Returning to strength

FirstGroup plc

Half-yearly financial report
to 30 September 2013

First

FirstGroup plc is the leading transport operator in the UK and North America. With revenues of more than £6.9 billion per annum and approximately 120,000 employees, we transport more than 2.5 billion passengers every year.

Contents

Find out more about FirstGroup on our website **www.firstgroup.com**

Financial Highlights

	H1 2013	H1 2012 Restated[1]	Change
Revenue	**£3,300.7m**	£3,250.0m	+1.6%
Underlying[2]			
- EBITDA[3]	**£269.2m**	£262.3m	+2.6%
- Operating profit	**£109.9m**	£99.8m	+10.1%
- Profit before tax	**£28.3m**	£19.7m	+43.7%
- Attributable profit	**£17.1m**	£11.3m	+51.3%
- EPS	**1.9p**	1.9p	-
Statutory			
- Operating profit	**£90.6m**	£62.8m	+44.3%
- Loss before tax	**£(8.0)m**	£(20.6)m	n/m
- Attributable loss	**£(1.1)m**	£(15.0)m	n/m
- EPS	**(0.1)p**	(2.5)p	n/m
Net debt[4]	**£1,446.8m**	£2,081.8m	(30.5)%

[1]Prior year financial information throughout this statement has been restated due to the adoption of changes in IAS 19 and the rights issue – see note 1 for details.
[2]Before amortisation charges, ineffectiveness on financial derivatives, exceptional items and loss on disposal of properties. All references to 'underlying' figures throughout this document are defined in this way.
[3] Underlying operating profit less capital grant amortisation plus depreciation.
[4]Net debt is stated excluding accrued bond interest.

Group overview:

- Trading in line with management's expectations, despite continued headwinds in some markets
- Progress at the revenue, underlying and statutory operating profit and underlying attributable profit levels; underlying EPS in line with the same period last year
- Strengthened balance sheet following the rights issue completed in June, seasonally higher mid-year net debt: EBITDA ratio reduced to 2.4 times from 3.2 times last year
- £1.6bn investment plan over four years underway, with capital expenditure increasing in the period
- Progress in transformation plans, though much remains to be done
- Remain confident in achieving our medium term financial targets set out in May 2013

Operating highlights:

- First Student – on track with recovery programme; original $100m run rate cost saving target achieved, with further efficiency actions ongoing to achieve double digit margins in the medium term
- First Transit – continued good growth in both renewals and new business, particularly in shuttle and paratransit, with margin performance maintained
- Greyhound – US economic conditions affected core market though summer trends show signs of improvement. Further significant Greyhound Express expansion
- UK Bus – early positive signs from areas where we have reset our commercial proposition to enhance volume growth. Benefits of our transformation plan largely counterbalanced the anticipated headwinds during the period
- UK Rail – solid passenger revenue growth and operating performance. Franchise renewal programme now underway with 23-month First Great Western contract in place

Chairman's Statement

FirstGroup has established a broad-based portfolio of market-leading transport businesses in the UK and North America over many years. We have a wealth of expertise and unique knowledge of many different markets, networks, contracts, operations and assets, and we believe our stakeholders benefit from our diversity and experience. Effective transport links are a key enabler of economic growth, and the interlinked trends of increasing urbanisation and congestion mean experienced providers of efficient transport solutions such as FirstGroup have an increasingly important role to play – and consequently significant commercial opportunities – in today's economy.

In recent years, the external headwinds from the global economic downturn, reduced government support for public transport and the pausing of the UK rail re-franchising programme have been significant. We took action across a number of fronts to mitigate the effects of these headwinds: we have repositioned the business portfolio where necessary, activated root-and-branch transformation programmes throughout our underperforming divisions, strengthened the balance sheet through the recent rights issue, and committed to a substantial £1.6 billion investment programme over the next four years to raise returns, enhance growth and put the Group on a sustainable path to increased value creation.

The response of our people throughout this time has been extraordinary, and on behalf of the Board I would like to extend our thanks to employees throughout the Group, who have remained committed, professional and steadfastly focused on serving the millions of customers who rely on us every day.

I am pleased to say that during the first half of this financial year we have begun to see early signs that our initiatives to strengthen the Group are bearing fruit, and I have confidence that, as we move to the next phase of our development, FirstGroup will continue to build on this success. As indicated in May, the Board is not proposing an interim dividend in respect of this financial period, but subject to performance remaining in line with our expectations for the rest of the year, expects to propose a final dividend of up to £50 million for the year to 31 March 2014, as a transition to a progressive dividend policy thereafter, with dividend cover of 2.0 to 2.5x in the medium term.

As I announced in May, it is my intention to step down as Chairman on the appointment of a successor, a process that is well underway and making progress. I have been involved with the company from its earliest days, when as a newly deregulated Scottish municipal bus operator FirstGroup embarked on an ambitious programme of acquisitions and contract bids to deliver profitable growth. From the merger with Badgerline, through privatisation of British Rail and our first rail franchise bids, and later expansion into North America, FirstGroup has always maintained a resolute focus on growing the breadth and attractiveness of the transportation services we provide for our diverse range of customers. The actions we have taken in recent times will ensure that the Group will continue to play a leading role in providing efficient and cost effective passenger transport services for our customers, while being an attractive and sustainable investment for our shareholders, for many years to come.

Martin Gilbert
Chairman
6 November 2013

Note: Operating profit referred to throughout this document refers to operating profit before amortisation charges, ineffectiveness on financial derivatives, exceptional items and loss on disposal of properties. EBITDA is underlying operating profit less capital grant amortisation plus depreciation.

Operating and Financial Review

Earlier in 2013, the Group set out its objectives to deliver improved growth and return to a profile of consistent financial returns and cash generation in conjunction with the rights issue to provide the balance sheet flexibility to continue our transformation and investment plans. Over the next four years we aim to increase Group revenue (excluding UK Rail) at a faster rate than the economies we serve, to improve margins in First Student and UK Bus to double digit levels, and to achieve a post-tax return on capital employed (ROCE) in the 10% to 12% range. We aim to maintain an investment grade credit rating and appropriate balance sheet liquidity and headroom and, as the business performance improves, to re-establish a progressive dividend policy to target 2.0 to 2.5 times dividend cover in the medium term. The actions we are taking in each of the divisions will create a more robust company and one that is better placed to face its challenges, deliver on its promises and take advantage of future opportunities. Although many of the actions are at a relatively early stage, and a great deal remains to be done to achieve these targets, the six months to 30 September 2013 represents a period of solid progress on our medium term plans to return to strength.

Group results

Group revenue increased by 1.6% to £3,300.7m (2012: £3,250.0m), or by 5.4% as adjusted for the UK Bus portfolio changes, the disposal of the First Support Services (FSS) business in First Transit and the non-recurring London 2012 Games revenues. Underlying operating profit increased 10.1% to £109.9m (2012: £99.8m), reflecting reductions in UK Bus and Greyhound profits offset by higher profits in First Student and UK Rail. Group margins increased, with improvements in First Student, First Transit and UK Rail more than offsetting declines in Greyhound and UK Bus margins. Statutory operating profit was £90.6m (2012: £62.8m) reflecting the increased underlying operating profit and a reduced charge for exceptional items this half year, partially offset by higher amortisation. Underlying basic EPS was flat at 1.9p (2012: 1.9p), reflecting the increased number of shares in issue following the rights issue, whereas profit for the underlying EPS calculation increased from £11.3m to £17.1m in the period. EBITDA increased 2.6% to £269.2m (2012: £262.3m). ROCE improved modestly to 8.0%, compared with 7.6% at end of March 2013.

					Restated				Restated
	6 months to 30 September 2013			6 months to September 2012			Year to 31 March 2013		
	Revenue	Operating profit[1]	Operating margin[1]	Revenue	Operating profit[1]	Operating margin[1]	Revenue	Operating profit[1]	Operating margin[1]
Divisional results	£m	£m	%	£m	£m	%	£m	£m	%
First Student	666.4	11.0	1.7	640.3	5.2	0.8	1,503.1	109.9	7.3
First Transit	408.7	31.4	7.7	397.2	28.8	7.3	814.6	49.1	6.0
Greyhound	333.7	31.8	9.5	337.3	34.8	10.3	647.1	54.5	8.4
UK Bus	490.7	17.3	3.5	572.9	21.0	3.7	1,128.2	53.5	4.7
UK Rail	1,395.2	32.8	2.4	1,296.4	23.8	1.8	2,795.1	38.0	1.4
Group[2]	6.0	(14.4)	-	5.9	(13.8)	-	12.8	(29.5)	-
Total Group	3,300.7	109.9	3.3	3,250.0	99.8	3.1	6,900.9	275.5	4.0
North America in US Dollars	$m	$m	%	$m	$m	%	$m	$m	%
First Student	1,029.7	18.1	1.8	1,017.2	10.8	1.1	2,378.6	174.9	7.4
First Transit	630.8	48.6	7.7	627.8	45.5	7.2	1,286.8	77.7	6.0
Greyhound	514.7	49.1	9.5	532.6	54.5	10.2	1,022.0	85.5	8.4
Total North America	2,175.2	115.8	5.3	2,177.6	110.8	5.1	4,687.4	338.1	7.2

[1] *Underlying.*
[2] *Tramlink operations, central management and other items.*

First Student

Revenue in our First Student division was $1,029.7m or £666.4m (2012: $1,017.2m or £640.3m), 1.2% higher on a US Dollar basis year-on-year due in part to the recovery of some operating days lost to severe weather from last year. Operating profit was $18.1m or £11.0m (2012: $10.8m or £5.2m), and US Dollar margins of 1.8% in the half were higher than the equivalent period last year (2012: 1.1%), as expected. Overall contract retention rates remain around 90%, although we continue to focus on winning or retaining only those contracts that meet our returns criteria. For the full year, we expect that the number of buses operated will reduce by around 450, although revenue will be broadly in line with prior year.

State and local finances improved modestly in the period but the market remains challenging overall with limited growth opportunities; nevertheless we saw some organic growth within existing contracts of more than 450 buses, almost double the rate of organic growth in the prior year. Although this organic growth remains at relatively low levels, it compares with contraction in our 2010, 2011 and 2012 financial years. We completed a small in-fill acquisition in Canada, and continue to be successful in the conversion market from in-house operations to the private sector, winning 55% of the business bid for-and-awarded, although we remain cautious about growth from this part of the market, since only a small number of contracts tendered convert to the outsourced sector. Accordingly we do not anticipate a significant change to this trend in the medium term. Our continued focus on returns resulted in some contract losses including several where, although the numbers of buses operated were significant, their contribution to profits was modest. A number of "share shift" contract wins, including some which were cost-effective expansions of existing operations for our customers such as for the Los Angeles Unified School District and for Kansas City, Missouri, were sufficient to largely offset other contract losses.

During the period, we passed a number of milestones in the ongoing process of improving our operating performance and delivering cost efficiencies in First Student. All of our workshops have now achieved an initial level of lean certification, and we are well advanced with embedding the next level of improvements to our procurement, engineering and maintenance processes. Our programmes to drive uniform best practice and improve cost management coupled with the near-completion of the roll out of our FOCUS GPS system in the US (which links on board data to back office systems) produced another period of improved labour cost and other operating efficiencies. We also signed a framework agreement with one of our key suppliers which will further rationalise our supply chain and lead to additional savings in the future. We have been investing to build our non-school charter business, which grew 11% in the period, with a more structured approach to targeting and marketing to non-school accounts, yielding significant business from one-off events such as the President's Cup golf and Alberta Summer Games, and repeat business including for the Tough Mudder adventure challenges and providing transportation for construction companies. In the period, we surpassed our $100m per annum cost saving target for the division on a run rate basis, and we expect to drive significant further savings as we continue to embed efficiency at the heart of the business through a continuous process of incremental cost savings.

We are increasing our use of technology to differentiate our offering, raise customer service levels and promote environmental benefits. We are achieving fuel efficiency improvements of around 5% across the division through the DriveSmart system, and in the second half of the year we will launch MyFirstPass, a system giving parents and customers real-time information about student ridership as they swipe on and off the bus, in selected locations. Our alternative fuel bus fleet continues to grow, with more than 500 propane buses being added to the fleet this year, mainly in the Pacific North West.

First Transit

First Transit continues to deliver a strong performance. Revenue increased to $630.8m or £408.7m (2012: $627.8m or £397.2m). After adjusting for the sale of FSS, US Dollar revenues increased by 8.8% from the same period last year. Operating profit was $48.6m or £31.4m (2012: $45.5m or £28.8m) and operating margin was maintained at 7.7% after adjusting for the sale of FSS. Growth in the first half of the year has been driven principally by contract opportunities in paratransit and shuttle segments and, while we remain confident in First Transit's medium term outlook, the pipeline of bid opportunities slows slightly in the second half, meaning that growth for the full year is expected to be closer to last year's 7%.

Over the course of the last six months, we have strengthened our market-leading customer portfolio with the commencement of several large contracts. We successfully added more than 300 fixed route buses for a newly unified bus operations contract in Arizona. For our customer, Valley Metro RPTA, the contract has streamlined and brought economies of scale benefits. We also began a paratransit services contract in Washington DC with more than 220 vehicles serving MetroAccess' door-to-door transportation service for disabled passengers.

Client relationships are fundamental in this market, and key contract renewals during the first half of the year included a ten year fixed route contract with PRTC in Woodbridge, VA, operating 169 vehicles for this community just south of Washington, DC. We were also successful in renewing our contract with the Maryland Aviation Administration to operate the shuttle buses at Baltimore/Washington International Airport. Other large renewals included paratransit services for New Jersey Transit Region 6, fixed route and paratransit services for Johnson County, Kansas, and fleet maintenance services for the District of Columbia Metropolitan Police Department.

Our knowledge and wide-ranging experience have also helped us deliver numerous contract wins over the last six months. We are the largest operator of university shuttle buses in the US and further campus contract wins have added 122 buses during the period including at Brown University, Auburn University, the University of Tennessee, University of Alabama at Birmingham and Chapman University, California. We have increased our call centre work with the award of a five year contract to operate the Chicago RTA's Travel Information Centre. First Vehicle Services also saw an expansion of its fleet maintenance activity with a contract win for the Greater Orlando Airport Authority.

We continue to progress our ongoing pipeline of opportunities, including in the shuttle bus segment as well as developing new offerings such as Bus Rapid Transit (BRT). We recently secured an expansion of our contract with Capital Metro in Austin, Texas, to operate their BRT system, in which FirstGroup's success with BRT in the UK played an important part in winning the bid. We are seeing further growth in the Fort McMurray market in support of the fast growing oil industry of northern Alberta.

We are working with our clients to promote innovation, including alternative vehicle technology, and have been operating three electric powered vehicles for Foothill Transit in Southern California. This successful pilot programme has led to their recent decision to place an order for additional vehicles bringing their electric fleet size to fifteen. We are also implementing a new management IT system providing automated safety, maintenance and forecasting information and we expect to roll this out to all of our US locations by the end of the year, as well as sharing best practice with other similar initiatives within FirstGroup.

Greyhound

During the first half of the year like-for-like revenue decreased by 2.5% and revenue was $514.7m or £333.7m (2012: $532.6m or £337.3m). Operating profit was $49.1m or £31.8m (2012: $54.5m or £34.8m) and US dollar operating margin was slightly lower at 9.5% (2012: 10.2%). In common with reports from the retail industry, value-focused consumers – which form a substantial portion of traditional Greyhound's customer base – remain cautious, as they continue to feel the effects of the prolonged US economic downturn. However, a generally soft sales trend in the first quarter of the year was to some extent countered by stronger trading during the summer months, with our point-to-point brands performing particularly well. In the US, which accounts for around 80% of Greyhound's revenues, margins remained largely resilient compared with the same period last year despite the revenue contraction, reflecting the actions taken to increase the cost and operating flexibility of the business. However we continue to restructure our business in Canada where further changes to our network and cost base are necessary to deliver a more commercially viable service. This will include further expansion of Greyhound Express in Canada, which currently serves 12 routes in four provinces.

Greyhound Express continues to grow strongly with revenues increasing by 9.6% during the period. In October Greyhound Express added new routes or increased frequencies from major markets in Illinois, Tennessee, Georgia and Florida, and launched services in new markets in Arkansas. We continue to build on this momentum with plans to roll out Greyhound Express on further routes.

In October we also expanded our BoltBus operations in the Pacific Northwest, where the service offers a high-quality alternative to Amtrak's routes and has outperformed expectations since its launch in autumn 2012. We are now developing other markets, including California, for further BoltBus expansion. YO! Bus continues to attract ridership in the Northeast Chinatown market, without impacting our Greyhound Express passenger figures, which continue to increase over the same corridors, demonstrating that our multi-brand strategy is broadening the demographics that are using intercity coach transportation.

During the period we also introduced improvements to Greyhound Package Express, which moves a million shipments per year in the US, so that customers can now take advantage of a door-to-door service rather than collection from a local terminal.

A further 109 new vehicles were acquired during the first half of the year as part of our previously announced $100m order of new buses. Disciplined capital investment is supported by a significant refurbishment programme, which saw us complete a further 100 vehicles in the period. At the end of 2012/13 more than 50% of the fleet was new or refurbished and we expect to increase the number to around 75% by March 2014. On some buses we are trialling a new Wi-Fi enabled entertainment system so that customers can download content to their own mobile devices and we have seen immediate strong usage during the trial.

Whilst we will continue to maintain our cost flexibility to withstand further cyclical pressures, we are increasingly focused on investing to ensure that the experiences gained from Greyhound Express and BoltBus support the modernisation of the traditional Greyhound service. We have adjusted our online pricing discounts for traditional

Greyhound so that it more closely matches the Express model and are progressing with development of yield management systems that will underpin Greyhound's future success.

UK Bus

Revenue was £490.7m (2012: £572.9m) during the period, although adjusting for the disposals of our London businesses and the London 2012 Games, passenger revenues on a like-for-like basis increased by 1.7%. As we anticipated, operating profit decreased, to £17.3m (2012: £21.0m) and operating margin decreased to 3.5% (2012: 3.7%). This expected decrease was the result of the absence of the disposal businesses and the one-off benefit of the London 2012 Games contract, and the adverse impact of higher fuel costs and reduced central government funding, changes to pension service costs and auto-enrolment, largely counterbalanced by the effects of our transformation programme.

We completed our portfolio rebalancing project with the previously announced disposals of certain bus businesses during the period, resulting in our exit from the London market in order to focus on our commercial deregulated business elsewhere, and have made significant changes to the structure and strengthened the management across the business. Our plans to return the division to double-digit margins performance in the medium term are focused on three areas: further cost optimisation through disciplined operations; a market-by-market reassessment of our network designs and fares structures to drive improved volume growth, in conjunction with local stakeholders; and further investment in our bus fleets and technology to improve our customer experience. Each of these initiatives is being rolled out in stages across the business in an iterative way, and is highly tailored to local market conditions.

The first phase of our operating and cost optimisation programme is nearing completion in each of our depots, and is already having a measurable impact on working practices and customer service delivery, particularly on punctuality scores and vehicle breakdowns. Lost mileage has improved by around a quarter in those depots that are furthest along the process. We have now begun the second phase with a strong focus on development and training for local management.

Our programme to drive revenue and patronage growth is at an earlier stage across the division, but we have begun to see positive results from our first such actions. A typical approach in a market is to rebase the more uncompetitive elements of our basket of fares so as to stimulate sufficient volume growth to maintain revenue levels in the early stages. These volume increases then act as a platform on which to build further volume and pricing growth in future. Overall the division reported passenger volume growth of 0.7% in the period, which is our first six month period of volume growth in a number of years. We are seeing particularly pleasing increases in commercial passenger volumes where improvements to our service proposition have been in place longest or have changed most significantly, notably in our North region where commercial passenger volumes grew by 7.8% during the period. A new approach to certain fares in South Yorkshire has helped lead to volume growth of 5.0% overall, whilst a changed fares structure including better value day and weekly season tickets across Greater Manchester has led to 7.4% overall patronage growth.

In many markets, changes to the fares structures are coupled with adjustments to the network design. York, for example, has seen route changes and selected fares reduced by up to 25% after a consultation with our customers and partners. In Bristol we held a wide ranging consultation with passengers and stakeholders on the fares structure and route system. We received more than 7,500 responses which were used to inform our new fares structure that is being implemented from early November. The new structure is simpler and easier to use and delivers greater value for money for the majority of passengers. We have been working closely with the elected Mayor of Bristol and he has endorsed all of our initiatives including increased night-time and Sunday services. A particular feature of both the Bristol and York fares change are discounted offerings for young people.

The pace and approach being taken to fares and network changes is deliberately tailored to local market conditions, and in many areas will be an ongoing process. For example, we overhauled our network and fares structure in Glasgow in May following considerable consultation, supported by widespread marketing. However the macroeconomic environment in that city remains tough with the percentage of economically active people falling in the last 18 months by around 5%, compared with a modest improvement across the UK as a whole. We therefore have further work to do, although we are encouraged by the volume trends on those city centre routes where significant changes have been introduced. Scotland remains a challenging market overall, with retail footfall for example down by as much as 5% in recent months compared to last year.

We are strengthening our partnerships with local authorities in the areas where we operate in order to foster deeper stakeholder relationships and raise volumes through making bus travel more attractive. Working with our local authority partners in York and the West of England, we pulled together successful bids for the DfT's Better Bus Area (BBA) funding, with customers at the heart of our proposals. We are proud of the pioneering efforts we made in the Sheffield BBA with our partners, and we have been at the forefront of a further two of the four areas across the country that have now secured this funding. We continue to highlight our successful voluntary partnership with the Passenger Transport Executive and other operators in the Sheffield area as an excellent example of how strong stakeholder partnerships can improve journey numbers, reliability and customer satisfaction figures, for the benefit of all. Significant progress has also been made during the period in developing a full partnership agreement in West Yorkshire.

Finally, we are also progressing opportunities that flow from our increased investment. Our previously announced £76m order for 464 new buses to be delivered during the current financial year is on track and helping to reduce maintenance expense. As an example of this investment and to drive growth, we rebranded a key route in Portsmouth in conjunction with our partners Hampshire County Council and Portsmouth City Council. The city is the most densely populated in the UK outside London, and The Star route will feature new look vehicles with free Wi-Fi, leather seats and information screens. We also continue to roll out environmentally friendly hybrid buses, including on a growing route between Chelmsford and Lakeside shopping centre and also on routes to Heathrow Airport where we leveraged funding both from the airport operator and the DfT. Meanwhile, we are introducing electric buses to our park and ride contract in York in partnership with the local authority and DfT. We work with stakeholders, including disability groups such as the Royal National Institute of Blind People, to improve our fleet and also to support our driver training programme.

A number of our local markets continue to face challenging economic conditions, and there remains considerable work to be done to meet our medium term objective of double digit margins for the division, but as we progress through our comprehensive transformation plans and see volumes increasing, our confidence continues to grow.

UK Rail

Our UK Rail division continued to benefit from steady growth across all of our franchises with revenue increasing to £1,395.2m (2012: £1,296.4m). Operating profit increased to £32.8m (2012: £23.8m). The industry continues to demonstrate strong growth with passenger numbers more than doubling since the last years of British Rail. Demand for our services remains good with like-for-like passenger revenues increasing by 5.7% during the period, broadly in line with the industry average. Underlying passenger volume growth increased by 3.6% in the half.

We have a diverse rail portfolio encompassing long distance, regional and commuter operations and are the largest operator in the UK with around a quarter of the market. We continue to focus on service delivery for our customers and are working with Network Rail to ensure they progress their infrastructure improvement plans, while minimising major disruption for our passengers.

During the period important steps were taken in the UK's rail refranchising programme, enabling the private sector to continue to provide effective and efficient passenger rail services with further rolling stock and infrastructure improvements. We signed an agreement with the DfT in October to operate the First Great Western franchise for a further 23 months to 20 September 2015, securing continuity of rail services for passengers and retaining our experience in managing the impact of the multi-billion pound investment programme already underway on the network. We are working with the DfT to deliver further fleet enhancements and other passenger benefits such as the roll out of Wi-Fi.

The DfT issued invitations to tender for the Essex Thameside and the Thameslink, Southern and Great Northern franchises in September. As a shortlisted bidder in both processes, we look forward to submitting competitive bids that deliver for passengers, taxpayers and shareholders. We have been shortlisted for the next ScotRail franchise and the new 15 year Caledonian Sleeper franchise, both of which will be awarded next year by the Scottish Government. We have also been shortlisted to tender for Luas, the light rail network in Dublin, by the Railway Procurement Agency of the Republic of Ireland. We also intend to submit our interest in participating in the East Coast Mainline tender process, which will move to the invitation to tender stage in February 2014.

At First Capital Connect we continue to focus on improving performance under the leadership of a new management team. We have provided assistance to Network Rail as they carry out a one-off programme of maintenance and upgrades to the track, power and signalling systems, to help create a more reliable service for our customers. The fleet of Class 365 trains is to be transformed with fresh interiors and enhanced accessibility features as part of a £31m investment by Eversholt Rail, which will also include heavy maintenance to ensure their continued reliability. During the period we unveiled station improvements at St Albans, Kings Lynn and, working with our partners, at London King's Cross, as well as announcing a major initiative to improve train cleanliness.

First Great Western is working hard with our partners on improvements to the route. Reading station is undergoing an £850m improvement programme to ease bottlenecks, increase capacity and improve punctuality. In part thanks to our close involvement with the scheme, the works are due to finish a year ahead of schedule. We have been working with Transport for London (TfL) on the Crossrail project on the approach to London Paddington, and upgrade works with Network Rail are progressing well on the redoubling of the South Cotswold line. Following the signing of the agreement with the DfT to continue to operate the Great Western franchise, we worked with the DfT, Wiltshire Council and other local stakeholders to secure additional services in the county, which are expected to be underway by the end of the calendar year.

First ScotRail has introduced Wi-Fi to more than 50 trains linking Scotland's largest cities since April and is continuing to roll out the service throughout the year. More than 500,000 people have used onboard Wi-Fi, exceeding original expectations. The service will be introduced to a further fleet of trains by March 2014, and the first ScotRail stations will get Wi-Fi in the coming months. More than 20 trains have been upgraded with new toilets, lights and wheelchair bays as part of an £18m investment by Eversholt Rail, with another 21 vehicles set to be refurbished and repainted by 2016. We worked hard to provide extra trains for sporting and cultural events during the period, particularly the Edinburgh Festival where the largest ever special timetable was run, and many of the changes have been made permanent. We are now liaising with Transport Scotland and other partners on plans for the Commonwealth Games and the Ryder Cup in 2014. We are particularly pleased that our ground-breaking partnership with Network Rail and Transport Scotland on the Paisley Canal line electrification project has now been recognised at the National Transport Awards, National Rail Awards and Network Rail Partnership Awards.

First TransPennine Express services suffered disruption during the first part of the period following a landslip at a former colliery near Scunthorpe. We worked with Network Rail to restore service to the line connecting the seaside resort of Cleethorpes to the rest of the North of England ahead of the busy summer holiday season. The completion of the first stage of the £400m north west electrification plan in July paves the way for the introduction of a £60m fleet of new four-car trains between Manchester and Scotland that will start to come into service from December 2013, substantially increasing capacity. Customers will benefit from more journey options, faster trains and better connectivity and accessibility.

First Hull Trains continues to see good growth as the operator with the highest customer satisfaction scores on the UK rail network. The open access operator worked with the city's sports teams and university to promote services and worked together with First TransPennine Express to begin offering a discounted ticket for passengers from East Yorkshire to travel to London as part of a new promotion. The company is also working in partnership with schools and colleges to help young people develop skills and experience through its Employability Charter.

Outlook

Over the past six months, we have worked hard to ensure we are positioned to deliver on our potential. We have strengthened our balance sheet through the rights issue, continued to drive the significant number of incremental operational enhancements required to yield better financial returns, and are making disciplined investments to benefit from the opportunities we see in our markets. We are focused on the task of meeting our medium term financial objectives including our revenue, margin and return on capital targets, while continuing to improve the services we deliver for our customers.

We have a fundamentally attractive portfolio of market-leading transport businesses, and our unrivalled scale and breadth gives us significant opportunities to share best practice and expertise, to deliver outstanding services to our customers and to create long term, sustainable value for our shareholders. We remain confident that the trends toward increased urbanisation and greater congestion will generate significant opportunities for our business, and that we are returning to the strength necessary to drive sustainable, long term growth and increased shareholder value.

Although it is early days in our multi-year plan to improve our returns, resilience and growth prospects, we are seeing clear indications that we are making progress. While there remains a significant amount to be done, we believe the foundations are now in place to deliver on our market-leading potential.

Exceptional Items and Amortisation Charges

	6 months to 30 September 2013 £m	6 months to 30 September 2012 £m	Year to 31 March 2013 £m
Disposals			
UK Bus depot sales and closures	**15.3**	(3.3)	(19.8)
First Transit FSS disposal and exit from Diego Garcia operations	-	-	(12.6)
	15.3	(3.3)	(32.4)
Onerous contracts/impairments			
UK Rail First Great Western contract provision	-	-	(15.9)
UK Rail joint venture provision (DSBFirst)	-	-	(5.0)
First Student onerous contract	-	-	(2.7)
	-	-	(23.6)
Legal claims			
First Student legal claims	-	-	(19.8)
First Transit legal settlements	-	(5.9)	(5.9)
First Transit Diego Garcia insurance claim	-	-	6.7
	-	(5.9)	(19.0)
Other			
UK Rail bid costs	**(7.0)**	(12.3)	(6.0)
	(7.0)	(12.3)	(6.0)
Total exceptional items	**8.3**	(21.5)	(81.0)
Amortisation charges	**(25.9)**	(13.6)	(52.0)
Loss on disposal of properties	**(1.7)**	(1.9)	(2.7)
Operating profit charge	**(19.3)**	(37.0)	(135.7)
Ineffectiveness on financial derivatives	**(17.0)**	(3.3)	(5.5)
Loss before tax credit	**(36.3)**	(40.3)	(141.2)
Tax credit	**18.0**	13.9	46.5
Net exceptional items for the period	**(18.3)**	(26.4)	(94.7)

UK Bus depot sales and closures
UK Bus depot sales and closures relate to measures taken by the Group to rebalance its portfolio in the UK Bus operations, which included selling or closing certain operations. The principal amount in the period represents a £16.5m gain on the disposal of the eight London bus depots, which completed during the period.

UK Rail bid costs
The Group incurred UK Rail bid costs of £7.0m (2012: £12.3m) principally in connection with the ScotRail, Essex Thameside and Thameslink, Southern and Great Northern rail franchises as well as costs incurred on the First Great Western and First Capital Connect single tender action bids.

Amortisation charges
The charge for the period was £25.9m (2012: £13.6m) with the increase mainly due to a higher level of contract amortisation at First Student as a result of the reassessment last full year of the remaining useful economic lives of the contracts acquired with the Laidlaw acquisition.

Loss on disposal of properties
During the year the Group realised £1.3m (2012: £40.3m) on the disposal of selected properties. These resulted in a net loss on disposal of £1.7m (2012: £1.9m).

Ineffectiveness on financial derivatives
Due to the ineffective element and undesignated fair value movements on financial derivatives there was a £17.0m non-cash charge (2012: £3.3m) to the income statement during the period. The principal component of this non-cash

charge relates to certain US Dollar interest rate swaps, which are no longer required as the underlying US Dollar debt was repaid from the proceeds of the rights issue.

Tax

The tax credit as a result of these amortisation charges and exceptional items was £14.3m (2012: £11.9m). In addition there was a one-off deferred tax credit of £3.7m (2012: £2.0m) as a result of the reduction in the UK corporation tax rate from 23% to 20% (2012: 24% to 23%).

Finance Costs and Investment Income

Net finance costs, before exceptional items, were £81.6m (2012: £80.1m) with the increase principally reflecting an additional £3.5m of interest on pensions due to the impact of IAS 19 (revised). Although Greyhound had a similar interest charge for pensions in the last half year this was offset by the impact on the loss-making First Great Western contract which under accounting rules was treated as a prior year adjustment at 1 April 2012.

Profit Before Tax

Underlying profit before tax was £28.3m (2012: £19.7m) with the increase due principally to higher underlying operating profit. An overall charge of £36.3m (2012: £40.3m) for exceptional items and amortisation charges resulted in statutory loss before tax of £8.0m (2012: loss of £20.6m).

Tax

The tax charge, on underlying profit before tax, for the period was £6.2m (2012: £4.0m) representing an effective rate of 22.0% (2012: 20.1%). There was a tax credit of £14.3m (2012: credit of £11.9m) relating to amortisation charges and exceptional items. There was also a one-off credit adjustment of £3.7m (2012: £2.0m) to the UK deferred tax liability as a result of the reduction in the UK corporation tax rate from 23% to 20% (2012: 24% to 23%), which will apply from April 2015. This resulted in a total tax credit of £11.8m (2012: £9.9m) on continuing operations. The actual tax paid during the period was £4.2m (2012: £4.8m). North American cash tax remains low due to tax losses brought forward and tax depreciation in excess of book depreciation. We expect the North American cash tax rate to remain low for the near term.

EPS

The underlying basic EPS was 1.9p (2012: 1.9p). Basic EPS was (0.1)p (2012: (2.5)p), with the improvement primarily due to higher operating profit.

EBITDA

EBITDA by division is set out below:

	6 months to 30 September 2013			Restated 6 months to September 2012			Restated Year to 31 March 2013		
	Revenue £m	EBITDA[1] £m	EBITDA[1] %	Revenue £m	EBITDA[1] £m	EBITDA[1] %	Revenue £m	EBITDA[1] £m	EBITDA[1] %
First Student	666.4	86.1	12.9	640.3	78.6	12.3	1,503.1	258.8	17.2
First Transit	408.7	37.3	9.1	397.2	34.0	8.6	814.6	60.0	7.4
Greyhound	333.7	46.1	13.8	337.3	50.1	14.9	647.1	83.4	12.9
UK Bus	490.7	48.2	9.8	572.9	55.9	9.8	1,128.2	123.1	10.9
UK Rail	1,395.2	65.6	4.7	1,296.4	57.1	4.4	2,795.1	110.4	3.9
Group	6.0	(14.1)	-	5.9	(13.4)	-	12.8	(28.6)	-
Total Group	3,300.7	269.2	8.2	3,250.0	262.3	8.1	6,900.9	607.1	8.8

North America in US Dollars	$m	$m	%	$m	$m	%	$m	$m	%
First Student	1,029.7	133.9	13.0	1,017.2	126.8	12.5	2,378.6	409.9	17.2
First Transit	630.8	57.8	9.2	627.8	53.8	8.6	1,286.8	94.8	7.4
Greyhound	514.7	71.0	13.8	532.6	78.6	14.8	1,022.0	131.5	12.9
Total North America	2,175.2	262.7	12.1	2,177.6	259.2	11.9	4,687.4	636.2	13.6

[1]Underlying operating profit less capital grant amortisation plus depreciation.

Cash Flow

The seasonality of our Student business combined with the phasing of interest and dividend payments typically results in a cash outflow at the half year. The net cash outflow for the period was £103.0m (2012: outflow £250.2m). The cash outflow combined with the £584.4m net proceeds from the rights issue and the movements in debt due to foreign exchange contributed to a net debt decrease of £532.3m (2012: increase £244.3m) as detailed below:

	6 months to 30 September 2013 £m	6 months to 30 September 2012 £m	Year to 31 March 2013 £m
EBITDA	269.2	262.3	607.1
Cash exceptional items	(6.7)	(18.4)	(22.0)
Other non-cash income statement charges	4.2	3.0	9.6
Working capital excluding FGW provision movement	(62.6)	(110.9)	(52.5)
Working capital – FGW provision movement (current liabilities)	(30.8)	(17.2)	(17.0)
Movement in other provisions	(22.8)	(22.3)	(12.2)
Pension payments in excess of income statement charge	(23.1)	(25.5)	(34.1)
Cash generated by operations	127.4	71.0	478.9
Capital expenditure	(194.7)	(154.7)	(338.1)
Proceeds from disposal of property, plant and equipment	5.3	3.2	14.7
Interest and tax	(106.9)	(100.9)	(144.4)
Dividends payable to Group shareholders	-	(77.3)	(114.0)
Dividends payable to non-controlling minority shareholders	(10.4)	(5.7)	(10.7)
Proceeds from sale of businesses	76.3	14.2	39.2
Net cash outflow	(103.0)	(250.2)	(74.4)
Net proceeds from rights issue	584.4	-	-
Foreign exchange movements	53.5	8.1	(63.1)
Other non-cash movements in relation to financial instruments	(2.6)	(2.2)	(4.1)
Movement in net debt in period	532.3	(244.3)	(141.6)

The decrease in net cash outflow compared to the equivalent period last year was primarily due to:

- No dividend payments (2012: £77.3m).
- Proceeds from sale of businesses were £62.1m higher, reflecting the London depots disposal completion in the period.
- Working capital excluding FGW provision movement was £48.3m favourable to the prior period principally due to the timing of TPE profit share and higher capital grant receipts in UK Rail.
- EBITDA of £269.2m was £6.9m higher than prior period.

Partly offset by:

- Higher planned capital expenditure of £40.0m.
- Higher planned FGW provision utilisation of £13.6m during the period.
- Higher interest and tax payments of £6.0m.

We expect full year net cash flow to be broadly neutral, excluding the proceeds of the rights issue.

Capital Expenditure

We continue to invest in our businesses. During the period cash capital expenditure was £194.7m (2012: £154.7m) and comprised First Student £96.5m (2012: £29.4m), First Transit £8.1m (2012: £7.8m), Greyhound £32.6m (2012: £24.9m), UK Bus £35.6m (2012: £58.7m), UK Rail £21.1m (2012: £31.8m) and Group items £0.8m (2012: £2.1m).

Funding and Risk Management

Liquidity within the Group has remained strong. At the period end there was £1,003.3m (2012: £717.7m) of committed headroom and free cash, being £803.8m (2012: £624.0m) of committed headroom and £199.5m (2012: £93.7m) of free cash.

The Group's average debt maturity was 6.5 years (2012: 5.1 years). The Group's main revolving bank facilities require renewal in December 2015.

Interest Rate Risk

The Group reduces exposure by using a combination of fixed rate debt and interest rate derivatives to achieve an overall fixed rate position over the medium term of more than 75% of net debt.

Fuel Price Risk

The Group uses a progressive forward hedging programme to manage commodity risk. In the current year in the UK, 93% of the “at risk” crude requirements (2.2m barrels p.a.) are hedged at an average rate of $105 per barrel. At the end of the period we have hedged 74% of our “at risk” UK crude requirements for the year to 31 March 2015 at $100 per barrel and 39% of our requirements for the year to 31 March 2016 at $97 per barrel.

In North America 69% of current year “at risk” crude oil volumes (1.6m barrels p.a.) are hedged at an average rate of $93 per barrel. At the end of the period we have hedged 55% of the volumes for the year to 31 March 2015 at $90 per barrel and 19% of our volumes for the year to 31 March 2016 at $87 per barrel.

Foreign Currency Risk

Group policies on foreign currency risk affecting cash flow, profits and net assets are maintained to minimise exposures to the Group by using a combination of natural hedge positions and derivative instruments where appropriate. Translation risk relating to US Dollar earnings arising in the US is largely offset by US Dollar denominated costs incurred in the UK, principally UK fuel costs, US Dollar interest and tax costs so that exposure to EPS on a year to year basis is not significant.

Net Debt

The Group’s net debt at 30 September 2013 was £1,446.8m (2012: £2,081.8m) and comprised:

Analysis of net debt	Fixed £m	Variable £m	30 September 2013 Total £m	30 September 2012 Total £m	31 March 2013 Total £m
Sterling bond (2013)[1]	-	-	-	299.1	299.4
Sterling bond (2018)[1]	297.5	-	297.5	322.2	343.0
Sterling bond (2019)[1]	-	249.6	249.6	249.4	249.6
Sterling bond (2021)[2]	330.9	-	330.9	330.5	339.0
Sterling bond (2022)[1]	319.1	-	319.1	-	319.1
Sterling bond (2024)[1]	199.5	-	199.5	199.1	199.5
Sterling bank loans	-	-	-	90.0	-
US Dollar bank loans	-	-	-	335.8	358.1
Canadian Dollar bank loans	-	-	-	100.0	15.5
Euro and other bank loans	-	-	-	11.1	11.8
HP contracts and finance leases	328.8	37.6	366.4	359.3	418.2
Senior unsecured loan notes	92.6	-	92.6	92.4	98.3
Loan notes	8.7	1.0	9.7	9.7	9.7
Gross debt excluding accrued interest	1,577.1	288.2	1,865.3	2,398.6	2,661.2
Cash			(199.5)	(93.7)	(393.9)
UK Rail ring-fenced cash and deposits			(218.2)	(210.1)	(273.8)
Other ring-fenced cash and deposits			(0.8)	(13.0)	(14.4)
Net debt excluding accrued interest			1,446.8	2,081.8	1,979.1

[1] excludes accrued interest.
[2] stated excluding accrued interest, partially swapped to US Dollars and adjusted for movements on associated derivatives.

At 30 September 2013 the net debt to EBITDA ratio was 2.4 times (2012: 3.2 times). The seasonality of our Student business combined with the phasing of certain cash flows typically means net debt at the half year is higher than at the full year. We continue to target a net debt to EBITDA range of 2.0 to 2.2 times in the medium term.

Shares in Issue

As at 30 September 2013 there were 1,203.8m shares in issue (2012: 481.8m), excluding treasury shares and own shares held in trust for employees of 1.1m (2012: 0.3m). The weighted average number of shares in issue for the purpose of basic EPS calculations (excluding treasury shares and own shares held in trust for employees) was 915.7m (2012: 590.7m).

Balance Sheet

Net assets have increased by £487.9m since the start of the period. The principal reasons for this are the net proceeds from the rights issue of £584.4m, favourable hedging reserve movements of £36.3m and actuarial gains on defined benefit pension schemes (net of deferred tax) of £7.6m, partly offset by unfavourable translation reserve movements of £134.0m.

Foreign Exchange

The most significant exchange rates to Sterling for the Group are as follows:

	6 months to 30 September 2013		6 months to September 2012		Year to 31 March 2013	
	Closing rate	Effective rate	Closing rate	Effective rate	Closing rate	Effective rate
US Dollar	1.61	1.56	1.62	1.62	1.52	1.58
Canadian Dollar	1.66	1.59	1.59	1.61	1.55	1.59

Pensions

Comparative figures for the six months to 30 September 2012 and the year to 31 March 2013 have been restated for IAS 19 (revised) as explained in note 1.

The Group has updated its pension assumptions as at 30 September 2013 for the defined benefit schemes in the UK and North America. The net pension deficit of £248m at the beginning of the period has decreased to £205m at the end of the period principally due changes in actuarial assumptions, in particular higher discount rates in the US and Canada.

The main factors that influence the balance sheet position for pensions and the sensitivities to their movement at 30 September 2013 are set out below:

	Movement	Impact
Discount rate	+0.1%	Reduce deficit by £32m
Inflation	+0.1%	Increase deficit by £24m

Seasonality

The First Student business generates lower revenues and profits in the first half of the year than in the second half of the year as the school summer holidays fall into the first half. Greyhound operating profits are typically higher in the first half of the year due to demand being stronger in the summer months.

Principal Risks and Uncertainties For The Remaining Six Months Of The Financial Year

There are a number of risks and uncertainties facing the Group in the remaining six months of the financial year. These are the same as disclosed in the 2013 Annual report. The principal risks and uncertainties, which are set out in detail on pages 46 to 51 of the Annual Report and Accounts 2013, are:

- Economic and political conditions
- Pensions
- Terrorism, man-made and natural disasters
- Competitive pressures
- Information technology
- Rail refranchising
- Contracted businesses
- Legislation and regulation
- Customer service
- Litigation and claims
- Treasury risks
- Labour costs and employee relations
- Fuel costs
- Retention of key management
- Environmental

Responsibility Statement

We confirm to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting';
- The interim management report includes a fair review of the information required by DTR 4.27R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim management report includes a fair review of the information required by DTR 4.28R (disclosure of related parties' transaction and changes therein).

Tim O'Toole	**Chris Surch**
Chief Executive	**Group Finance Director**
6 November 2013	6 November 2013

Condensed consolidated income statement

For the 6 months to 30 September based on unaudited figures

	Notes	Unaudited 6 months to 30 September 2013 Underlying Results[2] £m	Adjustments[3] £m	Total £m	Unaudited Restated[1] 6 months to 30 September 2012 Underlying Results[2] £m	Adjustments[3] £m	Total £m	Restated[1] Year to 31 March 2013 Total £m
Revenue	2, 3	3,300.7	-	3,300.7	3,250.0	-	3,250.0	6,900.9
Operating costs before loss on disposal of properties		(3,190.8)	(17.6)	(3,208.4)	(3,150.2)	(35.1)	(3,185.3)	(6,752.4)
Operating profit before loss on disposal of properties		109.9	(17.6)	92.3	99.8	(35.1)	64.7	142.5
Amortisation charges		-	(25.9)	(25.9)	-	(13.6)	(13.6)	(52.0)
Exceptional items		-	8.3	8.3	-	(21.5)	(21.5)	(81.0)
		-	(17.6)	(17.6)	-	(35.1)	(35.1)	(133.0)
Loss on disposal of properties		-	(1.7)	(1.7)	-	(1.9)	(1.9)	(2.7)
Operating profit	3	109.9	(19.3)	90.6	99.8	(37.0)	62.8	139.8
Investment income	4	0.7	-	0.7	1.0	-	1.0	1.8
Finance costs	4	(82.3)	(17.0)	(99.3)	(81.1)	(3.3)	(84.4)	(170.5)
(Loss)/profit before tax		28.3	(36.3)	(8.0)	19.7	(40.3)	(20.6)	(28.9)
Tax	5	(6.2)	18.0	11.8	(4.0)	13.9	9.9	23.9
Profit/(loss) for the period		22.1	(18.3)	3.8	15.7	(26.4)	(10.7)	(5.0)
Attributable to:								
Equity holders of the parent		17.1	(18.2)	(1.1)	11.3	(26.3)	(15.0)	(17.8)
Non-controlling interests		5.0	(0.1)	4.9	4.4	(0.1)	4.3	12.8
		22.1	(18.3)	3.8	15.7	(26.4)	(10.7)	(5.0)
Earnings per share[4]								
Basic	7	1.9p	(2.0)p	(0.1)p	1.9p	(4.4)p	(2.5)p	(3.0)p
Diluted		1.9p	(2.0)p	(0.1)p	1.9p	(4.4)p	(2.5)p	(3.0)p

Dividends of £nil (2012: £77.3m) were paid during the period. Dividends of £nil (2012: £36.7m) are proposed in respect of the interim dividend for the year to 31 March 2014.

[1] Restated for adoption of IAS 19 (revised) on pensions and the impact of the rights issue on EPS as explained in note 1.
[2] Underlying trading results before items noted in 3 below.
[3] Amortisation charges, ineffectiveness on financial derivatives, exceptional items and loss on disposal of properties and tax thereon.
[4] Earning per share have been restated to reflect the rights issue as required by IAS 33 ‘Earnings per Share’.

Condensed consolidated statement of comprehensive income

	Unaudited 6 months to 30 September 2013	Restated Unaudited 6 months to 30 September 2012	Restated Year to 31 March 2013
	£m	£m	£m
Profit/(loss) for the period	**3.8**	(10.7)	(5.0)
Other comprehensive income/(expense)			
Derivative hedging instrument movements	**39.7**	(14.0)	(52.7)
Deferred tax on derivative hedging instrument movements	**(3.4)**	5.2	7.6
Exchange differences on translation of foreign operations	**(134.0)**	(15.2)	103.2
Actuarial gains/(losses) on defined benefit pension schemes	**16.0**	(43.9)	7.5
Deferred tax on actuarial gains/(losses) on defined benefit pension schemes	**(8.4)**	13.7	0.2
Other comprehensive (expense)/income for the period	**(90.1)**	(54.2)	65.8
Total comprehensive (expense)/income for the period	**(86.3)**	(64.9)	60.8
Attributable to:			
Equity holders of the parent	**(91.2)**	(69.2)	48.0
Non-controlling interests	**4.9**	4.3	12.8
	(86.3)	(64.9)	60.8

Condensed consolidated balance sheet

		Notes	Unaudited 30 September 2013 £m	Restated Unaudited 30 September 2012 £m	Restated 31 March 2013 £m
Non-current assets					
Goodwill		8	1,564.2	1,586.4	1,665.8
Other intangible assets		9	241.5	303.5	281.8
Property, plant and equipment		10	1,936.2	2,019.9	1,977.6
Deferred tax assets			45.2	62.0	53.2
Retirement benefit assets		19	17.1	13.5	15.4
Derivative financial instruments		14	39.4	78.1	63.3
Investments			3.0	8.1	3.2
			3,846.6	4,071.5	4,060.3
Current assets					
Inventories			78.4	89.7	79.9
Trade and other receivables		11	639.2	645.8	641.0
Cash and cash equivalents			418.5	316.8	682.1
Assets held for sale		12	4.3	3.1	44.7
Derivative financial instruments		14	33.8	29.6	23.3
			1,174.2	1,085.0	1,471.0
Total assets			5,020.8	5,156.5	5,531.3
Current liabilities					
Trade and other payables		13	1,177.8	1,220.4	1,256.7
Tax liabilities			28.4	30.4	28.7
Financial liabilities	- bank loans		-	22.6	-
	- bonds		40.7	334.8	378.6
	- HP contracts and finance leases		58.2	59.2	62.7
Derivative financial instruments		14	17.5	48.6	64.7
			1,322.6	1,716.0	1,791.4
Net current liabilities			148.4	631.0	320.4
Non-current liabilities					
Financial liabilities	- bank loans		-	514.3	385.4
	- bonds		1,455.0	1,151.5	1,468.5
	- HP contracts and finance leases		308.2	300.1	355.5
	- loan notes		9.7	9.7	9.7
	- senior unsecured loan notes		92.6	92.4	98.3
Derivative financial instruments		14	14.9	28.3	21.7
Retirement benefit liabilities		19	222.3	303.0	263.2
Deferred tax liabilities			53.2	81.5	62.2
Provisions		15	239.9	232.2	260.9
			2,395.8	2,713.0	2,925.4
Total liabilities			3,718.4	4,429.0	4,716.8
Net assets			1,302.4	727.5	814.5
Equity					
Share capital		17	60.2	24.1	24.1
Share premium			676.4	676.4	676.4
Hedging reserve			3.7	3.7	(32.6)
Other reserves			4.6	4.6	4.6
Own shares			(2.0)	(1.1)	(1.1)
Translation reserve			114.9	130.5	248.9
Retained earnings			425.4	(131.7)	(130.5)
Equity attributable to equity holders of the parent			1,283.2	706.5	789.8
Non-controlling interests			19.2	21.0	24.7
Total equity			1,302.4	727.5	814.5

Condensed consolidated statement of changes in equity

	Share capital £m	Share premium £m	Hedging reserve £m	Other reserves £m	Own shares £m	Translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2013 as previously reported	24.1	676.4	(32.6)	4.6	(1.1)	248.9	(125.7)	794.6	24.7	819.3
Prior year adjustment	-	-	-	-	-	-	(4.8)	(4.8)	-	(4.8)
Balance at 1 April 2013 restated	**24.1**	**676.4**	**(32.6)**	**4.6**	**(1.1)**	**248.9**	**(130.5)**	**789.8**	**24.7**	**814.5**
Rights issue[1]	36.1	-	-	-	-	-	548.3	584.4	-	584.4
Total comprehensive income for the period	-	-	36.3	-	-	(134.0)	6.5	(91.2)	4.9	(86.3)
Dividends paid	-	-	-	-	-	-	-	-	(10.4)	(10.4)
Movement in EBT and treasury shares	-	-	-	-	(0.9)	-	(0.8)	(1.7)	-	(1.7)
Share-based payments	-	-	-	-	-	-	2.1	2.1	-	2.1
Deferred tax on share-based payments	-	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Balance at 30 September 2013 (unaudited)	**60.2**	**676.4**	**3.7**	**4.6**	**(2.0)**	**114.9**	**425.4**	**1,283.2**	**19.2**	**1,302.4**
Balance at 1 April 2012 as previously reported	24.1	676.4	12.5	4.6	(1.1)	145.7	(3.6)	858.6	22.4	881.0
Prior year adjustment	-	-	-	-	-	-	(8.4)	(8.4)	-	(8.4)
Balance at 1 April 2012 restated	**24.1**	**676.4**	**12.5**	**4.6**	**(1.1)**	**145.7**	**(12.0)**	**850.2**	**22.4**	**872.6**
Total comprehensive income for the period	-	-	(8.8)	-	-	(15.2)	(45.2)	(69.2)	4.3	(64.9)
Dividends paid	-	-	-	-	-	-	(77.3)	(77.3)	(5.7)	(83.0)
Share-based payments	-	-	-	-	-	-	2.8	2.8	-	2.8
Balance at 30 September 2012 (unaudited)	**24.1**	**676.4**	**3.7**	**4.6**	**(1.1)**	**130.5**	**(131.7)**	**706.5**	**21.0**	**727.5**
Balance at 1 April 2012 as previously reported	24.1	676.4	12.5	4.6	(1.1)	145.7	(3.6)	858.6	22.4	881.0
Prior year adjustment	-	-	-	-	-	-	(8.4)	(8.4)	-	(8.4)
Balance at 1 April 2012 restated	**24.1**	**676.4**	**12.5**	**4.6**	**(1.1)**	**145.7**	**(12.0)**	**850.2**	**22.4**	**872.6**
Total comprehensive income for the year	-	-	(45.1)	-	-	103.2	(10.1)	48.0	12.8	60.8
Dividends paid	-	-	-	-	-	-	(114.0)	(114.0)	(10.5)	(124.5)
Share-based payments	-	-	-	-	-	-	5.6	5.6	-	5.6
Balance at 31 March 2013	**24.1**	**676.4**	**(32.6)**	**4.6**	**(1.1)**	**248.9**	**(130.5)**	**789.8**	**24.7**	**814.5**

[1] The rights issue which completed in June 2013 was effected through a legal structure that resulted in the excess of the proceeds over the nominal value of the share capital being recognised within retained earnings as a distributable reserve.

Condensed consolidated cash flow statement

	Note	Unaudited 6 months to 30 September 2013 £m	Unaudited 6 months to 30 September 2012 £m	Audited Year to 31 March 2013 £m
Net cash from operating activities	18	**19.8**	(30.9)	332.7
Investing activities				
Interest received		**0.7**	1.0	1.8
Proceeds from disposal of property, plant and equipment		**5.3**	3.2	14.7
Purchases of property, plant and equipment		**(156.3)**	(89.8)	(213.1)
Disposal of business/subsidiary		**76.3**	14.2	39.2
Net cash used in investing activities		**(74.0)**	(71.4)	(157.4)
Financing activities				
Dividends paid		**-**	(77.3)	(114.0)
Dividends paid to non-controlling shareholders		**(10.4)**	(5.7)	(10.7)
Proceeds from rights issue		**614.4**	-	-
Fees paid on rights issue		**(30.0)**	-	-
Repayment of bonds		**(300.0)**	-	-
Proceeds from bond issue		**-**	-	325.0
Proceeds from bank facilities		**-**	153.3	63.3
Repayment of bank debt		**(416.9)**	(110.1)	(197.8)
Repayments under HP contracts and finance leases		**(70.9)**	(38.6)	(55.8)
Fees for bank facility amendments		**-**	(0.2)	(6.2)
Net cash flow from financing activities		**(213.8)**	(78.6)	3.8
Net (decrease)/increase in cash and cash equivalents before foreign exchange movements		**(268.0)**	(180.9)	179.1
Cash and cash equivalents at beginning of period		**682.1**	499.7	499.7
Foreign exchange movements		**4.4**	(2.0)	3.3
Cash and cash equivalents at end of period per condensed consolidated balance sheet		**418.5**	316.8	682.1

Cash and cash equivalents are included within current assets on the condensed consolidated balance sheet.

Note to the condensed consolidated cash flow statement - reconciliation of net cash flow to movement in net debt

	6 months to 30 September 2013 £m	6 months to 30 September 2012 £m	Year to 31 March 2013 £m
Net (decrease)/increase in cash and cash equivalents in period	**(268.0)**	(180.9)	179.1
Decrease/(increase) in debt and finance leases	**787.8**	(4.6)	(134.7)
Inception of new HP contracts and finance leases	**(38.4)**	(64.9)	(125.0)
Fees capitalised against bank facilities and bond issues	**-**	0.2	6.2
Net cash flow	**481.4**	(250.2)	(74.4)
Foreign exchange movements	**53.5**	8.1	(63.1)
Other non-cash movements in relation to financial instruments	**(2.6)**	(2.2)	(4.1)
Movement in net debt in period	**532.3**	(244.3)	(141.6)
Net debt at beginning of period	**(1,979.1)**	(1,837.5)	(1,837.5)
Net debt at end of period	**(1,446.8)**	(2,081.8)	(1,979.1)

Net debt includes the value of derivatives in connection with the bonds maturing in 2019 and 2021 and excludes all accrued interest. These bonds are included in non-current liabilities in the condensed consolidated balance sheet.

Notes to the half-yearly financial report

1 BASIS OF PREPARATION

This half-yearly financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2013 have been delivered to the Registrar of Companies. The auditor reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The figures for the six months to 30 September 2013 include the results of the UK Rail division for the period ended 14 September 2013 and the results for the other divisions for the 26 weeks ended 28 September 2013. The comparative figures for the six months to 29 September 2012 include the results of the UK Rail division for the period ended 15 September 2012 and the results of the other divisions for the 26 weeks ended 30 September 2012.

The accounting policies used in this half-yearly financial report are consistent with International Financial Reporting Standards. The same accounting policies, presentation and methods of computation are followed in this condensed set of financial statements as applied in the Group's latest annual audited financial statements with the exception of the adoption of IAS 19 (Revised) as explained below. On adoption of IAS 19 (revised) the Group now presents interest on pensions in the finance costs line whereas previously such items were presented in operating costs. In addition the Group has adopted IFRS 13 – Fair Value Measurement.

The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

These results are unaudited but have been reviewed by the auditor, whose report is on page 34. The comparative figures for the six months to 30 September 2012 are unaudited and are derived from the half-yearly financial report for that period, which was also reviewed by the auditor.

The Group's debt maturity increased over the period with the repayment of the April 2013 Bond and the repayment of the shorter dated bank debt out of the proceeds from the rights issue. After taking this into account and the committed liquidity headroom available under the $1.25bn committed revolver facility, making enquiries and reviewing the outlook for 2013/14 and medium term plans, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing this half-yearly financial report.

The operating and financial review statement contained in this half-yearly report, including the summarised principal risks and uncertainties, has been prepared by the Directors in good faith based on the information available to them up to the time of their approval of this report solely for the Company's shareholders as a body, so as to assist them in assessing the Group's strategies and the potential for those strategies to succeed and accordingly should not be relied on by any other party or for any other purpose and the Company hereby disclaims any liability to any such other party or for reliance on such information for any such other purpose.

The operating and financial review considers the impact of seasonality on the group and also the principal risks and uncertainties facing it in the remaining six months of the financial year.

This half-yearly report has been prepared in respect of the Group as a whole and accordingly matters identified as being significant or material are so identified in the context of First Group plc and its subsidiary undertakings taken as a whole.

This half-yearly financial report will be available to all shareholders and the public later in November 2013 from the FirstGroup web site www.firstgroup.com/corporate/investors/annualreports.php.

This half-yearly financial report was approved by the Board on 6 November 2013.

Restatement of prior period numbers

The tables below show restated prior period comparative figures for the divisions and for the Group for the six months to 30 September 2012 and the financial year ended 31 March 2013. The restatement reflects (a) the retrospective adjustment from the adoption of the changes in IAS 19 'Employee Benefits' (revised), and (b) the retrospective adjustment of earnings per share figures as required by IAS 33 'Earnings Per Share', reflecting the rights issue completed in June 2013.

(a) IAS 19 (revised)
IAS 19 (revised) applies to financial years beginning 1 January 2013 or later. The key impact on the Group from the revised standard will be to remove the separate assumptions for expected return on plan assets and discounting of scheme liabilities and replace them with one single discount rate for the net deficit. The actual benefits and the cash contributions for these plans are not impacted by IAS 19 (revised).

(b) Rights issue
Pursuant to the rights issue, on 10 June 2013, 722,859,586 new ordinary shares of 5 pence each were issued, with three new ordinary shares issued for every two existing ordinary shares held. As a result the total issued share capital increased to 1,204.9m ordinary shares. For the calculation of earnings per share, the number of shares held prior to 10 June 2013 has been increased by a factor of 1.227 to reflect the bonus element of the rights issue.

	6 months to 30 September 2012				Year to 31 March 2013			
Underlying results[1]:	Reported £m	Impact of IAS 19 £m	Impact of rights issue £m	**Restated £m**	Reported £m	Impact of IAS 19 £m	Impact of rights issue £m	**Restated £m**
First Student	5.2	-		**5.2**	109.9	-		**109.9**
First Transit	28.8	-		**28.8**	49.1	-		**49.1**
Greyhound	33.5	1.3		**34.8**	52.0	2.5		**54.5**
UK Bus	39.6	(18.6)		**21.0**	90.7	(37.2)		**53.5**
UK Rail	35.4	(11.6)		**23.8**	63.2	(25.2)		**38.0**
Group items	(13.8)	-		**(13.8)**	(29.5)	-		**(29.5)**
Underlying operating profit	128.7	(28.9)		**99.8**	335.4	(59.9)		**275.5**
Net finance costs	(80.0)	(0.1)		**(80.1)**	(163.0)	(0.2)		**(163.2)**
Underlying profit before tax	48.7	(29.0)		**19.7**	172.4	(60.1)		**112.3**
Tax	(9.8)	5.8		**(4.0)**	(34.7)	12.1		**(22.6)**
Underlying profit for the period	38.9	(23.2)		**15.7**	137.7	(48.0)		**89.7**
Attributable to:								
Equity holders of the parent	34.5	(23.2)		**11.3**	129.4	(48.0)		**81.4**
Non-controlling interests	4.4	-		**4.4**	8.3	-		**8.3**
	38.9	(23.2)		**15.7**	137.7	(48.0)		**89.7**
Weighted average number of shares (million)	481.6	-	109.1	**590.7**	481.7	-	109.1	**590.8**
Underlying EPS (p)	7.2p	(4.8)p	(0.5)p	**1.9p**	26.9p	(10.0)p	(3.1)p	**13.8p**
Adjustments[2]:								
Amortisation charges	(13.6)	-		**(13.6)**	(52.0)	-		**(52.0)**
Exceptionals, property disposals, etc.	(26.7)	-		**(26.7)**	(83.2)	(6.0)		**(89.2)**
Tax credit thereon	13.9	-		**13.9**	45.3	1.2		**46.5**
Non-controlling interests	0.1	-		**0.1**	(4.5)	-		**(4.5)**
Basic profit/(loss) for the period	8.2	(23.2)		**(15.0)**	35.0	(52.8)		**(17.8)**
Basic EPS (p)	1.7p	(4.8)p	0.6p	**(2.5)p**	7.3p	(10.8)p	0.5p	**(3.0)p**

1 Underlying trading results before items noted in 2 below.
2 Amortisation charges, ineffectiveness on financial derivatives, exceptional items and loss on disposal of properties and tax thereon.

Restatement of prior period numbers

Condensed consolidated statement of comprehensive income

	6 months to September 2012				Year to March 2013			
	Reported	Impact of IAS 19	FGW IAS 19	**Restated**	Reported	Impact of IAS 19	FGW IAS 19	**Restated**
	£m	£m	£m	**£m**	£m	£m	£m	**£m**
Profit/(loss) for the period	12.5	(23.2)	-	**(10.7)**	47.8	(48.0)	(4.8)	**(5.0)**
Other comprehensive income/(expense)								
Derivative hedging instrument movements	(14.0)	-	-	**(14.0)**	(52.7)	-	-	**(52.7)**
Deferred tax on derivative hedging instrument movements	5.2	-	-	**5.2**	7.6	-	-	**7.6**
Exchange differences on translation of foreign operations	(15.2)	-	-	**(15.2)**	103.2	-	-	**103.2**
Actuarial gains/(losses) on defined benefit pension schemes	(77.7)	29.0	4.8	**(43.9)**	(63.1)	60.1	10.5	**7.5**
Deferred tax on actuarial gains/(losses) on defined benefit pension schemes	20.5	(5.8)	(1.0)	**13.7**	14.4	(12.1)	(2.1)	**0.2**
Other comprehensive (expense)/income for the period	(81.2)	23.2	3.8	**(54.2)**	9.4	48.0	8.4	**65.8**
Total comprehensive (expense)/income for the period	(68.7)	-	3.8	**(64.9)**	57.2	-	3.6	**60.8**
Attributable to:								
Equity holders of the parent	(73.0)	-	3.8	**(69.2)**	44.4	-	3.6	**48.0**
Non-controlling interests	4.3	-	-	**4.3**	12.8	-	-	**12.8**
	(68.7)	-	3.8	**(64.9)**	57.2	-	3.6	**60.8**

FGW Contract Provision

	6 months to September 2012			Year to March 2013			
	Reported	Impact of IAS 19[1]	**Restated**	Reported	Impact of IAS 19[1]	Impact of IAS 19[2]	**Restated**
	£m	£m	**£m**	£m	£m	£m	**£m**
At 1 April 2012	56.9	10.5	**67.4**	56.9	10.5	-	**67.4**
Provided in the period	-	-	**-**	9.9	-	6.0	**15.9**
Utilised in the period	(17.2)	(4.8)	**(22.0)**	(32.9)	(10.5)	-	**(43.4)**
At end of the period	39.7	5.7	**45.4**	33.9	-	6.0	**39.9**

[1] IAS 19 (revised) increases the accounting losses on the FGW contract. The incremental loss for the year to 31 March 2013 of £10.5m has been treated as a prior year adjustment as at 1 April 2012 with utilisation of £4.8m and £10.5m in the six months to 30 September 2012 and year to 31 March 2013 respectively.
[2] The incremental loss of £6.0m for the 7 period extension to October 2013 has been included in the restatement of the exceptional charge for the year to 31 March 2013. £5.1m of this incremental contract provision was utilised in the six months to 30 September 2013.

2 REVENUE	**6 months to 30 September 2013 £m**	6 months to 30 September 2012 £m	Year to 31 March 2013 £m
Services rendered	**2,846.0**	2,859.3	6,080.8
UK Rail franchise subsidy receipts	**262.0**	232.4	504.2
UK Rail revenue support	**192.7**	158.3	315.9
	3,300.7	3,250.0	6,900.9
Investment income	**0.7**	1.0	1.8
Total revenue as defined by IAS 18	**3,301.4**	3,251.0	6,902.7

3 SEGMENT INFORMATION

The segment results for the six months to 30 September 2013 are as follows:

	First Student £m	First Transit £m	Greyhound £m	UK Bus £m	UK Rail £m	Group Items[1] £m	Total £m
Revenue	**666.4**	**408.7**	**333.7**	**490.7**	**1,395.2**	**6.0**	**3,300.7**
EBITDA[2]	**86.1**	**37.3**	**46.1**	**48.2**	**65.6**	**(14.1)**	**269.2**
Depreciation	**(75.1)**	**(5.9)**	**(14.3)**	**(30.9)**	**(49.2)**	**(0.3)**	**(175.7)**
Capital grant amortisation	**-**	**-**	**-**	**-**	**16.4**	**-**	**16.4**
Segment results[2]	**11.0**	**31.4**	**31.8**	**17.3**	**32.8**	**(14.4)**	**109.9**
Amortisation charges	**(21.5)**	**(2.0)**	**(1.6)**	**-**	**(0.8)**	**-**	**(25.9)**
Exceptional items	**-**	**-**	**-**	**15.3**	**(7.0)**	**-**	**8.3**
(Loss)/profit on disposal of properties	**(0.6)**	**-**	**0.3**	**(1.4)**	**-**	**-**	**(1.7)**
Operating profit	**(11.1)**	**29.4**	**30.5**	**31.2**	**25.0**	**(14.4)**	**90.6**
Investment income							**0.7**
Finance costs							**(82.3)**
Ineffectiveness on financial derivatives							**(17.0)**
Loss before tax							**(8.0)**
Tax							**11.8**
Profit for the period							**3.8**

The restated segment results for the six months to 30 September 2012 are as follows:

	First Student £m	First Transit £m	Greyhound £m	UK Bus £m	UK Rail £m	Group Items[1] £m	Total £m
Revenue	640.3	397.2	337.3	572.9	1,296.4	5.9	3,250.0
EBITDA[2]	78.6	34.0	50.1	55.9	57.1	(13.4)	262.3
Depreciation	(73.4)	(5.2)	(15.3)	(35.2)	(45.6)	(0.4)	(175.1)
Capital grant amortisation	-	-	-	0.3	12.3	-	12.6
Segment results[2]	5.2	28.8	34.8	21.0	23.8	(13.8)	99.8
Amortisation charges	(9.2)	(2.0)	(1.5)	-	(0.9)	-	(13.6)
Exceptional items	-	(5.9)	-	(3.3)	(12.3)	-	(21.5)
(Loss)/profit on disposal of properties	0.1	-	(0.2)	(1.8)	-	-	(1.9)
Operating profit	(3.9)	20.9	33.1	15.9	10.6	(13.8)	62.8
Investment income							1.0
Finance costs							(81.1)
Ineffectiveness on financial derivatives							(3.3)
Loss before tax							(20.6)
Tax							9.9
Loss for the period							(10.7)

[1]Group items comprise Tramlink operations, central management and other items.
[2]Underlying.

3 SEGMENT INFORMATION continued

The restated segment results for the year to 31 March 2013 are as follows:

	First Student £m	First Transit £m	Greyhound £m	UK Bus £m	UK Rail £m	Group Items[1] £m	Total £m
Revenue	1,503.1	814.6	647.1	1,128.2	2,795.1	12.8	6,900.9
EBITDA[2]	258.8	60.0	83.4	123.1	110.4	(28.6)	607.1
Depreciation	(148.9)	(10.9)	(28.9)	(70.1)	(105.0)	(0.9)	(364.7)
Capital grant amortisation	-	-	-	0.5	32.6	-	33.1
Segment results[2]	109.9	49.1	54.5	53.5	38.0	(29.5)	275.5
Amortisation charges	(43.1)	(3.9)	(3.1)	-	(1.9)	-	(52.0)
Exceptional items	(22.5)	(11.8)	-	(19.8)	(26.9)	-	(81.0)
(Loss)/profit on disposal of properties	0.2	-	(0.2)	(2.7)	-	-	(2.7)
Operating profit	44.5	33.4	51.2	31.0	9.2	(29.5)	139.8
Investment income							1.8
Finance costs							(165.0)
Ineffectiveness on financial derivatives							(5.5)
Loss before tax							(28.9)
Tax							23.9
Loss for the year							(5.0)

[1]Group items comprise Tramlink operations, central management and other items.
[2]Underlying.

Total assets	**30 September 2013 £m**	30 September 2012 £m	31 March 2013 £m
United Kingdom	**4,637.1**	4,299.5	4,504.8
United States of America	**2,950.5**	2,908.2	3,134.6
Canada	**493.4**	522.1	543.3
Eliminations	**(3,105.4)**	(2,635.3)	(2,704.6)
Unallocated corporate items	**45.2**	62.0	53.2
	5,020.8	5,156.5	5,531.3

4 INVESTMENT INCOME AND FINANCE COSTS	6 months to 30 September 2013 £m	Restated 6 months to 30 September 2012 £m	Restated Year to 31 March 2013 £m
Investment income			
Bank interest receivable	**(0.7)**	(1.0)	(1.8)
Finance costs			
Bonds	**45.6**	46.2	97.7
Bank borrowing costs and facility fees	**13.3**	17.5	31.8
Senior unsecured loan notes	**2.0**	2.0	4.1
Loan notes	**0.5**	0.5	1.0
Finance charges payable in respect of HP contracts and finance leases	**7.3**	5.1	10.7
Notional interest on long term provisions	**10.0**	9.7	19.5
Notional interest on pensions	**3.6**	0.1	0.2
Finance costs before exceptional items	**82.3**	81.1	165.0
Ineffectiveness on financial derivatives	**17.0**	3.3	5.5
	99.3	84.4	170.5
Net finance costs	**98.6**	83.4	168.7

5 TAX ON LOSS ON ORDINARY ACTIVITIES	6 months to 30 September 2013 £m	Restated 6 months to 30 September 2012 £m	Restated Year to 31 March 2013 £m
Current tax	**2.0**	3.0	10.6
Deferred tax	**(13.8)**	(12.9)	(34.5)
Total tax credit	**(11.8)**	(9.9)	(23.9)

The tax effect of the adjustments disclosed in the condensed consolidated income statement was a credit of £18.0m (2012: credit of £13.9m).

6 DIVIDENDS	6 months to 30 September 2013 £m	6 months to 30 September 2012 £m	Year to 31 March 2013 £m
Final dividend per share paid for the year ended 31 March 2013 of nil (2012: 16.05p)	**-**	77.3	77.3
Interim dividend per share paid for the year ended 31 March 2014 of nil (2013: 7.62p)	**-**	-	36.7
Amounts recognised as distributions to equity holders in the period	**-**	77.3	114.0
Proposed interim dividend per share for the year ended 31 March 2014 of nil (2013: 7.62p)	**-**	36.7	-

7 EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the loss attributable to equity shareholders of £1.1m (2012: £15.0m; full year 2013: £17.8m) by the weighted average number of ordinary shares in issue (excluding own shares held in the EBT and treasury shares) of 915.7m (2012: 590.7m; full year 2013: 590.8m). Both the 2012 and full year 2013 weighted average number of ordinary shares have been restated to reflect the Rights Issue as required by IAS 33 ' Earnings per Share' and both the 2012 and full year 2013 loss attributable to equity shareholders have been restated for adoption of IAS 19 (revised) on pensions.

The underlying basic EPS is intended to highlight the recurring results of the Group before amortisation charges, ineffectiveness on financial derivatives, exceptional items and loss on disposal of properties. A reconciliation is set out below:

	6 months to 30 September 2013		Restated 6 months to 30 September 2012		Restated Year to 31 March 2013	
	£m	EPS (p)	£m	EPS (p)	£m	EPS (p)
Basic loss/EPS	(1.1)	(0.1)	(15.0)	(2.5)	(17.8)	(3.0)
Amortisation charges[1]	25.8	2.8	13.5	2.3	51.8	8.7
Ineffectiveness on financial derivatives	17.0	1.9	3.3	0.6	5.5	0.9
Exceptional items	(8.3)	(0.9)	21.5	3.6	81.0	13.7
Non-controlling interests on exceptional items	-	-	-	-	4.7	0.8
Loss on disposal of properties	1.7	0.2	1.9	0.3	2.7	0.5
Tax effect of above adjustments	(14.3)	(1.6)	(11.9)	(2.1)	(44.5)	(7.5)
Deferred tax credit due to change in UK corporation tax rate	(3.7)	(0.4)	(2.0)	(0.3)	(2.0)	(0.3)
Underlying profit/EPS	17.1	1.9	11.3	1.9	81.4	13.8

[1]Amortisation charges of £25.9m (2012: £13.6m; full year 2013: £52.0m) per note 10 less £0.1m (2012: £0.1m; full year 2013: £0.2m) attributable to equity non-controlling interests.

Diluted EPS is based on the same earnings and on a weighted average number of ordinary shares in issue of 917.3m (2012: 593.4m; full year 2013: 593.9m). The difference in the number of shares between the basic calculation and the diluted calculation represents the weighted average number of potentially dilutive ordinary shares from the share options.

8 GOODWILL

	£m
Cost	
At 1 April 2013	1,669.8
Disposals	(7.7)
Foreign exchange movements	(93.9)
At 30 September 2013	**1,568.2**
Accumulated impairment losses	
At 1 April 2013 and 30 September 2013	**4.0**
Carrying amount	
At 30 September 2013	**1,564.2**
At 31 March 2013	1,665.8
At 30 September 2012	1,586.4

Disclosures including goodwill by cash generating unit, details of impairment testing and sensitivities thereon are set out on page 97 of the 2013 Annual Report. The projections for First Student assume the incremental benefits of the recovery plan together with an economic recovery. Based on these projections the First Student margin would need to fall in excess of 1.6% compared to the projections and carrying values at 31 March 2013 for there to be an impairment on the business.

Projections for all businesses are currently being updated and detailed disclosures as described above will be included in the 2014 Annual Report.

9 OTHER INTANGIBLE ASSETS	Customer contracts £m	Greyhound brand and trade name £m	Rail franchise agreements £m	Total £m
Cost				
At 1 April 2013	400.3	64.8	57.7	522.8
Additions	1.6	-	-	1.6
Foreign exchange movements	(24.3)	(3.9)	-	(28.2)
At 30 September 2013	**377.6**	**60.9**	**57.7**	**496.2**
Amortisation				
At 1 April 2013	167.6	18.3	55.1	241.0
Charge for period	23.5	1.6	0.8	25.9
Foreign exchange movements	(11.0)	(1.2)	-	(12.2)
At 30 September 2013	**180.1**	**18.7**	**55.9**	**254.7**
Carrying amount				
At 30 September 2013	**197.5**	**42.2**	**1.8**	**241.5**
At 31 March 2013	232.7	46.5	2.6	281.8
At 30 September 2012	254.3	45.6	3.6	303.5

Intangible assets include customer contracts and the Greyhound brand and trade name which were acquired through the purchases of businesses and subsidiary undertakings. These are being amortised on a straight-line basis over their useful lives which are between nine and 20 years.

The rail franchise agreements' intangible asset represents the part of the economic benefit that is realised as a result of recognising our share of the rail pension deficit on the date of commencement of each respective franchise and is amortised on a straight-line basis over the initial term of each respective franchise.

10 PROPERTY, PLANT AND EQUIPMENT	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost				
At 1 April 2013	484.6	2,769.3	756.2	4,010.1
Additions	6.1	177.5	35.6	219.2
Disposals	(3.0)	(59.5)	(4.0)	(66.5)
Reclassified as held for sale	-	(42.7)	-	(42.7)
Foreign exchange movements	(16.2)	(121.3)	(12.9)	(150.4)
At 30 September 2013	**471.5**	**2,723.3**	**774.9**	**3,969.7**
Accumulated depreciation and impairment				
At 1 April 2013	95.1	1,400.3	537.1	2,032.5
Charge for period	5.3	106.4	64.0	175.7
Disposals	(2.4)	(58.8)	(3.5)	(64.7)
Reclassified as held for sale	-	(38.3)	-	(38.3)
Foreign exchange movements	(2.9)	(60.4)	(8.4)	(71.7)
At 30 September 2013	**95.1**	**1,349.2**	**589.2**	**2,033.5**
Carrying amount				
At 30 September 2013	**376.4**	**1,374.1**	**185.7**	**1,936.2**
At 31 March 2013	389.5	1,369.0	219.1	1,977.6
At 30 September 2012	421.8	1,355.8	242.3	2,019.9

11 TRADE AND OTHER RECEIVABLES	30 September 2013 £m	30 September 2012 £m	31 March 2013 £m
Amounts due within one year			
Trade receivables	304.4	327.7	340.2
Provision for doubtful receivables	(3.5)	(4.9)	(3.2)
Other receivables	60.5	58.4	52.4
Other prepayments	125.2	147.8	116.6
Accrued income	152.6	116.8	135.0
	639.2	645.8	641.0

12 ASSETS HELD FOR SALE	30 September 2013 £m	30 September 2012 £m	31 March 2013 £m
Assets held for sale	4.3	3.1	44.7

These comprise First Student yellow school buses which are surplus to requirements and are being actively marketed for sale. Gains or losses arising on the disposal of such assets are included in arriving at operating profit in the condensed consolidated income statement.

Assets held for sale at 31 March 2013 also included the assets in relation to the sale of eight London bus depots which were sold during the period to 30 September 2013.

13 TRADE AND OTHER PAYABLES	30 September 2013 £m	Restated 30 September 2012 £m	Restated 31 March 2013 £m
Amounts falling due within one year			
Trade payables	364.1	372.4	402.0
Other payables	213.1	205.2	184.3
Accruals	470.6	517.9	515.1
Deferred income	62.4	61.5	82.1
Season ticket deferred income	67.6	63.4	73.2
	1,177.8	1,220.4	1,256.7

14 DERIVATIVE FINANCIAL INSTRUMENTS	30 September 2013 £m	30 September 2012 £m	31 March 2013 £m
Derivatives designated and effective as hedging instruments carried at fair value			
Non-current assets			
Cross currency swaps (net investment hedge)	-	18.1	15.2
Coupon swaps (fair value hedge)	38.2	56.1	45.7
Fuel derivatives (cash flow hedge)	1.2	3.9	2.4
	39.4	78.1	63.3
Current assets			
Cross currency swaps (net investment hedge)	18.0	3.0	3.6
Coupon swaps (fair value hedge)	11.1	13.0	13.2
Fuel derivatives (cash flow hedge)	4.7	13.6	6.5
	33.8	29.6	23.3
Current liabilities			
Interest rate derivatives (cash flow hedge)	-	6.7	8.1
Cross currency swaps (net investment hedge)	-	35.6	47.6
Fuel derivatives (cash flow hedge)	4.1	2.7	4.8
	4.1	45.0	60.5
Non-current liabilities			
Interest rate derivatives (cash flow hedge)	-	15.1	11.8
Fuel derivatives (cash flow hedge)	1.6	1.6	0.8
	1.6	16.7	12.6
Derivatives classified as held for trading			
Current liabilities			
Interest rate swaps	13.4	3.6	4.2
Non-current liabilities			
Interest rate swaps	13.3	11.6	9.1
Total non-current assets	39.4	78.1	63.3
Total current assets	33.8	29.6	23.3
Total assets	73.2	107.7	86.6
Total current liabilities	17.5	48.6	64.7
Total non-current liabilities	14.9	28.3	21.7
Total liabilities	32.4	76.9	86.4

The fair value measurements of the financial derivatives held by the Group have been derived based on observable market inputs (as categorised within Level 2 of the fair value hierarchy under IFRS 7 (2009)).

15 PROVISIONS	30 September 2013 £m	30 September 2012 £m	31 March 2013 £m
Insurance claims	**202.4**	208.3	216.2
Legal and other	**33.7**	19.7	40.8
Pensions	**3.8**	4.2	3.9
Non-current liabilities	**239.9**	232.2	260.9

	Insurance claims £m	Legal and other £m	Restated FGW contract provision £m	Pensions £m	Restated total £m
At 1 April 2013	332.6	50.8	39.9	3.9	427.2
Provided in the period	72.4	1.0	-	-	73.4
Utilised in the period	(89.3)	(4.3)	(30.8)	(0.1)	(124.5)
Notional interest	10.0	-	-	-	10.0
Foreign exchange movements	(17.0)	(2.9)	-	-	(19.9)
At 30 September 2013	**308.7**	**44.6**	**9.1**	**3.8**	**366.2**
At 30 September 2012	320.4	28.6	45.4	4.2	398.6
Current liabilities	106.3	10.9	9.1	-	126.3
Non-current liabilities	202.4	33.7	-	3.8	239.9
At 30 September 2013	**308.7**	**44.6**	**9.1**	**3.8**	**366.2**
Current liabilities	116.4	10.0	39.9	-	166.3
Non-current liabilities	216.2	40.8	-	3.9	260.9
At 31 March 2013	**332.6**	**50.8**	**39.9**	**3.9**	**427.2**
Current liabilities	112.1	8.9	45.4	-	166.4
Non-current liabilities	208.3	19.7	-	4.2	232.2
At 30 September 2012	**320.4**	**28.6**	**45.4**	**4.2**	**398.6**

The current liabilities above are included within accruals and deferred income in note 13.

The insurance claims provision arises from estimated exposures for incidents occurring prior to the balance sheet date. It is anticipated that the majority of such claims will be settled within the next six years. The utilisation of £89.3m
(2012: £85.2m) represents payments made largely against the current liability of the preceding year.

Legal and other provisions relate to estimated exposures for cases filed or thought highly likely to be filed for incidents that occurred prior to the balance sheet date. It is anticipated that most of these items will be settled within 10 years. Also included are provisions in respect of costs anticipated on the exit of surplus properties which are expected to be settled over the remaining terms of the respective leases.

The pension’s provision relates to unfunded obligations that arose on the acquisition of certain UK Bus companies. It is anticipated that this will be utilised over five to 10 years.

16 DISPOSAL OF BUSINESSES AND SUBSIDIARY UNDERTAKINGS	30 September 2013 £m	30 September 2012 £m	31 March 2013 £m
Fair values of net assets disposed of:			
Goodwill	7.7	-	6.5
Property, plant and equipment	41.2	-	17.4
Current assets	1.9	-	7.9
Cash and cash equivalents	-	-	1.8
Other liabilities	(0.1)	-	(1.6)
	50.7	-	32.0
Redundancy and other	9.6	-	-
Professional fees	2.3	-	1.5
Gain/(loss) on disposal	16.5	-	(8.8)
Satisfied by cash received and receivable	79.1	-	24.7

On 22 June 2013, the Group completed the disposal of eight London bus depots. The £79.1m consideration represent £76.3m cash received in the period and £2.8m of deferred consideration.

On 8 March 2013, the Group disposed of the First Shared Services business in addition to the sale of the bus depots in Wigan, Chester/Birkenhead and Redditch/Kidderminster during the year to March 2013.

17 SHARE CAPITAL	30 September 2013 £m	30 September 2012 £m	31 March 2013 £m
Allotted, called up and fully paid:			
482.1m ordinary shares of 5p each	24.1	24.1	24.1
722.8m new ordinary shares of 5p each issued	36.1	-	-
1,204.9m ordinary shares of 5p each	60.2	24.1	24.1

The number of ordinary shares of 5p each in issue, excluding treasury shares and shares held in trust for employees, at the end of the period was 1,203.8m (2012: 481.8m). At the end of the period 1.1m shares (2012: 0.3m shares) were being held as treasury shares and own shares held in trust for employees.

18 NET CASH FROM OPERATING ACTIVITIES	30 September 2013 £m	Restated 30 September 2012 £m	Restated 31 March 2013 £m
Operating profit before loss on disposal of properties	92.3	64.7	148.5
Adjustments for:			
Depreciation charges	175.7	175.1	364.7
Capital grant amortisation	(16.4)	(12.6)	(33.1)
Amortisation charges	25.9	13.6	52.0
(Gain)/loss on disposal of businesses and subsidiary undertakings	(16.5)	-	8.8
Impairment charges	-	-	13.3
Share-based payments	2.1	2.8	5.6
Loss on disposal of property, plant and equipment	2.1	0.2	4.0
Operating cash flows before working capital	265.2	243.8	563.8
(Increase)/decrease in inventories	(0.5)	1.1	10.6
Increase in receivables	(24.4)	(42.7)	(8.2)
Decrease in payables	(67.0)	(83.4)	(41.0)
Decrease in provisions	(22.8)	(22.3)	(12.2)
Defined benefit pension payments in excess of income statement charge	(23.1)	(25.5)	(34.1)
Cash generated by operations	127.4	71.0	478.9
Tax paid	(4.2)	(4.8)	(6.3)
Interest paid	(96.1)	(92.0)	(129.0)
Interest element of HP contracts and finance leases	(7.3)	(5.1)	(10.9)
Net cash from operating activities	19.8	(30.9)	332.7

19 RETIREMENT BENEFIT SCHEMES

The Group operates or participates in a number of defined benefit pension schemes which cover the majority of UK employees and certain North American employees. The scheme details are described in page 119 of the Annual Report and Accounts for the year ended 31 March 2013.

First Greater Western Limited, First Capital Connect Limited, First ScotRail Limited, Hull Trains Limited and First/Keolis TransPennine Express Limited have sections in the Railways Pension Scheme (RPS), which is an industry-wide arrangement. Under the terms of the RPS, any fund deficit or surplus is shared by the employer (60%) and the employees (40%). In calculating the Group's pension obligations in respect of the RPS the Group has calculated the total pension deficits in each of the RPS sections in accordance with IAS 19. These deficits are reduced by a "franchise adjustment" which is that portion of the deficit which is projected to exist at the end of the franchise and for which the Group will not be required to fund. The franchise adjustment, which has been calculated by the Group's actuaries, is offset against the present value of the RPS liabilities so as to fairly present the financial performance, position and cash flows of the Group's obligations.

The market value of the assets at 30 September 2013 for all defined benefit schemes totalled £3,741m (2012: £3,445m; full year 2013: £3,777m).

Contributions are paid to all defined benefit pension schemes in accordance with rates recommended by the schemes' actuaries. The valuations are made using the Projected Unit Credit Method.

The key assumptions were as follows:

	UK Bus 30 Sept 2013 %	**UK Rail 30 Sept 2013 %**	**North America 30 Sept 2013 %**	UK Bus 30 Sept 2012 %	UK Rail 30 Sept 2012 %	North America 30 Sept 2012 %	UK Bus 31 March 2013 %	UK Rail 31 March 2013 %	North America 31 March 2013 %
Key assumptions used:									
Discount rate	**4.5**	**4.5**	**4.65**	4.5	4.5	3.6	4.5	4.5	4.0
Expected return on scheme assets	**6.17**	**7.76**	**5.8**	6.7	8.2	6.3	6.17	7.76	5.8
Expected rate of salary increases	**2.1/3.1/3.6**	**3.6**	**2.5**	3.4	3.4	3.25	2.16/3.2	3.7	2.5
Inflation - RPI	**3.1**	**3.1**	**2.0**	2.4	2.4	2.25	3.2	3.2	2.0
Inflation - CPI	**2.05**	**2.05**	**-**	1.65	1.65	-	2.15	2.15	-
Future pension increases[1]	**2.05/1.95/3.0**	**2.05**	**-**	1.65/1.55/2.3	1.65	-	2.05/2.15/3.1	2.15	-

[1]UK Bus refers to LGPS, UK Bus Scheme and Group scheme respectively.

Amounts (charged)/credited to the condensed consolidated income statement before exceptional items in respect of these defined benefit schemes are as follows:

6 months to 30 September 2013	**UK Bus £m**	**UK Rail £m**	**North America £m**	**Total £m**
Current service cost	**(12.4)**	**(24.5)**	**(3.7)**	**(40.6)**
Interest cost	**0.1**	**0.2**	**(3.9)**	**(3.6)**
	(12.3)	**(24.3)**	**(7.6)**	**(44.2)**

6 months to 30 September 2012	UK Bus £m	UK Rail £m	North America £m	Total £m
Current service cost	(13.7)	(25.9)	(2.4)	(42.0)
Interest cost as restated	0.1	5.2	(5.4)	(0.1)
	(13.6)	(20.7)	(7.8)	(42.1)

Year to 31 March 2013	UK Bus £m	UK Rail £m	North America £m	Total £m
Current service cost	(25.0)	(55.7)	(4.9)	(85.6)
Interest cost as restated	0.3	10.3	(10.8)	(0.2)
	(24.7)	(45.4)	(15.7)	(85.8)

Actuarial gains and losses have been reported in the condensed consolidated statement of comprehensive income.

19 RETIREMENT BENEFIT SCHEMES continued

The amounts included in the condensed consolidated balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes are as follows:

At 30 September 2013	UK Bus £m	UK Rail £m	North America £m	Total £m
Fair value of schemes' assets	**1,936.1**	**1,333.7**	**471.4**	**3,741.2**
Present value of defined benefit obligations	**(1,948.0)**	**(1,771.6)**	**(623.4)**	**(4,343.0)**
Deficit before adjustments	**(11.9)**	**(437.9)**	**(152.0)**	**(601.8)**
Adjustment for irrecoverable surplus[1]	**(33.4)**	**-**	**-**	**(33.4)**
UK Rail franchise adjustment (60%)	**-**	**254.8**	**-**	**254.8**
Adjustment for employee share of RPS deficits (40%)	**-**	**175.2**	**-**	**175.2**
Liability recognised in the condensed consolidated balance sheet	**(45.3)**	**(7.9)**	**(152.0)**	**(205.2)**
This amount is presented in the condensed consolidated balance sheet as follows:				
Non-current assets	**17.1**	**-**	**-**	**17.1**
Non-current liabilities	**(62.4)**	**(7.9)**	**(152.0)**	**(222.3)**
	(45.3)	**(7.9)**	**(152.0)**	**(205.2)**

At 30 September 2012	UK Bus £m	UK Rail £m	North America £m	Total £m
Fair value of schemes' assets	1,772.8	1,200.0	472.7	3,445.5
Present value of defined benefit obligations	(1,792.6)	(1,530.3)	(696.0)	(4,018.9)
Deficit before adjustments	(19.8)	(330.3)	(223.3)	(573.4)
Adjustment for irrecoverable surplus[1]	(28.9)	-	-	(28.9)
UK Rail franchise adjustment (60%)	-	180.7	-	180.7
Adjustment for employee share of RPS deficits (40%)	-	132.1	-	132.1
Liability recognised in the condensed consolidated balance sheet	(48.7)	(17.5)	(223.3)	(289.5)
This amount is presented in the condensed consolidated balance sheet as follows:				
Non-current assets	13.5	-	-	13.5
Non-current liabilities	(62.2)	(17.5)	(223.3)	(303.0)
	(48.7)	(17.5)	(223.3)	(289.5)

At 31 March 2013	UK Bus £m	UK Rail £m	North America £m	Total £m
Fair value of schemes' assets	1,965.4	1,307.2	504.8	3,777.4
Present value of defined benefit obligations	(1,954.6)	(1,730.0)	(715.0)	(4,399.6)
(Deficit)/surplus before adjustments	10.8	(422.8)	(210.2)	(622.2)
Adjustment for irrecoverable surplus[1]	(35.5)	-	-	(35.5)
UK Rail franchise adjustment (60%)	-	240.8	-	240.8
Adjustment for employee share of RPS deficits (40%)	-	169.1	-	169.1
Liability recognised in the condensed consolidated balance sheet	(24.7)	(12.9)	(210.2)	(247.8)
This amount is presented in the condensed consolidated balance sheet as follows:				
Non-current assets	15.4	-	-	15.4
Non-current liabilities	(40.1)	(12.9)	(210.2)	(263.2)
	(24.7)	(12.9)	(210.2)	(247.8)

[1] The irrecoverable surplus represents the amount of the surplus that the Group could not recover through reducing future company contributions to Local Government Pension Schemes.

Independent review report to FirstGroup plc

INTRODUCTION

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013, which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

DELOITTE LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
6 November 2013

Shareholder information

Shareholder enquiries

Enquiries relating to administrative matters such as loss of share certificates and change of address should be addressed to the Company's registrars at:

Equiniti
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
Tel: 0871 384 2046

The registrars also provide an online service to enable you to access details of your shareholding. To view your details and a range of general information about holding shares, visit **www.shareview.co.uk**

Find out more about FirstGroup
on our website **www.firstgroup.com**

Financial calendar

Financial year end	**31 March 2014**
Full year results announced	**May 2014**
Annual General Meeting	**July 2014**

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