The Go-Ahead Group plc 4 Matthew Parker Street, London, SW1H 9NP
Telephone 020 7799 8999

Go-Ahead

PRESS RELEASE

19 February 2015

THE GO-AHEAD GROUP PLC
(“GO-AHEAD” OR “THE GROUP”)

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 27 DECEMBER 2014

Overall results in line with management expectations

Business overview

- Overall results in line with management expectations. Full year expectations are unchanged
- Bus operating profit up 8.4% to £45.1m, in line with strategic target
- Rail operating profit down 2.9% to £10.2m, with margins reducing to 0.9%. Contribution to the Government increased to £108.2m
- Challenging start to GTR franchise. Investment already underway to improve performance for passengers
- Working with Network Rail to minimise disruption to rail passengers during major infrastructure projects, in particular the £6.5 billion Thameslink Programme
- Proposed interim dividend increased by 4.3% to 26.6p (H1’14: 25.5p), in line with 2013/14 full year dividend increase
- Shortlisted for Northern and TransPennine Express franchises. Exploring overseas bus and rail opportunities
- Strong cashflow and reduction in adjusted net debt

Financial summary:	H1’15 £m	Restated* H1’14 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue	1,558.7	1,370.0	188.7	13.8
Operating profit	55.3	52.1	3.2	6.1
Operating profit margin (%)	3.5%	3.8%	n/a	(0.3ppts)
Net finance costs	(8.4)	(8.6)	0.2	2.3
Profit before tax and amortisation	46.9	43.5	3.4	7.8
Profit before tax	44.7	40.3	4.4	10.9
Adjusted earnings per share (p) (see note 7)	75.6p	83.3p	(7.7p)	(9.2)
Proposed dividend per share (p)	26.6p	25.5p	1.1p	4.3

	H1’15 £m	Restated* H1’14 £m	Increase/ (decrease) £m
Cashflow generated from operations	250.4	120.3	130.1
Free cashflow	244.7	52.8	191.9
Net cash / (debt)	169.2	(70.5)	–
Adjusted net debt	(254.1)	(295.6)	–
Adjusted net debt/EBITDA (twelve month rolling basis)	1.47x	1.90x	–

Notes:

Unless otherwise stated, references made to operating profit throughout this statement exclude amortisation and exceptional items

* Restated for the reclassification of defined benefit pension scheme net interest expense from operating costs to finance costs

David Brown, Group Chief Executive, commented:

"I am pleased with the Group's financial performance in the first half of the year, with overall operating profit of £55.3m.

"Through our regional bus operations, Go-Ahead has kept people in towns and cities 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 £170 million in our regional bus services. Our passengers have given us a record 92% satisfaction score, reflecting the importance we place on listening to our customers, delivering value and responding innovatively to their evolving requirements. We firmly believe that public transport is best delivered through working in partnership, with strong alliances between operators and local authorities.

"We believe that increased rail infrastructure investment is essential to improve services and we welcomed the Government's £38bn programme of infrastructure investment last year. While an investment programme of this scale will deliver enormous benefit in the long term, it will inevitably result in disruption while infrastructure improvements are made. We acknowledge the significant effect this has on passengers and are working closely with Network Rail to minimise the impact of this disruption.

"Overall, the Board's expectations for the full year results remain unchanged, with second half profits expected to be similar to those in the first half of the year for both our bus and rail divisions. 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."

ENDS

For further information, please contact:

The Go-Ahead Group

David Brown, Group Chief Executive	020 7799 8971
Keith Down, Group Finance Director	020 7799 8973
Holly Gillis, Head of Investor Relations	07837 612 661

Citigate Dewe Rogerson	020 7638 9571
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 (19 February 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 at around 7:30am today.

Chief Executive's review

I am pleased with the Group's financial performance in the first half of the year, with overall operating profit up 6.1% at £55.3m (H1'14: £52.1m).

Bus

Our bus division performed well in the first half, with good results in both our London and regional bus businesses. Overall operating profit for the division was £45.1m (H1'14: £41.6m), an increase of 8.4%. In line with our target plan, the regional bus business has overtaken our London bus operation in its contribution to overall profit. In the first half of the year, our operations outside London delivered operating profit of £23.4m (H1'14: £20.7m), an increase of 13.0%. Our London business contributed £21.7m (H1'14: £20.9m).

Our regional business saw good growth in passenger revenue, despite a slight reduction in recorded passenger journeys. It benefited from a shift to higher yield tickets and increased income from commercial contracts, for which associated passenger journeys are not recorded. Fare increases have largely reflected inflation across the business. As a result of our fuel hedging profile, we will not see a significant reduction in our fuel costs until July 2016.

While the majority of our regional operations saw growth in passenger journeys, passenger growth in our regional bus business overall was down 0.5% as a consequence of two of our businesses, Go North East and Oxford Bus Company, experiencing lower passenger journeys. Excluding these businesses, passenger growth was 1.7%. As previously reported, the north east economy is recovering at a slower rate than in our other operating areas, with unemployment levels at 8.5% compared with 5.8% in the UK overall. This has impacted passenger numbers. In Oxford, our services were significantly impacted by roadworks, with long delays due to congestion deterring bus travel. Across the division, there was a slight decline in concessionary travel in the period. However as a large proportion of our concessionary schemes provide reimbursement on a fixed basis, concessionary revenue did not fall.

Growth in London bus revenue slowed and mileage declined year on year due to contract losses. However, we anticipate full year mileage to be broadly flat, with contract gains expected in the second half of the financial year.

The majority of our bus division revenue is generated through fully commercial channels, with only a relatively small proportion derived from tendered routes. Across the UK, local authority budgets are coming under pressure, impacting the provision of tendered bus services. We are working closely with local authorities in many areas to explore ways to bring more of this work into our commercial operations, ensuring that vital services continue to be provided at no cost to the taxpayer.

Go-Ahead is committed to improving the passenger experience and making it as easy as possible for people to use our services. We have the largest smartcard scheme outside of London and, in October 2014, we announced a joint initiative with the UK's other major bus companies to deliver multi-operator smart ticketing to millions of bus customers across England. Last month, we launched the first of these private operator-run schemes in conjunction with another operator in the north east, giving passengers greater choice and flexibility.

Building on our existing mobile ticketing channels in our bus operations and benefitting from the experience of our rail app that we introduced in January 2014, we are launching a new bus app across our regional businesses. This app enables improved ticketing options, more payment channels and live social media feeds.

Through our regional bus operations, Go-Ahead has kept people in towns and cities across the UK moving over the last three decades. During this time we have become an integral part of the local communities we serve and have invested heavily in our operations to provide high quality services. This investment programme has been enabled by a broadly stable political and regulatory framework over the last 20 years. 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. Over the last five years alone, we have invested over £170 million in our regional bus services, largely placed with UK-based manufacturing and construction businesses, and in the first half of this year we continued to make substantial investments in our fleet and facilities to attract and retain customers by improving accessibility, comfort, convenience and environmental sustainability of our services.

As we approach the UK general election we note the political debate surrounding the best way to deliver public transport. We firmly believe 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.

Our regional bus passengers have given us a record 92% satisfaction score in independent research by Passenger Focus, reflecting the importance we place on listening to our customers and using our flexible business model to respond to their evolving requirements. Our businesses constantly strive to learn more about our customers and what is important to them. During the first half of the year, Go North East carried out a programme of research through its passenger panel of 1,500 members, and has begun implementing improvements such as changes to seating, lighting and information screens based on the feedback.

During the period, the proposal for a bus contract scheme in Tyne and Wear was endorsed by the sub-committees of the North East Combined Authority. Following a review of the proposal by the Combined Authority in October 2014, the Quality Contracts Scheme (QCS) Board began its consideration and intends to publish its conclusion in late May 2015. We have submitted detailed evidence to the QCS Board in support of our view that a voluntary partnership agreement would provide a better outcome for passengers and taxpayers than the proposed contracts scheme.

Rail

Operating profit for the rail division was £10.2m (H1'14: £10.5m) in the period.

The first half of the year has brought significant change to our rail division, with the introduction of the GTR franchise and the start of Southeastern's direct award contract. Through the franchising system, our operations have continued to bring value to the UK taxpayer. In the first half of the year, when we generated £10.2m of rail profit, our rail operations contributed £108.2m to the Government.

Southeastern delivered a strong trading performance in the period which has resulted in profit share payments being made to the DfT in the first half of the year. The franchise has successfully delivered significant timetable changes as part of the London Bridge redevelopment programme. Unfortunately, a major infrastructure project of this size will undoubtedly result in some disruption to people's journeys and we are working hard to minimise the impact this has on our passengers.

Southern has performed in line with our expectations. The performance of this franchise has also been affected by the capacity constraints at London Bridge, impacting our ability to operate the contracted timetable. We are working with Network Rail to improve performance for our passengers. We have continued the roll out and development of our smartcard, 'the key', in Southern, making more ticket choices available for customers, enabling them to use their smartcard for more convenient flexible travel.

Our London Midland franchise delivered growth in passenger revenue and journeys, albeit at a slower rate than previously seen, largely due to network disruption in the first quarter of the year. The franchise has continuously improved its operational performance and is now delivering its best service reliability of the last two years. During the period, London Midland introduced 40 new train carriages to its fleet, increasing capacity and frequency and improving the customer experience.

GTR began operation in September 2014 after a short mobilisation period and has faced inherited long term operational challenges from the outset. In conjunction with Network Rail, we are implementing an improvement plan to address these issues. In the short term we are investing in improvements in areas such as driver training and recruitment, train maintenance and additional rolling stock; while in the long term we are collaborating with our industry partners to deliver the benefits associated with the £6.5 billion Thameslink Programme. Despite the challenges GTR is currently facing, in the future our passengers will benefit considerably from new trains, improved reliability and punctuality and increased service frequency.

During the first half of the year and continuing into the current period, a number of our rail operations have experienced significant network disruption, causing inconvenience for passengers. We strive to deliver reliable, punctual services and are very disappointed that some passengers' journeys have been significantly impacted by a series of infrastructure issues, including capacity constraints at London Bridge and on Brighton mainline, overrunning engineering work and signal failures. Tunnel flooding due to water mains leaks also affected our operations for six days near Farringdon and led to ongoing issues as a result of water damaged trains. We continue to support Network Rail in its efforts to maintain and improve the railway infrastructure we rely upon.

Reflecting the operational performance of our franchises, the latest national passenger survey scores for rail customer satisfaction have declined year on year in three of our four current franchises, which have been impacted by investment in infrastructure.

We believe that increased infrastructure investment is essential to improve services. We welcomed the Government's £38bn programme of infrastructure investment, announced in March 2014, aimed at delivering faster journeys, greater comfort and better punctuality for passengers while generating growth, creating jobs and boosting business. While an investment programme of this scale will deliver enormous benefit in the long term, it will inevitably result in some disruption while infrastructure improvements are made.

Exploring opportunities

As previously stated, 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.

We have submitted a bid for a contract in the Singaporean bus market which has many similar features to the London bus market, in which 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 each year.

We have also begun to explore opportunities in the German regional rail market and have established a small bid team 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 €9.6 billion and operates more than 50 billion passenger kilometres a year.

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.

During the period, our bid team has been preparing for the issue of the invitations to tender for the Northern and TransPennine Express franchises for which we are shortlisted. Over the next two years, there are a number of other UK rail franchise opportunities that we will also consider.

A sustainable business

In order to deliver against our strategy of growing the Group to deliver sustainable shareholder value, we need to consider the sustainability of our business model for the long term. Corporate responsibility is at the heart of what we do. This is not simply because, as a responsible operator, it is the 'right thing to do', but because working in this way is the best way to achieve sustainable profitability. Our approach is underpinned by our strategic priorities of being a leading employer that provides high quality, locally-focused passenger transport services, running our companies in a responsible manner, and with strong financial discipline.

Our continuous efforts to improve environmental performance throughout all our bus and rail operating companies has 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 the first FTSE 350 organisation to have been awarded the Fair Tax Mark in recognition of our responsible approach to UK corporation tax.

Outlook

Overall, the Board's expectations for the full year results remain unchanged, with second half profits similar to those achieved in the first half year for both our bus and rail divisions.

We are pleased with the margin improvement in our regional bus business and our commitment to delivering our bus operating profit target by 2015/16 is unchanged. The issues that impacted our businesses in the north east and Oxford in the first half of the year have continued into the second half and we expect revenue growth to slow as we lap the introduction of commercial contracts introduced last year. We are committed to promoting our high quality regional bus business and will continue to emphasise the value that commercial operations bring to the travelling public and to the delivery of public policy objectives.

In rail, our attention is focused on improving operational performance, working closely with our industry partners, Network Rail, to minimise disruption for our passengers, particularly during the major Thameslink Programme infrastructure upgrade. Work is underway to ensure the smooth integration of the Southern and Gatwick Express operations into the GTR franchise at the end of this financial year. Our bid team remains focused on delivering attractive bids for the Northern and TransPennine Express franchises later this year. Rail revenue yield is expected to be more modest in the second half of the year as January 2015 fare increases were lower than last year at 2.2% (2014: 2.7%).

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.

David Brown, Group Chief Executive
18 February 2015

Chairman's statement

In my last statement, I talked about the Group being well equipped to manage the complexity and challenges of our industry. Six months on, I can confidently say that Go-Ahead remains well placed to face these challenges and maintain its position as a leading provider of passenger transport.

Performance

It has been a busy period in which the Group has delivered good financial results. The first half of the year has seen the start of significant new rail contracts, including GTR which will shortly become the UK's largest franchise. In our bus operations, we have made further progress towards our operating profit target of £100m by 2015/16.

It has also been a challenging period, with a number of operational issues, largely as a result of investment in infrastructure, impacting rail performance. I believe your Group has an excellent management team. They are committed to providing high quality passenger services and are determined to deliver improvements for our customers.

Dividends

The Board was pleased to increase the full year dividend in the last financial year, reflecting our confidence in the Group's performance and prospects. 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.

Accordingly, the interim dividend has been increased by 4.3% to 26.6p (H1'14: 25.5p) and is payable on 10 April 2015 to shareholders registered at the close of business on 27 March 2015.

During the first half of the year, we paid out last year's final dividend of 59.0p (H1'14: 55.5p), increasing the total dividend in respect of the full year ended 28 June 2014 to 84.5p (29 June 2013: 81.0p).

Our role in society

As a commercial organisation, our aim is to generate value for our shareholders while delivering wider economic benefits, through the employment of 26,000 people, by enabling millions of people to travel to work, shops and other services and leisure activities every day, and through the UK taxes we pay.

Governance

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

During the first half of the year, we once again undertook an internal evaluation of the Board. Led by the Group Company Secretary, the review sought to build upon the areas of improvement identified as part of last year's evaluation and the current themes and common areas of Boardroom best practice. The review concluded that good progress had been made in all of the areas for improvement identified in last year's evaluation. As in previous evaluations, no areas of material concern were highlighted, while a number of areas for possible improvements were identified. We are currently implementing improvements in these areas, which include further enhancing the strategic and succession planning, and leadership management processes to support the delivery of strategy.

Last year, we incorporated a number of new disclosure requirements. The UK Corporate Governance Code was revised in September 2014 and while this does not apply to Go-Ahead this year, the Board is already undertaking a review of the changes to ensure that the Group remains at the forefront of best practice.

Our commitment to best practice reporting was again recognised at the 2014 Investor Relations Society Awards, reflecting the communication of our investment proposition and our use of digital reporting channels.

There have been no changes to the composition of the Board in the period.

Conclusion

There is much to deliver in the second half of the year and over the longer term. We are making good progress towards our strategic objectives and will remain focused on delivering against them. The Group has a stable portfolio of businesses upon which to build, and is in a strong position to consider and explore growth opportunities.

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.

Andrew Allner, Chairman
18 February 2015

Business and finance review

In its financial statements for the year ended 28 June 2014, the Group reclassified the defined benefit pension scheme net interest expense from operating costs into finance costs. The comparative figures for the six months ended 28 December 2013 have been restated to reflect this.

Revenue and operating profit by division

	H1'15 £m	Restated H1'14 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue				
Regional bus	**181.4**	174.3	7.1	4.1
London bus	**228.9**	222.7	6.2	2.8
Total bus	**410.3**	397.0	13.3	3.4
Rail	**1,148.4**	973.0	175.4	18.0
Total	**1,558.7**	1,370.0	188.7	13.8
Operating profit				
Regional bus	**23.4**	20.7	2.7	13.0
London bus	**21.7**	20.9	0.8	3.8
Total bus	**45.1**	41.6	3.5	8.4
Rail	**10.2**	10.5	(0.3)	(2.9)
Total	**55.3**	52.1	3.2	6.1

Summary income statement

	H1'15 £m	Restated H1'14 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue	**1,558.7**	1,370.0	188.7	13.8
Operating profit	**55.3**	52.1	3.2	6.1
Net finance costs	**(8.4)**	(8.6)	0.2	2.3
Profit before tax*	**46.9**	43.5	3.4	7.8
Amortisation	**(2.2)**	(3.2)	1.0	31.3
Profit before tax	**44.7**	40.3	4.4	10.9
Tax expense	**(9.8)**	(2.4)	(7.4)	(308.3)
Profit for the period	**34.9**	37.9	(3.0)	(7.9)
Non-controlling interests	**(4.1)**	(4.3)	0.2	4.7
Profit attributable to members	**30.8**	33.6	(2.8)	(8.3)
Adjusted profit attributable to members*	**32.4**	35.7	(3.3)	(9.2)
Weighted average number of shares (m)	**42.9**	42.8	0.1	0.2
Adjusted earnings per share (p)	**75.6**	83.3	(7.7)	(9.2)
Proposed dividend per share (p)	**26.6**	25.5	1.1	4.3

* Before amortisation

Overview and highlights

Revenue in the period was £1,558.7m (H1'14: £1,370.0m), up 13.8%, or £188.7m. 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 rose 6.1%, or £3.2m, to £55.3m (H1'14: £52.1m), with an overall decrease in operating profit margin of 0.3ppts to 3.5% (H1'14: 3.8%) as a result of reduced margins in our rail division. Profit before tax for the period was £44.7m (H1'14: £40.3m), up 10.9%, or £4.4m.

Adjusted earnings per share fell 9.2% to 75.6p (H1'14: 83.3p) and net profit after tax for the period fell 7.9% to £34.9m (H1'14: £37.9m), both impacted by an increase in the effective tax rate from 6.0% to 21.9%. The comparative figures reflect the deferred tax effect of enactment of future tax rates.

Net cash was £169.2m at the half year end (28 June 2014: net debt £42.7m), largely reflecting increased season ticket cash and other positive working capital movements in the rail division. Adjusted net debt, consisting of net debt plus restricted cash in our rail division of £423.3m (H1'14: £225.1m), was £254.1m (28 June 2014: £260.0m). As expected, adjusted net debt to EBITDA of 1.47x is below our target range of 1.5x to 2.5x.

Bus

	H1'15	Restated H1'14	H1'14
Revenue			
Regional bus	£181.4m		£174.3m
London bus	£228.9m		£222.7m
Total bus	£410.3m		£397.0m
Operating profit			
Regional bus	£23.4m	£20.7m	£20.2m
London bus	£21.7m	£20.9m	£20.4m
Total bus	£45.1m	£41.6m	£40.6m
Operating profit margin			
Regional bus	12.9%	11.9%	11.6%
London bus	9.5%	9.4%	9.2%
Total bus	11.0%	10.5%	10.2%
Revenue growth			
Regional bus	4.1%		3.7%
London bus	2.8%		7.9%
Volume growth			
Regional – passenger journeys	(0.5%)		1.4%
London – miles operated	(1.6%)		2.8%
Customer satisfaction*			
Regional bus	92%		90%

* Based on Passenger Focus' annual independent passenger survey

Overall bus performance review

Overall our bus operations delivered good half year operating profits, with growth in revenue and reduced costs for fuel, pensions and insurance claims.

Total bus revenue increased by 3.4%, or £13.3m, to £410.3m (H1'14: £397.0m) and the division's operating profit rose 8.4%, or £3.5m, to £45.1m (H1'14: £41.6m), resulting in an increase in operating profit margin of 0.5ppts to 11.0% (H1'14: 10.5%).

Capital expenditure

Due to the timing of London bus contract renewals, our bus operations saw a reduction in capital investment in the first half of the year. Net capital expenditure for the division was £14.0m (H1'14: £48.8m), including £10.1m on 58 new buses (H1'14: £42.4m on 231 new buses). We expect full year bus division capital expenditure of around £40m.

Regional bus

Revenue

Regional revenue growth was 4.1%, driven by an increase in higher yield fares and higher contract income. All of our regional bus operations saw continued commercial and concessionary revenue growth in the period, aided by market leading products and increased purchasing options for our passengers such as m-ticketing. The decline in passenger numbers of 0.5% is a result of continuing weakness in the north east economy, as well as significant roadworks in Oxford. Passenger growth, excluding these areas, was 1.7%. Across the division, there was a slight decline in concessionary travel in the period. However as a large proportion of our concessionary schemes provide reimbursement on a fixed basis, concessionary revenue did not fall. Mileage in our regional services increased slightly year on year.

Operating profit

Regional bus operating profit was £23.4m (H1'14: £20.7m), up 13.0%, or £2.7m, driven by revenue growth and lower fuel, pension and insurance claim costs. Bid costs in the period reflect work carried out pursuing opportunities in the Singapore bus market. Operating profit margins increased 1.0ppts to 12.9% (H1'14: 11.9%).

H1'14 operating profit restated	£20.7m
Change in:	
Underlying growth	£1.3m
Insurance claim costs	£1.0m
Fuel costs	£0.6m
Pension costs	£0.5m
Bid costs	(£0.7m)
H1'15 operating profit	£23.4m

London bus

Revenue

London bus revenue growth of 2.8% was impacted by the reallocation of the bus service operators grant (BSOG) of 2.6%. In the first half of the year, mileage reduced by 1.6% due to contract losses. Full year mileage is expected to be broadly flat year on year, with contract gains expected in the second half of the financial year.

Operating profit

Operating profit for our London bus operations was £21.7m, (H1'14: £20.9m) up 3.8%, or £0.8m due to reduced fuel, pension and insurance claim costs. The division's operating profit margin increased slightly to 9.5% (H1'14: 9.4%).

H1'14 operating profit restated	£20.9m
Change in:	
Insurance claim costs	£0.9m
Fuel costs	£0.6m
Pension costs	£0.5m
Quality Incentive Contract (QIC) bonuses	(£0.2m)
Underlying growth	(£1.0m)
H1'15 operating profit	£21.7m

North American yellow school bus

Our 50:50 joint venture with Cook-Illinois ceased during the half year. The contracts which operated around 120 buses in St Louis, Missouri, came to an end on 25 July 2014.

Rail

	H1'15	H1'14
Total revenue	£1,148.4m	£973.0m
Operating profit	£10.2m	£10.5m
Operating profit margin	0.9%	1.1%
Passenger revenue growth		
Southern	6.2%	8.2%
Southeastern	10.7%	5.3%
London Midland	4.0%	10.1%
GTR*	9.3%	n/a
Volume growth		
Southern	5.0%	4.3%
Southeastern	7.9%	3.9%
London Midland	1.6%	5.4%
GTR*	8.8%	n/a
Punctuality**		
Southern	84%	86%
Southeastern	88%	90%
London Midland	86%	84%
GTR	82%	n/a
Customer satisfaction#		
Southern	77%	76%
Southeastern	74%	84%
London Midland	82%	84%
GTR	77%	n/a

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

** DfT Public Performance Measure on a moving annual average basis

\# Based on the National Rail Passenger Survey – Autumn 2014

Performance review

Our rail division operates the Southern (including Gatwick Express), Southeastern, London Midland and GTR franchises through our 65% owned subsidiary Govia.

The rail division has delivered a satisfactory result in the six months to 27 December 2014.

In the Southern franchise, like for like passenger revenue growth of 6.2% was driven by growth in passenger numbers of 5.0%. The franchise is in receipt of revenue support at the 80% level which is expected to continue until Southern and Gatwick Express merge with GTR in July 2015. Underlying profitability continues through cost and contract management programmes.

In the first half of the year, Southeastern's revenue performance was strong with like for like passenger revenue growth of 10.7% driven by growth in passenger numbers of 7.9%. 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 £6.3m to the Government through a profit share mechanism in the first half of the year.

London Midland reported like for like growth in passenger revenue of 4.0% and passenger journeys of 1.6%. This is significantly lower than the previous year as a result of the impact of Network Rail engineering works in the first quarter. The franchise will continue to operate its original contractuntil it begins a seven-month extension on the same terms in September 2015. We continue to work with the DfT regarding a potential direct award contract from March 2016 to June 2017.

GTR commenced trading on 14 September 2014. In the trading period, the franchise has reported growth in passenger revenue of 9.3% and passenger journey growth of 8.8% compared with the same period last year. We are working with industry partners to deliver the benefits associated with the Thameslink Programme, while ensuring the impact on passengers is minimised, and have clear plans in place to manage the inherited operational challenges facing this new franchise. Investment is already underway in an improvement plan, leading to no contribution to Group profitability in the half year.

Rail bid costs in the half year were around £3m. We expect full year bid costs of around £9m, predominantly in relation to the Northern and TransPennine Express franchise competitions, with around £1.5m relating to work carried out pursuing opportunities in the German rail market.

Revenue

Total rail revenue increased by 18.0%, or £175.4m, to £1,148.4m. This consisted of:

	H1'15 £m	H1'14 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Passenger revenue*	**1,051.5**	814.2	237.3	29.1
GTR revenue adjustment**	**(48.7)**	–	(48.7)	
Other revenue	**92.4**	92.4	–	
Total subsidy	**16.6**	28.0	(11.4)	
Southeastern	**(15.6)**	(2.4)	(13.2)	
London Midland	**32.2**	30.4	1.8	
Net revenue support	**36.6**	38.4	(1.8)	
Southeastern revenue support	**25.0**	39.7	(14.7)	
Southern revenue support	**11.6**	–	11.6	
London Midland revenue share	**–**	(1.3)	1.3	
Total revenue	**1,148.4**	973.0	175.4	18.0

* Includes passenger revenue of £175.2m 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 and profit share payments

Southern's premium payments and Southeastern's profit share payments are included in operating costs.

	H1'15 £m	H1'14 £m	Increase/ (decrease) £m
Southern premium	106.4	88.8	17.6
Southeastern profit share	6.3	-	6.3

Net franchise model payments to the DfT (excluding revenue support, revenue share and revenue adjustments) were up £35.3m on the same period last year. Revenue support receipts decreased by £3.1m, partly offset by a reduction in revenue share payments of £1.3m. Southern's premium payments increased by £17.6m and Southeastern made profit share payments of £6.3m. Subsidy receipts, excluding revenue support and revenue share, reduced by £11.4m. The GTR revenue adjustment reflects the difference between passenger revenue and the franchise payment to the DfT, as set out in the bid model. Overall, we contributed £108.2m (H1'14: £22.4m) to the DfT in net franchise modelpayments, including revenue share and support.

Operating profit

Half year operating profit for our rail businesses was £10.2m (H1'14: £10.5m).The division's operating profit margin decreased by 0.2ppts to 0.9% (H1'14: 1.1%).

H1'14 operating profit	£10.5m
Change in:	
Passenger revenue	£237.3m
GTR revenue adjustment	(£48.7m)
Additional costs and other revenues	(£151.8m)
Southern premium	(£17.6m)
Southeastern subsidy	(£13.2m)
London Midland subsidy	£1.8m
Southeastern revenue support	(£14.7)m
Southern revenue support	£11.6m
London Midland revenue share	£1.3m
Southeastern profit share	(£6.3m)
H1'15 operating profit	£10.2m

Capital expenditure

Net capital expenditure in rail was £2.3m (H1'14: £0.7m), of which £0.6m related to Southeastern, £1.2m related to London Midland and £0.5m related to GTR. Full year rail capital expenditure is expected to be around £20m.

Other financial items

Pensions

Operating profit includes the net cost of the Group's defined benefit pension plans for the period of £34.1m (H1'14 restated: £28.3m), comprising bus costs of £1.0m (H1'14 restated: £4.3m) and rail costs of £33.1m (H1'14: £24.0m). Group contributions to the schemes totalled £23.3m (H1'14: £22.8m).

An asset backed funding arrangement is in place which gives pension scheme trustees an interest in some Group properties. This will reduce the actuarial deficit in the scheme at future triennial scheme valuations which are used to determine future contribution levels. For the purposes of IAS 19 (revised) this interest has nil value within scheme assets.

The net deficit after taxation on the bus defined benefit schemes was £23.4m (28 June 2014: £47.8m), consisting of pre tax liabilities of £29.3m (28 June 2014: £59.8m) less a deferred tax asset of £5.9m (28 June 2014: £12.0m). The decrease in deficit was largely due to an increase in asset values, primarily in our liability driven investing portfolio. This was partially offset by increased scheme liabilities generated by a lower discount rate. The pre tax deficit consisted of estimated liabilities of £707.8m (28 June 2014: £663.3m) less assets of £678.5m (28 June 2014: £603.5m). The percentage of assets held in higher risk, return seeking assets was 47% (28 June 2014: 50%).

As the long term responsibility for the rail pension schemes rests with the DfT only the share of surplus or deficit expected to be realised over the life of each franchise is recognised. At the half year end the rail pension scheme deficit was £nil (28 June 2014: £nil).

Fuel hedging activity

The fuel spot price on 31 December 2014 was 30 pence per litre (ppl) (30 June 2014: 46ppl). The reduction in the spot price is the reason for the significant increase in the value of the fuel derivative liability during the period from £4.8m at 28 June 2014 to £36.5m at 27 December 2014. The movement in liability does not impact the income statement.

Net finance costs

Net finance costs for the period were £8.4m (H1'14: £8.6m), comprising finance costs of £9.4m (H1'14: £9.2m) less finance revenue of £1.0m (H1'14: £0.6m). The average underlying net interest rate for the period was 4.2% (H1'14: 4.4%).

Intangible amortisation and exceptional items

The charge for the period of £2.2m (H1'14: £3.2m) represents the non-cash cost of amortising intangible items including assets associated with rail franchises, acquired contracts and computer costs. The charge was lower than the prior year due to the original Southeastern franchise term coming to an end and the associated amortisation charge, therefore, ceasing.

There were no exceptional items in the period (H1'14: £nil).

Taxation

Net tax for the period of £9.8m (H1'14: £2.4m) includes underlying tax on ordinary activities of £9.8m (H1'14: £9.1m) and is equivalent to an underlying effective tax rate of 21.9% (H1'14: 22.6%), as expected, marginally above the statutory rate for the period of 20.75% as a result of non-qualifying capital allowances. Including the impact of the opening deferred tax rate reduction of £nil credit (H1 '14: £6.7m credit), the effective tax rate is 21.9% (H1'14: 6.0%). The effective tax rate for the full year is expected to be around 22%.

Non-controlling interests

Non-controlling interests in the income statement of £4.1m (H1'14: £4.3m) arise 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.

Earnings per share

Adjusted earnings (net profit after tax attributable to members before amortisation) were £32.4m in the period (H1'14: £35.7m) resulting in adjusted earnings per share of 75.6p (H1'14: 83.3p). The reduction in adjusted earnings per share was impacted by the increase in the effective tax rate from 6.0% to 21.9%, partly offset by the increase in operating profit. The comparative figures reflect the deferred tax effect of enactment of future tax rates.

The weighted average number of shares increased to 42.9 million (H1'14: 42.8 million). The closing number of shares in issue, net of treasury shares was also 42.9 million (H1'14: 42.8 million).

Dividends

The Board has increased the interim dividend to 26.6p (H1'14: 25.5p), an increase of 4.3%, or 1.1p. This is payable on 10 April 2015 to shareholders registered at the close of business on 27 March 2015.

Dividends paid in the period represent the payment of last year's final dividend of 59.0p (H1'14: 55.5p), giving a total dividend in respect of the full year ended 28 June 2014 of 84.5p (29 June 2013: 81.0p).

Summary cashflow

	H1'15 £m	Restated H1'14 £m	Increase/ (decrease) £m
EBITDA*	90.5	81.3	9.2
Working capital/other items	149.1	33.5	115.6
Pensions	10.8	5.5	5.3
Cashflow generated from operations	250.4	120.3	130.1
Tax paid	(5.8)	(5.5)	(0.3)
Net interest paid	(12.4)	(12.9)	0.5
Net capital investment	(19.0)	(49.1)	30.1
Net cash transfer on handover of rail franchise	31.5	–	31.5
Sale of rolling stock	68.6	–	68.6
Rolling stock deposit	–	(68.6)	68.6
(Repayment)/receipt of funding for rolling stock procurement	(68.6)	68.6	(137.2)
Free cashflow	244.7	52.8	191.9
Repayment from joint venture	1.8	–	1.8
Purchase of subsidiaries	(0.4)	–	(0.4)
Dividends paid	(34.2)	(32.4)	(1.8)
Movement in net cash/(debt)	211.9	20.4	191.5
Opening net debt	(42.7)	(90.9)	
Closing net cash/(debt)	169.2	(70.5)	

* Operating profit before interest, tax, depreciation and amortisation

Cashflow

Cashflow generated from operations before taxation increased by £130.1m to £250.4m (H1'14: £120.3m). Working capital and other items increased by £115.6m to £149.1m (H1'14: £33.5m), of which approximately £40m is due to a cash inflow following the mobilisation of the GTR franchise, which is not expected to reverse. The balance of the working capital movement is due to an increase in season ticket cash held and the timing of some contractual payments, of which around £70m is expected to reverse in the second half of the year.

Tax paid of £5.8m (H1'14: £5.5m) related to the final instalments of the 2013/14 tax year. Net interest paid of £12.4m (H1'14: £12.9m) was higher than the net charge for the period of £8.4m (H1'14: £8.6m) due to accrued amounts in respect of interest on the sterling bond which is paid annually in September each year. Capital expenditure, net of sale proceeds in the period, was £19.0m (H1'14: £49.1m). Capital expenditure for the full year is expected to be around £60m.

Dividends paid to parent company shareholders increased to £25.4m (H1'14: £23.8m) and dividends paid to non-controlling interests increased to £8.8m (H1'14: £8.6m).

Capital structure

	H1'15 £m	Restated H1'14 £m	FY'14 £m
Five year syndicated facility 2019 (2016 facility in H1'14 and FY'14)	280.0	275.0	275.0
7½ year £200m 5.375% sterling bond 2017	200.0	200.0	200.0
Total core facilities	480.0	475.0	475.0
Amount drawn down at half year end	316.0	312.0	320.0
Balance available	164.0	163.0	155.0
Restricted cash	423.3	225.1	217.3
Net (cash)/debt	(169.2)	70.5	42.7
Adjusted net debt	254.1	295.6	260.0
EBITDA	90.5	81.3	163.9
Adjusted net debt/EBITDA (twelve month rolling basis)*	1.47x	1.90x	1.59x
Adjusted net debt/EBITDA (twelve month rolling basis)**	1.32x	1.73x	1.45x

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

** 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 £280.0m five year facility, replacing the existing £275.0m 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.

Net debt

Net cash was £169.2m at the half year end (28 June 2014: net debt £42.7m; H1 '14: net debt £70.5m). This largely reflects the significant working capital movement in the period. As this was largely driven by our rail operations and is included within restricted cash, adjusted net debt is not impacted.

Adjusted net debt, consisting of net debt plus restricted cash in our rail division of £423.3m (H1'14: £225.1m), was £254.1m (H1'14: £295.6m), equivalent to 1.47x EBITDA on a twelve month rolling basis (28 June 2014: 1.59x; H1'14: 1.90x), below our target range of 1.5x to 2.5x, as expected.

Net cash comprised the £200m sterling bond (H1'14: £200m), amounts drawn down against the £280.0m five year revolving credit facility of £116.0m (H1'14: £112.0m drawn down against the £275.0m facility), amounts drawn down against the US$10m facility of £nil (H1'14: £2.9m), hire purchase and lease agreements of £1.3m (H1'14: £2.7m) less cash and short term deposits of £486.5m (H1'14: £247.1m).

Risk management

During the period, the Board reviewed the risks and uncertainties described in the Group's Annual Report and Accounts for the year ended 28 June 2014 and identified the following principal risks and uncertainties affecting the Group's business for the second six months of the financial year ended 27 June 2015.

The key risks and uncertainties include:

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.

Political and regulatory framework Changes in Government or to laws, regulations, policies (e.g. concessionary travel, BSOG), franchising, 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. Following a third consultation, proposals for a bus contract scheme in Tyne & Wear are being considered by the Quality Contracts Scheme Board. Its conclusion is expected to be announced in late May 2015.

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, successfully mobilise or integrate new 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 in the UK or overseas could adversely impact on the Group's economic and shareholder value.

Competition Loss of business to existing competitors or new entrants to the markets in which we operate could have a significant impact on our business. Additionally, the reduction in oil price, leading to lower fuel prices for motorists could result in passengers taking more trips in private cars rather than choosing public transport.

Operational:

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

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 £9.3m.

Information technology (IT) failure or interruption Prolonged or major failure of IT systems could pose significant risk to the ability to operate and trade.

More details about these risks can be found on pages 34 – 37 of the 'Managing Risk' section of the Group Annual Report and Accounts, available on our website at www.go-ahead.com

Responsibility and cautionary statements

Responsibility statements

We confirm that to the best of our knowledge:

– the interim financial statements have been prepared in accordance with IAS34 'Interim Financial Reporting';

– the interim management report includes a fair review of the information required by the Financial Conduct Authority's Disclosure and Transparency Rules ('DTR') 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

– the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Keith Down, Group Finance Director
18 February 2015

Cautionary statement

This report is addressed to shareholders of The Go-Ahead Group plc and has been prepared solely to provide information to them.

This half yearly report is intended to inform the shareholders of the Group's performance during the six months to 27 December 2014 and this report and the announcement under which it was released do not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Go-Ahead Group shares or other securities. This report contains forward looking statements based on knowledge and information available to the Directors at the date the report was prepared. These statements should be treated with caution due to the inherent uncertainties underlying any such forward looking information and any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Interim consolidated income statement

for the six months ended 27 December 2014

	Notes	Six months to 27 Dec 14 £m Unaudited	Restated Six months to 28 Dec 13 £m Unaudited	Year to 28 Jun 14 £m Audited
Group revenue	4	**1,558.7**	1,370.0	2,702.4
Operating costs (excluding amortisation)*		**(1,503.4)**	(1,317.9)	(2,599.2)
Group operating profit (before amortisation)	4	**55.3**	52.1	103.2
Intangible amortisation		**(2.2)**	(3.2)	(5.8)
Exceptional items (before taxation)	5	**–**	–	12.1
Group operating profit (after amortisation)		**53.1**	48.9	109.5
Finance revenue		**1.0**	0.6	1.5
Finance costs*		**(9.4)**	(9.2)	(19.8)
Profit from continuing operations before taxation		**44.7**	40.3	91.2
Tax expense	6	**(9.8)**	(2.4)	(13.6)
Profit for the period		**34.9**	37.9	77.6
Attributable to:				
Equity holders of the parent		**30.8**	33.6	70.3
Non-controlling interests		**4.1**	4.3	7.3
		34.9	37.9	77.6
Earnings per share				
– basic	7	**71.8p**	78.4p	164.0p
– diluted	7	**70.5p**	77.9p	162.4p
– adjusted basic	7	**75.6p**	83.3p	148.6p
– adjusted diluted	7	**74.2p**	82.7p	147.1p
Dividend paid (pence per share)	10	**59.0p**	55.5p	81.0p
Dividend proposed (pence per share)	10	**26.6p**	25.5p	59.0p

* Restated for reclassification of defined benefit pension scheme net interest expense as explained in note 2.

Interim consolidated statement of comprehensive income

for the six months ended 27 December 2014

	Notes	Six months to 27 Dec 14 £m Unaudited	Six months to 28 Dec 13 £m Unaudited	Year to 28 Jun 14 £m Audited
Profit for the period		**34.9**	37.9	77.6
Other comprehensive income/(losses)				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit retirement plans		**42.6**	(27.9)	(14.5)
Tax relating to items that will not be reclassified	6	**(8.5)**	4.2	1.5
		34.1	(23.7)	(13.0)
Items that may subsequently be reclassified to profit or loss				
Unrealised losses on cashflow hedges		**(36.5)**	(1.4)	(5.2)
Losses/(gains) on cashflow hedges taken to income statement – operating costs		**4.9**	(0.2)	2.1
Tax relating to items that may be reclassified	6	**6.3**	0.3	0.5
		(25.3)	(1.3)	(2.6)
Other comprehensive income/(losses) for the period, net of tax		**8.8**	(25.0)	(15.6)
Total comprehensive income for the period		**43.7**	12.9	62.0
Attributable to:				
Equity holders of the parent		**36.0**	6.6	51.0
Non-controlling interests		**7.7**	6.3	11.0
		43.7	12.9	62.0

Interim consolidated statement of changes in equity

for the six months ended 27 December 2014

	Share capital	Reserve for own shares	Hedging reserve	Other reserve	Capital redemption reserve	Retained earnings	Total shareholders equity	Non-controlling interests	Total
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)
Remeasurements of defined benefit retirement 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 period	–	–	–	–	–	30.8	30.8	4.1	34.9
Net movement on hedges (net of tax)	–	–	(25.3)	–	–	–	(25.3)	–	(25.3)
Remeasurements of defined benefit retirement plans (net of tax)	–	–	–	–	–	30.5	30.5	3.6	34.1
Total comprehensive income	–	–	(25.3)	–	–	61.3	36.0	7.7	43.7
Share based payment charge	–	–	–	–	–	0.4	0.4	–	0.4
Exercise of share options	–	0.7	–	–	–	(0.7)	–	–	–
Dividends	–	–	–	–	–	(25.4)	(25.4)	(8.8)	(34.2)
At 27 December 2014	72.1	(69.2)	(29.5)	1.6	0.7	86.0	61.7	15.3	77.0

	Share capital	Reserve for own shares	Hedging reserve	Other reserve	Capital redemption reserve	Retained earnings	Total shareholders equity	Non-controlling interests	Total
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	–	–	–	–	–	33.6	33.6	4.3	37.9
Net movement on hedges (net of tax)	–	–	(1.3)	–	–	–	(1.3)	–	(1.3)
Remeasurements of defined benefit retirement plans (net of tax)	–	–	–	–	–	(25.7)	(25.7)	2.0	(23.7)
Total comprehensive income	–	–	(1.3)	–	–	7.9	6.6	6.3	12.9
Share based payment charge	–	–	–	–	–	0.4	0.4	–	0.4
Dividends	–	–	–	–	–	(23.8)	(23.8)	(8.6)	(32.4)
At 28 December 2013	72.1	(70.2)	(2.9)	1.6	0.7	13.6	14.9	11.7	26.6

Interim consolidated balance sheet

as at 27 December 2014

	Notes	27 Dec 14 £m Unaudited	28 Dec 13 £m Unaudited	28 Jun 14 £m Audited
Assets				
Non-current assets				
Property, plant and equipment		444.9	476.9	458.6
Intangible assets		88.6	89.4	87.7
Trade and other receivables		–	0.9	1.2
Investment in joint venture		–	2.0	–
Other financial assets	11	–	–	0.1
Deferred tax assets		13.2	16.4	12.0
		546.7	585.6	559.6
Current assets				
Inventories		19.8	15.0	15.6
Trade and other receivables		263.8	257.7	254.8
Cash and cash equivalents		486.9	247.1	281.8
Other financial assets	11	–	1.7	–
		770.5	521.5	552.2
Assets classified as held for sale		5.6	71.0	72.4
Total assets		1,322.8	1,178.1	1,184.2
Liabilities				
Current liabilities				
Trade and other payables		(682.3)	(585.3)	(557.7)
Other financial liabilities	11	(22.9)	(1.7)	(3.5)
Interest-bearing loans and borrowings		(0.8)	(0.2)	(2.9)
Current tax liabilities		(19.5)	(12.0)	(10.6)
Provisions	12	(56.5)	(33.3)	(66.3)
		(782.0)	(632.5)	(641.0)
Non-current liabilities				
Interest-bearing loans and borrowings		(314.6)	(315.5)	(320.0)
Retirement benefit obligations	8	(29.3)	(82.0)	(59.8)
Other financial liabilities	11	(13.6)	(1.6)	(1.4)
Deferred tax liabilities		(49.2)	(47.7)	(50.8)
Other liabilities		(1.9)	(2.8)	(2.4)
Provisions	12	(55.2)	(69.4)	(41.7)
		(463.8)	(519.0)	(476.1)
Total liabilities		(1,245.8)	(1,151.5)	(1,117.1)
Net assets		77.0	26.6	67.1
Capital & reserves				
Share capital		72.1	72.1	72.1
Reserve for own shares		(69.2)	(70.2)	(69.9)
Hedging reserve		(29.5)	(2.9)	(4.2)
Other reserve		1.6	1.6	1.6
Capital redemption reserve		0.7	0.7	0.7
Retained earnings		86.0	13.6	50.4
Total shareholders' equity		61.7	14.9	50.7
Non-controlling interests		15.3	11.7	16.4
Total equity		77.0	26.6	67.1

Interim consolidated cashflow statement

for the six months ended 27 December 2014

	Notes	Six months to 27 Dec 14 £m Unaudited	Restated Six months to 28 Dec 13 £m Unaudited	Year to 28 Jun 14 £m Audited
Profit after tax		34.9	37.9	77.6
Net finance costs*		8.4	8.6	18.3
Tax expense	6	9.8	2.4	13.6
Depreciation of property, plant and equipment		35.2	29.2	60.7
Amortisation of intangible assets		2.2	3.2	5.8
Pension plan curtailment		–	–	(15.1)
Release of fuel hedge		–	(0.5)	(0.5)
Loss on sale of property, plant and equipment		0.1	0.1	1.2
Share based payments		0.4	0.4	2.2
Difference between pension contributions paid and amounts recognised in the income statement*		10.8	5.5	10.7
Impairment of joint venture		–	–	0.3
Sale of assets held for disposal		–	–	0.4
Decrease/(increase) in inventories		0.8	(0.8)	(1.4)
Increase in trade and other receivables		(9.0)	(18.9)	(13.1)
Increase in trade and other payables		153.1	54.6	21.0
Movement in provisions		3.7	(1.4)	2.6
Cashflow generated from operations		250.4	120.3	184.3
Taxation paid		(5.8)	(5.5)	(12.4)
Net cashflows from operating activities		244.6	114.8	171.9
Interest received		1.1	0.8	1.5
Proceeds from sale of property, plant and equipment		0.4	1.2	3.9
Purchase of property, plant and equipment		(16.3)	(49.5)	(69.5)
Purchase of intangible assets		(3.1)	(0.8)	(1.7)
Net cash transfer on handover of rail franchise		31.5	–	–
Purchase of subsidiaries		(0.4)	–	–
(Repayment)/receipt of funding for rolling stock procurement		(68.6)	68.6	68.6
Deposit paid on rolling stock		–	(68.6)	(68.6)
Sale of rolling stock		68.6	–	–
Repayments from joint venture		1.8	–	0.3
Sale of current investments		–	–	1.6
Net cashflows from/(used in) investing activities		15.0	(48.3)	(63.9)
Interest paid		(13.5)	(13.7)	(16.5)
Dividends paid to members of the parent	10	(25.4)	(23.8)	(34.7)
Dividends paid to non-controlling interests		(8.8)	(8.6)	(8.6)
Repayment of borrowings		(122.5)	(21.3)	(13.7)
Proceeds from borrowings		116.0	–	–
Payment of finance lease and hire purchase liabilities		(0.7)	(0.9)	(1.6)
Net cash outflows on financing activities		(54.9)	(68.3)	(75.1)
Net increase/(decrease) in cash and cash equivalents		204.7	(1.8)	32.9
Cash and cash equivalents at start of period	9	281.8	248.9	248.9
Cash and cash equivalents at end of period	9	486.5	247.1	281.8

* Restated for reclassification of defined benefit pension scheme net interest expense as explained in note 2.

Notes to the interim consolidated financial statements

for the six months ended 27 December 2014

1. Corporate information

The Go-Ahead Group plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. Its ordinary shares are publicly traded and it is not under the control of any single shareholder.

2. Basis of preparation

The condensed financial statements for the six months ended 27 December 2014 have been prepared in accordance with the DTR of the Financial Conduct Authority and IAS 34, 'Interim Financial Reporting', as adopted by the European Union. The condensed financial information has been prepared using the same accounting policies and methods of computation used to prepare the Group's 2014 Annual Report and Accounts as described on pages 99 to 103 of that report which can be found on the Group's website at www.go-ahead.com, except for the adoption of new standards and interpretations, noted below. The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union.

The following new standards or interpretations are mandatory for the first time for the financial year ending 27 June 2015:

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS12 Disclosure of Involvement with Other Entities

IAS 28 Investments in Associates and Joint Ventures

IAS 27 Separate Financial Statements (amendment)

IAS 32 Offsetting Financial Assets and Financial Liabilities (amendment)

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (amendment)

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (amendment)

IFRIC 21 Levies

Adoption of these standards and interpretations had no material impact on the Group's financial position or reported performance.

In its financial statements for the year ended 28 June 2014, the Group reclassified the defined benefit pension scheme net interest expense from operating costs into finance costs. The comparatives for the six months ended 28 December 2013 have been restated to reflect this.

Impact of the affected line items in the interim consolidated income statement (increase/(decrease) to line item):

	Six months to 28 Dec 13 £m
Regional bus – Group operating costs	(0.5)
London bus – Group operating costs	(0.5)
Finance costs	1.0

The financial information for the six months ended 27 December 2014 and the comparative financial information for the six months ended 28 December 2013 has not been audited, but has been reviewed by the auditors. The comparative financial information for the year ended 28 June 2014 has been extracted from the 2014 Annual Report and Accounts. The financial information contained in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006 and does not reflect all of the information contained in the Group's 2014 Annual Report and Accounts. The statutory accounts for the year ended 28 June 2014, which were approved by the Board of Directors on 3 September 2014 and have been filed with the Registrar of Companies, received an unqualified audit report which did not draw attention to any matters by way of emphasis and, did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preparation of the financial statements requires the use of estimates and assumptions. Although these estimates are based on management's best knowledge, actual results ultimately may differ from these estimates. The key sources of estimation uncertainty are consistent with those disclosed in the Group's Annual Report and Accounts.

The Group's operations do not suffer from significant seasonal demand fluctuations.

Going concern

The Group's net debt position changed materially with additional working capital and cash inflows during the period on commencement of the GoVia Thameslink franchise. All of the cash derived from this franchise is held as restricted cash and is not available to the Group to offset against its gross debt. Our medium term funding is provided through a £200m sterling bond due September 2017 and a £280.0m syndicated loan facility with an initial repayment date of July 2019. Our RCF was refinanced in July 2014 as the Group entered into this new £280.0m five year facility to replace the £275.0m facility which was due to expire February 2016. Of this facility £116.0m was drawn down at the period end. Making enquiries and reviewing the outlook for 2015 and medium term plans of the business to 2016/2017, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing this half yearly report.

3. Risks and uncertainties

During the period, the Board reviewed the risks and uncertainties described in the Group's Annual Report and Accounts for the year ended 28 June 2014 and identified the following principal risks and uncertainties affecting the Group's business for the second six months of the financial year ended 27 June 2015.

The key risks and uncertainties include:

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.

Political and regulatory framework Changes in Government or to laws, regulations, policies (e.g. concessionary travel, BSOG), franchising, 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. Following a third consultation, proposals for a bus contract scheme in Tyne & Wear are being considered by the Quality Contracts Scheme Board. Its conclusion is expected to be announced in late May 2015.

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, successfully mobilise or integrate new 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 in the UK or overseas could adversely impact on the Group's economic and shareholder value.

Competition Loss of business to existing competitors or new entrants to the markets in which we operate could have a significant impact on our business. Additionally, the reduction in oil price, leading to lower fuel prices for motorists could result in passengers taking more trips in private cars rather than choosing public transport.

Operational:

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

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 £9.3m.

Information technology (IT) failure or interruption Prolonged or major failure of IT systems could pose significant risk to the ability to operate and trade.

More details about these risks can be found on pages 34 – 37 of the 'Managing Risk' section of the Group Annual Report and Accounts, available on our website at www.go-ahead.com

4. Segmental analysis

The Group is now organised into three reportable segments, regional bus (formerly deregulated bus), London bus (formerly regulated 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 of 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 GoVia Thameslink. The division is aggregated for the purpose of segmental reporting under IFRS8 as each operating company has similar objectives, to provide passenger rail services and achieve a modest profit margin through its franchise arrangements with DfT. On this basis 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 not material, 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 IFRS8 does not require this information to be presented. Segment performance is evaluated based on operating profit or loss excluding amortisation of intangible assets.

4. Segmental analysis continued

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 six months ended 27 December 2014, the six months ended 28 December 2013 and the year ended 28 June 2014.

Six months ended 27 December 2014 (unaudited)

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Segment revenue	191.2	233.1	424.3	1,152.8	1,577.1
Inter-segment revenue	(9.8)	(4.2)	(14.0)	(4.4)	(18.4)
Group revenue	181.4	228.9	410.3	1,148.4	1,558.7
Segment profit – Group operating profit (before amortisation)	23.4	21.7	45.1	10.2	55.3
Intangible amortisation	(0.7)	(1.1)	(1.8)	(0.4)	(2.2)
Group operating profit (after amortisation)	22.7	20.6	43.3	9.8	53.1
Net finance costs					(8.4)
Profit before tax and non-controlling interests					44.7
Tax expense					(9.8)
Profit for the period					34.9

4. Segmental analysis continued

Six months ended 28 December 2013 (unaudited) restated

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Segment revenue	184.5	226.1	410.6	976.1	1,386.7
Inter-segment revenue	(10.2)	(3.4)	(13.6)	(3.1)	(16.7)
Group revenue	174.3	222.7	397.0	973.0	1,370.0
Segment profit – Group operating profit (before amortisation)*	20.7	20.9	41.6	10.5	52.1
Intangible amortisation	(0.7)	(1.1)	(1.8)	(1.4)	(3.2)
Group operating profit (after amortisation)	20.0	19.8	39.8	9.1	48.9
Net finance costs*					(8.6)
Profit before tax and non-controlling interests					40.3
Tax expense					(2.4)
Profit for the period					37.9

* Restated for reclassification of defined benefit pension scheme net interest expense as explained in note 2.

Year ended 28 June 2014 (audited)

	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
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 (after amortisation and exceptional items)	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

At 27 December 2014, there were non-current assets of £nil (28 June 2014: £nil) and current assets of £nil (28 June 2014: £1.8m) relating to US operations, which were made up entirely of loans in Go-Ahead North America, a 50:50 joint venture with Cook-Illinois which ceased trading on 25 July 2014. For the half year ending 27 December 2014, segment revenue for this venture was less than £0.1m (H1'14: £0.9m; 2014: £1.7m) and segment profit was £nil (H1'14: loss of £0.1m; 2014: £nil). On termination of the joint venture all outstanding loans were repaid.

During the six months to 27 December 2014 the Group incurred capital expenditure of £16.3m (H1'14: £49.5m; 2014: £69.5m) on tangible fixed assets of which £10.8m (H1'14: £42.8m; 2014: £52.4m) related to the regional bus division, £3.2m (H1'14: £6.0m; 2014: £8.9m) related to the London bus division and £2.3m (H1'14: £0.7m; 2014: £8.2m) related to the rail division.

During the six months to 27 December 2014 the depreciation charge for the Group was £35.2m (H1'14: £29.2m; 2014: £60.7m) of which £13.9m (H1'14: £12.5m; 2014: £28.9m) related to the regional bus division, £8.1m (H1'14: £9.5m; 2014: £16.3m) related to the London bus division and £13.2m (H1'14: £7.2m; 2014: £15.5m) related to the rail division.

5. Exceptional items

	Six months to 27 Dec 14 £m Unaudited	Six months to 28 Dec 13 £m Unaudited	Year to 28 Jun 14 £m Audited
Pension plan curtailment gain	–	–	15.1
Rail restructuring costs	–	–	(3.0)
Total exceptional items	–	–	12.1

Year ended 28 June 2014

Total exceptional items in the year were £12.1m.

The pension plan curtailment gain of £15.1m arose on closure of the defined benefit scheme. This reduces the Group's exposure to further increasing benefits; current members' existing benefits are 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 are restructuring front line and head office personnel.

6. Taxation

The total taxation charge recognised in the income statement is made up as follows:

	Six months to 27 Dec 14 £m Unaudited	Six months to 28 Dec 13 £m Unaudited	Year to 28 Jun 14 £m Audited
Current tax charge	14.7	7.2	13.5
Adjustments in respect of current tax of previous years	–	(0.1)	(0.9)
	14.7	7.1	12.6
Deferred tax relating to origination and reversal of temporary differences in the period at 20% (28 June 2014: 20%; 28 December 2013: 20%)	(4.9)	2.0	7.6
Previously unrecognised deferred tax of a prior period	–	–	0.2
Impact of opening deferred tax rate reduction	–	(6.7)	(6.8)
Total tax	9.8	2.4	13.6

The taxation charge has been calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period. Before adjusting for the impact of deferred rate tax reductions our tax rate was 21.9% (H1'14: 22.6% ; 2014: 22.4%), marginally ahead of the statutory rate.

	Six months to 27 Dec 14 £m Unaudited	Six months to 28 Dec 13 £m Unaudited	Year to 28 Jun 14 £m Audited
Tax charges	9.8	9.1	20.4
Impact of opening deferred tax rate reduction	–	(6.7)	(6.8)
	9.8	2.4	13.6

The interim tax rate is based on the full year expected tax rate.

The tax relating to items charged or credited to statement of comprehensive income is made up as follows:

	Six months to 27 Dec 14 £m Unaudited	Six months to 28 Dec 13 £m Unaudited	Year to 28 Jun 14 £m Audited
Tax on remeasurements on defined benefit retirement plans	8.5	(5.6)	(2.9)
Corporation tax on cashflow hedges	–	(0.1)	(0.1)
Deferred tax on cashflow hedges	(6.3)	(0.2)	(0.4)
Deferred tax on LTIP	–	–	(0.5)
Impact of opening deferred tax rate reduction	–	1.4	1.4
	2.2	(4.5)	(2.5)

Finance Bill 2013 was substantively enacted on 2 July 2013 and given Royal Assent on 17 July 2013, giving rise to a 21% rate effective from 1 April 2014 and a 20% rate effective from 1 April 2015.

7. Earnings per share

Basic and diluted earnings per share

	Six months to 27 Dec 14 Unaudited	Six months to 28 Dec 13 Unaudited	Year to 28 Jun 14 Audited
Net profit on total operations attributable to equity holders of the parent (£m)	30.8	33.6	70.3
Consisting of:			
Adjusted earnings on continuing operations attributable to equity holders of the parent (£m)	32.4	35.7	63.7
Exceptional items after taxation and non-controlling interests (£m)	–	–	10.5
Amortisation after taxation and non-controlling interests (£m)	(1.6)	(2.1)	(3.9)
Basic and diluted earnings attributable to equity holders of the parent (£m)	30.8	33.6	70.3
Basic weighted average shares in issue ('000)	42,884	42,845	42,854
Dilutive potential share options ('000)	805	310	448
Diluted weighted average number of shares in issue ('000)	43,689	43,155	43,302
Earnings per share:			
Adjusted basic earnings per share (pence per share)	75.6	83.3	148.6
Adjusted diluted earnings per share (pence per share)	74.2	82.7	147.1
Basic earnings per share (pence per share)	71.8	78.4	164.0
Diluted earnings per share (pence per share)	70.5	77.9	162.4

The weighted average number of shares in issue excludes treasury shares held by the company, and shares held in trust for the Directors' Long Term Incentive Plan and Deferred Share Bonus Plan arrangements.

No shares were bought back and cancelled by the Group in the period from 28 December 2014 to 18 February 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 presented to eliminate the impact of intangible amortisation and non-recurring exceptional items to show a 'normalised' earnings per share.

Adjusting earnings (net profit after tax attributable to members before amortisation) were £32.4m in the period (H1'14: £35.7m) resulting in adjusted earnings per share of 75.6p (H1'14: 83.3p). This is analysed as follows:

	Profit for the period £m Unaudited	Amortisation £m Unaudited	Six months to 27 Dec 14 Total £m Unaudited
Profit before taxation	44.7	2.2	46.9
Less: Taxation	(9.8)	(0.5)	(10.3)
Less: Non-controlling interests	(4.1)	(0.1)	(4.2)
Adjusted profit attributable to equity holders of the parent	30.8	1.6	32.4
Adjusted basic earnings per share (pence per share)			75.6
Adjusted diluted earnings per share (pence per share)			74.2

	Profit for the period £m Unaudited	Amortisation £m Unaudited	Six months to 28 Dec 13 Total £m Unaudited
Profit before taxation	40.3	3.2	43.5
Less: Taxation	(2.4)	(0.7)	(3.1)
Less: Non-controlling interests	(4.3)	(0.4)	(4.7)
Adjusted profit attributable to equity holders of the parent	33.6	2.1	35.7
Adjusted basic earnings per share (pence per share)			83.3
Adjusted diluted earnings per share (pence per share)			82.7

7. Earnings per share continued

	Profit for the year £m Audited	Amortisation £m Audited	Exceptional items £m Audited	Year to 28 Jun 14 Total £m Audited
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

8. Pensions

Retirement benefit obligations consist of the following:

			27 Dec 14			28 Jun 14
	Bus £m Unaudited	Rail £m Unaudited	Total £m Unaudited	Bus £m Audited	Rail £m Audited	Total £m Audited
Pre-tax pension scheme liabilities	(29.3)	–	(29.3)	(59.8)	–	(59.8)
Deferred tax asset	5.9	–	5.9	12.0	–	12.0
Post-tax pension scheme liabilities	(23.4)	–	(23.4)	(47.8)	–	(47.8)

The net deficit before taxation on the bus defined benefit scheme was £29.3m (28 June 2014: £59.8m), consisting of estimated liabilities of £707.8m (28 June 2014: £663.3m) less assets of £678.5m (28 June 2014: £603.5m).

The net deficit before taxation on the rail schemes was £nil (28 June 2014: £nil). The nature of these schemes means that only the share of surplus or deficit to be benefited from or to be funded during the franchise period is recognised.

The net deficit on the pension schemes was calculated based on the following assumptions.

	Six months to 27 Dec 14 % Unaudited	Year to 28 Jun 14 % Audited
Retail price index inflation	3.0	3.3
Consumer price index inflation	1.7	2.0
Discount rate	3.7	4.3
Rate of increase in salaries **	4.0	4.3
Rate of increase of pensions in payment and deferred pension*	1.7	2.0

* in excess of any Guaranteed Minimum Pension (GMP) element

** for rail pension schemes only

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.

		27 Dec 14		28 Jun 14
	Bus Years Unaudited	Rail Years Audited	Bus Years Unaudited	Rail Years Audited
Pensioner	20	22	20	22
Non Pensioner	21	24	21	24

8. Pensions continued

Sensitivity analysis

The following is an approximate sensitivity analysis of the impact of the change in the key assumptions for the bus and rail schemes calculated as at 28 June 2014. In isolation the following adjustments would adjust the pension deficit as shown.

	Bus 2014 Pension deficit %	Rail 2014 Pension deficit %
Discount factor – increase of 0.1%	(1.7)	(2.0)
Price inflation – increase of 0.1%	1.5	2.0
Rate of increase in salaries – increase of 0.1%	n/a	0.5
Rate of increase of pension in payment – increase of 0.1%	0.9	1.1
Increase in life expectancy of pensioners or non pensioners by 1 year	3.6	3.1

9. Notes to the cashflow statement

Analysis of Group net cash/(debt) (unaudited)

	Cash and cash equivalents £m Unaudited	Syndicated loan facility £m Unaudited	Dollar loan £m Unaudited	Hire purchase/ finance leases £m Unaudited	£200m Sterling Bond £m Unaudited	Total £m Unaudited
28 June 2014	281.8	(120.0)	(2.5)	(2.0)	(200.0)	(42.7)
Cashflow	173.2	4.0	2.5	0.7	–	180.4
On acquisition	31.5	–	–	–	–	31.5
27 December 2014	**486.5**	**(116.0)**	**–**	**(1.3)**	**(200.0)**	**169.2**

Cash and cash equivalents include overdrafts amounting to £0.4m (28 June 2014: £nil).

Group net cash/(debt) excludes unamortised issue costs of £2.3m (28 June 2014: £1.6m).

On 16 July 2014, our RCF was refinanced as the Group entered into a £280.0m five year facility, replacing the existing £275.0m facility which was due to expire in February 2016. The new facility has an initial maturity of July 2019, with two one year extensions.

As at 27 December 2014 balances amounting to £423.3m (H1'14: £225.1m; 28 June 2014: £217.3m) were restricted, including amounts to cover deferred income for season tickets sold in advance of £191.4m (H1'14: £126.3m; 28 June 2014: £123.4m) and amounts held by rail companies which can only be distributed up to the value of distributable reserves, subject to DfT dispensation.

Non cash flow movements

During the period the Group transferred in certain assets and liabilities relating to the handover of the GoVia Thameslink rail franchise. Initial cash received by the Group as a result of the rail franchise handover is detailed below:

	GoVia Thameslink £m
Tangible fixed assets	6.9
Inventories	5.0
Trade and other receivables	1.5
Trade and other payables	(44.8)
Provisions	(0.1)
Cash and cash equivalents	31.5
	–

The assets and liabilities in the table above are subject to finalisation.

10. Dividends paid and proposed

	Six months to 27 Dec 14 £m Unaudited	Six months to 28 Dec 13 £m Unaudited	Year to 28 Jun 14 £m Audited
Declared and paid during the period			
Equity dividends on ordinary shares:			
Final dividend for 2014: 59.0p per share (2013: 55.5p)	25.4	23.8	23.8
Interim dividend for 2014: 25.5p per share	–	–	10.9
	25.4	23.8	34.7

	Six months to 27 Dec 14 £m Unaudited	Six months to 28 Dec 13 £m Unaudited	Year to 28 Jun 14 £m Audited
Dividend proposed (not recognised as a liability)			
Equity dividends on ordinary shares:			
Interim dividend for 2015: 26.6p per share (2014: 25.5p)	11.4	11.0	25.3

11. Derivatives and financial instruments

a. Fair values

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

	27 Dec 14 £m	28 Jun 14 £m
Non-current assets	–	0.1
Current assets	–	–
	–	0.1
Current liabilities	(22.9)	(3.5)
Non-current liabilities	(13.6)	(1.4)
	(36.5)	(4.9)
Net financial liabilities	(36.5)	(4.8)

Six months ended 27 December 2014

	Amortised cost £m	Held for trading – Fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	(36.5)	(36.5)	(36.5)
Net financial liabilities	–	(36.5)	(36.5)	(36.5)
Obligations under finance lease and hire purchase contracts	(1.3)	–	(1.3)	(1.3)
	(1.3)	(36.5)	(37.8)	(37.8)

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)
Long term deposits	–	–	–	–
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)

11. Derivatives and financial instruments continued

The fair value of all other financial assets and liabilities 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 £217.2m (28 June 2014: £217.2m) but is carried at its amortised cost of £200.0m. 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 and interest rate swaps 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 cash flows 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 the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As at 27 December 2014, the Group has used a level 2 valuation technique to determine the fair value of all financial instruments. During the six months ended 27 December 2014, 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 28 June 2014, the Group had various fuel price swaps in place. For the 2015, 2016 and 2017 financial years cashflow hedges were placed over 130, 63 and 31 million litres of fuel respectively. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 28 June 2014 the Group had derivatives against bus fuel of 126 million litres for the year ending 27 June 2015, representing approximately 100% of the anticipated fuel usage in our bus division. As at 28 June 2014 the Group also had derivatives against bus fuel for the 2016 and 2017 financial years of 63 and 31 million litres respectively.

As at 28 June 2014 the Group had derivatives against rail fuel of 4 million litres for the year ending 27 June 2015, representing the anticipated fuel usage in Southern. As at 28 June 2014 the Group had no further derivatives for the 2016 or 2017 financial year against rail fuel.

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 28 June 2014 was as follows:

	2015	2016	2017
Percentage to hedge as per Group policy	100.0%	50.0%	25.0%
Actual percentage hedged	100.0%	50.0%	25.0%

In July 2014 the Group Board approved a special purchase to lock in the 2016 fuel costs. As at 27 December 2014 the amounts targeted and hedged are as follows:

	2015	2016	2017
Percentage to hedge as per Group policy	100.0%	75.0%	37.5%
Actual percentage hedged	100.0%	100.0%	34.5%

12. Provisions

	Franchise Commitments £m Unaudited	Uninsured Claims £m Unaudited	Restructuring provision £m Unaudited	Other £m Unaudited	Total £m Unaudited
At 28 June 2014	54.2	48.6	2.4	2.8	108.0
Provided	11.2	8.2	–	0.4	19.8
Utilised	(5.9)	(8.8)	(1.7)	–	(16.4)
Released	(1.0)	(2.2)	–	(0.3)	(3.5)
Transferred from creditors	3.8	–	–	–	3.8
At 27 December 2014	**62.3**	**45.8**	**0.7**	**2.9**	**111.7**

	27 Dec 14 £m Unaudited	28 Jun 14 £m Audited
Current	**56.5**	66.3
Non current	**55.2**	41.7
	111.7	108.0

Franchise commitments comprise £61.2m (28 June 2014: £54.2m) dilapidation provisions on vehicles, depots and stations across our four active rail franchises, and £1.1m (28 June 2014: £nil) provisions relating to other franchise commitments. Of the dilapidations provisions, £35.8m (28 June 2014: £45.4m) are classified as current. All of the £1.1m provision relating to other franchise commitments is classified as current. During the six months ended 27 December 2014, £1.0m 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 four years. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisors.

Of the uninsured claims, £18.1m (28 June 2014: £17.5m) are classified as current and £27.7m (28 June 2014: £31.1m) 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.

The restructuring provision of £0.7m (28 June 2014: £2.4m) relates to the London Midland franchise and has been 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. The restructuring provision is all current.

Within other provision, £2.5m (28 June 2014: £2.4m) relates to dilapidations, of which £0.4m (28 June 2014: £0.6m) are classified as current, and £2.1m (28 June 2014: £1.8m) are classified as non-current. These provisions relate to the bus division. It is expected that the dilapidations will be incurred within two to five years. The remaining other current provision of £0.4m (28 June 2014: £0.4m) relates to completion claims regarding the sale of our aviation business.

13. Changes in commitments and contingencies

Capital commitments

Capital commitments contracted but not provided at 27 December 2014 were £44.4m (28 June 2014: £16.2m).

The Group has contractual commitments regarding procurement of rolling stock of £nil (28 June 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 £151.1m (28 June 2014: £213.8m) payable within one year, and £nil (28 June 2014: £18.7m) payable within two to five years, regarding franchise agreement payments to the DfT in respect of the Southern franchise.

Performance bonds

The Group has provided bank guaranteed performance bonds of £123.9m (28 June 2014: £121.7m), a loan guarantee bond of £36.3m (28 June 2014: £36.3m) and season ticket bonds of £219.0m (28 June 2014: £162.9m) to the DfT in support of the Group's rail franchise operations.

14. Statement of changes in equity

The reserve for own shares is in respect of 3,986,463 (28 June 2014: 4,033,481) ordinary shares (8.5% of share capital), of which 84,233 (28 June 2014: 131,251) are held for Directors' bonus plans and LTIP 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 six months ended 27 December 2014 the company has not repurchased any shares (year ended 28 June 2014: no shares repurchased). No shares were cancelled in the period (year ended 28 June 2014: no shares cancelled).

At 27 December 2014 there were 46,906,000 ordinary shares in issue (28 June 2014: 46,906,000).

15. Related party transactions

There are no related party transactions or changes since the last year end that could have a material effect on the Group's financial position or performance for the period.

At 27 December 2014 the Group has disposed of its 50% interest in Go-Ahead North America LLC and received repayment of all loan capital (28 June 2014: 50%) leaving a residual investment value of £nil (28 June 2014: £1.8m). There were no further transactions between the Group and Go-Ahead North America LLC during the first half of the financial year.

16. Business combinations

Six months ended 27 December 2014

On 8 December 2014, Plymouth Citybus Limited, a wholly owned subsidiary of the Group, acquired certain tendered contracts, commercial operations and 9 buses from Western Greyhound Ltd for a cash consideration of £0.4m.

	Total acquisitions – Fair value to the Group £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 other operating costs.

From the date of acquisition in the six month period, the acquisition recorded an operating profit of less than £0.1m and revenue of £0.1m. Had the acquisitions been completed on the first day of the financial period, the impact on the Group's operating profit would have been less than £0.1m and the impact on revenue would have been £0.7m.

Directors and Advisors

Directors

Andrew Allner	Chairman (Non-Executive)
David Brown	Group Chief Executive
Keith Down	Group Finance Director
Katherine Innes Ker	Non-Executive Director / Senior Independent Director
Nick Horler	Non-Executive Director
Adrian Ewer	Non-Executive Director

Company Secretary

Carolyn Ferguson	Group Company Secretary

Joint corporate broker

Investec Bank plc
2 Gresham Street
London
EC2V 7QP

Joint corporate broker

Jefferies Hoare Govett Ltd
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

Financial PR advisors

Citigate Dewe Rogerson
3 London Wall Buildings
London Wall
London
EC2M 5SY

Registrars

Equiniti Ltd
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Principal banker

The Royal Bank of Scotland plc
Corporate Banking
8th Floor
135 Bishopsgate
London
EC2M 3UR

Independent review report to the Go-Ahead Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half yearly financial report for the six months ended 27 December 2014 which comprises the Interim Consolidated Income Statement, Interim Consolidated Statement of Comprehensive Income, Interim Consolidated Statement of Changes in Equity, Interim Consolidated Balance Sheet, Interim Consolidated Cashflow Statement, and the related notes 1 to 16. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority. As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 27 December 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
18 February 2015