

Press Release

2 September 2010

THE GO-AHEAD GROUP PLC
 (“Go-Ahead” or “the Group”)

FULL YEAR RESULTS FOR THE 12 MONTHS ENDED 3 JULY 2010

We are pleased to report a solid set of results for the Group, ahead of our expectations reported in June 2010.

Highlights

- Passenger revenue growth in all our bus and rail operating companies
- Over one billion annual passenger journeys for the first time in our history
- Operating profit* of £102.0m
- Continued strong cash management and robust balance sheet
- Total dividend for the year maintained at 81.0 pence per share
- Significant progress in delivering our strategy:
 - Successful launch of the new Southern rail franchise
 - Introduction of the UK’s first domestic high speed rail service
 - Investment of over £35m in five UK bus acquisitions
 - Establishment of our North American yellow school bus joint venture
 - Disposal of the majority of our aviation services division

Financial highlights	2010 £'m	2009** £'m	Increase / (decrease) £'m	Increase / (decrease) %
Revenue	2,201.6	2,187.2	14.4	0.7
Operating profit*	102.0	128.8	(26.8)	(20.8)
Profit before tax*	88.7	117.3	(28.6)	(24.4)
Profit attributable to members	17.2	6.3	10.9	173.0
Basic earnings per share (p)	40.1	14.7	25.4	172.8
Adjusted earnings per share (p)*	128.3	161.6	(33.3)	(20.6)
Dividend paid and proposed (p) [#]	81.0	81.0	0	0.0
Cashflow generated from operations	160.6	233.4	(72.8)	(31.2)
Net debt	88.3	91.0	(2.7)	(3.0)

* Before amortisation and exceptional items

** Restated to exclude our ground handling and cargo operations

[#] Includes interim dividend paid and final dividend proposed

Commenting on Go-Ahead’s results, Chairman, Sir Patrick Brown, said:

“We are pleased with the progress we have made this year in challenging economic conditions. All of our bus and rail operations have increased passenger revenue, highlighting the quality and value for money of our services.

“We have sold most of our aviation services division and started our yellow school bus joint venture in North America. We have also acquisitively grown our bus operations in the UK, leading to more than one billion annual passenger journeys on our bus and rail operations for the first time in our history. We are working closely

with the new Government and welcome its review of future rail franchising announced in July 2010. In summary, we are in good financial shape and continue to believe in the fundamental strengths of public transport.

“However, we continue to be cautious on the near term prospects for the UK economy and the outlook for the next financial year remains difficult to predict, including any impact from the Government’s Comprehensive Spending Review expected to be announced in October 2010.

“At this stage, we have not changed our outlook for the next financial year since our trading update in June 2010, and are assuming that the broad operating trends experienced in the second half of the financial year ended 3 July 2010 continue throughout the next financial year. In bus, we therefore expect lower fuel costs and a small additional contribution from acquisitions to be partly offset by the full year effect of lower operating profit* margins in London. In rail, we expect a small reduction in operating profit* margin next year compared to the financial year just ended. We will continue to take management action accordingly, focusing on service quality, cost control and financial discipline.

“Our cashflow, balance sheet and financing are strong and the maintenance of the dividend per share will remain a priority. We have started the new financial year well and trading has been in line with the Board’s expectations.”

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Keith Ludeman, Group Chief Executive and Nick Swift, Group Finance Director will be hosting a presentation for analysts at 9.00am today (2 September 2010) at Investec, 2 Gresham Street, London EC2V 7QP, Tel: +44 (0) 20 7597 5970

A live audio webcast will be available for analysts to listen to the presentation from Go-Ahead’s website – www.go-ahead.com. The presentation slides will be added to Go-Ahead’s website (www.go-ahead.com) at around 7:30am today and a pdf copy of the Group’s Annual Report for the year ended 3 July 2010 will also be available to download from the website today.

NOTES TO EDITORS

GO-AHEAD

Go-Ahead is a leading UK public transport operator, providing high quality services in the bus and rail sectors. Employing around 22,500 people across the country, over one billion passenger journeys are undertaken on our services each year. We are committed to operating our companies in a safe, socially and environmentally responsible way and are proud to have been awarded the Carbon Trust Standard after taking action on climate change. In addition to the travelling public, our customers include the Department for Transport, Transport for London (TfL) and local authorities.

BUS

Go-Ahead is one of the UK’s largest bus operators. With a fleet of around 3,800 buses, we carry, on average, around 1.7 million passengers every day. Our operations are focused on high density commuter markets. We have a strong presence in London, with around 21% market share, where we provide regulated services for TfL. We operate deregulated services in the Oxford, the South East, Southern and North East England. We also have a yellow school bus joint venture in North America.

RAIL

The rail operation, Govia, is 65% owned by Go-Ahead and 35% by Keolis. It is the busiest rail operation in the UK, responsible for nearly 30% of all UK passenger rail journeys through its three rail franchises: Southern (which includes the Gatwick Express), Southeastern and London Midland. In December 2009, Southeastern began operating the UK's first high speed domestic rail service between Kent and London, significantly reducing journey times.

Legal disclaimer

Certain statements included in this press release contain forward-looking information concerning the Group's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the sectors or markets in which the Group operates. By their nature, forward-looking statements involve uncertainty because they depend of future circumstances, and relate to events, not all of which are within the Company's control or can be produced by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. Nothing in this press release should be construed as a profit forecast and no part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in The Go-Ahead Group plc or any other entity, and must not be relied upon in anyway in connection with any investment decision. Except as required by law, the Company undertakes no obligation to update any forward-looking statement.

FULL YEAR RESULTS FOR THE YEAR ENDED 3 JULY 2010

Chairman's Statement

We are pleased with the progress we have made this year in challenging economic conditions. All of our bus and rail operations have increased passenger revenue, highlighting the quality and value for money of our services.

We have sold most of our aviation services division and started our yellow school bus joint venture in North America. We have also acquisitively grown our bus operations in the UK, leading to more than one billion annual passenger journeys on our bus and rail operations for the first time in our history. We are working closely with the new Government and welcome its review of future rail franchising announced in July 2010. In summary, we are in good financial shape and continue to believe in the fundamental strengths of public transport.

Business development and acquisitions

We made significant progress in delivering our Group strategy this year, namely:

- Successful launch of the new Southern rail franchise
- Introduction of the UK's first domestic high speed rail service
- Investment of over £35m in five UK bus acquisitions
- Establishment of our North American yellow school bus joint venture, which successfully commenced operations in August 2010
- Disposal of the majority of our aviation services division

Our ground handling and cargo business is now classified as discontinued and is excluded from the results discussed throughout this statement. Overall, revenue increased by £14.4m, or 0.7%, to £2,201.6m (2009: £2,187.2m), consisting of a reduction of £194.3m due to a change in access charge regime subsidy and an underlying increase of £208.7m, or 9.5%. Operating profit* was some £5m ahead of our expectations at £102.0m, albeit £26.8m, or 20.8%, below last year's strong result (2009: £128.8m). Adjusted earnings per share* was 128.3p (2009: 161.6p), basic earnings per share, including exceptional items and discontinued operations, was 40.1p (2009: 14.7p) and profit attributable to members was £17.2m (2009: £6.3m).

Dividends

We recognise that our dividend policy is a key part of the investment decision for many shareholders. Maintaining the amount of dividend per share through the economic cycle, including those times when earnings may reduce, is a high priority for us and is supported by the Group's strong balance sheet and cash generation.

The Board is proposing a final dividend of 30.0p per share (2009: 55.5p) to maintain the total dividend for the year at 81.0p (2009: 81.0p), following a one-off change to the proportion of full year dividend paid at the interim stage this year. The final dividend is payable on 19 November 2010 to registered shareholders at the close of business on 5 November 2010.

The Board of Directors and Governance

The Board of Go-Ahead continuously reviews the way in which the Group is managed against best practice corporate governance. Following such a review during the year, Rupert Pennant-Rea was appointed as Chairman of the Remuneration Committee on 30 October 2009. Katherine Innes Ker joined the Board as a Non-

Executive Director and a member of the Audit, Remuneration and Nomination Committees on 9 July 2010. These two changes demonstrate our commitment to good corporate governance and full compliance with the provisions of the Combined Code (published in June 2008).

Corporate responsibility

As a public transport operator, corporate responsibility is integral to the way we run our business and is a key part of the Group's strategy. Our responsibility is centred around five key areas: Safety, Environment, Passengers, Employees and Community. The safety and security of our passengers, our people and the general public is an absolute priority for the Group and we continually strive to improve our already high safety performance.

We are committed to improving the energy efficiency of our bus and rail operations as this not only has important environmental benefits, but also helps to reduce operating costs. This year we launched our 'Driving Energy Further' campaign which sets out a five year target to reduce our CO2 emissions per passenger journey by 20% by 2015. Through investment, innovation and the commitment of our employees we have made good progress this year as we continue towards our target.

Employees

The number of employees in the Group averaged 22,570 for the financial year, below last year's 27,177, primarily due to the disposal of the majority of our aviation services division. I would like to thank our employees for their dedication and hard work through these challenging economic conditions to ensure that we remain a strong and successful Group.

Outlook

We have made good progress in delivering our strategy which leaves us well placed for the future. Our bus and rail operations remain fundamentally strong and we look forward to working with the new Government.

However, we continue to be cautious on the near term prospects for the UK economy and the outlook for the next financial year remains difficult to predict, including any impact from the Government's Comprehensive Spending Review expected to be announced in October 2010.

At this stage, we have not changed our outlook for the next financial year since our trading update in June 2010, and are assuming that the broad operating trends experienced in the second half of the financial year ended 3 July 2010 continue throughout the next financial year. In bus, we therefore expect lower fuel costs and a small additional contribution from acquisitions to be partly offset by the full year effect of lower operating profit* margins in London. In rail, we expect a small reduction in operating profit* margin next year compared to the financial year just ended. We will continue to take management action accordingly, focusing on service quality, cost control and financial discipline.

Our cashflow, balance sheet and financing are strong and the maintenance of the dividend per share will remain a priority. We have started the new financial year well and trading has been in line with the Board's expectations.

Group Chief Executive's Review

I am pleased with our overall operational performance. We continue to deliver solid results by prioritising service quality, operational excellence, local focus on our high density urban businesses and financial discipline.

Revenue and operating profit* by division	2010	2009**	Increase / (decrease)	Increase / (decrease)
	£'m	£'m	£'m	(%)
Revenue				
Bus	629.5	584.7	44.8	7.7
Rail	1,537.8	1,552.0	(14.2)	(0.9)
Aviation Services	34.3	50.5	(16.2)	(32.3)
Total	2,201.6	2,187.2	14.4	0.7

Operating profit*				
Bus	63.7	66.6	(2.9)	(4.4)
Rail	37.3	61.5	(24.2)	(39.3)
Aviation Services	1.0	0.7	0.3	42.9
Total	102.0	128.8	(26.8)	(20.8)

* Before amortisation and exceptional items

** Restated to exclude our ground handling and cargo operations

Summary of performance

Revenue was £2,201.6m (2009: £2,187.2m), with the increase of £14.4m consisting of a reduction of £194.3m due to a change in access charge regime subsidy and an underlying increase of £208.7m, or 9.5%.

Overall operating performance was some £5m ahead of our expectations, with operating profit* of £102.0m supported by a strong finish to the year from our bus operations and lower than anticipated electricity costs in our rail division. We completed the disposal of the majority of our cargo and ground handling operations during the year and expect to sell the remaining ground handling operations in the next twelve months.

Strong cash management resulted in cashflow from operations being well ahead of our expectations at £160.6m (2009: £233.4m) and net debt remained low at £88.3m (2009: £91.0m). Capital investment was slightly ahead of depreciation, as expected, partly driven by franchise commitments in both Southern and London Midland but also to maintain our high quality asset base in our expanding bus division.

We made good progress with bus acquisitions in the year, with a total investment of £37.2m, of which cash consideration was £35.2m. On 3 October 2009 we purchased East Thames Buses from Transport for London for £5.0m, and bought Arriva's Horsham depot for £5.0m. These businesses are now fully integrated into Go-Ahead London and Metrobus respectively. On 1 December 2009 we completed the acquisition of Plymouth Citybus for £19.0m, a high quality urban operation with a large centrally located freehold depot and a strong reputation that we are seeking to further enhance. In March 2010 we acquired the entire share capital of Konectbus, a quality operator in East Anglia, and completed the acquisition of Arriva's Hexham depot operations and sold our Ashington depot to Arriva.

We remain financially robust and gained investment grade ratings from Moody's and Standard & Poor's in the period and completed our debut issue of a 7½ year £200m bond in March 2010. This further strengthens our balance sheet and secures our financing beyond our November 2012 bank facilities. We have maintained our full year dividend to shareholders at 81.0p per share (2009: 81.0p).

Divisional performance overview

Bus

Our bus division performed slightly ahead of our expectations due to a strong finish to the year. Like-for-like revenue increased in all six of our bus companies, endorsing the economic resilience of these operations. Our acquisitions performed well and contributed £3.6m of operating profit, including a strong performance by East Thames Bus. Operating profit* was slightly below last year at £63.7m (2009: £66.6m), primarily due to lower margin contract renewals in our regulated London operations. Our devolved structure encourages high levels of service quality, customer focus and strong local cost control. Management initiatives contributed a further £4.3m of cost savings. We continue to champion Group purchasing power and have de-risked fuel costs through a comprehensive hedging programme that is complete for the next two years at 41 pence per litre (ppl), compared with 47 ppl in the year just ended. Capital investment continues at above depreciation, ensuring that we retain one of the youngest bus fleets in the sector and maintain our strategically important freehold depot locations. Through our joint venture with Cook Illinois, Go-Ahead North America finished its preparations to run its first yellow school bus franchise in St Louis which commenced trading in August 2010.

Rail

Our rail division performed well and operating profit* was approximately £3m ahead of our expectations, primarily due to a reduction in electricity costs allocated by Network Rail at the end of the financial year.

Each of our three rail franchises is underpinned by a focus on high density, urban commuter markets. Passenger revenue continued to grow in line with current expectations, with second half trends slightly stronger than those in the first half. Operating profit* was £37.3m compared to £61.5m last year, primarily due to the change from the previous to the new Southern franchise, more difficult economic conditions compared to the assumptions at the time of our bid for Southeastern and additional costs in London Midland. We began running

the new Southern franchise in September 2009 and are pleased with the performance of this franchise to date. This year saw the introduction of the UK's first domestic high speed rail service, operated by Southeastern between St Pancras International and Kent as part of a major timetable change in December 2009. In London Midland the new management team has significantly improved the operational performance of that franchise. We continue to make good progress with cost control initiatives in our rail operations and estimate savings for the year just ended of £25.0m.

Aviation Services

We disposed of the majority of our cargo and ground handling operations in January 2010 and are making progress on disposing of the remaining ground handling operations. Consequently, operating profit* of £1.0m (2009: £0.7m) for the aviation services division for the financial year consisted primarily of our Meteor parking and security business which performed as expected in the year.

Market environment

In the near term, we expect economic conditions to remain challenging. Political support from the new Government is strong, notwithstanding the likelihood of reduced funding as part of the Comprehensive Spending Review due to be announced in October 2010. We welcome the Government's review of the future of rail franchising and will actively participate in the consultation process. In the medium term, we expect to benefit from both a cyclical economic recovery and from the fundamental strengths of public transport in the UK.

Our strategy

Our strategy continues to focus on providing high quality passenger transport in the UK, primarily through bus and rail.

The underlying elements of this strategy are to:

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

In summary We are pleased with the results for the year given the challenging economic conditions and we have made good progress in delivering our strategy.

Whilst we remain cautious on the near term outlook for the UK economy and the potential impact of the Government's October 2010 Comprehensive Spending Review on our operations, we continue to be confident in the underlying strengths of, and growth opportunities for, our business.

Financial Review

Operating profit* for the year was £102.0m, 20.8% below last year (2009: £128.8m) primarily due to lower results in our rail division. Adjusted earnings per share* followed a similar trend, down 20.6% to 128.3p per share (2009: 161.6p). Basic earnings per share were 40.1p (2009:14.7p) as a result of significant exceptional and discontinued items.

Cash conversion was, once again, excellent with cashflow generated from operations of £160.6m (2009: £233.4m) compared to operating profit before depreciation, amortisation and exceptional items (EBITDA) of £153.2m (2009: £175.0m).

Our balance sheet and financing remains strong. Adjusted net debt to EBITDA was 1.91x at June 2010 (June 2009: 1.56x) and remains well within our target range of 1.5-2.5x. Our funding is secured, partly to November 2012 through a 5 year syndicated loan facility, and partly through a 7½ year £200m bond to September 2017. At June 2010 we had headroom within the loan facility of £177.0m (2009: £101.0m).

Treatment of discontinued operations

Following the disposal of the majority of our aviation services division, the income statements for both the current and the comparative period have been restated to show continuing operations (those which remain) and discontinued (all of ground handling and cargo), with the net profit or loss for the latter shown as one line at the end of the income statement. This narrative refers to continuing operations unless otherwise indicated.

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

EBITDA was £153.2m (2009: £175.0m) consisting of operating profit* of £102.0m (2009: £128.8m) and depreciation of £51.2m (2009: £46.2m).

Pensions

Operating profit* included the net cost of the Group's defined benefit pension plans of £36.3m (2009: £36.1m), consisting of bus and aviation services costs of £5.4m (2009: £3.5m) and rail costs of £30.9m (2009: £32.6m). Company cash contributions to the schemes were £6.9m (2009: £2.8m) higher than the net cost in the income statement, totalling £43.2m (2009: £38.9m).

The total net deficit after taxation for the bus and aviation schemes was £69.8m (2009: £54.7m), consisting of pre tax liabilities of £96.9m (2009: £76.0m) less a deferred tax asset of £27.1m (2009: £21.3m). The pre tax deficit consisted of assets of £420.0m (2009: £352.7m) less estimated liabilities of £516.9m (2009: £428.7m) and 49.2% of the assets (2009: 47.8%) were held as bonds and cash.

The net deficit on the rail schemes was £nil (2009: £7.5m). Any deficit at the end of the franchise is guaranteed by the DfT and hence we only recognise the share of deficit (or surplus) expected to be funded (or received) over the franchise period.

Goodwill and intangible amortisation

The charge for the year of £10.9m (2009: £11.9m) represents the non-cash cost of amortising goodwill, intangibles including assets associated with pension accounting for the rail franchises and computer costs. The decrease against the prior year reflects the part year charge for the old Southern franchise terminating on 19 September 2009, compared to a full year's charge in 2009.

Net finance costs

The net finance costs for the year increased to £13.3m (2009: £11.5m) consisting of finance costs of £14.9m (2009: £17.6m) less finance revenue of £1.6m (2009: £6.1m). The reduction in finance revenue on cash held as part of the rail franchise obligations reflects lower interest rates. Finance costs included £3.0m for the 7½ year sterling bond issued at a 5.375% coupon in March 2010. The average net interest rate was 4.8% (2009: 5.0%) for the year and the proportion of gross debt held under fixed interest rate agreements at 3 July 2010 was 105.6% (2009: 47.2%).

Exceptional items

Exceptional items before taxation totalled £46.8m (2009: £57.7m) of which £27.4m (2009: £14.5m) related to continuing operations. Most of the items were non-cash, with cash items totalling £11.0m (2009: £10.1m). Exceptional costs relating to Meteor were £16.4m (2009: £1.5m) consisting of a first half impairment charge of £16.2m and a subsequent restructuring provision of £0.2m in the second half of 2010.

Bus and rail related exceptionals totalled £11.0m (2009: £12.4m), including £6.7m of rail restructuring and £0.8m of bus restructuring costs. In March 2010 the Mayor of London announced that all articulated buses would come out of use by March 2011 rather than at the end of the relevant TfL contracts. This has led to a further acceleration of depreciation charge in this year of £2.6m following £0.8m last year and a further £1.8m is expected to be charged against the Group's 2011 results.

Taxation

The net taxation charge in the income statement of £14.9m (2009: £32.4m) included underlying tax on ordinary activities of £20.3m (2009: £28.2m), equivalent to an effective rate of 26.1% (2009: 26.7%) slightly below the UK statutory rate for the period of 28.0% (2009: 28.0%) due to the benefit of previous tax efficient asset finance arrangements.

The charge also includes a tax benefit of £5.7m (2009: £4.1m) relating to the exceptional costs. The 2009 charge includes an exceptional, non-cash tax charge of £8.6m following the UK Government's abolition of industrial buildings allowances announced in July 2008.

Discontinued operations

Discontinued operations consist of the cargo and ground handling activities which have either been sold or are intended to be sold by the year end. The loss for the year was £12.0m (2009: £40.2m), consisting of an operating profit of £3.5m (2009: loss £5.2m), exceptional costs of £19.4m (2009: £43.2m), a tax benefit of £4.1m (2009: £8.7m) and other costs of £0.2m (2009: £0.5m). The exceptional cost relating to discontinued operations of £19.4m is largely unchanged from the £19.6m recognised at the half year.

Minority interest

The minority interest in the income statement of £6.3m (2009:£12.0m) arises from our 65% holding in Govia Limited (which owns our rail operations) and therefore represents 35% of the profit after taxation of the rail division.

Adjusted earnings per share

Adjusted profit attributable to members* was £55.1m (2009:£69.4m). This consisted of a profit attributable to members of £17.2m (2009: profit £6.3m) adjusted to add back members' share of post tax amortisation of £5.9m (2009: £6.5m), members' share of exceptional items of £20.0m (2009: £16.4m) and post tax loss on discontinued operations of £12.0m (2009: £40.2m).

The weighted average number of shares remained at 42.9 million (2009: 42.9 million). The closing number of shares in issue, net of treasury shares, was 42.9 million (2009: 42.9 million).

Adjusted earnings per share* decreased by 20.6%, or 33.3p, to 128.3 pence per share (2009: 161.6 pence per share).

Dividends

The Board is proposing a total dividend for the year of 81.0p per share, unchanged from last year and including a proposed final payment of 30.0p payable on 20 November 2010 to registered shareholders at the close of business on 6 November 2010. This follows the one-off change to the proportion of the full year dividend paid as an interim amount this year.

Dividends paid in the period represents the payment of last year's final dividend of 55.5p (2009: 55.5p) and the interim dividend in respect of this year of 51.0p per share (2009: 25.5p).

Cashflow

Cash generated from operations before taxation was £160.6m (2009: £233.4m), with tight working capital management resulting in a favourable net movement of £8.6m (2009: £76.7m) and other net outflows of £1.2m (2009: £18.3m).

Tax paid of £18.8m (2009: £11.4m) was primarily the current portion of the pre-exceptional tax charge of £20.6m. The 2009 tax charge includes £8.6m non-cash charge relating to the abolition of industrial buildings allowances, and a one off refund of £5.2m. Net interest paid of £10.7m (2009: £11.9m) is in line with the charge for the period of £13.3m (2009: £11.5m) except for £3.0m of interest on the £200m 7½ year sterling bond, which is due 29 September 2010. Capital expenditure, net of sale proceeds, was similar to last year at £54.7m (2009: £56.6m), equivalent to 107% of depreciation (2009: 123%).

Following a decision to increase the proportion of the total dividend for this year payable as an interim dividend, dividends paid to parent company shareholders amounted to £45.7m (2009: £34.8m) consisting of 55.5p per share final dividend for 2009 (2009: final dividend for 2008 55.5p) and 51.0p interim dividend for 2010 (2009:25.5p). Dividends to minority interests were £6.6m (2009: £12.3m). During the period there have been no repurchases of shares (2009:Nil) and 4,000 shares were issued (2009: 50,000 shares) on exercise of share options for proceeds of £0.2m (2009: £0.6m).

Balance sheet

Net debt has been maintained below last year's significantly lower balance, reducing in the year by a further £2.7m to £88.3m (2009: £91.0m; 2008: £197.8m).

Prior to our bond issue we achieved investment grade ratings from Moody's (Baa3, stable outlook) and Standard and Poor's (BBB-, stable outlook) consistent with our belief that a target range for adjusted net debt to EBITDA of 1.5x – 2.5x is broadly equivalent to an investment grade rating.

On 24 March 2010 we launched our debut bond for £200m over 7½ years at a 5.375% coupon and used the proceeds to pay down part of the syndicated loan facility as well as reducing that facility from £340m to £280m. This provided us with core financing of £480m (2009: £340m), of which £177m was undrawn and available at the year end (2009: £101m).

Net debt consisted of the £200m bond, amounts drawn down against the £280m (2009: £340m) five year syndicated loan facility of £103.0m (2009: £239.0m); other bank loans of £5.6m (2009: £36.0m); hire purchase and lease agreements of £10.0m (2009: £18.1m) and overdrafts of £5.2m (2009: £5.0m), partly offset by cash and short term deposits of £235.5m (2009: £207.1m) which included restricted cash in rail of £204.0m (2009:

£181.3m). The increase in restricted cash reflects the working capital payments expected in rail assessed by the DfT over the past 12 months and the next 12 months.

Adjusted net debt, consisting of net debt plus restricted cash, was £292.3m (2009: £272.3m), equivalent to 1.91x EBITDA (2009: 1.56x), well within our target range and significantly below our primary financing covenant of not more than 3.5x.

On 26 July 2010 we entered into a US\$10m facility with RBS to provide medium term funding for our North American yellow school bus joint venture, using the US\$ denomination to provide a currency hedge against our US\$ investment in the joint venture.

Net assets total £(41.3)m at the end of the year compared to £(9.5)m at 27 June 2009. The reduction of £31.8m consists of profit for the year of £23.5m plus shares issued of £0.2m plus gains on financial instruments of £18.1m; less an increase in pension scheme liabilities of £22.5m, dividends paid of £52.3m, £0.8m of other taxes recognised in other comprehensive income and net credits for share movements of £0.4m

Operating and Financial Review – Bus

The performance of our bus operations was slightly ahead of our expectations due to a strong finish to the year.

	2010	2009
Revenue (£'m)	629.5	584.7
Operating profit* (£'m)	63.7	66.6
Margin*	10.1%	11.4%
<i>Revenue growth</i>		
Regulated	6.5%	6.1%
Deregulated	9.0%	6.4%
<i>Volume growth</i>		
Regulated - miles operated	7.4%	1.8%
Deregulated - passenger journeys	8.7%	2.9%
* Before amortisation and exceptional items		

Revenue increased by 7.7%, or £44.8m, to £629.5m (2009:£584.7m), consisting of £31.5m, or 5.4%, from acquisitions and like-for-like growth of £13.3m, or 2.3%.

Operating profit* was £63.7m, slightly ahead of our expectations but below the record year last year (2009: £66.6m) with an increase of £3.6m due to acquisitions more than offset by a like-for-like reduction of £6.5m, primarily due to lower second half margins in our regulated London operations. Consequently, bus operating profit* margin fell to 10.1%, 1.3 pts below last year (2009: 11.4%). As expected, this year's operating profit* included additional like-for-like costs for fuel of £4.0m, additional duty of around £1.0m and further pension costs of £1.9m. This has been partly offset by a reduction in accident claim costs of £1.8m and benefits from cost saving initiatives of approximately £4.3m.

Acquisitions

This was a successful year for acquisitions in the regulated and deregulated businesses, and the acquired businesses have made significant contributions to both turnover and operating profit*.

Most of the increased revenue and operating profit* was from East Thames Buses, a regulated business operating in the East of London, which was acquired from Transport for London by our Go-Ahead London operation on 3 October 2009 for cash consideration of £5.0m and has now been successfully integrated into our existing depots.

Also on 3 October 2009, our Metrobus subsidiary acquired Arriva's Horsham depot which operates a mix of regulated routes and deregulated services. Consideration was £5.0m and operations were quickly and seamlessly absorbed into Metrobus's Crawley operations.

Plymouth Citybus, a high quality urban business which operates from a centrally based freehold depot, was bought by the Group on 1 December 2009 for a cash consideration of £19.0m. This business has a strong local presence and reputation that we intend to enhance.

In March 2010 we purchased the entire share capital of Konectbus, a high quality operator in Norfolk, and also in March 2010 our Go North East business acquired the Hexham operations of Arriva. We also sold our Ashington depot to Arriva. The total consideration for these deals was £8.2m.

In total, the acquisition spend for 2010 was £37.2m, with cash consideration of £35.2m.

Like-for-like performance

Like-for-like performance, excluding acquisitions, remained strong. Revenue growth was achieved in each of our regulated and deregulated businesses and tight cost control remained a priority with initiatives delivering savings of £4.3m in the 2010 financial year.

Our underlying fuel costs, before delivery and duty, were around £4m higher than the same period last year. We consumed around 115m litres of fuel in the 2010 financial year and hedged all of our expected fuel requirements at 47p per litre (ppl) compared with an average price of 43ppl in 2009. The total fuel rebate provided through the bus service operators grant was £47.7m, being 43 ppl, and just over half this amount relates to our regulated London operations.

Labour costs account for around two thirds of our cost base and are closely controlled through local wage negotiations and ongoing productivity improvements. Total depreciation for the division was £35.5m (2009: £31.5m) and net capital expenditure was £39.6m (2009: £44.9m). The average age of our deregulated fleet remains one of the youngest in the sector.

Regulated bus operations

Our regulated bus operations in London performed well during the year, albeit with lower second half margins due to a reduction in revenue per mile and quality incentive income on a number of contracts renewed in January 2010. Revenue increased by 6.5% in the year, of which acquisitions represented 5.4% and like-for-like growth totalled 1.1%. Contracted mileage increased by 7.4% to 72.8 million miles, of which 5.2% was from acquisitions and 2.2% from like-for-like growth.

In addition, quality incentive bonuses declined to £12.3m (2009: £14.2m), of which £3.5m (2009: £1.5m) was from QIC2 incentives for driver quality and bus incentives which ended during the year. We continue to perform well in the TfL quality league tables and operated in excess of 99.5% of our target mileage before traffic congestion losses (2009: 99.6%).

Revenue trends were as anticipated, with growth in the second half of 4.3% (2009: 3.8%) compared to a first half of 8.7% (2009: 8.5%). Excluding acquisitions, this shows a second half reduction in revenue of 2.8% compared to a second half increase in mileage of 2.5% reflecting the new contracts started in January 2010.

Around 85% of our depot capacity in London is owned as freehold which provides a strong base for contract renewals. During 2010, we retained contracts for 281 peak vehicle requirements (PVR), won new work for 45 PVR and lost 91 PVR.

During 2009 TfL commenced the decommissioning of articulated "bendy" buses as contracts expire. This process accelerated in 2010 and all articulated buses are now expected to be withdrawn by March 2011. We will continue to provide for the reduction in residual values as an exceptional item and now expect a total cost of £5.2m charged over this year and next, rather than over four years as previously anticipated. £2.6m has been recognised in this year (2009: £0.8m) and £1.8m is expected to be charged against 2011.

Deregulated bus operations

Each of our operating companies reported continued revenue growth and a strong finish to the financial year resulted in a revenue increase of 9.0% of which acquisitions represented 5.1% and like-for-like growth totalled 3.9%. Passenger journeys increased by 8.7%, of which acquisitions represented 5.5% and like-for-like growth was 3.2%. Around two thirds of the like-for-like passenger increase was due to fare paying passengers and one third from concessionary passengers.

Revenue growth trends across all of our deregulated businesses remained positive with second half like-for-like growth of 2.9%, slightly below the first half growth of 4.9% which benefited from new contracts such as Southampton University. Like-for-like passenger numbers also increased in each of our operating companies with a total second half increase of 3.3% compared to a first half increase of 3.1%.

North American yellow school bus

During the financial year we established a 50:50 North American joint venture with Cook Illinois Corporation to operate in the yellow school bus market. To date, the joint venture has won its first contract in St Louis, Missouri to run approximately 120 buses and these successfully commenced operation in August 2010. Our share of the joint venture investment at the balance sheet date was US\$1.0m (approximately £0.7m) and at commencement of operations was approximately US\$6m. We have secured a US\$10m revolving credit facility to fund our share of the operations and to provide a hedge for the US\$ foreign exchange exposure on the investment.

Outlook

Overall, at this stage, we expect the underlying performance of our bus operations to remain robust for the next financial year. We are assuming that the broad operating trends experienced in the second half of our 2010 financial year continue throughout the next financial year.

In London, we therefore expect a full year effect of reduced margins from January 2010, primarily through lower QIC revenue given the end of the QIC2 regime and the more difficult QIC1 targets. We expect demand for our deregulated operations to remain robust. Full year contribution from acquisitions is expected to add a further £1.0m to operating profit*.

We expect to benefit from a reduction in the underlying cost of fuel, with the commodity cost fully hedged at around 41ppl for both financial years ending 2011 and 2012 compared to 47ppl in 2010. We anticipate fuel usage to remain at 115m litres, resulting in a saving of around £7m per annum.

Cost control across the division will remain a key focus and priority. This includes ongoing wage negotiations and productivity improvements to maintain competitive labour costs. We continue to make excellent progress with energy savings, fuel consumption and procurement initiatives and are not assuming any significant change in pensions or accident claim costs compared to the last financial year.

Risks to these assumptions include the potential for a reduction in government support across the industry as part of the October 2010 Comprehensive Spending Review, and any adverse impact from the Competition Commission review of the deregulated bus industry.

Opportunities include further like-for-like growth in demand, bolt-on acquisitions and additional cost savings.

Operating and Financial Review - Rail

The operating profit* from our rail division was approximately £3m ahead of our previous expectations, primarily due to a favourable reduction in our allocation of electricity costs by Network Rail at the end of the financial year. Highlights for the year were the transition to the new Southern franchise, the introduction of the high speed service in Southeastern and the significantly improved customer satisfaction ratings for London Midland.

	2010	2009
Revenue (£'m)	1,537.8	1,552.0
Operating profit* (£'m)	37.3	61.5
Margin*	2.4%	4.0%
<i>Passenger income growth</i>		
Southern**	9.8%	7.9%
Southeastern	7.5%	5.5%
London Midland***	10.0%	9.1%
<i>Volume growth</i>		
Southern**	4.5%	4.4%
Southeastern	1.4%	1.0%
London Midland***	4.6%	3.6%
* Before amortisation and exceptional items ** 2009 growth rates exclude Gatwick Express (became part of Southern on 22 June 2008) ***2009 growth rates are in like-for-like comparison to 11 November 2007 to 28 June 2008 (London Midland joined the Group 11 November 2007)		

Total revenue decreased by 0.9% or £14.2m, to £1,537.8m (2009: £1,552.0m), consisting of increased passenger revenue from the addition of high speed services into Kent as well as continued growth in like-for-like passenger revenue in all three franchises being offset by reduced levels of DfT subsidy. Passenger revenue increased £100.8m, or 8.9% of which approximately 2% is estimated to be due to the additional week of trading this year, and passenger numbers increased by 3.2%. Other revenue increased by £12.0m, or 13.2%, and DfT subsidy reduced by £127.0m or 38.9%. The reduction in subsidy includes an estimated £194.3m due to the change in the track access regime from 1 April 2009 (which decreased both subsidy income and track access costs and hence has no net impact on operating profit). Excluding this change, the underlying subsidy increased by £74.7m as agreed in the bidding process, primarily to recognise the additional high speed costs in Southeastern.

Operating profit* declined by 39.3% or £24.2m, to £37.3m (2009: £61.5m) reflecting the lower revenue growth below bid assumptions which have more than offset the benefit of cost savings of around £25.0m in the year. Operating profit margin fell 1.6 percentage points from 4.0% to 2.4%. Restructuring costs incurred in the year amounted to £6.7m and are shown in exceptional items.

Total depreciation for the rail division was £14.4m (2009: £13.0m). Net capital expenditure was £18.2m (2009: £12.2m), of which £15.2m (2009: £8.1m) represented franchise commitments in Southern and London Midland

Southern

The results for Southern consist of the previous franchise to 20 September 2009 and the new franchise for the remainder of the year.

As reported at the half year, the previous franchise ended without any operational issues and the financial results were in line with expectations. This franchise operated with a profit share regime where the DfT were paid 60% of profit over a pre determined limit.

Total revenue in Southern consisted of passenger revenue of £534.9m (2009: £487.2m), other income of £46.1m (2009: £32.5m) and net subsidy receipts of £4.3m (2009: £82.7m).

Passenger revenue growth was 9.8% (2009: 7.9%) with second half growth of 9.6% similar to that of the first half at 10.0%. Passenger numbers increased by 4.5% compared to last year (2009: 4.4%). Growth rates in the second half of the year were stronger than the first, increasing by 4.8% in the second half compared to 4.1% in the first half.

We are pleased with progress under the new franchise. Our management team have made excellent progress in delivering bid initiatives, supported by strong online promotions and marketing and good operational quality. Following the start of the new franchise an exceptional charge of £3.0m was incurred due to restructuring.

Our public performance measure (PPM) showed that 90.7% (2009: 90%) of our trains arrived on time and the Spring National Passenger Survey customer satisfaction rating increased to 84% (2009: 80%).

The macro-economic conditions factored into the bid in 2009 remain valid and operating profit* for the period was slightly ahead of our bid assumptions.

Southeastern

Our Southeastern franchise has performed well, successfully delivering a new timetable in December 2009 which included the introduction of the UK's first domestic high speed service whilst maintaining significant cost savings to mitigate the impact of the weaker economy compared to the original bid assumptions in 2005.

Total revenue in Southeastern consisted of passenger revenue of £509.3m (2009: £473.6m), other income of £20.0m (2009: £18.7m) and net subsidy receipts of £98.4m (2009: £85.5m).

The increase in full year passenger revenue was 7.5% (2009: 5.7%), consisting of a first half increase of 3.9% and a second half increase of 11.2%. Passenger numbers increased by 1.4% (2009: 1.0%) compared to last year, with a first half reduction of 2.0% due to the remapping of some journeys to the Southern franchise and a second half increase of 5.1%, most of which is estimated to be due to the introduction of the high speed services in December 2009. The difference between passenger revenue and passenger numbers partly reflects the RPI + 3% fare regime in this franchise, and partly the premium fare charged on the high speed service.

Southeastern became entitled to revenue support from 1 April 2010. Revenue support is provided by the DfT based on projections of the relevant revenue amounts for the rail year ended each March compared to bid. We estimate that Southeastern will be at around 90% of bid revenue for the year ended 31 March 2011. This 10% shortfall is shared with the DfT who provide 50% support between 98% and 94% and 80% support for any shortfall below 94%. On this basis, DfT support would be 5.2% of revenue or roughly half of the 10% shortfall.

Underlying profitability has been achieved through a continuing and significant cost savings programme which Southeastern started in the first half of 2009. The programme includes further reductions in staffing which incurred an exceptional charge of £0.5m (2009: £1.9m), ongoing procurement savings and other efficiency savings.

Our operational performance in Southeastern remained strong, with a PPM showing 89.2% (2009: 90%) of our trains arrived on time and the Spring National Passenger Survey customer satisfaction rating improved to 81% (2009: 76%).

London Midland

Following a change in the senior management teams early in 2009, the operational performance of our London Midland franchise continues to improve and we achieved a PPM of 90.4% (2009: 87%) and a customer satisfaction rating of 86% (2009: 78%) for the period.

Total revenue in London Midland consisted of passenger revenue of £191.2m (2009: £173.8m), other income of £36.9m (2009: £39.8m) and net subsidy receipts of £96.7m (2009: £158.2m).

Like-for-like passenger revenue growth was 10.0% with first half growth at 11.0%, reflecting the timetable expansion in December 2008, and second half growth at 9.0%. Passenger numbers increased by 4.6% for the full year, consisting of a first half year increase of 6.4% benefiting from the December 2008 timetable changes followed by 2.9% for the second half.

We continue to undertake a significant amount of restructuring in this franchise, incurring an exceptional charge of £3.2m (2009: £2.8m) in the year. Costs in this franchise are complicated by legacy issues and are currently above bid assumptions. Cost control will continue to be an area of focus as we try to restore margins in this franchise.

Outlook

The outlook for rail is difficult to predict at this stage of the year.

We are pleased with progress made by our Southern franchise management team to date and are assuming we will perform in line with the financial assumptions in the bid for the next financial year.

In Southeastern, we expect to remain in 80% revenue support until the end of the franchise in 2014 and so will continue with our significant cost saving programme to remain profitable in this franchise.

In London Midland, we will also continue with our cost saving focus as well as progress a range of other initiatives such as capital expenditure on gating and car parking, further new trains during the next financial year and increased marketing to highlight the excellent value for money fares in this franchise.

Overall, we are assuming a small reduction in operating profit* margin next year compared to this financial year.

In the medium term, we strongly believe in the fundamental strengths of the rail business and welcome the Government's review of the future of rail franchising.

Operating and Financial Review - Aviation Services

We have sold all of our cargo operations and the majority of our ground handling operations, and intend to dispose of the remaining ground handling operations over the next twelve months. Accordingly, these results exclude all of our cargo and ground handling operations which are classified as discontinued and are addressed in the financial section of this statement.

	2010	2009 Restated
Revenue (£'m)	34.3	50.5
Operating profit* (£'m)	1.0	0.7
Margin*	2.9%	1.4%
<i>Revenue growth</i>		
Meteor	(35.7%)	(36.0%)
<i>Volume growth</i>		
Meteor – parking transactions	(7.4%)	(11.4%)
<i>*Before amortisation and exceptional items</i>		

The remaining operations mainly consist of our Meteor parking and security business. Total revenue (excluding discontinued operations) was £34.3m (2009: £50.5m), primarily attributable to Meteor. The reduction in Meteor's turnover is largely due to the expiration of the Heathrow parking contract in September 2009.

Operating profit (excluding discontinued operations) of £1.0m (2009: £0.7m) was mainly generated by Meteor. Total depreciation for the division was £1.3m (2009: £1.8m) and net capital expenditure was £0.3m (2008: £1.0m).

CONSOLIDATED INCOME STATEMENT

for the year ended 3 July 2010

	Notes	2010 £m	2009 £m
Group revenue	4	2,201.6	2,187.2
Operating costs (excluding amortisation and exceptional items)	5	(2,099.6)	(2,058.4)
Group operating profit (before amortisation and exceptional items)		102.0	128.8
Goodwill and intangible asset amortisation	3	(10.9)	(11.9)
Exceptional items (before taxation)	7	(27.4)	(14.5)
Group operating profit (after amortisation and exceptional items)		63.7	102.4
Finance revenue	9	1.6	6.1
Finance costs	9	(14.9)	(17.6)
Profit on ordinary activities before taxation		50.4	90.9
Tax expense	10	(14.9)	(32.4)
Profit for the year from continuing operations		35.5	58.5
Discontinued operations			
Loss for the year from discontinued operations	8	(12.0)	(40.2)
Profit for the year		23.5	18.3
Attributable to:			
Equity holders of the parent		17.2	6.3
Minority interest		6.3	12.0
		23.5	18.3
Earnings per share from continuing operations			
– basic and diluted	11	68.0p	108.3p
– adjusted	11	128.3p	161.6p
Earnings per share from total operations			
– basic & diluted	10	40.1p	14.7p
– adjusted		135.1p	152.3p
Dividends paid (pence per share)	12	106.5p	81.0p
Final dividend proposed (pence per share)	12	30.0p	55.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 3 July 2010

	Notes	2010 £m	2009 £m
Profit for the year		23.5	18.3
Other comprehensive income			
Actuarial losses on defined benefit pension plans	28	(22.5)	(26.9)
Unrealised gains/(losses) on cashflow hedges		1.8	(54.2)
Losses on cashflow hedges taken to income statement – operating costs		16.3	12.6
Tax recognised in other comprehensive income	10	0.8	19.2
Other comprehensive income for the year, net of tax		(3.6)	(49.3)
Total comprehensive income for the year		19.9	(31.0)
Attributable to:			
Equity holders of the parent		11.9	(39.6)
Minority interest		8.0	8.6
		19.9	(31.0)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 3 July 2010

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m	Minority interest £m	Total £m
At 28 June 2008	71.3	(68.8)	17.5	1.6	0.7	31.9	54.2	13.3	67.5
Profit for the year	–	–	–	–	–	6.3	6.3	12.0	18.3
Other comprehensive income	–	–	(28.0)	–	–	(17.9)	(45.9)	(3.4)	(49.3)
Total comprehensive income	–	–	(28.0)	–	–	(11.6)	(39.6)	8.6	(31.0)
Share based payment charge	–	–	–	–	–	0.7	0.7	–	0.7
Dividends	–	–	–	–	–	(34.8)	(34.8)	(12.3)	(47.1)
Acquisition of own shares	–	(0.2)	–	–	–	–	(0.2)	–	(0.2)
Arising on shares issued for share options	0.6	–	–	–	–	–	0.6	–	0.6
Reserve transfer	–	0.2	–	–	–	(0.2)	–	–	–
At 27 June 2009	71.9	(68.8)	(10.5)	1.6	0.7	(14.0)	(19.1)	9.6	(9.5)
Profit for the year	–	–	–	–	–	17.2	17.2	6.3	23.5
Other comprehensive income	–	–	12.5	–	–	(17.8)	(5.3)	1.7	(3.6)
Total comprehensive income	–	–	12.5	–	–	(0.6)	11.9	8.0	19.9
Share based payment charge	–	–	–	–	–	0.7	0.7	–	0.7
Dividends	–	–	–	–	–	(45.7)	(45.7)	(6.6)	(52.3)
Acquisition of own shares	–	(0.3)	–	–	–	–	(0.3)	–	(0.3)
Arising on shares issued for share options	0.2	–	–	–	–	–	0.2	–	0.2
Reserve transfer	–	0.1	–	–	–	(0.1)	–	–	–
At 3 July 2010	72.1	(69.0)	2.0	1.6	0.7	(59.7)	(52.3)	11.0	(41.3)

CONSOLIDATED BALANCE SHEET

as at 3 July 2010

	Notes	2010 £m	2009 £m
Assets			
Non-current assets			
Property, plant and equipment	13	415.9	409.9
Intangible assets	14	108.6	110.3
Trade and other receivables	18	1.8	3.1
Investments		0.7	–
Other financial assets	24	4.3	3.1
Deferred tax assets	10	27.1	23.4
		558.4	549.8
Current assets			
Inventories	17	12.9	13.1
Trade and other receivables	18	188.8	199.2
Cash and cash equivalents	19	235.8	207.1
Other financial assets	24	3.0	0.6
		440.5	420.0
Assets classified as held for sale	16	1.7	9.7
Assets held in disposal groups held for sale	8	10.2	–
		11.9	9.7
Total assets		1010.8	979.5
Liabilities			
Current liabilities			
Trade and other payables	20	(493.7)	(485.7)
Other financial liabilities	24	(7.9)	(16.4)
Interest-bearing loans and borrowings	21	(17.1)	(30.4)
Current tax liabilities		(20.4)	(14.9)
Provisions	25	(12.0)	–
		(551.1)	(547.4)
Non-current liabilities			
Interest-bearing loans and borrowings	21	(303.9)	(266.5)
Retirement benefit obligations	28	(96.9)	(83.5)
Other financial liabilities	24	(3.3)	(8.5)
Deferred tax liabilities	10	(65.6)	(68.4)
Other liabilities	20	(5.3)	(8.9)
Provisions	25	(8.1)	(5.8)
		(483.1)	(441.6)
Liabilities held in disposal groups held for sale	8	(17.9)	–
Total liabilities		(1052.1)	(989.0)
Net liabilities		(41.3)	(9.5)
Capital & reserves			
Share capital		72.1	71.9
Reserve for own shares		(69.0)	(68.8)
Hedging reserve		2.0	(10.5)
Other reserve		1.6	1.6
Capital redemption reserve		0.7	0.7
Retained earnings		(59.7)	(14.0)
Total shareholders' equity		(52.3)	(19.1)
Minority interest		11.0	9.6
Total equity		(41.3)	(9.5)

CONSOLIDATED CASHFLOW STATEMENT

for the year ended 3 July 2010

	Notes	2010 £m	2009 £m
Profit after tax from continuing operations		35.5	58.5
Loss after tax from discontinued operations		(12.0)	(40.2)
Profit after tax for the year		23.5	18.3
Net finance costs	9	13.3	11.5
Tax expense	10	10.8	23.7
Depreciation of property, plant and equipment	13	52.1	49.7
Amortisation of goodwill and intangible assets	14	10.9	12.4
Other non-cash exceptional items	7	35.8	47.6
Ineffective interest swap hedge		0.8	–
Profit on sale of property, plant and equipment		(0.2)	(0.3)
Share based payments	6	0.7	0.7
Difference between pension contributions paid and amounts recognised in the income statement		(6.9)	(2.8)
Movement in provisions		14.3	3.4
Purchase of assets held for disposal		–	(7.5)
Sale of assets held for disposal		8.1	–
Decrease/(increase) in inventories		0.2	(1.1)
(Increase)/decrease in trade and other receivables		(10.6)	36.1
Increase in trade and other payables		7.8	41.7
Cashflow generated from operations		160.6	233.4
Taxation paid	10	(18.8)	(11.4)
Net cashflows from operating activities		141.8	222.0
Cashflows from investing activities			
Interest received		1.6	6.6
Proceeds from sale of property, plant and equipment		5.7	4.3
Purchase of property, plant and equipment		(58.1)	(57.7)
Purchase of intangible assets		(2.3)	(2.8)
Purchase of subsidiaries	15	(35.2)	–
Proceeds from sale of subsidiaries		14.8	–
Purchase of joint venture		(0.7)	–
Cash acquired with subsidiaries		2.0	–
Cash associated with disposal		(0.1)	–
Deposit paid on rolling stock		–	(0.4)
Net cashflows used in investing activities		(72.3)	(50.0)
Cashflows from financing activities			
Interest paid		(12.3)	(18.5)
Dividends paid to members of the parent	12	(45.7)	(34.8)
Dividends paid to minority interests		(6.6)	(12.3)
Proceeds from issue of shares		0.2	0.6
Payment to acquire own shares		(0.3)	(0.2)
Repayment of borrowings		(216.4)	(39.8)
Proceeds from borrowings		50.0	–
Proceeds from bond financing		200.0	–
Payment of finance lease and hire purchase liabilities		(10.5)	(16.2)
Repayment of loan notes		–	–
Net cash outflows on financing activities		(41.6)	(121.2)
Net increase in cash and cash equivalents		27.9	50.8
Cash and cash equivalents at 27 June 2009	19	202.1	151.3
Cash and cash equivalents at 3 July 2010	19	230.0	202.1

Notes to the consolidated financial statements

for the year ended 3 July 2010

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

The consolidated financial statements of The Go-Ahead Group plc (the 'Group') for the year ended 3 July 2010 were authorised for issue by the Board of Directors on 1 September 2010 and the balance sheet was signed on the Board's behalf by Sir Patrick Brown and Nick Swift. The Go-Ahead Group plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) as they apply to the consolidated financial statements of the Group for the year ended 3 July 2010, and applied in accordance with the provisions of the Companies Act 2006. The Group is required to comply with international accounting requirements under IAS 1 'Presentation of Financial Statements' except in extremely rare circumstances where management concludes that compliance would be so misleading that it would conflict with the objective to 'present fairly' its financial statements. On that basis, the Group has departed from the requirements of IAS 19 'Employee Benefits' and has accounted for its constructive but not legal obligations for the Railways Pension Scheme (RPS) under the terms of its UK rail franchise agreements. Details of the background and rationale for this departure are provided in note 28.

2. Summary of significant accounting policies

Basis of preparation

A summary of the Group's accounting policies applied in preparing the financial statements for the year ended 3 July 2010 are set out below.

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

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

New standards

The following new standards or interpretations are mandatory for the first time for the financial year ending 3 July 2010:

- IFRS8 'Operating segments'
- IAS23 'Borrowing costs (revised)'
- IFRS2 'Share-based payments – vesting conditions and cancellations'
- IAS1 'Presentation of financial statements (revised)'
- Amendment to IAS32 and IAS 31 'Puttable financial instruments and obligations arising on liquidations'
- Amendments to IFRS1 and IAS27 'Amendments for determining the cost of an investment in separate financial statements'
- Amendment to IAS39 'Eligible hedged items'
- Amendment to IFRS7 'Improving disclosures'
- Improvements to IFRSs (May 2008)
- IFRIC13 'Customer loyalty programmes'
- IFRIC15 'Agreements for the construction of real estate'
- IFRIC16 'Hedges of a net investment in a foreign operation'

The adoption of IAS1 'Presentation of Financial Statements (revised)' has required the 'Statement of changes in equity', previously described in note 26 to the annual report for the year ended 27 June 2009, to be presented as a primary statement entitled 'Consolidated statement of changes in equity'. In addition, the 'Consolidated statement of recognised income and expense' has been replaced with the 'Consolidated statement of comprehensive income'.

In adopting IFRS8 'Operating segments', the Group concluded that the operating segments were the same as the business segments determined in accordance with IAS14 'Segment reporting', more details are provided in note 3.

Adoption of the remaining new standards and interpretations did not have a material impact on the financial performance or position of the Group.

In accordance with IFRS5 'Non-current assets held for sale and discontinued operations', the Group has classified the results of the ground handling and cargo operations as discontinued and accordingly the comparatives in the income statement and related notes have been restated. The above treatment is a result of the sale which completed on 30 January 2010 of the majority of the Group's ground handling and cargo operations at Heathrow to Dnata and the majority of the Group's ground handling operations outside Heathrow to Servisair UK Limited. The remaining ground handling operations are expected to be sold in the next twelve months and are also included in discontinued operations.

Use of estimates

The preparation of the financial statements requires the use of estimates and assumptions. Although these estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are in relation to:

- the measurement and impairment testing of indefinite life intangible assets requires estimation of future cashflows and the selection of a suitable discount rate and growth rate, as detailed in note 14;
- the measurement of defined benefit pension obligations requires the estimation of future changes in salaries, inflation, the expected return on assets and the selection of a suitable discount rate, as set out in note 28; and
- the measurement of uninsured liabilities is based on an assessment of the expected settlement of known claims and an estimate of the cost of claims not yet reported to the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of The Go-Ahead Group plc and its subsidiaries as at 3 July 2010.

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

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

Interest in joint ventures

In the year the Group has entered into a contractual arrangement with another party which represents a joint venture. This takes the form of an agreement to share control over another entity, through an interest in a company, (a jointly controlled entity). The Group recognises its interest in the entity's assets and liabilities using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of the investment. The Group income statement reflects the share of the jointly controlled entity's results after tax. Where there has been a change recognised in other comprehensive income of the jointly controlled entity, the Group recognises its share of any such changes in the Consolidated statement of comprehensive income.

Revenue recognition

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

Rendering of services

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

Bus revenue comprises amounts receivable generated from ticket sales and revenue generated from services provided on behalf of local transport authorities. Revenue for aviation services represents income receivable generated from contracts in place with airlines and also includes parking revenue generated through the operation and management of car parks and associated services, which include security and bus transportation. Where the Group acts as a managing agent at a car park it recognises only the commission earned as revenue. Rail revenue comprises amounts based principally on agreed models of route usage, by Railway Settlement Plan Limited (which administers the income allocation system within the UK rail industry), in respect of

passenger receipts and other related services such as rolling stock maintenance and commission on tickets sold. In addition, franchise subsidy receipts from the DfT and local Passenger Transport Executives (PTEs) are treated as revenue, and franchise premium payments to the DfT are recognised in operating costs. Revenue is recognised by reference to the stage of completion of the customer's journey or for other services based on the proportion of services provided. The attributable share of season ticket or travel card income is deferred within liabilities and released to the income statement over the life of the relevant season ticket or travel card.

Rental income

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

Finance revenue

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

Government grants

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

Uninsured liabilities

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

Profit/revenue sharing agreements

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

Franchise bid costs

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

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

Exceptional items

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

Property, plant and equipment

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

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

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

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

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

Non-current assets held for sale

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

Business combinations and goodwill

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

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

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

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

Impairment of assets

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

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

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

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

Franchise assets

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

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

Software

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

Inventories

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

Cash and cash equivalents

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

Financial assets and derivatives

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

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

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

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

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

Interest-bearing loans and borrowings

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

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

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

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

Provisions

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

Treasury shares

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

Retirement benefits

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

Non-rail schemes

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

The Group has applied the option under IAS 19 to recognise actuarial gains and losses in the statement of comprehensive income in the period in which they occur.

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

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

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

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

Rail schemes

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

Share-based payment transactions

The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group plc ('market conditions'); to conditions not related to performance or service ('non-vesting conditions'); and to earnings per share criteria.

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised at each reporting date reflects the extent to which the period to vesting has expired and the Directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

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

Taxation

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

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

- on the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

New standards and interpretations not applied

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

International Accounting Standards (IAS/IFRSs)	Effective date (periods beginning on or after)
IFRS 3 'Business combinations (revised)'	1 July 2009
IAS 27 'Consolidated and separate financial statements (revised)'	1 July 2009
Improvements to IFRSs (April 2009)	1 July 2009
Amendment to IFRS 2 'Group cash-settled share-based payment transactions'	1 January 2010
Amendment to IAS 32 'Classification of Rights Issues'	1 February 2010
IAS 24 'Related Party Disclosures' (revised)	1 January 2011
Improvements to IFRSs (May 2010)	1 January 2011
IFRS 9 'Financial Instruments: Classification and Measurement'	1 January 2013
International Financial Reporting Interpretation Committee (IFRIC)	
IFRIC 17 'Distribution of non-cash assets to owners'	1 July 2009
IFRIC 18 'Transfer of assets from customers'	1 July 2009
IFRIC 19 'Extinguishing financial liabilities with equity instruments'	1 July 2010

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

3. Segmental analysis

IFRS8 Operating Segments has been applied for the first time by the Group in these financial statements. For management purposes, the Group is organised into three core divisions, Bus, Rail and aviation services, which form the basis of the Group's reportable operating segments (as they did previously under IAS14). Operating segments within those divisions are combined on the basis of their similar long term economic characteristics and similar nature of their products and services, as follows;

The Bus division comprises regulated bus operations in London and deregulated operations in the north east, Oxford, the south east, southern England and Norfolk.

The Group also has a 50% investment in a US school bus operation valued at £0.7m which has not traded in the year.

The Rail operation, Govia, is 65% owned by Go-Ahead and 35% by Keolis and comprises three rail franchises: Southern, Southeastern and London Midland.

As disclosed in note 8, the majority of the Group's ground handling and cargo operations were sold on 30 January 2010 and are therefore classified as discontinued operations. Amounts included in continuing operations for the aviation services segment comprise mainly Meteor and some residual ground handling operations.

Management monitors the operating results of its divisions separately for the purpose of making decisions about resource allocation and performance assessment. The operating segments disclosed in the financial statements are the same as reported to the Chief Operating Decision Maker. Segment performance is evaluated based on operating profit or loss excluding amortisation of goodwill and intangible assets and exceptional items.

The following tables present information regarding the Group's reportable segments for the year ended 3 July 2010 and the year ended 27 June 2009. Information relating to prior periods has been restated to reflect those elements of the other services division that are classified as discontinued operations.

Year ended 3 July 2010

	Bus £m	Rail £m	Aviation services £m	Total continuing operations £m	Total discontinued operations (note 8) £m	Total operations £m
Segment revenue	650.9	1,546.0	37.6	2,234.5	98.6	2,333.1
Inter-segment revenue	(21.4)	(8.2)	(3.3)	(32.9)	(0.1)	(33.0)
Group revenue	629.5	1,537.8	34.3	2,201.6	98.5	2,300.1
Operating costs (excluding amortisation and exceptional items)	(565.8)	(1,500.5)	(33.3)	(2,099.6)	(95.0)	(2,194.6)
Segment profit – Group operating profit (before amortisation and exceptional items)	63.7	37.3	1.0	102.0	3.5	105.5
Goodwill and intangible amortisation	(2.3)	(8.6)	–	(10.9)	(0.1)	(11.0)
Exceptional items	(4.3)	(6.7)	(16.4)	(27.4)	(19.4)	(46.8)
Group operating profit/(loss) (after amortisation and exceptional items)	57.1	22.0	(15.4)	63.7	(16.0)	47.7
Net finance costs				(13.3)	(0.1)	(13.4)
Profit/(loss) before tax and minority interest				50.4	(16.1)	34.3
Tax expense				(14.9)	4.1	(10.8)
Profit/(loss) for the year				35.5	(12.0)	23.5

Assets and liabilities

	Bus £m	Rail £m	Aviation services £m	Unallocated £m	Total £m
Segment assets	509.9	450.4	11.5	27.1	998.9
Assets classified as held for sale	1.7	–	–	–	1.7
Assets held in disposal groups held for sale	–	–	10.2	–	10.2
Total assets	511.6	450.4	21.7	27.1	1010.8
Segment liabilities	(128.3)	(420.3)	(6.2)	(479.4)	(1034.2)
Liabilities held in disposal groups held for sale	–	–	(17.9)	–	(17.9)
Total liabilities	(128.3)	(420.3)	(24.1)	(479.4)	(1052.1)
Net assets/(liabilities)	383.3	30.1	(2.4)	(452.3)	(41.3)

	Bus £m	Rail £m	Other services £m	Total continuing operations £m	Total discontinued operations £m	Total operations £m
Other segment information						
Capital expenditure:						
Additions	39.6	18.2	0.3	58.1	0.2	58.3
Acquisitions	15.3	–	–	15.3	–	15.3
Intangible fixed assets	24.2	1.9	–	26.1	–	26.1
Depreciation	35.5	14.4	1.3	51.2	0.9	52.1
Exceptional depreciation	2.6	–	–	2.6	–	2.6
Impairment charges	–	–	16.2	16.2	–	16.2
Provision for onerous contracts	0.9	–	–	0.9	6.0	6.9

Year ended 27 June 2009

	Bus £m	Rail £m	Aviation services £m	Total continuing operations £m	Total discontinued operations (note 8) £m	Total operations £m
Segment revenue	606.7	1,557.5	54.8	2,219.0	158.9	2,377.9
Inter-segment revenue	(22.0)	(5.5)	(4.3)	(31.8)	–	(31.8)
Group revenue	584.7	1,552.0	50.5	2,187.2	158.9	2,346.1
Operating costs (excluding amortisation and exceptional items)	(518.1)	(1,490.5)	(49.8)	(2,058.4)	(164.1)	(2,222.5)
Segment profit/(loss) – Group operating profit/(loss) (before amortisation and exceptional items)	66.6	61.5	0.7	128.8	(5.2)	123.6
Goodwill and intangible amortisation	(1.9)	(10.0)	–	(11.9)	(0.5)	(12.4)
Exceptional items	(7.8)	(4.7)	(2.0)	(14.5)	(43.2)	(57.7)
Group operating profit/(loss) (after amortisation and exceptional items)	56.9	46.8	(1.3)	102.4	(48.9)	53.5
Net finance costs				(11.5)	–	(11.5)
Profit/(loss) before tax and minority interest				90.9	(48.9)	42.0
Tax expense				(32.4)	8.7	(23.7)
Profit/(loss) for the year				58.5	(40.2)	18.3

Assets and liabilities

	Bus £m	Rail £m	Aviation services £m	Unallocated £m	Total £m
Segment assets	470.4	394.6	70.6	34.2	969.8
Assets classified as held for sale	9.7	–	–	–	9.7
Total assets	480.1	394.6	70.6	34.2	979.5
Segment liabilities	(135.4)	(384.6)	(37.5)	(431.5)	(989.0)
Net assets/(liabilities)	344.7	10.0	33.1	(397.3)	(9.5)

	Bus £m	Rail £m	Other services £m	Total continuing operations £m	Total discontinued operations £m	Total operations £m
Other segment information						
Capital expenditure:						
Additions	44.9	12.2	1.0	58.1	1.5	59.6
Acquisitions	–	–	–	–	–	–
Intangible fixed assets	0.9	1.6	–	2.5	0.3	2.8
Depreciation	31.5	13.0	1.7	46.2	3.5	49.7
Impairment charges	–	–	38.1	38.1	0.3	38.4
Provision for onerous contracts	–	–	1.5	1.5	–	1.5
Fuel hedge	6.9	–	–	6.9	–	6.9
Exceptional depreciation	0.8	–	–	0.8	–	0.8

Summary of unallocated assets and liabilities

	2010 £m	2009 £m
Assets		
Cash	–	10.8
Deferred tax assets	27.1	23.4
	27.1	34.2
Liabilities		
Interest-bearing loans and borrowings	315.2	291.9
Overdraft	5.1	–
Current tax liabilities	20.4	14.9
Deferred tax liabilities	65.6	68.4
Group retirement benefit obligations – The Go-Ahead Group Pension Plan	73.1	56.3
Other liabilities	–	–
	479.4	431.5

During the year ended 3 July 2010, revenue from external customers outside the United Kingdom was immaterial.

At 3 July 2010, there were non-current assets of £0.7m relating to US operations, being made up entirely of equity accounted investments in Go-Ahead North America, a 50:50 joint venture with Cook Illinois which commenced trading in August 2010.

4. Group revenue

	2010 £m	2009 £m
Rendering of services	1,986.7	1,850.5
Rental income	15.5	17.7
Franchise subsidy receipts	199.4	319.0
Group revenue from continuing operations	2,201.6	2,187.2
Group revenue from discontinued operations (note 8)	98.5	158.9
Total group revenue	2,300.1	2,346.1

5. Operating costs (excluding amortisation and exceptional items)

	2010 £m	2009 £m
Staff costs (note 6)	791.6	752.6
Total operating lease		
– bus vehicles	13.0	13.5
– non rail properties	7.4	5.3
– other non rail	0.3	0.5
– rail rolling stock	298.0	235.8
– other rail	63.5	82.3
Total lease and sublease payments recognised as an expense (excluding rail access charges)*	382.2	337.4
– rail access charges	396.7	479.7
Total lease and sublease payments recognised as an expense**	778.9	817.1
Other operating income	(32.1)	(33.5)
Depreciation of property, plant and equipment		
– owned assets	35.5	27.9
– leased assets	15.7	18.3
Total depreciation expense	51.2	46.2
Auditors' remuneration		
– audit of the financial statements	0.5	0.6
– taxation services	0.2	0.2
– other services	0.1	0.2
	0.8	1.0
Trade receivables not recovered	1.2	1.7
Energy costs		
– bus fuel	71.2	61.7

– rail diesel fuel	6.9	6.7
– rail electricity (EC4T)	78.0	73.4
– cost of site energy	11.1	11.7
Total energy costs	167.2	153.5
Government grants	(0.3)	(4.5)
Gain/(Loss) on disposal of property, plant and equipment	0.1	(0.4)
Costs expensed relating to franchise bidding activities	0.1	3.5
Other operating costs	340.9	321.2
Operating costs from continuing operations	2,099.6	2,058.4
Operating costs on discontinued operations (note 8)	95.0	164.1
Total operating costs	2,194.6	2,222.5
Exceptional items (note 7)	46.8	57.7
Goodwill and intangible amortisation	11.0	12.4

* The total lease and sublease payments recognised as an expense (excluding rail access charges) are made up of minimum lease payments of £397.0m net of sublease payments of £14.8m, relating to other rail leases.

** The total lease and sublease payments recognised as an expense are made up of minimum lease payments of £793.7m net of sublease payments of £14.8m relating to other rail leases.

Including discontinued operations, the fee relating to the audit of the financial statements can be analysed between audit of the Company's financial statements of £0.1m (2009: £0.2m) and audit of subsidiaries' financial statements of £0.5m (2009: £0.5m).

In addition to audit fees detailed above, £0.2m of non-audit fees were capitalised as part of the cost of acquisitions during the year. During the year, £0.3m (2009: £2.6m) was also paid to other 'Big 4' accounting firms for a variety of services.

6. Staff costs

Year ended 3 July 2010

	Continuing operations £m	Discontinued operations £m	Total operations £m
Wages and salaries	690.1	59.9	750.0
Social security costs	60.0	5.5	65.5
Other pension costs	40.9	1.1	42.0
Share based payments charge	0.6	0.1	0.7
Total staff costs	791.6	66.6	858.2

Year ended 27 June 2009

	Continuing operations £m	Discontinued operations £m	Total operations £m
Wages and salaries	655.5	101.1	756.6
Social security costs	57.0	9.6	66.6
Other pension costs	39.6	1.8	41.4
Share based payments charge	0.5	0.2	0.7
Total staff costs	752.6	112.7	865.3

The average monthly number of employees during the year, including Directors, was:

	2010 No.	2009 No.
Administration and supervision	2,518	2,476
Maintenance and engineering	2,192	2,176
Operations	17,860	17,844
	22,570	22,496

The information required by Schedule 5 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and details regarding compensation of key management personnel of the Group is provided in the Directors' Report.

Sharesave Scheme

The Group operates an HM Revenue & Customs ('HMRC') approved savings-related share option scheme, known as The Go-Ahead Group plc Savings-Related Share Option Scheme 2003 (the 'Sharesave Scheme'). The Sharesave Scheme is open to all Group employees (including Executive Directors) who have completed at least six months' service with a Group company at the date they are invited to participate in the scheme. Qualifying employees are invited to save between £5 and £75 per month (up to a maximum of £250 per month across all schemes) for a period of three years. At the end of that period, employees can apply the amounts saved, together with a bonus, in acquiring shares in the Company at a minimum price equal to 80% of their market price at the time of invitation.

There are savings-related options at 3 July 2010 as follows:

Scheme maturity	1 June 2010	1 July 2009	1 June 2008
Option price (£)	19.14	14.62	12.10
No. of options unexercised at 3 July 2010	55,183	464,432	–
No. of options exercised during the year	148	13,551	–
No. of options exercisable at 3 July 2010	328,133	–	–

The expense recognised for these schemes during the year to 3 July 2010 was £0.5m (2009: £0.7m).

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

	No.	2010 WAEP £	No.	2009 WAEP £
Outstanding at the beginning of the year	861,595	16.63	1,150,741	16.38
Granted during the year	–	–	–	–
Forfeited during the year	(519,763)	15.10	(239,210)	16.35
Exercised during the year	(13,699)	14.67	(49,936)	12.21
Outstanding at the end of the year	328,133	19.14	861,595	16.63

The weighted average share price at the date of exercise for the options exercised in the period was £13.18 (2009: £17.61).

The options outstanding at the end of the year have a weighted average remaining contracted life of 0.0 years (2009: 0.4 years). These options are exercisable at £19.14 (2009: between £14.62 and £19.14). The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The key assumptions input into the model are future share price volatility, future dividend yield, future risk free interest rate, forfeiture rate and option life.

Share incentive plans

The Company operates an HMRC approved share incentive plan, known as The Go-Ahead Group plc Share Incentive Plan (the SIP). The SIP is open to all Group employees (including Executive Directors) who have completed at least six months' service with a Group company at the date they are invited to participate in the plan.

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

Long term incentive plans

The Executive Directors participate in The Go-Ahead Group Long Term Incentive Plan 2005 (the LTIP). The LTIP provides for Executive Directors and certain other senior employees to be awarded shares in the Company conditional on specified performance conditions being met over a period of three years. Refer to the Directors' Remuneration Report for further details of the LTIP.

The expense recognised for the LTIP during the year to 3 July 2010 was £0.2m (2009: £nil).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 3 July 2010 were:

	2010 % per annum	2009 % per annum
The Go-Ahead Group		
Future share price volatility	37.0	31.0
Transport sector comparator		
Future share price volatility	35.0 – 51.0	29.0 – 37.0
Correlation between companies	60.0	60.0
FTSE Mid-250 index comparator		
Future share price volatility	40.0	35.0
Correlation between companies	20.0	20.0

The following table illustrates the number of share options for the LTIP:

	2010 No.	2009 No.
Outstanding at the beginning of the year	124,751	69,835
Granted during the year	132,017	72,707
Forfeited during the year	(19,195)	(13,806)
Vested during the year	(5,319)	(3,985)
Outstanding at the end of the year	232,254	124,751

None of the options were exercisable at the year end and the weighted average exercise price of the options is £nil.

Directors' discretionary deferred share awards

On 29 October 2009 the Company awarded a total of 6,996 ordinary shares to Directors of the Group. The stock was at no cost to the Directors and restrictions limit the sale or transfer of these shares until they vest, which occurs at the end of a three year period. The shares are held in a trust until they vest. The expenses recognised for the Directors' discretionary deferred share awards during the year to 3 July 2010 was £ nil.

	2010 No	2010 WAEP £	2009 No	2009 WAEP £
Outstanding restricted stock at the beginning of the year	–	–	–	–
Granted during the year	6,996	14.29	–	–
Forfeited during the year	–	–	–	–
Vested during the year	–	–	–	–
Outstanding restricted stock at the end of the year	6,996	14.29	–	–

7. Exceptional items

	2010 £m	2009 £m
Continuing operations		
Residual ground handling operations:		
Pre-sale reorganisation costs	–	(0.3)
Impairments	–	(0.3)
		(0.6)
Meteor Parking:		
Impairment provision	(16.2)	–
Reorganisation costs	(0.2)	–
Onerous contracts	–	(1.5)
	(16.4)	(1.5)
Bus and rail related items:		
Rail reorganisation costs	(6.7)	(4.7)
London bus accelerated depreciation	(2.6)	(0.8)
Bus reorganisation costs	(0.8)	–
Onerous bus leases	(0.9)	–
Fuel hedging	–	(6.9)
	(11.0)	(12.4)
Total exceptional items on continuing operations	(27.4)	(14.5)

Discontinued operations		
Loss on sale:		
Agreed proceeds	14.8	–
Less net assets sold	(17.8)	–
Loss on sale	(3.0)	–
Less sale provision	(10.1)	–
	(13.1)	–
Pre-sale reorganisation costs	(2.4)	(5.1)
Onerous contracts	(6.1)	–
Pension scheme curtailment gain	2.2	–
Pre-sale impairments	–	(38.1)
Total exceptional items on discontinued operations	(19.4)	(43.2)
Total exceptional items	(46.8)	(57.7)
Consisting of:		
Non-cash items	(50.6)	(47.6)
Cash proceeds	14.8	–
	(35.8)	(47.6)
Other cash items	(11.0)	(10.1)
Total	(46.8)	(57.7)

Year ended 3 July 2010

Total exceptional items in the year were £46.8m (2009: £57.7m) consisting of sales proceeds of £14.8m (2009: £nil), non-cash items of £50.6m (2009: £47.6m), and other cash items of £11.0m (2009: £10.1m).

Exceptional items on continuing operations for the year were £27.4m (2009: £14.5m). An impairment review of the Meteor Parking business was undertaken, resulting in a goodwill impairment charge of £16.2m. Restructuring costs in Meteor totalled £0.2m following changes to the senior management team to effect a fundamental reorganisation of the business. Bus and rail related exceptional costs totalled £11.0m, consisting of £6.7m of rail restructuring costs, and £2.6m of accelerated depreciation in respect of the articulated London buses which are being phased out by March 2011. It is expected a further exceptional depreciation charge of around £1.8m will be incurred into 2011.

The discontinued exceptional items of £19.4m consist of a net loss on sale of £13.1m, pre-sale reorganisation costs which related to operations subsequently sold of £2.4m and onerous contract provisions of £6.1m. The loss on sale represents sales proceeds of £14.8m, less net book value of assets sold of £17.8m and provisions of £10.1m.

Year ended 27 June 2009

Of the exceptional items totalling £57.7m some £43.2m has been reclassified as relating to discontinued operations.

Costs relating to continuing operations were an impairment charge and reorganisation charges in Meteor, totalling £0.6m and an onerous contract provision in that business of £1.5m. Bus and rail related exceptional costs totalled £5.5m, consisting of £4.7m of rail restructuring costs, and £0.8m of accelerated depreciation in respect of the articulated London buses which are being phased out by March 2011. Non-cash exceptional items also included £6.9m relating to the fair value part of the current year bus fuel hedge (designated as ineffective under IAS 39).

Discontinued impairment charges consisted of £38.4m non-cash pre-sale impairments to reduce the carrying value of the ground handling and cargo operations within the aviation services division, and £5.1m of pre-sale reorganisation costs.

8. Discontinued operations

On 30 January 2010, most of the Group's ground handling and cargo operations at Heathrow were sold to Dnata for £14.8m consideration, and most of the Group's ground handling operations outside Heathrow were sold to Servisair UK Limited for a nominal consideration. The remaining ground handling operations are expected to be sold within the next twelve months and are also included in discontinued operations. The results of the discontinued operations for the years ended 3 July 2010 and 27 June 2009 are as follows:

	2010 £m	2009 £m
Loss from discontinued operations	(9.0)	(40.2)
Loss on disposal	(3.0)	–
Loss for the year from discontinued operations	(12.0)	(40.2)
Loss per share from discontinued operations		
– basic and diluted	(27.9p)	(93.6p)

The loss per share is attributable to equity holders of the parent and calculated as described on the basis of the number of shares disclosed in note 11.

Revenue

	2010 £m	2009 £m
Rendering of services	98.2	158.6
Rental income	0.3	0.3
Franchise subsidy receipts	–	–
Group revenue on discontinued operations	98.5	158.9

Operating costs

	2010 £m	2009 £m
Staff costs	66.6	112.7
Total lease & sublease payments recognised as an expense*	6.5	11.3
Depreciation of property, plant and equipment – owned assets	0.8	3.3
Depreciation of property, plant and equipment – leased assets	0.1	0.2
Auditors' remuneration – audit of the financial statements	0.1	0.1
Trade receivables not recovered	0.2	0.6
Loss on disposal of property, plant & equipment	–	0.1
Other operating costs	20.7	35.8
Operating costs on discontinued operations	95.0	164.1

*The entire balance comprises minimum lease payments.

The cashflows attributable to the discontinued operations are as follows:

	2010 £m	2009 £m
Operating cashflows	1.5	(6.4)
Investing cashflows	15.0	(1.4)
Financing cashflows	(0.4)	(0.2)
Net cashflow	16.1	(8.0)

The net assets disposed of and consideration received on the sales to Servisair UK Limited and Dnata were as follows:

	2010 £m
Net assets disposed of:	
Tangible fixed assets	7.3
Inventories	0.2
Receivables	16.8
Cash at bank	0.1
Payables falling due within one year	(7.8)
Deferred taxation	1.2
	17.8
Consideration received:	

Cash	14.8
Total consideration	14.8
Loss on disposal	(3.0)

At 3 July 2010, net assets held in disposal groups held for sale were as follows;

	2010 £m
Assets:	
Non-current assets:	
Deferred tax asset	3.3
	3.3
Current assets:	
Inventories	0.2
Cash	0.3
Trade and other receivables	4.0
Taxation asset	2.4
	6.9
Total assets held in disposal groups held for sale	10.2
Liabilities:	
Trade and other payables	(17.9)
Total liabilities held in disposal groups held for sale	(17.9)
Net liabilities held in disposal groups held for sale	(7.7)

9. Finance revenue and costs

	2010 £m	2009 £m
Bank interest receivable on bank deposits	1.3	5.2
Other interest receivable	0.3	0.9
Finance revenue	1.6	6.1
Interest payable on bank loans and overdrafts	(8.6)	(14.2)
Interest payable on £200m Sterling 7.5 year bond	(3.0)	–
Other interest payable	(2.4)	(1.9)
Interest payable under finance leases and hire purchase contracts	(0.9)	(1.5)
Finance costs	(14.9)	(17.6)

10. Taxation

a. Tax recognised in the income statement and in equity

	2010 £m	2009 £m
Current tax charge	16.1	24.2
Adjustments in respect of current tax of previous years	0.2	0.1
	16.3	24.3
Deferred tax relating to origination and reversal of temporary differences	(5.5)	(8.7)
Previously unrecognised deferred tax of a prior period	–	(0.5)
Total tax including discontinued operations (before exceptional tax – changes in tax laws)	10.8	15.1
Previously unrecognised deferred tax of a prior period (exceptional tax – changes in tax laws)	–	8.6
Total tax including discontinued operations (after exceptional tax – changes in tax laws)	10.8	23.7
Tax on discontinued operations	(4.1)	(8.7)
Tax on continuing operations	14.9	32.4

The effect of changes in tax laws relate to the abolition of industrial buildings allowances.

Tax relating to items charged or credited outside of profit or loss

	2010 £m	2009 £m
Tax on actuarial losses on defined benefit pension plans	(6.3)	(7.6)
Corporation Tax on IAS 39 asset/(liability)	5.3	(11.6)
Deferred tax on IAS 39 asset	0.2	–
Tax reported outside of profit or loss	(0.8)	(19.2)

b. Reconciliation

A reconciliation of income tax applicable to accounting profit before tax and exceptional items at the statutory tax rate to tax at the Group's effective tax rate for the years ended 3 July 2010 and 27 June 2009 is as follows:

Year ended 3 July 2010

	Pre-exceptional excluding discontinued operations £m	Pre- exceptional £m	Exceptional tax and tax on exceptional items £m	Total £m
Profit on ordinary activities before taxation from continuing operations	77.8	77.8	(27.4)	50.4
Profit on ordinary activities before taxation from discontinued operations	–	3.3	(19.4)	(16.1)
Accounting profit on ordinary activities before taxation	77.8	81.1	(46.8)	34.3
At United Kingdom tax rate of 28%	21.8	22.7	(13.1)	9.6
Adjustments in respect of current tax of previous years	0.2	0.2	–	0.2
Expenditure not allowable for tax purposes	0.8	0.8	–	0.8
Goodwill amortisation and impairment charges	0.4	0.4	4.5	4.9
Differences relating to tax efficient financing	(2.9)	(2.9)	–	(2.9)
Expenses not allowable on sale of aviation business	–	–	0.8	0.8
Release of deferred tax on rolled over gains arising on sale of aviation business	–	–	(2.6)	(2.6)
Total tax reported in consolidated income statement	20.3	21.2	(10.4)	10.8
Effective tax rate	26.1%	26.1%		31.5%

Year ended 27 June 2009

	Pre-exceptional excluding discontinued operations £m	Pre- exceptional £m	Exceptional tax and tax on exceptional items £m	Total £m
Profit on ordinary activities before taxation from continuing operations	105.4	105.4	(14.5)	90.9
Profit on ordinary activities before taxation from discontinued operations	–	(5.7)	(43.2)	(48.9)
Accounting profit on ordinary activities before taxation	105.4	99.7	(57.7)	42.0
At United Kingdom tax rate of 28%	29.5	27.9	(16.1)	11.8
Adjustments in respect of current tax of previous years	0.1	0.1	–	0.1
Previously unrecognised deferred tax of a prior period	(0.5)	(0.5)	–	(0.5)
Previously unrecognised deferred tax of a prior period (exceptional tax – changes in tax laws)	–	–	8.6	8.6
Expenditure not allowable for tax purposes	1.7	1.7	0.1	1.8
Goodwill amortisation and impairment charges	0.7	0.7	4.5	5.2
Differences relating to tax efficient financing	(3.3)	(3.3)	–	(3.3)
Tax reported in consolidated income statement	28.2	26.6	(2.9)	23.7
Effective tax rate	26.7%	26.7%		56.4%

c. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2010 £m	2009 £m
Deferred tax liability		
Accelerated capital allowances	(28.7)	(28.4)
Intangible assets	(4.6)	(5.9)
Other temporary differences	(4.7)	(9.8)
Revaluation of land and buildings	(24.3)	(24.3)
Total deferred tax liability	(62.3)	(68.4)
Included within net assets held for disposal (note 8)	3.3	–
Deferred tax liability included in balance sheet	(65.6)	(68.4)
Deferred tax asset		
Retirement benefit obligations	27.1	23.4

Total Deferred tax asset	27.1	23.4
Included within net assets held for disposal (note 8)	–	–
Deferred tax asset included in balance sheet	27.1	23.4

The deferred tax included in the Group income statement is as follows:

	2010 £m	2009 £m
Accelerated capital allowances	(0.9)	(6.0)
Share based payments	–	0.5
Tax losses	–	0.1
Retirement benefit obligations	1.4	(0.4)
Other temporary differences	(6.0)	(2.9)
	(5.5)	(8.7)
Adjustments in respect of prior years	–	(0.5)
Adjustments in respect of prior years (exceptional tax – changes in tax laws)	–	8.6
Total Deferred income tax credit	(5.5)	(0.6)
Deferred income tax expense on discontinued operations	(1.6)	(5.4)
Deferred income tax expense on continuing operations	(3.9)	4.8

d. Cash tax

	2010 £m
2009 Current tax charge (note 9a)	24.2
2010 Adjustments in respect of current tax of previous years in income statement (note 9a)	0.2
2010 Adjustments in respect of current tax of previous years in equity	0.4
Carry back on fuel swaps and interest rate hedges	(4.4)
Other adjustments	0.2
	20.6
Less January 2009 and April 2009 quarterly instalment payments	(11.1)
Plus January 2010 and April 2010 quarterly instalment payments	9.3
Cash tax paid	18.8

On 22 June 2010 the Emergency Budget announced by the UK Coalition Government contained details of proposed changes to corporation tax rates and the rates of capital allowances to be fully implemented by 2014. The rate of corporation tax is to be cut from 28% to 27% from 1 April 2011 and then by a further 1% each year until 1 April 2014 when it reaches 24%. The principal rate of capital allowances will be reduced from 20% to 18% from 1 April 2012 with reductions in special and short life pool rates from 10% to 8%. None of these changes had been enacted or substantially enacted at 3 July 2010 and no adjustment has been recognised in these financial statements. If all changes had been enacted then for each 1% change our deferred tax asset would reduce by £1.0m and our deferred tax liability would reduce by £2.3m.

11. Earnings per share

Basic and diluted earnings per share

	2010	2009
Net profit on total operations attributable to equity holders of the parent (£m)	17.2	6.3
Consisting of:		
Adjusted earnings on continuing operations attributable to equity holders of the parent (£m)	55.1	69.4
Exceptional items after taxation and minority interest (£m)	(20.0)	(16.4)
Amortisation after taxation and minority interest (£m)	(5.9)	(6.5)
Basic and diluted earnings on continuing operations attributable to equity holders of the parent (£m)	29.2	46.5
Loss on discontinued operations attributable to equity holders of the parent (£m)	(12.0)	(40.2)
Basic and diluted earnings on total operations attributable to equity holders of the parent (£m)	17.2	6.3
Weighted average shares in issue ('000)	42,938	42,934
Earnings per share:		
Adjusted earnings per share from continuing operations (pence per share)	128.3	161.6
Basic and diluted earnings per share from continuing operations (pence per share)	68.0	108.3
Basic and diluted earnings per share from total operations (pence per share)	40.1	14.7

The weighted average number of shares in issue excludes treasury shares held by the Company, and shares held in trust for the Directors' LTIP.

No shares were bought back and cancelled by the Group in the period from 3 July 2010 to 1 September 2010.

The effect of potentially issuable shares is anti-dilutive in all periods presented and as such basic and diluted earnings per share are the same in each period.

The effect of taxation and minority interest on exceptional items and amortisation is shown below for each of the periods.

Adjusted earnings per share

Adjusted earnings per share is also presented to eliminate the impact of goodwill and intangible amortisation and exceptional costs and revenues in order to show a 'normalised' earnings per share. For continuing operations this is analysed as follows:

Year ended 3 July 2010

	Profit for the year £m	Exceptional items £m	Amortisation £m	2010 Total £m
Profit before taxation from continuing operations	50.4	27.4	10.9	88.7
Less: Taxation	(14.9)	(5.7)	(2.7)	(23.3)
Less: Minority Interest	(6.3)	(1.7)	(2.3)	(10.3)
Adjusted profit attributable to equity holders of the parent	29.2	20.0	5.9	55.1
Adjusted earnings per share from continuing operations (pence per share)				128.3

Year ended 27 June 2009

	Profit for the year £m	Exceptional items £m	Amortisation £m	2009 Total £m
Profit before taxation from continuing operations	90.9	14.5	11.9	117.3
Less: Taxation	(32.4)	4.5	(2.7)	(30.6)
Less: Minority Interest	(12.0)	(2.6)	(2.7)	(17.3)
Adjusted profit attributable to equity holders of the parent	46.5	16.4	6.5	69.4
Adjusted earnings per share from continuing operations (pence per share)				161.6

12. Dividends paid and proposed

	2010 £m	2009 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2009: 55.5p per share (2008: 55.5p)	23.8	23.8
Interim dividend for 2010: 51.0p per share (2009: 25.5p)	21.9	11.0
	45.7	34.8
	2010 £m	2009 £m
Proposed for approval at AGM (not recognised as a liability as at 3 July 2010)		
Equity dividends on ordinary shares:		
Final dividend for 2010: 30.0p per share (2009: 55.5p)	12.9	23.9

13. Property, plant and equipment

	Freehold land and buildings £m	Leasehold properties £m	Bus vehicles £m	Plant and equipment £m	Total £m
Cost:					
At 28 June 2008	144.6	18.3	349.0	189.0	700.9
Additions	1.1	1.3	34.0	23.2	59.6
Disposals	–	–	(17.4)	(6.5)	(23.9)
Transfer categories	–	–	(0.1)	0.1	–
Transfer of assets held for resale	0.8	–	(1.8)	–	(1.0)
At 27 June 2009	146.5	19.6	363.7	205.8	735.6

Additions	7.2	0.1	31.7	19.3	58.3
Acquisitions	0.2	1.3	13.2	0.6	15.3
Disposals	(0.7)	(4.0)	(15.4)	(75.9)	(96.0)
Transfer categories	1.5	–	–	(1.5)	–
Transfer of assets held for resale	–	–	(1.3)	–	(1.3)
At 3 July 2010	154.7	17.0	391.9	148.3	711.9
Depreciation and impairment:					
At 28 June 2008	4.8	4.1	152.2	113.2	274.3
Charge for the year	0.6	1.1	27.3	20.7	49.7
Exceptional depreciation	–	–	0.8	–	0.8
Impairment charges	–	–	–	22.2	22.2
Disposals	–	–	(14.5)	(5.7)	(20.2)
Transfer of assets held for resale	0.1	–	(1.2)	–	(1.1)
At 27 June 2009	5.5	5.2	164.6	150.4	325.7
Charge for the year	0.7	1.4	30.0	20.0	52.1
Exceptional depreciation	–	–	2.6	–	2.6
Disposals	(0.1)	(2.2)	(13.2)	(67.7)	(83.2)
Transfer of assets held for resale	–	–	(1.2)	–	(1.2)
At 3 July 2010	6.1	4.4	182.8	102.7	296.0
Net book value					
At 3 July 2010	148.6	12.6	209.1	45.6	415.9
At 27 June 2009	141.0	14.4	199.1	55.4	409.9
At 28 June 2008	139.8	14.2	196.8	75.8	426.6

The net book value of leased assets and assets acquired under hire purchase contracts is:

	2010 £m	2009 £m
Rolling stock	97.4	118.3
Plant and equipment	0.4	1.9
	97.8	120.2

Additions during the year included £nil (2009: £nil) of rolling stock and £nil (2009: £nil) of plant and equipment held under finance leases and hire purchase contracts.

14. Intangible assets

	Goodwill £m	Software costs £m	Franchise bid costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
Cost						
At 28 June 2008	105.1	8.8	7.2	49.6	5.5	176.2
Additions	–	2.6	0.2	–	–	2.8
At 27 June 2009	105.1	11.4	7.4	49.6	5.5	179.0
Additions	23.1	1.0	1.3	–	0.7	26.1
Disposals	(0.4)	(0.7)	–	–	–	(1.1)
At 3 July 2010	127.8	11.7	8.7	49.6	6.2	204.0
Amortisation and impairment						
At 28 June 2008	18.7	4.5	2.8	12.4	1.6	40.0
Charge for the year	2.4	1.4	0.9	6.2	1.5	12.4
Impairment	16.1	0.1	–	–	0.1	16.3
At 27 June 2009	37.2	6.0	3.7	18.6	3.2	68.7
Charge for the year	1.1	1.7	0.9	6.1	1.1	10.9
Disposals	–	(0.4)	–	–	–	(0.4)
Impairment	16.2	–	–	–	–	16.2
At 3 July 2010	54.5	7.3	4.6	24.7	4.3	95.4

Net book value						
At 3 July 2010	73.3	4.4	4.1	24.9	1.9	108.6
At 27 June 2009	67.9	5.4	3.7	31.0	2.3	110.3
At 28 June 2008	86.4	4.3	4.4	37.2	3.9	136.2

Rail franchise asset

This reflects the cost of the right to operate a rail franchise. The brought forward element of the franchise intangible is made up of £21.1m relating to the opening deficit in the RPS and £9.9m relating to the cost of the intangible asset acquired on the handover of the franchise assets relating to the Southeastern rail franchise. The intangible asset is being amortised on a straight-line basis over the life of the franchises (being between five and eight years).

Software costs

Software costs capitalised exclude software that is integral to the related hardware.

Customer contracts

This relates to the value attributed to customer contracts and relationships purchased as part of the Group's acquisitions. The value is calculated based on the unexpired term of the contracts at the date of acquisition and is amortised over that period.

Impairment

During the year ended 3 July 2010 an impairment review of the aviation services division resulted in the goodwill of Meteor Parking of £18.4m being written down to £2.2m.

Goodwill

As from 3 July 2004, goodwill is no longer amortised and is tested annually for impairment.

The goodwill charge of £1.1m (2009: £2.4m) is in respect of rail businesses which, due to the finite nature of the franchises, require the goodwill to be impaired annually.

Goodwill acquired through acquisitions has been allocated to individual cash-generating units for impairment testing on the basis of the Group's business operations. The carrying value of goodwill by cash-generating unit is as follows:

	2010 £m	2009 £m
Meteor Parking	2.2	18.4
New Southern Railway	–	1.0
Metrobus	10.6	6.5
Go South Coast	28.6	28.6
Brighton & Hove	2.1	2.1
Plymouth Citybus	13.0	–
Go-Ahead London	10.5	10.5
Go North East	2.7	0.8
Konectbus	3.6	–
	73.3	67.9

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash-generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three-year period. Growth has been extrapolated forward from the end of the forecasts, using a growth rate of 3.0% which reflects the Directors' view of long term growth rates in each business.

The pre-tax cashflows for all cash-generating units have been discounted using a pre-tax discount rate of 11.1% (2009: 11.0%), based on the Group's weighted average cost of capital, plus an appropriate risk premium for each cash-generating unit of 0.0-2.0% (2009: 0.0-2.0%).

The calculation of value in use for each cash-generating unit is most sensitive to the forecast operating cashflows, the discount rate and the growth rate used to extrapolate cashflows beyond the budget period. The operating cashflows are based on assumptions of revenue, staff costs and general overheads. These assumptions are influenced by several internal and external factors.

The Directors consider the assumptions used to be consistent with the historical performance of each unit and to be realistically achievable in light of economic and industry measures and forecasts. We have conducted sensitivity analysis on our calculations and confirmed that there are no likely movement on assumptions that

would lead to an impairment. The cash generating unit with the least headroom is Plymouth City Bus, as expected given it has only recently been acquired. An increase of 1% of the Group's weighted cost of capital would result in an impairment of £0.9m and a further 1% increase would lead to a further impairment charge of £2.0m.

15. Business combinations

Year ended 3 July 2010

On 3 October 2009, London General Transport Services Limited, a wholly owned subsidiary of the Group, acquired the assets of East Thames Buses from Transport for London ('TfL') for a total cash consideration of £5.0m. East Thames Buses operated a fleet of approximately 120 vehicles over nine TfL contracted routes. On 3 October 2009, Metrobus Limited, a wholly owned subsidiary of the Group, acquired the assets of Arriva's bus interest in Horsham for a total cash consideration of £5.0m. The interests include a fleet of 18 vehicles and 58 employees, and will operate as part of Metrobus Limited which provides bus services in Sussex, Surrey and Kent including regulated services for TfL.

On 1 December 2009, Go-Ahead Holding Limited, a wholly owned subsidiary of the Group, acquired 100% of the share capital of Plymouth Citybus Limited from Plymouth City Council for a cash consideration of £19.0m. Plymouth Citybus operates a fleet of 175 vehicles and employs approximately 470 employees in the Plymouth area.

On 9 March 2010, Go Ahead Holding Limited also acquired 100% of the share capital of Konectbus Limited which operates a bus fleet of 44 vehicles and employs approximately 70 employees in the Norfolk area. On 28 March 2010, Go North East Limited, a wholly owned subsidiary of the group, entered into a contract to acquire the Hexham operations of Arriva plc for a cash consideration and agreed to sell Go North East's Ashington operations to Arriva. The operations became effective April 2010. The combined consideration for these acquisitions was £8.2m.

A summary of the transactions is detailed below:

Net assets at date of acquisition:

	Book value 2010 £m	Fair value to Group 2010 £m
Intangible assets – contracts	–	0.7
Tangible fixed assets	15.3	15.3
Inventories	0.5	0.5
Receivables	0.9	0.9
Cash at bank	2.0	2.0
Payables falling due within one year	(4.2)	(4.2)
Payables falling due after one year	(0.4)	(0.4)
Deferred taxation	(0.5)	(0.7)
	13.6	14.1
Goodwill capitalised		23.1
		37.2
Cash		34.9
Expenses		0.3
Total cash consideration		35.2
Deferred consideration		1.3
Transfer of Ashington operations		0.7
Total consideration		37.2

Intangible assets acquired represent customer contracts of £0.7m

Payment of deferred consideration is dependent upon achievement of target operating profit levels.

The goodwill capitalised reflects the access to the markets served by the acquired entities and the potential business synergies that can be achieved upon acquisition. Management believes that goodwill represents future growth opportunities and created value to the growth in respect of customer awareness and an assembled workforce for which the recognition of a discreet intangible asset is not permitted.

From the date of acquisition, in the year ended 3 July 2010, the acquisitions recorded an operating profit of £3.6m to the Group and revenue of £31.5m. Had the combinations taken place at the beginning of the year, it is estimated that they would have recorded £4.9m of operating profit and £48.7m of revenue to the Group. This would have resulted in total Group revenue of £2,218.8m, and total operating profit (before amortisation and exceptional items) of £103.3m

Year ended 27 June 2009

There have been no business combinations during the year ended 27 June 2009.

16. Assets classified as held for sale

Assets held for sale, with a carrying amount of £1.7m (2009: £9.7m), represent property, plant and equipment which are currently not used in the business and are now available for sale. These assets classified as held for sale had no associated liabilities at the year end (2009: £nil).

17. Inventories

	2010 £m	2009 £m
Raw materials and consumables	12.9	13.1

The amount of any write down of inventories recognised as an expense during the year is immaterial.

18. Trade and other receivables

	2010 £m	2009 £m
Current		
Trade receivables	89.0	94.0
Less: Provision for impairment of receivables	(3.6)	(4.4)
Trade receivables – net	85.4	89.6
Other receivables	12.2	27.3
Prepayments and accrued income	51.3	59.1
Receivable from central government	39.9	23.2
	188.8	199.2
	2010 £m	2009 £m
Non-current		
Other receivables	1.8	3.1

Included within other receivables is £nil (2009: £21.6m) deposit paid on rolling stock.

Trade receivables at nominal value of £3.6m (2009: £4.4m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Individually impaired £m	Collectively impaired £m	Continuing operations £m	Discontinued operations individually impaired £m	Total £m
At 28 June 2008	2.9	0.1	3.0	–	3.0
Charge for the year	2.5	0.5	3.0	–	3.0
Utilised	(0.8)	(0.1)	(0.9)	–	(0.9)
Unused amounts reversed	(0.7)	–	(0.7)	–	(0.7)
At 27 June 2009	3.9	0.5	4.4	–	4.4
Transfer to held for disposal	(0.2)	–	(0.2)	0.2	–
Charge for the year	1.4	0.1	1.5	0.2	1.7
Utilised	(1.5)	(0.3)	(1.8)	(0.1)	(1.9)
Unused amounts reversed	(0.2)	(0.1)	(0.3)	–	(0.3)
At 3 July 2010	3.4	0.2	3.6	0.3	3.9

As at 3 July 2010, the ageing analysis of trade receivables is as follows:

	Total £m	Neither past due nor impaired £m	< 30 days £m	30 – 60 days £m	60 – 90 days £m	90 – 120 days £m	Past due but not impaired > 120 days £m
2010	85.4	76.7	3.8	1.6	1.0	1.3	1.0
2009	89.6	60.8	16.6	4.8	0.2	3.2	4.0

19. Cash and short term deposits

	2010 £m	2009 £m
Cash at bank and in hand	28.3	32.2
Short term deposits	207.5	174.9
	235.8	207.1
Cash associated with discontinued operations (note 8)	0.3	–
	236.1	207.1

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The fair value of cash and cash equivalents is not materially different to book value.

Amounts held by rail companies included in cash at bank and on short term deposit, can be distributed only with the agreement of the DfT, normally up to the value of revenue reserves or based on a working capital formula agreed with the DfT. As at 3 July 2010, balances amounting to £204.0m (2009: £181.3m) were restricted. Part of this amount is to cover deferred income for season tickets which was £65.1m at 3 July 2010 (2009: £82.1m). For the purposes of the consolidated cashflow statement, cash and cash equivalents comprise the following:

	2010 £m	2009 £m
Cash at bank and in hand	28.3	32.2
Short term deposits	207.5	174.9
Bank overdrafts (note 21)	(5.8)	(5.0)
	230.0	202.1
Cash associated with discontinued operations (note 8)	0.3	–
	230.3	202.1

20. Trade and other payables

	2010 £m	2009 £m
Current		
Trade payables	163.5	179.3
Other taxes and social security costs	23.7	22.2
Other payables	38.0	30.1
Deferred season ticket income	91.0	88.8
Accruals and deferred income	69.7	81.3
Uninsured claims accrual	40.0	40.2
Payable to central Government	65.3	39.5
Government grants	2.5	4.3
	493.7	485.7
Non-current		
Government grants	2.7	3.7
Other liabilities	2.6	5.2
	5.3	8.9

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest-bearing and are normally settled on 30 day terms;
- Other payables are non-interest-bearing and have varying terms of up to 12 months.

21. Interest-bearing loans and borrowings

Net debt and interest-bearing loans and borrowings

Our net debt position comprises cash, short term deposits, interest-bearing loans and borrowings, and can be summarised as:

Year ended 3 July 2010

	Current			Non-current		Total £m
	Effective interest rate %	Maturity	Within one year £m	After one year but not more than five years £m	After five years £m	
Syndicated loans (see below)	1.02	0-3 years	–	103.0	–	103.0
Debt issue costs on syndicated loans			(0.7)	–	–	(0.7)
Medium term loans (see below)	0.92	0-1 years	5.6	–	–	5.6
Debt issue costs on medium term loans			–	–	–	–
£200m Sterling 7.5 year bond (see below)	5.38	0-8 years	–	–	200.0	200.0
Debt issue costs			–	(0.4)	(2.3)	(2.7)
Finance leases and HP commitments (see below)	5.26	0-5 years	6.4	3.6	–	10.0
Bank overdraft (note 19)	1.50	On demand	5.8	–	–	5.8
Total interest-bearing loans and borrowings			17.1	106.2	197.7	321.0
Debt issue costs			0.7	0.4	2.3	3.4
Total interest-bearing loans and borrowings (gross of debt issue costs)			17.8	106.6	200.0	324.4
Cash and short term deposits (note 19)			(236.1)	–	–	(236.1)
Net debt			(218.3)	106.6	200.0	88.3
Restricted cash						204.0
Adjusted net debt						292.3

Year ended 27 June 2009

	Current			Non-current		Total £m
	Effective interest rate %	Maturity	Within one year £m	After one year but not more than five years £m	After five years £m	
Syndicated loans (see below)	1.12	0-4 years	–	239.0	–	239.0
Debt issue costs on syndicated loans			(1.1)	–	–	(1.1)
Medium term loans (see below)	4.29	0-3 years	17.4	18.6	–	36.0
Debt issue costs on medium term loans			(0.1)	–	–	(0.1)
Finance leases and HP commitments (see below)	5.19	0-5 years	9.2	8.9	–	18.1
Bank overdraft (note 19)	1.50	On demand	5.0	–	–	5.0
Total interest-bearing loans and borrowings			30.4	266.5	–	296.9
Debt issue costs			1.2	–	–	1.2
Total interest-bearing loans and borrowings (gross of debt issue costs)			31.6	266.5	–	298.1
Cash and short term deposits (note 19)			(207.1)	–	–	(207.1)
Net debt			(175.5)	266.5	–	91.0
Restricted cash						181.3
Adjusted net debt						272.3

Analysis of Group net debt

	Cash and cash equivalents £m	Syndicated loan facility £m	Term loans £m	Hire purchase/finance leases £m	£200m Sterling Bond £m	Total £m
28 June 2008	151.3	(262.0)	(52.8)	(34.3)	–	(197.8)
Cashflow	50.8	23.0	16.8	16.2	–	106.8
27 June 2009	202.1	(239.0)	(36.0)	(18.1)	–	(91.0)
On acquisitions	–	–	–	(2.4)	–	(2.4)
Cashflow	28.2	136.0	30.4	10.5	(200.0)	5.1

3 July 2010	230.3	(103.0)	(5.6)	(10.0)	(200.0)	(88.3)
Adjusted net debt						292.3

Syndicated loan facility

On 23 November 2007 the Group entered into a £340.0m five-year syndicated loan facility. The debt is unsecured and interest is charged at LIBOR + Margin, where the margin is dependent upon the gearing of the Group and the intended use of the borrowings. On 15 April 2010 the syndicated loan facility was reduced by the Group to £280.0m.

As at 3 July 2010, £103.0m (2009: £239.0m) of the facility was drawn down.

£200m Sterling 7.5 Year Bond

On 24 March 2010, the Group raised a £200m bond of 7.5 years maturing on 29 September 2017 with a coupon rate of 5.375%.

Medium term loans

The Group had a number of medium term loans during the year, all of which are unsecured.

	Effective interest rate %	2010 £m	2009 £m
Fixed rate term loan	–	–	24.8
Floating rate term loans	0.92	5.6	11.2
		5.6	36.0

The fixed rate term loan, which was subject to interest of 5.71% and repayable on 22 September each year, was repaid early on 12 April 2010.

There is one floating rate loan which is unsecured. It is subject to interest at LIBOR + 0.3%, and is repayable in annual instalments of £5.6m on 22 August each year. This was repaid early on 2 August 2010.

On 26 August 2009 two additional floating rate loans were arranged. The first being a £15.0m loan subject to interest at LIBOR + 3.0% with a single repayment on 25 August 2012. The second was also for £15.0m and was subject to interest at LIBOR + 2.25%. Repayments of £1.5m, £3.5m and £10.0m were scheduled to be made in year one, year two and year three respectively. Both loans were repaid early on 12 April 2010 and 9 April 2010 respectively.

A further additional floating rate loan of £20.0m was entered into on 27 November 2009 with an interest rate of LIBOR + 2.5%. This loan was repaid early on 9 April 2010.

Debt issue costs

There are debt issue costs of £0.7m (2009: £1.1m) on the syndicated loan facility and £nil (2009: £0.1m) on the medium term loans.

The £200m sterling 7½ year bond has debt issue costs of £2.7m (2009: £nil)

22. Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for rolling stock and various items of plant and machinery. These contracts have no terms of renewal or purchase option escalation clauses. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments, are as follows:

	Minimum payments £m	2010 Present value of payments £m	Minimum payments £m	2009 Present value of payments £m
Within one year	6.9	6.4	10.0	9.2
After one year but not more than five years	3.8	3.6	9.5	8.9
Total minimum lease payments	10.7	–	19.5	–
Less amounts representing finance charges	(0.7)	–	(1.4)	–
Present value of minimum lease payments	10.0	10.0	18.1	18.1

The finance lease and hire purchase commitments all relate to bus vehicles.

23. Financial risk management objectives and policies

Financial risk factors and management

The Group's principal financial instruments comprise bank loans, hire purchase and finance lease contracts, and cash and short term deposits. The main purpose of these financial instruments is to provide an appropriate level of net debt to fund the Group's activities, namely working capital, fixed asset expenditure, acquisitions, dividends and share buybacks. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps and fuel swaps. The purpose is to manage the interest rate and fuel price risks arising from the Group's operations and its sources of finance. It is, and has been throughout 2010 and 2009, the Group's policy that no trading in derivatives shall be undertaken and derivatives are only purchased for internal benefit.

The main financial risks arising from the Group's activities are interest rate risk, liquidity risk and credit risk. Risks arising from fuel derivatives are explained in note 24.

Interest rate risk

The Group borrows and deposits funds and is exposed to changes in interest rates. The Board's policy toward cash deposits is to deposit cash short term on UK money markets. Interest payable on senior bank borrowings is based on re-fixing the rate of interest over short periods of time of up to 36 months. During the year the Group has partially managed interest rate risk by hedging. Excluding fixed rate debt, the Group has net borrowings and hence the present adverse risk is an increase in interest rates.

The maturity and interest rate profile of the financial assets and liabilities of the Group as at 3 July 2010 is as follows:

	Average rate %	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Year ended 3 July 2010								
Floating rate liabilities/(assets)								
Bank overdrafts	1.50	5.8	–	–	–	–	–	5.8
Variable rate loans	1.01	5.6	–	103.0	–	–	–	108.6
Obligations under finance lease and HP	1.31	0.8	–	–	–	–	–	0.8
Interest rate swaps	2.25	–	(53.4)	(80.0)	–	–	–	(133.4)
Gross floating rate liabilities/(assets)		12.2	(53.4)	23.0	–	–	–	(18.2)
Cash assets	0.55	(236.1)	–	–	–	–	–	(236.1)
Net floating rate (assets)/liabilities		(223.9)	(53.4)	23.0	–	–	–	(254.3)
Fixed rate liabilities								
£200m Sterling 7.5 year bond	5.38	–	–	–	–	–	200.0	200.0
Medium term fixed rate loan	–	–	–	–	–	–	–	–
Obligations under finance lease and hire	5.68	5.5	2.3	1.0	0.3	0.1	–	9.2
Interest rate swaps	2.25	–	53.4	80.0	–	–	–	133.4
		5.5	55.7	81.0	0.3	0.1	200.0	342.6
Total floating and fixed profile		(218.4)	2.3	104.0	0.3	0.1	200.0	88.3
Year ended 27 June 2009								
Floating rate liabilities/(assets)								
Bank overdrafts	1.50	5.0	–	–	–	–	–	5.0
Variable rate loans	1.11	5.6	5.6	–	239.0	–	–	250.2
Obligations under finance lease and HP contracts	1.42	0.8	0.8	–	–	–	–	1.6
Interest rate swaps	2.20	–	–	(49.5)	(50.0)	–	–	(99.5)
Gross floating rate liabilities/(assets)		11.4	6.4	(49.5)	189.0	–	–	157.3
Cash assets	0.78	(207.1)	–	–	–	–	–	(207.1)
Net floating rate (assets)/liabilities		(195.7)	6.4	(49.5)	189.0	–	–	(49.8)
Fixed rate liabilities								
Medium term fixed rate loan	5.76	11.8	5.8	7.2	–	–	–	24.8
Obligations under finance lease and hire purchase contracts	5.55	8.4	5.0	2.5	0.4	0.2	–	16.5
Interest rate swaps	2.20	–	–	49.5	50.0	–	–	99.5

	20.2	10.8	59.2	50.4	0.2	–	140.8
Total floating and fixed profile	(175.5)	17.2	9.7	239.4	0.2	–	91.0

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest-bearing and are therefore not subject to interest rate risk.

At 3 July 2010, the Group had four interest rate swaps totalling £130.0m. Two of these interest rate swaps fix the interest on part of the variable rate syndicated loan – £50.0m was fixed at 2.01% plus margin until December 2011 and £50.0m was fixed at 2.39% plus margin until December 2012. The remaining two interest rate swaps of £15.0m each are now ineffective. During the year ended 3 July 2010, these four interest swaps have resulted in a realised loss of £3.0m.

These swaps result in a net fixed rate liability of £3.4m at 3 July 2010. Hence the adverse risk at year end is a decrease in interest rates.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2010			
GBP	50.0	(0.5)	(0.5)
GBP	(50.0)	0.5	0.5
2009			
GBP	50.0	(0.7)	(0.7)
GBP	(50.0)	0.7	0.7

Liquidity risk

The Group has in place a £280.0m syndicated loan facility which allows the Group to maintain liquidity within the desired gearing range. Available liquidity as at 3 July 2010 was as follows:

	2010 £m	2009 £m
Amount drawn down under syndicated loan facility	103.0	239.0
Total available facility	280.0	340.0
Headroom	177.0	101.0

On 24 March 2010, the Group raised a £200m bond of 7.5 years maturing on 29 September 2017. The level of drawdown and prevailing interest rates are detailed in note 21.

The Group's road passenger vehicles can be financed by hire purchase or finance lease arrangements, or term loans at fixed rates of interest over two to five year primary borrowing periods. This provides a regular inflow of funding to cover expenditure as it arises.

Foreign currency risk

The Group rarely enters into transactions in foreign currency and no transaction to date has been material. Should larger foreign currency transactions be undertaken, consideration would be given to hedging the foreign currency exchange risk.

On 26 July 2010, a \$10.0m facility was agreed with RBS to ensure dollar investment in our US joint venture is funded by dollar borrowings to provide an effective foreign currency hedge.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables and cash deposits (see note 18). The maximum credit risk exposure of the Group comprises the amounts presented in the balance sheet, which are stated net of provisions for doubtful debt. A provision is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of future cashflows.

The majority of the Group's receivables are with public (or quasi-public) bodies (such as the DfT). The Group does not consider these counterparties to be a significant credit risk. Outside of this, the Group does not consider it has significant concentrations of credit risk. Risk of exposure to non-return of cash on deposit is

managed through a treasury policy of holding deposits with banks rated A+ or Aa3 or above with at least one of the agencies. Our treasury policy outlines the maximum level of deposit that can be placed with any one given financial institution.

Contractual payments

The table below summarises the maturity profile of the Group's financial liabilities at 3 July 2010 based on contractual undiscounted payments.

Year ended 3 July 2010

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
Interest-bearing loans and borrowings	5.8	3.7	6.9	110.6	–	127.0
£200m Sterling 7.5 year bond	–	5.9	–	47.0	235.3	288.2
Other financial liabilities	–	2.0	5.9	3.3	–	11.2
Trade and other payables	91.4	226.3	44.4	1.0	1.1	364.2
	97.2	237.9	57.2	161.9	236.4	790.6

Year ended 27 June 2009

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
Interest-bearing loans and borrowings	5.0	16.5	18.6	291.2	–	331.3
Other financial liabilities	–	4.1	12.3	8.5	–	24.9
Trade and other payables	48.1	263.6	37.5	4.6	–	353.8
	53.1	284.2	68.4	304.3	–	710.0

Managing capital

During the year the Group obtained investment grade long term credit ratings from Standard & Poor's and Moody's as follows:

Standard & Poor's	BBB - (Stable outlook)
Moody's	Baa3 (Stable outlook)

The Group manages its capital structure such that net debt (adjusted to exclude restricted cash), to EBITDA (before exceptionals) is within a range which retains an investment grade debt rating. Adjusted net debt at the year end was £292.3m (2009: £272.3m), equivalent to 1.91x (2009: 1.56x) EBITDA in line with the Group's aim to maintain to an adjusted net debt to EBITDA ratio of 1.5x to 2.5x through the cycle.

Operating leases

The Group uses operating leases for bus and coach purchases across the Group primarily where the vehicles service specific contracts to mitigate the risk of ownership at the end of the contract. This results in £1.2m (2009: £0.4m) of cost within operating charges which would otherwise have been charged to interest. The Group holds operating leases for its bus fleet with an asset capital value of £31.2m (2009: £13.1m). The majority of assets in the rail division are financed by operating leases, in particular rolling stock. Leases are entered into by the respective operating companies and are not the subject of parent company guarantees.

24. Derivatives and financial instruments

a. Fair values

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 3 July 2010 and are as follows:

Year ended 3 July 2010

	Amortised cost £m	Held for trading – fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	(0.5)	(0.5)	(0.5)
Interest rate derivatives	–	(3.4)	(3.4)	(3.4)
Fixed rate debt	–	–	–	–
Obligations under finance lease and hire purchase contracts	(10.0)	–	(10.0)	(10.0)
	(10.0)	(3.9)	(13.9)	(13.9)

Year ended 27 June 2009

	Amortised cost £m	Held for trading – Fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	(21.7)	(21.7)	(21.7)
Interest rate derivatives	–	0.5	0.5	0.5
Fixed rate debt	(24.8)	–	(24.8)	(25.5)
Obligations under finance lease and hire purchase contracts	(16.5)	–	(16.5)	(16.5)
	(41.3)	(21.2)	(62.5)	(63.2)

The fair value of all other assets and liabilities in notes 18, 20 and 21 is not significantly different to their carrying amount. The fuel price derivatives and interest rate swaps were valued externally by the respective banks by comparison with the market fuel price at the relevant date.

The fair value of fixed rate borrowings has been calculated by discounting the expected future cashflows at prevailing rates.

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities:

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 3 July 2010, the Group has used a level 2 valuation technique to determine the fair value of all financial instruments. During the year ended 3 July 2010, there were no transfers between valuation levels.

b. Hedging activities

Fuel derivatives

The Group is exposed to commodity price risk as a result of fuel usage. The Group closely monitors fuel prices and uses fuel derivatives to hedge its exposure to increases in fuel prices, when it deems appropriate.

At the year end, the Group had various fuel price swaps in place. For the 2011, 2012, 2013 and 2014 financial years cashflow hedges were placed over 126, 122, 27 and 1 million litres of fuel respectively. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 3 July 2010 the Group had derivatives against bus fuel of 109 million litres for the year ending 2 July 2011, representing approximately 97.0% of the anticipated fuel usage in our bus division. As at 3 July 2010 the Group also had derivatives against bus fuel for the 2012, 2013 and 2014 financial years of 105, 13 (increased to 28 million litres after 3 July 2010) and 1 million litres respectively.

As at 3 July 2010 the Group had derivatives against rail fuel of 17 million litres for the year ending 2 July 2011, representing the anticipated fuel usage in London Midland and Southern. As at 3 July 2010 the Group also had further derivatives for the 2012 and 2013 financial years of 17 and 14 millions litres of rail fuel respectively. The Group's hedging policy for the target percentage of anticipated bus fuel usage hedged for the next year and subsequent two years, and its current compliance with that policy is as follows:

	2011	2012	2013
Percentage to hedge per Group policy	100.0%	50.0%	25.0%
Actual percentage hedged	97.0%	93.0%	25.0%

25. Provisions

	Depots £m	Onerous contracts £m	Franchise commitments £m	Total £m
At 27 June 2009	4.3	1.5	–	5.8
Provided	3.0	1.0	11.2	15.2
Utilised	–	(0.9)	–	(0.9)
At 3 July 2010	7.3	1.6	11.2	20.1
			2010 £m	2009 £m
Current			12.0	–
Non current			8.1	5.8
			20.1	5.8

At 3 July 2010 the depot provision has been increased to cover potential disputed costs in one of the train operating companies.

During the year ended 3 July 2010, the onerous contract provision in the aviation services division reduced from £1.5m to £0.6m as the expected losses were incurred, and a further onerous contract provision of £1.0m was created in the bus division to cover the costs of operating lease commitments on routes served by articulated buses which are being phased out.

Franchise commitments comprise contractual obligations arising in connection with franchise delivery where the amounts payable are subject to ongoing disputes.

The depot provisions represent ongoing legal actions relating to planning consent issues and are expected to be incurred within five years. Onerous contracts provisions are expected to be incurred within three years. Franchise commitment provisions are expected to be incurred within one year.

26. Issued capital and reserves

		2010 £m	2009 £m
62.5 million 10p ordinary shares		6.3	6.3
	Millions	Allotted, called up and fully paid 2010 £m	2009 £m
As at 27 June 2009	46.9	4.7	46.8
Issued on exercise of share options	–	–	0.1
Cancelled during the year	–	–	–
As at 3 July 2010	46.9	4.7	46.9

The Company has one class of ordinary shares which carry no right to fixed income.

Share capital

Share capital represents proceeds on issue of the Company's equity, both nominal value and share premium.

Reserve for own shares

The reserve for own shares is in respect of 3,976,025 ordinary shares (8.5% of share capital), of which 73,795 are held for Directors' bonus plans. The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances. During the year ended 3 July 2010 the Company has repurchased 26,447 shares (2009: 13,615 shares). A consideration of £0.3m (2009: £0.2m) including expenses was made for the shares purchased during the year. The Company has not cancelled any shares during the year (2009: no shares).

Other reserve

The other reserve represents the premium on shares that have been issued to fund or part fund acquisitions made by the Group. This treatment is in line with Section 612 of the Companies Act 2006.

Hedging reserve

The hedging reserve records the movement in value of fuel price derivatives, offset by any movements recognised directly in equity.

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

27. Commitments and contingencies

Capital commitments

	2010 £m	2009 £m
Contracted for but not provided	10.4	42.4

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain properties and other items. Renewals are at the option of the lessee. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 3 July 2010 are as follows:

As at 3 July 2010

	Bus vehicles £m	Bus property £m	Other non rail £m	Rail rolling stock £m	Rail access charges £m	Rail other £m
Within one year	12.2	2.6	3.4	297.5	354.4	96.4
In the second to fifth years inclusive	30.6	5.3	8.9	728.1	898.2	190.0
Over five years	0.3	1.1	28.8	36.0	44.4	8.5
	43.1	9.0	41.1	1061.6	1297.0	294.9

As at 27 June 2009

	Bus vehicles £m	Bus property £m	Other non rail £m	Rail rolling stock £m	Rail access charges £m	Rail other £m
Within one year	15.4	2.4	13.6	215.4	192.0	97.2
In the second to fifth years inclusive	36.8	4.3	45.5	459.3	484.7	224.3
Over five years	0.2	1.0	80.2	66.0	106.7	22.3
	52.4	7.7	139.3	740.7	783.4	343.8

Details of the lease cost for the period are shown in note 5 and note 8.

Operating lease commitments – Group as lessor

The Group's train operating companies hold agreements under which they sub-lease rolling stock, and agreements with Network Rail for access to the railway infrastructure (track, stations and depots).

Future minimum rentals payable under non-cancellable operating leases as at 3 July 2010 are as follows:

	2010 Land and buildings £m	2010 Other rail agreements £m	2009 Land and buildings £m	2009 Other rail agreements £m
Within one year	2.8	18.5	2.5	2.5
After one year but not more than five years	5.5	48.8	1.7	–
More than five years	0.2	1.3	–	–
	8.5	68.6	4.2	2.5

Performance bonds

The Group has provided bank guaranteed performance bonds of £111.0m (2009: £131.7m), and season ticket bonds of £116.7m (2009: £110.2m) to the DfT in support of the Group's rail franchise operations.

To support subsidiary companies in their normal course of business, the Group has indemnified certain banks and insurance companies who have issued certain performance bonds and letters of credit. The letter of credit at 3 July 2010 is £35.0m (2009: £35.0m).

These bonds are supported by a 65% several guarantee from The Go-Ahead Group plc and 35% several guarantee from Keolis S.A.

28. Pensions

Retirement benefit obligations consist of the following:

	2010			2009		
	Bus & Aviation Services £m	Rail £m	Total £m	Bus & Aviation Services £m	Rail £m	Total £m
Pre-tax pension liabilities	(96.9)	–	(96.9)	(76.0)	(7.5)	(83.5)
Deferred tax asset	27.1	–	27.1	21.3	2.1	23.4
Post tax pension scheme liabilities	(69.8)	–	(69.8)	(54.7)	(5.4)	(60.1)

Bus and aviation schemes

The Go-Ahead Group Pension Plan

For the majority of non-rail employees, the Group operates one main pension scheme, The Go-Ahead Group Pension Plan (the 'Go-Ahead Plan'), which consists of a funded defined benefit scheme and a defined contribution section as follows:

The defined contribution section of The Go-Ahead Plan is not contracted-out of the State Second Pension Scheme and is open to new entrants. The expense recognised for the defined contribution section of The Go-Ahead Plan is £5.4m (2009: £4.9m) being the contributions paid and payable.

The defined benefit section of The Go-Ahead Plan is contracted-out of the State Second Pension Scheme and provides benefits based on a member's final salary. The assets of the scheme are held in a separate trustee-administered fund. Contributions to this section are assessed in accordance with the advice of an independent qualified actuary. The section is effectively closed to new entrants. As a result, it can be expected that the service cost will increase in future as a percentage of payroll. However, this percentage is likely to be applied to a reducing total pensionable payroll.

The Go-Ahead Plan is a Group plan for related companies where risks are shared. The overall costs of the Go-Ahead Plan have been recognised in the Group's financial statements according to IAS 19. Each of the participating companies accounts on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 cost of the scheme and the aggregate contributions paid.

Wilts & Dorset Pension Scheme and Southern Vectis Group Pension Plan

Some employees of our Go South Coast operations participate in the Wilts & Dorset Pension Scheme or the Southern Vectis Group Pension Plan. These are defined benefit schemes which are externally funded and contracted-out of the State Second Pension Scheme. Contributions to the schemes are assessed in accordance with the advice of an independent qualified actuary. The schemes are closed to new entrants, however eligible employees can join the defined contribution section of the The Go-Ahead Group Pension Plan.

Other pension plans

During the year, a defined benefit plan was introduced for a small number of employees transferring from East Thames Buses, similarly some transferring employees of Plymouth City Bus have entitlement to a Devon County Council defined benefit plan. Both schemes are externally funded. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary. Both schemes are now closed to new entrants.

Other pension arrangements

A small number of employees in aviance have access to separate defined contribution pension arrangements as part of legacy agreements. The expense recognised for this is £0.1m (2009: £0.3m), being the contributions paid.

Summary of year end assumptions

	2010 %	2009 %
Price inflation	3.3	3.4
Discount rate	5.3	6.3
Rate of increase in salaries	4.3	4.4
Rate of increase of pensions in payment and deferred pension*	3.3	3.4

* In excess of any Guaranteed Minimum Pension (GMP) element.

The discount rate is based on the anticipated return of AA rated corporate bonds with a term matching the maturity of the scheme liabilities.

The most significant non-financial assumption is the assumed rate of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of a male member of each pension scheme at age 65.

	2010 Years	2009 Years
Pensioner	19	19
Non-pensioner	20	20

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (suggested by the yields available), and the views of investment organisations.

Sensitivity analysis

In making the valuation, the above assumptions have been used. For non-rail pension schemes, the following is an approximate sensitivity analysis of the impact of the change in the key assumptions. In isolation the following adjustments would adjust the pension deficit and cost as shown.

	Pension deficit £m	2010 Pension cost £m
Discount Factor – increase of 0.1%	(9.2)	(0.2)
Price Inflation – increase of 0.1%	8.0	0.6
Rate of increase in salaries – increase of 0.1%	1.8	0.1
Rate of increase of pensions in payment – increase of 0.1%	4.9	0.4
Increase in life expectancy of pensioners or non-pensioners by 1 year	18.2	1.7

Category of assets at the year end

	£m	2010 %	£m	2009 %
Equities	181.0	43.1	166.5	47.2
Bonds	205.0	48.8	162.9	46.2
Property	32.3	7.7	17.6	5.0
Cash	1.7	0.4	5.7	1.6
	420.0	100.0	352.7	100.0

The weighted average expected long term rates of return were:

	2010 % p.a.	2009 % p.a.
Weighted average rate of return	6.8	7.8

Funding position of the Group's pension arrangements

	2010 £m	2009 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	(516.9)	(428.7)
Assets at fair value	420.0	352.7
Pension scheme liability	(96.9)	(76.0)

Pension cost for the financial year

	2010 £m	2009 £m
Service cost	6.3	6.1
Interest cost on liabilities	26.6	26.8
Expected return on assets	(27.5)	(29.4)
Pension costs	5.4	3.5
Curtailment gain (exceptional items)	(2.2)	–
Total pension costs	3.2	3.5

Experience recognised in other comprehensive income

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Experience (losses)/gains on pension scheme liabilities	(68.6)	28.8	(10.5)	35.0	(14.0)
Experience gain/(losses) on assets	40.0	(49.7)	(39.6)	25.6	29.9
Total (loss)/gain recognised in other comprehensive income during the	(28.6)	(20.9)	(50.1)	60.6	15.9

The Directors were unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and then taken directly to equity is attributable to actuarial gains and losses since the inception of the pension schemes. Consequently the Directors are unable to determine the amounts of actuarial gains and losses that would have been recognised in other comprehensive income before 3 July 2004.

Analysis of the change in the pension scheme liabilities over the financial year

	2010 £m	2009 £m
Employer's share of pension scheme liabilities – at start of year	428.7	436.2
Service cost	12.1	12.3
Interest cost	26.6	26.8
Actuarial loss /(gain)	68.6	(28.8)
Benefits paid	(16.9)	(17.8)
Curtailments	(2.2)	–
Employer's share of pension scheme liabilities – at end of year	516.9	428.7

Analysis of the change in the pension scheme assets over the financial year

	2010 £m	2009 £m
Fair value of assets – at start of year	352.7	376.8
Expected return on assets	27.5	29.4
Actuarial gain/(loss) on assets	40.0	(49.7)
Company contributions	10.9	7.8
Employee contributions (including age related rebates)	5.8	6.2
Benefits paid	(16.9)	(17.8)
Fair value of plan assets – at end of year	420.0	352.7

Estimated contributions for future

	£m
Estimated company contributions in financial year 2010	12.4
Estimated employee contributions in financial year 2010	5.4
Estimated total contributions in financial year 2010	17.8

Rail schemes

The Railways Pension Scheme (the RPS)

The majority of employees in our train operating companies are members of sections of the RPS, a funded defined benefit scheme.

The RPS is a shared costs scheme, with assets and liabilities split 60%/40% between the franchise holder/employee respectively. The RPS sections are all open to new entrants and the assets and liabilities of each company's section are separately identifiable and segregated for funding purposes.

In addition to the defined benefit cost, BRASS matching AVC company contributions of £1.2m (2009: £0.9m) were paid in the year.

It is our experience that all pension obligations to the RPS cease on expiry of the franchises without cash or other settlement, and therefore the obligations recognised on the balance sheet under IAS 19 are only those that are expected to be funded during the franchise term. However, in spite of our past experience and that of other train operating companies proving otherwise, our legal obligations are not restricted. On entering into a franchise, the operator becomes the designated employer for the term of the contract and under the RPS rules is obliged to meet the schedule of contributions agreed with the scheme trustees and actuaries, in respect of which no funding cap is set out in the franchise contract.

Summary of year end assumptions

	2010 %	2009 %
Price inflation	3.3	3.4
Discount rate	5.3	6.3
Rate of increase in salaries	4.3	4.4
Rate of increase of pensions in payment and deferred pension*	3.3	3.4

* In excess of any Guaranteed Minimum Pension (GMP) element.

The discount rate is based on the anticipated return of AA rated corporate bonds with a term matching the maturity of the scheme liabilities.

The most significant non-financial assumption is the assumed rate of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of a male member of each pension scheme at age 65.

	2010 years	2009 years
Pensioner	20	20
Non-Pensioner	22	22

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (suggested by the yields available), and the views of investment organisations.

Category of assets at the year end

	£m	2010 %	£m	2009 %
Equities	528.3	61.6	447.5	63.4
Bonds	96.9	11.3	71.3	10.1
Property	126.1	14.7	110.1	15.6
Cash	106.4	12.4	76.9	10.9
	857.7	100.0	705.8	100.0

The weighted average expected long term rates of return were:

	2010 % p.a.	2009 % p.a.
Weighted average rate of return	7.5	8.1

Funding position of the Group's pension arrangements

	2010 £m	2009 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	(1,195.2)	(937.1)
Assets at fair value	857.7	705.8
Gross deficit	(337.5)	(231.3)
Franchise adjustment	337.5	223.8
Pension scheme liability	–	(7.5)

Pension cost for the financial year

	2010 £m	2009 £m
Service cost	38.1	41.6
Interest cost on liabilities	40.8	42.8
Expected return on assets	(34.5)	(42.0)
Interest on franchise adjustments	(13.5)	(9.8)
Pension cost	30.9	32.6

Experience recognised in Other Comprehensive Income

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Experience (loss)/gain on pension scheme liabilities	(136.4)	89.6	(65.3)	4.8	1.0
Experience gains/(losses) on assets	41.9	(152.9)	(81.5)	36.4	5.7
Franchise adjustment movement	100.6	57.3	152.3	(26.8)	(5.7)
Total gain/(loss) recognised in other comprehensive income during the year	6.1	(6.0)	5.5	14.4	1.0

The Directors were unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and then taken directly to equity is attributable to actuarial gains and losses since the inception of the pension schemes. Consequently the Directors are unable to determine the amounts of actuarial gains and losses that would have been recognised in other comprehensive income before 3 July 2004.

Analysis of the change in the pension scheme liabilities over the financial year

	2010 £m	2009 £m
Employer's share of pension scheme liabilities – at start of year	937.1	1,026.5
Franchise adjustment	(223.8)	(156.8)
	713.3	869.7
Liability movement for members share of assets	71.1	(54.5)
Service cost	38.1	41.6
Interest cost	40.8	42.8
Interest on franchise adjustment	(13.5)	(9.8)
Actuarial loss /(gain)	136.4	(89.6)
Benefits paid	(27.9)	(29.6)

Disposal of New Southern Railway Limited	(269.9)	–
Addition of Southern Railway Limited	269.9	–
Franchise adjustment movement	(100.6)	(57.3)
	857.7	713.3
Franchise adjustment	337.5	223.8
Employer's share of pension scheme liabilities – at end of year	1,195.2	937.1

Analysis of the change in the pension scheme assets over the financial year

	2010 £m	2009 £m
Fair value of assets – at start of year	705.8	869.7
Expected return on assets	34.5	42.0
Actuarial gain/(loss) on assets	41.9	(152.9)
Company contributions	32.3	31.1
Benefits paid	(27.9)	(29.6)
Disposal of New Southern Railway Limited	(269.9)	–
Addition of Southern Railway Limited	269.9	–
Members share of movement of assets	71.1	(54.5)
Fair value of plan assets – at end of year	857.7	705.8

Estimated contributions for future

	£m
Estimated company contributions in financial year 2010	32.2
Estimated employee contributions in financial year 2010	21.5
Estimated total contributions in financial year 2010	53.7

IAS 19 would require the Group to account for its legal obligation under the formal terms of the RPS and its constructive obligation under the terms of each franchise agreement. Following industry practice, the Group has concluded that the appropriate accounting policy for the RPS to ensure that the financial statements present fairly the Group's financial position, financial performance and cashflows, is to recognise its constructive but not its legal RPS defined benefit obligations. In all other respects the Group's accounting policy is consistent with IAS 19 and the treatment adopted for non-rail defined benefit schemes. In doing so, the Group has applied the provisions of paragraph 17 of IAS 1 and departed from the requirements of IAS 19 in order to achieve a fair presentation of the Group's obligations regarding its rail schemes and prevent gains arising on transfer of the existing RPS deficits to a new franchise owner at exit.

The total surplus or deficit recorded is adjusted by way of a 'franchise adjustment', which is that portion of the deficit or surplus projected to exist at the end of the franchise which the Group will not be required to fund or benefit from.

If the Group had accounted for the rail schemes in accordance with the full provisions of IAS 19 the following adjustments would have been made to the financial statements:

	2010 £m	2009 £m
Balance sheet		
Defined benefit pension plan	(337.5)	(223.8)
Deferred tax asset	89.7	56.7
Intangible asset	17.2	21.2
	(230.6)	(145.9)
Other comprehensive income		
Actuarial losses	100.6	57.3
Tax on actuarial losses	(28.2)	(16.0)
	72.4	41.3
Income statement		
Operating costs – franchise adjustment	(13.5)	(9.8)
Intangible asset amortisation	4.0	4.1
Deferred tax charge	2.7	1.6
	(6.8)	(4.1)

IAS 19 disclosures

All of the above plans have been accounted for under IAS 19 covering employee benefits.

29. Related party disclosures and Group undertakings

The consolidated financial statements include the financial statements of The Go-Ahead Group plc and the following material group undertakings:

Name	Country of incorporation	% equity interest	
		2010	2009
Principal Subsidiaries			
Go-Ahead Holding Limited	United Kingdom*	100	100
Go North East Limited	United Kingdom	100	100
London General Transport Services Limited	United Kingdom	100	100
Metrobus Limited	United Kingdom	100	100
Brighton & Hove Bus and Coach Company Limited	United Kingdom	100	100
City of Oxford Motor Services Limited	United Kingdom	100	100
Go South Coast Limited	United Kingdom	100	100
Plymouth Citybus Limited	United Kingdom	100	–
Konectbus Limited	United Kingdom	100	–
New Southern Railway Limited	United Kingdom**	65	65
London and South Eastern Railway Limited	United Kingdom**	65	65
London and Birmingham Railway Limited	United Kingdom**	65	65
Southern Railway Limited	United Kingdom**	65	65
Govia Limited	United Kingdom**	65	65
Abingdon Bus Company Limited	United Kingdom	100	100
aviance UK Limited	United Kingdom	100	100
Reed Aviation Limited	United Kingdom	100	100
Meteor Parking Limited	United Kingdom	100	100
Nikaro Limited	United Kingdom	100	100
Go-Ahead Leasing Limited	United Kingdom	100	100
Go-Ahead Holding LLC	United States of America	100	–
Jointly controlled entities			
Go-Ahead North America LLC	United States of America	50	–

* Held by The Go-Ahead Group plc. All other companies are held through subsidiary undertakings.

** The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis S.A. and held through Govia Limited.

Transactions with other related parties

The Group meets certain costs of administering the Group's retirement benefit plans, including the provision of meeting space and office support functions to the trustees. Costs borne on behalf of the retirement benefit plans amounted to £0.3m (2009: £0.3m).

Compensation of key management personnel of the Group

The key management are considered to be the Directors of the Group.

	2010 £m	2009 £m
Salaries	1.1	1.0
Bonus	1.0	0.6
Pension contributions	0.1	0.1
Share based payments	–	–
	2.2	1.7

PRINCIPAL RISKS AND UNCERTAINTIES

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

GROUP:

Risk description	Potential impact	Mitigation
Major accident or incident (including terrorism or act of God) or pandemic	Potential for serious injury, service disruption and lost earnings.	<ul style="list-style-type: none"> • Rigorous high profile health & safety programme throughout the Group. • Appropriate and regularly reviewed and tested contingency and disaster recovery plans
Economic downturn	Negative impact on the Group's businesses and demand for services, in particular, revenues from rail franchises.	<ul style="list-style-type: none"> • Proactive cost control, revenue management and economic modelling of new contracts. • Organisational structure of businesses supports close monitoring of prices, capacity and demand. • London bus contracts secured for 5-7 years. • Revenue support in rail.
Political and regulatory changes and availability of public funding	Changes to laws and regulations, and a reduction in the availability of Government financial support (including bus service operators' grants for fuel, concessionary fare reimbursement and government and local authority contracts) could adversely impact the Group's operations and financial position.	<ul style="list-style-type: none"> • Closely monitor and understand the impact of proposals for change in the regulatory environment. • Actively participate in industry, trade and Government forums and maintain close relationships with key stakeholders.
Inappropriate strategy or investment	Reduction in economic and shareholder value.	<ul style="list-style-type: none"> • Comprehensive strategic discussions with main Board and advisers. • Extensive valuation and due diligence, supported by external expertise. • Discipline to "walk away" from opportunities. • Value adding investments are required to return in excess of the Group's post tax weighted average cost of capital. • Cautious approach to investment opportunities in North America yellow school bus.
Competition	Loss of business from a number of competitive sources.	<ul style="list-style-type: none"> • Work closely with stakeholders to manage their requirements including service quality and price.
Labour costs and employee relations	A 1% increase in staff costs and salaries across the Group would increase costs by £7.9m. Poor employee relations or reduced availability of staff could adversely impact reputation and revenue.	<ul style="list-style-type: none"> • Experienced approach to wage negotiations and fostering of good relationships with employees and unions at operating company level. • Robust and regularly reviewed recruitment and retention policies, training schemes and working practices.
Increased pension scheme funding required	The Group participates in a number of pension schemes, including rail and non-rail defined benefit schemes. Any funding shortfalls could adversely impact the Group's financial position.	<ul style="list-style-type: none"> • Rail pension schemes and obligations guaranteed by DfT at end of franchise. • Non-rail defined benefit schemes closed to new entrants. • Board participation in overall pensions strategy decisions for non-rail pensions arrangements. Dedicated Investment Sub-Committee works with management, on de-risking of investments to mitigate volatility. See note 28 for more detail.
Fuel costs	The Group's bus and rail businesses are exposed to fuel cost volatility, primarily diesel for buses and electricity for rail traction. Increases in fuel prices which are not fully mitigated by the Group's policies, or hedged prices in excess of market prices, could adversely impact the Group's financial position.	<ul style="list-style-type: none"> • The Group forward buys prices for electricity for rail traction as appropriate and regularly enters into forward swap contracts to buy fuel at fixed prices to cover all of the requirements of the current financial year, at least 50% of the requirements for the next financial year and at least 25% of the following financial year.
Insurance and claims	The number and magnitude of claims falling within the Group's self-insured limits is significantly higher or lower than expected.	<ul style="list-style-type: none"> • Comprehensive insurance cover, with self-insurance up to defined limits and purchases above these limits from reputable global insurance firms. • Insurance and claims activity monitored closely.

Financing risk	Loss of liquidity, credit risk on cash investments, interest rate risk.	<ul style="list-style-type: none"> • Board approved treasury policy, which is regularly reviewed. • Three year cashflow and covenant forecasts monitored on a monthly basis. • Investment grade credit rating. • £200m sterling bond issue secures financing to September 2017. • Five year £280m revolving credit facility secures financing to November 2012. • Comprehensive, low risk cash investment policy. • Over 50% of net debt is subject to fixed interest rates.
Succession planning	A failure to attract, or the loss of, key members of senior management could adversely impact the Group's businesses and operations.	<ul style="list-style-type: none"> • The Group prioritises the attraction and retention of senior directors and managers, including through the appointed Nomination Committee, to ensure that the Group has the necessary expertise and continuity
Dividend per share is reduced	Reduces from current full year level of 81.0p per share	<ul style="list-style-type: none"> • Maintaining dividend per share is a strategic priority for the Board. • Supported by strong cashflows and balance sheet.

BUS DIVISION:

Risk description	Potential impact	Mitigation
Economic downturn or Government cuts reduces demand for bus services	A 1% loss of revenue results in a reduction in operating profit of approximately £0.6m, assuming all costs are variable.	<ul style="list-style-type: none"> • Improved revenue forecasting. • Management action plans to reduce costs in the event of a downturn.
Reduction or removal of Government funding of fuel duty rebates (Bus Service Operators Grant – BSOG)	BSOG totalled around £48m for the Group in the year, with just over half in London.	<ul style="list-style-type: none"> • Engage and consult with the Government on the proposals for change. • Extensive management initiatives underway to manage and mitigate any reduction in rebate.
London bus contracts not renewed or reduction in existing revenues through withdrawal or re-pricing	Adverse earnings impact	<ul style="list-style-type: none"> • Well located depots, 85% capacity freehold. • Strong reputation for quality and cost control. • Contract retention rate averages over 90%.
Concessionary fares schemes Reduces or does not provide an adequate economic return	Concessionary fares accounted for around 20% of the current year's deregulated bus revenue.	<ul style="list-style-type: none"> • Almost all of our schemes have been successfully agreed with local authorities for 2009/10.
Bus fuel prices increase	An increase of ten pence per litre increases the cost of fuel by approximately £11m.	<ul style="list-style-type: none"> • Rolling fuel hedging programme. • Fuel fully hedged for next two years
UK Competition Commission referral	Changes arising from the referral adversely impact the Group's financial prospects.	<ul style="list-style-type: none"> • Around half of the Group's bus revenues are in London, and therefore outside the scope of this referral. • The Group's deregulated operations amount to only approximately 5% of the market which is the subject of the referral. These operations will work closely with the UK Competition Commission throughout the investigation period and ensure that the Group's position is clearly and strongly represented.

RAIL DIVISION:

Risk description	Potential impact	Mitigation
Economic downturn reduces demand for rail services	A 1% loss of revenue results in a reduction in operating profit of approximately £8m, assuming all costs are fixed.	<ul style="list-style-type: none">• Improved revenue forecasting.• Management action plans to reduce costs in the event of a downturn.• DfT revenue support from 1 April 2010 in Southeastern.• Revenue support available in London Midland from 11 November 2011 and in Southern from 21 September 2013.
Inaccurate or erroneous bid assumptions	Adverse trends in passenger volumes and inflation adversely affect the Group's rail businesses, results of operations and financial position.	<ul style="list-style-type: none">• Shared revenue risks with Govia, which is 65% owned by Go-Ahead and 35% by Keolis.• Some protection against economic downturn through revenue support arrangements.• Significant management resource and financial investment in bidding for new rail franchises.• Board approval of overall rail bidding strategy and key parameters.
Breach of rail franchise agreements	Failure to comply with the conditions of the rail franchise agreements results in penalties, including the potential termination of one or more rail franchise agreements. This could result in the Group losing the right to continue operating the affected operations and consequently the related revenues and cashflows. The Group may also lose cash balances or season ticket bonds set aside to cover working capital requirements, and performance bonds. Any such loss of revenues or cashflow could adversely impact the Group's businesses, results of operations and financial position.	<ul style="list-style-type: none">• Compliance with franchise conditions closely managed and monitored on a monthly basis to minimise risk of non-compliance.• Regular review and monitoring by Board.• Bonding severally shared with Go-Ahead at 65% and Keolis at 35%.
Earnings volatility impacts Group's financial strength	Rail represents approximately one third of the Group's current year operating profit*.	<ul style="list-style-type: none">• All rail operations held through Govia, which is 65% owned by Go-Ahead and 35% by Keolis.
Profit improvement plans in Southern franchise bid not delivered	Each 1% of revenue growth not achieved is approximately £5m of operating profit* assuming all costs are fixed.	<ul style="list-style-type: none">• Strong and experienced team assembled to deliver the new Southern franchise.• Comprehensive tracking of delivery against bid.

DIRECTORS' RESPONSIBILITIES

The Board of Directors, who are listed on page 52 of the Annual Report, along with their roles and responsibilities, confirm that to the best of their knowledge:

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

STATUTORY ACCOUNTS

The Board approved the preliminary statement covering the year ended 3 July 2010 on 1 September 2010. The financial information set out above does not constitute the Group's statutory accounts for the years ended 3 July 2010 or 27 June 2009. The financial information is derived from the Group financial statements for the year ended 3 July 2010. The Group financial statements on which the auditors have given an unqualified audit report does not contain a statement under section 498(2) or (3) of the Companies Act 2006. The financial statements for the year ended 3 July 2010 will be sent to the shareholders and delivered to the Registrar of Companies in due course. They will also be available at the registered office of the company, 3rd Floor, 41-51 Grey Street, Newcastle upon Tyne, NE1 6EE during normal business hours or on the company's website, www.go-ahead.com.