Registered No. 2057284

Go North East Limited

Report and Financial Statements

27 June 2009

Directors
K L Ludeman
N Swift
P G Huntley
G C McPherson
K Carr
M P Harris

Secretary
C Sephton

Auditor
Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers
The Royal Bank of Scotland plc
135 Bishopgate
London
EC2M 3UR

Solicitors
Dickinson Dees LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 3UR

Registered office
3rd Floor
41 - 51 Grey Street
Newcastle upon Tyne
NE1 6EE

Directors' report

The directors present their report and financial statements for the year ended 27 June 2009

Results and dividends

The profit for the year, after taxation, amounted to £2,522,000 (2008 - £4,487,000) Particulars of dividends paid are detailed in note 10 to the financial statements

Principal activities and review of the business

The company operates bus services and provides vehicle management services in the Tyne & Wear conurbation and in the northern, industrial part of County Durham

The headline operating profit in Go North East decreased to £4,073,000 in 2008/09 from £4,585,000 in 2007/08 The main reasons for the decrease in operating profit were -

- The economic down turn resulted in commercial passenger numbers falling by 3 3% on a like for like basis, worth £1 5m in a full year
- A 36% increase in fuel costs
- A 28% increase in insurance and claims costs

However, encouragingly, total revenue has increased by £6 1m (8 0%) in 2008/09 due to a net price increase of around 5%, some commercial passenger growth in core markets and an increase in concessionary passenger numbers of 10 5% year on year The result is that total passenger numbers in the year have increased by 1 4% on a like for like basis

Virtually all qualitative performance measures have improved year on year or been maintained at a high standard, particularly in relation to service reliability and staffing issues -

- Lost mileage has been maintained at 0 1%
- Staff turnover has fallen from 13 4% to 10 0%
- Fuel consumption has improved from 7 36mpg to 7 48mpg
- First time MOT pass rate has improved from 92 5% to 94 8%

The overall economic outlook has required a review of service and pricing strategies with a further review to be undertaken shortly In addition we are reviewing accident prevention activities to both improve safety and reduce claims costs

In 2009/10, through a combination of limiting wage increases to 2% and other cost initiatives on fuel and claims costs, we are targeting to increase operating profit

Future Developments

The company will continue to develop its commercial strategy by investing in vehicles and routes, where a return can be made on the investment, and by seeking to improve margins on existing services In addition the limited acquisition strategy seen in 2007 will be continued where such acquisitions will result in synergistic benefits

In addition to revenue development, there will be a renewed focus on cost reduction through both improved operational efficiency and improved fuel efficiency This will be achieved through a combination of investment in technology and staff training

Financial risk management objectives and policies

The main risks associated with the company's financial assets and liabilities are set out below Given that the majority of the risks below derive from transactions with other group companies, the company does not undertake any hedging activity locally Significant financial risks from a group perspective are addressed on a case-by-case basis at group level

Interest rate risk

All surplus cash is swept by the ultimate parent company, which is invested at a group level Interest is charged at a variable rate on group loans Therefore financial assets, liabilities, interest income and interest charges and cash flows can be affected by movements in interest rates However, the exposure is reduced because of the group control

Directors' report

Price risk

There is no significant exposure to changes in the carrying value of financial liabilities because all of these bear interest at floating rates

Credit risk

The company manages its debtors on an ongoing basis and significant resource is put into mitigating credit risk

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations in line with group policies A cash sweeping facility exists with the ultimate parent company and therefore further information regarding the liquidity risk can be found in the group financial statements Capital expenditure is approved at group level

Foreign currency risk

The company has no foreign currency risk, all of the transactions, assets and liabilities are in sterling

Directors

The directors who served the company during the year were as follows
K L Ludeman
N Swift
K Carr
M P Harris
G C McPherson
P G Huntley

Messrs Ludeman and Swift were directors of the ultimate parent company, The Go-Ahead Group plc during the year

Management and staff

The company is committed to involve all employees in its performance and development Employees are encouraged to discuss with management matters of interest to the employees and subjects affecting day-to-day operations of the company Discussions take place regularly with trade unions representing the employees on a wide range of issues

It is the company's policy to give full consideration to suitable applications for employment by disabled persons Disabled employees are eligible to participate in all career development opportunities available to staff Opportunities also exist for employees who become disabled to continue in their employment or to be trained for other positions in the company

The company management regularly communicate with staff through a combination of the company magazine and staff web site In addition a number of initiatives have been introduced to communicate company performance and understand any staff issues and concerns including -

- Employee relations forums at all depots
- Canteen reviews / meet the manager sessions
- Staff BLOG
- Specific consultation exercises on revised network plans

As well as participating in the group sharesave and SIP schemes, staff can participate in company success through a series of specific bonus schemes including

- An accident bonus scheme
- A bonus scheme related to sharing in revenue enhancement
- Fuel efficiency improvement bonus

Creditor payment policy and practice

The 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

At 27 June 2009, the company had an average of 28 days purchase outstanding in trade creditors (2008 39 days)

Directors' report

Directors' responsibilities for audit information

Insofar as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Registered office
3rd Floor
41 - 51 Grey Street
Newcastle upon Tyne
NE1 6EE

By order of the board

C Sephton
Secretary

4 December 2009

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 judgments 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,
- 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 adequate 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 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

Independent auditor's report

to the members of Go North East Limited (formerly Go Gateshead Limited)

We have audited the financial statements of Go North East Limited (formerly Go Gateshead Limited) for the year ended 27 June 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 25 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 and 496 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 Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the 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 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 financial statements

- give a true and fair view of the state of the company's affairs as at 27 June 2009 and of its profit for the year then ended,
- 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 matter prescribed by the Companies Act 2006

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

Independent auditor's report

to the members of Go North East Limited (formerly Go Gateshead Limited) (continued)

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- 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

Ernst + Young LLP

Caroline Mulley (Senior, Statutory Auditor)
for and on behalf of
Ernst & Young LLP (Statutory Auditor)
Registered Auditor
Newcastle upon Tyne

8 December 2009

Profit and loss account

for the year ended 27 June 2009

	Notes	2009 £000	2008 £000
Turnover	2	82,889	76,767
Operating costs	3	(78,816)	(72,182)
Operating profit	4	4,073	4,585
Income from Group undertakings		–	860
Interest receivable and similar income	7	–	171
Interest payable and similar charges	8	(433)	(755)
Profit on ordinary activities before taxation		3,640	4,861
Tax charge on profit on ordinary activities	9	(1,118)	(374)
Profit for the financial year		2,522	4,487

All activities are classed as continuing

Statement of total recognised gains and losses

for the year ended 27 June 2009

There are no recognised gains or losses other than the profit of £2,522,000 attributable to the shareholders for the year ended 27 June 2009 (2008 £4,487,000)

Balance sheet
at 27 June 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Intangible assets	11	849	1,049
Tangible assets	12	37,248	37,550
		38,097	38,599
Current assets			
Stocks		895	825
Debtors	14	5,529	9,342
Cash at bank		-	134
		6,424	10,301
Creditors amounts falling due within one year	15	34,911	30,899
Net current liabilities		(28,487)	(20,598)
Total assets less current liabilities		9,610	18,001
Creditors. amounts falling due after more than one year	16	4,349	9,287
Provisions for liabilities	18	4,695	5,075
		566	3,639
Capital and reserves			
Equity share capital	22	167	167
Share premium account	23	16	16
Capital redemption reserve	23	200	200
Profit and loss account	23	183	3,256
	23	566	3,639

N Swift
Director

4 December 2009

Notes to the financial statements

at 27 June 2009

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards

Fundamental accounting concept

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due

The company has net current liabilities of £28,487,000, including net amounts due to group undertakings of £15,964,000 The company meets its day to day working capital requirements through inter-company funding and continuing financial support from the ultimate parent undertaking In view of the circumstances referred to above, the directors are satisfied that financial support will be available to the company for the foreseeable future Accordingly, the directors of the company believe that it is appropriate to adopt the going concern basis in preparing the financial statements

However, should sufficient continuing finance not be available, the going concern basis would be invalid and adjustments would have to be made to provide for any further liabilities which might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements

Fixed assets and depreciation

Tangible fixed assets are stated at cost

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Plant & equipment	-	5 to 10 years
Rolling stock	-	8 to 15 years

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items

Notes to the financial statements

at 27 June 2009

1. Accounting policies (continued)

Deferred taxation

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 Tax is provided for 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

-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

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Insurance

The company limits it exposure to the cost of motor, employer and public liability claims through third party insurance policies 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 "Creditors amounts falling due within one year" for the estimated cost to the company to settle claims for incidents occurring prior to the balance sheet date The estimation of the balance sheet insurance 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 have not yet been reported to the company

Share-based payment transactions

The company participates in equity-settled share option schemes operated by the ultimate parent undertaking (The Go-Ahead Group plc), under which options have been granted to employees (including directors) 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')

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 reserves The cumulative cost recognised, at each reporting date, reflects the extent to which the period to vesting has expired and the director's 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

Notes to the financial statements
at 27 June 2009

1. Accounting policies (continued)

Pensions

The company is a member of the Go-Ahead Group Pension Scheme operated by The Go-Ahead Group plc for the majority of its employees The scheme is split into two sections, a defined benefit and a defined contributions section The defined benefit section is a multi-employer scheme for which individual employer asset shares cannot be identified and accordingly the company accounts for it as a defined contribution scheme

For the defined contribution scheme, 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

Government Grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate

Intangible assets

Intangible assets are capitalised at cost and amortised on a straight line basis over their estimated useful lives The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable

Goodwill

Positive goodwill arising on acquisitions is capitalised and carried as an asset on the balance sheet Fair value accounting adjustments are made in respect of acquisitions, some adjustments are made using provisional estimates, based on information available, and amendments are sometimes necessary in the following period, with a corresponding adjustment to goodwill

Each acquisition is assessed individually to determine if the estimated useful life of the goodwill is considered to be indefinite No amortisation is provided where the directors are of the opinion that to do so would not show a true and fair view of the profit for the year of the financial position of the group at the end of the year This overrides the requirement of the Companies Act 1985 to amortise goodwill but is in compliance with FRS10

Where the useful life is not considered indefinite, the goodwill is amortised to the profit and loss account on a straight line basis over the estimated useful life up to a maximum of 20 years

In either case, goodwill is reviewed for impairment at the end of the first full financial year following the acquisition Where goodwill is not amortised, an annual impairment review is performed An impairment review is also carried out on goodwill being amortised if events or changes in circumstance indicate that the carrying value may not be recoverable

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company

An analysis of turnover by geographical market is given below

	2009	*2008*
	£000	*£000*
United Kingdom	82,889	76,767

In the current year, £nil (2008 £1,784,000) of turnover relates to acquisitions made during the year

Notes to the financial statements
at 27 June 2009

3. Operating costs

	2009 £000	2008 £000
Materials and external charges	26,673	23,579
Staff costs	44,891	43,271
Depreciation of tangible fixed assets	6,845	6,129
Other operating charges	1,333	158
Other operating income	(926)	(955)
	78,816	72,182

4. Operating profit

This is stated after charging/(crediting)

		2009 £000	2008 £000
Auditor's remuneration	- audit services	23	25
	- other services	7	7
		30	32
Depreciation of owned fixed assets		3,907	2,297
Depreciation of assets held under hire purchase contracts		2,738	3,832
		6,645	6,129
Operating lease rentals – other		371	369
Operating lease rentals – internal		753	753
Profit on disposal of tangible assets		(34)	(197)
Government grant released		(63)	(40)
Amortisation of licence costs		200	266

5. Staff costs

	2009 £000	2008 £000
Wages and salaries	39,825	38,351
Social security costs	3,409	3,272
Other pension costs – defined contribution	606	536
– defined benefit	1,051	1,112
	44,891	43,271

Included in wages and salaries is a total expense of share based payments of £105,000(2008 £188,000), all of which arises from transactions accounted for as equity settled share based payment transactions

The monthly average number of employees during the year was as follows

	2009 No	2008 No
Administration and supervision	172	174
Maintenance and engineering	250	238
Operations	1,621	1,574
	2,043	1,986

Notes to the financial statements
at 27 June 2007

6. Directors' emoluments

	2009 *£000*	*2008* *£000*
Aggregate emoluments in respect of qualifying services	492	471
Aggregate of company contributions paid in respect of money purchase schemes	7	7

	2009 *No*	*2008* *No*
Number of directors accruing benefits under defined benefit schemes	3	3
Number of directors accruing benefits under money purchase schemes	1	1

The amounts in respect of the highest paid director are as follows

	2009 *£000*	*2008* *£000*
Emoluments	151	142
Company contributions paid in respect of money purchase schemes	7	7

7. Interest receivable

	2009 *£000*	*2008* *£000*
Interest from group undertakings	–	171
	–	171

8. Interest payable and similar charges

	2009 *£000*	*2008* *£000*
Finance charges payable under external hire purchase contracts	22	84
Finance charges payable under hire purchase contracts with Group undertakings	410	666
Other interest	1	5
	433	755

Notes to the financial statements

At 27 June 2009

9. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2009 £000	2008 £000
Current tax		
UK corporation tax	1,498	135
Prior year corporation tax	-	-
Total current tax (note 9(b))	1,498	135
Deferred tax		
Origination and reversal of timing differences (note 18)	(380)	239
Tax on profit on ordinary activities	1,118	374

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2008 – 29 5%)

	2009 £000	2008 £000
Profit on ordinary activities before tax	3,640	4,861
Profit on ordinary activities by rate of tax	1,019	1,434
Expenses not deductible	42	98
Deferred tax movement due to rate change	–	2
Other timing differences	901	738
Decelerated capital allowances	(481)	(710)
Dividend income not taxable	–	(254)
Other permanent differences	17	52
Group relief	–	(1,225)
Total current tax (note 9(a))	1,498	135

(c) Deferred tax

	2009 £000	2008 £000
Capital allowances in advance of depreciation	(1,780)	(1,199)
Other timing differences	(2,915)	(3,876)
Provision for deferred taxation (note 18)	(4,695)	(5,075)

10. Dividends

	2009 £000	2008 £000
Paid during the year		
Equity dividends on ordinary shares	5,700	1,900

Notes to the financial statements
at 27 June 2009

11. Intangible fixed assets

	Licences	Goodwill on acquisition	Total
	£000	*£000*	*£000*
Cost			
At 29 June 2008 & 27 June 2009	1,331	849	2,180
Amortisation			
At 29 June 2008	1,131	–	1,131
Provided during the year	200	–	200
At 27 June 2009	1,331	–	1,331
Net book value			
At 27 June 2009	–	849	849
At 29 June 2008	200	849	1,049

The cost of the licence is included as an intangible fixed asset and is being amortised over the life of the licence period of 5 years

12. Tangible fixed assets

	Plant & Equipment	*Rolling Stock*	*Total*
	£000	*£000*	*£000*
Cost			
At 29 June 2008	8,260	72,484	80,744
Additions	1,252	5,156	6,408
Disposals	(38)	(2,408)	(2,446)
At 27 June 2009	9,474	75,232	84,706
Depreciation			
At 29 June 2008	7,077	36,117	43,194
Provided during the year	486	6,159	6,645
Disposals	(37)	(2,344)	(2,381)
At 27 June 2009	7,526	39,932	47,458
Net book value			
At 27 June 2009	1,948	35,300	37,248
At 29 June 2008	1,183	36,367	37,550

The net book value of assets above includes an amount of £16,267,000(2008 - £19,065,000) in respect of assets held under hire purchase contracts

13. Investments

The company holds 10 £1 "B" ordinary shares in Go-Ahead Finance Company This represents 10% of the company's issued ordinary share capital The company is registered in the United Kingdom as an unlimited liability company and the principal activity of the company is the facilitation of group funding arrangements

Notes to the financial statements
at 27 June 2009

14. Debtors

	2009	*2008*
	£000	*£000*
Trade debtors	2,351	4,247
Amounts due from group undertakings	996	724
Other debtors	1,161	2,990
Prepayments and accrued income	1,021	1,381
	5,529	9,342

15. Creditors: amounts falling due within one year

	2009	*2008*
	£000	*£000*
Bank overdraft	1,778	-
Obligations under hire purchase contracts (note 17)	4,840	6,576
Trade creditors	2,402	5,439
Amounts owed to group undertakings	16,960	11,645
Other taxation and social security	1,191	1,268
Other creditors	1,865	1,406
Accruals and deferred income	4,379	4,432
Corporation tax	1,496	133
	34,911	30,899

16. Creditors: amounts falling due after more than one year

	2009	*2008*
	£000	*£000*
Obligations under hire purchase contracts (note 17)	4,136	9,024
Deferred government grants	213	263
	4,349	9,287

17. Obligations under hire purchase contracts

The maturity of these amounts is as follows

	2009	*2008*
	£000	*£000*
Amounts payable		
Within one year	5,087	7,041
In two to five years	3,521	8,387
In over five years	615	637
	9,223	16,065
Less Finance charges allocated to future periods	(247)	(465)
	8,976	15,600

Of the obligations under hire purchase contracts above, £8,976,000 (2008 £14,676,000) relate to internal hire purchase contracts

18. Provisions for liabilities and charges

	Deferred tax
	£000
At 29 June 2008	5,075
Deferred tax credit in profit and loss account (note 9(a))	(380)
At 27 June 2009 (note 9(c))	4,695

Notes to the financial statements

at 27 June 2009

19. Pension commitments

The company participates in both a defined contribution scheme and a defined benefit scheme

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 £606,000 (2008 - £536,000) 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 28 June 2008 and 30 June 2007 The contributions paid to the scheme are paid in line with the schedule of contributions, being 11% and 6% 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 higher 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 The following disclosures provide details of the entire defined benefit scheme

Main assumptions

	2009	*2008*	*2007*
	%	*%*	*%*
Rate of increase in salaries	4 4	5 3	4 7
Rate of increase in deferred pensions	3 4	3 8	3 2
Discount rate	6 3	6 2	5 9
Inflation assumption	3 4	3 8	3 2

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

		2009		*2008*		*2007*
	Long-term rate of return expected	*Value*	*Long-term rate of return expected*	*Value*	*Long-term rate of return expected*	*Value*
	%	*£000*	*%*	*£000*	*%*	*£000*
Equities	8 5	138,800	8 4	148,200	8 5	223,700
Bonds	6 2	150,400	6 7	155,700	5 9	43,600
Properties	6 7	17,600	6 8	22,000	6 9	26,600
Cash	4 4	5,300	5 3	6,000	5 5	38,300
Total market value of assets		312,100		331,900		332,200
Present value of scheme liabilities		(368,400)		(376,300)		(346,700)
Pension liability before deferred tax		(56,300)		(44,400)		(14,500)
Related deferred tax asset		15,764		12,432		4,350
Net pension liability		(40,536)		(31,968)		(10,150)

19. Pension commitments (continued)

Analysis of movements in deficit during the year

	2009 *£000*	*2008* *£000*
At start of year	(44,400)	(14,500)
Current service cost	(5,300)	(5,700)
Net other finance income	2,700	5,700
Actuarial losses	(15,500)	(44,200)
Contributions	6,200	14,300
At end of year	(56,300)	(44,400)

An analysis of the defined benefit cost for the year ended 27 June is as follows

	2009 *£000*	*2008* *£000*
Current service cost	(5,300)	(5,700)
Total operating charge	(5,300)	(5,700)

	2009 *£000*	*2008* *£000*
Other finance cost expected return on assets in the scheme	25,900	26,100
Other finance cost interest cost	(23,200)	(20,400)
Net other finance income	2,700	5,700
STRGL difference between expected and actual return on assets	(42,200)	(33,300)
STRGL experience gains / (losses) arising from scheme liabilities	5,000	(5,800)
STRGL effect of changes in assumptions underlying the present value of scheme Liabilities	21,700	(5,100)
Actuarial losses	(15,500)	(44,200)

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 (£000)	(42,200)	(33,300)	23,900	27,200	11,200
- % of scheme assets	(13 5)	(10 0)	7 2	9 4	4 6
Experience gains/(losses) arising on scheme liabilities					
- amount (£000)	5,000	(5,800)	25,000	(3,100)	900
- % of the present value of scheme liabilities	1 4	(1 6)	7 2	(0 9)	0 3
Total actuarial (losses) / gains recognised in the statement of total recognised gains and losses					
- amount (£000)	(15,500)	(44,200)	55,700	14,100	(39,200)
- % of the present value of scheme liabilities	(4 2)	(11 7)	16 1	3 9	(16 2)

Notes to the financial statements
at 27 June 2009

20. Commitments under operating leases
At 27 June 2009 the company had annual commitments under non-cancellable operating leases as set out below

	2009 Other £000	2008 Other £000
Operating leases which expire		
Within one year	66	292
In two to five years	80	462
In over than five years	753	753
	899	1,507

Of these £753,000 (2008 £753,000) relate to commitments under operating leases with other group undertakings

21. Related party transactions
The company is a 100% subsidiary of The Go-Ahead Group plc Advantage has been taken of the exemptions in paragraph 3 of Financial Reporting Standard 8 and transactions with entities that are part of the group have not been disclosed

22. Share capital

		Authorised
	2009 £000	2008 £000
Ordinary shares of £1 each	134	134
'A' Ordinary shares of £1 each	33	33
11% Cumulative Redeemable Preference shares of £1 each	200	200
	367	367

		Allotted, called up and fully paid		
		2009		2008
	No	£000	No	£000
Ordinary shares of £1 each	133,334	134	133,334	134
'A' Ordinary shares of £1 each	33,334	33	33,334	33
		167		167

23. Reconciliation of shareholders' funds and movement on reserves

	Equity share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total share-holders' funds £000
At 1 July 2007	167	16	200	481	864
Retained profit for the year	–	–	–	4,487	4,487
Share based payment	–	–	–	188	188
Equity dividends	–	–	–	(1,900)	(1,900)
At 28 June 2008	167	16	200	3,256	3,639
Retained profit for the year	-	-	-	2,522	2,522
Share based payment	-	-	-	105	105
Equity dividends	-	-	-	(5,700)	(5,700)
At 27 June 2009	167	16	200	183	566

Notes to the financial statements

at 27 June 2009

24. Share Based Payments

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 £250 per month for a period of three to five 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

The expense recognised for these schemes during the year to 27 June 2009 was £105,000 (2008 £188,000)

The following table illustrates the number (No) and weighted average exercise prices (WAEP) of share options for the SAYE

		2009		2008
	No	WAEP	No	WAEP
		£		£
Outstanding at the beginning of the year	90,901	16 43	159,048	14 85
Forfeited during the year	(9,767)	16 63	(10,905)	16 05
Exercised during the year	(2,303)	12 10	(57,242)	12 10
Outstanding at the end of the year	78,831	16 53	90,901	16 43

The weighted average share price during the period was £13 45 (2008 £15 26)

For the share options outstanding as at 27 June 2009, the weighted average remaining contracted life is 0 40 years (2008 1 35 years)

The range of exercise prices for options outstanding at the end of the year was £14 62 - 19 14 (2008 £12 10 - £19.14)

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 Plan

The company participates in an HMRC approved share incentive plan, operated by the ultimate parent undertaking, 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 month's service with a group company at the date they are invited to participate in the plan

The SIP permits The Go-Ahead Group plc to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the group has, so far, made awards of partnership shares only Under these awards, the group invites qualifying employees to apply between £10 and £125 per month in acquiring shares in the group at the prevailing market price Under the terms of the scheme, certain tax advantages are available to the group and employees

25. Ultimate parent company and controlling party

In the directors' opinion the company's ultimate parent company and controlling party is The Go-Ahead Group plc which is also the parent undertaking of the group of undertakings for which group financial statements are drawn up The Go-Ahead Group plc is registered in England and Wales and copies of its financial statements can be obtained from Companies House, Cardiff