October 2002. Last re-elected by shareholders at the 2008 AGM, he will again stand for re-election at the AGM in October 2009.

Independent: On appointment.

Committee membership: Chairman of the Remuneration Committee and Nomination Committee. Regularly attends Audit Committee by invitation.

External appointments: Senior Independent Director at Northumbrian Water Group plc (Chairman of the Audit Committee and member of the Nomination and Remuneration Committees); Non-Executive Director of Northumbrian Water Ltd and Northumbrian Water Share Scheme Trustees Ltd.

Previous experience: Sir Patrick spent ten years in industry and management consultancy before joining the Civil Service, initially involved in privatisation in the Department of Transport during the 1980's. He then moved to the Department of the Environment, before returning to the Department of Transport as Permanent Secretary from 1991 to 1997.



Andrew Allner

Non-Executive Director

Term of office: Andrew Allner joined the Board in October 2008. He will be standing for election for the first time following his appointment at the AGM in October 2009.

Independent: Yes.

Committee membership: Chairman of the Audit Committee. Member of the Remuneration and Nomination Committees.

External appointments: Non-Executive Director at CSR plc (Chairman of the Audit Committee and member of the Nomination and Remuneration Committees); Non-Executive Director at Marshalls plc (Chairman of the Remuneration Committee and member of the Audit and Nomination Committees); Non-Executive Director at Northgate plc (Chairman of the Audit Committee and member of the Nomination and Remuneration Committees).

Previous experience: Andrew is a chartered accountant and a former partner at Price Waterhouse. He was Group Finance Director of RHM plc between 2004 and 2007, and Chief Executive of Enodis plc prior to this. He was also a Non-Executive Director of Moss Bros Group plc and Chairman of their Audit Committee until 2005.



Keith Ludeman

Group Chief Executive

Term of office: Keith Ludeman joined the Board in September 2004 and was appointed as Group Chief Executive in July 2006. He was last re-elected by shareholders at the 2007 AGM.

Committee membership: Member of the Nomination Committee. Attends Audit Committee and Remuneration Committee by invitation.

External appointments: Non-Executive Director of ATOC Ltd.

Previous experience: Keith became a main Board advisor in 1998, after joining Go-Ahead in 1996 when the Group acquired London General. Prior to this he held senior management positions in several bus companies, mainly at Managing Director level, in Greater Manchester, Lancashire and London. He has also worked overseas and as a transport consultant. He was appointed Chief Executive of the Group's London bus division in 1997 and then moved over to head the rail division in 1999. A postgraduate transport planner; he is a fellow of the Institute of Logistics and Transport and a fellow of the Institute of Railway Operators.



Rupert Pennant-Rea

*Non-Executive Director/
Senior Independent Director*

Term of office: Rupert Pennant-Rea joined the Board in October 2002 and was appointed Senior Independent Director in October 2008. He was last re-elected by shareholders at the 2006 AGM and will stand for re-election at the AGM in October 2009.

Independent: Yes.

Committee membership: Member of the Audit, Remuneration and Nomination Committees.

External appointments: Non-Executive Chairman of PGI Group Ltd, Acuity VCT plc, Acuity VCT 2 plc and Henderson Group plc, as well as Chairman of Henderson Group plc Nomination Committee. Non-Executive Director of Times Newspaper Holdings Ltd, The Economist Newspaper Limited, Defacto Group Ltd, Specialist Waste Recycling Ltd, Gold Fields Ltd and First Quantum Minerals Ltd.

Previous experience: Rupert was Deputy Governor of the Bank of England from 1993 to 1995, prior to which he was Editor of The Economist. He has held a variety of Non-Executive Directorships over the last 15 years.



Nick Swift

Group Finance Director

Term of office: Nick Swift was appointed to the Board as Group Finance Director in July 2007. He was elected by shareholders, following his appointment, at the 2007 AGM.

Committee membership: Attends Audit Committee by invitation.

External appointments: None.

Previous experience: Prior to Go-Ahead, Nick worked as Group Finance Manager at Hanson plc where he was responsible for investor relations and had also been Head of Tax and Treasury and Group Financial Controller. He joined Hanson plc in 2000 following its acquisition of Pioneer International where he held a number of senior corporate and operational finance roles including European Finance Director. He has prior experience of the transport industry having been Group Financial Reporting Manager at Air New Zealand which he joined from Touche Ross. He is a Chartered Accountant.



Carolyn Sephton

Group Company Secretary

Term of office: Carolyn Sephton was appointed as Group Company Secretary in July 2006.

Committee membership: Secretary to the Audit, Remuneration and Nomination Committees.

External appointments: None.

Previous experience: Carolyn joined Go-Ahead in 2001 and is a Chartered Secretary. Prior to her appointment as Group Company Secretary she was Assistant Company Secretary for the Group with responsibility for non-rail pensions and a wide range of company secretariat functions including share schemes, legislative compliance, corporate governance and codes of conduct specific to the Group's business activities. Prior to working for Go-Ahead, Carolyn spent twelve years working for Northern Electric, predominantly in the field of pensions.

Senior Management



Alex Carter

Managing Director, Go South Coast
Alex has been Managing Director since 2003. He controls eight businesses within Go South Coast embracing bus, coach and engineering. Alex joined the bus industry in 1981 in its nationalised form and has held a number of senior roles post-privatisation.



Alan Eatwell

Managing Director, Metrobus
Alan has been Managing Director since 2001 and was previously the Group's Engineering Director. Alan has over 40 years experience in the bus industry and successfully participated in the management buy-out of Brighton & Hove.



Peter Huntley

Managing Director, Go North East
Peter has been Managing Director since 2006. He has brought a wide range of innovations and developments to the north east business. Peter has over 30 years experience in the bus industry including periods working with local and national Government on policy development.



John Trayner

Managing Director, Go Ahead London
John has been Managing Director since 2006. He joined the Group in 2002 as Operations Director of London Central/ London General having previously held senior positions at Arriva London. He has been in the transport industry for 30 years.



Chris Burchell

Managing Director, Southern
Chris has been Managing Director of Southern since April 2006, having previously been Operations Director for two years. He has also worked at Thames Trains, the Foreign & Commonwealth Office and Railtrack, accumulating over 10 years of railway experience.



Charles Horton

Managing Director, Southeastern
Charles has been Managing Director since April 2006, after three years in the same role at Southern. He has gained extensive management experience in a career spanning 23 years on National Rail and London Underground.



Patrick Verwer

Managing Director, Aviance UK
Patrick joined as Managing Director in December 2007. Previously, he spent more than 10 years with Netherlands Railways in various executive roles. Patrick came to the UK in 2002 to head up the Serco/ NedRailways Merseyrail concession in Liverpool. He started his working career as a senior police officer in Rotterdam.



Martin Dean

Managing Director, Bus Development
Martin joined Go-Ahead in 2008. He leads and acts as a focus for all bus development and acquisition activity in the Group. Previously, Martin held senior management roles in rail and bus with FirstGroup and National Express. He began his career with London Transport.



Roger French

Managing Director, Brighton & Hove
Roger has been Managing Director of Brighton & Hove since the company was purchased by Go-Ahead in 1993. He joined Brighton & Hove in 1982 and as general manager he was part of the Company's management buy-out. Roger received an OBE in 2005 for his services to public transport.



Philip Kirk

Managing Director, Oxford Bus Company
Philip has been Managing Director since 2001, having joined the company in 1995 shortly after it was acquired by Go-Ahead. He has 30 years experience of managerial and technical positions in bus companies.



Mike Hodson

Managing Director, London Midland
Mike was appointed Managing Director in July 2009. Previously, he was Operations and Safety Director of Southeastern and was instrumental to the successful introduction of the High Speed preview service. Mike was Managing Director of Thames Trains from 2003 to 2004 and has over 30 years' experience in rail.



Tom Smith

Managing Director, Rail Development
Tom has led the rail division's business development and franchise bidding activity since 2001. Previously Tom was Managing Director of the company that financed and built the M6 toll motorway. He spent 11 years in the diplomatic service after graduating from Oxford.



Stephen Turner

Managing Director, Meteor
Stephen has been Managing Director since 1993 when the company was founded and was part of a management buy-out in 1994 along with three other private shareholders. Previously, he spent 20 years in the property industry, involved in both commercial property letting and management.



Rob Williams

Managing Director, Plane Handling
Rob has been Managing Director since 2007. Previously, he was director of cargo for Aviance UK, working in the aviation services division of Go-Ahead for a total of seven years. His career to date has spanned 30 years in both the aviation and shipping industry, holding numerous senior positions within these sectors.



Sir Patrick Brown, Chairman

"It is our belief that good governance will facilitate efficient, effective and entrepreneurial management that can deliver shareholder value."

Governance

The Board is committed to maintaining the highest standards of corporate governance. The Combined Code of Corporate Governance states that good corporate governance should contribute to better company performance by helping a board discharge its duties in the best interests of the shareholders. This section of the report describes how Go-Ahead achieves this, including statements of how the Company complies with the Combined Code of Corporate Governance.

The composition and effectiveness of Go-Ahead's Board is a key element in achieving the Group's long term corporate performance. We believe that our Board, which comprises five members, enables us to operate effectively, with the appropriate balance of skills and experience. The relatively small size of our Board is appropriate in the context of our devolved management structure and does not compromise the needs of the business. Importantly, the Board is able to operate cost effectively for its shareholders.

While the Board delegates some of its responsibilities to the Audit, Remuneration and Nomination Committees, it still retains full Board responsibility for a number of key areas such as health and safety, corporate social responsibility and risk management. The Board feels that it is fundamental that the Board as a whole is involved in decision making in these areas and this 'hands-on' approach has served the business well over previous years.

Our devolved structure

Because of our devolved management structure, local management throughout the Group are empowered to operate our companies as autonomous business units, whilst working together to share experience and expertise around the Group. We believe that this structure, as illustrated on page 45, enables the Group to be managed in a particularly effective way. For example, many aspects of the Group's day-to-day operations report through operating company senior management directly into the Board through the Group Chief Executive and the Group Finance Director:

- The Executive Directors sit on the board of each operating company and meet formally with local senior management each month. As each operating company is a separate legal entity, and because of the autonomous nature of the business units, minutes of each meeting are recorded.
- The Executive Directors hold regular meetings with the Managing Directors of all of the operating companies (the 'Chief Executive Group') to facilitate the sharing of experience and best practice across operations.
- The Executive Directors meet on a monthly basis with the senior managers who are responsible for the key centralised Group functions (the 'Executive Team Group') which include company secretarial, finance, pensions, properties and services, procurement and technology.

In addition, there are a number of Group forums that are held on a regular basis and which consider finance, engineering, health and safety, and energy matters. These key forums, which report directly

to the Executive Directors, enable representatives from all operating companies to share best and emerging practice, to seek synergies and cost savings, to improve quality and to achieve economies of scale wherever possible.

Key changes this year

The Board of Go-Ahead reviews the way the Group is managed each year against best practice corporate governance. Following such a review during the year, we were pleased to announce two important changes, which we believe demonstrate our commitment to good corporate governance and further improves our compliance with the Combined Code:

Senior Independent Director

The Board was pleased to announce the appointment of Rupert Pennant-Rea (who was appointed as a Non-Executive Director of the Board in October 2002) as Senior Independent Director in October 2008. This represents a change to the previous constitution, and historic non-compliance with the Combined Code, where no Senior Independent Director was appointed. While the Executive Directors aim to ensure effective communication with shareholders and investors, if contact through these channels has failed to resolve any concerns, or such contact is not appropriate, shareholders and investors can contact the Senior Independent Director:

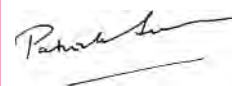
Chairman of the Audit Committee

In conjunction with the appointment of Andrew Allner as a Non-Executive Director in October 2008, the Board were also pleased to announce Andrew's appointment to the position of Chairman of the Audit Committee. This represents a change to the previous constitution, and historic non-compliance with the Combined Code, where the Chairman of the Company was also the Chairman of the Audit Committee. While the Board still considers the attendance of the Company Chairman at Audit Committee meetings to be important in order to ensure that all members of the Board are equally aware of any issues and the detail behind them, such attendance is now by invitation only.

While there are still two provisions of the Combined Code where we do not comply, in relation to the constitution of the Audit and Remuneration Committees, the Board has again considered these areas diligently during the year and is of the view that there are sound business reasons for continued non-compliance at the current time (see page 46).

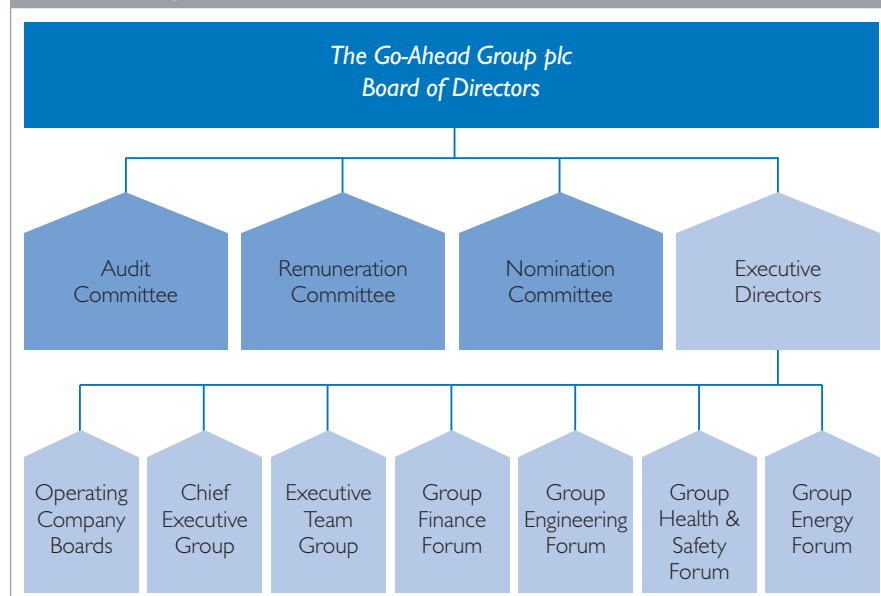
We are pleased to be able to demonstrate the Board's commitment to good practices of corporate governance through constant re-evaluation of the Board, its structure and performance, augmented by the

more formal annual performance evaluation process we have in place (see page 49). It is our belief that good governance will facilitate efficient, effective and entrepreneurial management that can deliver shareholder value over the longer term, and I believe the Go-Ahead Board is successful in its endeavours in this regard.



Sir Patrick Brown,
Chairman
2 September 2009

Board and management structure



Compliance with the Combined Code

The Board confirms that the Company has been in full compliance throughout the financial year with the main principles of the Combined Code published in June 2008 (the 'Combined Code'). The Company has also complied with all of the provisions set out in Section I of the Combined Code, with the following exceptions:

A.3.3 – One of the independent Non-Executive Directors should be appointed as the Senior Independent Director

Following the appointment of Rupert Pennant-Rea as Senior Independent Director in October 2008, Go-Ahead is now fully compliant with this provision.

B.2.1 – The Remuneration Committee should be made up of at least three independent Non-Executive Directors and the Company Chairman should not chair the Committee

The Board has reviewed the terms of reference of the Remuneration Committee during the year, including its constitution and chairmanship, and continues to believe that, due to the small size of the Board, it is appropriate for the Committee to comprise of the Non-Executive Chairman and the two Non-Executive Directors. The Board is also of the view that the Chairman of the Board, who was considered independent on appointment, remains the most appropriate person to chair the Remuneration Committee. This constitution has been in place throughout the financial year, although Christopher Collins resigned from the Committee in October 2008 and was replaced by Andrew Allner (independent Non-Executive Director).

It is the Board's view that the Remuneration Committee's composition enables the Board to comply with the applicable main principle of the Combined Code in that it has a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages for individual Directors (see the Directors' Remuneration Report on pages 53 to 58). In addition to this, no Director is involved in deciding his own remuneration, also a requirement of the Combined Code.

C.3.1 – The Audit Committee should be made up of at least three independent Non-Executive Directors

The Audit Committee currently comprises the two Non-Executive Directors. At the start of the financial year, the Committee comprised the Non-Executive Chairman and both Non-Executive Directors, however, following the appointment of Andrew Allner as Chairman of the Audit Committee in October 2008, the Chairman of the Company now only attends meetings at the invitation of the Committee.

The Board is of the opinion that the Audit Committee's composition enables the Board to comply with the applicable main principle of the Combined Code in that it has formal and transparent arrangements for considering how the financial reporting and internal control principles are applied and for maintaining an appropriate relationship with the Company's auditors (see Audit Committee report on page 51).

Summary of compliance

We have explained above the two provisions of the Combined Code with which we do not comply. The Board, having considered these areas diligently during the year, is of the view that its composition, and that of its Committees, are appropriate for the application of good principles of corporate governance within the business and relevant for the size and complexity of the Group. The Board encourages all shareholders to put their views to the Company and enter into dialogue if they require any further information on the Company's position as outlined. This can be done by contacting the Group Company Secretary at the Company's Registered Office.

A copy of the Combined Code published in June 2008 is available on the Financial Reporting Council's website (www.frc.org.uk/corporate/combinedcode/cfm).

Board organisation and structure

The Board and its role

The Board is made up of the Non-Executive Chairman, two Non-Executive Directors (one of whom is the Senior Independent Director) and two Executive Directors (the Group Chief Executive and the Group Finance Director). The Directors' biographies can be found on

page 42. All the Directors were members of the Board throughout the financial year, with the exception of Andrew Allner who was appointed with effect from 24 October 2008 to replace Christopher Collins who retired following the Annual General Meeting on 23 October 2008.

The Board holds a minimum of seven scheduled meetings a year, with the Group Company Secretary in attendance. Additional meetings are held as and when required. The Board has delegated specific responsibilities to the Audit, Remuneration and Nomination Committees, each of which has terms of reference which detail their authority and duties. The Board has a formal schedule of matters reserved to it for decision (see page 47).

The Board also maintains a Board Procedures Manual, prepared in response to the Combined Code. This includes formal procedures for the working of the Board and its Committees, delegated authorities, the timely provision of appropriate information and the duties and responsibilities of Directors, including standards of conduct and compliance.

In addition to Board and Committee meeting attendance, the Non-Executive Directors are encouraged to update their skills, knowledge and familiarity with the Company in order to competently carry out their responsibility to Go-Ahead's shareholders. During the year, the Chairman of the Board visited each operating company, in addition to attending most meetings of the Chief Executive Group. Andrew Allner's induction to the Board also included site visits to each operating company and meetings with key advisors (see page 49). Both the Chairman and the Non-Executive Directors attend the Group's annual Senior Management Conference each year, enabling them to review and discuss the Group's strategy with senior managers from across the Group.

Responsibility for the operation of Group companies, implementing Group strategy in accordance with the strategy agreed by the Board and achievement of objectives is delegated to the Group Chief Executive and Group Finance Director. The Executive Directors meet regularly with the senior management and staff in the Group's operating companies, both formally via the monthly board meetings, and less formally on a regular basis.

Schedule of matters reserved for the Board

- 1 Approval of the Group's strategy, objectives, values and overall governance framework.
- 2 Approval of the Company's Annual Report and Accounts, Directors' Remuneration Report, Turnbull Statement and Half Year Reports.
- 3 Approval of any interim dividend and recommendation of the final dividend.
- 4 Approval of the Notice of Annual General Meeting and the resolutions to shareholders therein, including the recommendation for the appointment, re-appointment or removal of the Auditors.
- 5 Approval of all other circulars, listing particulars, and corresponding documentation sent to shareholders.
- 6 Approval of any changes to the Company's constitutional documentation.
- 7 Approval of the Group's financial, taxation and treasury management policies, dividend policy, long term financing, annual budget and operating plans.
- 8 Approval of material capital projects, investments, acquisitions, franchises and disposals.
- 9 Approval of any significant change in accounting, tax or treasury management policies or practices.
- 10 Approval of changes in the capital structure of the Company or its status as a public limited company listed on the London Stock Exchange and, in particular, the issue or allotment of shares in the Company otherwise than pursuant to Company-approved employee share schemes and share buyback programmes.
- 11 Responsible for the appointment, re-appointment and removal of the Chairman and Directors and the recommendation to shareholders of their election or re-election under the Articles of Association; the appointment and removal of the Company Secretary; ensuring that suitable procedures are in place for succession planning and the fees payable to the Non-Executive Directors.

- 12 Approval of the Board Procedures Manual (including the Conflicts of Interest Policy), the division of responsibilities between the Chairman and the Chief Executive and this Schedule of Matters reserved for the Board.
- 13 Responsible for establishing Committees of the Board, approving their terms of reference, reviewing their activities and where appropriate, ratifying their decisions.
- 14 Approval of all minutes of Board and Committee meetings.
- 15 Responsible for oversight of internal control, risk management, health and safety matters and corporate social responsibility.

Board meetings

Directors are expected, wherever possible, to attend all Board meetings, relevant Committee meetings and the Annual General Meeting. The Board has regular scheduled meetings throughout the year. At least one of the meetings each year is dedicated to reviewing the Group's strategy.

During the year ended 27 June 2009, the Board held seven scheduled meetings. The table below shows Directors' attendance at scheduled meetings they were eligible to attend during the financial year. There were also a number of additional Board

meetings held to consider matters arising before the next scheduled Board meeting. The Chairman and Non-Executive Directors periodically meet without the Executive Directors being present.

The agenda for each Board meeting is set by the Chairman, in consultation with the Group Chief Executive. Detailed briefing papers in relation to the business to be conducted at each meeting are circulated to the Board at least one week before each meeting and individual Board members have direct access to the Executive Directors and the Group Company Secretary should they wish to receive additional information on any of the items on the agenda.

In accordance with the changes to the Company's Articles of Association approved at the 2008 Annual General Meeting, the Board has established robust procedures for ensuring that their powers to authorise conflicts are operated effectively and that the procedures are followed. As such, all Board meetings commence with an opportunity for all Directors to declare any potential conflicts of interest.

Board meetings are structured to allow open discussion. Key senior managers and advisors attend relevant parts of Board meetings as required to ensure that the Board is properly informed about the current issues facing the business. Minutes of all meetings are circulated promptly afterwards.

Meeting attendance

Director	Board		Audit Committee		Remuneration Committee		Nomination Committee		Annual General Meeting	
	Act	Poss	Act	Poss	Act	Poss	Act	Poss	Act	Poss
Sir Patrick Brown	7	7	4 ⁽¹⁾	4	4	4	2	2	1	1
Rupert Pennant-Rea	7	7	4	4	4	4	2	2	1	1
Andrew Allner ⁽²⁾	4	4	2	2	1	1	0	0	0	0
Christopher Collins ⁽³⁾	3	3	2	2	3	3	1	1	1	1
Keith Ludeman	7	7	4 ⁽⁴⁾	4	4 ⁽⁴⁾	4	2	2	1	1
Nick Swift	7	7	4 ⁽⁴⁾	4	0	0	1 ⁽⁴⁾	1	1	1

Act – Actual Poss – Possible

- (1) Sir Patrick Brown attended two meetings of the Audit Committee as the Chairman of the Committee prior to October 2008 when he was replaced as Chairman of the Audit Committee by Andrew Allner; since then Sir Patrick Brown attended two further meetings of the Audit Committee by invitation.
- (2) Andrew Allner was appointed to the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee, all with effect from 24 October 2008.
- (3) Christopher Collins retired from the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee, on 23 October 2008, following the 2008 Annual General Meeting.
- (4) Keith Ludeman and Nick Swift attended the stated number of meetings by invitation of the relevant Committee. Keith Ludeman's attendance at Remuneration Committee meetings was on a part meeting basis where discussions were held in respect of his own remuneration.

Division of responsibilities

The offices of the Chairman and Group Chief Executive are held separately. The Company Chairman is Sir Patrick Brown and the Group Chief Executive is Keith Ludeman. There is a clear division of responsibility between the Chairman and the Group Chief Executive, with the division of key responsibilities, as agreed by the Board, shown below:

Chairman:

- leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda, taking into account the issues relevant to the Group and the concerns of all Board members;
- ensuring a regular evaluation of the performance of the Board and its Committees;
- facilitating the effective contribution of Non-Executive Directors; and
- encouraging active engagement by all members of the Board and constructive relations between the Executive and Non-Executive Directors.

Chief Executive:

- running the day to day business of the Group, within the authorities delegated by the Board;
- leading the development of the Group's strategy, including identifying and assessing opportunities;
- ensuring the execution of policies and strategy as set by the Board as a whole;
- ensuring effective communication with shareholders and investors;
- day to day leadership of the executive and senior management team; and
- ensuring that the Chairman is kept updated in a timely manner of issues, events and developments.

Senior Independent Director

The Senior Independent Director, Rupert Pennant-Rea, is an important point of contact for shareholders in the event that they have concerns which have not been resolved through the normal channels of Group Chief Executive, Group Finance Director or Chairman or for which such contact is inappropriate. The Senior Independent Director also leads a meeting of the Non-Executive Directors at least once a year, without the Chairman present, where the Chairman's performance is evaluated.

Non-Executive Directors

The role of the Non-Executive Directors is to challenge constructively, help develop proposals on strategy, scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. The Non-Executive Directors must satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for ensuring appropriate remuneration and succession planning arrangements are in place in relation to the Executive Directors.

Board balance and independence

The Board considers that an appropriate balance between the Executive and Non-Executive Directors is necessary to promote shareholders interests and to govern the business effectively. Excluding the Chairman, half of the Board are Non-Executive Directors, who bring objectivity to the Boardroom as they are not involved in the day to day running of the Company. The Chairman of the Board is also a Non-Executive role. The balance of Non-Executive and Executive Directors is shown in Figure 1.

The Chairman was considered independent on his appointment and the Board considers both of the Non-Executive Directors, Andrew Allner and Rupert Pennant-Rea, to be robustly independent in character and judgement. The Board believes that there is sufficient weight of Non-Executives to be able to effectively counterbalance the executive element. The Board also regularly assesses the other commitments of its Non-Executive Directors and is satisfied that there are no conflicts of duties and that the Non-Executives have sufficient time to fulfil their responsibilities to shareholders.

It is important that the Board ensures planned and progressive refreshing of the Board and the balance of experience of the Non-Executive Directors, in terms of their length of tenure, is shown in Figure 2.

Company Secretary

The Group Company Secretary is Carolyn Sephton, who was appointed in July 2006. Her biography can be found on page 42. She is Secretary to the Board and all of its Committees. The Group Company Secretary reports to the Company Chairman in her role as Secretary to the Board and its Committees. For all other company secretariat matters, including the management of the Group's non-rail pension arrangements, the Group Company Secretary reports to the Group Finance Director.

The Group Company Secretary is responsible to the Board for ensuring that Board procedures are complied with, including ensuring effective communication flows within the Board and its Committees, as well as the provision of accurate, timely and clear information to the Board ahead of Board meetings. She is also responsible for ensuring that the Board is regularly updated on matters of corporate governance, legislative changes and regulatory regimes affecting the Group. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

All Directors have access to the advice and services of the Group Company Secretary and may also take independent professional advice, at the Group's expense, if they believe it necessary for the proper discharge of their duties as Directors.

Fig 1: Balance of Non-Executive and Executive Directors

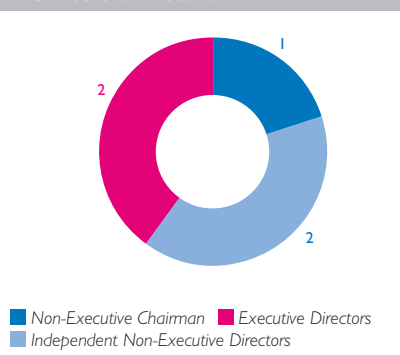
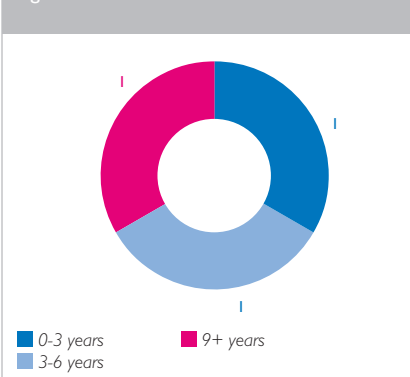


Fig 2: Non-Executive Directors' tenure



Board effectiveness

Appointments to the Board

During the 2007/08 financial year, on the announcement of Christopher Collins' intention to retire following the 2008 Annual General Meeting, the Nomination Committee commenced a selection process for the appointment of a replacement Non-Executive Director. An external search agency was appointed to assist in the identification of suitable candidates. After interviewing a number of potential candidates the Committee unanimously proposed, and the Board unanimously accepted, the appointment of Andrew Allner with effect from 24 October 2008.

Andrew is a Chartered Accountant with significant Executive and Non-Executive experience. Following his appointment to the Board, he was also appointed as Chairman of the Audit Committee, due to his extensive recent financial experience. He is also a member of the Nomination and Remuneration Committees.

A full, formal and tailored induction was arranged for Andrew prior to him joining the Board. This included a full briefing of his responsibilities and obligations under law, regulation and corporate governance guidelines. Andrew visited each operating company, where he met with local senior management, as well as meeting with the Group Chief Executive and key Group personnel. Specialist support was provided from the Group Finance Director and the internal and external auditors on particular areas in relation to the Audit Committee.

As is the case for all Go-Ahead's Non-Executive Directors, Andrew has not been appointed for a specified term. However, in accordance with the Combined Code, he will stand for election by the shareholders at the 2009 Annual General Meeting and for re-election at intervals of no more than three years thereafter. Since joining the Board, Andrew has demonstrated his commitment, making a well qualified and effective contribution. As such, the Board recommends unanimously to shareholders that they elect Andrew Allner as a Non-Executive Director at the 2009 Annual General Meeting.

Re-election of Directors

At the 2009 Annual General Meeting, in addition to Andrew Allner standing for election by the shareholders for the first time following his appointment to the Board, Sir Patrick Brown and Rupert Pennant-Rea will be standing for re-election.

Sir Patrick Brown joined the Board in 1999 as a Non-Executive Director, becoming Non-Executive Chairman in 2002. He has now served on the Board for more than nine years and therefore, in accordance with the Combined Code, submits himself for annual re-election. The Board recognise his industry-wide experience and long-standing contribution to the Board. Furthermore, Sir Patrick's performance evaluation reaffirms his continued effectiveness in his leadership of the Board, Remuneration and Nomination Committees and the Board unanimously believe that he should be re-elected for a further year.

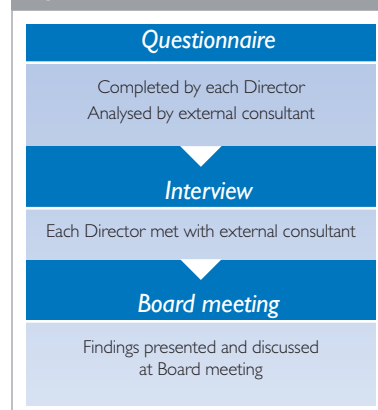
Rupert Pennant-Rea became a Non-Executive Director of the Board in 2002 and was appointed Senior Independent Director in 2008. He was last re-elected by the shareholders at the 2006 Annual General Meeting, and therefore, in accordance with the Combined Code, submits himself for re-election. Following the Board's formal performance evaluation, as well as assessment against independence criteria and potential conflicts of interest, the Chairman can confirm that Rupert's performance continues to be effective and he demonstrates commitment to the role. He is well known to investors and financial professionals and available to shareholders in his role as Senior Independent Director as required. The Board, therefore, recommends unanimously his re-election for a further term.

Performance evaluation

The Board has adopted a procedure for the evaluation of the performance of the Board, its Committees, individual Directors and the Group Company Secretary, as shown in Figure 3.

This evaluation, which is led by the Chairman, is carried out by an external consultant on an annual basis. The Non-Executive Directors, led by the Senior Independent Director, were responsible for the performance evaluation of the Chairman, taking into account the views of the Executive Directors. No significant issues were raised during this year's evaluation.

Fig 3: Performance evaluation



Relations with shareholders

The Group recognises the importance of regular communication with all of its shareholders. The reporting calendar is dominated by the publication of the annual and half year results each year and the interim management and trading statements where the Board provides shareholders with a clear and balanced understanding of the Group's operational performance, its financial results and prospects.

The Executive Directors meet with the Group's major shareholders (both institutional investors and private shareholders with significant holdings) after the announcement of annual and half year results and at other times as appropriate, including site visits and management presentations such as that which recently took place with regard to the retention of the Southern franchise. In addition to the meetings with Executive Directors, institutional shareholders are offered the opportunity of meetings with the Non-Executive Directors. Where appropriate, for example in the event that the Board proposes to make significant changes to Directors' remuneration arrangements, there will also be consultation with major shareholders. The institutional shareholders have further opportunities to make their views known through follow up interviews by the Company's brokers which are then documented and circulated to the Board. The Executive Directors also provide feedback to the Board following presentations to investors.

The principal communication with private shareholders is through the Annual Report and the Annual General Meeting, which is attended by all Directors. All shareholders are invited to the Annual General Meeting

which provides an opportunity for shareholders to develop their understanding of the Company and ask questions on the matters put to the meeting (as detailed in the Notice of Meeting sent to registered shareholders in advance of the meeting). There is also the opportunity to meet informally with the Directors before and after the meeting. The Board encourages all shareholders to attend the Annual General Meeting.

Ordinary business which is raised for consideration at the Annual General Meeting each year is:

- to receive the financial statements for the year; together with the Directors' and Auditors' Reports;
- to approve the final dividend;
- to elect and re-elect members of the Board;
- to approve the Directors' Remuneration Report;
- to re-appoint the Company's Auditor; and
- to give the Directors the authority to determine the Auditors' remuneration.

Other matters included on the agenda for the Annual General Meeting vary from year to year in accordance with the requirements of the Company.

The Company maintains a comprehensive website that provides, among other things, access to the annual and half year reports, copies of the presentations used at road shows and regulatory news items, as well as share price and general shareholder information.

The Group's Company Secretariat, based at the Company's Registered Office in Newcastle, responds to a wide range of enquiries from shareholders that are received via a variety of media, including the email communication system available on the Company's website.

Internal control and risk management

The Group has established an ongoing process of identifying, evaluating and managing the significant risks facing the Group. This has been in place during the financial year ended 27 June 2009 and up to the date of the approval of this report.

The Board as a whole takes responsibility for the disclosures on the effectiveness of the Group's internal control processes and confirms that it has established the procedures necessary to comply with the Turnbull Report. The Board is supported by

the work of the Audit Committee which has delegated responsibility from the Board for reviewing the effectiveness of the Company's risk management and internal control systems.

During the year, the Group continued to strengthen its ongoing processes for risk management across the Group, with a number of improvements to the overall risk management strategy, infrastructure and process to ensure that the Group's risk management framework is embedded throughout the business and is part of performance reporting.

In particular, and as part of the annual Turnbull review, there has been a move away from a prescriptive mechanism based around each operating company evaluating risks against criteria provided in detailed questionnaires, to one that focuses on the evaluation of key risks to each operating company's own objectives and the efficiency of controls in place. Reported risks are then further assessed for materiality in the context of the whole Group and considered by the Audit Committee and Board, in addition to being used to develop part of the internal audit plan for the year ahead.

The principal risks and uncertainties facing the Group are discussed on pages 19 and 20.

The key features of the internal control systems, which have been established to safeguard both the shareholders' investment and the assets of the Group, are described as follows:

Strategy

The Board has developed an understanding of its risk appetite which enables strong leadership, strategic objective setting, decision-making and control. Business planning encompasses a structured risk assessment with major acquisitions, investments, projects and partnerships all entered into with a recognition of an appropriate risk-reward balance.

Group structure

With clear leadership from the Board and Audit Committee, the Executive Directors are actively involved in establishing and communicating the risk strategy and policy of the Group. The Group's decentralised organisation structure, with defined limits of responsibility and authority, enables the Executive Directors to play an active role in helping the businesses to assess risk and encourages open communication on risk matters. Risk management is an integral part of day-to-day operations where there

exists clear ownership of risk identification and mitigation at local level. Because of the organisational structure, risk management information can also be shared across the Group as well as reported upwards.

Reporting

In accordance with the Group's Policy and Procedures Manual, defined and comprehensive reporting obligations placed on operating companies are supported by monthly operating company board meetings with the Executive Directors. Key management processes, including planning, project appraisal and performance management, ensure that the impact of key risks are addressed. Controls and mitigations are regularly monitored.

Risk management process

The risk management process is clearly defined and includes top-down risk assessment at Group level and bottom-up risk assessments at operating company level. A bespoke risk categorisation model exists which is used across the Group to ensure that risks are identified and reported on a consistent basis and a process is in place to aggregate key risks on a Group-wide basis. Ongoing risk identification, mitigation and reduction plans will be reported at each main Board meeting, in addition to quarterly reporting to the Audit Committee.

Group internal audit

The internal audit function has been outsourced to PricewaterhouseCoopers. The internal audit function provides assurance over the effectiveness of key controls as identified as part of the risk assessment process.

In addition to meetings with local management, the internal auditors report on a monthly basis to the Executive Directors, and also to the Audit Committee on a regular basis.

The Directors acknowledge their responsibility for establishing and maintaining the Group's system of internal control and for ensuring its effectiveness. As with any system of internal controls, the policies and processes in place throughout the Group are designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

While a number of minor control weaknesses were identified during the year as a result of the Group's risk management processes, these are being addressed and monitored. There have been no material weaknesses that require specific disclosure in the Group's Annual Report.

Disclosure and Transparency Rules
Disclosures required under DTR 7.2.6 can be found on pages 59 and 60.

Committees of the Board

The Board has established a number of Committees to deal with specific aspects of the Group's affairs. The responsibilities of each Committee are determined by its terms of reference which are available on the Company's website or upon request from the Group Company Secretary.

Audit Committee report



"The Committee is responsible for reviewing the effectiveness of the Company's financial reporting."

Andrew Allner
(Audit Committee Chairman)

Members:

Andrew Allner – Committee Chairman
(Non-Executive Director)

Rupert Pennant-Rea
(Non-Executive Director)

Committee Secretary

Carolyn Sephton
(Group Company Secretary)

Meetings also regularly attended, by invitation, by:

Sir Patrick Brown
(Company Chairman)

Keith Ludeman
(Group Chief Executive)

Nick Swift
(Group Finance Director)

Internal Auditors representative(s)

External Auditors representative(s)

Responsibilities

The responsibilities of the Audit Committee are outlined in summary below:

- reviewing the effectiveness of the Group's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk;
- monitoring the role and effectiveness of the internal auditors, including approving their appointment;
- considering and making recommendations to the Board on the appointment of the external auditors;
- reviewing the relationship with the external auditors, including their terms of engagement, fees, independence, expertise, resources and qualifications;
- monitoring the integrity of the Group's financial statements; and
- reviewing significant financial reporting issues and judgements.

The Company's whistleblowing procedures, which are reviewed on an annual basis, allow employees to raise concerns confidentially and for the independent investigation of such matters. The Committee is responsible for overseeing any necessary follow up action.

Under the Combined Code at least one member of the Committee should have recent and relevant financial experience. As a chartered accountant, and previously the Group Finance Director of another listed company between 2004 and 2007, Andrew Allner fully satisfies this requirement.

Activities

During the year, the Committee provided a forum for reporting by the Group's external and internal auditors, including health and safety auditors. The Committee also received and reviewed reports from management relating to the annual and half year profit figures and statements, monitored the controls in force and reviewed the key judgemental areas at the half year and year end to ensure the integrity of the financial information reported to shareholders. Additionally, the Committee considered the risk management processes and controls, as outlined on page 50.

The Committee advises the Board on the appointment of the external auditors and, during the year, considered their remuneration both for audit and non-audit work. In order to ensure auditor objectivity and independence, the provision of certain non-audit services (including accounting and tax services if the fees exceed a level set by the Audit Committee) are subject to approval by the Audit Committee. The Audit Committee has specified that the external audit firm may not provide certain categories of non-audit services to the Group as detailed in the Committee's terms of reference.

The Audit Committee keeps under review the cost effectiveness and the independence and objectivity of the external and internal auditors. During the financial year, the audit fees of the external auditor were £0.7m and their fees for non-audit work were £0.4m. In comparison, non-audit fees paid to other audit firms during the financial year were £2.6m.

During the year, the Committee carried out a tender for the provision of internal audit services to the Group. Following a review of a number of potential providers, which included interviews and presentations, the Committee proposed and the Board agreed with the recommendation to appoint PricewaterhouseCoopers as the Group's new provider for internal audit services. This appointment was effective from 28 June 2009. The Committee will monitor and review their delivery and effectiveness on an ongoing basis.

During the year the Committee met four times and, as part of the annual Board evaluation, also undertook a specific evaluation of its effectiveness.

At least once a year, the Non-Executive Directors meet with the external auditors, without the Executive Directors being present.

Nomination Committee report



"The Committee proposed to the Board the appointment of Andrew Allner during the year."

Sir Patrick Brown
(Nomination Committee Chairman)

Members:

Sir Patrick Brown – Committee Chairman
(Non-Executive Chairman)

Rupert Pennant-Rea
(Non-Executive Director)

Andrew Allner
(Non-Executive Director)

Keith Ludeman
(Group Chief Executive)

Committee Secretary:

Carolyn Sephton
(Group Company Secretary)

Responsibilities

The majority of members of the Nomination Committee are Non-Executive Directors. The responsibilities of the Committee are outlined in summary below:

- reviewing regularly the structure, size and composition of the Board and making recommendations to the Board regarding any desired changes;
- evaluating the balance of skills, knowledge and experience on the Board;
- identifying and nominating for the Board's approval suitable candidates to fill vacancies for Board appointments;
- planning for the orderly succession of new Directors to the Board; and
- recommending to the Board the membership and chairmanship of the Audit and Remuneration Committees.

Activities

The Nomination Committee meets as needed to deal with necessary assignments and is responsible for leading the process of identifying candidates for Board appointment and making recommendations to the Board in accordance with the needs of the

Company and best practice in corporate governance from time to time.

As reported in the 2008 Annual Report, the Committee, in consultation with an external search consultancy, met to discuss the appointment of a Non-Executive Director following Christopher Collin's stated intention to retire from the Board at the conclusion of the 2008 Annual General Meeting. After interviewing a number of potential candidates against objective criteria, the Nomination Committee proposed, and the Board unanimously accepted, that Andrew Allner be appointed as Non-Executive Director and Chairman of the Audit Committee with effect from 24 October 2008.

During the year the Committee met twice (not including interviews with potential candidates) and, as part of the annual Board evaluation, also undertook a specific evaluation of its effectiveness.

Remuneration Committee report



"The Committee meets regularly to determine the remuneration and other benefits of the Executive Directors."

Sir Patrick Brown
(Remuneration Committee Chairman)

Members:

Sir Patrick Brown – Committee Chairman
(Non-Executive Chairman)

Rupert Pennant-Rea
(Non-Executive Director)

Andrew Allner
(Non-Executive Director)

Committee Secretary

Carolyn Sephton
(Group Company Secretary)

Meetings also regularly attended, by invitation, by:

Keith Ludeman
(Group Chief Executive)

Full details on the activities and the responsibilities of the Remuneration Committee can be found in the Directors' Remuneration Report on pages 53 to 58. The following is a high-level summary of the Committee's responsibilities and activities.

Responsibilities

The Remuneration Committee has responsibility for determining the remuneration, contract terms and other benefits of the Executive Directors, including performance-related bonus and share schemes.

Activities

During the year the Committee met four times to consider bonus payments and salary reviews for the Executive Directors, as well as performance conditions and awards under the Long Term Incentive Plan. The Committee received a report from the Chief Executive on salary and bonus arrangements for the senior management of each operating company and senior Group personnel.

Directors' remuneration report

This report has been prepared in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and has been approved by the Remuneration Committee and the Board. Ernst & Young LLP have audited certain parts of this report. Where disclosures have been subject to audit, they are indicated as such. The auditors' opinion is included in their report on page 101.

The Board supports the principles of good corporate governance relating to Directors' remuneration and, in preparing this remuneration report, the Remuneration Committee has followed the provisions of the Combined Code.

An ordinary resolution to receive and approve this Directors' Remuneration Report will be proposed at the Company's Annual General Meeting to be held on 29 October 2009.

Remuneration Committee

Meetings

Details of the members, the number of meetings and attendees in the year are shown on page 47.

A review of the terms of reference and operation of the Remuneration Committee, including its constitution and chairmanship, was undertaken during the year. The terms of reference are available from the Company's website or upon request from the Group Company Secretary.

It is the Board's view that the Remuneration Committee's composition enables the Board to comply with the main principles of the Combined Code in respect of remuneration. Although the Committee is not made up of at least three independent Non-Executive Directors as required by the Combined Code, the Board continues to believe that, due to the small size of the Board, it is appropriate for the Committee to comprise the Non-Executive Chairman and the two Non-Executive Directors.

The Board also continues to believe that, in the circumstances of this Group,

the Chairman of the Board is the proper person to be Chairman of the Remuneration Committee. The Chairman is not present when his own remuneration is discussed and decided, as is the case for all Directors.

Prior to his resignation on 23 October 2008, Christopher Collins was a member of the Committee. Andrew Allner became a member of the Committee following his appointment to the Board on 24 October 2008.

Support to the Committee

The Committee has appointed Watson Wyatt Limited, independent remuneration specialists, to advise on all aspects of Board remuneration. In addition to advising the Committee, Watson Wyatt Limited are also consulting actuaries to The Go-Ahead Group Pension Plan and advise the Company on various pensions related issues.

The Committee receives recommendations from the Group Chief Executive on Executive Directors' remuneration, other than his own.

Role of the Committee

The key responsibilities and activities of the Committee during the year included:

- determining the overall remuneration policy (including the balance between fixed and performance-related elements of pay);
- determining the remuneration and conditions of employment of the Executive Directors;
- determining the fees of the Chairman;
- reviewing the operation and continued appropriateness of the Long Term Incentive Plan;
- reviewing the terms of reference for the Remuneration Committee; and
- reviewing the remuneration of senior managers within the Group.

Acceptance by the Board of Remuneration Committee proposals

During the relevant period, the Committee's recommendations were all accepted unanimously by the Board and implemented without amendment.

Executive Directors' remuneration policy

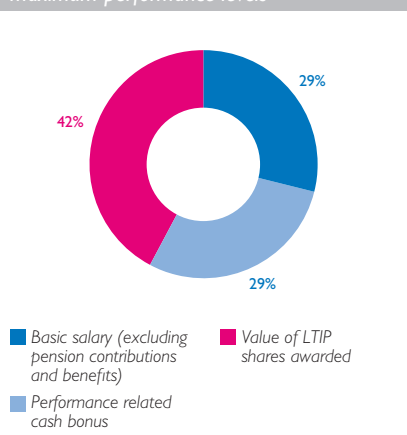
The overall policy adopted by the Remuneration Committee is to ensure that the Group is paying sufficient to attract, retain and motivate high quality Executive Directors capable of achieving the Group's objectives. The Committee considers Executive Directors' cash bonuses, which are dependent on the achievement of safety, corporate governance and financial targets in the relevant financial year. The Committee is informed of the pay, incentives and benefits packages of senior managers in the Group and its operating companies.

In considering the Executive Directors' remuneration, the Committee follows the provisions of the Combined Code. The pay practices of its major commercial competitors are also taken into account, in addition to other factors specific to the Group and to each Director and his role and to the wider pay market in the FTSE 250.

The Committee recognises that, for this Group's business, shareholder value is dependent on factors not all necessarily appearing within the published financial statements, although their effect on later financial statements can be significant. Leading these corporate governance issues are safety, control of risk and other executive actions of a strategic nature that may take several accounting periods to show changes in shareholder value. Executives in the Group are encouraged to take corporate governance and strategy extremely seriously and always to consider the long term implications of their decision making. The Remuneration Committee has regard to these factors, as well as the annual reported financial statements, in arriving at the Directors' overall remuneration and in considering the mix between fixed and variable pay.

There are currently three main elements to the Executive Directors' remuneration package: basic salary, annual cash bonus and the Long Term Incentive Plan (LTIP). A substantial proportion of the Executive Directors' pay is performance related. The chart on page 54 shows the balance between fixed and performance related pay at maximum performance levels.

Fixed and performance related pay at maximum performance levels



Maximum performance assumes achievement of maximum cash bonus and full vesting of shares under the LTIP rules.

Basic salary

Each of the Executive Directors is paid an annual basic salary which is reviewed in April each year. Salaries may be increased beyond inflation if justified by reference to the performance of the individual and if there is clear evidence that the existing salaries are not competitive. In view of the current wider economic conditions, the Committee decided that no increases in basic salary should be awarded to the Executive Directors and senior management at the last annual review in April 2009.

Basic salary	1 April 2009 £'000 pa	1 April 2008 £'000 pa
Keith Ludeman	500	500
Nick Swift	275	275

Annual cash bonus

Each of the Executive Directors is also eligible to earn an annual discretionary cash bonus of up to 100% of basic annual salary. The bonus is paid in November each year, on the basis of achievement of challenging financial and non-financial targets in the financial year ended in the previous June/July. The targets are notified to the Executive Directors before the start of the year in question and are on a basis designed to introduce stretch into the performance assessment.

For the year ended 27 June 2009, the Remuneration Committee proposed, and the Board approved, bonus awards

of 63.6% of basic salary to the Group Chief Executive and the Group Finance Director. A maximum bonus of 20% was awarded for the achievement of safety and corporate governance targets. A further maximum of 10% was earned after achieving 95% of budgeted profits. Out of a potential maximum of 70% of bonus payable on the achievement of 115% of budget, 33.6% of bonus was earned after achieving 104.6% of budget. The bonus is non-pensionable and is paid in cash.

	27 June 2009 £'000	28 June 2008 £'000
Cash bonus		
Keith Ludeman	318	338
Nick Swift	175	186

While the fundamental structure of the cash bonus targets remains unchanged for the new financial year, the Committee has resolved that an additional 15% of basic salary will be achievable in relation to specific strategic targets. The Executive Directors will therefore be eligible to earn an annual discretionary cash bonus of up to 115% of basic annual salary for the year ending 3 July 2010. In subsequent years, the maximum cash bonus potential will revert to 100%.

Additional discretionary bonus

Following the year ended 27 June 2009, and in recognition of the significant achievement in retaining the Southern franchise, the Remuneration Committee exercised their discretion and resolved to award a discretionary bonus to the Group Chief Executive and the Group Finance Director. The Committee felt that it was necessary to recognise the importance of the retention of the franchise to the Group outside of the normal annual bonus structure, with a share element which will provide long term alignment with shareholders as the financial benefits of the retention of the franchise flow through to the financial results.

Out of a total discretionary award of £100,000 each payable to the Group Chief Executive and the Group Finance Director, 50% (£50,000 each) will be payable in November 2009 as an additional cash bonus. The remaining 50% (£50,000 each) will be awarded after the 2009 Annual General Meeting as deferred shares, subject to a holding provision of three years. The deferred share awards will lapse if the relevant individual leaves the Company during

the deferral period for any reason other than redundancy, retirement or ill-health. The Committee considers it important for a proportion of the discretionary bonus to be taken in the form of shares as this aligns the Executives' longer term interests with those of the Group's shareholders.

Long Term Incentive Plan (LTIP)

Following its approval by shareholders in October 2005, the LTIP replaced the Group's deferred share bonus plan. Since then it has been the Group's sole long term share incentive plan for senior executives.

Under the LTIP participants are granted awards whereby they are entitled to acquire a specified number of ordinary shares in the Company if, and to the extent that, performance conditions are met over a three year period. The rules of the LTIP include, amongst other provisions, limits on the number of shares over which a participant can be granted awards in any financial year (the 'individual limit'). This limit (which is determined by reference to the average closing mid-market price of the shares which are the subject of the awards on each dealing day falling in the four week period ending with the dealing day immediately preceding their date of grant) is 150% of the participant's basic salary. While the rules of the LTIP allow this limit to be increased up to 200% of salary in exceptional circumstances, such as the recruitment of a senior executive, no awards have been made in excess of 150%.

The first awards were made in March 2006. Since then awards have been made on an annual basis to the Group Chief Executive and Group Finance Director only, and on one occasion a senior director who has now left the Group.

Current performance conditions

When the LTIP was originally introduced, it was a minimum requirement that the Group should achieve an increase in adjusted earnings per share (EPS) over a three year period of not less than the increase in retail prices index (RPI) plus 3% per year (the 'minimum EPS hurdle'). If the hurdle was not met, no part of the awards would vest (and, accordingly, participants would not acquire any shares). If the hurdle was met, the

number of shares that participants could acquire depended upon a comparison of the Group's total shareholder return (TSR) with the TSR of companies within two comparator groups. These awards were granted in relation to financial years up to and including the 2007/08 financial year.

Following consultation last year, the awards granted in relation to the 2008/09 financial year were changed and the performance conditions were split, such that, only half of the award would still be linked to comparative TSR against the two existing comparator groups with the same conditions as previously and, the other half would be linked to real growth in EPS.

Remuneration Committee review

A further review was undertaken by the Committee this year looking at the appropriateness of the targets for future awards in the current economic situation. In undertaking their review, the Committee sought advice from Watson Wyatt Limited.

The Committee remains of the opinion that the decision last year to increase the emphasis on EPS was appropriate at that time and was valid in principle. However, the Committee has, in considering the performance conditions that should apply to the grant of awards for the 2009/10 financial year, reached the view that it is inappropriate to use an EPS target, given the current economic uncertainty, and that the most appropriate way to set a suitably stretching but motivating target is to align with returns to shareholders, namely TSR.

Performance conditions for 2009/10

The Committee intends to continue to use the LTIP as the sole form of long-term share incentive for the Executive Directors.

However, the Committee proposes to alter the performance conditions that will apply to the grant of awards under the LTIP for the 2009/10 financial year and subsequent years in order to increase the motivational effect on participants and to maintain the alignment between participants and shareholders.

It is proposed that the extent to which awards will vest will be based solely on a comparison of the Group's three-year TSR performance with the companies

comprised within the two comparator groups i.e. the Transport Sector Comparator Group and the constituents of the FTSE 250 Index (excluding investment trusts), specifically:

- one half of the award requires a comparison of the Group's TSR with the TSR of other companies in the Transport sector; this is a highly relevant but small peer group comprising five companies only, including the Group; and
- the other half of the award requires a comparison of the Group's TSR with the TSR of the companies (excluding investment trusts) that make up the FTSE 250 index.

If the Group's TSR is equal to the TSR of a company that would fall mid-way between the TSR of the lowest and highest comparator companies in the Transport sector, 25% of that portion of the TSR-related Award will vest. The extent to which that portion of the TSR-related Award vests will increase, on a straight-line basis, to 100% the closer that the Group's TSR is to the TSR of a company that would fall three-quarters of the way between the TSR of the lowest and the highest comparator companies in the Transport sector.

Similarly, if the Group's TSR is equal to the TSR of the median comparator company in the FTSE 250 index, 25% of that portion of the TSR-related Award will vest. The extent to which that portion of the TSR-related Award vests will increase, on a straight-line basis, to 100% the closer that the Group's TSR is to the TSR of the company that is ranked at the lower end of the upper quartile.

The calculation of these performance conditions, with the exception of the EPS hurdle which no longer applies to any part of the award, is unchanged from the calculation of the current performance conditions.

It is the Committee's view that the changes to the LTIP will ensure that senior executives continue to be rewarded if they achieve substantial improvements in the Group's underlying financial performance and perform well relative to other companies in the FTSE 250. The Committee considers that these performance conditions are relevant, challenging and designed to enhance

shareholder value and that awards will vest in full only if exceptional performance has been achieved.

Share bonus plan

Until 2005, the Executive Directors' share bonus plan was used to make share based awards to Executive Directors and one senior director in the Group. This has now been replaced by the LTIP.

The final grant of shares under the share bonus plan was made in relation to the year ended 2 July 2005. The final outstanding award from this grant vested on 1 December 2008 when title for 9,569 shares transferred to the Group Chief Executive.

There are no further shares held under the rules of this plan.

Savings related share option scheme and share incentive plan

The Group operates a savings related share option scheme and a share incentive plan. The Executive Directors are eligible to participate in either of these arrangements, under terms identical to any other participating Group employee, if they so choose, and any such participation would not be separately regulated by the Remuneration Committee.

There are no other share option or long term incentive schemes available to the Executive Directors.

Other benefits

The Group does not allocate company cars to any employees, including the Executive Directors. Instead, employees who would have been allocated a company car as part of their benefits, or to accomplish their work, are given a car replacement allowance. Such allowances are non-pensionable.

Pension funds

The Executive Directors are entitled to become members of The Go-Ahead Group Pension Plan, a registered pension plan.

Following his accession to Group Chief Executive in July 2006, Keith Ludeman opted out of The Go-Ahead Group Pension Plan with effect from 1 December 2006, but retains a salary link in relation to his accrued benefit which is provided separately through an individual non-registered unfunded pension arrangement. In lieu of future

benefits, he receives a non-pensionable salary supplement. This salary supplement is not included with basic salary for the purposes of calculating performance related cash bonus or LTIP awards.

The Group Finance Director, Nick Swift, is a member of The Go-Ahead Group Pension Plan.

Shareholding guidelines

As part of the review of remuneration policy in 2008, shareholder guidelines were introduced for the Executive Directors. These provide for the Executive Directors to build up a personal shareholding equal to one year's basic salary over a period of five years. At the end of the financial year, the Group Chief Executive and the Group Finance Director respectively held 26,012 and 9,088 shares. Based on the closing share price on 27 June 2009, this equates to 64% and 41% of their respective basic salaries held in shares of the Company.

Non-Executive Directors' remuneration

The remuneration of the Non-Executive Directors is a matter for the Chairman and the Executive members of the Board, giving due regard to the required time commitment and responsibilities. The Remuneration Committee considers the remuneration of the Chairman in his absence.

The fees paid to the Chairman and Non-Executive Directors are reviewed by the Board annually in April with consideration given to surveys of fees paid to Non-Executive Directors of comparable companies. Following the annual review in April 2009 there was no increase in fees. Details of the fees paid to the Chairman and Non-Executive Directors are below.

Fees	1 April 2009 £'000 pa	1 April 2008 £'000 pa
Sir Patrick Brown	150	150
Rupert Pennant-Rea	44	44
Andrew Allner ⁽¹⁾	44	—
Christopher Collins ⁽²⁾	—	44

(1) Appointment effective on 24 October 2008.

(2) Resigned on 23 October 2008.

The Non-Executive Directors and the Chairman do not hold any share options and do not participate in the Long Term Incentive Plan or any of the Group's pension plan arrangements. The members of the Remuneration Committee have no personal interests in the matters to be decided by the Committee other than as shareholders, and have no conflicts of interest arising from cross-directorships.

Directors' contracts

It is the Group's policy to restrict the notice periods for Executive Directors to a maximum of twelve months. Both Executive Directors have rolling service contracts. There are no provisions for special pension benefits, such as beneficial early retirement terms. Other than the notice periods specified below, the Executive Directors are not due any contractual compensation payments in the event of loss of office.

Each Non-Executive Director has a letter of appointment. There is no fixed term of appointment, however; all Directors are subject to rotation and re-election in accordance with the Company's Articles of Association and the Combined Code. Apart from salary and benefits in relation to the notice period for the relevant appointment, the Non-Executive Directors' terms of appointment contain no entitlement to compensation for early termination. These letters of appointment are available for inspection at the Company's Registered Office during normal business hours and will also be available for inspection prior to and during the Annual General Meeting.

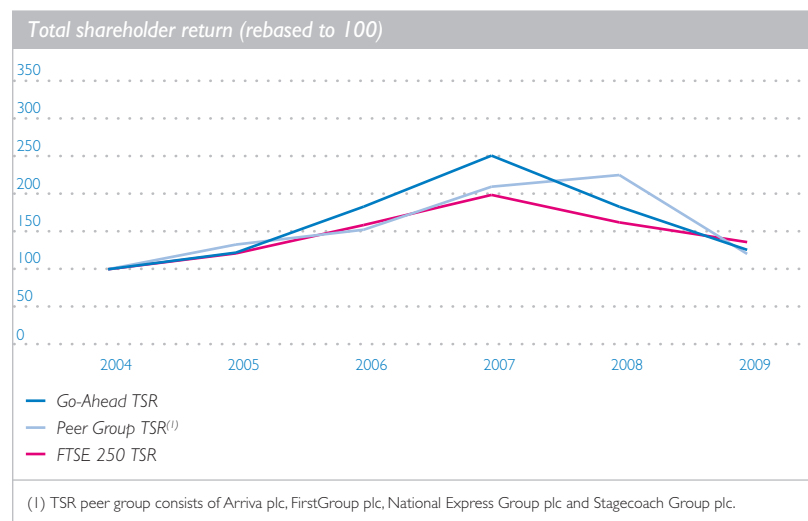
Contract and notice periods

Director	Date of service contract	Notice period
Sir Patrick Brown	February 1999	6 months
Rupert Pennant-Rea	October 2002	6 months
Andrew Allner	October 2008	6 months
Christopher Collins ⁽¹⁾	April 2005	6 months
Keith Ludeman	December 2006	1 year
Nick Swift	July 2007	1 year

(1) Resigned on 23 October 2008

Performance graph

The following graph shows a comparison of The Go-Ahead Group plc total cumulative shareholder return against that achieved by our peers and the FTSE 250 Index for the last five years to 30 June 2009. In assessing the performance of the Group's TSR the Board believes the comparator groups it has chosen represent an appropriate and fair benchmark upon which to measure the Group's performance for this purpose.



This graph is included to meet the relevant legislative requirements and is not directly relevant to the performance criteria used for the Company's LTIP. However, the indices used were selected as the Directors believe that they are the most appropriate and representative indices against which to measure the Company's performance, both in terms of the size of the Company and the nature of its business.

Audited information

Emoluments and compensation

	Salary/fees		Non-pensionable salary supplement		Performance related cash bonus		Car replacement allowance		Benefits in kind ⁽³⁾		Total (exc. Pension and LTIP)	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Sir Patrick Brown	150	143	—	—	—	—	—	—	—	—	150	143
Rupert Pennant-Rea	44	42	—	—	—	—	—	—	—	—	44	42
Andrew Allner ⁽¹⁾	30	—	—	—	—	—	—	—	—	—	30	—
Christopher Collins ⁽²⁾	15	42	—	—	—	—	—	—	—	—	15	42
Keith Ludeman	500	478	75	72	318	338	19	18	4	4	916	910
Nick Swift	275	246	—	—	175	186	17	16	3	3	470	451
Total	1,014	951	75	72	493	524	36	34	7	7	1,625	1,588

(1) Appointment effective on 24 October 2008.
(2) Resigned on 23 October 2008.
(3) The only benefits in kind received during the financial year was the provision of Private Medical Insurance for the Executive Directors, their spouses and their children under the age of 24.

During the financial year, no sums that were chargeable to UK income tax were payable to any Director of the Company by way of an expense allowance in respect of qualifying services.

Directors' share options

No share options are held by or have been granted to the Executive Directors during the financial year.

Long Term Incentive Plan

	Award date	Balance at 28 June 2008 No.	Awards lapsed in year No.	Awards granted in year No.	Share price at date of award	Awards vested in year No.	Share price at date of vesting	Balance at 27 June 2009 No.	End of period when conditions must be met
Keith Ludeman ⁽¹⁾	9 March 06	17,791	13,806	—	£18.22	3,985	£12.40	0	28 June 2008
Keith Ludeman ⁽²⁾	11 Sep 06	24,514	—	—	—	—	—	24,514	27 June 2009
Keith Ludeman ⁽³⁾	10 Sep 07	17,974	—	—	—	—	—	17,974	3 July 2010
Nick Swift ⁽³⁾	10 Sep 07	9,556	—	—	—	—	—	9,556	3 July 2010
Keith Ludeman ⁽⁴⁾	24 Oct 08	—	—	46,908	£14.58	—	—	46,908	2 July 2011
Nick Swift ⁽⁴⁾	24 Oct 08	—	—	25,799	£14.58	—	—	25,799	2 July 2011

- (1) During the year, the Committee considered the extent to which the awards granted to Keith Ludeman in March 2006 should vest. Taking advice from Watson Wyatt Limited on the extent to which TSR and EPS tests had been met, the Committee determined that 3,985 of the shares should be allowed to vest in accordance with the rules of the LTIP.
- (2) The awards granted on 11 September 2006 will vest following a period of three years from the award date and will be dependent upon the satisfaction of the initial performance conditions as set out on page 54, covering the period commencing with the start of the 2006/07 financial period and ending with the end of the 2008/09 financial period.
- (3) The awards granted on 10 September 2007 will vest following a period of three years from the award date and will be dependent upon the satisfaction of the initial performance conditions as set out on page 54, covering the period commencing with the start of the 2007/08 financial period and ending with the end of the 2009/10 financial period.
- (4) The awards granted on 24 October 2008 will vest following a period of three years from the award date and will be dependent upon the satisfaction of the current performance conditions as set out on page 55, covering the period commencing with the start of the 2008/09 financial period and ending with the end of the 2010/11 financial period.

Directors' pension funds

The following disclosures are included to meet the relevant legislative requirements in relation to the Directors' final salary pension benefits:

Accrued pensions

	Keith Ludeman £'000 p.a.	Nick Swift £'000 p.a.
Accrued pension at 28 June 2008	272	4
Accrued pension at 27 June 2009	285	8
Increase in the accrued pension during the year	13	4
Increase in the accrued pension during the year in excess of inflation	-1	4

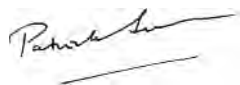
Transfer values and notional contributions

	Keith Ludeman £'000	Nick Swift £'000
Transfer value of the accrued pension at 28 June 2008	2,776	16
Transfer value of the accrued pension at 27 June 2009	3,703	49
Directors' notional contributions during the year	—	22
Increase in transfer value over the year net of Directors' notional contributions	927	11
Transfer value of the increase in the accrued pension in excess of inflation and Directors' notional contributions	-12	5

Notes

- (1) In light of changes to legislation and market conditions and upon taking actuarial advice, the Trustees of The Go-Ahead Group Pension Plan reviewed and amended the basis for the calculation of cash equivalent transfer values with effect from 1 October 2008. The transfer values at the year end have been calculated in accordance with this basis.
- (2) Keith Ludeman and Nick Swift were members of the Group's approved final salary pension plan during the financial year. In addition, part of Keith Ludeman's benefit is provided separately through an individual unapproved unfunded pension arrangement. The figures in the table above relate to Keith Ludeman's benefits in both the approved and unapproved arrangements.
- (3) Keith Ludeman opted out of the Group's approved final salary arrangement from 1 December 2006 but retains a salary link in relation to his accrued benefit. In lieu of future pension benefits, Keith Ludeman receives a non-pensionable salary supplement of 15% of Basic Salary which amounted to £75,000 during the financial year.
- (4) Nick Swift participated in the pensions salary sacrifice arrangement operated by the Group during the year. The notional contributions shown in the table above are those he would have paid had he not participated in the salary sacrifice arrangement.

For and on behalf of the Board



Sir Patrick Brown,
Chairman of Remuneration Committee
2 September 2009

Other statutory information

The Directors present their report and audited financial statements for the year ended 27 June 2009.

Principal activities

The principal activities of the Group throughout the course of the year have been the provision of passenger transport and aviation services.

Results and dividends

The results for the year are set out in the consolidated income statement on page 64. The Directors propose that a final dividend of 55.5p be paid, making a total of 81.0p for the year (2008: 81.0p). The proposed final dividend, if approved, will be payable on 20 November 2009 to shareholders on the register at the close of business on 6 November 2009.

A review of the business of the Group during the year and its prospects for the future, together with a description of the principal risks and uncertainties facing the Group, can be found in the Directors' Report: Business Review from pages 1 to 41.

Directors and their interests

The names of the persons who at any time during the financial year were Directors of the company are: Sir Patrick Brown, Rupert Pennant-Rea, Andrew Allner, Christopher Collins, Keith Ludeman, and Nick Swift.

Christopher Collins retired from the Board as a Non-Executive Director following the close of the Annual General Meeting on 23 October 2008. He was replaced by Andrew Allner whose appointment was effective from 24 October 2008.

Directors are appointed by ordinary resolution at a general meeting of holders of ordinary shares. The Directors have the power to appoint a Director but any person so appointed will hold office only until the next Annual General Meeting and will then be eligible for appointment by ordinary resolution at that meeting. Under the Company's Articles of Association, one third of the Directors, or the nearest number to one third of the Directors, must retire from office at each Annual General Meeting. Under the 2008

Directors' interests

		2009 No.	2008 No.
Sir Patrick Brown	Beneficial	10,149	10,149
Rupert Pennant-Rea	Beneficial	2,000	2,000
Andrew Allner	n/a	—	—
Keith Ludeman ⁽¹⁾	Beneficial	26,012	22,027
Nick Swift	Beneficial	9,088	—

(1) Keith Ludeman's stated holding in 2008 included 9,569 shares held under the rules of the Executive Directors' share bonus plan as described in the Directors' Remuneration Report.

Combined Code, any Director who has held office for three years or more since their last appointment must offer themselves up for reappointment at the Annual General Meeting, and a Non-Executive Director may serve longer than nine years, subject to annual re-election.

The Directors' interests in the share capital of the Company at 27 June 2009, with comparative figures for the 2008 year end, are shown above. There were no changes in these interests up to 2 September 2009.

Details of the Executive Directors' interests in awards granted to them as participants in the Long Term Incentive Plan can be found in the Directors' Remuneration Report on page 58.

No Director was interested in any contract or arrangement which was significant in relation to the Group's business.

Indemnification of Directors

In accordance with the Company's Articles of Association and to the extent permitted by law, the Directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their office. In respect of those matters for which the Directors may not be indemnified, the Company maintained a Directors' and Officers' liability insurance policy throughout the financial year. This policy has been renewed for the next financial year. Neither the Company's indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently.

Shareholder and control structure

At 27 June 2009, the Company's issued share capital comprised a single class of shares referred to as ordinary shares. At this date there were 46,892,279

ordinary shares in issue, of which 3,902,230 were held in treasury. This included 49,936 new shares issued during the course of the year following the exercise of share options granted under the Company's all-employee share scheme. The Company did not purchase any of its own shares during the year, and no shares were purchased between the year end and the date of this report.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws); and
- restrictions pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's securities.

All shareholders have the same voting rights for each share, regardless of the total number of shares held. On a show of hands at a general meeting of the Company, every holder of shares present in person or by proxy and entitled to vote has one vote and, on a poll, every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. The Notice of Meeting specifies deadlines for exercising voting rights either by proxy notice in person or by proxy in relation to resolutions to be passed at the 2009 Annual General Meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting and published on the Company's website (www.go-ahead.com) after the meeting.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

The authorities for the Company to allot relevant securities (up to an aggregate nominal amount of £1,432,609) and for the disapplication of pre-emption rights on the allotment of equity securities (for cash up to an aggregate nominal amount of £214,891), as passed by special resolutions at the 2008 Annual General Meeting, were not utilised in the financial year or up to the date of this report. These authorities will expire at the upcoming Annual General Meeting of the Company and approval for new authorities will be sought. In the last three years no shares have been issued on a non-pre-emptive basis, other than those issued under all-employee share schemes which are not included for the purposes of this authority.

The authority for the Company to make market purchases of its own ordinary shares, as passed by special resolution at the 2008 Annual General Meeting, was still in effect at the end of the financial year and will expire at the upcoming Annual General Meeting of the Company, where approval for a new authority will be sought. Under the existing authority, the maximum aggregate number of shares that can be purchased is 4,297,829. The authority also limits the maximum number of shares held in treasury to 10% of the issued share capital of the Company and states minimum and maximum prices payable for shares purchased under the authority. During the financial year this authority was not utilised.

The business of the Company is managed by the Directors, who may exercise all powers of the Company which are not required to be exercised by the Company in general meeting, subject to the Company's Articles of Association, relevant statutory law and any direction given by the Company in general meeting by special resolution.

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. The current Articles of Association were adopted at the 2008 Annual General Meeting. Members of the Company can request a copy of the Articles of Association by contacting

the Group Company Secretary at the Registered Office.

The 22nd Annual General Meeting of the Company will be held at the Hilton Newcastle Gateshead, Bottle Bank, Gateshead, NE8 2AR on Thursday 29 October 2009 at 14:00 hours. Details of the business to be considered can be found in the Notice of Meeting which will be available on the Company's website (www.go-ahead.com) from 2 October 2009. This business includes resolutions to re-appoint Ernst & Young LLP as the Company's auditors and to authorise the Directors to determine the auditors' remuneration.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid. The Company is party to a number of banking agreements which are terminable upon the provision of 14 days notice upon a change of control of the Company.

Substantial shareholdings

As at 2 September 2009, the Company had been notified, in accordance with the Disclosure and Transparency Rules, of the interests in its shares representing 3% or more of the voting rights in the Company as shown below.

These holdings include, where applicable, the aggregate of investment management clients' interests within the respective asset management companies and may have since changed without triggering a further notification.

Share schemes

Lloyds TSB Offshore Trust Company Limited, as trustee of The Go-Ahead Group Employee Trust, holds 0.1% of the issued share capital of the Company in trust for the benefit of the Executive Directors of the Group and their dependants under the Long Term Incentive Plan. The voting rights in relation to these shares are exercised by the trustees and dividends are waived while the shares are held by the trustee.

Under the rules of the Company's Share Incentive Plan, employees of the Group are entitled to acquire shares in the Company. In order to preserve certain tax benefits these shares are held in a trust by Halifax Corporate Trustees Limited for participating employees. Whilst these shares are held in trust, the voting rights attached to them will not be exercised by the trustee or the employees for whom they are held. As at the date of this report, 0.5% of the issued share capital of the Company is held by Halifax Corporate Trustees Limited. In the event of an offer being made to acquire these shares the employees are entitled to direct Halifax Corporate Trustees Limited to accept an offer in respect of the shares held on their behalf.

During the financial year 49,936 ordinary shares were allotted to employees and former employees of the Company under the rules of the Company's Sharesave scheme (a savings related share option scheme). These shares held an aggregate nominal value of £4,993.60 and the Company received a total consideration of £609,733 for them. In accordance with best practice guidelines, options granted under this scheme do

Substantial shareholdings

	Direct/indirect	No.	%
Newton Investment Management Ltd	Direct	3,352,486	7.80
D Ballinger	Direct	2,525,580	5.81
Ameriprise Financial, Inc. and its group	Indirect	2,319,693	5.40
	Direct	16,000	0.04
Capital Research and Management Co	Indirect	2,311,612	5.38
Schroders plc	Indirect	2,416,616	5.10
JP Morgan Chase & Co	Indirect	2,110,118	4.85
Artemis Investment Management Ltd	Direct	2,086,486	4.85
J Moyes	Direct	2,054,061	4.50
Legal & General Group plc	Direct	1,705,480	3.96

not exceed 10% of the issued ordinary share capital during a rolling ten year period. Vesting of awards under the Long Term Incentive Plan for the Executive Directors are satisfied by market purchases of shares, and therefore there is no further dilution of the issued share capital.

Employees

The Group's responsibility is to provide a positive work environment conducive to the recruitment and retention of staff and one which meets its business objectives by motivating and encouraging its employees to be responsive to the needs of its customers, maintaining, and wherever possible, improving operational performance.

The Group is committed to providing equality of opportunity to employees and treats employees fairly regardless of gender, ethnic origin, age, religion, belief, race and, where practicable, physical disability. Appropriate training, career development and promotion opportunities are provided for all employees. The Group gives full and fair consideration to applications for employment made by disabled persons. It is the Group's policy to provide continuing employment under normal terms and conditions, wherever possible, for existing employees who become disabled, and to provide training, career development and promotion as appropriate to all disabled employees.

Our companies maintain relationships with recognised trade unions and have established a network of local employee representatives who are consulted on key business decisions. Three of our companies have Stakeholder Boards, which bring together employees, individual passengers and representative bodies to share views. We produce a range of internal newsletters, information circulars and intranet sites that keep employees abreast of developments at their specific employing company and across the Group as a whole. We have awards to recognise and reward outstanding contributions by our employees.

Employees are encouraged to participate directly in the success of the business through the Group's HMRC approved share option and share ownership schemes.

The Group's savings related share option scheme (Sharesave) has one scheme currently in operation, whereby eligible employees were invited to enter into a three year savings contract which will mature in June 2010.

The Group also operates a Share Incentive Plan (SIP). This is an ongoing scheme whereby eligible employees can purchase Go-Ahead shares on the open market each month. Deductions from salary for the purchase of these shares are made before tax and national insurance is calculated and employees retain the full tax and national insurance benefit for all shares that remain in the SIP for five years or more from their purchase.

The Group is committed to developing a culture of openness across all its businesses and ensuring the highest standards of probity and accountability. We engage with our employees, who are encouraged to discuss matters of interest to them and subjects affecting day-to-day operations with operating company management. The Board also actively encourages employees with serious concerns regarding the interests of others or the Group to come forward. The Group and its operating companies have policies in place to ensure processes exist whereby employees can raise serious concerns constructively without fear or victimisation, subsequent discrimination or disadvantage.

Further details of our responsibilities as an employer, including operating in a socially and environmentally responsible manner, can be found on pages 38 to 41 and also in the Group's Corporate Responsibility Report which is published separately and can be found on the Company's website (www.go-ahead.com).

Charitable donations

Charitable donations, sponsorship and community support over the year amounted to £257,000 (2008: £302,000).

Political donations and expenditure

It is the Group's policy not to make political donations and accordingly no such payments were made in the year (2008: £nil). Additionally, the Company did not incur any political expenditure as defined in the Companies Act 2006 (2008: £nil).

Land and buildings

In the opinion of the Directors, there is no material difference between the market value of the Group's interest in land and buildings and its net book value.

Suppliers

Each Group operating company agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the suppliers, including the timely submission of satisfactory invoices. For the year ended 27 June 2009, the trade creditor days for the Group as a whole was 37 days (2008: 33), based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

Post balance sheet events

On 30 July 2009 the Group entered into an agreement to acquire the assets of East Thames Buses from Transport for London for a total cash consideration of £5m. On 1 September 2009 the Group entered into an agreement with Arriva to acquire their Horsham bus operations, also for £5m. These transactions are expected to be completed in the second quarter of the new financial year.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report: Business Review on pages 1 to 41. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 15 to 20. In addition note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Cash conversion from the Group's bus and rail operations was excellent and the balance sheet remains strong, with funding secured to December 2012. The Directors believe that the Group is well placed to manage its business risks successfully, despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable UK law and those International Financial Reporting Standards as adopted by the European Union.

Under company law the Directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRSs) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and accounting estimates that are reasonable and prudent.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, enabling

them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility Statements

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report: Business Review includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 42. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



Carolyn Sephton
Group Company Secretary
2 September 2009

Financial Statements

Independent auditors' report to the members of The Go-Ahead Group plc

We have audited the Group financial statements of The Go-Ahead Group plc for the year ended 27 June 2009, which comprise the Consolidated income statement, the Consolidated balance sheet, the Consolidated cashflow statement, the Consolidated statement of recognised income and expense and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Director's Responsibilities Statement, set out on page 62, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 27 June 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

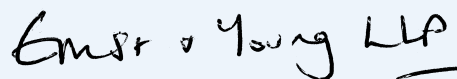
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 61 and 62, in relation to going concern; and
- the part of the Corporate Governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matters

We have reported separately on the parent company financial statements of The Go-Ahead Group plc for the year ended 27 June 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.



Debbie O' Hanlon (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne

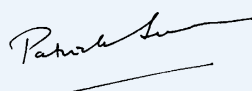
2 September 2009

Financial Statements
Consolidated income statement
for the year ended 27 June 2009

	Notes	2009 £m	2008 £m
Group revenue	4	2,346.1	2,199.1
Operating costs (excluding amortisation and exceptional items)	5	(2,222.5)	(2,054.2)
Group operating profit (before amortisation and exceptional items)		123.6	144.9
Goodwill and intangible asset amortisation	13	(12.4)	(11.6)
Exceptional items (before taxation)	7	(57.7)	(16.4)
Group operating profit (after amortisation and exceptional items)		53.5	116.9
Finance revenue	8	6.1	8.8
Finance costs	8	(17.6)	(22.6)
Profit on ordinary activities before taxation		42.0	103.1
Analysed as:			
Before amortisation and exceptional items		112.1	131.1
Amortisation and exceptional items		(70.1)	(28.0)
Tax expense	9	(23.7)	(26.3)
Analysed as:			
Tax charges		(26.6)	(29.1)
Exceptional tax – changes in tax laws		(8.6)	–
Tax on exceptional items		11.5	2.8
Profit for the year from continuing operations		18.3	76.8
Attributable to:			
Equity holders of the parent		6.3	56.0
Minority interest		12.0	20.8
		18.3	76.8
Earnings per share from continuing operations			
– basic	10	14.7p	128.8p
– diluted	10	14.7p	127.3p
– adjusted	10	152.3p	174.8p
Dividends paid (pence per share)	11	81.0p	72.5p
Final dividend proposed (pence per share)	11	55.5p	55.5p

Financial Statements
Consolidated balance sheet
as at 27 June 2009

	Notes	2009 £m	2008 £m
Assets			
Non-current assets			
Property, plant and equipment	12	409.9	426.6
Intangible assets	13	110.3	136.2
Trade and other receivables	17	3.1	1.5
Other financial assets	23	3.1	8.7
Deferred tax assets	9	23.4	17.2
		549.8	590.2
Current assets			
Inventories	16	13.1	12.0
Trade and other receivables	17	199.2	238.2
Cash and short term deposits	18	207.1	157.1
Other financial assets	23	0.6	18.6
		420.0	425.9
Assets classified as held for sale	15	9.7	2.6
Total assets		979.5	1,018.7
Liabilities			
Current liabilities			
Trade and other payables	19	(485.7)	(444.0)
Other financial liabilities	23	(16.4)	–
Interest-bearing loans and borrowings	20	(30.4)	(38.6)
Current tax liabilities		(14.9)	(6.0)
		(547.4)	(488.6)
Non-current liabilities			
Interest-bearing loans and borrowings	20	(266.5)	(314.6)
Retirement benefit obligations	28	(83.5)	(59.4)
Other financial liabilities	23	(8.5)	–
Deferred tax liabilities	9	(68.4)	(77.9)
Other liabilities	19	(8.9)	(9.8)
Provisions	24	(5.8)	(0.9)
		(441.6)	(462.6)
Total liabilities		(989.0)	(951.2)
Net (liabilities)/assets		(9.5)	67.5
Capital & reserves			
Share capital	25	71.9	71.3
Reserve for own shares	25	(68.8)	(68.8)
Hedging reserve	25	(10.5)	17.5
Other reserve	25	1.6	1.6
Capital redemption reserve	25	0.7	0.7
Retained earnings	25	(14.0)	31.9
Total shareholders' equity		(19.1)	54.2
Minority interest	25	9.6	13.3
Total equity		(9.5)	67.5



Sir Patrick Brown,
Chairman
2 September 2009



Nick Swift,
Group Finance Director
2 September 2009

Consolidated cashflow statement

for the year ended 27 June 2009

	Notes	2009 £m	2008 £m
Profit for the year		18.3	76.8
Net finance costs	8	11.5	13.8
Tax expense	9	23.7	26.3
Depreciation of property, plant and equipment	12	49.7	49.1
Exceptional depreciation	7, 12	0.8	–
Amortisation of goodwill and intangible assets	13	12.4	11.6
Other non-cash exceptional items	7	46.8	3.8
(Profit)/loss on sale of property, plant and equipment		(0.3)	1.7
Share based payments	6	0.7	2.5
Loss on sale of subsidiary		–	1.8
Difference between pension contributions paid and amounts recognised in the income statement		(2.8)	(16.8)
Movement in provisions		3.4	(0.4)
Purchase of assets held for disposal		(7.5)	–
(Increase)/decrease in inventories		(1.1)	1.3
Decrease/(increase) in trade and other receivables		36.1	(45.4)
Increase in trade and other payables		41.7	66.4
Cashflow generated from operations		233.4	192.5
Taxation paid		(11.4)	(18.1)
Net cashflows from operating activities		222.0	174.4
Cashflows from investing activities			
Interest received		6.6	8.5
Proceeds from sale of property, plant and equipment		4.3	6.2
Purchase of property, plant and equipment		(57.7)	(55.5)
Purchase of intangible assets		(2.8)	(5.4)
Purchase of subsidiaries	14	–	(5.5)
Proceeds from sale of subsidiaries		–	2.0
Net receipt on transfer of rail franchises		–	4.9
Additional contribution to railways pension scheme		–	(10.4)
Deposit paid on rolling stock		(0.4)	(21.2)
Net cashflows used in investing activities		(50.0)	(76.4)
Cashflows from financing activities			
Interest paid		(18.5)	(22.5)
Dividends paid to members of the parent	11	(34.8)	(31.4)
Dividends paid to minority interests		(12.3)	(16.7)
Proceeds from issue of shares	25	0.6	6.4
Payment to acquire own shares	25	(0.2)	(87.3)
Repayment of borrowings		(39.8)	(259.0)
Proceeds from borrowings		–	351.2
Proceeds from finance lease and hire purchase		–	4.5
Payment of finance lease and hire purchase liabilities		(16.2)	(20.1)
Repayment of loan notes		–	(0.4)
Net cash outflows on financing activities		(121.2)	(75.3)
Net increase in cash and cash equivalents		50.8	22.7
Cash and cash equivalents at 28 June 2008	18	151.3	128.6
Cash and cash equivalents at 27 June 2009	18	202.1	151.3

Consolidated statement of recognised income and expense

for the year ended 27 June 2009

	Notes	2009 £m	2008 £m
Income and expense recognised directly in equity			
Actuarial losses on defined benefit pension plans	28	(26.9)	(44.6)
Unrealised (losses)/gains on cashflow hedges	23	(54.2)	33.3
Losses/(gains) on cashflow hedges taken to income statement – operating costs	23	12.6	(6.7)
Tax recognised directly in equity	9	19.2	5.1
Net expense recognised directly in equity		(49.3)	(12.9)
Profit for the year		18.3	76.8
Total recognised income and expense for the year		(31.0)	63.9
Attributable to:			
Equity holders of the parent		(39.6)	39.5
Minority interest		8.6	24.4
		(31.0)	63.9

1. Authorisation of financial statements and statement of compliance with IFRSs

The consolidated financial statements of The Go-Ahead Group plc (the 'Group') for the year ended 27 June 2009 were authorised for issue by the Board of Directors on 2 September 2009 and the balance sheet was signed on the Board's behalf by Sir Patrick Brown and Nick Swift. The Go-Ahead Group plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) as they apply to the consolidated financial statements of the Group for the year ended 27 June 2009, and applied in accordance with the provisions of the Companies Act 2006. The Group is required to comply with international accounting requirements under IAS 1 'Presentation of Financial Statements' except in extremely rare circumstances where management concludes that compliance would be so misleading that it would conflict with the objective to 'present fairly' its financial statements. On that basis, the Group has departed from the requirements of IAS 19 'Employee Benefits' and has accounted for its constructive but not legal obligations for the Railways Pension Scheme (RPS) under the terms of its UK rail franchise agreements. Details of the background and rationale for this departure are provided in note 28.

2. Summary of significant accounting policies**Basis of preparation**

A summary of the Group's accounting policies applied in preparing the financial statements for the year ended 27 June 2009 are set out below.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand (£0.1m) except when otherwise indicated.

As noted above, the Group has taken the decision to depart from the requirements of IAS 19 so as to present fairly its financial performance, position, and cashflows in respect of its obligation for the RPS.

New standards

The Group has adopted IFRIC 14 IAS 19 'The Limit on Defined Benefit Assets Minimum Funding Requirements and their Interaction' during the year. Adoption of this revised interpretation did not have any effect on the financial performance or position of the Group.

Use of estimates

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 within the next financial year are in relation to:

- the measurement and impairment testing of indefinite life intangible assets requires estimation of future cashflows and the selection of a suitable discount rate and growth rate, as detailed in note 13;
- the measurement of defined benefit pension obligations requires the estimation of future changes in salaries, inflation, the expected return on assets and the selection of a suitable discount rate, as set out in note 28; and
- the measurement of uninsured liabilities is based on an assessment of the expected settlement of known claims and an estimate of the cost of claims not yet reported to the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of The Go-Ahead Group plc and its subsidiaries as at 27 June 2009.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The financial statements of subsidiaries for use in the consolidation are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Minority interests represent the interests not held by the Group in Govia Limited, a 65% owned subsidiary, and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Revenue recognition

Revenue is recognised to the extent that it is probable that the income will flow to the Group and the value can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Rendering of services

The revenue of the Group comprises income from road passenger transport, rail passenger transport and aviation services.

Bus revenue comprises amounts receivable generated from ticket sales and revenue generated from services provided on behalf of local transport authorities. Aviation services revenue represents income receivable generated from contracts in place with airlines and other aviation businesses. It also includes parking revenue generated through the operation and management of car parks and associated services, which include security and bus transportation. Where the Group acts as a managing agent at a car park it recognises only the commission earned as revenue.

Rail revenue comprises amounts based principally on agreed models of route usage, by Railway Settlement Plan Limited (which administers the income allocation system within the UK rail industry), in respect of passenger receipts and other related services such as rolling stock maintenance and commission on tickets sold. In addition, franchise subsidy receipts from the DfT and local Passenger Transport Executives (PTEs) are treated as revenue, and franchise premium payments to the DfT are recognised in operating costs.

Revenue is recognised by reference to the stage of completion of the customer's journey or for other services based on the proportion of services provided. The attributable share of season ticket or travel card income is deferred within liabilities and released to the income statement over the life of the relevant season ticket or travel card.

Rental income

Rental income is generated from rental of surplus properties and subleasing of rolling stock and railway infrastructure access. It is accounted for on a straight-line basis over the lease term.

Finance revenue

Interest on deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the income statement over the period necessary to match on a systematic basis to the costs that it is intended to compensate. Where the grant relates to a non-current asset, value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset.

Uninsured liabilities

The Group limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits. An accrual is made within current liabilities for the estimated cost to the Group to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss. On the basis that the Group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date, these uninsured liabilities are classified as current.

The estimation of the balance sheet uninsured claims accrual is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Group.

Franchise bid costs

A key part of the Group's activities is the process of bidding for and securing franchises to operate rail services in the UK. All franchise bid costs incurred prior to achieving preferred bidder status are treated as an expense in the income statement irrespective of the ultimate outcome of the bid. Directly attributable, incremental costs incurred after achieving preferred bidder status are capitalised as an intangible asset and amortised over the life of the franchise.

Profit/revenue sharing agreements

The rail companies have certain revenue and profit sharing agreements with the DfT. An accrual is made within amounts payable to central government for the estimated cost to the Group of the relevant amounts accrued at the balance sheet date.

Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of revenue or expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost on transition to IFRSs less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives and the lease terms.

2. Summary of significant accounting policies continued

Depreciation is charged to the income statement based on cost or fair value, less estimated residual value of each asset, evenly over its expected useful life as follows:

Short leasehold land and buildings	The life of the lease
Freehold buildings and long leasehold land and buildings	Over 10 to 100 years
Rolling stock	Over 8 to 15 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists the assets are written down to their recoverable amount.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Business combinations and goodwill

Acquisitions of businesses since 3 July 2004 are accounted for under IFRS 3 'Business Combinations' using the purchase method. Goodwill on acquisition is initially measured at cost being the excess of the costs of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, meeting the conditions for recognition under IFRS 3 at the acquisition date. It is capitalised and carried as an asset on the balance sheet. If an acquisition gives rise to negative goodwill, this is released immediately to the income statement.

In some instances certain fair value accounting adjustments are required to be made using provisional estimates, based on information available, and amendments are sometimes necessary in the 12 months following the acquisition, with a corresponding adjustment to goodwill.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the income statement and not subsequently reversed. For the purposes of impairment testing, goodwill is allocated to the related cash-generating units monitored by management.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous amounts, and has been subject to impairment testing as at the transition date and annually thereafter. Goodwill written off to reserves prior to 27 June 1998 has not been reinstated. In the event of subsequent disposal of the business to which it relates, goodwill is included in the carrying amount of the operation when determining the gain or loss on disposal to be charged to the income statement.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount, being the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reinstated amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Franchise assets

Where the conditions relating to the award of a franchise require the Group to assume legal responsibility for any pension liability that exists at that point in time, the Group recognises a liability representing the fair value of the related net pension deficit that the Group expects to fund during the franchise term. When a pension deficit exists at the start of the franchise, a corresponding intangible asset is recognised, reflecting a cost in acquiring the right to operate the franchise. If a pension surplus exists at the start of the franchise, then a corresponding deferred income balance is recognised, representing a government grant. The intangible asset or deferred income balance is amortised through the income statement on a straight-line basis over the period of the franchise.

The carrying value of franchise assets is reviewed for impairment at the end of the first financial year following the award of the franchise and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Software

Software, that is not integral to the related hardware, is capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three to five years.

Inventories

Stocks of fuel and engineering spares are valued at the lower of cost and net realisable value. Cost comprises direct materials and costs incurred in bringing the items to their present location and condition. Net realisable value represents the estimated selling price less costs of sale.

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand, and short term deposits with an original maturity of three months or less. For the purpose of the consolidated cashflow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial assets and derivatives

Financial assets are accounted for in accordance with IAS 39. Financial assets are initially recognised at fair value, being the transaction price plus directly attributable transaction costs.

The Group uses energy derivatives to hedge its risks associated with fuel price fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently re-measured at fair value at each balance sheet date.

Changes in the fair value of financial instruments that are designated and effective as hedges of future cashflows are recognised in equity and the ineffective portion is recognised immediately in the income statement. When the cashflow hedge results in the recognition of a non-financial asset or a liability, then at the time that asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of that non-financial asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the period which the hedged item affects net profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement as they arise.

Hedge accounting is discontinued when the derivative expires or is sold, terminated or exercised without replacement or rollover, or otherwise no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs, at which point it is taken to the income statement or included in the initial carrying amount of the related non-financial asset as described above. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Interest-bearing loans and borrowings

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other de-recognition of debt, are recognised directly in the income statement.

Assets held under finance leases, which are leases where substantially all of the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet, with a corresponding liability being recognised, and are depreciated over the shorter of their useful lives and the lease terms. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the periods of the leases and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Leases where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, and the amortisation of lease incentives and initial direct costs in securing leases, are charged to the income statement on a straight-line basis over the lease term.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Treasury shares

Re-acquired shares in the Group, which remain uncanceled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares. Any gain or loss on the purchase, sale, issue or cancellation of the Group's shares is transferred from the reserve for own shares to revenue reserves.

Retirement benefits

The Group operates a number of pension schemes; both defined benefit and defined contribution. The costs of these are recognised in the income statement within operating costs. As discussed below, the Group has invoked the provisions of IAS 1 'Presentation of Financial Statements' and has departed from the requirements of IAS 19 in respect of the Rail Pension Schemes (RPS).

Non-rail schemes

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. The interest element of the defined benefit cost represents the change in present value of obligations during the period, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year.

The Group has applied the option under IAS 19 to recognise actuarial gains and losses in the Statement of Recognised Income and Expense in the period in which they occur.

The difference between the expected return on plan assets and the interest cost, along with the current service cost, is recognised in the income statement within operating costs.

2. Summary of significant accounting policies continued

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Past service costs are recognised in the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Contributions payable under defined contribution schemes are charged to operating costs in the income statement as they fall due.

Rail schemes

Our train operating companies participate in the RPS, a defined benefit scheme which covers the whole of the UK Rail Industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. A liability or asset is recognised in line with other defined benefit schemes in the Group, although this is offset by a franchise adjustment so that the net liability or asset represents the deficit or surplus that the Group expects to fund or benefit from during the franchise term. This represents a departure from IAS 19 so as to present fairly the Group's financial performance, position and cashflow in respect of its obligations for the RPS.

Share-based payment transactions

The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In valuing equity-settled options conditions are linked to the price of the shares of The Go-Ahead Group plc ('market conditions') and to earnings per share criteria.

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with

a corresponding increase in equity. The cumulative expense recognised at each reporting date, reflects the extent to which the period to vesting has expired and the Directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above.

No cost is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- on the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised directly in equity is recognised in equity and not in the income statement, otherwise, tax is recognised in the income statement.

New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date (periods beginning on or after)
IFRS 8 'Operating segments'	1 January 2009
IAS 23 'Borrowing costs (revised)'	1 January 2009
IFRS 2 'Share-based payments – vesting conditions and cancellations'	1 January 2009
IFRS 3 'Business combinations (revised)'	1 July 2009
IAS 27 'Consolidated and separate financial statements (revised)'	1 July 2009
IAS 1 'Presentation of financial statements (revised)'	1 January 2009
Amendment to IAS 32 and IAS 31 'Puttable financial instruments and obligations arising on liquidations'	1 January 2009
Amendment to IFRS 1 and IAS 27 'Amendments for determining the cost of an investment in separate financial statements'	1 January 2009
Amendment to IAS 39 'Eligible hedged items'	1 January 2009
Amendment to IFRS 7 'Improving disclosures'	1 January 2009
Improvements to IFRSs (April 2009)	1 July 2009
Improvement to IFRSs (May 2008)	1 January 2009
Amendment to IFRS 2 'Group cash settled share-based payment arrangements'	1 October 2010
International Financial Reporting Interpretation Committee (IFRIC)	
IFRIC 13 'Customer loyalty programmes'	1 July 2008
IFRIC 17 'Distribution of non-cash assets to owners'	1 July 2009
IFRIC 18 'Transfer of assets from customers'	1 July 2009
IFRIC 15 'Agreements for the construction of real estate'	1 January 2009
IFRIC 16 'Hedges of a net investment in a foreign operation'	1 October 2008

The Directors do not anticipate adoption of these standards and interpretations will have a material impact on the Group's financial statements.

3. 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 services provided, with each segment representing a strategic business unit that offers different products and serves different markets, as detailed in the Directors' Report.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. The Group has only one reportable geographical segment, being the UK.

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding the Group's business segments for the years ended 27 June 2009 and 28 June 2008.

Year ended 27 June 2009

	Bus £m	Rail £m	Aviation services £m	Unallocated £m	Total £m
Segment revenue	606.7	1,557.5	213.7	—	2,377.9
Inter-segment revenue	(22.0)	(5.5)	(4.3)	—	(31.8)
Group revenue	584.7	1,552.0	209.4	—	2,346.1
Operating costs (excluding amortisation and exceptional items)	(518.1)	(1,490.5)	(213.9)	—	(2,222.5)
Group operating profit (before amortisation and exceptional items)	66.6	61.5	(4.5)	—	123.6
Goodwill and intangible amortisation	(1.9)	(10.0)	(0.5)	—	(12.4)
Exceptional items	(7.8)	(4.7)	(45.2)	—	(57.7)
Segment result	56.9	46.8	(50.2)	—	53.5
Net finance costs					(11.5)
Profit before tax and minority interest					42.0
Tax expense					(23.7)
Profit for the year					18.3

Assets and liabilities

Segment assets	470.4	394.6	70.6	34.2	969.8
Assets classified as held for sale	9.7	—	—	—	9.7
Total assets	480.1	394.6	70.6	34.2	979.5
Segment liabilities	(135.4)	(384.6)	(37.5)	(431.5)	(989.0)
Net assets/(liabilities)	344.7	10.0	33.1	(397.3)	(9.5)

	Bus £m	Rail £m	Aviation services £m	Total £m
Other segment information				
Capital expenditure:				
Additions	44.9	12.2	2.5	59.6
Acquisitions	—	—	—	—
Intangible fixed assets	0.9	1.6	0.3	2.8
Depreciation	31.5	13.0	5.2	49.7
Impairment charges	—	—	38.4	38.4
Provision for onerous contracts	—	—	1.5	1.5
Fuel hedge	6.9	—	—	6.9
Exceptional depreciation	0.8	—	—	0.8

Year ended 28 June 2008

	Bus £m	Rail £m	Aviation services £m	Unallocated £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
Operating costs (excluding amortisation and exceptional items)	(491.5)	(1,301.2)	(261.5)	—	(2,054.2)
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

Assets and liabilities

Segment assets	479.0	376.8	129.3	31.0	1,016.1
Assets classified as held for sale	2.6	—	—	—	2.6
Total assets	481.6	376.8	129.3	31.0	1,018.7
Segment liabilities	(92.3)	(333.1)	(44.3)	(481.5)	(951.2)
Net assets/(liabilities)	389.3	43.7	85.0	(450.5)	67.5

	Bus £m	Rail £m	Aviation services £m	Total £m
Other segment information				
Capital expenditure:				
Additions	36.3	9.3	9.9	55.5
Acquisitions	3.5	4.6	—	8.1
Intangible fixed assets	2.0	3.4	—	5.4
Depreciation	30.9	11.3	6.9	49.1
Impairment of intangible and tangible fixed assets	3.8	—	—	3.8

Summary of unallocated assets and liabilities

	2009 £m	2008 £m
Assets		
Cash	10.8	13.8
Deferred tax assets	23.4	17.2
	34.2	31.0
Liabilities		
Interest-bearing loans and borrowings	291.9	347.4
Overdraft	—	5.8
Current tax liabilities	14.9	6.0
Deferred tax liabilities	68.4	77.9
Group retirement benefit obligations – The Go-Ahead Group Pension Plan	56.3	44.4
Other liabilities	—	—
	431.5	481.5

4. Group revenue

	2009 £m	2008 £m
Rendering of services	2,009.1	1,828.6
Rental income	18.0	18.4
Franchise subsidy receipts	319.0	352.1
Group revenue	2,346.1	2,199.1

5. Operating costs (excluding amortisation and exceptional items)

	2009 £m	2008 £m
Staff costs (note 6)	865.3	813.7
Other operating income	(33.5)	(20.3)
Depreciation of property, plant and equipment		
– owned assets	31.2	27.7
– leased assets	18.5	21.4
Total depreciation expense	49.7	49.1
Auditors' remuneration		
– audit of the financial statements	0.7	0.6
– taxation services	0.2	0.2
– other services	0.2	0.1
	1.1	0.9
Trade receivables not recovered	2.3	1.7
Operating lease payments		
– minimum lease payments	834.5	666.9
– sublease payments	(6.0)	(9.2)
Total lease and sublease payments recognised as an expense	828.5	657.7
Government grants	(4.5)	(3.6)
Gain on disposal of property, plant and equipment	(0.3)	(0.4)
Costs expensed relating to franchise bidding activities	3.5	0.3
Other operating costs	510.4	555.1
Total operating costs	2,222.5	2,054.2
Exceptional items (note 7)	57.7	16.4
Goodwill and intangible amortisation	12.4	11.6

The fee relating to the audit of the financial statements can be analysed between audit of the Company's financial statements of £0.2m (2008: £0.1m) and audit of subsidiaries' financial statements of £0.5m (2008: £0.5m).

During the year, £2.6m (2008: £1.2m) was also paid to other 'Big 4' accounting firms for a variety of services.

6. Staff costs

	2009 £m	2008 £m
Wages and salaries	756.6	717.3
Social security costs	66.6	63.4
Other pension costs	41.4	30.5
Share based payments charge	0.7	2.5
	865.3	813.7

The average monthly number of employees during the year, including Directors, was:

	2009 No.	2008 No.
Administration and supervision	2,703	2,676
Maintenance and engineering	2,288	2,188
Operations	22,186	22,763
	27,177	27,627

The information required by Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and details regarding compensation of key management personnel of the Group is provided in the Directors' Report.

Sharesave Scheme

The Group operates an HM Revenue & Customs ('HMRC') approved savings-related share option scheme, known as The Go-Ahead Group plc Savings-Related Share Option Scheme 2003 (the 'Sharesave Scheme'). The Sharesave Scheme is open to all Group employees (including Executive Directors) who have completed at least six months' service with a Group company at the date they are invited to participate in the scheme. Qualifying employees are invited to save between £5 and £75 per month (up to a maximum of £250 per month across all schemes) for a period of three years. At the end of that period, employees can apply the amounts saved, together with a bonus, in acquiring shares in the Company at a minimum price equal to 80% of their market price at the time of invitation.

There are savings-related options at 27 June 2009 as follows:

Scheme maturity	1 June 2010	1 July 2009	1 June 2008
Option price (£)	19.14	14.62	12.10
No. of options unexercised at 27 June 2009	383,612	477,983	—
No. of options exercised during the year	89	1,937	47,910
No. of options exercisable at 27 June 2009	3,927	476,672	—

The expense recognised for these schemes during the year to 27 June 2009 was £0.7m (2008: £2.3m).

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options for the SAYE:

	No.	2009 WAEP £	No.	2008 WAEP £
Outstanding at the beginning of the year	1,150,741	16.38	1,847,855	15.15
Granted during the year	—	—	—	—
Forfeited during the year	(239,210)	16.35	(173,936)	16.14
Exercised during the year	(49,936)	12.21	(523,178)	12.11
Outstanding at the end of the year	861,595	16.63	1,150,741	16.38

The weighted average share price at the date of exercise for the options exercised in the period was £17.61 (2008: £15.34).

The options outstanding at the end of the year have a weighted average remaining contracted life of 0.4 years (2008: 1.3 years).

These options are exercisable between £14.62 and £19.14 (2008: between £12.10 and £19.14).

6. Staff costs continued

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The key assumptions input into the model are future share price volatility, future dividend yield, future risk free interest rate, forfeiture rate and option life.

Share incentive plans

The Company operates an HMRC approved share incentive plan, known as The Go-Ahead Group plc Share Incentive Plan (the SIP). The SIP is open to all Group employees (including Executive Directors) who have completed at least six months' service with a Group company at the date they are invited to participate in the plan.

The SIP permits the Company to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the Company has, so far, made awards of partnership shares only. Under these awards, the Company invites qualifying employees to apply between £10 and £125 per month in acquiring shares in the Company at the prevailing market price. Under the terms of the scheme, certain tax advantages are available to the Company and employees.

Long term incentive plans

The Executive Directors participate in The Go-Ahead Group Long Term Incentive Plan 2005 (the LTIP). The LTIP provides for Executive Directors and certain other senior employees to be awarded shares in the Company conditional on specified performance conditions being met over a period of three years. Refer to the Directors' Remuneration Report for further details of the LTIP.

The expense recognised for the LTIP during the year to 27 June 2009 was £nil (2008: £0.2m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 27 June 2009 were:

	2009 % per annum	2008 % per annum
The Go-Ahead Group		
Future share price volatility	31.0	22.0
Transport Sector comparator		
Future share price volatility	29.0 – 37.0	21.0 – 27.0
Correlation between companies	60.0	40.0
FTSE Mid-250 index comparator		
Future share price volatility	35.0	25.0
Correlation between companies	20.0	20.0

The following table illustrates the number of share options for the LTIP:

	2009 No.	2008 No.
Outstanding at the beginning of the year	69,835	87,577
Granted during the year	72,707	27,530
Forfeited during the year	(13,806)	(29,884)
Vested during the year	(3,985)	(15,388)
Outstanding at the end of the year	124,751	69,835

None of the options were exercisable at the year end and the weighted average exercise price of the options is £nil.

7. Exceptional items

	2009 £m	2008 £m
Non-cash exceptional items		
Impairment charges	(38.4)	(3.8)
Fuel hedge	(6.9)	–
Accelerated depreciation charge	(0.8)	–
Provision for onerous contracts	(1.5)	–
	(47.6)	(3.8)
Cash based exceptional items		
Redundancy and reorganisation costs	(10.1)	(8.0)
Cashflows from loss on disposal of business	–	(4.6)
	(10.1)	(12.6)
Total exceptional items	(57.7)	(16.4)

2009

The exceptional items were significant in the year, totalling £57.7m before taxation, of which £49.8m was recognised in the first half. Most of the items were non-cash, with cash items totalling £10.1m.

The largest item was a first half, non-cash impairment charge of £38.4m reflecting the challenging conditions in the aviation services division. This reduced the carrying value of the ground handling and cargo operations within the aviation services division to approximately £20.0m at December 2008 and remains appropriate at the year end.

Non-cash exceptional items also included £6.9m relating to the fair value of part of the current year bus fuel hedge (designated as ineffective under IAS 39), £0.8m in respect of accelerated depreciation on articulated buses in London with a further exceptional charge of around £3.0m expected over the next two years, and £1.5m of provision for onerous contracts in our Meteor parking operations.

Exceptional cash costs totalled £10.1m, consisting of restructuring and reorganisation costs of £5.4m in the aviation services division and £4.7m in the rail division.

These costs have been included due to their relative size and management's anticipation of their non-recurring nature.

2008

The impairment charges and loss on sale of business related to the sale of The Birmingham Omnibus Company Ltd (formerly known as Go West Midlands and The Birmingham Coach Company Limited) on 29 February 2008.

The redundancy and reorganisation costs related to the closure and restructuring of a number of our operations within our aviation services division.

8. Finance revenue and costs

	2009 £m	2008 £m
Bank interest receivable on bank deposits	5.2	8.0
Other interest receivable	0.9	0.8
Finance revenue	6.1	8.8
Interest payable on bank loans and overdrafts	(14.2)	(18.3)
Other interest payable	(1.9)	(1.7)
Interest payable under finance leases and hire purchase contracts	(1.5)	(2.6)
Finance costs	(17.6)	(22.6)

9. Taxation

a. Tax recognised in the income statement and in equity

	2009 £m	2008 £m
Current tax charge	24.2	16.8
Adjustments in respect of current tax of previous years	0.1	(3.1)
	24.3	13.7
Deferred tax relating to origination and reversal of temporary differences	(8.7)	9.6
Previously unrecognised deferred tax of a prior period	(0.5)	3.0
Tax reported in consolidated income statement (before exceptional tax – changes in tax laws)	15.1	26.3
Previously unrecognised deferred tax of a prior period (exceptional tax – changes in tax laws)	8.6	–
Tax reported in consolidated income statement (after exceptional tax – changes in tax laws)	23.7	26.3

The effect of changes in tax laws relate to the abolition of industrial buildings allowances.

Tax relating to items charged or credited to equity

	2009 £m	2008 £m
Corporation tax on share based payments	(0.1)	(0.7)
Deferred tax on share based payments	–	2.3
Tax on actuarial losses on defined benefit pension plans	(7.6)	(12.5)
Tax on IAS 39 (liability)/asset	(11.6)	7.4
Tax reported in equity	(19.3)	(3.5)

b. Reconciliation

A reconciliation of income tax applicable to accounting profit before tax and exceptional items at the statutory tax rate to tax at the Group's effective tax rate for the years ended 27 June 2009 and 28 June 2008 is as follows:

	2009 £m	2008 £m
Profit on ordinary activities before taxation and exceptional items	99.7	119.5
Exceptional items	(57.7)	(16.4)
Profit on ordinary activities before taxation	42.0	103.1
At United Kingdom tax rate of 28% (2008: 29.5%)	11.8	30.4
Adjustments in respect of current tax of previous years	0.1	(3.1)
Previously unrecognised deferred tax of a prior period	(0.5)	3.0
Previously unrecognised deferred tax of a prior period (exceptional tax – changes in tax laws)	8.6	–
Expenditure not allowable for tax purposes	1.8	2.5
Goodwill amortisation and impairment charges	5.2	1.4
Differences relating to tax efficient financing	(3.3)	(7.4)
Rate change due to timing differences 29.5% to 28%	–	(0.5)
Tax reported in consolidated income statement at effective tax rate of 56.4% (2008: 25.5%)	23.7	26.3
Exceptional tax – changes in tax laws	(8.6)	–
Tax on exceptional items	11.5	2.8
Effective tax charges	26.6	29.1
Effective tax rate	26.7%	24.4%

c. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2009 £m	2008 £m
Deferred tax liability		
Accelerated capital allowances	(28.4)	(25.9)
Intangible assets	(5.9)	(7.1)
Other temporary differences	(9.8)	(20.6)
Revaluation of land and buildings	(24.3)	(24.3)
	(68.4)	(77.9)
Deferred tax asset		
Retirement benefit obligations	23.4	16.6
Share based payments	–	0.5
Losses carried forward	–	0.1
	23.4	17.2

The deferred tax included in the Group income statement is as follows:

	2009 £m	2008 £m
Accelerated capital allowances	(6.0)	5.4
Share based payments	0.5	(0.2)
Tax losses	0.1	–
Retirement benefit obligations	(0.4)	3.6
Other temporary differences	(2.9)	0.8
Adjustments in respect of prior years	(0.5)	3.0
Adjustments in respect of prior years (exceptional tax – changes in tax laws)	8.6	–
Deferred income tax expense	(0.6)	12.6

10. Earnings per share**Basic earnings per share**

	2009	2008
Net profit attributable to equity holders of the parent (£m)	6.3	56.0
Weighted average number of shares in issue (000)	42,934	43,481
Basic earnings per share (pence per share)	14.7	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' LTIP.

Diluted earnings per share

	2009	2008
Net profit attributable to equity holders of the parent (£m)	6.3	56.0
Weighted average number of shares in issue (000)	42,934	43,481
Effect of dilution:		
Dilutive potential ordinary shares under share option schemes (000)	—	505
Adjusted weighted average number of shares (000)	42,934	43,986
Diluted earnings per share (pence per share)	14.7	127.3

The dilution calculation assumes conversion of all potentially dilutive ordinary shares.

Adjusted earnings per share

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

	Profit for the year £m	Exceptional items £m	Amortisation £m	2009 Total £m
Profit before taxation	42.0	57.7	12.4	112.1
Less: Taxation	(23.7)	(2.9)	(2.8)	(29.4)
Less: Minority Interest	(12.0)	(2.6)	(2.7)	(17.3)
Adjusted profit attributable to equity holders of the parent	6.3	52.2	6.9	65.4
Adjusted earnings per share (pence per share)				152.3

	Profit for the year £m	Exceptional items £m	Amortisation £m	2008 Total £m
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

11. Dividends paid and proposed

	2009 £m	2008 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2008: 55.5p per share (2007: 47p)	23.8	20.5
Interim dividend for 2009: 25.5p per share (2008: 25.5p)	11.0	10.9
	34.8	31.4

	2009 £m	2008 £m
Proposed for approval at AGM (not recognised as a liability as at 27 June 2009)		
Equity dividends on ordinary shares:		
Final dividend for 2009: 55.5p per share (2008: 55.5p)	23.9	23.2

12. Property, plant and equipment

	Freehold land and buildings £m	Leasehold properties £m	Rolling stock £m	Plant and equipment £m	Total £m
Cost:					
At 30 June 2007	147.1	17.2	335.8	180.0	680.1
Additions	0.2	1.4	32.6	21.3	55.5
Acquisitions	1.6	–	2.0	4.5	8.1
Disposals	(1.6)	(0.3)	(21.4)	(16.8)	(40.1)
Transfer of assets held for resale	(2.7)	–	–	–	(2.7)
At 28 June 2008	144.6	18.3	349.0	189.0	700.9
Additions	1.1	1.3	34.0	23.2	59.6
Disposals	–	–	(17.4)	(6.5)	(23.9)
Transfer categories	–	–	(0.1)	0.1	–
Transfer of assets held for resale	0.8	–	(1.8)	–	(1.0)
At 27 June 2009	146.5	19.6	363.7	205.8	735.6
Depreciation and impairment:					
At 30 June 2007	4.5	3.1	141.0	106.8	255.4
Charge for the year	0.4	1.0	26.5	21.2	49.1
Disposals	–	–	(15.3)	(14.8)	(30.1)
Transfer of assets held for resale	(0.1)	–	–	–	(0.1)
At 28 June 2008	4.8	4.1	152.2	113.2	274.3
Charge for the year	0.6	1.1	27.3	20.7	49.7
Exceptional depreciation	–	–	0.8	–	0.8
Impairment charges	–	–	–	22.2	22.2
Disposals	–	–	(14.5)	(5.7)	(20.2)
Transfer of assets held for resale	0.1	–	(1.2)	–	(1.1)
At 27 June 2009	5.5	5.2	164.6	150.4	325.7
Net book value					
At 27 June 2009	141.0	14.4	199.1	55.4	409.9
At 28 June 2008	139.8	14.2	196.8	75.8	426.6
At 30 June 2007	142.6	14.1	194.8	73.2	424.7

The net book value of leased assets and assets acquired under hire purchase contracts is:

	2009 £m	2008 £m
Rolling stock	118.3	156.9
Plant and equipment	1.9	3.1
	120.2	160.0

Additions during the year included £nil (2008: £1.8m) of rolling stock and £nil (2008: £nil) of plant and equipment held under finance leases and hire purchase contracts.

13. Intangible assets

	Goodwill £m	Software costs £m	Franchise bid costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
Cost						
At 30 June 2007	108.5	6.2	4.8	34.4	3.9	157.8
Additions	—	3.0	2.4	—	—	5.4
Reclassification	(0.4)	—	—	—	0.4	—
Disposals	(3.8)	(0.4)	—	—	—	(4.2)
Acquisitions	0.8	—	—	15.2	1.2	17.2
At 28 June 2008	105.1	8.8	7.2	49.6	5.5	176.2
Additions	—	2.6	0.2	—	—	2.8
At 27 June 2009	105.1	11.4	7.4	49.6	5.5	179.0
Amortisation and impairment						
At 30 June 2007	16.3	3.3	2.0	6.6	0.2	28.4
Charge for the year	2.4	1.2	0.8	5.8	1.4	11.6
At 28 June 2008	18.7	4.5	2.8	12.4	1.6	40.0
Charge for the year	2.4	1.4	0.9	6.2	1.5	12.4
Impairment	16.1	0.1	—	—	0.1	16.3
At 27 June 2009	37.2	6.0	3.7	18.6	3.2	68.7
Net book value						
At 27 June 2009	67.9	5.4	3.7	31.0	2.3	110.3
At 28 June 2008	86.4	4.3	4.4	37.2	3.9	136.2
At 30 June 2007	92.2	2.9	2.8	27.8	3.7	129.4

Rail franchise asset

This reflects the cost of the right to operate a rail franchise. The brought forward element of the franchise intangible is made up of £25.2m relating to the opening deficit in the RPS and £12.0m relating to the cost of the intangible asset acquired on the handover of the franchise assets relating to the Southeastern rail franchise. The intangible asset is being amortised on a straight-line basis over the life of the franchises (being between six and eight years).

Software costs

Software costs capitalised exclude software that is integral to the related hardware.

Customer contracts

This relates to the value attributed to customer contracts and relationships purchased as part of the Group's acquisitions. The value is calculated based on the unexpired term of the contracts at the date of acquisition and is amortised over that period.

Impairment

During the year ended 27 June 2009 an impairment review of the aviation services division resulted in the goodwill of Aviance and Plane Handling of £16.1m being written down to £nil. Software costs of £0.1m and customer contracts of £0.1m associated with the aviation services division were also impaired.

Goodwill

As from 3 July 2004, goodwill is no longer amortised and is annually tested for impairment.

The goodwill charge of £2.4m (2008: £2.4m) is in respect of rail businesses which, due to the finite nature of the franchises, require the goodwill to be impaired annually.

Goodwill acquired through acquisitions has been allocated to individual cash-generating units for impairment testing on the basis of the Group's business operations. The carrying value of goodwill by cash-generating unit is as follows:

	2009 £m	2008 £m
aviance and Plane Handling	–	16.1
Meteor Parking	18.4	18.4
New Southern Railway	1.0	3.4
Metrobus	6.5	6.5
Go South Coast	28.6	28.6
Brighton & Hove	2.1	2.1
Go West Midlands	–	–
London Bus	10.5	10.5
Go North East	0.8	0.8
	67.9	86.4

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash-generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three-year period. Growth has been extrapolated forward from the end of the forecasts, using a growth rate of 3.0% which reflects the Directors' view of long term growth rates in each business.

The pre-tax cashflows for all cash-generating units have been discounted using a pre-tax discount rate of 11.0% (2008: 12.1%), based on the Group's weighted average cost of capital, plus an appropriate risk premium for each cash-generating unit of 0.0-2.0% (2008: 0.0-2.0%).

The calculation of value in use for each cash-generating unit is most sensitive to the forecast operating cashflows, the discount rate and the growth rate used to extrapolate cashflows beyond the budget period. The operating cashflows are based on assumptions of revenue, staff costs and general overheads. These assumptions are influenced by several internal and external factors.

The Directors consider the assumptions used to be consistent with the historical performance of each unit and to be realistically achievable in light of economic and industry measures and forecasts. We have conducted sensitivity analyses on our calculations and have confirmed that, apart from aviance and Plane Handling where we have recorded an impairment of our assets this year, there is no reasonably possible movement on assumptions which would lead to impairment.

14. Business combinations

Year ended 27 June 2009

There have been no business combinations during the year ended 27 June 2009.

Year ended 28 June 2008

On 10 September 2007, Go North East Limited, a wholly owned subsidiary of the Group, acquired the commercial bus operations and associated assets of Northumbria Coaches, a small independent Northumberland bus operator. On 15 October 2007, Go North East Limited acquired the commercial bus operations and associated assets of Stanley Taxis, a small independent Durham bus operator. On 28 January 2008 Go North East Limited acquired the commercial bus operations and associated assets of Redby Buses, a small independent Sunderland bus operator. On 8 December 2007 Metrobus Limited, a wholly owned subsidiary of the Group, acquired FirstGroup's regulated bus operations in Orpington.

The total cash consideration for the above acquisitions was £5.5m. They have been accounted for as acquisitions in accordance with IFRS 3. The acquisition balance sheets have been adjusted to reflect provisional fair values and the goodwill arising has been capitalised as an intangible asset.

Intangible assets acquired represent customer contracts of £1.2m.

Management believes that the goodwill represents future growth opportunities and created value to the Group in respect of non-contractual relationships, customer loyalty, and an assembled workforce, for which the recognition of a discrete intangible asset is not permitted. A property valuation has been completed.

14. Business combinations continued

A summary of the transactions is detailed below:

Net assets at date of acquisition:

	Book value 2008 £m	Fair value to Group 2008 £m
Intangible assets	—	1.2
Tangible fixed assets	4.0	3.5
	4.0	4.7
Goodwill capitalised		0.8
		5.5
Cash		5.5
		5.5

From the date of acquisition, in the year ended 28 June 2008, the acquisitions contributed an operating profit of £0.8m to the Group and revenue of £5.3m. The Group is unable to determine, from available information, the profit and cashflow that would have been contributed if the combinations had taken place at the beginning of the year.

15. Assets classified as held for sale

Assets held for sale, with a carrying amount of £9.7m (2008: £2.6m), represent property, plant and equipment which are currently not used in the business and are now available for sale. These assets classified as held for sale had no associated liabilities at the year end (2008: £nil).

16. Inventories

	2009 £m	2008 £m
Raw materials and consumables	13.1	12.0

The provision for slow moving and obsolete inventory is immaterial.

17. Trade and other receivables

	2009 £m	2008 £m
Current		
Trade receivables	94.0	111.7
Less: Provision for impairment of receivables	(4.4)	(3.0)
Trade receivables – net	89.6	108.7
Other receivables	27.3	26.7
Prepayments and accrued income	59.1	64.4
Receivable from central government	23.2	38.4
	199.2	238.2
Non-current		
Other receivables	3.1	1.5

Included within other receivables is £21.6m (2008: £21.2m) deposit paid on rolling stock.

Trade receivables at nominal value of £4.4m (2008: £3.0m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Individually impaired £m	Collectively impaired £m	Total £m
At 30 June 2007	1.6	0.1	1.7
Charge for the year	1.7	—	1.7
Utilised	(0.3)	—	(0.3)
Unused amounts reversed	(0.1)	—	(0.1)
At 28 June 2008	2.9	0.1	3.0
Charge for the year	2.5	0.5	3.0
Utilised	(0.8)	(0.1)	(0.9)
Unused amounts reversed	(0.7)	—	(0.7)
At 27 June 2009	3.9	0.5	4.4

As at 27 June 2009, the ageing analysis of trade receivables is as follows:

	Total £m	Neither past due nor impaired £m	< 30 days £m	30 – 60 days £m	60 – 90 days £m	90 – 120 days £m	Past due but not impaired > 120 days £m
2009	89.6	60.8	16.6	4.8	0.2	3.2	4.0
2008	108.7	74.7	24.9	5.2	2.6	1.3	—

18. Cash and short term deposits

	2009 £m	2008 £m
Cash at bank and in hand	32.2	21.1
Short term deposits	174.9	136.0
	207.1	157.1

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The fair value of cash and cash equivalents is not materially different to book value.

Amounts held by rail companies included in cash at bank and on short term deposit, can be distributed only with the agreement of the DfT, normally up to the value of revenue reserves or based on a working capital formula agreed with the DfT. As at 27 June 2009, balances amounting to £181.3m (2008: £122.9m) were restricted.

For the purposes of the consolidated cashflow statement, cash and cash equivalents comprise the following:

	2009 £m	2008 £m
Cash at bank and in hand	32.2	21.1
Short term deposits	174.9	136.0
Bank overdrafts (note 20)	(5.0)	(5.8)
	202.1	151.3

19. Trade and other payables

	2009 £m	2008 £m
Current		
Trade payables	179.3	169.4
Other taxes and social security costs	22.2	18.6
Other payables	30.1	39.2
Deferred season ticket income	88.8	84.9
Accruals and deferred income	81.3	67.8
Uninsured claims accrual	40.2	34.8
Payable to central government	39.5	27.2
Government grants	4.3	2.1
	485.7	444.0
	2009 £m	2008 £m
Non-current		
Government grants	3.7	7.0
Other liabilities	5.2	2.8
	8.9	9.8

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest-bearing and are normally settled on 30 day terms;
- Other payables are non-interest-bearing and have varying terms of up to 12 months;
- For terms and conditions relating to related parties, refer to note 29.

20. Interest-bearing loans and borrowings**Net Debt**

Our net debt position comprises cash, short term deposits, interest-bearing loans and borrowings, and can be summarised as:

	2009 £m	2008 £m
Syndicated loans (see below)	239.0	262.0
Medium term loans (see below)	36.0	52.8
Finance lease and HP commitments (note 21)	18.1	34.3
Overdrafts (note 18)	5.0	5.8
	298.1	354.9
Cash and short term deposits (note 18)	(207.1)	(157.1)
Net debt	91.0	197.8

Interest-bearing loans and borrowings

	Effective interest rate %	Maturity	2009 £m	2008 £m
Current				
Bank overdrafts	1.50	On demand	5.0	5.8
Current obligations under finance leases and hire purchase contracts (note 21)	5.19	1 to 12 months	9.2	16.0
Current instalments due on bank loans	4.16	2 to 9 months	16.2	16.8
			30.4	38.6
Non-current				
Non-current obligations under finance leases and hire purchase contracts (note 21)	5.19	1 to 5 years	8.9	18.3
Non-current instalments due on bank loans	1.35	1 to 4 years	257.6	296.3
			266.5	314.6
Total interest-bearing loans and borrowings			296.9	353.2
Debt issue costs			1.2	1.7
As per net debt schedule			298.1	354.9

The maturity of bank loans is as follows:

	2009 £m	2008 £m
Within one year	16.2	16.8
After one year but not more than five years	257.6	15.4
After more than five years	—	280.9
	273.8	313.1

Bank loans

Bank loans are stated net of debt issue costs of £1.2m (2008: £1.7m).

Syndicated loan facility

On 23 November 2007 the Group entered into a £340.0m five-year syndicated loan facility. The debt is unsecured and interest is charged at LIBOR + Margin, where the margin is dependent upon the gearing of the Group and the intended use of the borrowings.

As at 27 June 2009, £239.0m (2008: £262.0m) of the facility was drawn down.

Medium term loans

The Group has a number of medium term loans, all of which are unsecured.

	Effective interest rate %	2009 £m	2008 £m
Fixed rate term loan	5.76	24.8	25.5
Floating rate term loans	1.02	11.2	27.3
		36.0	52.8

There are two fixed rate term loans which are both unsecured, £19.5m is subject to interest of 5.71% and is repayable in annual instalments of £6.5m, £5.8m and £7.2m on 22 September each year. £5.3m is subject to fixed interest of 5.94% and is repayable in one final instalment on 6 March 2010.

There is one floating rate loan which is unsecured. It is subject to interest at LIBOR + 0.3%, and is repayable in annual instalments of £5.6m on 22 August each year.

On 26 August 2009 two additional floating rate loans were arranged. The first being a £15.0m loan subject to interest at LIBOR + 3.0% with a single repayment on 25 August 2012. The second is also for £15.0m and is subject to interest at LIBOR + 2.25%. Repayments of £1.5m, £3.5m and £10.0m will be made in year one, year two and year three respectively.

Bank covenants

The Group is subject to a number of covenants in relation to its borrowing facilities which, if contravened, would result in its loans becoming immediately repayable. These covenants specify a maximum adjusted net debt to EBITDA of 3.5x, and EBITDA plus fixed charges to interest payable plus fixed charges ratio. At the year end the Group was not in breach of any bank covenants.

Details of the Group's treasury policies are included in note 22.

21. Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for rolling stock and various items of plant and machinery. These contracts have no terms of renewal or purchase option escalation clauses. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments, are as follows:

	2009		2008	
	Minimum payments £m	Present value of payments £m	Minimum payments £m	Present value of payments £m
Within one year	10.0	9.2	17.3	16.0
After one year but not more than five years	9.5	8.9	19.1	18.1
After more than five years	—	—	0.2	0.2
Total minimum lease payments	19.5		36.6	
Less amounts representing finance charges	(1.4)		(2.3)	
Present value of minimum lease payments	18.1	18.1	34.3	34.3

22. Financial risk management objectives and policies**Financial risk factors and management**

The Group's principal financial instruments comprise bank loans, hire purchase and finance lease contracts, and cash and short term deposits. The main purpose of these financial instruments is to provide an appropriate level of net debt to fund the Group's activities, namely working capital, fixed asset expenditure, acquisitions, dividends and share buybacks. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps and fuel swaps. The purpose is to manage the interest rate and fuel price risks arising from the Group's operations and its sources of finance.

It is, and has been throughout 2009 and 2008, the Group's policy that no trading in derivatives shall be undertaken and derivatives are only purchased for internal benefit.

The main financial risks arising from the Group's activities are interest rate risk, liquidity risk and credit risk. Risks arising from fuel derivatives are explained in note 23.

Interest rate risk

The Group borrows and deposits funds and is exposed to changes in interest rates. The Board's policy toward cash deposits is to deposit cash short term on UK money markets. Interest payable on senior bank borrowings is based on re-fixing the rate of interest over short periods of time of up to 36 months. During the year the Group has partially managed interest rate risk by hedging. Excluding fixed rate debt, the Group has net borrowings and hence the present adverse risk is an increase in interest rates.

The maturity and interest rate profile of the financial assets and liabilities of the Group as at 27 June 2009 is as follows:

	Average rate %	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Year ended 27 June 2009								
Floating rate liabilities/(assets)								
Bank overdrafts	1.50	5.0	—	—	—	—	—	5.0
Variable rate loans	1.11	5.6	5.6	—	239.0	—	—	250.2
Obligations under finance lease and HP contracts	1.42	0.8	0.8	—	—	—	—	1.6
Interest rate swaps	2.20	—	—	(49.5)	(50.0)	—	—	(99.5)
Gross floating rate liabilities/(assets)		11.4	6.4	(49.5)	189.0	—	—	157.3
Cash assets	0.78	(207.1)	—	—	—	—	—	(207.1)
Net floating rate (assets)/liabilities		(195.7)	6.4	(49.5)	189.0	—	—	(49.8)
Fixed rate liabilities								
Medium term fixed rate loan	5.76	11.8	5.8	7.2	—	—	—	24.8
Obligations under finance lease and hire purchase contracts	5.55	8.4	5.0	2.5	0.4	0.2	—	16.5
Interest rate swaps	2.20	—	—	49.5	50.0	—	—	99.5
		20.2	10.8	59.2	50.4	0.2	—	140.8
Total floating and fixed profile		(175.5)	17.2	9.7	239.4	0.2	—	91.0

	Average rate %	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Year ended 28 June 2008								
Floating rate liabilities/(assets)								
Cash assets	5.59	(157.1)	—	—	—	—	—	(157.1)
Bank overdrafts	6.00	5.8	—	—	—	—	—	5.8
Variable rate loans	5.29	10.6	11.1	5.6	—	262.0	—	289.3
		(140.7)	11.1	5.6	—	262.0	—	138.0
Fixed rate liabilities								
Medium term fixed rate loan	5.71	6.8	5.8	5.7	7.2	—	—	25.5
Obligations under finance lease and hire purchase contracts	5.64	16.0	9.2	6.8	1.7	0.4	0.2	34.3
		22.8	15.0	12.5	8.9	0.4	0.2	59.8
Total floating and fixed profile		(117.9)	26.1	18.1	8.9	262.4	0.2	197.8

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest-bearing and are therefore not subject to interest rate risk.

At 27 June 2009, the Group had two interest rate swaps totalling £100.0m, fixing the interest on part of the variable rate syndicated loan. £50.0m was fixed at 2.01% plus margin until December 2011 and £50.0m was fixed at 2.39% plus margin until December 2012. To date these two interest swaps have resulted in a realised loss of £0.2m.

These swaps result in a net floating rate asset of £50.3m and a net fixed rate liability of £141.3m at 27 June 2009. Hence the adverse risk at year end is a decrease in interest rates.

During the current year, the Group entered into an interest rate swap totalling £150.0m, fixing the interest on part of the variable rate syndicated loan at 6.4%. The interest rate swap covered the six month period from October 2008 to March 2009 and resulted in a realised loss of £1.8m.

During the year ended 2008, the Group took out a variable interest rate swap on a £100.0m drawdown of the syndicated loan. This was designated as a cashflow hedge of the interest on the loan, and a loss of £0.2m was recognised in the income statement.

	Interest rate hedge 2009 £m	2008 £m
Unrealised gains on hedges at start of year	—	—
(Losses)/gains arising in the year	(1.5)	(0.2)
Realised losses/(gains) in the year	2.0	0.2
Unrealised (losses)/gains on hedges at the end of the year	0.5	—
(Losses)/gains expected to be recognised within one year	0.1	—

22. Financial risk management objectives and policies continued**Interest rate risk table**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ decrease in basis points	Effect on profit before tax £m
2009		
GBP	50	(0.7)
GBP	(50)	0.7
2008		
GBP	50	(0.7)
GBP	(50)	0.7

Liquidity risk

The Group has in place a £340.0m syndicated loan facility which allows the Group to maintain liquidity within the desired gearing range. The level of drawdown and prevailing interest rates are detailed in note 20.

The Group's road passenger vehicles are also financed by hire purchase or finance lease arrangements, or term loans at fixed rates of interest over two to five year primary borrowing periods. This provides a regular inflow of funding to cover expenditure as it arises.

Foreign currency risk

The Group rarely enters into transactions in foreign currency and no transaction to date has been material. Should larger foreign currency transactions be undertaken, consideration would be given to hedging the foreign currency exchange risk.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables and cash deposits (see note 17). The maximum credit risk exposure of the Group comprises the amounts presented in the balance sheet, which are stated net of provisions for doubtful debt. A provision is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of future cashflows.

The majority of the Group's receivables are with public (or quasi-public) bodies (such as the DfT). The Group does not consider these counterparties to be a significant credit risk. Outside of this, the Group does not consider it has significant concentrations of credit risk. Risk of exposure to non-return of cash on deposit is managed through a treasury policy of holding deposits with banks rated A+ or Aa3 or above with at least one of the agencies. Our treasury policy outlines the maximum level of deposit that can be placed with any one given financial institution.

Contractual payments

The table below summarises the maturity profile of the Group's financial liabilities at 27 June 2009 based on contractual undiscounted payments.

Year ended 27 June 2009

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
Interest-bearing loans and borrowings	5.0	16.5	18.6	291.2	—	331.3
Other financial liabilities	—	4.1	12.3	8.5	—	24.9
Trade and other payables	48.1	263.6	37.5	4.6	—	353.8
	53.1	284.2	68.4	304.3	—	710.0

Year ended 28 June 2008

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
Interest-bearing loans and borrowings	5.7	19.5	35.7	381.6	0.2	442.7
Trade and other payables	43.7	216.1	62.8	2.5	0.5	325.6
	49.4	235.6	98.5	384.1	0.7	768.3

Managing capital

The Group manages its capital structure such that net debt (adjusted to exclude restricted cash), to EBITDA (before exceptionals) is within a range which retains an investment grade debt rating. Adjusted net debt at the year end was £272.3m (2008: £320.7m), equivalent to 1.57x (2008: 1.65x) EBITDA in line with the Group's aim to move to an adjusted net debt to EBITDA ratio of 1.5x to 2.5x through the cycle.

Operating leases

The Group uses operating leases for bus and coach purchases across the Group primarily where the vehicles service specific contracts to mitigate the risk of ownership at the end of the contract. This results in £0.4m (2008: £0.4m) of cost within operating charges which would otherwise have been charged to interest. The Group holds operating leases for its bus fleet with an asset capital value of £9.5m (2008: £6.4m).

The majority of assets in the rail division are financed by operating leases, in particular rolling stock. Leases are entered into by the respective operating companies and are not the subject of parent company guarantees.

23. Derivatives and financial instruments

a. Fair values

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 27 June 2009 and are as follows:

	2009 Carrying value £m	Fair value £m	2008 Carrying value £m	Fair value £m
Fuel price derivatives	(21.7)	(21.7)	27.3	27.3
Interest rate derivatives	0.5	0.5	—	—
Fixed rate debt	(24.8)	(25.5)	(25.5)	(23.9)
Obligations under finance lease and hire purchase contracts	(16.5)	(16.5)	(34.3)	(34.3)
	(62.5)	(63.2)	(32.5)	(30.9)

The fair value of all other assets and liabilities in notes 17, 19 and 20 is not significantly different to their carrying amount. The fuel price derivatives were valued externally by the respective banks by comparison with the market fuel price at the relevant date.

The fair value of fixed rate borrowings has been calculated by discounting the expected future cashflows at prevailing rates.

b. Hedging activities

Fuel derivatives

The Group is exposed to commodity price risk as a result of fuel usage. The Group closely monitors fuel prices and uses fuel derivatives to hedge its exposure to increases in fuel prices, when it deems appropriate.

At the year end, the Group had various fuel price swaps in place. For the 2010, 2011, 2012, 2013 and 2014 financial years cashflow hedges were placed over 125, 113, 38, 6 and 1 million litres of fuel respectively. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 27 June 2009 the Group had derivatives against bus fuel of 109 million litres for the year ending 3 July 2010, representing approximately 98.0% of the anticipated fuel usage in our bus division. As at 27 June 2009 the Group also had derivatives against bus fuel for the 2011, 2012, 2013 and 2014 financial years of 100, 25, 3 and 1 million litres respectively.

As at 27 June 2009 the Group had derivatives against rail fuel of 16 million litres for the year ending 3 July 2010, representing the anticipated fuel usage in London Midland and Southern. As at 27 June 2009 the Group also had further derivatives for the 2011, 2012 and 2013 financial years of 13, 13 and 3 millions litres of rail fuel respectively.

The Group's hedging policy for the target percentage of anticipated bus fuel usage hedged for the next year and subsequent two years, and its compliance with that policy at the year ended 27 June 2009 is as follows:

	2010	2011	2012
Percentage to hedge per Group policy	100.0%	50.0%	25.0%
Actual percentage hedged	98.0%	89.0%	22.0%

The gains and losses on instruments used for hedging fuel price risk are not recognised until the exposure that is being hedged is itself recognised. The movement in the period is shown below.

	Interest rate hedge 2009 £m	2008 £m	Fuel swaps 2009 £m	2008 £m
Unrealised gains on hedges at start of year	—	—	27.3	0.7
(Losses)/gains arising in the year	(1.5)	(0.2)	(52.7)	33.3
Realised losses/(gains) in the year	2.0	0.2	10.6	(6.7)
Unrealised (losses)/gains on hedges at the end of the year	0.5	—	(14.8)	27.3
(Losses)/gains expected to be recognised within one year	0.1	—	(15.9)	18.6

24. Provisions

	Depots £m	Onerous contracts £m	Total £m
At 28 June 2008	0.9	—	0.9
Provided	3.4	1.5	4.9
At 27 June 2009	4.3	1.5	5.8

At 27 June 2009 provisions have been increased to cover potential disputed costs in one of the train operating companies and onerous contract provisions in the aviation services division. All provisions are expected to be incurred within five years.

25. Issued capital and reserves

	2009 £m	Authorised 2008 £m
62.5 million 10p ordinary shares	6.3	6.3

	Millions	2009 £m	Allotted, called up and fully paid 2008 £m
As at 28 June 2008	46.8	4.7	50.9
Issued on exercise of share options	0.1	—	0.5
Cancelled during the year	—	—	(4.6)
As at 27 June 2009	46.9	4.7	46.8

The Company has one class of ordinary shares which carry no right to fixed income.

Statement of changes in equity

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m	Minority interest £m	Total £m
At 30 June 2007	65.4	(80.6)	0.5	1.6	0.2	138.7	125.8	5.8	131.6
Total recognised income and expense	—	—	17.0	—	—	22.5	39.5	24.4	63.9
Share based payment charge	—	—	—	—	—	1.2	1.2	(0.2)	1.0
Dividends	—	—	—	—	—	(31.4)	(31.4)	(16.7)	(48.1)
Acquisition of own shares	—	(87.3)	—	—	—	—	(87.3)	—	(87.3)
Arising on shares issued for share options	6.4	—	—	—	—	—	6.4	—	6.4
Share cancellation	(0.5)	101.1	—	—	0.5	(101.1)	—	—	—
Reserve transfer	—	(2.0)	—	—	—	2.0	—	—	—
At 28 June 2008	71.3	(68.8)	17.5	1.6	0.7	31.9	54.2	13.3	67.5
Total recognised income and expense	—	—	(28.0)	—	—	(11.6)	(39.6)	8.6	(31.0)
Share based payment charge	—	—	—	—	—	0.7	0.7	—	0.7
Dividends	—	—	—	—	—	(34.8)	(34.8)	(12.3)	(47.1)
Acquisition of own shares	—	(0.2)	—	—	—	—	(0.2)	—	(0.2)
Arising on shares issued for share options	0.6	—	—	—	—	—	0.6	—	0.6
Reserve transfer	—	0.2	—	—	—	(0.2)	—	—	—
At 27 June 2009	71.9	(68.8)	(10.5)	1.6	0.7	(14.0)	(19.1)	9.6	(9.5)

Share capital

Share capital represents proceeds on issue of the Company's equity, both nominal value and share premium.

Reserve for own shares

The reserve for own shares is in respect of 3,954,897 ordinary shares (8.4% of share capital), of which 52,667 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 year ended 27 June 2009 the Company has repurchased 13,615 shares (2008: 3,571,000 shares). The Company has not cancelled any shares during the year (2008: 4,571,000 shares). A consideration of £0.2m (2008: £87.3m) including expenses was made for the shares purchased during the year.

Other reserve

The other reserve represents the premium on shares that have been issued to fund or part fund acquisitions made by the Group. This treatment is in line with Section 612 of the Companies Act 2006.

Hedging reserve

The hedging reserve records the movement in value of fuel price derivatives, offset by any movements recognised directly in equity.

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

26. Notes to the cashflow statement

Analysis of Group net debt

	Cash and cash equivalents £m	Syndicated loan facility £m	Bi-lateral loans £m	Term loans £m	Hire purchase/ finance leases £m	Loan notes £m	Total £m
30 June 2007	128.6	—	(157.0)	(65.6)	(50.1)	(0.4)	(144.5)
Cashflow	17.8	(262.0)	157.0	12.8	15.6	0.4	(58.4)
Acquisitions	4.9	—	—	—	—	—	4.9
Disposals	—	—	—	—	0.2	—	0.2
28 June 2008	151.3	(262.0)	—	(52.8)	(34.3)	—	(197.8)
Cashflow	50.8	23.0	—	16.8	16.2	—	106.8
27 June 2009	202.1	(239.0)	—	(36.0)	(18.1)	—	(91.0)

27. Commitments and contingencies

Capital commitments

	2009 £m	2008 £m
Contracted for but not provided	42.4	31.4

As part of the Group's commitment to assist DfT funding on new rolling stock, the Group is committed to pay a further £30.0m from restricted cash reserves on Electrostar units that may then be the subject of refinancing through operating lease arrangements in subsequent periods.

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain properties and other items. Renewals are at the option of the lessee. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 27 June 2009 are as follows:

	Land and buildings £m	2009 Plant and equipment £m	Land and buildings £m	2008 Plant and equipment £m
Within one year	14.6	16.8	13.1	11.1
After one year but not more than five years	47.3	39.3	46.9	27.7
More than five years	81.1	0.3	88.4	3.8
	143.0	56.4	148.4	42.6

In addition, as part of the rail franchises, the Group holds agreements under which it leases rolling stock, and agreements with Network Rail for access to the railway infrastructure (track, stations and depots).

Future minimum rentals payable under these operating leases as at 27 June 2009 are as follows:

	2009 £m	2008 £m
Within one year	504.6	747.8
In the second to fifth years inclusive	1,168.3	1,811.9
Over five years	195.0	245.9
	1,867.9	2,805.6

27. Commitments and contingencies continued**Operating lease commitments – Group as lessor**

The Group's train operating companies hold agreements under which they sub-lease rolling stock, and agreements with Network Rail for access to the railway infrastructure (track, stations and depots).

Future minimum rentals payable under non-cancellable operating leases as at 27 June 2009 are as follows:

	Land and buildings £m	2009 Other rail agreements £m	Land and buildings £m	2008 Other rail agreements £m
Within one year	2.5	2.5	4.5	5.8
After one year but not more than five years	1.7	–	6.8	1.0
More than five years	–	–	0.2	–
	4.2	2.5	11.5	6.8

Performance bonds

The Group has provided bank guaranteed performance bonds of £131.7m (2008: £96.5m), and season ticket bonds of £110.2m (2008: £97.9m) to the DfT in support of the Group's rail franchise operations.

To support subsidiary companies in their normal course of business, the Group has indemnified certain banks and insurance companies who have issued certain performance bonds and letters of credit. The letter of credit at 27 June 2009 is £35.0m (2008: £35.0m).

28. Pensions**Retirement benefit obligations consist of the following:**

	2009 £m	2008 £m
Non-rail pension scheme liabilities	(76.0)	(59.4)
Rail pension scheme liabilities	(7.5)	–
Pre-tax pension liabilities	(83.5)	(59.4)
Deferred tax asset	23.4	16.6
Post tax pension scheme liabilities	(60.1)	(42.8)

Non-rail schemes**The Go-Ahead Group Pension Plan**

For the majority of non-rail employees, the Group operates one main pension scheme, The Go-Ahead Group Pension Plan (the 'Go-Ahead Plan'), which consists of a funded defined benefit scheme and a defined contribution section as follows:

The defined contribution section of The Go-Ahead Plan is not contracted-out of the State Second Pension Scheme and is open to new entrants. The expense recognised for the defined contribution section of The Go-Ahead Plan is £4.9m (2008: £4.5m) being the contributions paid and payable.

The defined benefit section of The Go-Ahead Plan is contracted-out of the State Second Pension Scheme and provides benefits based on a member's final salary. The assets of the scheme are held in a separate trustee-administered fund. Contributions to this section are assessed in accordance with the advice of an independent qualified actuary. The section is effectively closed to new entrants. As a result, it can be expected that the service cost will increase in future as a percentage of payroll. However, this percentage is likely to be applied to a reducing total pensionable payroll.

The Go-Ahead Plan is a Group plan for related companies where risks are shared. The overall costs of the Go-Ahead Plan have been recognised in the Group's financial statements according to IAS 19. Each of the participating companies accounts on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 cost of the scheme and the aggregate contributions paid.

Wilts & Dorset Pension Scheme and Southern Vectis Group Pension Plan

Some employees of our Go South Coast operations participate in the Wilts & Dorset Pension Scheme or the Southern Vectis Group Pension Plan. These are defined benefit schemes which are externally funded and contracted-out of the State Second Pension Scheme. Contributions to the schemes are assessed in accordance with the advice of an independent qualified actuary. The schemes are closed to new entrants, however eligible employees can join the defined contribution section of the The Go-Ahead Group Pension Plan.

Other pension arrangements

A small number of employees in aviance have access to separate defined contribution pension arrangements as part of legacy agreements. The expense recognised for this is £0.3m (2008: £0.4m), being the contributions paid.

The Railways Pension Scheme (the RPS)

The majority of employees in our train operating companies are members of sections of the RPS, a funded defined benefit scheme. The RPS is a shared costs scheme, with assets and liabilities split 60%/40% between the franchise holder/employee respectively. The RPS sections are all open to new entrants and the assets and liabilities of each company's section are separately identifiable and segregated for funding purposes.

In addition to the defined benefit cost, BRASS matching AVC company contributions of £0.9m (2008: £0.7m) were paid in the year.

It is our experience that all pension obligations to the RPS cease on expiry of the franchises without cash or other settlement, and therefore the obligations recognised on the balance sheet under IAS 19 are only those that are expected to be funded during the franchise term. However, in spite of our past experience and that of other train operating companies proving otherwise, our legal obligations are not restricted. On entering into a franchise, the operator becomes the designated employer for the term of the contract and under the RPS rules is obliged to meet the schedule of contributions agreed with the scheme trustees and actuaries, in respect of which no funding cap is set out in the franchise contract.

Summary of year end assumptions

	2009 %	2008 %
Price inflation	3.4	3.8
Discount rate	6.3	6.2
Rate of increase in salaries	4.4	5.3
Rate of increase of pensions in payment and deferred pension*	3.4	3.8

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

The discount rate is based on the anticipated return of AA rated corporate bonds with a term matching the maturity of the scheme liabilities.

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.

	2009 Years	Rail 2008 Years	2009 Years	Non-rail 2008 Years
Pensioner	20	20	19	18
Non-Pensioner	22	22	20	19

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (suggested by the yields available), and the views of investment organisations.

Sensitivity analysis

In making the valuation, the above assumptions have been used. The following is an approximate sensitivity analysis of the impact of the change in the key assumptions. In isolation the following adjustments would adjust the pension deficit and cost as shown.

	Pension deficit £m	Non-rail 2010 Pension cost £m
Discount Factor – increase of 0.1%	(7.6)	(0.2)
Price Inflation – increase of 0.1%	6.8	0.7
Rate of increase in salaries – increase of 0.1%	1.6	0.2
Rate of increase of pensions in payment – increase of 0.1%	4.3	0.3
Increase in life expectancy of pensioners or non-pensioners by 1 year	13.4	1.2

Category of assets at the year end

	£m	2009 %	£m	2008 %
Rail				
Equities	447.5	63.4	553.1	63.6
Bonds	71.3	10.1	87.8	10.1
Property	110.1	15.6	130.5	15.0
Cash	76.9	10.9	98.3	11.3
	705.8	100.0	869.7	100.0
Non-rail				
Equities	166.5	47.2	177.8	47.2
Bonds	162.9	46.2	170.7	45.3
Property	17.6	5.0	21.9	5.8
Cash	5.7	1.6	6.4	1.7
	352.7	100.0	376.8	100.0

28. Pensions continued

The weighted average expected long term rates of return were:

	2009 % p.a.	2008 % p.a.	Rail 2007 % p.a.	2009 % p.a.	2008 % p.a.	Non-rail 2007 % p.a.
Weighted average rate of return	8.1	8.0	7.7	7.8	7.9	7.7

Funding position of the Group's pension arrangements

	2009 £m	2008 £m	Rail 2007 £m	2009 £m	2008 £m	Non-rail 2007 £m
Employer's share of pension scheme:						
Liabilities at the end of the year	(937.1)	(1,026.5)	(652.0)	(428.7)	(436.2)	(404.5)
Assets at fair value	705.8	869.7	651.8	352.7	376.8	380.0
Gross deficit	(231.3)	(156.8)	(0.2)	(76.0)	(59.4)	(24.5)
Franchise adjustment	223.8	156.8	(2.1)	—	—	—
Pension scheme liability	(7.5)	—	(2.3)	(76.0)	(59.4)	(24.5)

Pension cost for the financial year

	2009 £m	2008 £m	Rail 2007 £m	2009 £m	2008 £m	Non-rail 2007 £m
Service cost	41.6	31.5	24.4	6.1	6.7	7.5
Interest cost on liabilities	42.8	30.4	20.5	26.8	23.8	22.5
Expected return on assets	(42.0)	(37.8)	(24.8)	(29.4)	(29.7)	(24.5)
Interest on franchise adjustments	(9.8)	—	(1.3)	—	—	—
Pension cost	32.6	24.1	18.8	3.5	0.8	5.5

Experience recognised in the Statement of Recognised Income and Expense (SORIE)

	2009 £m	2008 £m	2007 £m	2006 £m	Rail 2005 £m	2009 £m	2008 £m	2007 £m	2006 £m	Non-rail 2005 £m
Gain/(loss) on pension scheme liabilities	89.6	(65.3)	4.8	1.0	(25.3)	28.8	(10.5)	35.0	(14.0)	(54.9)
Experience (losses)/gains on assets	(152.9)	(81.5)	36.4	5.7	10.2	(49.7)	(39.6)	25.6	29.9	12.4
Franchise adjustment movement	57.3	152.3	(26.8)	(5.7)	18.1	—	—	—	—	—
Total (loss)/gain recognised in SORIE during the year	(6.0)	5.5	14.4	1.0	3.0	(20.9)	(50.1)	60.6	15.9	(42.5)

The Directors were unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and then taken directly to equity is attributable to actuarial gains and losses since the inception of the pension schemes. Consequently the Directors are unable to determine the amounts of actuarial gains and losses that would have been recognised in the Group SORIE before 3 July 2004.

Analysis of the change in the pension scheme liabilities over the financial year

	2009 £m	Rail 2008 £m	2009 £m	Non-rail 2008 £m
Employer's share of pension scheme liabilities – at start of year	1,026.5	652.0	436.2	404.5
Franchise adjustment	(156.8)	2.1	—	—
	869.7	654.1	436.2	404.5
Liability movement for members share of assets	(54.5)	(12.3)	—	—
Service cost	41.6	31.5	12.3	13.3
Interest cost	42.8	30.4	26.8	23.8
Interest on franchise adjustment	(9.8)	—	—	—
Actuarial (gain)/loss	(89.6)	65.3	(28.8)	10.5
Benefits paid	(29.6)	(26.4)	(17.8)	(15.9)
Addition of Gatwick Express	—	26.1	—	—
Addition of London Midland	—	253.3	—	—
Franchise adjustment movement	(57.3)	(152.3)	—	—
	713.3	869.7	428.7	436.2
Franchise adjustment	223.8	156.8	—	—
Employer's share of pension scheme liabilities – at end of year	937.1	1,026.5	428.7	436.2

Analysis of the change in the pension scheme assets over the financial year

	2009 £m	Rail 2008 £m	2009 £m	Non-rail 2008 £m
Fair value of assets – at start of year	869.7	651.8	376.8	380.0
Expected return on assets	42.0	37.8	29.4	29.7
Actuarial loss on assets	(152.9)	(81.5)	(49.7)	(39.6)
Company contributions	31.1	25.7	7.8	16.0
Employee contributions (including age related rebates)	–	–	6.2	6.6
Benefits paid	(29.6)	(26.4)	(17.8)	(15.9)
Addition of Gatwick Express	–	26.1	–	–
Addition of London Midland	–	248.5	–	–
Members share of movement of assets	(54.5)	(12.3)	–	–
Fair value of plan assets – at end of year	705.8	869.7	352.7	376.8

Estimated contributions for future

	Rail £m	Non-rail £m
Estimated company contributions in financial year 2010	22.8	15.3
Estimated employee contributions in financial year 2010	15.3	6.5
Estimated total contributions in financial year 2010	38.1	21.8

IAS 19 would require the Group to account for its legal obligation under the formal terms of the RPS and its constructive obligation under the terms of each franchise agreement. Following industry practice, the Group has concluded that the appropriate accounting policy for the RPS to ensure that the financial statements present fairly the Group's financial position, financial performance and cashflows, is to recognise its constructive but not its legal RPS defined benefit obligations. In all other respects the Group's accounting policy is consistent with IAS 19 and the treatment adopted for non-rail defined benefit schemes. In doing so, the Group has applied the provisions of paragraph 17 of IAS 19 and departed from the requirements of IAS 19 in order to achieve a fair presentation of the Group's obligations regarding its rail schemes and prevent gains arising on transfer of the existing RPS deficits to a new franchise owner at exit.

The total surplus or deficit recorded is adjusted by way of a 'franchise adjustment', which is that portion of the deficit or surplus projected to exist at the end of the franchise which the Group will not be required to fund or benefit from.

If the Group had accounted for the rail schemes in accordance with the full provisions of IAS 19 the following adjustments would have been made to the financial statements:

	2009 £m	2008 £m
Balance sheet		
Defined benefit pension plan	(223.8)	(156.8)
Deferred tax asset	56.7	36.8
Intangible asset	21.2	25.4
	(145.9)	(94.6)
Statement of recognised income and expense		
Actuarial losses	57.3	152.3
Tax on actuarial losses	(16.0)	(42.6)
	41.3	109.7
Income statement		
Operating costs – franchise adjustment	(9.8)	–
Intangible asset amortisation	4.1	3.7
Deferred tax charge	1.6	(1.1)
	(4.1)	2.6

IAS 19 disclosures

All of the above plans have been accounted for under IAS 19 covering employee benefits.

29. Related party disclosures and principal subsidiary undertakings

The consolidated financial statements include the financial statements of The Go-Ahead Group plc and the following material subsidiaries:

Name	Country of incorporation	% equity interest	
		2009	2008
Brighton & Hove Bus and Coach Company Limited	United Kingdom	100	100
City of Oxford Motor Services Limited	United Kingdom	100	100
Go North East Limited	United Kingdom	100	100
London Central Bus Company Limited	United Kingdom	100	100
London General Transport Services Limited	United Kingdom	100	100
Docklands Minibuses Limited	United Kingdom	100	100
Blue Triangle Buses Limited	United Kingdom	100	100
Go Northern Limited	United Kingdom	100	100
Go Wear Buses Limited	United Kingdom	100	100
Metrobus Limited	United Kingdom	100	100
New Southern Railway Limited	United Kingdom	65	65
London and South Eastern Railway Limited	United Kingdom	65	65
Govia Limited	United Kingdom	65	65
Abingdon Bus Company Limited	United Kingdom	100	100
aviance UK Limited	United Kingdom	100	100
Reed Aviation Limited	United Kingdom	100	100
Meteor Parking Limited	United Kingdom	100	100
PAS Direct Limited	United Kingdom	100	100
Nikaro Limited	United Kingdom	100	100
Chauffeured Parking Services Limited	United Kingdom	100	100
Plane Handling Limited	United Kingdom	100	100
Go South Coast Limited	United Kingdom	100	100
Wilts & Dorset Bus Company Limited	United Kingdom	100	100
Solent Blue Line Limited	United Kingdom	100	100
The Southern Vectis Omnibus Company Limited	United Kingdom	100	100
Marchwood Motorways (Services) Limited	United Kingdom	100	100
Marchwood Motorways (Southampton) Limited	United Kingdom	100	100
Hants and Dorset Motor Services Limited	United Kingdom	100	100
Tourist Coaches Limited	United Kingdom	100	100
Hants & Dorset Trim Limited	United Kingdom	100	100
Go-Ahead Leasing Limited	United Kingdom	100	100
London and Birmingham Railway Limited	United Kingdom	65	65
Go-Ahead Holding Limited	United Kingdom*	100	100

* Held by The Go-Ahead Group plc. All other companies are held through subsidiary undertakings.

Transactions with other related parties

The Group meets certain costs of administering the Group's retirement benefit plans, including the provision of meeting space and office support functions to the trustees. Costs borne on behalf of the retirement benefit plans amounted to £0.3m (2008: £0.3m).

Compensation of key management personnel of the Group

The key management are considered to be the Directors of the Group.

	2009 £m	2008 £m
Salaries	1.0	1.0
Bonus	0.6	0.5
Pension contributions	0.1	0.1
Share based payments	—	0.2
	1.7	1.8

Independent auditors' report to the members of The Go-Ahead Group plc

We have audited the parent company financial statements of The Go-Ahead Group plc for the year ended 27 June 2009, which comprise the parent company balance sheet and related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Director's Responsibilities Statement, set out on page 103, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 27 June 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Director's Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

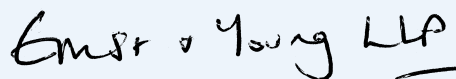
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Director's Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the Group financial statements of The Go-Ahead Group plc for the year ended 27 June 2009.



Debbie O' Hanlon (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne

2 September 2009

Financial Statements
Parent company balance sheet
as at 27 June 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Tangible assets	2	81.7	74.8
Investments	3	151.9	151.9
Financial assets		3.1	8.7
		236.7	235.4
Current assets			
Debtors: amounts falling due within one year	4	367.1	312.9
Cash on deposit		10.8	13.8
Financial assets		0.6	13.9
		378.5	340.6
Creditors: amounts falling due within one year	5	(140.5)	(104.3)
Net current assets		238.0	236.3
Total assets less current liabilities		474.7	471.7
Creditors: amounts falling due after more than one year	5	(8.5)	(3.4)
Net assets		466.2	468.3
Capital and reserves			
Share capital	8, 9	4.7	4.7
Share premium	9	67.2	66.6
Revaluation reserve	9	10.3	10.3
Other reserve	9	8.8	8.8
Capital redemption reserve	9	0.7	0.7
Reserve for own shares	9	(68.8)	(68.8)
Profit and loss account	9	443.3	446.0
Equity shareholders' funds		466.2	468.3



Nick Swift,
Group Finance Director
2 September 2009

Directors' responsibilities in relation to the parent company financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

1. Parent company accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006 and were approved for issue on 2 September 2009. They have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006 and the Company has taken the exemptions under FRS 1 to not present a cashflow statement.

The Company has taken advantage of the exemption available to parent companies under FRS 29 'Financial Instruments: Disclosures' so as not to provide the information otherwise required by the standard, as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 'Financial Instruments: Disclosures'.

Tangible fixed assets

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives and the lease terms.

Depreciation is charged to the profit and loss account based on cost or valuation, less estimated residual value of each asset evenly over its expected useful life as follows:

Short leasehold land and buildings	The life of the lease
Freehold buildings and long leasehold land and buildings	Over 10 to 100 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists the assets are written down to their recoverable amount.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

Pension benefits

The Company is a member of The Go-Ahead Group Pension Plan operated by The Go-Ahead Group plc for the majority of its employees. This defined benefit scheme is a multi-employer scheme for which individual employer shares of the underlying assets and liabilities cannot be identified and accordingly the Company accounts for them as defined contribution schemes.

For the defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share based payments

The Company has taken advantage of the transitional provision of FRS 20 and has applied FRS20 only to those options granted after 7 November 2002. The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In valuing equity-settled options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of The Go-Ahead Group plc ('market conditions'), and to earnings per share criteria.

The cost of options is recognised in the profit and loss account over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised, at each reporting date, reflects the extent to which the period to vesting has expired and the Directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above.

No cost is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Deferred tax

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided on all timing differences which have originated but not reversed at the balance sheet date. Except where otherwise required by accounting standards, no timing differences are recognised in respect of:

- property revaluation surpluses where there is no commitment to sell the asset;
- gains on sale of assets where those gains have been rolled over into replacement assets;
- deferred tax assets except to the extent that it is more likely than not that they will be recovered.

Deferred tax is calculated at the enacted rates at which it is estimated the tax will be payable. The deferred tax provision is not discounted to net present value.

Uninsured liabilities

The Company limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits. An accrual is made within current liabilities for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss. On the basis that the Company does not have an unconditional right to defer settlement for at least twelve months after the balance sheet date, these uninsured liabilities are classified as current.

The estimation of the balance sheet uninsured claims accrual is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Company.

Treasury shares

Re-acquired shares in the Company, which remain uncanceled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares. Any gain or loss on the purchase, sale, issue or cancellation of the Company's shares is transferred from the reserve for own shares to profit and loss.

Financial assets

Financial assets are accounted for in accordance with FRS 26. Financial assets are initially recognised at fair value, being the transaction price plus directly attributable transaction costs.

The Company uses energy derivatives to hedge its risks associated with fuel price fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently remeasured at fair value at each balance sheet date.

Changes in the fair value of financial instruments that are designated and effective as hedges of future cashflows are recognised in equity and the ineffective portion is recognised immediately in the profit and loss account. When the cashflow hedge results in the recognition of a non-financial asset or a liability, then at the time that asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of that non-financial asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the profit and loss account in the period which the hedged item affects net profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the profit and loss account as they arise.

Hedge accounting is discontinued when the derivative expires or is sold, terminated or exercised without replacement or rollover, or otherwise no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs, at which point it is taken to the profit and loss account or included in the initial carrying amount of the related non-financial asset as described above. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the profit and loss account.

Leasing commitments

Leases where a significant portion of all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, and the amortisation of lease incentives and initial direct costs in securing leases, are charged to the profit and loss account on a straight-line basis over the lease term.

Debt

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other derecognition of debt are recognised directly in the profit and loss account.

2. Tangible fixed assets

	Freehold land and buildings £m	Leasehold properties £m	Plant and equipment £m	Total £m
Cost or valuation:				
At 28 June 2008	74.4	5.2	3.9	83.5
Additions	1.0	0.8	6.9	8.7
Disposals	(0.2)	—	—	(0.2)
At 27 June 2009	75.2	6.0	10.8	92.0
Depreciation:				
At 28 June 2008	6.5	0.8	1.4	8.7
Charge for the year	0.5	0.2	0.9	1.6
At 27 June 2009	7.0	1.0	2.3	10.3
Net book value:				
At 27 June 2009	68.2	5.0	8.5	81.7
At 28 June 2008	67.9	4.4	2.5	74.8

Freehold land and buildings include non-depreciable land amounting to £27.9m (2008: £27.9m).

The net book value of leasehold properties comprises:

	2009 £m	2008 £m
Leases with 50 or more years unexpired	1.3	1.4

3. Fixed asset investments

	Shares in Group companies £m
Cost or valuation:	
At 28 June 2008 & 27 June 2009	151.9
Provisions:	
At 28 June 2008 & 27 June 2009	—
Net carrying amount:	
At 28 June 2008 & 27 June 2009	151.9

For details of the principal operating subsidiary undertakings as at 27 June 2009, refer to note 29 of The Group financial statements. As permitted under Section 410 (1) and (2) of the Companies Act 2006, the information is given only for the undertakings whose results or financial position, in the opinion of the Directors, principally affect the figures shown in the financial statements.

4. Debtors

Amounts falling due within one year

	2009 £m	2008 £m
Amounts owed by Group companies	351.3	309.4
Corporation tax	3.9	2.2
Other debtors	11.9	1.3
	367.1	312.9

5. Creditors

Amounts falling due within one year

	2009 £m	2008 £m
Bank loans and overdrafts	4.2	5.8
Amounts owed to Group undertakings	103.7	79.3
Other creditors	8.6	4.2
Accruals and deferred income	—	2.2
Uninsured claim accrual	7.2	7.1
Deferred taxation (note 6)	0.4	5.7
Other financial liabilities	16.4	—
	140.5	104.3

Amounts falling due after more than one year

	2009 £m	2008 £m
Bank loans repayable:		
In more than one year but not more than two years	—	3.4
In more than two years but not more than five years	—	—
Other financial liabilities	8.5	—
	8.5	3.4

The Company has no security over its liabilities.

6. Deferred taxation

	Deferred tax £m
At 28 June 2008	(5.7)
Provided during the year	(1.0)
Provided directly to equity	6.3
At 27 June 2009	(0.4)

Deferred taxation provided at the enacted rate is as follows:

	2009 £m	2008 £m
Capital allowances in advance of depreciation	(0.5)	0.4
Other timing differences	0.1	(6.1)
	(0.4)	(5.7)

7. Pension commitments

Defined contribution:

The Company participates in the defined contribution scheme of The Go-Ahead Group Pension Plan. This scheme is not contracted-out of the State Second Pension Scheme and is open to new entrants. The expense recognised in these accounts for the year is £0.1m (2008: £0.1m) being the contributions paid and payable.

Defined benefit:

The Company participates in a scheme which is part of The Go-Ahead Group Pension Plan. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The most recent actuarial valuation of the scheme was at 5 April 2006 and was updated by Watson Wyatt LLP to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 27 June 2009 and 28 June 2008. The contributions paid to the scheme are paid in line with the schedule of contributions, being 13.3% and 11.2% of pensionable salaries paid to upper and lower tier sections respectively.

The defined benefit scheme is effectively closed to new entrants. As a result it can be expected that the service cost will increase in future, as a percentage of payroll. However, this percentage is likely to be applied to a reducing total pensionable payroll.

The scheme is a multi-employer scheme and in accordance with FRS 17, the Company has accounted for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the Company's share of the net assets and liabilities in the scheme on a consistent and reasonable basis due to the high volume of members/pensioners and the historic interaction between Group companies. The following disclosures provide details of the entire defined benefit scheme.

The main assumptions are:

	2009 %	2008 %
Rate of increase in salaries	4.4	5.3
Rate of increase in deferred pensions	3.4	3.8
Discount rate	6.3	6.2
Inflation assumption	3.4	3.8

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting deficit are:

	Long term rate of return expected %	2009 Value £m	Long term rate of return expected %	2008 Value £m
Equities	8.5	138.8	8.4	148.2
Bonds	6.2	150.4	6.7	155.7
Properties	6.7	17.6	6.8	22.0
Cash	4.4	5.3	5.3	6.0
Total market value of assets		312.1		331.9
Present value of scheme liabilities		(368.4)		(376.3)
Pension liability before deferred tax		(56.3)		(44.4)
Related deferred tax asset		15.8		12.4
Net pension liability		(40.5)		(32.0)

Analysis of movements in deficit during the year:

	2009 £m	2008 £m
At start of year	(44.4)	(14.5)
Current service cost	(5.3)	(5.7)
Net other finance income	2.7	5.7
Actuarial gains and losses	(15.5)	(44.2)
Contributions	6.2	14.3
At end of year	(56.3)	(44.4)

An analysis of the defined benefit cost for the year ended 27 June 2009 is as follows:

	2009 £m	2008 £m
Current service cost	(5.3)	(5.7)
Total operating charge	(5.3)	(5.7)
	2009 £m	2008 £m
Other finance income: expected return on assets in the scheme	25.9	26.1
Other finance cost: interest cost	(23.2)	(20.4)
Net other finance income	2.7	5.7
	2009 £m	2008 £m
STRGL: difference between expected and actual return on assets	(42.2)	(33.3)
STRGL: experience losses arising from scheme liabilities	5.0	(5.8)
STRGL: effect of changes in assumptions underlying the present value of scheme liabilities	21.7	(5.1)
Actuarial gains and losses	(15.5)	(44.2)

A history of experience gains and losses is shown below:

	2009	2008	2007	2006	2005
Difference between expected return and actual return on pension scheme assets					
– amount (£m)	(42.2)	(33.3)	23.9	27.2	11.2
– % of scheme assets	(13.5)	(10.0)	7.2	9.4	4.6
Experience gains/(losses) arising on scheme liabilities					
– amount (£m)	5.0	(5.8)	25.0	(3.1)	0.9
– % of the present value of scheme liabilities	1.4	(1.6)	7.2	(0.9)	0.3
Total actuarial gains/(losses) recognised in the statement of total recognised gains and losses					
– amount (£m)	(15.5)	(44.2)	55.7	14.1	(39.2)
– % of the present value of scheme liabilities	(4.2)	(11.7)	16.1	3.9	(16.2)

8. Called up share capital

	2009 £m	Authorised 2008 £m
62.5 million 10p ordinary shares	6.3	6.3

	Millions	2009 £m	Allotted, called up and fully paid Millions	2008 £m
As at 28 June 2008	46.8	4.7	50.9	5.1
Issued on exercise of share options	0.1	–	0.5	0.1
Cancelled shares	–	–	(4.6)	(0.5)
As at 27 June 2009	46.9	4.7	46.8	4.7

The Company has one class of ordinary shares which carry no right to fixed income.

9. Share capital and reserves

	Share capital £m	Share premium £m	Revaluation reserve £m	Other reserve £m	Capital redemption reserve £m	Reserve for own shares £m	Profit and loss reserve £m	Total capital & reserves £m
At 30 June 2007	5.1	60.3	10.3	8.8	0.2	(80.6)	239.1	243.2
Retained profit for the year	—	—	—	—	—	—	321.1	321.1
Dividends	—	—	—	—	—	—	(31.4)	(31.4)
Other recognised gains	—	—	—	—	—	—	16.3	16.3
Acquisition of own shares	—	—	—	—	—	(87.3)	—	(87.3)
Share cancellation	(0.5)	—	—	—	0.5	101.1	(101.1)	—
Reserve transfer	—	—	—	—	—	(2.0)	2.0	—
Arising on shares issued for share options	0.1	6.3	—	—	—	—	—	6.4
At 28 June 2008	4.7	66.6	10.3	8.8	0.7	(68.8)	446.0	468.3
Retained profit for the year	—	—	—	—	—	—	58.9	58.9
Dividends	—	—	—	—	—	—	(34.8)	(34.8)
Other recognised losses	—	—	—	—	—	—	(26.6)	(26.6)
Acquisition of own shares	—	—	—	—	—	(0.2)	—	(0.2)
Reserve transfer	—	—	—	—	—	0.2	(0.2)	—
Arising on shares issued for share options	—	0.6	—	—	—	—	—	0.6
At 27 June 2009	4.7	67.2	10.3	8.8	0.7	(68.8)	443.3	466.2

The cumulative amount of goodwill written off to the profit and loss reserve of the Company at 27 June 2009 is £0.2m (2008: £0.2m).

The reserve for own shares is in respect of 3,954,897 ordinary shares (8.4% of total share capital), of which 52,667 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 re-issue in appropriate circumstances.

The information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is provided in the Directors' Report.

The audit fee payable in respect of the Company was £0.2m (2008: £0.1m).

10. Operating lease commitments

The Company's annual commitments under non-cancellable operating leases are as follows:

	2009 £m	Property 2008 £m
Within one year	—	0.6
In second to fifth years	2.1	1.2
Over five years	—	—
	2.1	1.8

11. Capital commitments

At 27 June 2009 £3.2m was contracted but not provided in the financial statements for the development of a Go-Ahead London property (2008: £nil).

12. Contingent liabilities

The Company provides guarantees in respect of bank and equipment finance borrowings of the subsidiaries of The Go-Ahead Group plc.

The Company has issued guarantees dated 30 March 2006 to participating subsidiaries of The Go-Ahead Group Pension Plan, Southern Vectis Group Pension Plan, and Wilts & Dorset Pension Scheme in respect of scheme liabilities arising. Total liabilities in respect of these guaranteed schemes were £54.7m as at 27 June 2009 (2008: £42.7m).

At 27 June 2009 letters of credit amounting to £35.0m (2007: £35.0m) were provided by a Company banker, guaranteed by the Company, in favour of one of the Group's insurers, to cover liabilities of the Company and its subsidiaries.

13. Share based payments

Sharesave Scheme

Full disclosures of the Group's sharesave scheme, SIP and LTIP are given in note 6 to the Group financial statements.

14. Related party transactions

The Company has taken advantage of the exemption under FRS 8, 'Related party disclosures', and transactions with 100% subsidiaries of The Go-Ahead Group plc have not been disclosed.

The Company owns 65% of the ordinary shares in Govia Limited. Thameslink Rail Limited, New Southern Railway Limited ('Southern'), London and Southeastern Railway Limited ('Southeastern') and London and Birmingham Railway Limited ('London Midland') are 100% owned by Govia Limited and hence the Company owns a 65% interest.

	2009	GOVIA 2008	2009	LSER 2008	London Midland 2009	London Midland 2008	2009	Thameslink 2008	2009	Southern 2008
Dividends paid by related party	22.9	30.8	—	—	—	—	—	—	—	—
Interest paid to related party	1.4	2.3	—	—	—	—	—	—	—	—
Loans to related party	(41.0)	(6.0)	—	—	—	—	—	—	—	—
Repayment of loan from related party	67.0	40.5	—	—	—	—	—	—	—	—
Management charges	—	0.2	0.7	0.2	0.7	—	—	—	0.6	0.2
Amounts owed from related party	56.5	47.7	—	—	—	—	—	—	—	—
Amounts owed to related party	—	—	46.1	23.7	0.8	0.4	4.5	4.6	27.7	27.1

During the year Southern, Southeastern and London Midland have traded with wholly owned subsidiaries of the Company; £5.6m (2008: £8.7m) of costs were incurred by Southern, Southeastern and London Midland on an arm's length basis. The London Midland franchise commenced on 11 November 2007.

Managing your shares

The Company's registrar, Equiniti, is responsible for maintaining the Company's register of members. Shareholders with queries relating to their shareholding should contact Equiniti directly using the details on this page.

Shareholders can sign up for a Shareview portfolio which enables you to view information regarding your holding, change your address and bank details online, and even sell or purchase shares in the Company. Go to www.shareview.co.uk and click on 'Register' in the top left corner. When completing your details you will need your shareholder reference number which is the eleven digit number found on your latest tax voucher or share certificate. (Please note that your share certificate may state an eight digit shareholder reference number which is now invalid).

Corporate website: www.go-ahead.com

Earlier this year we launched our new corporate website which provides a wealth of information on the Company and its activities. Information available on the site includes half year results and interim management statements, which are not sent to shareholders, as well as share price data, dividend information and the financial calendar. You can register to receive email alerts when new items are added to the website.

Electronic communications

As far as possible, Go-Ahead provides shareholder documents via the Company's website www.go-ahead.com. Receiving the Company's communications electronically offers advantages in terms of speed and convenience; it is a secure method of delivering shareholder documentation and allows the Company to communicate with its shareholders in a more environmentally and cost effective way.

If you have not done so already, and now wish to register to receive future shareholder communications electronically, please sign up via Shareview (details under 'Managing your shares' above). The default option during this online registration is that your preferred method of delivery of Company communications is electronic.

Dividend payments

Dividends are paid in April and November each year. We recommend that all shareholders have their dividends paid directly into their bank or building society account. This is more secure than receiving your dividend by cheque which could be slow to arrive or get lost in the post. The dividend is paid into your account on the payment date which means you do not have to wait for a cheque to clear before the funds are available. We will send you a tax voucher following each dividend payment. To select this method of dividend payment, please contact Equiniti.

Duplicate documents

Many of our shareholders have more than one account on the share register, which means they receive duplicate documentation and split dividend payments. To request that your accounts be combined, please contact Equiniti.

Shareholder security

Shareholders are advised to be extremely cautious of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. The Company does not endorse any specific share dealing facilities and will not pass on shareholder information to any third party; however, the Company's register is, by law, open to public inspection. Any requests for access to the register are subject to 'proper purpose' requirements to ensure that the information is not used unlawfully.

Corporate information

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* Calls to this number are charged at 8p per minute from a BT landline; other telephony provider costs may vary.

Shareholder information

Shareholder profile by size of holding as at 27 June 2009

	No. of holdings	%	Shares held	%
1 – 10,000	3,571	93.2	1,992,499	4.3
10,001 – 100,000	186	4.9	6,771,231	14.4
100,001 – 500,000	55	1.4	11,535,330	24.6
500,001 – 1,000,000	9	0.2	6,616,193	14.1
Over 1,000,001	10	0.3	19,977,026	42.6
Total	3,831	100.0	46,892,279	100.0

Shareholder profile by category as at 27 June 2009

	No. of holdings	%	Shares held	%
Treasury shares	1	0.0	3,902,230	8.3
Directors	7	0.2	47,249	0.1
Other individuals	3,250	84.8	5,054,301	10.8
Institutional investors	573	15.0	37,888,499	80.8
Total	3,831	100.0	46,892,279	100.0

It should be noted that many private investors hold their shares through nominee companies, therefore the percentage of shares held by private holders is higher than that shown.

Financial calendar

Annual General Meeting	2pm, 29 October 2009
Final dividend record date	6 November 2009
Final dividend payment date	20 November 2009
Half year end	2 January 2010
Half year results announcement	February 2010
Half year dividend	April 2010
Next financial year end	3 July 2010
Full year results announcement	September 2010

Certain statements included in this Annual Report contain forward-looking information concerning the Group's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the sectors or markets in which the Group operates. By their nature, forward-looking statements involve uncertainty because they depend of future circumstances, and relate to events, not all of which are within the Company's control or can be produced by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast and no part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in The Go-Ahead Group plc or any other entity, and must not be relied upon in anyway in connection with any investment decision. Except as required by law, the Company undertakes no obligation to update any forward-looking statement.

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