

PRESS RELEASE

THE GO-AHEAD GROUP PLC ("GO-AHEAD" OR "THE GROUP")

FULL YEAR RESULTS FOR THE YEAR ENDED 27 JUNE 2015

SIGNIFICANT AND SUCCESSFUL YEAR; GOOD OVERALL PERFORMANCE

HIGHLIGHTS

FINANCIAL STRENGTH

- Overall profits up 11.1%, slightly ahead of our expectations as a result of a stronger performance in rail
- Record bus profits, up 6.6%
- Improvement in rail profits albeit at historically low margins
- Continued strong free cashflow and robust balance sheet
- Proposed full year dividend up 6.5% to 90.0p in line with our progressive policy

STRATEGIC AND OPERATIONAL PROGRESS

- Continued progress in bus division with sector-leading customer satisfaction in regional bus operations
- Expect to deliver £100m of bus operating profit in 2016/17, a year later than originally anticipated
- Record passenger numbers in rail division
- Group's net increase in contributions to the DfT in the year was £191.9m, up to £255.9m
- Challenging start in GTR – working closely with industry partners to improve performance and manage contract changes
- Submitted bids for Northern and TransPennine Express rail franchises and shortlisted for the London Overground contract
- Continue to explore selective opportunities in overseas markets

FINANCIAL SUMMARY:

	FY'15 £m	FY'14 £m	Increase/(decrease) £m	Increase/(decrease) %
Revenue	3,215.2	2,702.4	512.8	19.0
Operating profit*	114.7	103.2	11.5	11.1
Operating profit margin	3.6%	3.8%		(0.2ppts)
Net finance costs	(18.1)	(18.3)	0.2	1.1
Profit before tax*	96.6	84.9	11.7	13.8
Profit before tax	78.7	91.2	(12.5)	(13.7)
Adjusted earnings per share	150.8p	148.6p	2.2p	1.5
Basic earnings per share	121.6p	164.0p	(42.4p)	(25.9)
Proposed dividend per share	90.0p	84.5p	5.5p	6.5

	FY'15 £m	FY'14 £m	Increase/(decrease) £m
Cashflow generated from operations	431.4	184.3	247.1
Free cashflow	383.7	89.6	294.1
Net (cash)/debt	(292.9)	42.7	
Adjusted net debt	244.7	260.0	
Adjusted net debt/EBITDA	1.32x	1.45x ⁺	

Notes:

* Excludes amortisation, goodwill impairment and exceptional items

+ Adjusted for the impact of IAS 19 (revised)

DAVID BROWN, GROUP CHIEF EXECUTIVE, COMMENTED:

"I am pleased with the Group's financial performance in the year; with overall operating profit of £114.7m, slightly ahead of our expectations.

"Through our regional bus operations, Go-Ahead has continued to keep people in cities and towns across the UK moving over the last three decades and we have heavily invested in our operations over this time. In the last five years alone, we have invested over £180m in our regional bus services. This focus on delivering high quality bus operations has improved services for our passengers and we are proud of our high levels of customer satisfaction, which remain the best in the sector at 90%.

"Despite facing a number of headwinds in the year, including lower passenger volumes and congestion in London as a result of infrastructure improvement works, we were pleased to deliver another year of record bus profits. We now expect to deliver £100m of bus operating profit in 2016/17, a year later than originally anticipated. We expect some of the headwinds experienced over the past year to reverse over time and this, along with reduced fuel costs, gives us continued confidence in the prospects for the bus division.

"We continue to play a key role in the delivery of the Government's £6.5bn Thameslink Programme. While an investment programme of this scale will inevitably result in disruption while infrastructure improvements are made, it will ultimately improve services for passengers in the long term. During the year we have worked closely with our industry partners to minimise the impact of this disruption and we will continue to focus our efforts on delivering improvements to services. Overall for rail, the Board's expectations remain unchanged as a stronger performance in Southeastern continues to offset underperformance in GTR.

"During the year, we submitted bids for the Department for Transport's Northern and TransPennine Express rail franchises and were pleased to be shortlisted for TfL's London Overground contract. We look forward to hearing the outcome of these franchise competitions. Overseas, we await the result of a bid submitted in the Singaporean bus market, while our business development team continues to explore other opportunities for the Group, particularly in the German rail market.

"At Go-Ahead we are committed to being a responsible business. Our net increase in contributions to the DfT in the year was £191.9m. Our continuous efforts to improve environmental performance throughout all of our operating companies have contributed to the achievement of our best ever Carbon Disclosure Project score. As a socially responsible organisation, transparency and openness are important to us. Go-Ahead is one of only two FTSE 350 organisations to have been awarded the Fair Tax Mark in recognition of our responsible approach to UK corporation tax. We were also pleased to be recognised by the Prompt Payment Code during the year for our commitment to our suppliers.

"The Group remains in good financial position, with strong cash generation and a robust balance sheet supporting our progressive dividend policy and allowing flexibility to pursue value-adding opportunities. This strong position underpins the Board's decision to propose an increased final dividend for the year, in line with our dividend policy."

ENDS

For further information, please contact:

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Michael Berkeley/Chris Barrie/Angharad Couch

David Brown, Group Chief Executive and Keith Down, Group Finance Director will be hosting a presentation for analysts at 9.00am today 3 September 2015 at Investec, 2 Gresham Street, London EC2V 7QP.

A live audio webcast of the presentation will be available on 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.

CHAIRMAN'S STATEMENT

"The effective stewardship of the Group is enhanced by the wealth of experience and range of expertise of its members. Together, we are committed to building a stronger Group for the future and delivering long term sustainable value to our shareholders and improving services for our customers."

DEAR SHAREHOLDER

This has been another significant year for Go-Ahead and the Group remains well placed to manage the challenges we face and embrace the opportunities that arise. During the year, our strategy, underpinned by our stable business model, has delivered increased shareholder value.

PERFORMANCE

The Group delivered good financial results in the year. Our bus division achieved its highest ever operating profit, despite a number of headwinds, and our rail division exceeded the Board's initial expectations.

The first half of the year saw the start of significant new rail contracts, including GTR, the UK's largest franchise. This has faced operational issues and constraints associated with the Thameslink Programme from the outset.

Demanding economic and operating conditions in some of our bus markets have resulted in a more testing trading environment and the Board now expects to achieve the £100m bus operating profit target in 2016/17, a year later than the initial target date.

DIVIDEND

The Group is in a good financial position with strong cash generation and a robust balance sheet, supporting our progressive dividend policy. We are committed to this policy, recognising the importance of the dividend to the investment decision of many of our shareholders.

The Board was pleased to increase the full year dividend by 4.3% in the last financial year and, this year, proposes an increase of 6.5% to 90.0p per share (2014: 84.5p). A final dividend of 63.4p per share (2014: 59.0p) is proposed, payable on 13 November 2015 to shareholders registered at the close of business on 30 October 2015.

The Group's dividend policy is to maintain dividend cover of approximately two times adjusted earnings, on a pre IAS19 (revised) basis.

GOVERNANCE

Your Board believes that the effective stewardship of the Group is enhanced by the wealth of experience and range of expertise of its members. Together, we are committed to building a stronger Group for the future and delivering long term sustainable value to our shareholders and improving services for customers.

Our long-held view is that open and transparent disclosure is of vital importance and we take our responsibility to present fair, balanced and understandable information very seriously. Once again, our commitment to best practice reporting was recognised at the 2014 Investor Relations Society Awards, reflecting the communication of our investment proposition and our use of digital reporting channels.

We continue to comply with all of the provisions of the UK Corporate Governance Code, as outlined in our corporate governance report on pages 52 to 85 in the Annual Report.

During the year, in accordance with best practice, we initiated a formal tender process for our external auditor. At our AGM in October 2015, the Board will propose that Deloitte LLP will replace Ernst & Young LLP as the Group's statutory auditor. A process of transition from Ernst & Young LLP to Deloitte LLP has been agreed.

Following the year end, we consulted with major shareholders regarding changes to our executive remuneration policy and, in particular, our long term incentive arrangements. The proposed changes, which were developed to increase alignment between our strategy and the way we measure and reward performance, include the introduction of customer satisfaction as a long term performance measure. We know that providing high levels of customer service and a good customer experience is fundamental to our success as a leading transport operator. We believe these changes are a positive step in better connecting the remuneration of executive directors to customer experience.

In July 2015, it was announced that Keith Down, Group Finance Director, would be stepping down from the Board in late 2015 to take up a new external role.

I would like to thank Keith for the significant contribution he has made in his four years with the Group. The process to appoint a successor is well underway. There have been no other changes to the composition of the Board.

BOARD EFFECTIVENESS AND EVALUATION

In my role as Chairman, I strive to ensure your Board is highly effective and believe that regular and thorough review and evaluation aid continual development of the Board and its members.

This year the Board made good progress in delivering against its 2014/15 priorities and has clear objectives for the year ahead, which are detailed on page 53 in the Annual Report.

In addition to an internal Board evaluation, led by the Group Company Secretary, in the first half of the year, an independent external evaluation of the Board took place later in the year. Building upon the internal review, the theme of this review was forward-looking and developmental. The review found good Board dynamics, open dialogue and constructive challenge, with a high standard of governance, and made a number of recommendations, including greater top-down consideration of risk and stakeholder management.

OUR PEOPLE ARE STRONGER TOGETHER

Go-Ahead's people are its most valuable asset. During my regular visits to our operating companies, and through my attendance at the Group's management conferences, I am continually impressed by the professionalism and dedication of our teams who are committed to delivering good services for our passengers, from the executive management cascading all through the organisation.

Go-Ahead has always operated within a devolved management structure. We believe this is a real strength for the Group, empowering our people to make local decisions and respond quickly to the changing needs of the passengers and communities we serve. We trust our experienced management teams to run our companies effectively, while having robust processes in place to ensure accountability back to executive directors and the Board.

On behalf of the Board, I would like to thank all of our people who work hard every day to provide good services to our passengers and create value for our shareholders.

A POSITIVE CONTRIBUTION

As a commercial organisation, our aim is to generate value for our shareholders while fulfilling our wider responsibilities to other stakeholders. We support economic growth, enabling over one billion passenger journeys each year, carrying millions of people to work, schools and colleges, shops and leisure activities every day. We have over 26,000 UK employees and also make a significant contribution to the economy through the taxes we pay. We are proud to be one of only two FTSE 350 organisations to be certified with the Fair Tax Mark for responsible tax behaviour. Go-Ahead's companies play a key role in the communities they serve and are vital to the future of UK public transport.

LOOKING FORWARD

The year ahead will bring both challenge and opportunity. We have a strong management team in place and I am confident that together we will create further value by continuing to deliver against the Group's strategic priorities.

As a Group, our focus remains on delivering the best possible experience for our customers and the coming year will see the introduction of new initiatives across our businesses to further enhance the customer experience.

The Group has a stable portfolio of businesses upon which to build and a clear strategy for the future. I look forward to the next stage of Go-Ahead's journey.

GROUP CHIEF EXECUTIVE'S REVIEW

"Collaboration and partnership working are particular strengths for Go-Ahead. We have always worked closely with our key strategic partners and are continually striving to strengthen these relationships."

STRONGER TOGETHER

This year, once again, the Group has achieved a considerable amount; making progress towards our longer term goals. We have faced challenges as well as successes. These experiences leave us better placed for the future.

CREATING VALUE FOR OUR STAKEHOLDERS

Through our regional bus operations, Go-Ahead has continued to keep people in cities and towns across the UK moving over the last three decades. During this time we have become an integral part of the local communities that we serve and have contributed to economic growth in these areas, working closely in partnership with local authorities. We always strive to improve services for our passengers and are proud of our high levels of customer satisfaction, which remain the best in the sector at 90%.

We believe in investing in our operations to provide high quality services. Over the last five years, we have invested over £180 million in our regional bus services, largely placed with UK-based manufacturing and construction businesses. This investment in our fleet and facilities helps us attract and retain customers by improving accessibility, comfort, convenience and the environmental sustainability of our services. Successive governments have recognised the contribution of the UK's cost-effective and flexible regional bus industry, in which Go-Ahead's businesses play a prominent role.

As the largest operator of buses in London, Go-Ahead plays an important role in delivering the capital's integrated passenger transport network. Running some 2,500 buses every weekday and enabling almost half a million passenger journeys each year, we help to keep London moving.

The rail franchising system brings great value to the UK taxpayer. The industry contributes over £2bn through net premium payments, more than funding the annual maintenance requirements for the national network. In the year, our operations have continued to create value for the UK economy, with our rail operations directly contributing £255.9m, an increase of £191.9m on last year; 10 times the profits generated by our rail division. Over the life of its six year franchise, Southern generated over £600m for the Government through its efficient running of the operation.

In addition to the financial contribution we make, we are also committed to improving services for our passengers. Over the next three years 1,400 new train carriages will be introduced across our rail network, providing more comfortable, reliable and efficient services. We are collaborating with our industry partners to deliver the benefits associated with the £6.5bn Thameslink Programme. Notwithstanding a number of planned infrastructure projects being postponed, such as electrification on certain routes, the Government's £38bn investment plan remains one of the most transforming and ambitious in the history of our country's railway. Increased rail infrastructure investment is essential to improve services and, while an investment programme of this scale will inevitably result in disruption while infrastructure improvements are made, it will deliver considerable benefit in the long term. We understand the disruption this has on passengers and are working closely with Network Rail to minimise the impact of this.

Following the general election in May 2015, the new Government has proposed the introduction of a Bus Bill. At this stage, there is very little clarity on what this may contain, how it may be linked to the Devolution Bill, or the impact it may have on existing bus operators. Go-Ahead continually engages with the Department for Transport (DfT), MPs and other local stakeholders to help inform the debate. The concept of devolution is not unfamiliar to us as we have always operated within a devolved management structure. We believe partnership working brings about the best results for passengers and taxpayers and we continue to work closely with the local authorities in the areas where we operate.

OUR PERFORMANCE

I am pleased with the Group's financial performance in the year. Overall, operating profit of £114.7m (2014: £103.2m) exceeded our initial expectations and rose 11.1% from the previous year.

We saw another year of record bus profits with operating profit for the division up 6.6% to £89.0m (2014: £83.5m). This was marginally behind the Board's expectations, as passenger revenue growth in our regional bus operations slowed, particularly in the second half, and Quality Incentive Contract (QIC) revenue declined in our London bus business due to increased congestion and roadworks. As a result, we now believe that we will achieve £100m of bus operating profit in 2016/17, one year later than originally expected.

Our rail division delivered stronger than expected profitability of £25.7m (2014: £19.7m) up 30.5% on the previous year, despite the operational challenges faced during the year. This strong performance was helped by contract management benefits towards the end of the Southern franchise.

BUS

Our regional bus operations delivered operating profit of £46.7m (2014: £41.9m), up 11.5%, and our London business contributed £42.3m (2014: £41.6m), a rise of 1.7% in the year.

While the majority of our regional operations saw growth in passenger journeys, passenger growth in our regional bus business overall was down 1.4% as a result of continuing economic weakness in the north east and the impact of roadworks on our services in Oxford and Brighton. In particular, in Oxford, ongoing long delays due to congestion are deterring bus travel.

In London, we maintained our market share and contract revenue increased in line with our expectations. However, high levels of roadworks and congestion associated with public realm improvements and the cycle super highway in the capital, impacted our QIC revenue significantly, dropping to £4.6m (2014: £9.1m) in the year, predominantly in the second half.

We are currently operating in an environment of low inflation, with low revenue growth and some upward pressure on the cost base. Some headwinds, such as the reduction in QIC revenue and specific issues in some of our regional areas, are impacting our business in the short term. Looking to the future, TfL has stated it expects bus reliability to reach record levels by 2017, which should result in improvements in our QIC revenue. Pressure on some of our regional bus services due to roadworks will ease when infrastructure programmes are completed, presenting us with the potential for revenue growth and an improved operating network for the future. In addition, Government forecasts estimate that inflation will rise at a time when some of our costs, such as fuel, will reduce. All of these factors give us confidence in the prospects for our bus division.

RAIL

Under its new direct award contract, Southeastern delivered a strong financial performance in the year to 27 June 2015, with an increase in revenue of 8.5% year on year. This strong performance more than offset the weakness in GTR, which reported a loss in the year due to additional costs incurred as it sought to rectify the issues at the beginning of the contract in September 2014. These issues were quickly identified by GTR's management team and improvement plans were put in place. Investment has been made in temporary rolling stock and permanent drivers, with the largest ever driver training programme in the UK currently underway.

Over the coming years we will be working hard to deliver a comprehensive programme of works, within a complex contractual arrangement, and a franchise which has inevitably changed from the original bid. GTR will employ the normal industry contract remedies to help mitigate these changes over time. We are heavily reliant on third parties, which have their own targets, budgets and deadlines to meet, but we strongly believe that working in partnership is vital to the successful delivery of the Thameslink Programme.

Although this franchise will continue to be challenging and we expect margins to be impacted in the near term, our expectations for the life of the franchise remain unchanged.

London Midland's performance continued to improve throughout the year, with the franchise making a modest contribution to profit. Southern performed in line with our financial expectations and, following the year end, it was successfully integrated into GTR. Integrating two large franchises is an enormous project and I would like to thank everyone involved for their commitment and professionalism through this process.

EXPLORING OPPORTUNITIES

We have always considered growth prospects in a range of markets, looking for value adding opportunities that complement our portfolio, in line with our measured approach to risk.

During the period, we submitted bids for the DfT's Northern and TransPennine Express rail franchises and were pleased to be shortlisted for TfL's London Overground contract. Over the next two years, there are a number of other UK rail franchise opportunities which we will also consider. We are bidding for contracts in the German regional rail market and have a small bid team based in Berlin. Germany has the largest rail market in Europe and it is amongst the most liberalised. The regional passenger rail market generates annual revenue of around €9.6bn and operates more than 50bn passenger kilometres a year.

We look forward to submitting a second contract bid in the Singaporean bus market, which has many similar features to the London bus market, where we are the largest operator. At almost half the size of the London market, this presents an attractive opportunity for the Group. Annually, over one billion passenger journeys are made on Singapore's bus network. We have gained valuable experience and knowledge of this market through our bidding activity to date.

As with all development activity, we undertake careful analysis to establish which opportunities best complement our portfolio, match our risk appetite and offer attractive returns for our shareholders.

OUR PEOPLE

Our 26,000 people remain the backbone of our business and are vital to our success as a Group. Our employees reward us with hard work and dedication around the clock and in return we strive to make Go-Ahead a great place to work. We understand the importance of reward and recognition in all its forms and also believe in providing opportunities for the development of our people.

As we reported last year, a lot of attention has been placed on succession planning and talent management across the Group. At all levels of the businesses we aim to attract, retain and develop high calibre individuals. We have built on the progress made and throughout the year have developed our talent management and graduate programmes and launched The Academy, which offers online training and learning materials to all our people.

Our local teams are well placed to understand their local markets and individually they bring great value to the Group, but we are stronger together and are consequently greater than the sum of our parts. Our operating companies are encouraged to share what works, coming together to build a stronger Group. Our local managing directors, who are accountable for and take ownership of their businesses, embrace this approach.

OUR APPROACH

Our strategy is to increase the profitability of our existing business and to grow the Group to deliver sustainable shareholder value. In order to deliver against our strategy, we ensure the sustainability of our business model for the long term. Corporate responsibility is at the heart of what we do and we avoid short term solutions in all areas of our business. We believe that this approach is the best way to achieve sustainable profitability.

Our approach is underpinned by our strategic priorities of being a leading employer which provides high quality, locally-focused passenger transport services, running our companies in a responsible manner, and with strong financial discipline.

We believe firmly that public transport is best delivered through working in partnership, with strong alliances between operators and local authorities. Collaboration and partnership working are particular strengths for Go-Ahead. We have always worked closely with our key strategic partners and are continually working to strengthen these relationships. Our devolved structure, with local management teams making local decisions, combined with the flexibility inherent in commercial operations, helps us to tailor our services to meet our customers' changing needs. Being a business with a devolved structure makes it natural for us to understand and support the principle of greater local accountability in political structures.

Go-Ahead is an integral part of the UK public transport industry and we believe in offering wider transport solutions. We work closely with our industry partners and believe that together, we can build a better future for UK passenger transport.

We are committed to being a responsible business. Our continuous efforts to improve environmental performance throughout all our bus and rail operating companies have contributed to the achievement of our highest ever Carbon Disclosure Project score. This recognises the ongoing commitment to environmental responsibility and sustainability, which saw the Group being awarded the Carbon Trust Standard triple accreditation for our achievements in carbon, water and waste reduction.

As a socially responsible organisation, transparency and openness are important to us. A fair tax system is to the benefit of everyone and is crucial to support a vibrant economy. We are pleased to be one of only two FTSE 350 organisations to have been awarded the Fair Tax Mark in recognition of our responsible approach to UK corporation tax.

All of our stakeholders are important to us. Demonstrating our commitment to our suppliers, we were pleased to be recognised by the Prompt Payment Code during the year.

OUTLOOK

The new financial year has begun with similar trends to the second half of 2014/15.

We expect to deliver £100m of bus operating profit in 2016/2017, a year later than originally anticipated. We would expect some of the headwinds which we have experienced over the past year to reverse over time and this, along with reduced fuel costs, gives us continued confidence in the prospects for the bus division.

In our rail division, the Board's expectations remain unchanged as a stronger performance in Southeastern continues to offset underperformance in GTR. Our focus will remain on delivering improvements for customers and minimising disruption caused by large scale infrastructure work. We continue discussions with the DfT regarding the extension of the London Midland franchise from March 2016 to October 2017 and hope to agree terms shortly.

We look forward to hearing the outcome of the Northern and TransPennine Express rail franchise competitions, and submitting our bid for TfL's London Overground contract in the autumn. Overseas, we await the outcome of a bid submitted in the Singapore bus market and our business development team continues to explore other opportunities for the Group, particularly in the German rail market.

As a Group, our purpose is to serve our customers. We will continue to invest in our services to improve the experience of every customer that travels with us.

The Group remains in a good financial position, with strong cash generation and a robust balance sheet supporting our progressive dividend policy and allowing flexibility to pursue value-adding opportunities. This strong position underpins the Board's decision to propose an increased final dividend for the year, in line with our dividend policy.

BUSINESS REVIEW - BUS

Go-Ahead is a leading bus operator in the UK both in and outside London. Around two million passenger journeys are made on our services every day.

OUR STRATEGY

REGIONAL BUS

Our strategy is to grow our share of the regional UK bus market organically and through value adding acquisitions. We aim to improve operating profit margins by driving revenue growth and achieving cost efficiencies. Our long-standing commitment to delivering high quality and value for money services to our local markets, combined with our leading approach to marketing, smart-ticketing and innovative solutions, will remain key to revenue generation, whilst cost savings will be achieved through benchmarking, sharing best practice and the introduction and development of cost efficiency initiatives.

LONDON BUS

Our strategy is to maintain our sector leading performance and market position through strong and effective management, providing high quality and cost efficient operations whilst seeking expansion through additional contract wins and value adding acquisitions. A stable contract base, inflationary revenue growth and cost efficiencies contribute towards London bus strategy.

Our target to organically grow bus operating profit to £100m by 2015/16 is now expected to be achieved in 2016/17.

BUS OVERVIEW

	2015	2014
Total bus operations		
Revenue (£m)	817.8	800.5
Operating profit (£m)	89.0	83.5
Margin	10.9%	10.4%
Regional bus		
Revenue (£m)	359.9	350.8
Operating profit (£m)	46.7	41.9
Margin	13.0%	11.9%
London bus		
Revenue (£m)	457.9	449.7
Operating profit (£m)	42.3	41.6
Margin	9.2%	9.3%
Revenue growth		
Regional bus	2.6%	4.3%
London bus	1.8%	7.5%
Volume growth		
Regional bus – passenger journeys	(1.4%)	1.9%
London bus – miles operated	(0.9%)	1.6%

Unless otherwise stated, references made to operating profit throughout this report exclude amortisation, goodwill impairment and exceptional items.

OVERALL BUS PERFORMANCE REVIEW

Total bus revenue increased by 2.2%, or £17.3m, to £817.8m (2014: £800.5m). The bus division delivered operating profit of £89.0m (2014: £83.5m), increasing by £5.5m, or 6.6%, in the year, resulting in a rise in operating profit margin of 0.5ppts to 10.9%. This performance was slightly behind the Board's expectations for the year.

REGIONAL BUS OPERATIONS

Regional bus revenue was £359.9m (2014: £350.8m), up £9.1m, or 2.6%, with lower growth in the second half of the year. Overall, our regional bus operations saw similar trends in commercial and concessionary revenue and journey growth in the period. The decline in passenger numbers of 1.4% for the full year and 2.2% in the second half is a result of ongoing weakness in the north east economy, as well as roadworks in Oxford and Brighton significantly impacting our services in those areas, reducing passenger travel.

Operating profit in the regional bus division was £46.7m (2014: £41.9m), up £4.8m, or 11.5%, and operating margins increased to 13.0% (2014: 11.9%). Insurance claim costs improved slightly for the year, with some reversal in the second half, as we continued to focus on accident prevention and minimising claims, including historic incidents. We also saw reduced fuel costs, reflecting a reduction in hedge price. Bid costs of £1.3m were incurred in pursuing opportunities in the Singaporean bus market.

A charge of £4.9m was recorded in the year, relating to impairment of goodwill in our Go East Anglia bus operations.

	£m
2014 operating profit	41.9
Change in:	
Underlying growth	4.4
Fuel costs	1.2
Insurance claims	0.5
Bid costs	(1.3)
2015 operating profit	46.7

LONDON BUS OPERATIONS

London bus revenue grew by 1.8%, or £8.2m, to £457.9m in the year (2014: £449.7m). Growth was impacted by the reallocation of the Bus Service Operators Grant (BSOG). Excluding BSOG, London bus revenue growth was 0.6%. Mileage reduced by 0.9% due to contract losses in the first half of the year, with the impact lessened by contract gains in the second half of the year.

Operating profit in the London bus division was £42.3m (2014: £41.6m), up £0.7m, or 1.7%. Operating margins remained broadly similar at 9.2% (2014: 9.3%), down 0.1ppts on prior year margins. As with regional bus, our London operations saw an improvement in insurance claim costs and reduced fuel costs, reflecting the lower hedge price. These improvements helped offset the effect of driver's strike action in the third quarter and reduced Quality Incentive Contract (QIC) payments. At £4.6m (2014: £9.1m), QIC payments were significantly lower than the prior year, impacted by roadworks and congestion in the capital, predominantly in the second half of the year.

	£m
2014 operating profit	41.6
Change in:	
Insurance claims	3.0
Fuel cost	1.3
Underlying growth	1.9
Impact of strike action	(1.0)
QIC bonuses	(4.5)
2015 operating profit	42.3

We continue to perform well in the Transport for London (TfL) quality league tables. After adjusting for lost mileage due to driver strike action in the third quarter, we operated 99.5% (2014: 99.5%) of our target mileage before traffic congestion losses.

CAPITAL EXPENDITURE AND DEPRECIATION

Capital expenditure for the bus division was £36.1m (2014: £61.3m), of which £25.2m related to the purchase of new vehicles.

Investment of £19.9m (2014: £43.2m) was made in introducing 122 new buses (2014: 244 buses) into our regional bus fleet.

Contract wins in our London bus business led to a spend of £5.3m (2014: £6.6m) on 29 new buses (2014: 23 buses). This was less than the prior year as fewer new vehicles were needed due to automatic two year contract extensions on the basis of performance.

We have a young green bus fleet with an average age of 7.8 years. Depreciation for the division was £45.7m (2014: £45.2m).

FUEL

In the year, the bus division consumed around 128 million litres of fuel at a net cost of £118.4m.

BUS FUEL HEDGING PRICES

We have continued with our bus fuel hedging programme which uses fuel swaps to fix the price of our diesel fuel in advance. Our policy is to be fully hedged for the next financial year before the start of that year, at which point we aim to have also fixed at least 50% of the following year and 25% of the year after that. This hedging profile is then maintained on a quarterly basis. In July 2015 the Board approved an additional purchase to lock in the 2016/17 and 2017/18 fuel costs, in order to create certainty around one of our largest costs. The table below reflects the position after the additional purchase.

	2014	2015	2016	2017	2018
% hedged	Fully	Fully	Fully	Fully	Fully
Price (pence per litre)	50.5	48.5	45.8	37.0	35.0

At each period end the fuel hedges are marked to market price. The increase in the fuel hedge liability during the year represents the increase in the mark to market value of the fuel hedges during the year.

OVERALL BUS OUTLOOK

Although our bus division delivered its strongest ever financial performance in the year, this fell slightly short of the Board's expectations. The new financial year has begun with similar trends to the second half of 2014/15. As a result, we now expect to achieve operating profit of £100m in 2016/17, a year later than originally expected, due to lower than expected revenue growth, in particular due to regional bus performance and lower QIC payments.

We would expect some of these headwinds which we have experienced over the past year to reverse over time and this, along with reduced fuel costs, gives us continued confidence in the prospects for the bus division.

In regional bus, we will continue to drive revenue growth through our sector leading marketing initiatives and sales channels, using smart and m-ticketing to attract a wider market, and further improve the customer experience. We will remain focused on cost efficiency while maintaining the quality and reliability of our services.

In London bus, growth in contract mileage is expected to be 2-3% in the full year, with contract revenue expected to increase accordingly. Ongoing roadworks and congestion in London are expected to result in further year on year reduction in QIC payments.

In 2015/16, we expect total capital expenditure to be around £70m due to the timing of London contract renewals and continued investment in our regional bus services.

We will continue to look for value adding investment opportunities both in and outside our traditional markets.

BUSINESS REVIEW - RAIL

Go-Ahead's rail operation is the busiest in the UK, responsible for around 35% of all train passenger journeys

OUR RAIL STRATEGY

Our strategy is to deliver the commitments of our existing franchises while maximising returns for the remainder of the contracts, and securing future franchises through competitive bidding processes.

We are focused on the integration of the Southern and Gatwick Express franchises into the GTR franchise which began in July 2015 and are committed to negotiating favourable new terms for the extension period proposed for London Midland.

The UK rail market offers significant opportunities over the coming years. We have a strong position and a good track record in the industry and we aim to secure the future of rail profitability by exploring these and other opportunities.

RAIL OVERVIEW

	2015	2014
Total rail operations		
Total revenue (£m)	2,397.4	1,901.9
Operating profit (£m)	25.7	19.7
Margin	1.1%	1.0%
Passenger revenue growth		
Southern	7.0%	6.1%
Southeastern	8.5%	5.6%
London Midland	5.4%	7.4%
GTR*	8.8%	n/a
Volume growth		
Southern	4.1%	4.1%
Southeastern	3.1%	5.3%
London Midland	2.1%	4.9%
GTR*	6.4%	n/a

Unless otherwise stated, references made to operating profit throughout this report exclude amortisation, goodwill impairment and exceptional items.

* Compares the period of operation in the year (14 September 2014 to 27 June 2015) to the comparative period last year when operating as First Capital Connect.

RAIL PERFORMANCE REVIEW

The rail division has delivered a good result in the year, ahead of the Board's expectations, helped by contract management benefits in the second half. Margins remained at historically low levels.

Overall passenger revenue growth was 7.6% (2014: 6.1%) on a like for like basis, with like for like passenger journey growth of 3.9% (2014: 4.8%).

The Group's net increase in contributions to the DfT was £191.9m (2014: £51.6m increase) with an overall contribution of £255.9m (2014: £64.0m). Southern's core premium payments to the DfT increased by £46.1m in the year while subsidy receipts in Southeastern and London Midland increased by £49.4m and £0.7m respectively. Revenue support decreased by £59.8m for Southeastern and rose by £8.7m in Southern. Under its new direct award contract, which began in October 2014, Southeastern made profit share contributions to the DfT of £23.9m during the year.

The GTR revenue adjustment of £120.9m reflects the difference between passenger revenue and the franchise payment to the DfT, as set out in the bid model.

REVENUE

Total revenue increased by 26.1%, or £495.5m, to £2,397.4m (2014: £1,901.9m) consisting of:

	2015 £m	2014 £m	Net change £m	% change
Passenger revenue	2,240.1	1,636.2	603.9	36.9
Southern	735.7	687.7	48.0	7.0
Southeastern	728.6	671.6	57.0	8.5
London Midland	291.8	276.9	14.9	5.4
GTR*	484.0	–	484.0	–
GTR revenue adjustment**	(120.9)	–	(120.9)	–
Other revenue	160.7	147.2	13.5	9.2
Southern	55.8	77.5	(21.7)	(28.0)
Southeastern	23.8	26.4	(2.6)	(9.8)
London Midland	50.3	43.3	7.0	16.2
GTR	30.8	–	30.8	–
Total subsidy	76.4	26.3	50.1	190.5
Southeastern	19.8	(29.6)	49.4	166.9
London Midland	56.6	55.9	0.7	1.3
Total revenue support	41.1	92.2	(51.1)	(55.4)
Southeastern revenue support	23.0	82.8	(59.8)	(72.2)
Southern revenue support	18.1	9.4	8.7	92.6
Total revenue	2,397.4	1,901.9	495.5	26.1

* Passenger revenue collected by GTR on behalf of the DfT.

** Represents passenger revenue generated in excess of the management fee payable to

Go-Ahead for operating the franchise, which is remitted to the DfT.

PREMIUM PAYMENTS

Southern's core premium payments are included in operating costs.

	2015 £m	2014 £m	Net change £m	% change
Southern core premium	228.6	182.5	46.1	25.3

OPERATING PROFIT

Operating profit in the rail division was up £6.0m at £25.7m (2014: £19.7m), with operating margins increasing marginally to 1.1% (2014: 1.0%).

Rail bid costs of £9.4m (2014: £8.1m) were higher than in the prior year due to increased bidding activity, including around £2m on rail franchise activity in Germany.

	£m
2014 operating profit	19.7
Change in:	
Additional passenger revenue	603.9
GTR revenue adjustment	(120.9)
Additional costs and other income	(406.0)
Premium payments	(46.1)
Southeastern profit share	(23.9)
Subsidy receipts	50.1
Revenue support receipts	(51.1)
2015 operating profit	25.7

INDIVIDUAL FRANCHISE PERFORMANCE

SOUTHERN

Passenger revenue growth was 7.0% (2014: 6.1%) year on year driven by higher passenger numbers, up 4.1% (2014: 4.1%).

The franchise delivered a stronger than expected profit performance in the year due to contract management benefits before being integrated into GTR in July 2015. Southern continued to receive revenue support until this point.

SOUTHEASTERN

Southeastern recorded a good trading performance. Overall passenger revenue increased by 8.5% (2014: 5.6%) and passenger numbers rose 3.1% (2014: 5.3%).

The franchise began operating under new contract terms on 12 October 2014, ending its eligibility for revenue support. Under the new contract, Southeastern made a contribution of £23.9m to the Government during the year through a profit sharing mechanism.

LONDON MIDLAND

Passenger revenue grew by 5.4% (2014: 7.4%) in the year and passenger numbers increased by 2.1% (2014: 4.9%) on a like for like basis. London Midland's trading performance improved in the second half of the year.

The franchise will continue to operate within its original contract terms including a seven month extension period to March 2016. Discussions with the DfT are underway regarding a potential direct award contract for London Midland from March 2016 to October 2017.

GTR

The GTR franchise began on 14 September 2014. In the trading period, the franchise reported growth in passenger revenue of 8.8% and passenger journey growth of 6.4% compared with the same period last year. Despite the strong trading performance, operational issues and network changes contributed to the franchise making a small loss in the year.

CAPITAL EXPENDITURE AND DEPRECIATION

Capital expenditure for the rail division was £6.2m (2014: £8.2m) and depreciation was £24.8m (2014: £15.5m).

In 2015/16, capital expenditure is expected to increase to around £20m reflecting investment in GTR and Southeastern.

RAIL OUTLOOK

This has been a transitional year in rail, with the introduction of GTR and the start of Southeastern's new contract. Looking forward, our local management teams will be focused on delivering benefits for passengers while working with industry partners, such as Network Rail, to minimise the disruption caused by major infrastructure work associated with the Thameslink Programme.

Following the year end, Southern and Gatwick Express were integrated into GTR. This franchise continues to incur incremental costs as a result of operational challenges and changes in its operating network. This may lead to lower margins in the short to medium term but any shortfall in profit is expected to be recoverable over the life of the franchise as normal industry contract remedies are employed to help mitigate these costs over time.

Trading in the Southeastern franchise continues to outperform our expectations and we expect the full year benefit of new contract terms to offset underperformance in GTR.

We continue discussions with the DfT regarding the proposed contract extension for London Midland to October 2017.

FINANCE REVIEW

"The Group once again delivered a good performance in the year ended 27 June 2015 and is in a strong financial position."

OVERVIEW AND HIGHLIGHTS

Revenue for the year was £3,215.2m, up £512.8m, or 19.0%, on last year (2014: £2,702.4m), with growth in both bus and rail. The majority of this increase was attributable to the rail division, predominantly due to the introduction of the GTR franchise on 14 September 2014.

Operating profit was £114.7m (2014: £103.2m), up £11.5m, or 11.1%, on the prior year. This was ahead of the Board's expectations as a result of better than expected performance in our rail division, helped by rail contract management benefits, which more than offset the slight weakness in our bus division. The bus division delivered record profits in the year, making continued progress. The overall operating margin of 3.6% (2014: 3.8%) reduced slightly year on year following the introduction of the GTR franchise, which made a small loss in the year.

Profit before tax excluding amortisation, goodwill impairment and exceptional items for the year increased by £11.7m, or 13.8%, to £96.6m (2014: £84.9m) and adjusted earnings per share rose 1.5% to 150.8p (2014: 148.6p).

Net cash at the year end of £292.9m (2014: net debt £42.7m) reflects £322.4m additional cash, the majority of which is restricted. The higher cash balance is largely due to working capital movements relating to franchise wins and extensions, and the timing of GTR franchise payments. Adjusted net debt (net debt plus restricted cash) to EBITDA of 1.32x (2014: 1.59x) is below our target range of 1.5x to 2.5x.

SUMMARY INCOME STATEMENT

	2015 £m	2014 £m	Increase/(decrease) £m	Increase/(decrease) %
Revenue	3,215.2	2,702.4	512.8	19.0
Operating profit	114.7	103.2	11.5	11.1
Net finance costs	(18.1)	(18.3)	0.2	1.1
Profit before tax*	96.6	84.9	11.7	13.8
Amortisation and goodwill impairment	(9.1)	(5.8)	(3.3)	(56.9)
Exceptional items	(8.8)	12.1	(20.9)	(172.7)
Profit before tax	78.7	91.2	(12.5)	(13.7)
Total tax expense	(19.4)	(13.6)	(5.8)	(42.6)
Profit for the period	59.3	77.6	(18.3)	(23.6)
Non-controlling interests	(7.1)	(7.3)	0.2	2.7
Profit attributable to shareholders	52.2	70.3	(18.1)	(25.7)
Adjusted profit attributable to shareholders*	64.7	63.7	1.0	1.6
Weighted average number of shares (m)	42.9	42.9	–	–
Adjusted earnings per share (p)*	150.8	148.6	2.2	1.5
Proposed full year dividend per share (p)	90.0	84.5	5.5	6.5

* Excludes amortisation, goodwill impairment and exceptional items.

REVENUE AND OPERATING PROFIT BY DIVISION

	2015 £m	2014 £m	Increase/(decrease) £m	Increase/(decrease) %
Revenue				
Regional bus	359.9	350.8	9.1	2.6
London bus	457.9	449.7	8.2	1.8
Total bus	817.8	800.5	17.3	2.2
Rail	2,397.4	1,901.9	495.5	26.1
Total	3,215.2	2,702.4	512.8	19.0
Operating profit				
Regional bus	46.7	41.9	4.8	11.5
London bus	42.3	41.6	0.7	1.7
Total bus	89.0	83.5	5.5	6.6
Rail	25.7	19.7	6.0	30.5
Total	114.7	103.2	11.5	11.1

EARNINGS PER SHARE

Adjusted earnings (net profit after tax attributable to members before amortisation and exceptional items) were £64.7m (2014: £63.7m), resulting in an increase in adjusted earnings per share from 148.6p to 150.8p.

The weighted average number of shares was 42.9 million (2014: 42.9 million), and the number of shares in issue, net of treasury shares, was 43.0 million (2014: 42.9 million).

DIVIDEND

The Board is proposing a total dividend for the year of 90.0p per share (2014: 84.5p), a rise of 6.5%, following a 4.3% increase in the interim dividend. This includes a proposed final payment of 63.4p per share (2014: 59.0p) payable on 13 November 2015 to shareholders registered at the close of business on 30 October 2015.

Dividends of £36.7m (2014: £34.7m) paid in the period represent the payment of the prior year's final dividend of 59.0p per share (2014: 55.5p) and the interim dividend in respect of this year of 26.6p per share (2014: 25.5p). Dividends paid to non-controlling interests were £12.8m (2014: £8.6m). Excluding the non-cash impact of IAS 19 (revised), dividend cover was 2.02x (2014: 2.04x).

SUMMARY CASHFLOW

	2015 £m	2014 £m	Increase/(decrease) £m
EBITDA*	185.2	163.9	21.3
Working capital/other items	224.2	9.7	214.5
Pensions	22.0	10.7	11.3
Cashflow generated from operations	431.4	184.3	247.1
Tax paid	(20.3)	(12.4)	(7.9)
Net interest paid	(14.3)	(15.0)	0.7
Net capital investment	(47.9)	(67.3)	19.4
Net cash transfer on handover of rail franchise	34.8	–	34.8
Free cashflow	383.7	89.6	294.1
Net acquisitions	(0.4)	–	(0.4)
Joint venture repayment	1.8	0.3	1.5
Other	–	1.6	(1.6)
Dividends paid	(49.5)	(43.3)	(6.2)
Decrease in net debt/increase in net cash	335.6	48.2	287.4
Opening net debt	(42.7)	(90.9)	–
Closing net cash/(debt)	292.9	(42.7)	–

* Operating profit before interest, tax, depreciation, amortisation, goodwill impairment and exceptional items.

CASHFLOW

Cash generated from operations before tax was £431.4m (2014: £184.3m). This increase of £247.1m is largely due to better than expected profitability and a favourable movement in working capital, primarily reflecting timing of rail payments. £107m is due to the timing of GTR franchise payments, which is expected to reverse in 2015/16. £70m is due to a cash inflow from the start of the GTR franchise, which is not expected to reverse until the end of the franchise. The balance is due to an increase in season ticket cash and the timing of contractual payments. Tax paid of £20.3m (2014: £12.4m) comprised payments on account in respect of the current year's liabilities. Net interest paid of £14.3m (2014: £15.0m) is lower than the charge for the period of £18.1m (2014: £18.3m) after excluding the impact of non-cash interest on pensions and the unwinding of discounting on provisions. Capital expenditure, net of sale proceeds, was £19.4m lower in the year at £47.9m (2014: £67.3m) predominantly due to reduced investment in the regional bus fleet. Investment in the bus division is expected to increase to around £70m in 2015/16 due to the timing of London bus contract renewals and continued investment in our regional bus operations.

During the period, the Group did not repurchase any shares (2014: nil).

CAPITAL EXPENDITURE

Expenditure on capital during the year can be summarised as:

	2015 £m	2014 £m
Regional bus	28.0	52.4
London bus	8.1	8.9
Total bus	36.1	61.3
Rail	6.2	8.2
Group total	42.3	69.5

CAPITAL STRUCTURE

	2015 £m	2014 £m
Five year syndicated facility 2019/five year syndicated facility 2016	280.0	275.0
7.5 year £200m 5.375% sterling bond 2017	200.0	200.0
Total core facilities	480.0	475.0
Amount drawn down at 27 June 2015	311.0	320.0
Balance available	169.0	155.0
Restricted cash	537.6	217.3
Net (cash)/debt	(292.9)	42.7
Adjusted net debt	244.7	260.0
EBITDA	185.2	163.9
Adjusted net debt/EBITDA ¹	1.32x	1.59x
Adjusted net debt/EBITDA ²	1.19x	1.45x

¹ Not adjusted for the impact of IAS 19 (revised), in line with new 2019 revolving credit facility.

² Adjusted for the impact of IAS 19 (revised).

Significant medium term finance is secured through our revolving credit facility (RCF) and £200m sterling bond. On 16 July 2014, our RCF was refinanced as the Group entered into a £280m five year facility, replacing the existing £275m facility which was due to expire in February 2016. The new facility has an initial maturity of July 2019 with two one year extension options, one of which was agreed on 1 July 2015, extending the maturity of the facility to July 2020 from that date. The sterling bond is due to expire in September 2017.

Our investment grade ratings from Moody's (Baa3, stable outlook) and Standard & Poor's (BBB-, stable outlook) remain unchanged.

NET CASH/DEBT

Net cash of £292.9m (2014: net debt £42.7m) comprised the £200m sterling bond; amounts drawn down against the £280m five year RCF of £111.0m (2014: £120.0m); hire purchase and lease agreements of £0.3m (2014: £2.0m) and US dollar facility of £nil (2014: £2.5m), offset by cash and short term deposits of £604.2m (2014: £281.8m) including £537.6m of restricted cash in rail (2014: £217.3m). There were no overdrafts in use at the year end (2014: £nil).

Our primary financial covenant under the 2016 RCF was an adjusted net debt to EBITDA ratio of not more than 3.5x. Adjusted net debt (net debt plus restricted cash) to EBITDA of 1.32x (2014: 1.59x) remains under our target range of 1.5x to 2.5x.

NET FINANCE COSTS

Net finance costs for the year were slightly ahead of the prior year at £18.1m (2014: £18.3m) including finance costs of £20.5m (2014: £19.8m) less finance revenue of £2.4m (2014: £1.5m).

The average underlying net interest rate for the period was 4.2% (2014: 4.3%).

AMORTISATION AND GOODWILL IMPAIRMENT

The amortisation and goodwill impairment charge for the year was £9.1m (2014: £5.8m), of which £4.2m represents the non-cash cost of amortising software costs, franchise bid costs, customer contracts and rail franchise acquisition assets, and £4.9m relates to the impairment of goodwill in our Go East Anglia bus operations.

EXCEPTIONAL ITEMS

Total exceptional items in the year were a charge of £8.8m (2014: £12.1m credit), relating to rail restructuring costs in GTR. These costs reflect reorganisation of the combined GTR franchise which brings Thameslink and Great Northern together with Southern and Gatwick Express under one management structure.

Prior year exceptional items of £12.1m comprised a credit of £15.1m in relation to the closure of the defined benefit pension scheme, and a £3.0m charge in respect of rail restructuring.

TAXATION

Net tax for the year was £19.4m (2014: £13.6m), equivalent to an effective rate of 24.7% (2014: 14.9%), above the UK statutory rate for the period of 20.75% (2014: 22.5%). The effective rate was higher than expected due to increased non-deductible items such as goodwill impairment and German bid costs.

The underlying rate, excluding goodwill impairment of £4.9m, is 23.2%. The statutory rate will reduce to 20%, 19% and 18% in 2016, 2017 and 2018 respectively. We expect our effective tax rate to be 1% to 2% above the statutory rate in future years.

NON-CONTROLLING INTEREST

The non-controlling interest in the income statement of £7.1m (2014: £7.3m) arises from our 65% holding in Govia Limited which owns 100% of our current rail operations and therefore represents 35% of the profit after taxation of these operations.

PENSIONS

Operating profit includes the net cost of the Group's defined benefit pension plans for the year of £68.9m (2014: £53.8m) consisting of bus costs of £2.7m (2014: £6.7m) and rail costs of £66.2m (2014: £47.1m). Group contributions to the schemes totalled £46.2m (2014: £43.2m).

BUS PENSIONS

Under accounting valuations, the net deficit after taxation on the bus defined benefit schemes was £47.6m (2014: £47.8m), consisting of pre-tax liabilities of £59.5m (2014: £59.8m) less a deferred tax asset of £11.9m (2014: £12.0m). The pre-tax deficit consisted of estimated liabilities of £718.7m (2014: £663.3m) less assets of £659.2m (2014: £603.5m). The percentage of assets held in higher risk, return seeking assets was 51% (2014: 50%).

RAIL PENSIONS

As the long term responsibility for the rail pension schemes rests with the DfT the Group only recognises the share of surplus or deficit expected to be realised over the life of each franchise.

In the year we recorded a pre-tax liability of £nil (2014: £nil).

IAS 19 (REVISED)

IAS 19 (revised) became effective for the Group in the year ended 28 June 2014.

The impact of the change on profit before tax was a reduction of £20.4m (2014: £14.2m), £12.2m (2014: £8.6m) of which is attributable to equity holders of the parent. This resulted in a reduction in basic earnings per share of 28.4p (2014: 20.1p) and a reduction in adjusted earnings per share of 30.8p (2014: 24.0p), of which 11.7p (2014: 9.6p) relates to the bus division.

The table below shows the impact of IAS 19 (revised) on the financial results to 27 June 2015, and the impact on the results to 28 June 2014.

	2015 £m	2014 £m
Profit adjustment – Bus	(4.0)	(3.3)
Profit adjustment – Rail	(16.0)	(12.3)
Total operating profit effect	(20.0)	(15.6)
Amortisation	1.9	3.4
Net finance costs	(2.3)	(2.0)
Profit before taxation	(20.4)	(14.2)
Taxation (22.5%/23.75%)	4.2	3.2
Profit for the year	(16.2)	(11.0)
Attributable to:		
Equity holders of the parent	(12.2)	(8.6)
Non-controlling interests	(4.0)	(2.4)
	(16.2)	(11.0)
Reduction in basic earnings per share (p)	(28.4)p	(20.1)p
Reduction in adjusted earnings per share (p)	(30.8)p	(24.0)p
Reduction in earnings per share attributable to bus (p)	(11.7)p	(9.6)p

KEY RISKS

The key risks described in the Group's Annual Report for the year ended 27 June 2015 can be summarised as below. More detail can be found in the 2015 Group Annual Report and Accounts, available on our website at www.go-ahead.com

Key risks for 2015 can be summarised as:

EXTERNAL

ECONOMIC ENVIRONMENT

Negative impact on the Group's businesses, largely through a reduction in demand for services. In rail, franchise bids make economic assumptions years into the future. A weaker economy can lead to under performance against bid targets and management's expectations.

POLITICAL AND REGULATORY FRAMEWORK

Changes in Government or to laws, regulations, policies (e.g. introduction of a Bus Bill, pressure on concessionary travel or BSOG, restrictions around vehicle specification devolution to TFL), local authority attitudes towards public transport and reductions in the availability of Government financial support could adversely impact the Group's operations and financial position.

STRATEGIC

SUSTAINABILITY OF RAIL PROFITS

The sustainability of rail profits is dependent on a number of factors. The nature of the current rail franchising model leads to high volatility of earnings; failure to retain, win or successfully mobilise and integrate franchises could impact on the overall profitability of the Group; failure to comply with conditions of rail franchise agreements could lead to financial penalties or even the termination of a rail franchise.

INAPPROPRIATE STRATEGY OR INVESTMENT

Inappropriate strategic or investment decisions could adversely impact on the Group's economic and shareholder value.

COMPETITION

Loss of business to other modes of transport, existing competitors or new market entrants in our markets could have a significant impact on business, such as new technology based start ups.

OPERATIONAL

CATASTROPHIC INCIDENT OR SEVERE INFRASTRUCTURE FAILURE

An incident, such as a major accident, an act of terrorism, a force majeure, a pandemic or severe failure of rail infrastructure, could result in serious injury, disruption to service and loss of earnings.

LARGE SCALE INFRASTRUCTURE PROJECTS

Large scale projects on and around the networks on which we operate (such as the Thameslink Programme, HS2, major roadworks) can significantly impact on our ability to run our services reliably, meet contractual obligations, and performance targets, or damage customer reputation.

LABOUR COSTS, EMPLOYEE RELATIONS AND RESOURCE PLANNING

Poor employee relations or reduced availability of staff could impact on reputation, revenue, staff morale and our ability to fulfil contract obligations. Labour costs are a high proportion of our cost base. Even relatively small percentage increases in wages could have a material impact on profits. For example, an increase of 1% in staff costs would increase costs by around £11m.

INFORMATION TECHNOLOGY (IT) FAILURE OR INTERRUPTION OR SECURITY BREACH

Prolonged or major failure of the Group's IT systems or a significant security breach could pose significant risk to the ability to operate and trade.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 27 JUNE 2015

	2015 £m	2014 £m
Group revenue	3,215.2	2,702.4
Operating costs (excluding amortisation, goodwill impairment and exceptional items)	(3,100.5)	(2,599.2)
Group operating profit (before amortisation, goodwill impairment and exceptional items)	114.7	103.2
Intangible asset amortisation and goodwill impairment	(9.1)	(5.8)
Exceptional items (before taxation)	(8.8)	12.1
Group operating profit	96.8	109.5
Finance revenue	2.4	1.5
Finance costs	(20.5)	(19.8)
Profit on ordinary activities before taxation	78.7	91.2
Tax expense	(19.4)	(13.6)
Profit for the year from continuing operations	59.3	77.6
Attributable to:		
Equity holders of the parent	52.2	70.3
Non-controlling interests	7.1	7.3
	59.3	77.6
Earnings per share		
– basic	121.6p	164.0p
– diluted	119.5p	162.4p
– adjusted basic	150.8p	148.6p
– adjusted diluted	148.2p	147.1p
Dividends paid (pence per share)	85.6p	81.0p
Final dividend proposed (pence per share)	63.4p	59.0p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 27 JUNE 2015

	2015 £m	2014 £m
Profit for the year	59.3	77.6
Other comprehensive income/(losses)		
Items that will not be reclassified to profit or loss		
Remeasurement gains/(losses) on defined benefit pension plans	24.6	(14.5)
Tax relating to items that will not be reclassified	(4.9)	1.5
	19.7	(13.0)
Items that may subsequently be reclassified to profit or loss		
Unrealised losses on cashflow hedges	(36.0)	(5.2)
Losses on cashflow hedges taken to income statement – operating costs	16.2	2.1
Tax relating to items that may be reclassified	4.0	0.5
	(15.8)	(2.6)
Other comprehensive gains/(losses) for the year, net of tax	3.9	(15.6)
Total comprehensive income for the year	63.2	62.0
Attributable to:		
Equity holders of the parent	49.4	51.0
Non-controlling interests	13.8	11.0
	63.2	62.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 27 JUNE 2015

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 29 June 2013	72.1	(70.2)	(1.6)	1.6	0.7	29.1	31.7	14.0	45.7
Profit for the year	–	–	–	–	–	70.3	70.3	7.3	77.6
Net movement on hedges (net of tax)	–	–	(2.6)	–	–	–	(2.6)	–	(2.6)
Remeasurement (losses)/gains on defined benefit pension plans (net of tax)	–	–	–	–	–	(16.7)	(16.7)	3.7	(13.0)
Total comprehensive income	–	–	(2.6)	–	–	53.6	51.0	11.0	62.0
Reserves transfer	–	0.3	–	–	–	(0.3)	–	–	–
Share based payment charge (and associated tax)	–	–	–	–	–	2.7	2.7	–	2.7
Dividends	–	–	–	–	–	(34.7)	(34.7)	(8.6)	(43.3)
At 28 June 2014	72.1	(69.9)	(4.2)	1.6	0.7	50.4	50.7	16.4	67.1
Profit for the year	–	–	–	–	–	52.2	52.2	7.1	59.3
Net movement on hedges (net of tax)	–	–	(15.8)	–	–	–	(15.8)	–	(15.8)
Remeasurement gains on defined benefit pension plans (net of tax)	–	–	–	–	–	13.0	13.0	6.7	19.7
Total comprehensive income	–	–	(15.8)	–	–	65.2	49.4	13.8	63.2
Reserves transfer	–	1.1	–	–	–	(1.1)	–	–	–
Share based payment charge (and associated tax)	–	–	–	–	–	1.9	1.9	–	1.9
Dividends	–	–	–	–	–	(36.7)	(36.7)	(12.8)	(49.5)
At 27 June 2015	72.1	(68.8)	(20.0)	1.6	0.7	79.7	65.3	17.4	82.7

CONSOLIDATED BALANCE SHEET

AS AT 27 JUNE 2015

	2015 £m	2014 £m
Assets		
Non-current assets		
Property, plant and equipment	437.4	458.6
Intangible assets	84.7	87.7
Trade and other receivables	0.8	1.2
Other financial assets	–	0.1
Deferred tax assets	11.9	12.0
	534.8	559.6
Current assets		
Inventories	17.9	15.6
Trade and other receivables	260.1	254.8
Cash and cash equivalents	604.2	281.8
	882.2	552.2
Assets classified as held for sale	6.0	72.4
Total assets	1,423.0	1,184.2
Liabilities		
Current liabilities		
Trade and other payables	(772.9)	(557.7)
Other financial liabilities	(19.1)	(3.5)
Interest-bearing loans and borrowings	0.7	(2.9)
Current tax liabilities	(14.9)	(10.6)
Provisions	(75.4)	(66.3)
	(881.6)	(641.0)
Non-current liabilities		
Interest-bearing loans and borrowings	(310.2)	(320.0)
Retirement benefit obligations	(59.5)	(59.8)
Other financial liabilities	(5.5)	(1.4)
Deferred tax liabilities	(46.1)	(50.8)
Other liabilities	(5.2)	(2.4)
Provisions	(32.2)	(41.7)
	(458.7)	(476.1)
Total liabilities	(1,340.3)	(1,117.1)
Net assets	82.7	67.1
Capital & reserves		
Share capital	72.1	72.1
Reserve for own shares	(68.8)	(69.9)
Hedging reserve	(20.0)	(4.2)
Other reserve	1.6	1.6
Capital redemption reserve	0.7	0.7
Retained earnings	79.7	50.4
Total shareholders' equity	65.3	50.7
Non-controlling interests	17.4	16.4
Total equity	82.7	67.1

CONSOLIDATED CASHFLOW STATEMENT

FOR THE YEAR ENDED 27 JUNE 2015

	2015 £m	2014 £m
Profit after tax for the year	59.3	77.6
Net finance costs	18.1	18.3
Tax expense	19.4	13.6
Depreciation of property, plant and equipment	70.5	60.7
Amortisation of intangible assets	4.2	5.8
Impairment of goodwill	4.9	–
Pension plan curtailment	–	(15.1)
Release of fuel hedge	–	(0.5)
Loss on sale of property, plant and equipment	–	1.2
Profit on sale of assets held for disposal	(0.4)	–
Share based payment charges	1.6	2.2
Difference between pension contributions paid and amounts recognised in the income statement	22.0	10.7
Impairment of joint venture	–	0.3
Sale of assets held for disposal	1.5	0.4
Decrease/(increase) in inventories	3.0	(1.4)
Increase in trade and other receivables	(3.3)	(13.1)
Increase in trade and other payables	232.1	21.0
Movement in provisions	(1.5)	2.6
Cashflow generated from operations	431.4	184.3
Taxation paid	(20.3)	(12.4)
Net cashflows from operating activities	411.1	171.9
Cashflows from investing activities		
Interest received	2.3	1.5
Proceeds from sale of property, plant and equipment	0.5	3.9
Purchase of property, plant and equipment	(42.3)	(69.5)
Purchase of intangible assets	(6.1)	(1.7)
Net cash transfer on handover of rail franchise	34.8	–
Purchase of businesses	(0.4)	–
(Repayment)/receipt of funding for rolling stock procurement	(68.6)	68.6
Deposit paid on rolling stock	–	(68.6)
Sale of rolling stock	68.6	–
Repayments from joint venture	1.8	0.3
Sale of current investments	–	1.6
Net cashflows used in investing activities	(9.4)	(63.9)
Cashflows from financing activities		
Interest paid	(16.6)	(16.5)
Dividends paid to members of the parent	(36.7)	(34.7)
Dividends paid to non-controlling interests	(12.8)	(8.6)
Repayment of borrowings	(122.5)	(13.7)
Proceeds from borrowings	111.0	–
Payment of finance lease and hire purchase liabilities	(1.7)	(1.6)
Net cash outflows on financing activities	(79.3)	(75.1)
Net increase in cash and cash equivalents	322.4	32.9
Cash and cash equivalents at 28 June 2014	281.8	248.9
Cash and cash equivalents at 27 June 2015	604.2	281.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 27 JUNE 2015

1. SEGMENTAL ANALYSIS

The Group's businesses are managed on a divisional basis. Selected financial data is presented on this basis below.

For management purposes, the Group is now organised into three reportable segments: regional bus, London bus and rail. The operations of Go-Ahead North America ceased at the end of July 2014. Operating segments within those reportable divisions are combined on the basis of their long term characteristics and similar nature of their products and services, as follows:

The regional bus division comprises bus operations outside London.

The London bus division comprises bus operations in London under control of Transport for London ('TfL') and also rail replacement and other contracted services in London.

The rail operation through an intermediate holding company, Govia Limited, is 65% owned by Go-Ahead and 35% by Keolis and comprises four rail franchises: Southern, Southeastern, London Midland and GTR. The division is aggregated for the purpose of segmental reporting under IFRS 8 as each operating company has similar objectives, to provide passenger rail services and achieve a modest profit margin through its franchise arrangements with DfT. Each company targets similar margins, has similar economic risks and is viewed and reacted to as one segment by the chief operating decision maker, considered to be the Group Chief Executive. The registered office of Keolis (UK) Limited is in England and Wales.

The Go-Ahead North America division comprised a 50% investment in a US school bus operation. The Group's share of the profit of this division was £nil (2014: £nil), and it was therefore not shown separately within the tables below but aggregated within regional bus until it ceased trading at the end of July 2014.

The information reported to the Group Chief Executive in his capacity as chief operating decision maker does not include an analysis of assets and liabilities and accordingly IFRS 8 does not require this information to be presented. Segment performance is evaluated based on operating profit or loss excluding amortisation of intangible assets, goodwill impairment and exceptional items.

Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties.

The following tables present information regarding the Group's reportable segments for the year ended 27 June 2015 and the year ended 28 June 2014.

Year ended 27 June 2015

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Segment revenue	384.8	469.7	854.5	2,414.0	3,268.5
Inter-segment revenue	(24.9)	(11.8)	(36.7)	(16.6)	(53.3)
Group revenue	359.9	457.9	817.8	2,397.4	3,215.2
Operating costs (excluding amortisation, goodwill impairment and exceptional items)	(313.2)	(415.6)	(728.8)	(2,371.7)	(3,100.5)
Segment profit – Group operating profit (before amortisation, goodwill impairment and exceptional items)	46.7	42.3	89.0	25.7	114.7
Intangible amortisation	(1.6)	(1.8)	(3.4)	(0.8)	(4.2)
Goodwill impairment	(4.9)	–	(4.9)	–	(4.9)
Exceptional items	–	–	–	(8.8)	(8.8)
Group operating profit	40.2	40.5	80.7	16.1	96.8
Net finance costs					(18.1)
Profit before tax and non-controlling interests					78.7
Tax expense					(19.4)
Profit for the year					59.3

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
Additions	28.0	8.1	36.1	6.2	42.3
Acquisitions and new rail franchises	0.4	–	0.4	6.9	7.3
Intangible fixed assets	1.1	0.1	1.2	4.9	6.1
Depreciation	27.5	18.2	45.7	24.8	70.5

At 27 June 2015, there were non-current assets of £nil (2014: £nil) and current assets of £nil (2014: £1.8m) relating to US operations, which were made up entirely of loans in Go-Ahead North America. The US operation ceased trading on 25 July 2014. For the year ended 27 June 2015, segment revenue for this venture was less than £0.1m (2014: £1.7m) and segment profit was £nil (2014: £nil). On termination of the joint venture all outstanding loans were repaid.

During the year ended 27 June 2015, segment revenue from external customers outside the United Kingdom related entirely to the Go-Ahead North America joint venture.

Year ended 28 June 2014

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Segment revenue	372.3	459.7	832.0	1,907.2	2,739.2
Inter-segment revenue	(21.5)	(10.0)	(31.5)	(5.3)	(36.8)
Group revenue	350.8	449.7	800.5	1,901.9	2,702.4
Operating costs (excluding amortisation and exceptional items)	(308.9)	(408.1)	(717.0)	(1,882.2)	(2,599.2)
Segment profit – Group operating profit (before amortisation and exceptional items)	41.9	41.6	83.5	19.7	103.2
Intangible amortisation	(1.4)	(2.0)	(3.4)	(2.4)	(5.8)
Exceptional items	6.6	8.5	15.1	(3.0)	12.1
Group operating profit	47.1	48.1	95.2	14.3	109.5
Net finance costs					(18.3)
Profit before tax and non-controlling interests					91.2
Tax expense					(13.6)
Profit for the year					77.6

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
Additions	52.4	8.9	61.3	8.2	69.5
Intangible fixed assets	1.1	0.1	1.2	0.5	1.7
Depreciation	28.9	16.3	45.2	15.5	60.7

2. GROUP REVENUE

This note provides an analysis of Group revenue.

	2015 £m	2014 £m
Rendering of services	3,208.6	2,574.6
Rental income	10.0	9.3
Franchise subsidy receipts and revenue support	(3.4)	118.5
Group revenue	3,215.2	2,702.4

3. OPERATING COSTS (EXCLUDING AMORTISATION, GOODWILL IMPAIRMENT AND EXCEPTIONAL ITEMS)

Detailed below are the key amounts recognised in arriving at our operating costs.

	2015 £m	2014 £m
Staff costs	1,079.6	929.2
Operating lease payments		
– bus vehicles	16.6	18.4
– non-rail properties	2.6	2.8
– other non-rail	0.1	0.1
– rail rolling stock	410.9	320.2
– other rail	88.0	65.8
Total lease and sublease payments recognised as an expense (excluding rail access charges) ¹	518.2	407.3
– rail access charges	489.9	461.1
Total lease and sublease payments recognised as an expense ²	1,008.1	868.4
DfT Franchise agreement payments	228.6	182.5
Other operating income	(24.8)	(25.5)
Depreciation of property, plant and equipment		
– owned assets	69.4	51.9
– leased assets	1.1	8.8
Total depreciation expense	70.5	60.7
Auditors' remuneration		
– audit of the financial statements (EY)	0.5	0.5
– audit of the financial statements (Grant Thornton)	–	0.1
– taxation services	0.1	0.1
– other services	0.1	–
Total auditors' remuneration	0.7	0.7
Trade receivables not recovered	0.3	0.1
Energy costs		
– bus fuel	118.4	112.9
– rail diesel fuel	9.6	10.6
– rail electricity (EC4T)	109.5	84.6
– cost of site energy	15.2	11.7
Total energy costs	252.7	219.8
Government grants	(8.0)	(2.8)
(Profit)/loss on disposal of property, plant and equipment	(0.4)	1.2
Costs expensed relating to franchise bidding activities	10.7	8.1
Other operating costs	482.5	356.8
Total operating costs	3,100.5	2,599.2

¹ The total lease and sublease payments recognised as an expense (excluding rail access charges) are made up of minimum lease payments of £531.7m (2014: £423.9m), net of sublease payments of £13.5m (2014: £16.6m) relating to other rail leases.

² The total lease and sublease payments recognised as an expense are made up of minimum lease payments of £1,021.6m (2014: £885.0m), net of sublease payments of £13.5m (2014: £16.6m) relating to other rail leases.

The fee relating to the audit of the financial statements can be analysed between audit of the Group's consolidated financial statements of £0.1m (2014: £0.2m) and audit of subsidiaries' financial statements of £0.4m (2014: £0.4m).

During the year, £1.5m (2014: £1.8m) was also paid to other 'Big 4' accounting firms for a variety of services.

4. STAFF COSTS

This note shows total employment costs, inclusive of share based payment charges. We have a number of share plans used to award shares to directors and employees. A charge is recognised over the vesting period in the consolidated income statement, based on the fair value of the award at the date of grant. The note also shows the average number of people employed by the Group during the year.

	2015 £m	2014 £m
Wages and salaries	915.4	793.5
Social security costs	80.5	69.8
Other pension costs	82.1	63.7
Share based payments charge	1.6	2.2
	1,079.6	929.2

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

	2015	2014
Administration and supervision	2,964	2,452
Maintenance and engineering	2,651	2,302
Operations	20,545	19,038
	26,160	23,792

The information required by Schedule 5 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is provided in the directors' remuneration report. In addition, total directors' emoluments are shown in the table below:

	2015 £m	2014 £m
Group Chief Executive	2,163	1,960
Group Finance Director	1,265	1,299
Non-executive directors	320	326
	3,748	3,585

Sharesave scheme

Shareholder approval was obtained at the 2013 AGM for the introduction of a new HM Revenue & Customs approved Savings-Related Share Option scheme, known as The Go-Ahead Group plc 2013 Savings-Related Share Option Scheme (the Sharesave scheme) for employees of the Group and its operating companies.

The Sharesave scheme is open to all full time and part-time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2014 launch, the maximum monthly savings limit set by the Group was £50. At the end of the savings period, employees can buy shares at a 20% discount of the market price set at the date of invitation or take their full savings back.

The fair value of equity-settled share options granted is estimated as at the date of grant using the 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.

There are savings-related options at 27 June 2015 as follows:

Scheme maturity	1 May 2017
Option price (£)	17.34
No. of options unexercised at 27 June 2015	436,322
No. of options exercised during the year	164
No. of options exercisable at 27 June 2015	–

The expense recognised for the scheme during the year to 27 June 2015 was £0.3m (2014: £0.1m).

The following table illustrates the number and weighted average exercise price (WAEP) of share options for the Sharesave scheme:

	2015 No.	2015 WAEP £	2014 No.	2014 WAEP £
Outstanding at the beginning of the year	461,575	17.34	–	–
Granted during the year	–	–	464,407	17.34
Forfeited during the year	(25,089)	17.34	(2,832)	17.34
Exercised during the year	(164)	17.34	–	–
Outstanding at the end of the year	436,322	17.34	461,575	17.34

The weighted average exercise price at the date of exercise for the options exercised in the period was £17.34 (2014: n/a).

The options outstanding at the end of the year have a weighted average remaining contracted life of 1.83 years (2014: 2.83 years). These options are exercisable at £17.34 (2014: £17.34).

Long Term Incentive Plans

The executive directors participate in The Go-Ahead Group Long Term Incentive Plan 2005 (LTIP). The LTIP provides for executive directors and certain other senior employees to be awarded nil cost shares in the Group 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 27 June 2015 was £0.4m (2014: £1.8m).

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 27 June 2015 and 28 June 2014 were:

	2015 % per annum	2014 % per annum
The Go-Ahead Group plc		
Future share price volatility	22.0	24.0
FTSE Mid-250 index comparator		
Future share price volatility	20.0	25.0
Correlation between companies	30.0	30.0

The weighted average fair value of options granted during the year was £23.49 (2014: £15.63).

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

	2015	2014
Outstanding at the beginning of the year	259,145	293,863
Granted during the year	34,996	49,958
Forfeited during the year	(36,350)	(58,798)
Exercised during the year	(76,489)	(25,878)
Outstanding at the end of the year	181,302	259,145

At the year end, 96,348 options were exercisable and the weighted average exercise price of the options was £26.98 (2014: £23.67).

The weighted average remaining contractual life of the options was 0.66 years (2014: 0.79 years). The weighted average share price of options exercised was £24.11 (2014: £21.32).

Deferred Share Bonus Plan

The Deferred Share Bonus Plan (DSBP) provides for executive directors and certain other senior employees to be awarded shares in the Group conditional on the achievement of financial and strategic targets. The shares are deferred over a three year period. Refer to the directors' remuneration report for further details of the DSBP.

The expense recognised for the DSBP during the year to 27 June 2015 was £0.9m (2014: £0.3m).

The DSBP options are not subject to any market based performance conditions. Therefore the fair value of the options is equal to the share price at the date of grant.

The weighted average fair value of options granted during the year was £25.71 (2014: £16.39).

The following table shows the number of share options for the DSBP:

	2015	2014
Outstanding at the beginning of the year	56,086	14,204
Granted during the year	87,320	46,624
Forfeited during the year	(5,270)	(2,789)
Exercised during the year	(1,992)	(1,953)
Outstanding at the end of the year	136,144	56,086

Deferred Share Bonus Plan continued

At the year end, 14,204 options were exercisable and the weighted average exercise price of the options was £26.98 (2014: £23.67).

The weighted average remaining contractual life of the options was 1.54 years (2014: 1.75 years). The weighted average share price of options exercised was £23.96 (2014: £20.19).

Share incentive plans

The Group operates an HM Revenue & Customs (HMRC) approved share incentive plan, known as The Go-Ahead Group plc Share Incentive Plan (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 Group to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the Group has, so far, made awards of partnership shares only. Under these awards, the Group invites qualifying employees to apply between £10 and £150 per month in acquiring shares in the Group at the prevailing market price. Under the terms of the scheme, certain tax advantages are available to the Group and employees.

5. EXCEPTIONAL ITEMS

This note identifies items of an exceptional nature that have a significant impact on the results of the Group in the period.

	2015 £m	2014 £m
Pension plan curtailment gain	–	15.1
Rail restructuring costs	(8.8)	(3.0)
Total exceptional items	(8.8)	12.1

Year ended 27 June 2015

Total exceptional items in the year were £8.8m relating to rail restructuring costs of the GTR franchise which brings Thameslink and Greater Northern together with Southern and Gatwick Express under one management structure.

Year ended 28 June 2014

Total exceptional items in the year were a net gain of £12.1m.

The pension plan curtailment gain of £15.1m arose on closure of the defined benefit scheme. This reduced the Group's exposure to further increasing benefits; current members' existing benefits were preserved but no further benefits will accrue, resulting in an adjustment to the Group's future liabilities. This was non-recurring and non-cash.

Rail restructuring costs were £3.0m. In order to adapt effectively to increasing competitive pressures on the West Coast line, London Midland restructured front line and head office personnel.

6. FINANCE REVENUE AND COSTS

Finance revenue comprises interest received from bank deposits. Finance costs mainly arise from interest due on the bond and bank loans.

	2015 £m	2014 £m
Bank interest receivable on bank deposits	2.4	1.4
Other interest receivable	–	0.1
Finance revenue	2.4	1.5
Interest payable on bank loans and overdrafts	(2.5)	(3.2)
Interest payable on £200m sterling 7.5 year bond	(11.2)	(11.2)
Other interest payable	(2.8)	(1.9)
Unwinding of discounting on provisions	(1.4)	(1.1)
Interest payable under finance leases and hire purchase contracts	(0.2)	(0.4)
Interest on net pension liability	(2.4)	(2.0)
Finance costs	(20.5)	(19.8)

7. TAXATION

This note explains how our Group tax charge arises. The deferred tax section of the note sets out the deferred tax liabilities held across the Group

a. Tax recognised in the income statement and in equity

	2015 £m	2014 £m
Current tax charge	25.0	13.5
Adjustments in respect of current tax of previous years	(0.4)	(0.9)
	24.6	12.6
Deferred tax relating to origination and reversal of temporary differences at 20% (2014: 20%)	(4.8)	7.6
Adjustments in respect of deferred tax of previous years	(0.4)	0.2
Impact of opening deferred tax rate reduction	–	(6.8)
Tax reported in consolidated income statement	19.4	13.6

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

	2015 £m	2014 £m
Tax on remeasurement losses on defined benefit pension plans	4.9	(2.9)
Corporation tax on cashflow hedges	–	(0.1)
Deferred tax on cashflow hedges	(4.0)	(0.4)
Deferred tax on LTIP	(0.3)	(0.5)
Impact of opening deferred tax rate reduction	–	1.4
Tax reported outside of profit or loss	0.6	(2.5)

b. Reconciliation

A reconciliation of income tax applicable to accounting profit on ordinary activities before taxation, at the statutory tax rate, to tax at the Group's effective tax rate for the years ended 27 June 2015 and 28 June 2014 is as follows:

	2015 £m	2014 £m
Accounting profit on ordinary activities before taxation	78.7	91.2
At United Kingdom tax rate of 20.75% (2014: 22.5%)	16.3	20.5
Adjustments in respect of current tax of previous years	(0.4)	(0.9)
Expenditure not allowable for tax purposes	3.7	1.6
Adjustments in respect of deferred tax of previous years	(0.4)	0.2
Effect of changes in tax rates	0.2	(1.0)
Impact of opening deferred tax rate reduction	–	(6.8)
Tax reported in consolidated income statement	19.4	13.6
Effective tax rate	24.7%	14.9%

The normalised tax rate for the year ended 27 June 2015, excluding the impact of goodwill impairment of £4.9m, is 23.2%.

The normalised tax rate for the year ended 28 June 2014, excluding the impact of opening deferred tax rate reduction, is 22.4%.

c. Reconciliation of current tax liabilities

A reconciliation of the current tax liability is provided below:

	2015 £m	2014 £m
Current tax liability at start of year	10.6	10.5
Corporation tax reported in consolidated income statement	24.6	12.6
Corporation tax on cashflow hedges	–	(0.1)
Paid in the year	(20.3)	(12.4)
Current tax liability at end of year	14.9	10.6

d. Deferred tax

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

	2015 £m	2014 £m
Deferred tax liability		
Accelerated capital allowances	(29.6)	(30.6)
Other temporary differences	(1.1)	(2.8)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(15.4)	(17.4)
Deferred tax liability included in balance sheet	(46.1)	(50.8)

Deferred tax asset

Retirement benefit obligations	11.9	12.0
Deferred tax asset included in balance sheet	11.9	12.0

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

	2015 £m	2014 £m
Accelerated capital allowances	(1.5)	2.6
Revaluation	(0.9)	–
Retirement benefit obligations	(4.9)	0.5
Temporary differences arising on pension spreading	2.9	3.6
Temporary differences arising on unwinding of leasing arrangements	–	1.6
Other temporary differences	(0.4)	(0.7)
	(4.8)	7.6
Adjustments in respect of prior years	(0.4)	0.2
Adjustments in respect of opening deferred tax rate reduction	–	(6.8)
Deferred tax expense	(5.2)	1.0

A reduction in the UK corporation tax rate from 23% to 21% came into effect on 1 April 2014. A further reduction in the UK corporation tax rate from 21% to 20% came into effect on 1 April 2015.

As proposed in the summer Budget 2015, the rates of corporation tax are going to be reduced to 18% in 2020, with an interim reduction to 19% in 2017. These proposals were included in the draft Finance Bill 2015 which was not substantively enacted at the balance sheet date, therefore the currently enacted 20% rate has been applied to deferred tax liabilities/assets at the year end.

If the reduction to 18% had been enacted at the balance sheet date, the Group's deferred tax liability would have been reduced by £4.6m to £41.5m, and the deferred tax asset would have been reduced by £1.2m to £10.7m.

8. EARNINGS PER SHARE

Basic earnings per share is the amount of profit generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year. This note also includes adjusted earnings per share, which shows a 'normalised' earnings per share following elimination of the impact of amortisation, goodwill impairment and exceptional items.

Basic and diluted earnings per share

	2015 £m	2014 £m
Net profit attributable to equity holders of the parent	52.2	70.3
Consisting of:		
Adjusted earnings attributable to equity holders of the parent	64.7	63.7
Amortisation and goodwill impairment after taxation and non-controlling interests	(8.0)	(3.9)
Exceptional items after taxation and non-controlling interests	(4.5)	10.5
Basic and diluted earnings attributable to equity holders of the parent	52.2	70.3

	2015	2014
Basic weighted average number of shares in issue ('000)	42,916	42,854
Dilutive potential share options ('000)	754	448
Diluted weighted average number of shares in issue ('000)	43,670	43,302

Earnings per share:

Basic earnings per share (pence per share)	121.6	164.0
Diluted earnings per share	119.5	162.4
Adjusted basic earnings per share	150.8	148.6
Adjusted diluted earnings per share	148.2	147.1

The weighted average number of shares in issue excludes treasury shares held by the Group, and shares held in trust for the LTIP and DSBP arrangements.

No shares were bought back and cancelled by the Group in the period from 27 June 2015 to 2 September 2015.

The effect of taxation and non-controlling interests 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 intangible and goodwill amortisation and exceptional items in order to show a 'normalised' earnings per share. This is analysed as follows:

Year ended 27 June 2015

	Profit for the year £m	Amortisation and goodwill impairment £m	Exceptional items £m	2015 Total £m
Profit before taxation	78.7	9.1	8.8	96.6
Less: Taxation	(19.4)	(0.9)	(1.8)	(22.1)
Less: Non-controlling interests	(7.1)	(0.2)	(2.5)	(9.8)
Adjusted profit attributable to equity holders of the parent	52.2	8.0	4.5	64.7
Adjusted basic earnings per share (pence per share)				150.8
Adjusted diluted earnings per share (pence per share)				148.2

Year ended 28 June 2014

	Profit for the year £m	Amortisation £m	Exceptional items £m	2014 Total £m
Profit before taxation	91.2	5.8	(12.1)	84.9
Less: Taxation	(13.6)	(1.3)	2.4	(12.5)
Less: Non-controlling interests	(7.3)	(0.6)	(0.8)	(8.7)
Adjusted profit attributable to equity holders of the parent	70.3	3.9	(10.5)	63.7
Adjusted basic earnings per share (pence per share)				148.6
Adjusted diluted earnings per share (pence per share)				147.1

9. DIVIDENDS PAID AND PROPOSED

Dividends are one type of shareholder return, historically paid to our shareholders in April and November.

	2015 £m	2014 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2014: 59.0p per share (2013: 55.5p)	25.3	23.8
Interim dividend for 2015: 26.6p per share (2014: 25.5p)	11.4	10.9
	36.7	34.7
	2015 £m	2014 £m
Proposed for approval at the AGM (not recognised as a liability as at 27 June 2015)		
Equity dividends on ordinary shares:		
Final dividend for 2015: 63.4p per share (2014: 59.0p)	27.2	25.3

10. PROPERTY, PLANT AND EQUIPMENT

The Group holds significant investments in land and buildings, bus vehicles and plant and equipment, which form our tangible assets. All assets are depreciated over their useful economic lives.

	Freehold land and buildings £m	Leasehold land and properties £m	Bus vehicles £m	Plant and equipment £m	Total £m
Cost:					
At 29 June 2013	176.7	15.5	493.3	178.4	863.9
Additions	10.6	0.9	52.5	5.5	69.5
Disposals	(1.8)	(1.8)	(25.6)	(3.4)	(32.6)
Transfer categories	–	–	0.3	(0.3)	–
Transfer of assets held for resale	(1.8)	–	–	–	(1.8)
At 28 June 2014	183.7	14.6	520.5	180.2	899.0
Additions	1.8	–	31.2	9.3	42.3
Acquisitions and new rail franchises	–	–	0.4	6.9	7.3
Disposals	–	–	(10.9)	(6.8)	(17.7)
Transfer of assets held for resale	0.2	–	–	–	0.2
At 27 June 2015	185.7	14.6	541.2	189.6	931.1
Depreciation and impairment:					
At 29 June 2013	14.4	5.6	252.3	134.0	406.3
Charge for the year	5.6	1.1	39.2	14.8	60.7
Disposals	–	(0.7)	(23.8)	(1.7)	(26.2)
Transfer of assets held for resale	(0.4)	–	–	–	(0.4)
At 28 June 2014	19.6	6.0	267.7	147.1	440.4
Charge for the year	9.2	1.4	39.9	20.0	70.5
Disposals	–	–	(10.6)	(6.6)	(17.2)
At 27 June 2015	28.8	7.4	297.0	160.5	493.7
Net book value:					
At 27 June 2015	156.9	7.2	244.2	29.1	437.4
At 28 June 2014	164.1	8.6	252.8	33.1	458.6
At 29 June 2013	162.3	9.9	241.0	44.4	457.6

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

	2015 £m	2014 £m
Bus vehicles	1.3	1.9
Plant and equipment	0.1	0.1
	1.4	2.0

11. INTANGIBLE ASSETS

The consolidated balance sheet contains significant intangible assets mainly in relation to goodwill, software, franchise bid costs and customer contracts. Goodwill, which arises when the Group acquire a business and pay a higher amount than the fair value of the net assets primarily due to the synergies the Group expect to create, is not amortised but is subject to annual impairment reviews. Software is amortised over its expected useful life. Franchise bid costs are amortised over the life of the franchise/franchise extension. Customer contracts are amortised over the life of the contract.

	Goodwill £m	Software costs £m	Franchise bid costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
Cost:						
At 29 June 2013	80.8	16.6	8.7	16.7	13.2	136.0
Additions	–	1.2	0.5	–	–	1.7
Disposals	–	(0.3)	–	–	–	(0.3)
At 28 June 2014	80.8	17.5	9.2	16.7	13.2	137.4
Additions	–	3.8	2.3	–	–	6.1
Disposals	–	(0.7)	–	–	(1.3)	(2.0)
At 27 June 2015	80.8	20.6	11.5	16.7	11.9	141.5
Amortisation and impairment:						
At 29 June 2013	–	13.6	7.1	15.2	8.3	44.2
Charge for the year	–	1.5	0.8	1.5	2.0	5.8
Disposals	–	(0.3)	–	–	–	(0.3)
At 28 June 2014	–	14.8	7.9	16.7	10.3	49.7
Charge for the year	–	1.7	0.8	–	1.7	4.2
Impairment	4.9	–	–	–	–	4.9
Disposals	–	(0.7)	–	–	(1.3)	(2.0)
At 27 June 2015	4.9	15.8	8.7	16.7	10.7	56.8
Net book value:						
At 27 June 2015	75.9	4.8	2.8	–	1.2	84.7
At 28 June 2014	80.8	2.7	1.3	–	2.9	87.7
At 29 June 2013	80.8	3.0	1.6	1.5	4.9	91.8

Software costs

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

Franchise bid costs

A part of the Group's activities is the process of bidding for and securing franchises to operate rail services in the UK. Directly attributable, incremental costs incurred after achieving preferred bidder status or entering into a franchise extension are capitalised as an intangible asset and amortised over the life of the franchise/franchise extension.

Rail franchise asset

This reflects the cost of the right to operate a rail franchise, and relates to the cost of the intangible asset acquired on the handover of the franchise assets relating to the Southeastern rail franchise. The intangible asset was being amortised on a straight-line basis over the original life of the franchise.

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.

Goodwill

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 is tested annually for impairment by cash-generating unit and is as follows:

	2015 £m	2014 £m
Metrobus	10.6	10.6
Go South Coast	28.6	28.6
Brighton & Hove	2.1	2.1
Plymouth Citybus	13.0	13.0
Go-Ahead London	10.5	10.5
Go North East	2.7	2.7
Konectbus	3.6	3.6
Thames Travel	2.7	2.7
Carousel	2.1	2.1
Anglian	–	3.3
Chambers	–	1.6
	75.9	80.8

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 which have then been extended over an appropriate period. The directors feel that the extended period is justified because of the long term stability of the relevant income streams. Growth has been extrapolated forward from the end of the three year forecasts over a total period of ten years plus a terminal value using a growth rate of 2.25%-3.0% which reflects the directors' view of long term growth rates in each business, and the long term recurrent nature of the businesses.

The pre-tax cashflows for all cash-generating units have been discounted using a pre-tax discount rate of 8.8% (2014: 8.3%), based on the Group's weighted average cost of capital.

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. Having conducted sensitivity analysis on these calculations, the goodwill of Anglian and Chambers, has been fully impaired during the course of the year following a period of underperformance. Goodwill totalling £4.9m has been impaired, being the goodwill of these two businesses, which are both considered individual cash generating units. The remaining tangible assets have also been reviewed, with no further impairment necessary, having considered the value in use of the assets at the pre-tax discount rate of 8.8%. A 0.5% increase in discount rate or revenue growth falling by 1.0% are considered the most likely to impact recoverable amounts. The change in discount rate would not cause the carrying value of any of the businesses to exceed their recoverable amount, a fall in turnover growth from 2.0% to 1.0% in Plymouth Citybus could cause an impairment of £3.0m unless mitigated through cost controls.

12. BUSINESS COMBINATIONS

This note details acquisition transactions carried out in the current and prior periods.

Year ended 27 June 2015

On 8 December 2014, Plymouth Citybus Limited, a wholly owned subsidiary of the Group, acquired certain tendered contracts, commercial operations and nine buses from Western Greyhound Limited for a cash consideration of £0.4m.

Net assets at date of acquisition:

	Total acquisitions – Fair value to Group 2015 £m
Tangible fixed assets	0.4
	0.4
Cash	0.4
Total consideration	0.4

Acquisition costs of less than £0.1m have been expensed through operating costs.

From the date of acquisition in the year, the acquisition recorded an operating profit of £nil and revenue of £0.9m. Had the acquisition been completed on the first day of the financial period, the impact on the Group's operating profit would have been £nil and the impact on revenue would have been £1.5m.

Year ended 28 June 2014

There were no acquisitions during the year ended 28 June 2014.

13. ASSETS CLASSIFIED AS HELD FOR SALE

This note identifies any non-current assets or disposal groups that are held for sale. The carrying amounts of these assets will be recovered principally through a sale rather than through continuing use.

At 27 June 2015, assets held for sale had a carrying value of £6.0m, consisting of £2.5m of property, plant and equipment available for sale and £3.5m of bus vehicles awaiting refinancing onto operating leases. Of the property, plant and equipment classified as assets held for sale at 28 June 2014, £1.1m was disposed of during the year ended 27 June 2015.

At 28 June 2014, assets held for sale had a carrying value of £72.4m, of which £68.6m represented a payment on account for new rolling stock in Southern Railway Limited and in respect of which it was expected that a sale and operating leaseback would be completed before 27 June 2015. The remaining £3.8m related to property, plant and equipment available for sale.

14. INVENTORIES

Inventory primarily consists of vehicle spares and fuel and is presented net of allowances for obsolete products.

	2015 £m	2014 £m
Raw materials and consumables	17.9	15.6

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

15. TRADE AND OTHER RECEIVABLES

Trade and other receivables mainly consist of amounts owed by principal contracting authorities and other customers, amounts paid to suppliers in advance, amounts receivable from central government and taxes receivable. Trade receivables are shown net of an allowance for bad or doubtful debts.

	2015 £m	2014 £m
Current		
Trade receivables	102.0	124.7
Less: Provision for impairment of receivables	(1.1)	(1.0)
Trade receivables – net	100.9	123.7
Other receivables	66.5	30.6
Prepayments and accrued income	41.8	56.8
Receivable from central government	50.9	41.9
Amounts due from joint venture	–	1.8
	260.1	254.8
	2015 £m	2014 £m
Non-current		
Other receivables	0.8	1.2

Trade receivables at nominal value of £1.1m (2014: £1.0m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total £m
At 28 June 2014	1.0
Charge for the year	0.4
Utilised	(0.2)
Unused amounts reversed	(0.1)
At 27 June 2015	1.1

As at 27 June 2015, the ageing analysis of trade receivables is as follows:

	Total £m	Neither past due nor impaired £m	Less than 30 days £m	30-60 days £m	60-90 days £m	90-120 days £m	Past due but not impaired – more than 120 days £m
2015	100.9	88.0	11.2	0.8	0.6	0.3	–
2014	123.7	114.3	4.6	1.9	1.8	1.1	–

16. CASH AND CASH EQUIVALENTS

The majority of the Group's cash is held in bank deposits which have a maturity of three months or less to comply with DfT short term liquidity requirements.

	2015 £m	2014 £m
Cash at bank and in hand	145.5	47.5
Cash and cash equivalents	458.7	234.3
	604.2	281.8

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 from 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. As at 27 June 2015, balances amounting to £537.6m (2014: £217.3m) were restricted. Part of this amount is to cover deferred income for rail season tickets, which was £172.8m at 27 June 2015 (2014: £123.4m).

Non cashflow movements

During the year ended 27 June 2015 the Group transferred in certain assets and liabilities relating to the handover of the GTR franchise. Initial cash received by the Group as a result of the rail franchise handover is detailed below:

	GTR £m
Tangible fixed assets	6.9
Inventories	5.3
Trade and other receivables	7.1
Trade and other payables	(53.9)
Provisions	(0.2)
Cash and cash equivalents	34.8
	–

17. TRADE AND OTHER PAYABLES

Trade and other payables mainly consist of amounts owed to suppliers that have been invoiced or accrued, deferred income and deferred season ticket income. They also include taxes and social security amounts due in relation to our role as an employer and amounts owed to central government.

	2015 £m	2014 £m
Current		
Trade payables	148.9	115.4
Other taxes and social security costs	22.8	22.8
Other payables	106.6	45.6
Deferred season ticket income	175.4	123.4
Accruals and deferred income	254.2	124.6
Payable to central government	60.5	116.0
Government grants	4.5	9.9
	772.9	557.7
	2015 £m	2014 £m
Non-current		
Government grants	5.2	2.4
	5.2	2.4

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

18. INTEREST-BEARING LOANS AND BORROWINGS

The Group's sources of borrowing for funding and liquidity requirements come from a range of committed bank facilities and a capital market bond. The Group held a dollar loan facility to mitigate the impact of exchange rate movements on joint venture transactions.

Net cash/debt and interest-bearing loans and borrowings

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

Year ended 27 June 2015

	Effective interest rate %	Maturity	Current		Non-current		Total £m
			Within one year £m	After one year but not more than five years £m	After five years £m		
Syndicated loans (see below)	1.01	0-5 years	–	111.0	–	111.0	
Debt issue costs on syndicated loans			(0.4)	(0.8)	–	(1.2)	
£200m sterling 7.5 year bond (see below)	5.38	0-3 years	–	200.0	–	200.0	
Debt issue costs			(0.5)	(0.1)	–	(0.6)	
Finance leases and HP commitments	9.55	0-3 years	0.2	0.1	–	0.3	
Total interest-bearing loans and borrowings			(0.7)	310.2	–	309.5	
Debt issue costs			0.9	0.9	–	1.8	
Total interest-bearing loans and borrowings (gross of debt issue costs)			0.2	311.1	–	311.3	
Cash and short term deposits			(604.2)	–	–	(604.2)	
Net cash			(604.0)	311.1	–	(292.9)	
Restricted cash						537.6	
Adjusted net debt						244.7	

Year ended 28 June 2014

	Effective interest rate %	Maturity	Current		Non-current		Total £m
			Within one year £m	After one year but not more than five years £m	After five years £m		
Syndicated loans (see below)	1.64	0-2 years	–	120.0	–	120.0	
Debt issue costs on syndicated loans			(0.4)	–	–	(0.4)	
Dollar loans (see below)	1.90	0-1 years	2.5	–	–	2.5	
£200m sterling 7.5 year bond (see below)	5.38	0-4 years	–	200.0	–	200.0	
Debt issue costs			(0.4)	(0.8)	–	(1.2)	
Finance leases and HP commitments	7.87	0-3 years	1.2	0.8	–	2.0	
Total interest-bearing loans and borrowings			2.9	320.0	–	322.9	
Debt issue costs			0.8	0.8	–	1.6	
Total interest-bearing loans and borrowings (gross of debt issue costs)			3.7	320.8	–	324.5	
Cash and short term deposits			(281.8)	–	–	(281.8)	
Net debt			(278.1)	320.8	–	42.7	
Restricted cash						217.3	
Adjusted net debt						260.0	

Analysis of Group net debt

	Cash and cash equivalents £m	Syndicated loan facility £m	Dollar loan £m	Hire purchase/finance leases £m	£200m sterling bond £m	Total £m
29 June 2013	248.9	(133.0)	(3.2)	(3.6)	(200.0)	(90.9)
Cashflow	32.9	13.0	0.7	1.6	–	48.2
28 June 2014	281.8	(120.0)	(2.5)	(2.0)	(200.0)	(42.7)
Cashflow	287.6	9.0	2.5	1.7	–	300.8
On handover of rail franchise	34.8	–	–	–	–	34.8
27 June 2015	604.2	(111.0)	–	(0.3)	(200.0)	292.9

Syndicated loan facility

On 16 July 2014, the Group re-financed and entered into a £280.0m five year syndicated loan facility, replacing the previous £275.0m five year syndicated loan facility. The new loan facility is unsecured and interest is charged at LIBOR + Margin, where the margin is dependent upon the gearing of the Group. The new facility had an initial maturity of July 2019, with two one-year extensions, one of which was agreed on 1 July 2015, extending the maturity of the facility to July 2020 from that date. As at 27 June 2015, £111.0m (2014: £120.0m) 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%.

Dollar loan

On 26 July 2010, a \$10.0m five year facility was entered into for the purposes of financing our Go-Ahead North America joint venture. The joint venture ceased trading on 25 July 2014, and on termination of the joint venture all outstanding loans were repaid and the facility subsequently cancelled. As at 27 June 2015, \$nil (2014: \$4.3m) or £nil (2014: £2.5m) of this facility was drawn down.

The dollar loan was unsecured and interest was charged at US\$ LIBOR + Margin.

Debt issue costs

There are debt issue costs of £1.2m (2014: £0.4m) on the syndicated loan facility.

The £200m sterling 7.5 year bond has debt issue costs of £0.6m (2014: £1.2m).

The Group is subject to two covenants in relation to its borrowing facilities. The covenants specify a maximum adjusted net debt to EBITDA and a minimum net interest cover. At the year end and throughout the year, the Group has not been in breach of any bank covenants.

19. FINANCE LEASE AND HIRE PURCHASE COMMITMENTS

This note details finance lease and hire purchase commitments.

The Group has finance leases and hire purchase contracts for bus vehicles and various items of plant and equipment. 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:

	2015		2014	
	Minimum payments £m	Present value of payments £m	Minimum payments £m	Present value of payments £m
Within one year	0.2	0.2	1.3	1.2
After one year but not more than five years	0.1	0.1	0.9	0.8
Total minimum lease payments	0.3	0.3	2.2	2.0
Less amounts representing finance charges	–	–	(0.2)	–
Present value of minimum lease payments	0.3	0.3	2.0	2.0

20. DERIVATIVES AND FINANCIAL INSTRUMENTS

A derivative is a security whose price is dependent upon or derived from an underlying asset. The Group uses energy derivatives to hedge its risks associated with fuel price fluctuations. Financial instruments held by the Group include fuel hedge derivatives and finance lease/hire purchase contracts.

a. Fair values

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 27 June 2015 and 28 June 2014 and are as follows:

	2015 £m	2014 £m
Non-current assets	–	0.1
Current liabilities	(19.1)	(3.5)
Non-current liabilities	(5.5)	(1.4)
Net financial liabilities	(24.6)	(4.8)

Year ended 27 June 2015

	Amortised cost £m	Held for trading – Fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	(24.6)	(24.6)	(24.6)
Net financial liabilities	–	(24.6)	(24.6)	(24.6)
Obligations under finance lease and hire purchase contracts	(0.3)	–	(0.3)	(0.3)
	(0.3)	(24.6)	(24.9)	(24.9)

Year ended 28 June 2014

	Amortised cost £m	Held for trading – Fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	(4.8)	(4.8)	(4.8)
Net financial liabilities	–	(4.8)	(4.8)	(4.8)
Obligations under finance lease and hire purchase contracts	(2.0)	–	(2.0)	(2.0)
	(2.0)	(4.8)	(6.8)	(6.8)

The fair value of all other assets and liabilities in notes 15, 17 and 18 is not significantly different from their carrying amount, with the exception of the £200m sterling 7.5 year bond which has a fair value of £213.7m (2014: £217.2m) but is carried at its amortised cost of £199.4m. The fair value of the £200m sterling 7.5 year bond has been determined by reference to the price available from the market on which the bond is traded. The fuel price derivatives were valued externally by the respective banks by comparison with the market fuel price for the relevant date.

All other fair values shown above have been calculated by discounting cashflows at prevailing interest 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

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 27 June 2015, the Group has used a level 2 valuation technique to determine the fair value of all financial instruments.

During the year ended 27 June 2015, 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 this to be appropriate.

As at 27 June 2015 the Group had derivatives against bus fuel of 130 million litres for the year ending 2 July 2016, representing approximately 100% of the anticipated fuel usage in our bus division. As at 27 June 2015 the Group also had derivatives against bus fuel for the 2017 and 2018 financial years of 63 and 31 million litres 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.

The Group's hedging policy for the target percentage of anticipated bus fuel usage hedged for the next year and subsequent two years as at 27 June 2015 is as follows:

	2016	2017	2018
Percentage to hedge as per Group policy	100.0%	50.0%	25.0%
Actual percentage hedged	100.0%	50.0%	25.0%

In July 2015 the Group Board approved a special purchase to lock in the 2017 and 2018 fuel costs, increasing the hedging profile for 2016/17 and 2017/18 to 100% at a price of 37.0p and 35.0p for each year respectively.

21. PROVISIONS

A provision is a liability recorded in the consolidated balance sheet, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provisions we hold are in relation to uninsured claims and dilapidation provisions relating to franchise commitments.

	Franchise commitments £m	Uninsured claims £m	Restructuring provision £m	Other £m	Total £m
At 28 June 2014	54.2	48.6	2.4	2.8	108.0
Provided (after discounting)	31.7	15.6	–	0.7	48.0
Utilised	(14.2)	(19.1)	(2.0)	–	(35.3)
Released	(9.3)	(4.8)	(0.4)	(0.4)	(14.9)
Transferred from creditors	0.2	–	–	–	0.2
Handover of rail franchise	0.2	–	–	–	0.2
Unwinding of discounting	0.4	1.0	–	–	1.4
At 27 June 2015	63.2	41.3	–	3.1	107.6

	2015 £m	2014 £m
Current	75.4	66.3
Non-current	32.2	41.7
	107.6	108.0

Franchise commitments comprise £60.1m (2014: £54.2m) dilapidation provisions on vehicles, depots and stations across our four active rail franchises, and £3.1m (2014: £nil) provisions relating to other franchise commitments. Of the dilapidations provisions, £52.1m (2014: £45.4m) are classified as current. All of the £3.1m provision relating to other franchise commitments is classified as current. During the year £9.3m of provisions previously provided were released following the successful renegotiation of certain contract conditions. The dilapidations will be incurred as part of a rolling maintenance contract over the next three years. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisors.

Uninsured claims represent the cost to the Group to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer. Of the uninsured claims, £19.1m are classified as current and £22.2m are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years.

During the year ended 27 June 2015, £2.0m of the restructuring provision was utilised and £0.4m was released. The restructuring provision in the London Midland franchise was created to cover the cost of restructuring front line and head office personnel, in order for the franchise to adapt effectively to increasing competitive pressures on the West Coast line.

Within other provisions, £2.8m relates to dilapidations in the bus division of which £0.8m are classified as current, and £2.0m are classified as non-current. It is expected that the dilapidations will be incurred within two to five years. The remaining other current provision of £0.3m relates to completion claims regarding the sale of our aviation business.

22. ISSUED CAPITAL AND RESERVES

Called up share capital is the number of shares in issue at their par value.

	Allotted, called up and fully paid			
	Millions	2015 £m	Millions	2014 £m
As at 27 June 2015 and 28 June 2014	46.9	4.7	46.9	4.7

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

Share capital

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

Reserve for own shares

The reserve for own shares is in respect of 3,955,000 ordinary shares (8.4% of share capital), of which 52,770 are held for LTIP and DSBP arrangements.

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 27 June 2015 the Group has not purchased any shares (2014: no shares purchased). The Group has not cancelled any shares during the year (2014: no shares cancelled).

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.

23. COMMITMENTS AND CONTINGENCIES

A commitment is a contractual obligation to make a payment in the future, mainly in relation to operating leases and agreements to procure assets. These amounts are not recorded in the consolidated financial statements as we have not yet received the goods or services from the supplier.

Capital commitments

	2015 £m	2014 £m
Contracted for but not provided	52.7	16.2

The Group has contractual commitments regarding procurement of rolling stock of £nil (2014: £103.0m). The Group will continue to be involved in rolling stock introduction as part of the Thameslink rolling stock investment programme. However, the contract signed on 20 July 2013 for the procurement of 116 new vehicles has been financed by a rolling stock leasing company. As such, the Group does not bear any liability for the new rolling stock.

Contractual commitments

The Group also has contractual commitments of £22.5m (2014: £213.8m) payable within one year, and £nil (2014: £18.7m) payable within two to five years, regarding franchise agreement payments to the DfT in respect of the Southern franchise.

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 27 June 2015 and 28 June 2014 were as follows:

As at 27 June 2015

	Bus vehicles £m	Bus property £m	Rail rolling stock £m	Rail access charges £m	Rail other £m
Within one year	14.5	2.3	484.3	618.8	166.4
In the second to fifth years inclusive	12.6	5.4	1,791.7	1,810.9	541.9
Over five years	0.7	3.9	280.0	251.0	71.9
	27.8	11.6	2,556.0	2,680.7	780.2

As at 28 June 2014

	Bus vehicles £m	Bus property £m	Rail rolling stock £m	Rail access charges £m	Rail other £m
Within one year	14.7	1.0	243.9	263.9	76.0
In the second to fifth years inclusive	14.2	1.6	62.3	87.9	17.1
Over five years	0.3	3.7	–	–	–
	29.2	6.3	306.2	351.8	93.1

The significant increase in operating lease commitments reflects the lease obligations in the GTR franchise and the directly awarded contract in Southeastern which commenced during the year ended 27 June 2015. Details of the lease cost for the year are shown in note 3.

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 27 June 2015 and 28 June 2014 were as follows:

	2015		2014	
	Land and buildings £m	Other rail agreements £m	Land and buildings £m	Other rail agreements £m
Within one year	4.8	2.8	2.1	21.4
In the second to fifth years inclusive	11.7	–	1.3	1.6
Over five years	2.1	–	–	–
	18.6	2.8	3.4	23.0

Performance bonds

The Group has provided bank guaranteed performance bonds of £124.3m (2014: £121.7m), a loan guarantee bond of £36.3m (2014: £36.3m), and season ticket bonds of £207.2m (2014: £162.9m) to the DfT in support of the Group's rail franchise operations.

These bonds are supported by a 65% several guarantee from The Go-Ahead Group plc and a 35% several guarantee from Keolis (UK) Limited.

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 a letter of credit. The letter of credit at 27 June 2015 is £45.0m (2014: £45.0m).

24. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a defined contribution pension scheme and a workplace saving scheme for our employees. We also administer a defined benefit pension scheme, which is closed to new entrants and future accruals. The train operating companies participate in the Rail Pension Scheme, 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.

Retirement benefit obligations consist of the following:

	2015			2014		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Pre-tax pension liabilities	(59.5)	–	(59.5)	(59.8)	–	(59.8)
Deferred tax asset	11.9	–	11.9	12.0	–	12.0
Post-tax pension scheme liabilities	(47.6)	–	(47.6)	(47.8)	–	(47.8)

	2015			2014		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Remeasurement gains/(losses) due to:						
Experience on benefit obligations	21.9	32.9	54.8	(2.8)	(15.8)	(18.6)
Changes in demographic assumptions	–	(206.0)	(206.0)	(0.2)	(52.5)	(52.7)
Changes in financial assumptions	(93.5)	–	(93.5)	(44.1)	1.5	(42.6)
Return on assets greater than discount rate	72.3	65.8	138.1	19.4	23.2	42.6
Franchise adjustment movement	–	131.2	131.2	–	56.8	56.8
Remeasurement gains/(losses) on defined benefit pension plans	0.7	23.9	24.6	(27.7)	13.2	(14.5)

BUS SCHEMES

The Go-Ahead Group Pension Plan

For the majority of bus 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. It was closed to new entrants during the year ended 28 June 2014 and replaced by a workplace saving scheme, which is also a defined contribution pension scheme. The expense recognised for the defined contribution section of the Go-Ahead Plan is £11.3m (2014: £9.0m), being the contributions paid and payable. The expense recognised for the workplace saving scheme is £1.9m (2014: £0.9m) 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. Previously, the section had been effectively closed to new entrants, however existing members continued to build up benefits under the defined benefit pension scheme. However, during the year ended 28 June 2014, the Group commenced a formal consultation process with existing members and their representatives to close the defined benefit section to future accrual and to offer members the opportunity to join the defined contribution section instead. On 31 March 2014, the defined benefit section of the Go-Ahead Plan was closed to future accrual for all members.

The Go-Ahead Plan is a plan for related companies within the Group 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 (revised). 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 (revised) cost of the scheme and the aggregate contributions paid.

The Go-Ahead Plan is governed by a Trustee Company and is subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the Go-Ahead Plan and the Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the Go-Ahead Plan had an effective date of 31 March 2012.

The investment strategy of the Go-Ahead Plan, which aims to meet liabilities as they fall due, is to invest plan assets in a mix of equities, other return seeking assets and liability driven investments to maximise the return on plan assets and minimise risks associated with lower than expected returns on plan assets. Trustees are required to regularly review investment strategy.

Other pension plans

Some employees of Plymouth Citybus have entitlement to a Devon County Council defined benefit plan. This scheme is externally funded and is now closed to new entrants. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary.

Summary of year end assumptions

	2015 %	2014 %
Retail price index inflation	3.3	3.3
Consumer price index inflation	2.3	2.0
Discount rate	3.8	4.3
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment and deferred pension ¹	2.0	2.0

¹ 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.

	2015 Years	2014 Years
Pensioner	20	20
Non-pensioner	21	21

Sensitivity analysis

In making the valuation, the above assumptions have been used. For bus 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 as shown.

	2015 Pension deficit %
Discount rate – increase of 0.1%	(1.7)
Price inflation – increase of 0.1%	1.5
Rate of increase in salaries – increase of 0.1%	n/a
Rate of increase of pensions in payment – increase of 0.1%	0.9
Increase in life expectancy of pensioners or non-pensioners by 1 year	3.6

Maturity profile of defined benefit obligation

The following tables shows the expected future benefit payments of the plan at 27 June 2015 and 28 June 2014.

	2015 £m
June 2016	25.6
June 2017	26.4
June 2018	27.3
June 2019	28.2
June 2020	29.1
June 2021 to June 2035	568.0

	2014 £m
June 2015	20.5
June 2016	21.2
June 2017	21.9
June 2018	22.6
June 2019	23.3
June 2020 to June 2034	456.0

Category of assets at the year end

	2015		2014	
	£m	%	£m	%
Equities	254.3	38.6	206.4	34.2
Bonds	15.9	2.4	34.4	5.7
Property	61.4	9.3	33.8	5.6
Liability driven investing portfolio	306.1	46.4	315.0	52.2
Cash/other	21.5	3.3	13.9	2.3
	659.2	100.0	603.5	100.0

All of the asset categories above are held within pooled funds and are therefore quoted in active markets.

Funding position of the Group's pension arrangements

	2015 £m	2014 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	(718.7)	(663.3)
Assets at fair value	659.2	603.5
Pension scheme liability	(59.5)	(59.8)

Pension cost for the financial year

	2015 £m	2014 £m
Service cost	–	4.8
Administration costs	2.2	1.9
Settlement loss	0.5	–
Interest cost on net liabilities	2.4	2.0
Total pension costs	5.1	8.7

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

	2015 £m	2014 £m
Employer's share of pension scheme liabilities – at start of year	663.3	617.3
Service cost	–	6.9
Interest cost	27.2	28.2
Remeasurement (gains)/losses due to:		
Experience on benefit obligations	(21.9)	2.8
Changes in demographic assumptions	–	0.2
Changes in financial assumptions	93.5	44.1
Curtailments	–	(15.1)
Transfer payments	(17.9)	–
Benefits paid	(25.5)	(21.1)
Employer's share of pension scheme liabilities – at end of year	718.7	663.3

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

	2015 £m	2014 £m
Fair value of assets – at start of year	603.5	569.6
Interest income of plan assets	24.8	26.2
Remeasurement gains due to return on assets greater than discount rate	72.3	19.4
Administration costs	(2.2)	(1.9)
Group contributions	4.7	9.2
Employee contributions (including age related rebates)	–	2.1
Transfer payments	(18.4)	–
Benefits paid	(25.5)	(21.1)
Fair value of plan assets – at end of year	659.2	603.5

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2016	4.8
Estimated employee contributions in financial year 2016	–
Estimated total contributions in financial year 2016	4.8

RAIL SCHEMES

The Railways Pension Scheme (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.

BRASS matching AVC Group contributions of £0.8m (2014: £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 (revised) 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.

The RPS is governed by the Railways Pension Trustee Company Limited and is subject to regulation from the Pensions Regulator and relevant UK legislation.

Summary of year end assumptions

	2015 %	2014 %
Retail price index inflation	3.3	3.3
Consumer price index inflation	2.3	2.0
Discount rate	3.8	4.3
Rate of increase in salaries	4.3	4.3
Rate of increase of pensions in payment and deferred pension ¹	2.3	2.0

¹ 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.

	2015 Years	2014 Years
Pensioner	22	22
Non-pensioner	24	24

The mortality assumptions adopted as at 27 June 2015 and 28 June 2014 are based on the results of the latest funding valuation as at 31 December 2013.

Sensitivity analysis

In making the valuation, the above assumptions have been used. For 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 as shown.

	2015 Pension deficit %
Discount rate – increase of 0.1%	(2.0)
Price inflation – increase of 0.1%	2.0
Rate of increase in salaries – increase of 0.1%	0.5
Rate of increase of pensions in payment – increase of 0.1%	1.1
Increase in life expectancy of pensioners or non-pensioners by 1 year	3.1

Category of assets at the year end

	2015		2014	
	£m	%	£m	%
Equities	1,663.6	95.5	1,131.5	89.5
Bonds	–	–	64.5	5.1
Property	71.4	4.1	60.7	4.8
Cash	7.0	0.4	7.6	0.6
	1,742.0	100.0	1,264.3	100.0

All of the asset categories above are held within pooled funds and therefore quoted in active markets.

Funding position of the Group's pension arrangements

	2015 £m	2014 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	(2,290.4)	(1,601.6)
Assets at fair value	1,742.0	1,264.3
Gross deficit	(548.4)	(337.3)
Franchise adjustment	548.4	337.3
Pension scheme liability	–	–

Pension cost for the financial year

	2015 £m	2014 £m
Service cost	63.2	45.2
Administration costs	3.0	1.9
Interest cost on net liabilities	16.9	12.7
Interest on franchise adjustments	(16.9)	(12.7)
Pension cost	66.2	47.1

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

	2015 £m	2014 £m
Employer's share of pension scheme liabilities – at start of year	1,601.6	1,427.4
Franchise adjustment	(337.3)	(267.8)
	1,264.3	1,159.6
Liability movement for members' share of assets	94.1	56.6
Service cost	63.2	45.2
Interest cost	55.2	44.0
Interest on franchise adjustment	(16.9)	(12.7)
Remeasurement losses/(gains) due to:		
Experience on benefit obligations	(32.9)	15.8
Changes in demographic assumptions	206.1	52.6
Changes in financial assumptions	–	(1.5)
Benefits paid	(51.7)	(38.5)
GTR franchise award – employers' share of pension scheme liabilities	354.8	–
GTR franchise award – franchise adjustment	(63.0)	–
Franchise adjustment movement	(131.2)	(56.8)
	1,742.0	1,264.3
Franchise adjustment	548.4	337.3
Employer's share of pension scheme liabilities – at end of year	2,290.4	1,601.6

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

	2015 £m	2014 £m
Fair value of assets – at start of year	1,264.3	1,159.6
Interest income of plan assets	38.3	31.6
Remeasurement gains due to return on assets greater than discount rate	65.8	23.2
Administration costs	(5.0)	(3.2)
Group contributions	41.5	34.0
Benefits paid	(51.7)	(38.5)
GTR franchise award	291.8	–
Members' share of movement of assets	97.0	57.6
Fair value of plan assets – at end of year	1,742.0	1,264.3

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2016	43.5
Estimated employee contributions in financial year 2016	29.0
Estimated total contributions in financial year 2016	72.5

IAS 19 (revised) would require the Group to account for its legal obligation under the formal terms of the RPS and its contractual 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 contractual but not its legal RPS defined benefit obligations. In all other respects the Group's accounting policy is consistent with IAS 19 (revised) 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 (revised) 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 (revised) the following adjustments would have been made to the financial statements:

	2015 £m	2014 £m
Balance sheet		
Defined benefit pension plan	(548.4)	(337.3)
Deferred tax asset	109.7	67.5
	(438.7)	(269.8)
Other comprehensive income		
Remeasurement gains	131.2	56.8
Tax on remeasurement gains	(26.2)	(11.4)
	105.0	45.4
Income statement		
Operating costs – franchise adjustment	(16.9)	(12.7)
Deferred tax charge	3.4	2.5
	(13.5)	(10.2)

RISKS ASSOCIATED WITH DEFINED BENEFIT PLANS

Bus schemes

The number of employees in defined benefit plans is reducing, as these plans are closed to new entrants, and in the case of The Go-Ahead Group Pension Plan, closed to future accrual. Consequently, the number of defined contribution members increased during the year ended 28 June 2014.

Rail schemes

Despite remaining open to new entrants and future accrual, the risks posed by the RPS are limited, as under the franchise arrangements, the train operating companies are not responsible for any residual deficit at the end of a franchise. As such, there is only short term cashflow risk within this business.

The key risks relating to the defined benefit pension arrangements and the steps taken by the Group to mitigate them are as follows:

Risk	Description	Mitigation
Asset volatility	The liabilities are calculated using a discount rate set with reference to bond yields with maturity profiles matching pension maturity; if assets underperform this yield, this will create a deficit. Most of the defined benefit arrangements hold a proportion of return-seeking assets (equities, diversified growth funds and global absolute return funds), and to offset the additional risk, hold a proportion in liability driven investments, which should reduce volatility.	Asset liability modelling has been undertaken recently in all significant plans to ensure that any risks taken are rewarded and that we have a balance of risk seeking and liability driven investments.
Inflation risk	A significant proportion of the UK benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities.	The business has some inflation linking in its revenue streams, which helps to offset this risk.
Life expectancy	The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.	The Group final salary scheme has closed to future accrual reducing exposure to increases in life expectancy risk.
Legislative risk	Future legislative changes are uncertain. In the past these have led to increases in obligations, introducing pension increases, and vesting of deferred pensions, or reduced investment return through the ability to reclaim Advance Corporation Tax. The UK Government has legislated to end contracting out in 2016. Further legislation could result in an increase in the value of Guaranteed Minimum Pension. If this legislation is implemented, this would increase the defined benefit obligation of the arrangements.	The Group final salary scheme has closed to future accrual, reducing risk to legislative change. The Group takes professional advice to keep abreast of legislative changes.

DIRECTORS' STATEMENT OF RESPONSIBILITY

The Directors of The Go-Ahead Group plc, who are listed in the Group's Report and Accounts for the year ended 27 June 2015, confirm that, to the best of each person's knowledge:

- The condensed set of consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU, IFRIC interpretation and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidated financial statements taken as a whole. The accounting policies utilised in the preparation of the Group's Report and Accounts are unchanged from those disclosed in the financial statements for the year ended 28 June 2014.
- The management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidated financial statements taken as a whole, together with a description of the principal risks and uncertainties that they face.

This condensed set of consolidated financial statements does not constitute the Group's statutory financial statements for the year ended 27 June 2015, or for the year ended 28 June 2014, within the meaning of Section 435 of the Companies Act 2006. The financial information is based on the audited statutory financial statements for the year ended 28 June 2014. The financial statements for the year ended 28 June 2014 have been delivered to the Registrar of Companies. The financial statements for the year ended 27 June 2015 will be sent to shareholders and delivered to the Registrar of Companies in due course. They will also be available at the Registered Office of the Company at 3rd Floor, 41-51 Grey Street, Newcastle upon Tyne NE1 6EE. The auditor's opinions on the financial statements for the years ended 27 June 2015 and 28 June 2014 were unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the audit report, nor did they contain a statement under section 498(2) or (3) of the Companies Act 2006.

This final results announcements and the results for the year ended 27 June 2015 were approved by the Board of Directors on 2 September 2015.