FIRSTGROUP PLC
HALF-YEARLY RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2016

Tramlink incident

On 9 November a tram derailed on the Tramlink network we operate on behalf of Transport for London in Croydon, resulting in tragic loss of lives and injuries. The thoughts of everyone at FirstGroup are with those affected, their families, friends and colleagues. We are providing full support to the ongoing investigation.

Results summary

- Overall trading as outlined at our results in June continued during the first half
- Encouraging performances by our North American business were partially offset by more challenging trading conditions for our UK operations
- Significantly improved cash performance in the period

	Adjusted[1]				Statutory	
	H1 2016 £m	H1 2015 £m	Change	Change in constant currency[2]	**H1 2016 £m**	H1 2015 £m
Revenue	**2,564.7**	2,440.9	+5.1%	(1.0)%	**2,564.7**	2,440.9
Operating profit	**89.0**	88.4	+0.7%	(1.7)%	**77.9**	58.5
Operating profit margin	**3.5%**	3.6%	(10)bps	flat	**3.0%**	2.4%
Profit/(loss) before tax	**21.9**	22.4	(2.2)%		**11.1**	(7.5)
EPS	**1.4p**	1.2p	+16.7%		**0.7p**	(0.4)p
Net debt[3]	**1,491.5**	1,588.0	(6.1)%	(9.3)%		

Financial performance:

- Group reported revenue +5.1% with First Student and First Transit growth and favourable currency translation, offset by route remapping and end of subsidy on TPE and lower Greyhound and First Bus demand. Group revenue (1.0)% in constant currency
- Flat adjusted operating profit margin in constant currency, with rebased First Rail margin on new contracts holding back Group margin improvement
- Favourable currency translation of North American profits was offset by higher dollar-based UK fuel costs in H1; however the second half-weighted profile of First Student earnings will result in positive net impact for the full year if recent currency trends continue
- Adjusted EPS increased by 16.7% with no non-controlling interest in the new TPE franchise
- Seasonal net cash outflow is an improvement of £103.8m compared with prior period, primarily driven by working capital performance; net debt: EBITDA reduced to 2.4x compared with 2.6x in September 2015

Divisional summary:

- Robust First Student bid season with 7.3% average price increases and solid contract retention; margin improved in the period and well positioned for the full year following a successful school year start up
- First Transit growth and margin performance affected by lower Canadian oil sands shuttle activity and cost headwinds in the period; secured some important contract wins for future growth
- Greyhound like-for-like[4] revenue decreased 3.9% as competing transport modes benefited from cheaper fuel; resilient margin performance from cost control and growing benefits of our business model changes
- First Bus like-for-like[4] passenger revenue decreased by 1.3% as a result of ongoing industry-wide demand challenges; cost actions partially mitigated the impact of currency fluctuations on fuel
- First Rail like-for-like[4] passenger growth of 0.7% reflects slowdown seen across the industry and major GWR infrastructure upgrade work; trading margin rebased towards industry norms as previously indicated

Looking ahead:

- Overall trading in the first half has been consistent with our expectation of good progress in the current year, recognising likely currency tailwinds but an uncertain UK macroeconomic backdrop
- First half cash performance supports our objective to significantly increase free cash generation for the 2016/17 financial year

Commenting, Chief Executive Tim O'Toole said:
"Our overall trading performance as outlined at the start of the financial year continued during the first half, with encouraging performances by our North American business partially offset by tough trading conditions for our UK bus and rail operations. In the second half we will benefit from our normal seasonal bias as well as our ongoing focus on executing our strategy. We continue to expect good progress for the Group in the current year, recognising we will likely benefit from currency tailwinds from our substantial North American operations but will also face uncertain economic conditions in the UK for the foreseeable future. Our cash performance in the first half affirms our confidence in generating significantly increased cash flow for the full year.

"I am shocked and saddened by the incident on Tramlink last week. On behalf of everyone at FirstGroup I would like to express our condolences to the bereaved families and friends and to those injured in this incident. We are working with Transport for London and the authorities to provide assistance in any way possible to those who have been affected and to the ongoing investigation."

A presentation for investors and analysts will be held at 8:15am today – attendance is by invitation
A live telephone 'listen in' facility is available – for joining details please call +44 (0) 20 7725 3354
A playback facility will be available together with presentation slides and
a pdf copy of this report at www.firstgroupplc.com/investors

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Notes
[1] *'Adjusted' figures throughout this document are before other intangible asset amortisation charges and certain other items as set out in note 3 to the condensed consolidated financial statements.*
[2] *Changes 'in constant currency' throughout this document are based on retranslating H1 2015 foreign currency amounts at H1 2016 rates.*
[3] *Net debt is stated excluding accrued bond interest.*
[4] *References to like-for-like revenue adjust for certain factors which distort the period-on-period trends in our passenger revenue businesses as described on page 11.*

Chief Executive's review

On 9 November 2016 a tram derailed on the Tramlink network we operate on behalf of Transport for London (‘TfL’) in Croydon, resulting in tragic loss of lives and injuries. I am shocked and saddened by the incident, and on behalf of everyone at FirstGroup I would like to express our condolences to the bereaved families and friends and to those injured. We are working with TfL and the authorities to provide assistance in any way possible to those who have been affected and to the ongoing investigation.

Our overall trading performance as outlined at our results in June continued during the first half, with encouraging performances by our North American business partially offset by more challenging trading conditions for our UK operations and the margin rebasing from new contracts in First Rail.

In First Student we concluded this year’s bid season with higher average price increases than in the prior year, and while acute driver shortages remain a significant ongoing challenge for the industry, we are now better positioned to manage the issue. Our margin progress in the first half and a successful school year start up due to improved training and planning at our locations means we are well positioned to deliver our expected margin progress to at least 9% for this financial year. In First Transit we continue to experience the impact of reduced demand for our shuttle services in the Canadian oil sands, but have made progress in a number of areas that will be important for continuing the division’s track record of profitable growth over the longer term, with contract awards in our existing markets and new business wins in US commuter rail and internationally in the period. Although Greyhound continues to face demand challenges from lower fuel prices compared with the prior period and like-for-like revenues decreased by 3.9% in the first half as a result, we delivered a relatively resilient margin performance through actively managing our cost base and from the growing benefits of our business model transformation.

In contrast our UK-based businesses experienced ongoing challenging trading conditions in the period, with recent disappointing volume trends in both bus and rail continuing throughout the first half. First Bus like-for-like passenger revenue improved modestly in the second quarter compared with the first but was still 1.3% lower overall compared with the first half of last year, with high street retail footfall trends and worsening congestion affecting passenger demand in many of our local markets. First Rail like-for-like passenger revenues increased by 0.7% in the first half, with the slowdown in growth seen across the industry exacerbated by the magnitude of the infrastructure upgrade activity on our Great Western Railway (‘GWR’) franchise in particular. Fuel cost savings in both First Bus and First Rail have been partially offset by the US dollar-denominated nature of these costs. First Bus continued to drive further passenger enhancements and cost efficiencies in the first half, with more activity particularly on the cost side to follow through the remainder of the year. As previously indicated, First Rail’s trading margin has rebased in the period, reflecting the terms of the new TransPennine Express (‘TPE’) franchise and the new GWR direct award.

Outlook

In the second half we will benefit from our normal seasonal bias as well as our continuing focus on stimulating passenger demand growth, targeted investments and cost efficiencies. We continue to expect the Group to make good progress in the current year, recognising that we will likely benefit from currency tailwinds from our substantial North American operations but also face uncertain economic conditions in the UK for the foreseeable future following the EU referendum result. As usual, the seasonal nature of our business resulted in a cash outflow in the first half, but this was £124.1m lower than the prior year, or an improvement of £103.8m after adjusting for the rail franchise outflows in the prior period. This substantial reduction in our usual seasonal cash outflow during the first half affirms our confidence in generating significantly increased cash flow over the full financial year.

Tim O'Toole
Chief Executive
15 November 2016

Operating and financial review

Group revenue in the first half increased by 5.1% due to translation of our US dollar-based businesses (which generated more than two thirds of adjusted operating profit in the prior year) into sterling at higher rates than the prior period and growth in First Student and First Transit, offset by reduced subsidy receipts and the remapping of certain routes out of the scope of First Rail's new TPE franchise, together with lower revenues in Greyhound and First Bus. Group revenue decreased by 1.0% in constant currency.

Group adjusted operating profit in constant currency decreased by 1.7%, with a significantly higher contribution from First Student principally offset by rebased First Rail margins under new contract terms, resulting in a flat adjusted operating profit margin in constant currency. In reported currency, adjusted operating profit increased by 0.7%. In the period favourable currency translation of North American profits was offset by higher dollar-based UK fuel costs; the second half-weighted profile of First Student earnings will result in a positive net impact from currency movements for the full year, if recent trends continue.

Adjusted profit before tax was £21.9m (H1 2015: £22.4m), a decrease of 2.2%. As a consequence of the completion of the previous TPE joint venture with Keolis, profit related to non-controlling interests reduced to £0.1m (H1 2015: £2.1m). Adjusted EPS increased by 16.7% to 1.4p (H1 2015: 1.2p). EBITDA increased by 3.8% to £251.7m (H1 2015: £242.4m).

Statutory operating profit increased by 33.2% to £77.9m (H1 2015: £58.5m), principally reflecting the gain on disposal of a Greyhound terminal. Statutory EPS increased from a loss of 0.4p to a profit of 0.7p in the period.

The net cash outflow for the period was £64.3m (H1 2015 outflow: £168.1m before First Rail end of franchise cash flows), an improvement of £103.8m compared with the prior year. This improvement was driven by lower working capital outflows, proceeds from the sale of a Greyhound terminal in the period and higher EBITDA. This seasonal cash outflow, combined principally with movements in debt due to foreign exchange, resulted in a net debt increase in the first half of £81.3m relative to the 31 March position (H1 2015 increase: £180.7m).

As at 30 September 2016, the net debt: EBITDA ratio was 2.4 times (H1 2015: 2.6 times). Liquidity within the Group has remained strong; as at 30 September 2016 there was £824.8m (H1 2015: £801.3m) of committed headroom and free cash, being £745.0m (H1 2015: £756.0m) of committed headroom and £79.8m (H1 2015: £45.3m) of free cash. Our average debt maturity was 3.9 years (H1 2015: 4.8 years).

During the period gross capital investment of £161.3m (H1 2015: £185.8m) was made in our business. Our capital allocation decisions are increasingly focused on the maintenance of our existing asset portfolio and selected growth opportunities with good returns. ROCE was 7.1% (H1 2015: 6.1% at constant exchange rates).

	6 months to 30 September 2016			6 months to 30 September 2015			Year to 31 March 2016		
	Revenue £m	**Operating profit[1] £m**	**Operating margin[1] %**	Revenue £m	Operating profit[1] £m	Operating margin[1] %	Revenue £m	Operating profit[1] £m	Operating margin[1] %
First Student	**719.5**	**14.0**	**1.9**	655.9	2.0	0.3	1,553.5	112.6	7.2
First Transit	**482.5**	**30.0**	**6.2**	419.2	30.1	7.2	864.8	60.1	6.9
Greyhound	**333.4**	**25.8**	**7.7**	312.4	25.8	8.3	605.1	35.5	5.9
First Bus	**426.1**	**13.5**	**3.2**	437.5	15.4	3.5	870.9	52.0	6.0
First Rail	**595.8**	**22.1**	**3.7**	608.9	32.9	5.4	1,308.4	72.9	5.6
Group[2]	**7.4**	**(16.4)**		7.0	(17.8)		15.4	(32.4)	
Total Group	**2,564.7**	**89.0**	**3.5**	2,440.9	88.4	3.6	5,218.1	300.7	5.8
North America in US Dollars	**$m**	**$m**	**%**	$m	$m	%	$m	$m	%
First Student	**1,004.5**	**26.2**	**2.6**	1,006.8	1.4	0.1	2,332.7	165.0	7.1
First Transit	**663.6**	**41.4**	**6.2**	645.6	46.3	7.2	1,303.4	90.6	7.0
Greyhound	**457.5**	**34.3**	**7.5**	481.6	40.2	8.3	914.0	54.4	6.0
Total North America	**2,125.6**	**101.9**	**4.8**	2,134.0	87.9	4.1	4,550.1	310.0	6.8

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

First Student

	Six months to 30 September		Six months to 30 September		Change in constant currency[1]
	2016 $m	2015 $m	**2016 £m**	2015 £m	
Revenue	**1,004.5**	1,006.8	**719.5**	655.9	**+0.2%**
Adjusted operating profit	**26.2**	1.4	**14.0**	2.0	**n/m[2]**
Adjusted operating margin	**2.6%**	0.1%	**1.9%**	0.3%	**+250bps**

[1] Increase/(decrease) in constant currency are based on retranslating H1 2015 foreign currency amounts at H1 2016 rates.
[2] Period on period percentage change not meaningful as in constant currency terms First Student made a loss in H1 2015.

In the recently completed bid season, First Student continued to execute our pricing strategy to focus only on retaining or bidding for contracts at prices that reflect an appropriate return on the capital we invest. We achieved average price increases on 'at risk' business of 7.3% or 200 basis points above the prior year, at a retention rate of 80% on 'at risk' contracts. Across the entire portfolio of multi-year contracts, retention was 93%, with overall price increases of 3.5%. Combined with a modest level of organic growth and conversion of previously insourced work, we expect to operate a smaller, but higher returning, bus fleet of approximately 45,000 vehicles for the balance of the year, in line with our strategy.

First Student's revenue in the first half was $1,004.5m or £719.5m (H1 2015: $1,006.8m or £655.9m). Compared with the prior period, revenues reflect the net benefit of higher prices on a smaller contract portfolio, together with additional school days due to the timing of Easter and Labor Day, partially offset by fewer weather recovery days in the period due to the milder winter last year.

Adjusted operating profit was $26.2m or £14.0m (H1 2015: $1.4m or £2.0m), resulting in an adjusted operating margin of 2.6% (H1 2015: 0.1%). Margins benefited from improved pricing net of inflation and lost business, and a small increase in operating days as noted above. The US employment market has continued to tighten over the period, sustaining a high level of driver shortages in some areas. We are now better positioned to absorb the costs of driver shortages as a result of our actions to improve recruitment processes and marketing. We also continue to factor higher overall employee costs into our bidding.

We delivered further cost actions in the period, through the previously announced simplification of our regional management structure, ongoing driver compensation efficiencies, and productivity enhancements to our maintenance practices, while also benefiting from lower fuel prices.

Overall our performance in First Student in the first half has been encouraging. In particular, this year's school start up was successful as a result of improved training and planning at our locations. The division's results are always significantly weighted to the second half because of the overlay of our financial year on the North American school calendar, so as ever our performance in the second half is key. However our performance in the first half means we are well positioned to achieve our previously stated margin objective of at least 9% for the full year.

First Transit

	Six months to 30 September		Six months to 30 September		Change in constant currency[1]
	2016 $m	2015 $m	**2016 £m**	2015 £m	
Revenue	**663.6**	645.6	**482.5**	419.2	**+3.2%**
Adjusted operating profit	**41.4**	46.3	**30.0**	30.1	**(10.2)%**
Adjusted operating margin	**6.2%**	7.2%	**6.2%**	7.2%	**(90)bps**

[1] Increase/(decrease) in constant currency are based on retranslating H1 2015 foreign currency amounts at H1 2016 rates.

First Transit's revenue in the first half was $663.6m or £482.5m (H1 2015: $645.6m or £419.2m), an increase of 3.2% in constant currency. As anticipated, contract awards and organic growth in the rest of the division was partially offset by lower activity for our shuttle business in the Canadian oil sands region.

Adjusted operating profit was $41.4m or £30.0m (H1 2015: $46.3m or £30.1m), resulting in an adjusted operating margin of 6.2% (H1 2015 7.2%). The margin decrease was principally due to business mix (reflecting contract starts and completions in the period, together with less shuttle business at higher margin), and the ongoing inflationary cost environment for transport services in parts of North America.

We continue to enhance our offering for existing clients by offering real-time information and other technologies, as well as improving service standards and driving further cost efficiencies in order to sustain our returns. We were awarded 12 new contracts in the period, and achieved a 97% retention rate, including large contracts with the University of Alabama, TriMet in Portland, Oregon, and Tri Delta Transit in Antioch, California in the period. In addition we continue to enhance the breadth of our offering to secure additional sources of growth: for example, the award in July of a contract by the Denton County Transportation Authority in Texas was an important credential for us in the emerging market for US commuter rail services. Our measured approach to international opportunities also saw the continued development of our relationship with the government of Panama and the start up of a small but potentially high growth employee shuttle business in Pune, India in the period.

Through the continued delivery of our longstanding strategy, First Transit will continue to focus on driving growth and improved margins in the second half and beyond.

Greyhound

	Six months to 30 September		Six months to 30 September		Change in constant currency[1]
	2016 $m	2015 $m	**2016 £m**	2015 £m	
Revenue	**457.5**	481.6	**333.4**	312.4	**(4.6)%**
Adjusted operating profit	**34.3**	40.2	**25.8**	25.8	**(14.6)%**
Adjusted operating margin	**7.5%**	8.3%	**7.7%**	8.3%	**(90)bps**

[1] Increase/(decrease) in constant currency are based on retranslating H1 2015 foreign currency amounts at H1 2016 rates.

Greyhound's revenue was $457.5m or £333.4m (H1 2015: $481.6m or £312.4m) in the first half. Like-for-like passenger revenue decreased by 3.9%, due to a further reduction in average fuel prices compared with the comparable period last year. Passenger demand across the intercity coach industry is adversely affected by falling fuel prices, which make journeys by both passenger car and by air more competitive with coaches. Our point-to-point Greyhound Express business was significantly more resilient, with like-for-like revenue decreasing by 0.2% in the first half.

Through targeted mileage reductions in response to demand trends we achieved a small increase in revenue per mile operated over the first half in the US, and this was supplemented by encouraging initial results from our transition to one-way ticket pricing in July, together with the ongoing development of our algorithmic pricing and yield management engine. We have begun to experiment with targeted advertising and social media activities which have demonstrated promising results, and we would expect to increase our investment in this area as the demand environment begins to stabilise. Taken together these initiatives resulted in a relatively resilient margin given the demand environment, with Greyhound achieving adjusted operating profit of $34.3m or £25.8m (H1 2015: $40.2m or £25.8m), or an adjusted operating margin of 7.5% (H1 2015: 8.3%).

Our transformation of Greyhound's business model will continue into the second half with additional changes to the loyalty programme, a transition to bus-side ticket scanning and investment in the customer focus of our employees. The outlook for fuel prices and the consequent impact on customer demand remains very uncertain, but we are confident that Greyhound is increasingly well positioned to take full advantage of its unique brand and scale.

First Bus

	Six months to 30 September		Change in constant currency[1]
	2016 £m	2015 £m	
Revenue	**426.1**	437.5	**(2.9)%**
Adjusted operating profit	**13.5**	15.4	**(15.6)%**
Adjusted operating margin	**3.2%**	3.5%	**(40)bps**

[1] Increase/(decrease) in constant currency are based on retranslating H1 2015 foreign currency amounts at H1 2016 rates.

First Bus reported revenue of £426.1m (H1 2015: £437.5m) in the period, with like-for-like passenger revenue decreasing by 1.3%. Industry conditions remain challenging, with muted high street retail footfall trends and worsening congestion affecting passenger demand in many of our markets, particularly in the North and Scotland. We continue to adapt our commercial offering in response to market conditions, with an ongoing focus on enhancing the reliability of our services and the convenience of our ticket options. In the period we have seen encouraging responses to our investments in mobile ticketing and marketing to students and young people in particular, and commercial passenger volumes were flat. However the overall macroeconomic environment in the UK remains very uncertain.

Adjusted operating profit was £13.5m (H1 2015: £15.4m) and adjusted operating margin was 3.2% (H1 2015: 3.5%). We continue to optimise our depot portfolio and reduce other costs in light of the ongoing uncertainties in passenger demand and concessionary revenue. We have made a number of changes to our services in East Scotland following the release of certain restrictions by the Competition and Markets Authority, and we have begun consultations on closing our Rotherham depot while maintaining levels of service from nearby locations. Meanwhile we continue to identify procurement savings, productivity enhancements and lean engineering opportunities across the division. Expected savings from lower fuel prices were partially offset by the US dollar-denominated nature of these costs; the adverse foreign exchange impact of fuel was £4.4m or 100bps on profit in the period.

Since the start of the year we have invested in a number of initiatives of importance for the future. We are preparing to start a trial of contactless bankcard payments in Bristol shortly and are planning our roll out of the technology to the rest of the division over our next financial year, and we have stepped up our focus on contract tender opportunities. This included the highly successful launch of the Vantage guided busway scheme in Manchester, a new park and ride contract in Bristol, and a multi-year joint venture to provide bus services to the Hinkley Point construction project in Somerset from January 2018. As a result of our fleet reinvestment programme First Bus now operates the largest fleet of Department for Transport-certified ‘Low Carbon Buses’ in the UK, and was recently recognised as Low Carbon Vehicle Operator of the Year by a key industry body.

In light of the challenging and uncertain demand environment for the industry, First Bus will continue to focus on margin improvement through procurement, lean engineering and other cost saving programmes in the second half, while maintaining our objective to grow through enhancing our customer offering.

First Rail

	Six months to 30 September		
	2016 £m	2015 £m	**Change**
Revenue	**595.8**	608.9	**(2.2)%**
Adjusted operating profit	**22.1**	32.9	**(32.8)%**
Adjusted operating margin	**3.7%**	5.4%	**(170)bps**

First Rail revenues declined to £595.8m (H1 2015: £608.9m), reflecting like-for-like passenger revenue growth of 0.7%, offset by reduced subsidy receipts and the remapping of certain routes out of the scope of the new TPE franchise which commenced on 1 April 2016. Passenger volumes in the first half decreased by 0.1%, reflecting a slowdown in growth across the industry due to macroeconomic uncertainty, some one-off events and modal shift due to sustained lower fuel prices. The magnitude of the infrastructure upgrade works taking place on the network has exaggerated the impact of these factors on our GWR franchise, while revenue performance for TPE has been better than the industry average in the period.

In the period First Rail has successfully launched the new TPE franchise, managed several new rolling stock launches and a number of changes to Network Rail’s infrastructure upgrade plans. GWR and TPE achieved improved customer service ratings year-on-year in the recent National Rail Passenger Survey, while Hull Trains maintained an overall satisfaction score of more than 90%.

As anticipated, the divisional margin has rebased in the period toward industry norms under the terms of the new contract agreements. Reported margins were also moderated by the £3.1m or 50bps impact of recent currency movements on US dollar-denominated diesel fuel costs. Adjusted operating profit was £22.1m (H1 2015: £32.9m), or a margin of 3.7% (H1 2015: 5.4%).

In the second half we will continue to focus on working with our industry partners to improve the reliability and convenience of our services and keeping passengers informed about the implications of ongoing infrastructure works. We will also continue to examine opportunities to grow our rail business through our disciplined approach to the Department for Transport’s franchising process.

Reconciliation to non-GAAP measures and performance

Note 3 to the condensed consolidated financial statements sets out the reconciliations of operating profit and profit before tax to their adjusted equivalents. The principal adjusting items are as follows:

Other intangible asset amortisation charges

The charge for the period was £28.5m (H1 2015: £27.2m). The increase primarily reflects a higher charge in the North America divisions due to the impact of foreign exchange and the incremental £2.2m software intangible amortisation this period, partly offset by a lower charge in First Rail as the GWR franchise intangible was fully expensed at the end of its first Direct Award period.

Gain on disposal of property

During the period the sale of a Greyhound terminal in San Jose, California was completed which resulted in a gain on sale of £21.6m (H1 2015: £nil).

Restructuring and reorganisation costs

There was a charge of £4.2m (H1 2015: £nil) in the period for restructuring and reorganisation costs across the Group relating to the business turnarounds.

Finance costs and investment income

Net finance costs before adjustments were £67.1m (H1 2015: £66.0m) with the increase principally reflecting US dollar-denominated costs converted at prevailing rates.

Profit before tax

Adjusted profit before tax as set out in note 3 to the condensed consolidated financial statements was £21.9m (H1 2015: £22.4m). An overall charge of £10.8m (H1 2015: £29.9m) for adjustments including other intangible asset amortisation charges of £28.5m (H1 2015: £27.2m) resulted in a statutory profit before tax of £11.1m (H1 2015: loss before tax of £7.5m).

Tax

The tax charge, on adjusted profit before tax, for the period was £5.5m (H1 2015: £5.4m) representing an effective rate of 25.1% (H1 2015: 24.1%). There was a tax credit of £3.5m (H1 2015: credit of £9.8m) relating to other intangible asset amortisation charges and other adjustments. The total tax charge was £2.0m (H1 2015: credit of £4.4m). The actual tax paid during the period was £5.1m (H1 2015: £4.4m).

EPS

Adjusted EPS was 1.4p (H1 2015: 1.2p). Basic EPS was 0.7p (H1 2015: (0.4)p).

Shares in issue

As at 30 September 2016 there were 1,204.3m shares in issue (H1 2015: 1,204.1m), excluding treasury shares and own shares held in trust for employees of 0.9m (H1 2015: 0.8m). 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 1,204.3m (H1 2015: 1,204.0m).

Cash flow

The seasonality of our First Student business combined with the phasing of certain cash flows typically results in a net cash outflow at the half year. The net cash outflow for the period was £64.3m (H1 2015: £168.1m before First Rail end of franchise cash flows of £20.3m), an improvement of £103.8m compared with the prior year. This improvement was driven by lower working capital outflows, proceeds from the sale of a Greyhound terminal in the period and higher EBITDA. This seasonal cash outflow, combined principally with movements in debt due to foreign exchange, resulted in a net debt increase in the first half of £81.3m relative to the 31 March position (H1 2015 increase: £180.7m), as follows:

	6 months to 30 September 2016 £m	6 months to 30 September 2015 £m	Year to 31 March 2016 £m
EBITDA	**251.7**	242.4	615.9
Other non-cash income statement charges	**8.0**	2.3	6.4
Working capital excluding First Rail end of franchise cash flows	**(6.0)**	(84.0)	(16.0)
Movement in other provisions	**(19.8)**	(12.9)	(18.6)
Pension payments in excess of income statement charge	**(26.1)**	(28.6)	(33.6)
Cash generated by operations excluding First Rail end of franchise cash flows	**207.8**	119.2	554.1
Capital expenditure	**(206.5)**	(201.9)	(405.2)
Proceeds from disposal of property and plant and equipment	**29.1**	9.9	19.5
Interest and tax	**(81.3)**	(86.3)	(122.4)
Dividends payable to non-controlling minority shareholders	**(11.9)**	(9.0)	(10.0)
Shares purchased by Employee Benefit Trust	**(1.5)**	-	-
Net cash inflow before First Rail end of franchise cash flows	**(64.3)**	(168.1)	36.0
First Rail end of franchise cash flows	**-**	(20.3)	(20.8)
Foreign exchange movements	**(16.0)**	8.7	(15.3)
Other non-cash movements in relation to financial instruments	**(1.0)**	(1.0)	(2.8)
Movement in net debt in the period	**(81.3)**	(180.7)	(2.9)

Capital expenditure

We continue to invest in our businesses. Cash capital expenditure was £206.5m (H1 2015: £201.9m) and comprised First Student £97.2m (H1 2015: £131.8m), First Transit £6.9m (H1 2015: £9.2m), Greyhound £14.9m (H1 2015: £3.0m), First Bus £58.7m (H1 2015: £24.8m), First Rail £28.5m (H1 2015: £31.8m) and Group items £0.3m (H1 2015: £1.3m). First Rail capital expenditure is typically matched by franchise receipts or other funding.

In addition during the period we entered into operating leases for passenger carrying vehicles with capital values in First Transit of £8.0m (H1 2015: £1.3m).

Gross capital investment (fixed asset additions plus the capital value of new operating leases) was £161.3m (H1 2015: £185.8m) and comprised First Student £84.2m (H1 2015: £108.2m), First Transit £13.6m (H1 2015: £9.2m), Greyhound £6.8m (H1 2015: £3.7m), First Bus £33.6m (H1 2015: £32.1m), First Rail £22.8m (H1 2015: £31.3m) and Group items £0.3m (H1 2015: £1.3m).

Net debt

The Group's net debt at 30 September 2016 was £1,491.5m (H1 2015: £1,588.0m) and comprised:

Analysis of net debt	**30 September 2016 £m**	30 September 2015 £m	31 March 2016 £m
Sterling bond (2018)	**298.8**	298.3	298.3
Sterling bond (2019)	**249.8**	249.8	249.8
Sterling bond (2021)	**348.3**	348.2	348.2
Sterling bond (2022)	**320.5**	320.0	320.5
Sterling bond (2024)	**199.6**	199.5	199.6
Sterling bank loans	**52.5**	40.6	-
HP contracts and finance leases	**207.4**	266.3	238.3
Senior unsecured loan notes	**115.5**	98.6	105.9
Loan notes	**9.6**	9.7	9.7
Gross debt excluding accrued interest	**1,802.0**	1,831.0	1,770.3
Cash	**(79.8)**	(45.3)	(140.2)
First Rail ring-fenced cash and deposits	**(228.0)**	(197.1)	(217.5)
Other ring-fenced cash and deposits	**(2.7)**	(0.6)	(2.4)
Net debt excluding accrued interest	**1,491.5**	1,588.0	1,410.2

Under the terms of the First Rail franchise agreements, cash can only be distributed by the Train Operating Companies (TOCs) either up to the lower amount of their retained profits or the amount determined by prescribed liquidity ratios. The ring-fenced cash represents that which is not available for distribution or the amount required to satisfy the liquidity ratio at the balance sheet date.

Financial risk management

Liquidity within the Group has remained strong. At 30 September 2016 there was £824.8m (H1 2015: £801.3m) of committed headroom and free cash, being £745.0m (H1 2015: £756.0m) of committed headroom and £79.8m (H1 2015: £45.3m) of free cash. Largely due to the seasonality of First Student, committed headroom typically reduces during the financial year up to October and increases thereafter. Treasury policy requires a minimum of £150m of committed headroom at all times. Our average debt maturity was 3.9 years (H1 2015: 4.8 years). The Group's main revolving bank facilities require renewal in June 2019.

The Group does not enter into speculative financial transactions and uses only authorised financial instruments for certain financial risk management purposes.

Interest rate risk

We seek to reduce our 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 at least 50% of net debt.

Foreign currency risk

'Certain' and 'highly probable' foreign currency transaction exposures may be hedged at the time the exposure arises for up to two years at specified levels, or longer if there is a very high degree of certainty. The Group does not hedge the translation of earnings into the Group reporting currency (pounds Sterling), but accepts that reported Group earnings will fluctuate as exchange rates against pounds Sterling fluctuate for the currencies in which the Group does business. During the period, the net cash generated in each currency may be converted by Group Treasury into pounds Sterling by way of spot transactions in order to keep the currency composition of net debt broadly constant.

Fuel price risk

We use a progressive forward hedging programme to manage commodity risk. We have hedged 91% of the 'at risk' crude requirements for the current year in the UK (1.8m barrels p.a.) at an average rate of $70 per barrel, 89% of our 'at risk' UK crude requirements for the year to 31 March 2018 at $61 per barrel and 48% of our requirements for the year to 31 March 2019 at $56 per barrel.

In North America we have hedged 68% of current year 'at risk' crude oil volumes (1.4m barrels p.a.) at an average rate of $72 per barrel, 42% of the volumes for the year to 31 March 2018 at $58 per barrel and 20% of our volumes for the year to 31 March 2019 at $50 per barrel.

Balance sheet

Net assets have increased by £52.1m since the start of the period. The principal reasons for this are favourable translation reserve movements of £244.8m and favourable after tax hedging reserve movements of £37.7m, partly offset by actuarial losses on defined benefit pension schemes (net of deferred tax) of £233.3m.

Foreign exchange

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

	6 months to 30 September 2016		6 months to 30 September 2015		Year to 31 March 2016	
	Closing rate	**Effective rate**	Closing rate	Effective rate	Closing rate	Effective rate
US Dollar	**1.30**	**1.45**	1.52	1.52	1.41	1.49
Canadian Dollar	**1.71**	**2.01**	2.02	1.78	1.87	1.93

Pensions

We have updated our pension assumptions as at 30 September 2016 for the defined benefit schemes in the UK and North America. The net pension deficit of £270.9m at the beginning of the period has increased to £500.3m at the end of the period, principally due to lower real discount rates partly offset by an increase in asset returns. The main factors that influence the balance sheet position for pensions and the sensitivities to their movement at 30 September 2016 are set out below:

	Movement	Impact
Discount rate	**+0.1%**	Reduce deficit by £43m
Inflation	**+0.1%**	Increase deficit by £37m

Seasonality
First Student generates lower revenues and profits in the first half of the financial 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.

Forward-looking statements
Certain statements included or incorporated by reference within this document may constitute ‘forward-looking statements’ with respect to the business, strategy and plans of the Group and our current goals, assumptions and expectations relating to our future financial condition, performance and results.

By their nature, forward-looking statements involve known and unknown risks, assumptions, uncertainties and other factors which cause actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Shareholders are cautioned not to place undue reliance on the forward-looking statements. Except as required by the UK Listing Rules and applicable law, the Group does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this document.

Other information
Unless otherwise stated, all financial figures for the six months to 30 September 2016 (the ‘first half’, the ‘period’ or ‘H1 2016’) include the results of the First Rail division for the period ended 17 September 2016 and the results of the other divisions for the 26 weeks ended 24 September 2016. The figures for the six months to 30 September 2015 (the ‘prior period’ or ‘H1 2015’) include the results of the First Rail division for the period ended 19 September 2015 and the results of the other divisions for the 26 weeks ended 26 September 2015. Figures for the year to 31 March 2016 include the results of the First Rail division for the period to 31 March 2016 and the results of the other divisions for the 52 weeks ended 26 March 2016. No account is taken of foreign exchange translation effects in the description of divisional performances and outlook.

All references to 'adjusted' figures throughout this document are before other intangible asset amortisation charges and certain other items as set out in note 3 to the condensed consolidated financial statements.

Changes ‘in constant currency’ throughout this document are based on retranslating H1 2015 foreign currency amounts at H1 2016 rates.

'EBITDA' is adjusted operating profit less capital grant amortisation plus depreciation.

‘ROCE’ or Return on Capital Employed is calculated by dividing adjusted operating profit after tax by all period end assets and liabilities excluding debt items.

References to ‘like-for-like’ revenue adjust for changes in the composition of the divisional portfolio, holiday timing, severe weather, business acquisitions or disposals, industrial action, other significant one-off events and other factors e.g. repossessions of the network for engineering work in First Rail that distort the period-on-period trends in our passenger revenue businesses.

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 2016 Annual Report. The principal risks and uncertainties, which are set out in detail on pages 36 to 41 of the Annual Report and Accounts 2016, are:

- Economic conditions
- Political and regulatory
- Contract businesses including rail franchising
- Competition and emerging technologies
- Information technology
- Treasury and credit rating
- Pension scheme funding
- Compliance, litigation and claims, health and safety
- Labour costs, employee relations recruitment and retention
- Disruption to infrastructure/operations

Responsibility statement

Each of the Directors confirms that to the best of his/her knowledge:

- The condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;
- The interim management report includes a fair review of the information required by DTR 4.2.7R; and
- The interim management report includes a fair review of the information required by DTR 4.2.8R.

The Directors of FirstGroup plc are listed on the Group's website at www.firstgroupplc.com.

Tim O'Toole
Chief Executive
15 November 2016

Matthew Gregory
Chief Financial Officer
15 November 2016

Condensed consolidated income statement

	Notes	**Unaudited 6 months to 30 September 2016 £m**	Unaudited 6 months to 30 September 2015 £m	Year to 31 March 2016 £m
Revenue	2, 4	**2,564.7**	2,440.9	5,218.1
Operating costs		**(2,486.8)**	(2,382.4)	(4,971.8)
Operating profit		**77.9**	58.5	246.3
Investment income	5	**0.7**	0.6	1.4
Finance costs	5	**(67.5)**	(66.6)	(134.2)
Profit/(loss) before tax		**11.1**	(7.5)	(113.5)
Tax	6	**(2.0)**	4.4	(17.1)
Profit/(loss) for the period		**9.1**	(3.1)	96.4
Attributable to:				
Equity holders of the parent		**9.0**	(5.2)	90.3
Non-controlling interests		**0.1**	2.1	6.1
		9.1	(3.1)	96.4
Earnings per share				
Basic	7	**0.7p**	(0.4)p	7.5p
Diluted		**0.7p**	(0.4)p	7.5p
Adjusted results[1]				
Adjusted operating profit	3	**89.0**	88.4	300.7
Adjusted profit before tax	3	**21.9**	22.4	168.3
Adjusted EPS	7	**1.4p**	1.2p	10.3p

1 Adjusted for certain items as set out in note 3.

Condensed consolidated statement of comprehensive income

	Unaudited 6 months to 30 September 2016 £m	Unaudited 6 months to 30 September 2015 £m	Year to 31 March 2016 £m
Profit/(loss) for the period	**9.1**	(3.1)	96.4
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/gains on defined benefit pension schemes	**(232.1)**	52.5	(59.2)
Deferred tax on actuarial (losses)/gains on defined benefit pension schemes	**(1.2)**	(17.1)	16.1
	(233.3)	35.4	(43.1)
Items that may be reclassified subsequently to profit or loss			
Derivative hedging instrument movements	**51.8**	1.6	(13.7)
Deferred tax on derivative hedging instrument movements	**(14.1)**	(0.7)	0.6
Exchange differences on translation of foreign operations	**244.8**	(67.8)	110.5
	282.5	(66.9)	97.4
Other comprehensive income/(expense) for the period	**49.2**	(31.5)	54.3
Total comprehensive income/(expense) for the period	**58.3**	(34.6)	150.7
Attributable to:			
Equity holders of the parent	**58.2**	(36.7)	144.6
Non-controlling interests	**0.1**	2.1	6.1
	58.3	(34.6)	150.7

Condensed consolidated balance sheet

	Note	**Unaudited 30 September 2016 £m**	Unaudited 30 September 2015 £m	31 March 2016 £m
Non-current assets				
Goodwill	8	**1,887.4**	1,620.6	1,736.3
Other intangible assets	9	**155.8**	164.1	162.2
Property, plant and equipment	10	**2,246.7**	2,003.1	2,142.2
Deferred tax assets		**49.5**	53.9	62.7
Retirement benefit assets	21	**20.0**	26.4	31.0
Derivative financial instruments	17	**70.3**	40.3	41.5
Investments		**29.8**	23.3	25.4
		4,459.5	3,931.7	4,201.3
Current assets				
Inventories		**62.0**	60.9	61.4
Trade and other receivables	12	**696.6**	652.1	694.4
Cash and cash equivalents		**310.5**	243.0	360.1
Assets held for sale	11	**3.9**	2.1	3.5
Derivative financial instruments	17	**1.1**	16.4	16.7
		1,074.1	974.5	1,136.1
Total assets		**5,533.6**	4,906.2	5,337.4
Current liabilities				
Trade and other payables	13	**1,061.6**	995.7	1,122.5
Current tax liabilities		**16.7**	2.3	16.4
Financial liabilities	14	**173.9**	129.6	168.4
Derivative financial instruments	17	**36.3**	61.7	68.1
		1,288.5	1,189.3	1,375.4
Net current liabilities		**214.4**	214.8	239.3
Non-current liabilities				
Financial liabilities	14	**1,725.4**	1,788.2	1,712.1
Derivative financial instruments	17	**18.1**	28.5	35.5
Retirement benefit liabilities	21	**520.3**	184.5	301.9
Deferred tax liabilities		**15.4**	43.8	17.0
Provisions	18	**280.6**	225.9	262.3
		2,559.8	2,270.9	2,328.8
Total liabilities		**3,848.3**	3,460.2	3,704.2
Net assets		**1,685.3**	1,446.0	1,633.2
Equity				
Share capital	19	**60.2**	60.2	60.2
Share premium		**676.4**	676.4	676.4
Hedging reserve		**(30.9)**	(54.6)	(68.6)
Other reserves		**4.6**	4.6	4.6
Own shares		**(1.6)**	(1.5)	(1.4)
Translation reserve		**597.0**	173.9	352.2
Retained earnings		**363.0**	566.6	585.4
Equity attributable to equity holders of the parent		**1,668.7**	1,425.6	1,608.8
Non-controlling interests		**16.6**	20.4	24.4
Total equity		**1,685.3**	1,446.0	1,633.2

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 2016	**60.2**	**676.4**	**(68.6)**	**4.6**	**(1.4)**	**352.2**	**585.4**	**1,608.8**	**24.4**	**1,633.2**
Total comprehensive income for the period	-	-	37.7	-	-	244.8	(224.3)	58.2	0.1	58.3
Dividends paid/other	-	-	-	-	-	-	-	-	(7.9)	(7.9)
Movement in EBT and treasury shares	-	-	-	-	(0.2)	-	(1.7)	(1.9)	-	(1.9)
Share-based payments	-	-	-	-	-	-	3.6	3.6	-	3.6
Balance at 30 September 2016 (unaudited)	**60.2**	**676.4**	**(30.9)**	**4.6**	**(1.6)**	**597.0**	**363.0**	**1,668.7**	**16.6**	**1,685.3**
Balance at 1 April 2015	**60.2**	**676.4**	**(55.5)**	**4.6**	**(1.9)**	**241.7**	**533.1**	**1,458.6**	**27.6**	**1,486.2**
Total comprehensive loss for the period	-	-	0.9	-	-	(67.8)	30.2	(36.7)	2.1	(34.6)
Dividends paid/other	-	-	-	-	-	-	-	-	(9.3)	(9.3)
Movement in EBT and treasury shares	-	-	-	-	0.4	-	(0.2)	0.2	-	0.2
Share-based payments	-	-	-	-	-	-	3.5	3.5	-	3.5
Balance at 30 September 2015 (unaudited)	**60.2**	**676.4**	**(54.6)**	**4.6**	**(1.5)**	**173.9**	**566.6**	**1,425.6**	**20.4**	**1,446.0**
Balance at 1 April 2015	**60.2**	**676.4**	**(55.5)**	**4.6**	**(1.9)**	**241.7**	**533.1**	**1,458.6**	**27.6**	**1,486.2**
Total comprehensive income for the period	-	-	(13.1)	-	-	110.5	47.2	144.6	6.1	150.7
Dividends paid/other	-	-	-	-	-	-	-	-	(10.0)	(10.0)
Movement in EBT and treasury shares	-	-	-	-	0.5	-	(1.3)	(0.8)	-	(0.8)
Share-based payments	-	-	-	-	-	-	6.4	6.4	-	6.4
Other	-	-	-	-	-	-	-	-	0.7	0.7
Balance at 31 March 2016	**60.2**	**676.4**	**(68.6)**	**4.6**	**(1.4)**	**352.2**	**585.4**	**1,608.8**	**24.4**	**1,633.2**

Condensed consolidated cash flow statement

	Note	**Unaudited 6 months to 30 September 2016 £m**	Unaudited 6 months to 30 September 2015 £m	Year to 31 March 2016 £m
Net cash from operating activities	20	**125.8**	12.0	409.5
Investing activities				
Interest received		**0.7**	0.6	1.4
Proceeds from disposal of property and plant and equipment		**29.1**	9.9	19.5
Purchases of property, plant, equipment and software		**(206.5)**	(201.9)	(405.2)
Net cash used in investing activities		**(176.7)**	(191.4)	(384.3)
Financing activities				
Dividends paid to non-controlling shareholders		**(11.9)**	(9.0)	(10.0)
Shares purchased by Employee Benefit Trust		**(1.5)**	-	-
Drawdowns from bank facilities		**52.5**	40.6	-
Repayment of loan notes		**(0.1)**	-	-
Repayments under HP contracts and finance leases		**(47.7)**	(30.3)	(80.3)
Net cash flow (used in)/from financing activities		**(8.7)**	1.3	(90.3)
Net decrease in cash and cash equivalents before foreign exchange movements		**(59.6)**	(178.1)	(65.1)
Cash and cash equivalents at beginning of period		**360.1**	420.5	420.5
Foreign exchange movements		**10.0**	0.6	4.7
Cash and cash equivalents at end of period per consolidated balance sheet		**310.5**	243.0	360.1

Cash and cash equivalents are included within current assets on the condensed consolidated balance sheet. Cash and cash equivalents includes ring-fenced cash of £230.7m (H1 2015: £197.7m; full year 2016: £219.9m).

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

	6 months to 30 September 2016 £m	6 months to 30 September 2015 £m	Year to 31 March 2016 £m
Net decrease in cash and cash equivalents in period	**(59.6)**	(178.1)	(65.1)
(Decrease)/increase in debt and finance leases	**(4.7)**	(10.3)	80.3
Net cash flow	**(64.3)**	(188.4)	15.2
Foreign exchange movements	**(16.0)**	8.7	(15.3)
Other non-cash movements in relation to financial instruments	**(1.0)**	(1.0)	(2.8)
Movement in net debt in period	**(81.3)**	(180.7)	(2.9)
Net debt at beginning of period	**(1,410.2)**	(1,407.3)	(1,407.3)
Net debt at end of period	**(1,491.5)**	(1,588.0)	(1,410.2)

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 2016 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 2016 include the results of the First Rail division for the period ended 17 September 2016 and the results for the other divisions for the 26 weeks ended 24 September 2016. The comparative figures for the six months to 30 September 2015 include the results of the First Rail division for the period ended 19 September 2015 and the results of the other divisions for the 26 weeks ended 26 September 2015.

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

The accounting policies used in this half-yearly financial report are consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies applied are consistent with those described in the Group's latest annual audited financial statements, except for a number of amendments to IFRSs which became effective for the financial year beginning on 1 April 2016. There has been no material change as a result of applying these new accounting standards. We have also included certain non-GAAP measures in order to reflect management's reported view of financial performance excluding non-recurring items and other intangible asset amortisation charges.

These results are unaudited but have been reviewed by the auditor. The comparative figures for the six months to 30 September 2015 are unaudited and are derived from the half-yearly financial report for that period, which was also reviewed by the auditor.

The Directors have carried out a review of the Group's budget for the year to 31 March 2017 and medium term plans, with due regard for the risks and uncertainties to which the Group is exposed, the uncertain economic climate and the impact that this could have on trading performance. Based on this review, the Directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on the going concern basis in preparing this half-yearly 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 FirstGroup plc and its subsidiary undertakings taken as a whole.

This half-yearly financial report was approved by the Board on 15 November 2016.

2 Revenue

	6 months to 30 September 2016 £m	6 months to 30 September 2015 £m	Year to 31 March 2016 £m
Services rendered	**2,564.7**	2,429.4	5,197.7
First Rail franchise subsidy receipts	**-**	11.5	20.4
Revenue	**2,564.7**	2,440.9	5,218.1
Investment income	**0.7**	0.6	1.4
Total revenue as defined by IAS 18	**2,565.4**	2,441.5	5,219.5

3 Reconciliation to non-gaap measures and performance

In measuring the Group adjusted performance, additional financial measures derived from the reported results have been used in order to eliminate factors which the Directors consider distort year on year comparisons. The Group's adjusted performance is used to explain year on year changes when the effect of certain items are significant, including other intangible asset amortisation, restructuring and reorganisation costs relating to the business turnarounds, property disposals, aged legal and self-insurance claims, revisions to onerous contracts and pension past settlement gains or losses, as management consider that this basis more appropriately reflects operating performance and a better understanding of the key performance indicators of the business.

Reconciliation of operating profit to adjusted operating profit	**6 months to 30 September 2016 £m**	6 months to 30 September 2015 £m	Year to 31 March 2016 £m
Operating profit	**77.9**	58.5	246.3
Adjustments for:			
Other intangible asset amortisation charges	**28.5**	27.2	51.9
Gain on disposal of property	**(21.6)**	-	-
Restructuring and reorganisation costs	**4.2**	-	-
Legal claims	**-**	1.0	1.0
First Bus depot sales and closures	**-**	1.7	1.8
Pensions past service gain	**-**	-	(10.8)
North America insurance reserves	**-**	-	10.5
Total operating profit adjustments	**11.1**	29.9	54.4
Adjusted operating profit	**89.0**	88.4	300.7

Reconciliation of profit/(loss) before tax to adjusted profit before tax	**6 months to 30 September 2016 £m**	6 months to 30 September 2015 £m	Year to 31 March 2016 £m
Profit/(loss) before tax	**11.1**	(7.5)	113.5
Operating profit adjustments (see table above)	**11.1**	29.9	54.4
Ineffectiveness on financial derivatives	**(0.3)**	-	0.4
Adjusted profit before tax	**21.9**	22.4	168.3
Adjusted tax charge	**(5.5)**	(5.4)	(38.7)
Non-controlling interests	**(0.1)**	(2.1)	(6.1)
Adjusted earnings	**16.3**	14.9	123.5

The principal adjusting items are as follows:

Other intangible asset amortisation charges
The charge for the period was £28.5m (H1 2015: £27.2m). The increase primarily reflects a higher charge in the North America divisions due to the impact of foreign exchange and the incremental £2.2m software intangible amortisation this period, partly offset by a lower charge in First Rail as the GWR franchise intangible was fully expensed at the end of its first Direct Award period.

Gain on disposal of property
During the period the sale of a Greyhound terminal in San Jose, California was completed which resulted in a gain on sale of £21.6m (H1 2015: £nil).

Restructuring and reorganisation costs
There was a charge of £4.2m (H1 2015: £nil) in the period for restructuring and reorganisation costs across the Group relating to the business turnarounds.

4 Business segments information

The segment results for the six months to 30 September 2016 are as follows:

	First Student £m	First Transit £m	Greyhound £m	First Bus £m	First Rail £m	Group items[1] £m	Total £m
Revenue	**719.5**	**482.5**	**333.4**	**426.1**	**595.8**	**7.4**	**2,564.7**
EBITDA[2]	**98.4**	**38.6**	**43.2**	**45.5**	**41.4**	**(15.4)**	**251.7**
Depreciation	**(84.4)**	**(8.6)**	**(17.4)**	**(32.0)**	**(22.3)**	**(1.0)**	**(165.7)**
Capital grant amortisation	**-**	**-**	**-**	**-**	**3.0**	**-**	**3.0**
Segment results	**14.0**	**30.0**	**25.8**	**13.5**	**22.1**	**(16.4)**	**89.0**
Other intangible asset amortisation charges	**(23.6)**	**(1.6)**	**(3.3)**	**-**	**-**	**-**	**(28.5)**
Other adjustments (note 3)	**(1.9)**	**(0.2)**	**19.8**	**-**	**-**	**(0.3)**	**17.4**
Operating profit	**(11.5)**	**28.2**	**42.3**	**13.5**	**22.1**	**(16.7)**	**77.9**

Balance sheet	**Total assets £m**	**Total liabilities £m**	**Net assets/ (liabilities) £m**
First Student	**2,775.4**	**(410.5)**	**2,364.9**
First Transit	**571.0**	**(150.5)**	**420.5**
Greyhound	**672.4**	**(346.4)**	**326.0**
First Bus	**774.9**	**(435.7)**	**339.2**
First Rail	**236.4**	**(467.4)**	**(231.0)**
	5,030.1	**(1,810.5)**	**3,219.6**
Group items	**143.5**	**(203.7)**	**(60.2)**
Net debt	**310.5**	**(1,802.0)**	**(1,491.5)**
Taxation	**49.5**	**(32.1)**	**17.4**
Total	**5,533.6**	**(3,848.3)**	**1,685.3**

The segment results for the six months to 30 September 2015 are as follows:

	First Student £m	First Transit £m	Greyhound £m	First Bus £m	First Rail £m	Group items[1] £m	Total £m
Revenue	655.9	419.2	312.4	437.5	608.9	7.0	2,440.9
EBITDA[2]	76.8	36.9	42.3	46.2	57.2	(17.0)	242.4
Depreciation	(74.8)	(6.8)	(16.5)	(30.8)	(30.2)	(0.8)	(159.9)
Capital grant amortisation	-	-	-	-	5.9	-	5.9
Segment results	2.0	30.1	25.8	15.4	32.9	(17.8)	88.4
Other intangible asset amortisation charges	(20.7)	(1.7)	(1.5)	-	(3.3)	-	(27.2)
Other adjustments (note 3)	(1.0)	-	-	(1.7)	-	-	(2.7)
Operating profit	(19.7)	28.4	24.3	13.7	29.6	(17.8)	58.5

1 *Group items comprise Tram operations, central management and other items.*
2 *EBITDA is adjusted operating profit less capital grant amortisation plus depreciation.*

Balance sheet	Total assets £m	Total liabilities £m	Net assets/ (liabilities) £m
First Student	2,441.2	(347.7)	2,093.5
First Transit	491.6	(139.1)	352.5
Greyhound	586.5	(259.8)	326.7
First Bus	716.2	(195.4)	520.8
First Rail	222.4	(392.2)	(169.8)
	4,457.9	(1,334.2)	3,123.7
Group items	151.4	(248.9)	(97.5)
Net debt	243.0	(1,831.0)	(1,588.0)
Taxation	53.9	(46.1)	7.8
Total	4,906.2	(3,460.2)	1,446.0

4 Business segments information continued

The segment results for the year to 31 March 2016 are as follows:

	First Student £m	First Transit £m	Greyhound £m	First Bus £m	First Rail £m	Group items[1] £m	Total £m
Revenue	1,553.5	864.8	605.1	870.9	1,308.4	15.4	5,218.1
EBITDA[2]	266.4	74.7	69.7	113.4	122.4	(30.7)	615.9
Depreciation	(153.8)	(14.6)	(34.2)	(61.4)	(60.0)	(1.7)	(325.7)
Capital grant amortisation	-	-	-	-	10.5	-	10.5
Segment results	112.6	60.1	35.5	52.0	72.9	(32.4)	300.7
Other intangible asset amortisation charges	(42.1)	(3.4)	(3.1)	-	(3.3)	-	(51.9)
Other adjustments (note 3)	(2.8)	(7.2)	(1.5)	(1.8)	-	10.8	(2.5)
Operating profit	67.7	49.5	30.9	50.2	69.6	(21.6)	246.3

1 Group items comprise Tram operations, central management and other items.
2 EBITDA is adjusted operating profit less capital grant amortisation plus depreciation.

Balance sheet	Total assets £m	Total liabilities £m	Net assets/ (liabilities) £m
First Student	2,656.0	(421.9)	2,234.1
First Transit	501.6	(151.6)	350.0
Greyhound	632.9	(328.4)	304.5
First Bus	776.6	(296.5)	480.1
First Rail	212.1	(424.1)	(212.0)
	4,779.2	(1,622.5)	3,156.7
Group items	135.4	(278.0)	(142.6)
Net debt	360.1	(1,770.3)	(1,410.2)
Taxation	62.7	(33.4)	29.3
Total	5,337.4	(3,704.2)	1,633.2

5 Investment income and finance costs

	6 months to 30 September 2016 £m	6 months to 30 September 2015 £m	Year to 31 March 2016 £m
Investment income			
Bank interest receivable	**(0.7)**	(0.6)	(1.4)
Finance costs			
Bonds	**42.1**	42.1	84.2
Bank borrowings	**6.8**	6.3	13.0
Senior unsecured loan notes	**2.3**	2.1	4.3
Loan notes	**0.5**	0.5	1.0
Finance charges payable in respect of HP contracts and finance leases	**3.4**	4.4	8.9
Notional interest on long term provisions	**7.9**	7.2	14.8
Notional interest on pensions	**4.8**	4.0	7.6
Finance costs before adjustments	**67.8**	66.6	133.8
Hedge ineffectiveness on financial derivatives	**(0.3)**	-	0.4
Net finance costs	**67.5**	66.6	134.2

Finance costs before adjustments	**67.8**	66.6	133.8
Investment income	**(0.7)**	(0.6)	(1.4)
Net finance cost before adjustments	**67.1**	66.0	132.4

6 Tax on profit on ordinary activities

	6 months to 30 September 2016 £m	6 months to 30 September 2015 £m	Year to 31 March 2016 £m
Current tax	**1.8**	1.1	21.1
Deferred tax	**0.2**	(5.5)	(4.0)
Total current tax charge/(credit)	**2.0**	(4.4)	17.1

The tax effect of the adjustments disclosed in note 3 was a credit of £3.5m (H1 2015: credit of £9.8m; full year 2016: credit of £15.8m).

7 Earnings per share (EPS)

EPS is calculated by dividing the profit attributable to equity shareholders of £9.0m (H1 2015: loss of £5.2m; full year 2016: profit of £90.3m) by the weighted average number of ordinary shares in issue of 1,204.3m (H1 2015: 1,204.0m; full year 2016: 1,204.0m). The number of ordinary shares used for the basic and diluted calculations are shown in the table below.

The difference in the number of shares between the basic calculation and the diluted calculation represents the weighted average number of potentially dilutive ordinary share options.

	30 September 2016 number m	30 September 2015 number m	31 March 2016 number m
Weighted average number of shares used in basic calculation	**1,204.3**	1,204.0	1,204.0
Executive share options	**8.0**	6.5	8.0
Weighted average number of shares used in the diluted calculation	**1,212.3**	1,210.5	1,212.0

The adjusted EPS is intended to highlight the recurring results of the Group before amortisation charges, ineffectiveness on financial derivatives and certain other adjustments as set out in note 3. A reconciliation is set out below:

	6 months to 30 September 2016		6 months to 30 September 2015		Year to 31 March 2016	
	£m	**EPS (p)**	£m	EPS (p)	£m	EPS (p)
Basic profit/(loss)/EPS	**9.0**	**0.7**	(5.2)	(0.4)	90.3	7.5
Other intangible asset amortisation charges (note 9)	**28.5**	**2.4**	27.2	2.2	51.9	4.4
Ineffectiveness on financial derivatives	**(0.3)**	**-**	-	-	0.4	-
Other adjustments (note 3)	**(17.4)**	**(1.4)**	2.7	0.2	2.5	0.2
Tax effect of above adjustments	**(3.5)**	**(0.3)**	(9.8)	(0.8)	(21.6)	(1.8)
Adjusted profit/EPS	**16.3**	**1.4**	14.9	1.2	123.5	10.3

Diluted EPS	**6 months to 30 September 2016 pence**	6 months to 30 September 2015 pence	Year to 31 March 2016 pence
Diluted EPS	**0.7**	(0.4)	7.5
Adjusted Diluted EPS	**1.3**	1.2	10.2

8 Goodwill

	£m
Cost	
At 1 April 2016	**1,740.3**
Foreign exchange movements	**151.1**
At 30 September 2016	**1,891.4**
Accumulated impairment losses	
At 1 April 2016 and 30 September 2016	**4.0**
Carrying amount	
At 30 September 2016	**1,887.4**
At 31 March 2016	1,736.3
At 30 September 2015	1,620.6

Disclosures including goodwill by cash generating unit, details of impairment testing and sensitivities thereon are set out on page 125 of the 2016 Annual Report. The projections for First Student assumed the incremental benefits of the existing recovery plan, the programme to address contract portfolio pricing together with an economic recovery. The sensitivity analysis indicated that the First Student margin would need to fall in excess of 87 basis points compared to medium term expectations, or long term growth rates would need to fall in excess of 66 basis points for there to be an impairment to the carrying value of net assets in this business. An increase in the discount rate in excess of 59 basis points would have led to the value in use of the division being less than its carrying amount.

9 Other intangible assets

	Customer contracts £m	Greyhound brand and trade name £m	Rail franchise agreements £m	Software £m	Total £m
Cost					
At 1 April 2016	433.8	66.0	5.5	11.6	516.9
Additions	-	-	-	8.9	8.9
Disposals	-	-	(5.5)	-	(5.5)
Foreign exchange movements	39.5	6.0	-	1.1	46.6
At 30 September 2016	**473.3**	**72.0**	**-**	**21.6**	**566.9**
Amortisation					
At 1 April 2016	320.9	28.3	5.5	-	354.7
Charge for period	24.5	1.8	-	2.2	28.5
Disposals	-	-	(5.5)	-	(5.5)
Foreign exchange movements	30.6	2.6	-	0.2	33.4
At 30 September 2016	**376.0**	**32.7**	**-**	**2.4**	**411.1**
Carrying amount					
At 30 September 2016	**97.3**	**39.3**	**-**	**19.2**	**155.8**
At 31 March 2016	112.9	37.7	-	11.6	162.2
At 30 September 2015	127.5	36.6	-	-	164.1

Intangible assets include customer contracts and the Greyhound brand and trade name which were acquired through the purchases of businesses and subsidiary undertakings and software. These are being amortised on a straight-line basis over their useful lives which are between 3 and 20 years.

The rail franchise agreements' intangible asset represented 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 was 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 2016	483.0	3,183.9	674.2	4,341.1
Additions	4.5	111.3	37.5	153.3
Disposals	(2.7)	(42.2)	(3.8)	(48.7)
Reclassified as held for sale	-	(76.7)	-	(76.7)
Foreign exchange movements	25.7	216.0	27.9	269.6
At 30 September 2016	**510.5**	**3,392.3**	**735.8**	**4,638.6**
Accumulated depreciation and impairment				
At 1 April 2016	82.2	1,614.8	501.9	2,198.9
Charge for period	5.2	121.4	39.1	165.7
Disposals	(0.2)	(38.6)	(1.0)	(39.8)
Reclassified as held for sale	-	(71.6)	-	(71.6)
Foreign exchange movements	5.5	113.2	20.0	138.7
At 30 September 2016	**92.7**	**1,739.2**	**560.0**	**2,391.9**
Carrying amount				
At 30 September 2016	**417.8**	**1,653.1**	**175.8**	**2,246.7**
At 31 March 2016	400.8	1,569.1	172.3	2,142.2
At 30 September 2015	389.6	1,455.7	157.8	2,003.1

11 Assets held for sale

	30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
Assets held for sale	**3.9**	2.1	3.5

These principally 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.

12 Trade and other receivables

Amounts due within one year	**30 September 2016 £m**	30 September 2015 £m	31 March 2016 £m
Trade receivables	**347.2**	312.3	376.9
Accrued income	**205.5**	178.1	156.6
Other prepayments	**83.4**	110.2	88.2
Other receivables	**60.5**	51.5	72.7
	696.6	652.1	694.4

13 Trade and other payables

Amounts falling due within one year	**30 September 2016 £m**	30 September 2015 £m	31 March 2016 £m
Trade payables	**199.0**	205.1	242.6
Other payables	**189.2**	206.8	239.6
Accruals	**574.3**	504.3	554.3
Deferred income	**47.3**	31.1	39.4
Season ticket deferred income	**24.3**	24.7	26.0
Other tax and social security payable	**27.5**	23.7	20.6
	1,061.6	995.7	1,122.5

14 Financial liabilities – borrowings

	30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
On demand or within 1 year			
Finance leases (note 15)	**55.9**	88.7	73.9
Senior unsecured loan notes	**77.1**	-	35.4
Bond 8.125% (repayable 2018)[1]	**0.7**	0.7	12.9
Bond 6.125% (repayable 2019)[1]	**10.7**	10.7	3.0
Bond 8.75% (repayable 2021)[1]	**14.5**	14.5	30.2
Bond 5.25% (repayable 2022)[1]	**14.6**	14.6	5.8
Bond 6.875% (repayable 2024)[1]	**0.4**	0.4	7.2
Total current liabilities	**173.9**	129.6	168.4
Within 1 – 2 years			
Finance leases (note 15)	**60.0**	47.8	58.3
Loan notes (note 16)	**9.6**	9.7	9.7
Bond 8.125% (repayable 2018)	**298.8**	-	-
Senior unsecured loan notes	**38.4**	32.9	70.5
	406.8	90.4	138.5
Within 2 – 5 years			
Finance leases (note 15)	**91.5**	129.8	106.1
Syndicated bank loans	**52.5**	40.6	-
Bond 8.125% (repayable 2018)	**-**	298.3	298.3
Bond 6.125% (repayable 2019)	**276.7**	281.2	279.0
Bond 8.75% (repayable 2021)	**377.8**	-	-
Senior unsecured loan notes	**-**	65.7	-
	798.5	815.6	683.4
Over 5 years			
Finance leases (note 15)	**-**	0.1	-
Bond 8.75% (repayable 2021)	**-**	362.6	370.1
Bond 5.25% (repayable 2022)	**320.5**	320.0	320.5
Bond 6.875% (repayable 2024)	**199.6**	199.5	199.6
	520.1	882.2	890.2
Total non-current liabilities at amortised cost	**1,725.4**	1,788.2	1,712.1

1 Relates to accrued interest.

15 HP contracts and finance leases

The Group had the following obligations under HP contracts and finance leases as at the balance sheet dates:

	September 2016 Minimum payments £m	**September 2016 Present value of payments £m**	September 2015 Minimum payments £m	September 2015 Present value of payments £m	March 2016 Minimum payments £m	March 2016 Present value of payments £m
Due in less than one year	**57.4**	**55.9**	91.1	88.7	75.9	73.9
Due in more than one year but not more than two years	**63.1**	**60.0**	50.4	47.8	61.5	58.3
Due in more than two years but not more than five years	**100.1**	**91.5**	145.0	129.8	116.8	106.1
Due in more than five years	**-**	**-**	0.1	0.1	-	-
	220.6	**207.4**	286.6	266.4	254.2	238.3
Less future financing charges	**(13.2)**	**-**	(20.2)	-	(15.9)	-
	207.4	**207.4**	266.4	266.4	238.3	238.3

16 Loan notes

The Group had the following loan notes issued as at the balance sheet dates:

	30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
Due in more than one year but not more than two years	**9.6**	9.7	9.7

17 Derivative financial instruments

	30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
Total derivatives			
Total non-current assets	**70.3**	40.3	41.5
Total current assets	**1.1**	16.4	16.7
Total assets	**71.4**	56.7	58.2
Total current liabilities	**36.3**	61.7	68.1
Total non-current liabilities	**18.1**	28.5	35.5
Total liabilities	**54.4**	90.2	103.6

	30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
Derivatives designated and effective as hedging instruments carried at fair value			
Non-current assets			
Coupon swaps (fair value hedge)	**67.2**	40.3	41.3
Fuel derivatives (cash flow hedge)	**3.1**	-	0.2
	70.3	40.3	41.5
Current assets			
Coupon swaps (fair value hedge)	**-**	16.4	16.4
Currency forwards (cash flow hedge)	**0.2**	-	-
Fuel derivatives (cash flow hedge)	**0.9**	-	0.3
	1.1	16.4	16.7
Current liabilities			
Fuel derivatives (cash flow hedge)	**36.3**	58.1	66.9
	36.3	58.1	66.9
Non-current liabilities			
Fuel derivatives (cash flow hedge)	**18.1**	28.5	35.5
	18.1	28.5	35.5

Derivatives classified as held for trading

	30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
Current liabilities			
Interest rate swaps	**-**	3.6	1.2

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)).

17 Derivative financial instruments continued

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

					30 September 2016
				Fair value	**Carrying value**
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	**Total £m**
Financial assets					
Cash and cash equivalents	**310.5**	**-**	**-**	**310.5**	**310.5**
Derivative financial instruments	**-**	**71.4**	**-**	**71.4**	**71.4**
Financial liabilities and derivatives					
Financial liabilities	**52.5**	**2,104.3**	**-**	**2,156.8**	**1,899.3**
Derivative financial instruments	**-**	**54.4**	**-**	**54.4**	**54.4**

					30 September 2015
				Fair value	Carrying value
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Total £m
Financial assets					
Cash and cash equivalents	243.0	-	-	243.0	243.0
Derivative financial instruments	-	56.7	-	56.7	56.7
Financial liabilities and derivatives					
Financial liabilities	40.6	2,076.8	-	2,117.4	1,917.8
Derivative financial instruments	-	90.2	-	90.2	90.2

					31 March 2016
				Fair value	Carrying value
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Total £m
Financial assets					
Cash and cash equivalents	360.1	-	-	360.1	360.1
Derivative financial instruments	-	58.2	-	58.2	58.2
Financial liabilities and derivatives					
Financial liabilities	-	2,068.9	-	2,068.9	1,880.5
Derivative financial instruments	-	103.6	-	103.6	103.6

Level 1: Quoted prices in active markets for identical assets and liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.
Level 3: Inputs for the asset or liability that are not based on observable market data.

There were no transfers between level 1 and level 2 during the current or prior period.

	Fair values at				
Financial assets/(liabilities)	**30 September 2016 £m**	30 September 2015 £m	31 March 2016 £m	Fair value hierarchy	Valuation technique(s) and key inputs
Derivative contracts					
1. Currency forwards	**0.2**	-	-	Level 2	Discounted cash flow; future cash flows are estimated based on forward exchange rates and then discounted at a rate that reflects the credit risk of the various counterparties.
2. Interest rate swaps	**67.2**	53.1	56.5	Level 2	Discounted cash flow; future cash flows are estimated based on forward exchange rates and contract exchange rates and then discounted at a rate that reflects the credit risk of the various counterparties.
3. Fuel derivatives	**(50.4)**	(86.6)	(101.9)	Level 2	Discounted cash flow; future cash flows are estimated based on forward exchange rates and contract exchange rates and then discounted at a rate that reflects the credit risk of the various counterparties.

18 Provisions

	30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
Insurance claims	**228.9**	200.2	219.9
Legal and other	**49.1**	22.6	39.6
Pensions	**2.6**	3.1	2.8
Non-current liabilities	**280.6**	225.9	262.3

	Insurance claims £m	Legal and other £m	Pensions £m	Total £m
At 1 April 2016	363.8	44.0	2.8	410.6
Charged to the income statement	73.0	9.0	-	82.0
Transfer from accruals	-	7.5	-	7.5
Utilised in the period	(95.0)	(2.8)	(0.2)	(98.0)
Notional interest	7.9	-	-	7.9
Foreign exchange movements	28.3	2.3	-	30.6
At 30 September 2016	**378.0**	**60.0**	**2.6**	**440.6**
Current liabilities	149.1	10.9	-	160.0
Non-current liabilities	228.9	49.1	2.6	280.6
At 30 September 2016	**378.0**	**60.0**	**2.6**	**440.6**
Current liabilities	143.9	4.4	-	148.3
Non-current liabilities	219.9	39.6	2.8	262.3
At 31 March 2016	**363.8**	**44.0**	**2.8**	**410.6**
Current liabilities	107.8	10.1	-	117.9
Non-current liabilities	200.2	22.6	3.1	225.9
At 30 September 2015	**308.0**	**32.7**	**3.1**	**343.8**

The current liabilities above are included within accruals 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 although certain liabilities in respect of lifetime obligations of £22.7m (H1 2015: £18.5m) can extend for up to 30 years. The utilisation of £95.0m (H1 2015: £74.0m) represents payments made largely against the current liability of the preceding year.

The total insurance provision of £378.0m includes £25.9m which is recoverable from insurance companies and is included within other receivables in note 12.

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 and dilapidation and other provisions in respect of contractual obligations under rail franchises. The dilapidation provisions are expected to be settled at the end of the respective franchise.

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

19 Called up share capital

	30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
Allotted, called up and fully paid			
1,205.2m ordinary shares of 5p each	**60.2**	60.2	60.2

The Company has one class of ordinary shares which carries no right to fixed income. 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 1,204.3m (H1 2015: 1,204.1m). At the end of the period 0.9m shares (H1 2015: 0.8m shares) were being held as treasury shares and own shares held in trust for employees.

20 Net cash from operating activities

	30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
Operating profit	**77.9**	58.5	246.3
Adjustments for:			
Depreciation charges	**165.7**	159.9	325.7
Capital grant amortisation	**(3.0)**	(5.9)	(10.5)
Amortisation charges	**28.5**	27.2	51.9
Share-based payments	**3.6**	3.5	6.4
Profit on disposal of property and plant and equipment	**(17.2)**	(1.2)	-
Operating cash flows before working capital and pensions	**255.5**	242.0	619.8
Decrease in inventories	**2.5**	8.1	10.0
Decrease in receivables	**39.7**	30.0	29.3
Decrease in payables	**(44.0)**	(139.7)	(73.6)
Decrease in provisions	**(19.8)**	(12.9)	(18.6)
Defined benefit pension payments in excess of income statement charge	**(26.1)**	(28.6)	(33.6)
Cash generated by operations	**207.8**	98.9	533.3
Tax paid	**(5.1)**	(4.4)	(7.0)
Interest paid	**(73.5)**	(78.1)	(107.9)
Interest element of HP contracts and finance leases	**(3.4)**	(4.4)	(8.9)
Net cash from operating activities	**125.8**	12.0	409.5

21 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 on pages 145 to 146 of the Annual Report and Accounts for the year ended 31 March 2016.

First Greater Western Limited, Hull Trains Limited and First 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 (Revised). 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 2016 for all defined benefit schemes totalled £4,154m (H1 2015: £3,536m; full year 2016: £3,612m).

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:

	30 September 2016			30 September 2015			31 March 2016		
	First Bus %	**First Rail %**	**North America %**	First Bus %	First Rail %	North America %	First Bus %	First Rail %	North America %
Key assumptions used:									
Discount rate	2.40	2.40	3.10	4.00	4.00	3.95	3.70	3.70	3.60
Expected rate of salary increases[1]	3.45	3.20	2.50	3.45/1.85/2.95	3.45	-	1.75	3.10	2.50
Inflation – RPI	-	-	-	2.95	2.95	2.00	-	-	-
Inflation – CPI	1.85	1.85	2.00	1.85	1.85	-	2.85	2.85	2.00
Future pension increases[1]	1.85	1.85	-	1.85/1.85/2.85	1.85	-	1.75	1.75	-

[1] First Bus refers to LGPS, First Bus Scheme and Group scheme respectively. The majority of active members in the UK Bus Scheme have benefits that increase to retirement with CPI.

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

6 months to 30 September 2016	**First Bus £m**	**First Rail £m**	**North America £m**	**Total £m**
Current service cost (including employer expenses)	**(8.2)**	**(15.3)**	**(4.6)**	**(28.1)**
Franchise adjustment	**-**	**4.9**	**-**	**4.9**
Net interest cost	**(0.4)**	**(2.6)**	**(3.7)**	**(6.7)**
Interest on franchise adjustment	**-**	**2.6**	**-**	**2.6**
	(8.6)	**(10.4)**	**(8.3)**	**(27.3)**

6 months to 30 September 2015	First Bus £m	First Rail £m	North America £m	Total £m
Current service cost (including employer expenses)	(10.4)	(21.5)	(3.0)	(34.9)
Franchise adjustment	-	8.4	-	8.4
Net interest cost	(1.0)	(4.1)	(2.9)	(8.0)
Interest on franchise adjustment	-	4.0	-	4.0
	(11.4)	(13.2)	(5.9)	(30.5)

Year to 31 March 2016	First Bus £m	First Rail £m	North America £m	Total £m
Current service cost (including employer expenses)	(20.2)	(46.0)	(7.6)	(73.8)
Franchise adjustment	-	(10.2)	-	(10.2)
Past service gain on TOC schemes	-	28.8	-	28.8
Past service gain on Group scheme (note 3)	10.8	-	-	10.8
Net interest cost	(1.4)	(8.8)	(6.1)	(16.3)
Interest on franchise adjustment	-	8.7	-	8.7
	(10.8)	(27.5)	(13.7)	(52.0)

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

21 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:

As at 30 September 2016	**First Bus £m**	**First Rail £m**	**North America £m**	**Total £m**
Fair value of schemes' assets	**2,603.6**	**1,036.6**	**513.9**	**4,154.1**
Present value of defined benefit obligations	**(2,777.5)**	**(1,594.6)**	**(748.2)**	**(5,120.3)**
Deficit before adjustments	**(173.9)**	**(558.0)**	**(234.3)**	**(966.2)**
Adjustment for irrecoverable suplus[1]	**(89.5)**	**-**	**-**	**(89.5)**
First Rail franchise adjustment (60%)	**-**	**332.2**	**-**	**332.2**
Adjustment for employee share of RPS deficits (40%)	**-**	**223.2**	**-**	**223.2**
Liability recognised in the condensed consolidated balance sheet	**(263.4)**	**(2.6)**	**(234.3)**	**(500.3)**
This amount is presented in the condensed consolidated balance sheet as follows:				
Non-current assets	**20.0**	**-**	**-**	**20.0**
Non-current liabilities	**(283.4)**	**(2.6)**	**(234.3)**	**(520.3)**
	(263.4)	**(2.6)**	**(234.3)**	**(500.3)**

As at 30 September 2015	First Bus £m	First Rail £m	North America £m	Total £m
Fair value of schemes' assets	2,204.1	850.7	480.7	3,535.5
Present value of defined benefit obligations	(2,151.6)	(1,118.1)	(610.9)	(3,880.6)
Surplus/(deficit) before adjustments	52.5	(267.4)	(130.2)	(345.1)
Adjustment for irrecoverable suplus[1]	(79.7)	-	-	(79.7)
First Rail franchise adjustment (60%)	-	159.7	-	159.7
Adjustment for employee share of RPS deficits (40%)	-	107.0	-	107.0
Liability recognised in the condensed consolidated balance sheet	(27.2)	(0.7)	(130.2)	(158.1)
This amount is presented in the condensed consolidated balance sheet as follows:				
Non-current assets	26.4	-	-	26.4
Non-current liabilities	(53.6)	(0.7)	(130.2)	(184.5)
	(27.2)	(0.7)	(130.2)	(158.1)

As at 31 March 2016	First Bus £m	First Rail £m	North America £m	Total £m
Fair value of schemes' assets	2,281.3	875.5	455.4	3,612.2
Present value of defined benefit obligations	(2,208.9)	(1,168.5)	(667.9)	(4,045.3)
Surplus/(deficit) before adjustments	72.4	(293.0)	(212.5)	(433.1)
Adjustment for irrecoverable suplus[1]	(129.9)	-	-	(129.9)
First Rail franchise adjustment (60%)	-	174.9	-	174.9
Adjustment for employee share of RPS deficits (40%)	-	117.2	-	117.2
Liability recognised in the condensed consolidated balance sheet	(57.5)	(0.9)	(212.5)	(270.9)
This amount is presented in the condensed consolidated balance sheet as follows:				
Non-current assets	31.0	-	-	31.0
Non-current liabilities	(88.5)	(0.9)	(212.5)	(301.9)
	(57.5)	(0.9)	(212.5)	(270.9)

[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.