Reed Aviation Limited

Report and Financial Statements

28 June 2008

Reed Aviation Limited
Registered No: 1376327

Directors
K L Ludeman
N Swift

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
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EC2M 3UR

Solicitors
Dickinson Dees LLP
St Ann's Wharf
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41 - 51 Grey Street
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Reed Aviation Limited

Directors' report

The directors present their report and financial statements for the year ended 28 June 2008.

Results and dividends

The loss for the year, after taxation, amounted to £1,048,000 (2007 – profit of £65,000). The directors do not recommend the payment of any dividends.

Principal activity and review of the business

The principal activity of the company during the year was the operation of an air freight forwarding and UK national newspaper export business.

Domestic business volumes based on the Isle of Man and Irish road freight traffic remained stable throughout the year, with a small decline in profitability underpinning the core UK business. Benefitting from this current general Publisher stability the Transport operation performed well with efficiency improvements and higher volume throughput gains particularly relating to new work with DHL and the Telegraph Newspapers resulting in improved profitability. This profit improvement was underpinned through the latter part of the year by management actively reviewing and improving rostering, route combinations and back loading. Polybagging volumes declined with cessation of live news bagging on the Independent, but efficiency improvements saw profitability levels remain only slightly down on last year. Overall this meant that profitability on domestic activity improved by £82k on the previous year. Publisher's requirements and attitude both individually and collectively greatly influence this business and are therefore regularly discussed and reviewed.

International business volumes were slightly behind the previous year. This reflected the residual impact from the loss of Mirror Group Newspapers at the end of October 2006 partly mitigated by the residual impact of the entry into a Firm Sale agreement with Independent Newspapers in March 2007. This volume loss impact was partly mitigated by increases in prices to distributors from May 2008, towards the end of the financial year, leading to revenues being less than 1% below the prior year. This was exacerbated by increases in distribution and freighting costs throughout the year, particularly relating to fuel and local distribution costs at some export destinations, plus some increases in returns levels at some destinations. Overall this led to a significant decline in profitability within the international activity down £632k on the previous year, with this area of the business moving into a small loss position. The impact of the price increases towards the end of 2007/8 year and improved management of un-sold copy levels in a number of markets should assist in recovery of margins from the 2007/8 levels and achieving sustainable profitability moving forward. Constant monitoring of Distributor performance and copy sales is essential to doing this and maintaining the business moving forward. To assist in achieving this and to provide further administrative and reporting efficiencies, a new bespoke computer system will be in place towards the end of the 2008/9 year to improve reporting and availability of information along with an optional interactive link with our customers and suppliers.

With the difficult trading conditions management reviewed the central cost structure and made savings in a number of areas resulting in a £65k reduction in these costs compared to the prior year. This review is ongoing and management anticipate further savings from full year effects and other initiatives to come through in the 2008/9 financial year.

The above profit changes between 2006/7 and 2007/8 alongside the £14k reduction in interest income and the £296k fixed asset impairment (see note 8) summarised to a loss on ordinary activities before taxation of £702k in the 2007/8 year a £795k decline in profitability on the previous year.

As with recent years, the coming year will be a difficult one in view of the many changes taking place in the newspaper publishing industry, we do feel however that we are well placed to combat these challenges with our knowledgeable and dedicated staff, our streamlined cost base and a clear focus on our objectives to develop and improve the business wherever possible.

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.

Reed Aviation Limited
Directors' report

Financial risk management objectives and policies (continued)

Interest rate risk
All surplus cash is swept by the ultimate parent company, and 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 managed by the ultimate parent company and interest risk is hedged when appropriate.

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 further information regarding the liquidity risk can be found in the group financial statements. Capital expenditure is approved at group level.

Foreign currency risk
In the normal course of business, the company makes a limited number of purchases and provides some services denominated in currencies other than sterling. As a result, the company's cash flows arising from these can be affected by movements in the foreign currency exchange rates.

Directors

The directors who served the company during the period were as follows:

K L Ludeman	
N Swift	(appointed 17 July 2007)
I P Butcher	(resigned 1 July 2007)
A Dodgson	(resigned 21 October 2008)

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

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 28 June 2008, the company had an average of 32 days (2007: 36 days) purchases outstanding in trade creditors.

Directors' responsibilities for audit information

In so far 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.

Reed Aviation Limited

Directors' report

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.

Auditors

A resolution in accordance with Section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually was passed on 22 February 2000 and accordingly Ernst & Young LLP shall be deemed reappointed as auditors.

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

By order of the Board

C Sephton
Secretary
27 April 2009

Reed Aviation Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom 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). The financial statements are required by law to 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 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 which 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 1985. 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.

Independent auditor's report
to the members of Reed Aviation Limited

We have audited the company's financial statements for the year ended 28 June 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 June 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne

Ernst + Young LLP.

28 April 2009

Reed Aviation Limited

Profit and loss account

for the year ended 28 June 2008

	Notes	*2008* *£000*	*2007* *£000*
Turnover	2	6,694	6,672
Operating costs	3	(7,100)	(6,593)
Operating (loss)/profit (before exceptionals)	4	(406)	79
Impairment of fixed assets	8	(296)	–
Operating (loss) / profit (after exceptionals)		(702)	79
Bank interest receivable	6	–	14
(Loss)/profit on ordinary activities before taxation		(702)	93
Tax on (loss)/profit on ordinary activities	7	(346)	(28)
(Loss)/profit for the financial year		(1,048)	65

All operations are continuing.

Statement of total recognised gains and losses

for the year ended 28 June 2008

	2008 *£000*	*2007* *£000*
(Loss)/profit for the financial year	(1,048)	65
Total recognised gains and losses relating to the year	(1,048)	65

Reed Aviation Limited
Balance sheet
at 28 June 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	8	3	335
Current assets			
Debtors	10	1,804	1,899
Cash		14	–
		1,818	1,899
Creditors: amounts falling due within one year	11	4,186	3,524
Net current liabilities		(2,368)	(1,625)
Total assets less current liabilities		(2,365)	(1,290)
Provisions for liabilities	12	–	32
		(2,365)	(1,322)
Capital and reserves			
Equity share capital	16	50	50
Profit and loss account	17	(2,415)	(1,372)
Shareholders' deficit	17	(2,365)	(1,322)

The financial statements were approved for issue by the Board and signed on their behalf by:

N Swift
Director

27 April 2009

Reed Aviation Limited

Notes to the financial statements

at 28 June 2008

1. Accounting policies

Basis of accounting

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

The company is exempt from the requirement to prepare group account by virtue of section 248 of the Companies Act 1985, and accordingly the financial statements present information about the company as an individual undertaking and not about its group.

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 £2,368,000 and net liabilities of £2,365,000 including net amounts owed to other group undertakings of £3,365,000. 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 a consolidated cash flow statement.

Fixed assets and depreciation

Fixed assets are recorded 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 & machinery - 5 to 10 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.

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.

Reed Aviation Limited

Notes to the financial statements

at 28 June 2008

1. Accounting policies (continued)

Operating lease agreements

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profits on a straight line basis over the period of the lease.

Insurance

The company limits its 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 which 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.

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 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 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.

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated in sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Investments

Investments are held at cost and are written off over the estimated useful life on a straight line basis.

Reed Aviation Limited

Notes to the financial statements

at 28 June 2008

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:

	2008	*2007*
	£000	*£000*
United Kingdom	6,694	6,672
	6,694	6,672

3. Operating costs

	2008	*2007*
	£000	*£000*
Materials and external charges	5,745	5,111
Staff costs	1,310	1,423
Depreciation of tangible fixed assets	45	59
	7,100	6,593

4. Operating (loss)/profit

This is stated after charging:

	2008	*2007*
	£000	*£000*
Auditor's remuneration - audit services	–	4
Directors' emoluments	–	–
Depreciation of owned fixed assets	45	59
Operating lease rentals - property	103	121
Operating lease rentals - other	21	24

Auditor's remuneration is paid by the ultimate parent company.

5. Staff costs

		2008	*2007*
		£000	*£000*
Wages and salaries		1,141	1,257
Social security costs		142	142
Other pension costs	- final salary	19	16
	- money purchase	8	8
		1,310	1,423

Included in wages and salaries is a total expense of share based payments of £5,000 (2007 - £2,000), all of which arises from transactions accounted for as equity settled share based payment transactions.

Reed Aviation Limited

Notes to the financial statements

at 28 June 2008

5. Staff costs (continued)

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

	2008 *No.*	*2007* *No.*
Administration and supervision	10	10
Operations	46	57
	56	67

The directors of the company are also directors of certain other fellow subsidiary undertakings within the group.

The directors, excluding those who are directors of the ultimate parent undertaking, received total remuneration for the year of £368,000 (2007 - £424,000), all of which was paid by aviance UK Limited. The directors do not believe that it is practicable to apportion this amount between services as directors of the company and their services as directors of fellow subsidiary companies.

6. Interest receivable

	2008 *£000*	*2007* *£000*
Bank interest receivable	–	14

7. Taxation on ordinary activities

(a) Tax on (loss)/profit on ordinary activities

The tax charge is made up as follows:

	2008 *£000*	*2007* *£000*
Current tax:		
UK corporation tax	–	9
Tax underprovided in previous years	430	-
Total current tax (note 7(b))	430	9
Deferred tax:		
Origination and reversal of timing differences (note 12)	(84)	19
Tax on (loss)/profit on ordinary activities	346	28

Reed Aviation Limited

Notes to the financial statements

at 28 June 2008

7. Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax charge assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 29.5% (2007 - 30%).

	2008 *£000*	*2007* *£000*
(Loss)/profit on ordinary activities before tax	(406)	93
(Loss)/profit on ordinary activities by rate of tax	(120)	28
Deferred tax movement due to rate change	–	(2)
Capital allowances in excess of depreciation	–	(2)
Other short term timing differences	–	(19)
Expenses not deductible for tax purposes	–	4
Group relief for nil payment	120	–
Tax underprovided in prior year	430	–
Total current tax (note 7(a))	430	9

(c) Deferred tax

	2008 *£000*	*2007* *£000*
Depreciation in advance of capital allowances / (Capital allowances in advance of depreciation)	51	(33)
Share save asset	1	1
Deferred taxation asset (note 10) / (Provision for deferred taxation (note 12))	52	(32)

Reed Aviation Limited

Notes to the financial statements

at 28 June 2008

8. Tangible fixed assets

	Plant & machinery *£000*
Cost:	
At 30 June 2007	492
Additions	9
Impairment of fixed assets	(296)
At 28 June 2008	205
Depreciation:	
At 30 June 2007	157
Provided during the year	45
At 28 June 2008	202
Net book value:	
At 28 June 2008	3
At 30 June 2007	335

An impairment review was carried out on the value of the company's fixed assets, and as a result the net book value of fixed assets was written down by £296,000.

9. Investments

The company owns 100% of Reed Aviation Spain S.L., an air charter business incorporated in Spain.

10. Debtors

	2008 *£000*	*2007* *£000*
Trade debtors	1,525	1,269
Corporation tax recoverable	–	544
Other debtors	–	62
Amounts owed from group undertakings	169	–
Prepayments and accrued income	58	24
Deferred taxation asset (note 7 (c))	52	
	1,804	1,899

Reed Aviation Limited

Notes to the financial statements

at 28 June 2008

11. Creditors: amounts falling due within one year

	2008	*2007*
	£000	*£000*
Trade creditors	170	157
Amounts owed to group undertakings	3,534	2,430
Other taxation and social security	21	21
Accruals and deferred income	372	318
Other creditors	89	598
	4,186	3,524

12. Other provisions

	Deferred tax
	£000
At 1 July 2007	32
Deferred tax credit in profit and loss account (note 7(a))	(84)
Transferred to debtors (note 10)	52
At 28 June 2008 (note 7(c))	–

13. 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 £8,000 (2007 - £8,000) 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 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 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:

	2008	*2007*	*2006*
	%	*%*	*%*
Rate of increase in salaries	5.3	4.7	4.3
Rate of increase in deferred pensions	3.8	3.2	2.8
Discount rate	6.2	5.9	5.4
Inflation assumption	3.8	3.2	2.8

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Notes to the financial statements
at 28 June 2008

13. Pension commitments (continued)

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:

		2008		2007		2006
	Long-term rate of return expected %	*Value £000*	*Long-term rate of return expected %*	*Value £000*	*Long-term rate of return expected %*	*Value £000*
Equities	8.4	148,200	8.5	223,700	8.4	201,600
Bonds	6.7	155,700	5.9	43,600	5.2	41,600
Properties	6.8	22,000	6.9	26,600	6.6	23,300
Cash	5.3	6,000	5.5	38,300	4.3	21,700
Total market value of assets		331,900		332,200		288,200
Present value of scheme liabilities		(376,300)		(346,700)		(360,000)
Pension liability before deferred tax		(44,400)		(14,500)		(71,800)
Related deferred tax asset		12,432		4,350		21,540
Net pension liability		(31,968)		(10,150)		(50,260)

Analysis of movements in deficit during the year:

	2008 £000	*2007 £000*
At start of year	(14,500)	(71,800)
Current service cost	(5,700)	(6,600)
Net other finance income	5,700	2,000
Actuarial gains and losses	(44,200)	55,700
Contributions	14,300	6,200
At end of year	(44,400)	(14,500)

An analysis of the defined benefit cost for the year ended 28 June is as follows:

	2008 £000	*2007 £000*
Current service cost	(5,700)	(6,600)
Total operating charge	(5,700)	(6,600)

	2008 £000	*2007 £000*
Other finance cost: expected return on assets in the scheme	26,100	21,400
Other finance cost: interest cost	(20,400)	(19,400)
Net other finance income	5,700	2,000
STRGL: difference between expected and actual return on assets	(33,300)	23,900
STRGL: experience losses arising from scheme liabilities	(5,800)	25,000
STRGL: effect of changes in assumptions underlying the present value of scheme liabilities	(5,100)	6,800
Actuarial gains and losses	(44,200)	55,700

13. Pension commitments (continued)

A history of experience gains and losses is shown below:

	2008	*2007*	*2006*	*2005*	*2004*
Difference between expected return and actual return on pension scheme Assets					
- amount (£000)	(33,300)	23,900	27,200	11,200	3,600
- % of scheme assets	10.0	7.2	9.4	4.6	2.0
Experience gains/(losses) arising on scheme liabilities					
- amount (£000)	(5,800)	25,000	(3,100)	900	(16,900)
- % of the present value of scheme liabilities	(1.6)	7.2	(0.9)	0.3	(6.6)
Total actuarial gains recognised in the statement of total recognised gains and losses					
- amount (£000)	(44,200)	55,700	14,100	(39,200)	7,900
- % of the present value of scheme liabilities	(11.7)	16.1	3.9	(16.2)	3.1

14. Commitments under operating leases

At 28 June 2008 the company had annual commitments under non-cancellable operating leases as set out below:

		2008		*2007*
	Land and buildings	*Plant and Machinery*	*Land and buildings*	*Plant and Machinery*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one year	105	21	121	5
In two to five years	–	–	–	19
	105	21	121	24

15. 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.

16. Share capital

		Authorised
	2008	2007
	£000	£000
Ordinary 'A' shares of £1 each	25	25
Ordinary 'B' shares of £1 each	25	25
	50	50

	Allotted, called up and fully paid			
		2008		2007
	No.	£000	No.	£000
Ordinary 'A' shares of £1 each	25,000	25	25,000	25
Ordinary 'B' shares of £1 each	25,000	25	25,000	25
		50		50

The 'A' ordinary shares and 'B' ordinary shares rank pari passu in all respects.

17. Reconciliation of shareholders' deficit and movement on reserves

	Equity share capital £000	Profit and loss account £000	Total shareholders' deficit £000
At 1 July 2006	50	(1,439)	(1,389)
Retained profit for the year	–	65	65
Share Based Payment	–	2	2
At 30 June 2007	50	(1,372)	(1,322)
Retained loss for the year	–	(1,048)	(1,048)
Share Based Payment	–	5	5
At 28 June 2008	50	(2,415)	(2,365)

18. Share based payment

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

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18. Share based payment (continued)

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 28 June 2008 was £5,000 (2007 - £2,000).

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

	No.	2008 WAEP £	No.	2007 WAEP £
Outstanding at the beginning of the year	2,353	17.01	1,263	13.41
Granted during the year	–	–	1,246	19.14
Forfeited during the year	(137)	19.14	(156)	4.84
Outstanding at the end of the year	2,216	16.88	2,353	17.01

The weighted average share price during the period was £21.86 (2007 – £22.47).

For share options outstanding as at 28 June 2008, the weighted average remaining contracted life is 1.46 years (2007: 2.49 years).

The range of exercise prices for options outstanding at the end of the year was £14.62 - £19.14 (2007: £14.62 - £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.

19. Ultimate parent company

The company's immediate parent undertaking is Reed Investments Limited. 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.