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PRESS RELEASE

18 February 2016

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

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 26 DECEMBER 2015

Overall results in line
with management expectations

Business overview

– Overall results in line with management expectations. Full year expectations are unchanged

– Bus adjusted operating profit up 1.5% to £47.8m

– Regional bus adjusted operating profit up 7.0% to £26.1m. Revenue growth of 2.6% from contract gains and largely consistent year-on-year passenger numbers

– London bus adjusted operating profit down 4.4% to £21.7m due to roadworks and congestion

– Rail adjusted operating profit at £32.9m with a margin of 2.6%. Contribution to the Government of £126.6m, up £18.4m on the prior year

– Working with Network Rail to minimise disruption to rail passengers during the £6.5 billion Thameslink Programme

– Strong cashflow and robust balance sheet

– Proposed interim dividend increased by 6.5% or 1.73p to 28.33p (H1'15: 26.60p)

Financial summary

Adjusted basis	H1'16 £m	H1'15 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue	1,665.0	1,558.7	106.3	6.8
Adjusted results*:				
Adjusted operating profit	80.7	67.4	13.3	19.7
Adjusted profit before tax	71.9	57.0	14.9	26.1
Adjusted earnings per share (p)	116.8	93.5	23.3	24.9
Proposed dividend per share (p)	28.33	26.60	1.73	6.5

* Full disclosure of the adjustments applied, which relate to IAS19 revised, is provided in the business and finance review on page 9

Statutory basis	H1'16 £m	H1'15 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue	1,665.0	1,558.7	106.3	6.8
Operating profit	61.6	55.3	6.3	11.4
Profit before tax	52.1	44.7	7.4	16.6
Basic earnings per share (p)	86.4	71.8	14.6	20.3
Proposed dividend per share (p)	28.33	26.60	1.73	6.5

	H1'16 £m	H1'15 £m	Increase/ (decrease)* £m
Cashflow generated from operations	143.6	250.4	(106.8)
Free cashflow	63.6	244.7	(181.1)
Net cash	313.4	169.2	144.2
Adjusted net debt	260.8	254.1	6.7
Adjusted net debt/adjusted EBITDA (twelve month rolling basis)**	1.24x	1.32x	

* The comparative period cashflows reflect the significant inflows on the inception of the GTR franchise.

** Adjusted net debt is net cash less restricted cash

David Brown, Group Chief Executive, commented:

"I am pleased to report a solid set of results for the first half of the financial year.

"Our bus division performed well. Both regional revenue growth and passenger growth were stronger in the second quarter as we have continued to enhance our customer proposition. We are proud of our high levels of regional bus customer satisfaction, which remain the best in the sector at 90%.

"We remain the largest bus operator in London in an expanding market. Growth in London bus mileage increased in the first half due to high contract retention rates and contract gains. We have also benefited from contract variations and rail replacement work. This helped offset the effect of reduced Quality Incentive Contract (QIC) payments, which have been impacted by roadworks and excessive congestion in the capital. We have been working with TfL on finding ways to improve service reliability and mitigate delays.

"Overall, the financial performance of our rail business was good. In the first six months of the financial year we made an overall contribution to the Department for Transport of £126.6m. We continue to support Network Rail in its efforts to maintain and improve the railway infrastructure we rely upon.

"The Government is investing in the Thameslink major infrastructure programme, which will transform north-south travel through London and help meet the huge rise in demand from passengers. We share the frustration of customers who have recently experienced disruption to their journeys due to these improvement works and, together with Network Rail, we are committed to minimising the impact on passengers.

"During this period the Group also welcomed news of contracts wins in both bus and rail services. We were pleased to be awarded a direct award contract for London Midland from April 2016 to October 2017. Overseas, Go-Ahead was successful in bidding for a 25-route bus contract in Singapore and two German rail contracts. These opportunities establish Go-Ahead's presence in these strategic markets and add value to our existing portfolio.

"Looking ahead to the full year, our expectations remain unchanged."

ENDS

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David Brown, Group Chief Executive and Paul Edwards, Interim Group Finance Director will be hosting a presentation for analysts at 9.00am today (18 February 2016) 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.

Chairman's statement

I am pleased to report that the Group delivered a solid first half performance in line with our expectations, whilst at the same time making encouraging progress in positioning the business to manage the complexity and challenges of our industry. Our management team is highly experienced. We are focused on creating an ever stronger business, centred on our core operations that will deliver sustainable growth for the longer term and steady improvements in the passenger experience.

Performance

In bus we have continued to make progress towards our operating profit target. Importantly, customer satisfaction in regional bus continues to be at very high levels.

Our GTR and Southeastern franchises have continued to be impacted by disruption due to the London Bridge redevelopment, signalling and other infrastructure issues. We are working very hard with our industry partners to improve our service for passengers but many of the factors leading to underperformance are outside our direct control. Once these issues are addressed and investment projects complete I am confident we will see a dramatically improved service for passengers.

In rail our London Midland franchise has performed well and our passengers are seeing the benefits of the improvements we have made in this franchise over recent years thus demonstrating that, with our management expertise and commitment, we can deliver significantly improved performance and passenger satisfaction. In addition we have been successful in securing the London Midland direct award contract.

Our strength in operational delivery has seen Go-Ahead invest in new vehicles, technology and people, which have helped to drive underlying revenue and profitability across our Bus and Rail divisions. The competitiveness of our services has also provided the platform to win our first contracts in the German regional rail market and the Singapore bus market. I believe these wins are a strong credential for international opportunities and can add further to the shareholder returns that we generate from our UK businesses.

Dividends

We recognise the importance of dividends to our shareholders and dividends are an important element of the Go-Ahead investment proposition.

The Group has a sustainable dividend policy which is appropriate for the current business environment, where challenges continue alongside opportunities. The Group is in a strong financial position and your Board will continue to look for opportunities to create value for shareholders when it is prudent, financially and operationally, to do so.

Accordingly, the interim dividend has been increased by 6.5% to 28.33p (H1'15: 26.60p) and is payable on 12 April 2016 to shareholders registered at the close of business on 29 March 2016.

In the period, we were pleased to pay out last year's final dividend of 63.4p (H1'15: 59.0p), increasing the total dividend in respect of the full year ended 27 June 2015 by 6.5% to 90.0p (28 June 2014: 84.5p).

Sustainability

For Go-Ahead, sustainability is about operating our buses and trains safely, reducing the impact of our operations on the environment and being customer focused. It also means developing our staff and enriching our local communities while growing our business profitably for our shareholders. Our efforts to operate responsibly continue to be recognised externally and we were delighted to achieve the highest Carbon Disclosure Project (CDP) rating this year in the transport sector.

The Group's effective workplace practices have also been recognised in recent months with the award of the Investors in People (IiP) Gold accreditation. This is testament to the dedication and hard work of our people, who ensure we continue to be a strong and successful Group.

Go-Ahead recognises the value of diversity and equal opportunities at all levels of the business. In the first half of the year, we renewed our Equality, Diversity, Inclusion and Dignity at Work policy, which is being adopted across the Group.

Governance

Your Board is well balanced with a wealth of varied experience and expertise. We are committed to building a stronger Group for the future. Good progress has been made against the recommendations from the external Board evaluation undertaken in the last financial year and full details will be provided in the annual report.

In the period, as previously announced, Patrick Butcher has agreed to join the Board as Chief Financial Officer. He brings strong financial management capabilities as well as significant transport sector and stakeholder experience. I am delighted that Patrick will join us in March 2016.

Conclusion

I am pleased by our financial performance in the first half of the year and I am positive about the future of the business. We will continue to work very closely with our rail industry partners to minimise the disruption due to investment and infrastructure projects and to bring about the required improvements in customer service. Importantly, customer satisfaction in bus continues to be at very high levels. With a stable portfolio of businesses and a clear strategy we are well equipped as a Group to manage the challenges and opportunities in our industry, and I look forward to building on our success at home and abroad.

Andrew Allner, Chairman

17 February 2016

Chief Executive's review

I am pleased with the Group's financial performance in the first half of the year, with adjusted operating profit up 19.7% at £80.7m (H1'15: £67.4m).

Bus

Overall, our bus division performed well in the first six months. Total adjusted operating profit for the division was £47.8m (H1'15: £47.1m).

Regional bus adjusted operating profit is up 7.0%, with a slight increase in margins overall. Our regional business saw growth in passenger revenue driven primarily by contract wins. Fare increases across the business have largely reflected the low level of inflation. While recorded passenger journeys in the first half overall were broadly consistent year-on-year, regional passenger growth was stronger in the second quarter than the first. Growth was driven by an increase in commercial passengers, offsetting a decline in concessionary travel.

Our regional bus operations continue to benefit from our effective devolved management structure. This ensures that we are able to respond quickly to the needs of our customers in local markets. We are proud of our high levels of customer satisfaction, which remain the best in the sector at 90%.

Following the Government Spending Review, we are encouraged that the DfT has confirmed the Bus Service Operators Grant will be protected until at least 2020/2021.

We remain the largest bus operator in London in an expanding market. Growth in London bus mileage increased year on year due to high contract retention rates and contract gains. We have also benefited from contract variations and rail replacement work. However, continued high levels of roadworks and congestion in the capital have significantly impacted our Quality Incentive Contract (QIC) revenue, which was nil in the period (H1'15: £4.4m). We have been working with TfL on finding ways to improve service reliability and mitigate delays. Due to the reduction in QICs, adjusted operating profit was down 4.4%.

We are committed to investing in our fleet to provide an attractive and sustainable alternative to the private car. During the period we invested a total of £38m on 179 new buses, almost half of which are carbon efficient hybrid vehicles. We have also continued to introduce free Wi-Fi and multi-operator smart ticketing on many of our services.

The Buses Bill

Toward the end of the period we welcomed the report and findings of the independent Quality Contracts Scheme Board on Nexus's proposals for Tyne and Wear, which concluded that the Scheme failed to meet the necessary statutory public interest tests. As we await the draft Buses Bill and potential new forms of regulation for regional bus operations outside London, we believe that the overriding lesson of Tyne and Wear is that rigorous and independent scrutiny of major transport schemes is a necessity. Clear accountability must be in place where there is a fundamental change to the provision of bus services that could have a long term impact.

Partnership working is how we conduct our business. We have continued to engage with the DfT, with the Passenger Transport Executives and other stakeholders to help inform the debate about the Buses Bill. We firmly believe that private operators are part of the solution. Our devolved structure at Go-Ahead ensures strong local expertise and a focus on the needs of customers in different markets. It has always been our belief that working in partnership at a local level can bring about better outcomes for both bus passengers and taxpayers.

Go-Ahead continues to act to meet the needs of a changing world. Any structural reform toward greater devolution needs to be economically sustainable and embrace private sector innovation. Given reductions in overall public spending budgets, a continuing flow of private sector capital investment will remain crucial in order to meet important public policy objectives, as well as keep pace with demographic change and new technology that is rapidly transforming the passenger experience. Effective adaptation to these changes and support for transport innovation can be more readily advanced in a dynamic, commercially-driven marketplace.

Rail

Overall, our rail business delivered a good financial performance. Half year adjusted operating profit for our rail businesses was £32.9m (H1'15: £20.3m). We made an overall contribution to the DfT of £126.6m, up £18.4m on the prior year.

Our current three franchises carry about a third of all passengers in the UK and we have 19 years' experience of managing complex commuter franchises and delivering industry-leading projects.

In July 2015 Southern and Gatwick Express were successfully integrated into GTR. This was a major restructuring that resulted in the creation of a new business, new leadership team and the start of a new culture. As previously stated, since the beginning of the contract GTR has been operating a timetable that is different to the bid assumptions on infrastructure delivering a different level of performance than expected. This led to the company incurring additional costs as investment was necessary in rolling stock and drivers, with the largest ever driver training programme in the UK established. GTR continues to operate on a reduced capacity network, with an ever increasing number of passengers. As has been concluded by an independent review, the network cannot support the expected performance level through a period of major infrastructure renewal due to lack of resilience in the system. The DfT has now agreed the impact of these changes with GTR and has amended the franchise accordingly. As a key part of the £6.5bn Thameslink Programme, Network Rail is rebuilding London Bridge station. We continue to work closely with Network Rail to minimise the impact on passengers from the redevelopment project and are confident that the situation will improve. Going forward the network will benefit from new trains, better connections and increased capacity at London Bridge station from August 2016, providing the opportunity to improve on customer services.

Southeastern has delivered a strong trading performance in the first half of the year and continues to operate at maximum profit share, increasing its contribution to the DfT by £8.4m on the prior period.

The London Midland franchise has continued its trend of improvement with a steady increase in both passenger journeys and passenger revenue. London Midland results also benefited from the revaluation of certain assets that had been written down in the prior year. In the period the DfT awarded an extension of the franchise under a direct award contract until October 2017, giving us the opportunity to provide longer term investment in our services for passengers' benefit.

During the period, our joint venture On Track Retail launched its new online ticket sales system 'On Track' in October 2015. The web and mobile platform provides highly personalised, real-time information to help customers find the best value ticket option available. Following introduction on Southern and Thameslink routes On Track is now being rolled out to all of Go-Ahead's rail operations and integrated within its mobile app and 'the key' smartcard.

At the start of this year Go-Ahead submitted its bid for TfL's London Overground contract and we look forward to hearing the outcome later in the year.

Overseas contract wins

We were pleased to have been awarded a five-year contract to operate bus services in Singapore beginning September 2016. Singapore's bus contracts system is modelled on London's and, as London's largest bus operator, Go-Ahead has the right experience and expertise to deliver high quality services in Singapore. We also look forward to entering the German rail market, having been awarded two contracts to operate rail services in the Stuttgart region from June 2019 until 2032. These contract wins show that Go-Ahead is a growing and forward-looking organisation which is well positioned to capture new, value adding opportunities.

Outlook

Overall, current trading is satisfactory and we remain on course to meet our full year expectations for both the bus and rail divisions.

Our bus and rail business remain fundamentally strong and they continue to deliver revenue growth as passengers are attracted by our high quality and value for money services. In bus we anticipate steady progress towards our operating profit target. Our focus in rail remains on delivering operational improvements, delivering benefits to passengers and managing contractual challenges.

The Group remains in a good financial position with strong cash generation and a robust balance sheet, supporting our dividend policy and allowing flexibility to pursue value-adding opportunities.

David Brown, Group Chief Executive

17 February 2016

Business and finance review

Where adjusted figures are referred to below, the statutory figures have been adjusted to remove the incremental impact of IAS19 revised. A full disclosure of the adjustments applied is set out in the business and finance review on page 9.

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

Revenue and adjusted operating profit by division

	H1'16 £m	H1'15 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue				
Regional bus	186.1	181.4	4.7	2.6
London bus	237.3	228.9	8.4	3.7
Total bus	423.4	410.3	13.1	3.2
Rail	1,241.6	1,148.4	93.2	8.1
Total	1,665.0	1,558.7	106.3	6.8
Adjusted operating profit				
Regional bus	26.1	24.4	1.7	7.0
London bus	21.7	22.7	(1.0)	(4.4)
Total bus	47.8	47.1	0.7	1.5
Rail	32.9	20.3	12.6	62.1
Total	80.7	67.4	13.3	19.7

Adjusted summary income statement

	H1'16 £m	H1'15 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue	1,665.0	1,558.7	106.3	6.8
Adjusted operating profit	80.7	67.4	13.3	19.7
Net finance costs	(6.8)	(7.2)	0.4	5.6
Adjusted profit before tax and amortisation	73.9	60.2	13.7	22.8
Amortisation	(2.0)	(3.2)	1.2	37.5
Profit before tax	71.9	57.0	14.9	26.1
Tax expense	(11.9)	(12.4)	0.5	4.0
Profit for the period	60.0	44.6	15.4	34.5
Non-controlling interests	(11.3)	(6.6)	(4.7)	(71.2)
Profit attributable to members	48.7	38.0	10.7	28.2
Adjusted profit attributable to members*	50.2	40.1	10.1	25.2
Weighted average number of shares (m)	43.0	42.9	0.1	0.2
Adjusted earnings per share (p) **	116.8	93.5	23.3	24.9
Basic earnings per share (p)***	86.4	71.8	14.6	20.3
Proposed dividend per share (p)	28.33	26.60	1.73	6.5

* Before amortisation

** See note 7 in the notes to the interim consolidated financial statements for the full calculation of adjusted earnings per share

***On a statutory basis

Overview and highlights

Revenue in the period was £1,665.0m (H1'15: £1,558.7m), up 6.8%, or £106.3m. The majority of this increase was attributable to the rail division.

Adjusted operating profit rose 19.7%, or £13.3m, to £80.7m (H1'15: £67.4m), with an overall increase in associated operating profit margin of 0.5ppts to 4.8% (H1'15: 4.3%) as a result of increased margins in our rail division to 2.6% (H1'15: 1.8%). Adjusted profit before tax for the period was £71.9m (H1'15: £57.0m), up 26.1%, or £14.9m.

Adjusted earnings per share rose 24.9% to 116.8p (H1'15: 93.5p) and statutory basic earnings per share rose 20.3% to 86.4p (H1'15: 71.8p). Net adjusted profit after tax for the period rose 34.5% to £60.0m (H1'15: £44.6m), all impacted by an increase in the operating profit.

Net cash was £313.4m at the half year end (27 June 2015: net cash £292.9m), largely reflecting increased season ticket cash and other positive working capital movements in the rail division. Adjusted net debt, consisting of net cash less restricted cash in our rail division of £574.2m (27 June 2015: £537.6m), was £260.8m (27 June 2015: £244.7m). As expected, adjusted net debt to adjusted EBITDA ratio of 1.24x is below our target range of 1.5x to 2.5x.

Bus

	H1'16	H1'15
Revenue		
Regional bus	£186.1m	£181.4m
London bus	£237.3m	£228.9m
Total bus	£423.4m	£410.3m
Adjusted operating profit		
Regional bus	£26.1m	£24.4m
London bus	£21.7m	£22.7m
Total bus	£47.8m	£47.1m
Adjusted operating profit margin		
Regional bus	14.0%	13.5%
London bus	9.1%	9.9%
Total bus	11.3%	11.5%
Revenue growth		
Regional bus	2.6%	4.1%
London bus	3.7%	2.8%
Volume growth		
Regional – passenger journeys	(0.5%)	(0.5%)
London – miles operated	2.3%	(1.6%)
Customer satisfaction*		
Regional bus	90%	92%

* Based on Passenger Focus' annual independent passenger survey

Overall bus performance review

Overall our bus operations delivered satisfactory half year operating profits, with growth in revenue and reduced costs for fuel partially offsetting reducing QICs and higher insurance claims in London.

Total bus revenue increased by 3.2%, or £13.1m, to £423.4m (H1'15: £410.3m) and the division's adjusted operating profit rose 1.5%, or £0.7m, to £47.8m (H1'15: £47.1m). There was a reduction in adjusted operating profit margin of 0.2ppts to 11.3% (H1'15: 11.5%).

Capital expenditure

Capital expenditure for the division was £52.7m (H1'15: £14.0m), including £38m on 179 new buses (H1'15: £10m on 58 new buses). We expect full year bus division capital expenditure of around £75m.

Regional bus

Revenue

Regional revenue growth was 2.6%, driven by higher contract income and increases in fares in line with inflation. 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, and lower oil prices reducing the marginal cost of car travel. Passenger growth, excluding these areas, was 1.0%. Growth was driven by an increase in commercial passengers, offsetting a decline in concessionary travel. Mileage in our regional services increased year on year by around 1% overall.

Adjusted operating profit

Regional bus adjusted operating profit was £26.1m (H1'15: £24.4m), up 7.0%, or £1.7m, driven by revenue growth and lower fuel cost. Bid costs of £0.3m (H1'15 £0.5m) in the period reflect work carried out pursuing opportunities in the Singapore bus market. Go-Ahead was successful in bidding for a 25 route bus contract in Singapore. Adjusted operating profit margins increased 0.5ppts to 14.0% (H1'15: 13.5%).

H1'15 operating profit before amortisation	£23.4m
IAS19 revised adjustment (see page 9)	£1.0m
H1'15 adjusted operating profit	£24.4m
Change in:	
Revenue growth	£4.2m
Cost base increases	(£3.6m)
Fuel costs	£0.9m
Bid costs	£0.2m
H1'16 adjusted operating profit	£26.1m
IAS19 revised adjustment (see page 9)	£1.9m
H1'16 operating profit before amortisation	£24.2m

London bus

Revenue

In the first half of the year, London bus revenue, which includes QICs revenues, saw growth of 3.7%; excluding QICs, underlying growth was 5.7% from contract gains, contract variations and rail replacement work. Mileage increased by 2.3%.

Adjusted operating profit

Adjusted operating profit for our London bus operations was £21.7m, (H1'15: £22.7m) down 4.4%, or £1.0m. The division's adjusted operating profit margin fell to 9.1% (H1'15: 9.9%). QICs revenue continues to be adversely impacted by congestion resulting from roadworks and we continue to work with TfL to resolve issues where possible.

H1'15 operating profit before amortisation	£21.7m
IAS19 revised adjustment (see page 9)	£1.0m
H1'15 adjusted operating profit	£22.7m
Change in:	
Revenue growth	£12.8m
Cost base increases	(£9.0m)
Quality Incentive Contract (QIC) bonuses	(£4.4m)
Insurance claim costs	(£1.3m)
Fuel costs	£0.9m
H1'16 adjusted operating profit	£21.7m
IAS19 revised adjustment (see page 9)	£1.9m
H1'16 operating profit before amortisation	£19.8m

Rail

	H1'16	H1'15
Total revenue	£1,241.6m	£1,148.4m
Adjusted operating profit	£32.9m	£20.3m
Adjusted operating profit margin	2.6%	1.8%
Passenger revenue growth* **		
Southeastern	6.1%	10.7%
London Midland	9.6%	4.0%
GTR*	5.9%	9.3%
Volume growth***		
Southeastern	3.6%	7.9%
London Midland	4.7%	1.6%
GTR*	6.4%	8.8%
Punctuality**		
Southeastern	86%	88%
London Midland	87%	86%
GTR	80%	82%
Customer satisfaction#		
Southeastern	75%	74%
London Midland	86%	82%
GTR	78%	77%

* Compares the period of operation in the half year to a period of operation in the prior half year from 14 September 2014 to 27 December 2014 and a period when operating as First Capital Connect from 29 June 2014 to 13 September 2014

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

***On a like for like basis normalised for significant one off factors

\# Based on the National Rail Passenger Survey – Autumn 2015

Performance review

Our rail division operates the Southeastern, London Midland and GTR franchises through our 65% owned subsidiary Govia.

The rail division has delivered a satisfactory financial result in the six months to 26 December 2015.

In the first half of the year, Southeastern's revenue performance was strong with like for like passenger revenue growth of 6.1% driven by growth in passenger numbers of 3.6%. 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 £14.7m (H1 2015: £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 9.6% and passenger journeys of 4.7%. The original London Midland franchise will remain on its existing terms until April 2016. London Midland will then begin a new direct award contract under revised terms that runs to October 2017. London Midland has continued its recent trend of improvement in both operational and financial performance. London Midland results also benefited from the revaluation of certain assets that had been written down in the prior year.

GTR has reported growth in passenger revenue of 5.9% and passenger journey growth of 6.4% compared with the same period last year. GTR continues to incur incremental costs as a result of operational challenges and changes in network capability. As previously reported, management is working closely with industry partners to improve performance and ensure performance measures are aligned with network capability. GTR also remains focused on delivering its own committed obligations and bid targets.

Rail bid costs in the half year were around £2.3m primarily in relation to the Northern, TransPennine Express and London Overground franchise competitions. Go-Ahead was successful in bidding for two German rail contracts which commence in June 2019. We expect full year bid costs of around £5.5m, with ongoing work in Germany and London Midland.

Revenue

Total rail revenue increased by 8.1%, or £93.2m, to £1,241.6m. This consisted of:

	H1'16 £m	H1'15 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Passenger revenue*	**1,237.0**	1,051.5	185.5	17.6
GTR revenue adjustment**	**(142.3)**	(48.7)	(93.6)	(192.2)
Other revenue	**93.9**	92.4	1.5	1.6
Total subsidy	**50.1**	16.6	33.5	201.8
Southeastern	**30.0**	(15.6)	45.6	292.3
London Midland	**20.1**	32.2	(12.1)	(37.6)
Net revenue support	**2.9**	36.6	(33.7)	(92.1)
Southeastern revenue support	**–**	25.0	(25.0)	(100.0)
Southern revenue support	**2.9**	11.6	(8.7)	(75.0)
Total revenue	**1,241.6**	1,148.4	93.2	8.1

* Includes passenger revenue of £642.4m (H1'15: £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.

	H1'16 £m	H1'15 £m	Increase/ (decrease) £m
Southern premium	20.7	106.4	(85.7)
Southeastern profit share	14.7	6.3	8.4
London Midland revenue share	1.9	–	1.9

The Group's net increase in contributions to the DfT was £18.4m with an overall contribution of £126.6m (H1 '15: £108.2m). Southern's core premium payments to the DfT decreased by £85.7m in the period following the end of the Southern franchise on 25 July 2015. Subsidy receipts increased by £45.6m in Southeastern and decreased by £12.1m in London Midland. Revenue support decreased by £25.0m for Southeastern and £8.7m for Southern. Under its new direct award contract, which began in October 2014, Southeastern made profit share contributions to the DfT of £14.7m during the period, an increase of £8.4m on the prior period. London Midland made revenue share contributions to the DfT of £1.9m during the period.

The GTR revenue adjustment of £142.3m reflects the difference between passenger revenue and the franchise payment to the DfT as set out in the bid model. The GTR revenue adjustment was a payment to the DfT and increased by £93.6m in the period.

Adjusted operating profit

Half year adjusted operating profit for our rail businesses was £32.9m (H1'15: £20.3m).The division's operating profit margin increased by 0.8ppts to 2.6% (H1'15: 1.8%).

H1'15 operating profit before amortisation	£10.2m
IAS19 revised adjustment (see page 9)	£10.1m
H1'15 adjusted operating profit	£20.3m
Change in:	
Passenger revenue	£185.5m
GTR revenue adjustment	(£93.6m)
Additional costs and other revenues	(£160.4m)
Southern premium	£85.7m
Southeastern subsidy	£45.6m
London Midland subsidy	(£12.1m)
Southeastern revenue support	(£25.0m)
Southern revenue support	(£8.7m)
London Midland revenue share	(£1.9m)
Southeastern profit share	(£8.4m)
London Midland car park impairment reversal	£5.9m
H1'16 adjusted operating profit	£32.9m
IAS19 revised adjustment (see page 9)	£15.3m
H1'16 operating profit before amortisation	£17.6m

Capital expenditure

Capital expenditure in rail was £6.4m (H1'15: £2.3m), of which £2.8m related to Southeastern, £0.4m related to London Midland and £3.2m related to GTR. Full year rail capital expenditure is expected to be around £20m.

Other financial items

Adjusted and statutory Group income statement

Where adjusted figures are referred to, the statutory figures have been adjusted to remove the incremental impact of IAS19 revised.

	H1'16 Statutory £m	IAS19 revised adjustment £m	H1'16 Adjusted £m	H1'15 Statutory £m	IAS19 revised adjustment £m	H1'15 Adjusted £m
Regional bus operating profit	24.2	1.9	26.1	23.4	1.0	24.4
London bus operating profit	19.8	1.9	21.7	21.7	1.0	22.7
Total bus operating profit	44.0	3.8	47.8	45.1	2.0	47.1
Rail operating profit	17.6	15.3	32.9	10.2	10.1	20.3
Operating profit	61.6	19.1	80.7	55.3	12.1	67.4
Net finance costs	(7.9)	1.1	(6.8)	(8.4)	1.2	(7.2)
Profit before tax*	53.7	20.2	73.9	46.9	13.3	60.2
Amortisation	(1.6)	(0.4)	(2.0)	(2.2)	(1.0)	(3.2)
Profit before tax	52.1	19.8	71.9	44.7	12.3	57.0
Tax expense	(7.9)	(4.0)	(11.9)	(9.8)	(2.6)	(12.4)
Profit for the period	44.2	15.8	60.0	34.9	9.7	44.6
Non-controlling interests	(7.1)	(4.2)	(11.3)	(4.1)	(2.5)	(6.6)
Profit attributable to members	37.1	11.6	48.7	30.8	7.2	38.0
Adjusted profit attributable to members*			50.2			40.1
Weighted average number of shares (m)			43.0			42.9
Adjusted earnings per share (p) **			116.8			93.5
Proposed dividend per share (p)			28.33			26.60

* Before amortisation

** See note 7 in the notes to the interim consolidated financial statements for the full calculation of adjusted earnings per share

The H1'16 and H1'15 statutory results are principally adjusted for the incremental impact of applying IAS19 revised in 2011 and also intangible asset amortisation.

IAS19 revised was introduced in 2011. It amended the methodology for recognition of the interest and service costs associated with the present value of assets and liabilities for pension schemes. This includes rail pension schemes where liabilities represent future commitments which are well beyond the period covered by the Group's rail franchises. The standard requires that the cost of providing pension benefits in the future is discounted to a present value using corporate bond yield rates. As corporate bond yields vary over time, this creates inherent volatility in the Group Income Statement and Group Balance Sheet. These two factors make the Group's current non-cash IAS19 charge disproportionately higher and more volatile than the cash contributions the Group is required to make in order to fund the future liabilities for which it is responsible. The Group accordingly believes a more relevant and consistent measure of the cost of providing post-employment benefits is the underlying contribution excluding the volatile element of IAS19. Accordingly the charge applied in the adjusted results reflects that which would have arisen under IAS19 prior to the changes made to the standard in 2011.

Intangible asset amortisation represents the non-cash cost of amortising intangible items including acquired contracts and software costs. The charge associated with these previous investments can be significantly different year on year reflecting the amortisation profile and the timing of when the acquired contracts/software developments arose and is therefore removed.

In previous periods we have also removed exceptional items such as one-off restructuring costs and intangible asset impairments when they arise. The Board believes that these adjusted key performance indicators give a clearer and more consistent measure of the Group's underlying performance.

Pensions

Statutory operating profit includes the net cost of the Group's defined benefit pension plans for the period of £48.2m (H1'15: £34.1m), comprising bus costs of £1.1m (H1'15: £1.0m) and rail costs of £47.1m (H1'15: £33.1m). Group contributions to the schemes totalled £25.8m (H1'15: £23.3m).

An asset backed funding arrangement is in place which gives pension scheme trustees a right to the income generated from 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 as the properties involved are included in property, plant and equipment in the Group financial statements.

The net deficit after taxation on the bus defined benefit schemes was £48.5m (27 June 2015: £47.6m), consisting of pre tax liabilities of £59.1m (27 June 2015: £59.5m) less a deferred tax asset of £10.6m (27 June 2015: £11.9m). The pre tax deficit consisted of estimated liabilities of £718.2m (27 June 2015: £718.7m) less assets of £659.1m (27 June 2015: £659.2m). The percentage of assets held in higher risk, return seeking assets was 49% (27 June 2015: 51%).

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 (27 June 2015: £nil).

Fuel hedging activity

The fuel spot price on 31 December 2015 was 20 pence per litre (ppl) (30 June 2015: 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 £24.6m at 27 June 2015 to £46.7m at 26 December 2015. The movement in liability does not impact the income statement, it is taken through reserves.

Net finance costs

On a statutory basis, net finance costs for the period were £7.9m (H1'15: £8.4m), comprising finance costs of £9.4m (H1'15: £9.4m) less finance revenue of £1.5m (H1'15: £1.0m). The average underlying net interest rate for the period was 4.2% (H1'15: 4.2%).

Intangible amortisation and exceptional operating costs

On a statutory basis, the amortisation charge for the period of £1.6m (H1'15: £2.2m) represents the non-cash cost of amortising intangible items including acquired contracts and software costs. The charge was lower than the prior year due to some acquired contracts coming to the end of their period of amortisation.

There were no exceptional operating costs in the period (H1'15: £nil).

Taxation

On a statutory basis, net tax for the period of £7.9m (H1'15: £9.8m) includes the impact of the opening deferred tax rate reduction of £3.0m credit (H1'15: £nil credit), following the substantive enactment of the corporation tax rate reduction from 20% to 18% at the half year. After removing the impact of the opening deferred tax rate reduction , the underlying tax charge was consistent with expectations and reflects an effective tax rate of 20.9% (H1'15: 21.9%) being marginally above the statutory rate for the period of 20% as a result of non-qualifying capital allowances and German bid costs. The effective tax rate for the full year is expected to be around 21% after excluding the opening deferred tax rate reduction.

Non-controlling interests

On a statutory basis, non-controlling interests in the income statement of £7.1m (H1'15: £4.1m) 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 and the impact of IAS19 revised) were £50.2m in the period (H1'15: £40.1m) resulting in adjusted earnings per share of 116.8p (H1'15: 93.5p). The increase in adjusted earnings per share results from an increase in operating profit and deferred tax rate adjustments. Statutory basic earnings per share were 86.4p (H1'15: 71.8p).

The weighted average number of shares increased to 43.0 million (H1'15: 42.9 million). The closing number of shares in issue, net of treasury shares was also 43.0 million (H1'15: 42.9 million).

Dividends

The Board proposes an increase in the interim dividend to 28.33p (H1'15: 26.6p), an increase of 6.5%, or 1.73p. This is payable on 12 April 2016 to shareholders registered at the close of business on 29 March 2016.

Dividends paid in the period represent the payment of last year's final dividend of 63.4p (H1'15: 59.0p), giving a total dividend in respect of the full year ended 27 June 2015 of 90.0p (28 June 2014: 84.5p).

Summary cashflow

	H1'16 £m	H1'15 £m	Increase/ (decrease) £m
Adjusted EBITDA*	107.9	102.6	5.3
Working capital/other items	35.7	147.8	(112.1)
Cashflow generated from operations	143.6	250.4	(106.8)
Tax paid	(10.2)	(5.8)	(4.4)
Net interest paid	(11.5)	(12.4)	0.9
Net capital investment	(58.3)	(19.0)	(39.3)
Net cash transfer on handover of rail franchise	–	31.5	(31.5)
Sale of rolling stock	–	68.6	(68.6)
Repayment of funding for rolling stock procurement	–	(68.6)	68.6
Free cashflow	63.6	244.7	(181.1)
Repayment from joint venture	–	1.8	(1.8)
Purchase of businesses	(0.5)	(0.4)	(0.1)
Interest bearing loans and borrowings acquired on purchase of businesses	(1.1)	–	(1.1)
Payment to acquire treasury shares	(2.1)	–	(2.1)
Dividends paid	(39.4)	(34.2)	(5.2)
Movement in net cash/(debt)	20.5	211.9	(191.4)
Opening net cash/(debt)	292.9	(42.7)	335.6
Closing net cash/(debt)	313.4	169.2	144.2

* Operating profit before interest, tax, depreciation, amortisation and the impact of IAS19 revised

Cashflow

Cashflow generated from operations before taxation decreased by £106.8m to £143.6m (H1'15: £250.4m). Working capital and other items decreased by £112.1m to £35.7m (H1'15: £147.8m). The majority 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 £130.0m is expected to reverse in the second half of the year.

Tax paid of £10.2m (H1'15: £5.8m) related to the final instalments of the 2014/15 tax year. Net interest paid of £11.5m (H1'15: £12.4m) was higher than the net charge for the period of £7.9m (H1'15: £8.4m) 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 £58.3m (H1'15: £19.0m). Capital expenditure for the full year is expected to be around £95m.

Dividends paid to parent company shareholders increased to £27.2m (H1'15: £25.4m) and dividends paid to non-controlling interests increased to £12.2m (H1'15: £8.8m).

Capital structure

	H1'16 £m	H1'15 £m	FY'15 £m
Five year syndicated facility 2019	280.0	280.0	280.0
7½ year £200m 5.375% sterling bond 2017	200.0	200.0	200.0
Total core facilities	480.0	480.0	480.0
Amount drawn down at half year end	308.0	316.0	311.0
Balance available	172.0	164.0	169.0
Restricted cash	574.2	423.3	537.6
Net cash	(313.4)	(169.2)	(292.9)
Adjusted net debt	260.8	254.1	244.7
EBITDA*	88.8	90.5	185.2
Adjusted EBITDA**	107.9	102.6	205.2
Adjusted net debt/EBITDA (twelve month rolling basis)*	1.42x	1.47x	1.32x
Adjusted net debt/EBITDA (twelve month rolling basis)**	1.24x	1.32x	1.19x

* Not adjusted for the impact of IAS 19 revised, in line with the 2020 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. The RCF has a maturity of July 2020 with one further one-year extension option.

Net cash / (debt)

Net cash was £313.4m at the half year end (27 June 2015: net cash £292.9m; H1'15: net cash £169.2m). 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 so significantly impacted.

Adjusted net debt, consisting of net cash less restricted cash in our rail division of £574.2m (H1'15: £423.3m), was £260.8m (H1'15: £254.1m), equivalent to 1.42x EBITDA on a statutory basis (27 June 2015: 1.32x; H1'15: 1.47x) and 1.24x adjusted EBITDA (27 June 2015: 1.19x; H1'15: 1.32x), below our target range of 1.5x to 2.5x, as expected.

Net cash comprised the £200m sterling bond (H1'15: £200m), amounts drawn down against the £280.0m five year revolving credit facility of £108.0m (H1'15: £116.0m), hire purchase and lease agreements of £nil (H1'15: £1.3m) less cash and short term deposits of £621.4m (H1'15: £486.5m).

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 27 June 2015 and identified the following principal risks and uncertainties affecting the Group's business for the second six months of the financial year ended 2 July 2016.

The key risks and uncertainties include external, strategic and operational factors as outlined in note 3 in the notes to the interim consolidated financial statements.

More details about these risks can be found on pages 36 – 39 of the 'Managing Risk' section of the Group Annual Report and Accounts for the year ended 27 June 2015, 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

David Brown, Group Chief Executive
17 February 2016

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 26 December 2015 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 26 December 2015

	Notes	Six months to 26 Dec 15 £m Unaudited	Six months to 27 Dec 14 £m Unaudited	Year to 27 Jun 15 £m Audited
Group revenue	4	1,665.0	1,558.7	3,215.2
Operating costs (excluding amortisation, goodwill impairment and exceptional operating costs)		(1,603.4)	(1,503.4)	(3,100.5)
Group operating profit (before amortisation, goodwill impairment and exceptional operating costs)	4	61.6	55.3	114.7
Intangible asset amortisation and goodwill impairment		(1.6)	(2.2)	(9.1)
Exceptional operating costs	5	–	–	(8.8)
Group operating profit		60.0	53.1	96.8
Finance revenue		1.5	1.0	2.4
Finance costs		(9.4)	(9.4)	(20.5)
Profit on ordinary activities before taxation		52.1	44.7	78.7
Tax expense	6	(7.9)	(9.8)	(19.4)
Profit for the period from continuing operations		44.2	34.9	59.3
Attributable to:				
Equity holders of the parent		37.1	30.8	52.2
Non-controlling interests		7.1	4.1	7.1
		44.2	34.9	59.3
Earnings per share				
– basic	7	86.4p	71.8p	121.6p
– diluted	7	85.0p	70.5p	119.5p
– adjusted basic*	7	116.8p	93.5p	181.8p
– adjusted diluted*	7	115.0p	91.8p	178.6p
Dividend paid (pence per share)	10	63.4p	59.0p	85.6p
Dividend proposed (pence per share)	10	28.3p	26.6p	63.4p

* Adjusted earnings per share is calculated after adjusting for amortisation, goodwill impairment, exceptional operating costs and the impact of IAS 19 revised to the extent that they impact earnings attributable to equity shareholders.

Interim consolidated statement of comprehensive income

for the six months ended 26 December 2015

	Notes	Six months to 26 Dec 15 £m Unaudited	Six months to 27 Dec 14 £m Unaudited	Year to 27 Jun 15 £m Audited
Profit for the period		44.2	34.9	59.3
Other comprehensive income/(losses)				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit retirement plans		23.8	42.6	24.6
Tax relating to items that will not be reclassified	6	(6.0)	(8.5)	(4.9)
		17.8	34.1	19.7
Items that may subsequently be reclassified to profit or loss				
Unrealised losses on cashflow hedges		(35.4)	(36.5)	(36.0)
Losses on cashflow hedges taken to income statement – operating costs		13.3	4.9	16.2
Tax relating to items that may be reclassified	6	4.5	6.3	4.0
		(17.6)	(25.3)	(15.8)
Other comprehensive income for the period, net of tax		0.2	8.8	3.9
Total comprehensive income for the period		44.4	43.7	63.2
Attributable to:				
Equity holders of the parent		30.7	36.0	49.4
Non-controlling interests		13.7	7.7	13.8
		44.4	43.7	63.2

Interim consolidated statement of changes in equity

for the six months ended 26 December 2015

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders equity £m	Non-controlling interests £m	Total £m
At 28 June 2014	72.1	(69.9)	(4.2)	1.6	0.7	50.4	50.7	16.4	67.1
Profit for the year	–	–	–	–	–	52.2	52.2	7.1	59.3
Net movement on hedges (net of tax)	–	–	(15.8)	–	–	–	(15.8)	–	(15.8)
Remeasurements on defined benefit retirement plans (net of tax)	–	–	–	–	–	13.0	13.0	6.7	19.7
Total comprehensive income	–	–	(15.8)	–	–	65.2	49.4	13.8	63.2
Exercise of share options	–	1.1	–	–	–	(1.1)	–	–	–
Share based payment charge (and associated tax)	–	–	–	–	–	1.9	1.9	–	1.9
Dividends	–	–	–	–	–	(36.7)	(36.7)	(12.8)	(49.5)
At 27 June 2015	72.1	(68.8)	(20.0)	1.6	0.7	79.7	65.3	17.4	82.7
Profit for the period	–	–	–	–	–	37.1	37.1	7.1	44.2
Net movement on hedges (net of tax)	–	–	(17.6)	–	–	–	(17.6)	–	(17.6)
Remeasurements on defined benefit retirement plans (net of tax)	–	–	–	–	–	11.2	11.2	6.6	17.8
Total comprehensive income	–	–	(17.6)	–	–	48.3	30.7	13.7	44.4
Exercise of share options	–	2.3	–	–	–	(2.3)	–	–	–
Acquisition of treasury shares	–	(2.1)	–	–	–	–	(2.1)	–	(2.1)
Share based payment charge	–	–	–	–	–	0.5	0.5	–	0.5
Dividends	–	–	–	–	–	(27.2)	(27.2)	(12.2)	(39.4)
At 26 December 2015	72.1	(68.6)	(37.6)	1.6	0.7	99.0	67.2	18.9	86.1

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders equity £m	Non-controlling interests £m	Total £m
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
Exercise of share options	–	0.7	–	–	–	(0.7)	–	–	–
Share based payment charge	–	–	–	–	–	0.4	0.4	–	0.4
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

Interim consolidated balance sheet

as at 26 December 2015

	Notes	26 Dec 15 £m Unaudited	27 Dec 14 £m Unaudited	27 Jun 15 £m Audited
Assets				
Non-current assets				
Property, plant and equipment		469.8	444.9	437.4
Intangible assets		84.1	88.6	84.7
Trade and other receivables		0.3	–	0.8
Deferred tax assets		20.0	13.2	11.9
		574.2	546.7	534.8
Current assets				
Inventories		18.6	19.8	17.9
Trade and other receivables		295.1	263.8	260.1
Cash and cash equivalents		621.4	486.9	604.2
		935.1	770.5	882.2
Assets classified as held for sale		3.6	5.6	6.0
Total assets		1,512.9	1,322.8	1,423.0
Liabilities				
Current liabilities				
Trade and other payables		(836.2)	(682.3)	(772.9)
Other financial liabilities	11	(27.1)	(22.9)	(19.1)
Interest-bearing loans and borrowings		–	(0.8)	0.7
Current tax liabilities		(20.0)	(19.5)	(14.9)
Provisions	12	(32.8)	(56.5)	(75.4)
		(916.1)	(782.0)	(881.6)
Non-current liabilities				
Interest-bearing loans and borrowings		(306.5)	(314.6)	(310.2)
Retirement benefit obligations	8	(59.1)	(29.3)	(59.5)
Other financial liabilities	11	(19.6)	(13.6)	(5.5)
Deferred tax liabilities		(48.3)	(49.2)	(46.1)
Other liabilities		(3.3)	(1.9)	(5.2)
Provisions	12	(73.9)	(55.2)	(32.2)
		(510.7)	(463.8)	(458.7)
Total liabilities		(1,426.8)	(1,245.8)	(1,340.3)
Net assets		86.1	77.0	82.7
Capital & reserves				
Share capital		72.1	72.1	72.1
Reserve for own shares		(68.6)	(69.2)	(68.8)
Hedging reserve		(37.6)	(29.5)	(20.0)
Other reserve		1.6	1.6	1.6
Capital redemption reserve		0.7	0.7	0.7
Retained earnings		99.0	86.0	79.7
Total shareholders' equity		67.2	61.7	65.3
Non-controlling interests		18.9	15.3	17.4
Total equity		86.1	77.0	82.7

Interim consolidated cashflow statement

for the six months ended 26 December 2015

	Notes	Six months to 26 Dec 15 £m Unaudited	Six months to 27 Dec 14 £m Unaudited	Year to 27 Jun 15 £m Audited
Profit after tax		44.2	34.9	59.3
Net finance costs		7.9	8.4	18.1
Tax expense	6	7.9	9.8	19.4
Depreciation of property, plant and equipment		27.2	35.2	70.5
Amortisation of intangible assets		1.6	2.2	4.2
Impairment of goodwill		–	–	4.9
(Profit)/loss on sale of property, plant and equipment		(0.5)	0.1	–
Profit on assets held for disposal		(0.7)	–	(0.4)
Share based payment charges		0.5	0.4	1.6
Difference between pension contributions paid and amounts recognised in the income statement		22.4	10.8	22.0
Sale of assets held for disposal		5.9	–	1.5
Purchase of assets held for disposal		(2.9)	–	–
(Increase)/decrease in inventories		(0.7)	0.8	3.0
Increase in trade and other receivables		(34.1)	(9.0)	(3.3)
Increase in trade and other payables		66.5	153.1	232.1
Movement in provisions		(1.6)	3.7	(1.5)
Cashflow generated from operations		143.6	250.4	431.4
Taxation paid		(10.2)	(5.8)	(20.3)
Net cashflows from operating activities		133.4	244.6	411.1
Interest received		1.3	1.1	2.3
Proceeds from sale of property, plant and equipment		1.3	0.4	0.5
Purchase of property, plant and equipment		(59.1)	(16.3)	(42.3)
Purchase of intangible assets		(0.5)	(3.1)	(6.1)
Net cash transfer on handover of rail franchise		–	31.5	34.8
Purchase of businesses		(0.5)	(0.4)	(0.4)
Repayment of funding for rolling stock procurement		–	(68.6)	(68.6)
Sale of rolling stock		–	68.6	68.6
Repayments from joint venture		–	1.8	1.8
Net cashflows (used in)/from investing activities		(57.5)	15.0	(9.4)
Interest paid		(12.8)	(13.5)	(16.6)
Dividends paid to members of the parent	10	(27.2)	(25.4)	(36.7)
Dividends paid to non-controlling interests		(12.2)	(8.8)	(12.8)
Repayment of borrowings		(3.0)	(122.5)	(122.5)
Proceeds from borrowings		–	116.0	111.0
Payment to acquire treasury shares		(2.1)	–	–
Payment of finance lease and hire purchase liabilities		(1.4)	(0.7)	(1.7)
Net cash outflows on financing activities		(58.7)	(54.9)	(79.3)
Net increase in cash and cash equivalents		17.2	204.7	322.4
Cash and cash equivalents at start of period	9	604.2	281.8	281.8
Cash and cash equivalents at end of period	9	621.4	486.5	604.2

Notes to the interim consolidated financial statements

for the six months ended 26 December 2015

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 26 December 2015 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 statements have been prepared using the same accounting policies and methods of computation used to prepare the Group's 2015 Annual Report and Accounts as described on pages 101 to 106 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 2 July 2016:

IAS 19 Defined Benefit Plans: Employee Contributions (amendment)

Annual Improvements to IFRSs 2010-2012 Cycle

Annual Improvements to IFRSs 2011-2013 Cycle

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

The financial statements for the six months ended 26 December 2015 and the comparative financial statements for the six months ended 27 December 2014 have not been audited, but have been reviewed by the auditors. Deloitte LLP were appointed as auditor at the 2015 AGM replacing Ernst & Young LLP. The comparative financial statements for the year ended 27 June 2015 have been extracted from the 2015 Annual Report and Accounts. The financial statements contained in this interim report do not constitute statutory accounts as defined in section 435 of the Companies Act 2006 and do not reflect all of the information contained in the Group's 2015 Annual Report and Accounts. The statutory accounts for the year ended 27 June 2015, which were approved by the Board of Directors on 2 September 2015 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

Our medium term funding is provided through a £200m sterling bond due September 2017 and a £280.0m syndicated loan facility with an anticipated repayment date of July 2020. Of this facility £108.0m was drawn down at the period end. After making enquiries and reviewing the outlook for 2016 and medium term plans of the business to 2018/2019, 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 27 June 2015 and identified the following principal risks and uncertainties affecting the Group's business for the second six months of the financial year ended 2 July 2016.

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 and management's expectations.

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

Strategic:

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

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

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

Operational:

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

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

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

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

More details about these risks can be found on pages 36 – 39 of the 'Managing Risk' section of the Group Annual Report and Accounts for the year ended 27 June 2015, available on our website at www.go-ahead.com

4. Segmental analysis

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

The regional bus division comprises bus operations outside 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 GTR. 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. 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 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, goodwill impairment and exceptional operating costs.

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 26 December 2015, the six months ended 27 December 2014 and the year ended 27 June 2015.

Six months ended 26 December 2015 (unaudited)

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Segment revenue	198.1	244.2	442.3	1,248.5	1,690.8
Inter-segment revenue	(12.0)	(6.9)	(18.9)	(6.9)	(25.8)
Group revenue	186.1	237.3	423.4	1,241.6	1,665.0
Segment profit – Group operating profit (before amortisation)	24.2	19.8	44.0	17.6	61.6
Intangible amortisation	(0.7)	(0.5)	(1.2)	(0.4)	(1.6)
Group operating profit	23.5	19.3	42.8	17.2	60.0
Net finance costs					(7.9)
Profit before tax and non-controlling interests					52.1
Tax expense					(7.9)
Profit for the period					44.2

4. Segmental analysis continued

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	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

Year ended 27 June 2015 (audited)

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

During the six months to 26 December 2015 the Group incurred capital expenditure of £59.1m (H1'15: £16.3m; 2015: £42.3m) on tangible fixed assets of which £31.2m (H1'15: £10.8m; 2015: £28.0m) related to the regional bus division, £21.5m (H1'15: £3.2m; 2015: £8.1m) related to the London bus division and £6.4m (H1'15: £2.3m; 2015: £6.2m) related to the rail division.

During the six months to 26 December 2015 the depreciation charge for the Group was £27.2m (H1'15: £35.2m; 2015: £70.5m) of which £14.3m (H1'15: £13.9m; 2015: £27.5m) related to the regional bus division, £8.7m (H1'15: £8.1m; 2015: £18.2m) related to the London bus division and £4.2m (H1'15: £13.2m; 2015: £24.8m) related to the rail division.

5. Exceptional operating costs

	Six months to 26 Dec 15 £m Unaudited	Six months to 27 Dec 14 £m Unaudited	Year to 27 Jun 15 £m Audited
Rail restructuring costs	–	–	(8.8)
Total exceptional operating costs	–	–	(8.8)

Six months ended 26 December 2015

Total exceptional operating costs in the period were £nil (H1'15: £nil)

Year ended 27 June 2015

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

6. Taxation

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

	Six months to 26 Dec 15 £m Unaudited	Six months to 27 Dec 14 £m Unaudited	Year to 27 Jun 15 £m Audited
Current tax charge	15.3	14.7	25.0
Adjustments in respect of current tax of previous years	–	–	(0.4)
	15.3	14.7	24.6
Deferred tax relating to origination and reversal of temporary differences in the period at 20% (27 June 2015: 20%; 27 December 2014: 20%)	(4.4)	(4.9)	(4.8)
Adjustments in respect of deferred tax of a prior period	–	–	(0.4)
Impact of opening deferred tax rate reduction	(3.0)	–	–
Total tax	7.9	9.8	19.4

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 and goodwill impairment our tax rate is 20.9% (H1'15: 21.9% ; 2015: 23.2%), marginally ahead of the statutory rate. Including the impact of the opening deferred tax rate reduction of £3.0m credit (H1'15: £nil credit), the effective tax rate is 15.2% (H1'15: 21.9%).

	Six months to 26 Dec 15 £m Unaudited	Six months to 27 Dec 14 £m Unaudited	Year to 27 Jun 15 £m Audited
Tax charges	10.9	9.8	19.4
Impact of opening deferred tax rate reduction	(3.0)	–	–
	7.9	9.8	19.4

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 26 Dec 15 £m Unaudited	Six months to 27 Dec 14 £m Unaudited	Year to 27 Jun 15 £m Audited
Tax on remeasurements on defined benefit retirement plans	4.8	8.5	4.9
Deferred tax on cashflow hedges	(4.5)	(6.3)	(4.0)
Deferred tax on LTIP	–	–	(0.3)
Impact of opening deferred tax rate reduction	1.2	–	–
	1.5	2.2	0.6

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

As proposed in the summer Budget 2015, the rates of corporation tax are going to be reduced to 18% in 2020, with an interim reduction to 19% in 2017. These proposals had been substantively enacted at the balance sheet date.

7. Earnings per share

Basic and diluted earnings per share

	Six months to 26 Dec 15 Unaudited	Six months to 27 Dec 14 Unaudited	Year to 27 Jun 15 Audited
Net profit on total operations attributable to equity holders of the parent (£m)	37.1	30.8	52.2
Consisting of:			
Adjusted earnings on continuing operations attributable to equity holders of the parent (£m)	50.2	40.1	78.0
Amortisation and goodwill impairment after taxation and non-controlling interests (£m)	(1.2)	(1.6)	(8.0)
Exceptional operating costs after taxation and non-controlling interests (£m)	–	–	(4.5)
IAS19 revised after taxation and non-controlling interests (£m)	(11.9)	(7.7)	(13.3)
Basic and diluted earnings attributable to equity holders of the parent (£m)	37.1	30.8	52.2
Basic weighted average shares in issue ('000)	42,964	42,884	42,916
Dilutive potential share options ('000)	677	805	754
Diluted weighted average number of shares in issue ('000)	43,641	43,689	43,670
Earnings per share:			
Basic earnings per share (pence per share)	86.4	71.8	121.6
Diluted earnings per share (pence per share)	85.0	70.5	119.5
Adjusted basic earnings per share (pence per share)	116.8	93.5	181.8
Adjusted diluted earnings per share (pence per share)	115.0	91.8	178.6

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 27 December 2015 to 17 February 2016.

The earnings per share for the six months to 27 December 2014 and the year to 27 June 2015 have been restated to exclude the impact of IAS 19 revised. The restated earnings per share are unaudited.

The effect of taxation and non-controlling interests on exceptional operating costs, amortisation and goodwill impairment and IAS 19 revised is shown below for each of the periods.

Adjusted earnings per share

Adjusted earnings per share is presented to eliminate the impact of intangible asset amortisation, goodwill impairment, exceptional operating costs and the incremental effect of IAS 19 revised to show a 'normalised' earnings per share, reflecting the underlying performance of the business.

Adjusted earnings were £50.2m in the period (H1'15: £40.1m) resulting in adjusted earnings per share of 116.8p (H1'15: 93.5p). This is analysed as follows:

Six months to 26 December 2015

	Profit for the period £m Unaudited	Amortisation £m Unaudited	IAS19 revised £m Unaudited	Adjusted profit for the period £m Unaudited
Profit before taxation	52.1	1.6	20.2	73.9
Less: Taxation	(7.9)	(0.3)	(4.0)	(12.2)
Less: Non-controlling interests	(7.1)	(0.1)	(4.3)	(11.5)
Profit attributable to equity holders of the parent	37.1	1.2	11.9	50.2
Adjusted basic earnings per share (pence per share)				116.8
Adjusted diluted earnings per share (pence per share)				115.0

7. Earnings per share continued

Six months to 27 December 2014

	Profit for the period £m Unaudited	Amortisation £m Unaudited	IAS19 revised £m Unaudited	Adjusted profit for the period £m Unaudited
Profit before taxation	44.7	2.2	13.3	60.2
Less: Taxation	(9.8)	(0.5)	(2.8)	(13.1)
Less: Non-controlling interests	(4.1)	(0.1)	(2.8)	(7.0)
Profit attributable to equity holders of the parent	30.8	1.6	7.7	40.1
Adjusted basic earnings per share (pence per share)				93.5
Adjusted diluted earnings per share (pence per share)				91.8

Year to 27 June 2015

	Profit for the year £m Audited	Amortisation and goodwill impairment £m Audited	Exceptional operating costs £m Audited	IAS19 revised £m Audited	Adjusted profit for the period £m Audited
Profit before taxation	78.7	9.1	8.8	22.3	118.9
Less: Taxation	(19.4)	(0.9)	(1.8)	(4.6)	(26.7)
Less: Non-controlling interests	(7.1)	(0.2)	(2.5)	(4.4)	(14.2)
Profit attributable to equity holders of the parent	52.2	8.0	4.5	13.3	78.0
Adjusted basic earnings per share (pence per share)					181.8
Adjusted diluted earnings per share (pence per share)					178.6

8. Pensions

Retirement benefit obligations consist of the following:

	Bus £m Unaudited	Rail £m Unaudited	26 Dec 15 Total £m Unaudited	Bus £m Audited	Rail £m Audited	27 Jun 15 Total £m Audited
Pre-tax pension scheme liabilities	**(59.1)**	**–**	**(59.1)**	(59.5)	–	(59.5)
Deferred tax asset	**10.6**	**–**	**10.6**	11.9	–	11.9
Post-tax pension scheme liabilities	**(48.5)**	**–**	**(48.5)**	(47.6)	–	(47.6)

The net deficit before taxation on the bus defined benefit scheme was £59.1m (27 June 2015: £59.5m), consisting of estimated liabilities of £718.2m (27 June 2015: £718.7m) less assets of £659.1m (27 June 2015: £659.2m).

The net deficit before taxation on the rail schemes was £nil (27 June 2015: £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 26 Dec 15 % Unaudited	Year to 27 Jun 15 % Audited
Retail price index inflation	**3.2**	3.3
Consumer price index inflation	**2.2**	2.3
Discount rate	**3.8**	3.8
Rate of increase in salaries *	**4.2**	4.3
Rate of increase of pensions in payment and deferred pension**	**1.9**	2.0/2.3

* for rail pension schemes only

** in excess of any Guaranteed Minimum Pension (GMP) element. 1.9% (27 June 2015: 2.0%) for bus pension schemes and 1.9% (27 June 2015: 2.3%) for rail pension schemes

8. Pensions continued

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.

	26 Dec 15 Bus Years Unaudited	26 Dec 15 Rail Years Unaudited	27 Jun 15 Bus Years Audited	27 Jun 15 Rail Years Audited
Pensioner	20	22	20	22
Non Pensioner	21	24	21	24

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 27 June 2015. In isolation the following adjustments would adjust the pension deficit as shown.

	Bus 2015 Pension deficit %	Rail 2015 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	Hire purchase/ finance leases £m Unaudited	£200m Sterling Bond £m Unaudited	Total £m Unaudited
27 June 2015	604.2	(111.0)	(0.3)	(200.0)	292.9
Cashflow	17.2	3.0	1.4	–	21.6
On acquisition	–	–	(1.1)	–	(1.1)
26 December 2015	**621.4**	**(108.0)**	**–**	**(200.0)**	**313.4**

Cash and cash equivalents include overdrafts amounting to £nil (27 June 2015: £nil).

Group net cash/(debt) excludes unamortised issue costs of £1.5m (27 June 2015: £1.8m).

On 16 July 2014, the Group entered into a £280.0m five year facility. The facility was extended by one year in July 2015, and has a current maturity of July 2020, with one further one year extension available.

As at 26 December 2015 balances amounting to £574.2m (H1'15: £423.3m; 27 June 2015: £537.6m) were restricted, including amounts to cover deferred income for season tickets sold in advance of £187.1m (H1'15: £191.4m; 27 June 2015: £172.8m) and amounts held by rail companies which can only be distributed up to the value of distributable reserves, subject to DfT dispensation.

10. Dividends paid and proposed

	Six months to 26 Dec 15 £m Unaudited	Six months to 27 Dec 14 £m Unaudited	Year to 27 Jun 15 £m Audited
Declared and paid during the period			
Equity dividends on ordinary shares:			
Final dividend for 2015: 63.4p per share (2014: 59.0p)	27.2	25.4	25.4
Interim dividend for 2015: 26.6p per share	–	–	11.3
	27.2	25.4	36.7

	Six months to 26 Dec 15 £m Unaudited	Six months to 27 Dec 14 £m Unaudited	Year to 27 Jun 15 £m Audited
Dividend proposed (not recognised as a liability)			
Equity dividends on ordinary shares:			
Interim dividend for 2016: 28.3p per share (2015: 26.6p)	12.2	11.3	27.2

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 26 December 2015 and 27 June 2015 and are as follows:

	26 Dec 15 £m	27 Jun 15 £m
Current liabilities	(27.1)	(19.1)
Non-current liabilities	(19.6)	(5.5)
Net financial liabilities	(46.7)	(24.6)

At 26 December 2015

	Amortised cost £m	Held for trading – Fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	(46.7)	(46.7)	(46.7)
	–	(46.7)	(46.7)	(46.7)

At 27 June 2015

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

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 £211.6m (27 June 2015: £213.7m) but is carried at its amortised cost of £200m. 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 26 December 2015, the Group has used a level 2 valuation technique to determine the fair value of all financial instruments. During the six months ended 26 December 2015, there were no transfers between valuation levels.

b. Hedging activities

Fuel derivatives

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

As at 27 June 2015 the Group had derivatives against bus fuel of 130 million litres for the year ending 2 July 2016, representing approximately 100% of the anticipated fuel usage in our bus division. As at 27 June 2015 the Group also had derivatives against bus fuel for the 2017 and 2018 financial years of 63 and 31 million litres respectively. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

In July 2015 the Group Board approved a special purchase to lock in the 2017 and 2018 fuel costs. In November 2015 the Group Board approved a further special purchase to lock 40% and 20% of the 2019 and 2020 fuel costs respectively. As at 26 December 2015 the amounts targeted and hedged are as follows:

	2016	2017*	2018*	2019*	2020*
Percentage to hedge as per Group policy	100.0%	75.0%	37.5%	0.0%	0.0%
Actual percentage hedged	100.0%	100.0%	100.0%	40.0%	20.0%
Price (pence per litre)	45.4	36.4	34.7	32.3	33.3

* Assuming consistent usage and that hedging is completed at December 2015 market price

12. Provisions

	Franchise Commitments £m Unaudited	Uninsured Claims £m Unaudited	Other £m Unaudited	Total £m Unaudited
At 27 June 2015	63.2	41.3	3.1	107.6
Provided	3.0	9.8	0.4	13.2
Utilised	(4.5)	(7.0)	–	(11.5)
Released	(0.9)	(2.4)	–	(3.3)
Unwinding of discounting	0.3	0.4	–	0.7
At 26 December 2015	**61.1**	**42.1**	**3.5**	**106.7**

	26 Dec 15 £m Unaudited	27 Jun 15 £m Audited
Current	**32.8**	75.4
Non current	**73.9**	32.2
	106.7	107.6

Franchise commitments comprise £58.1m (27 June 2015: £60.1m) dilapidation provisions on vehicles, depots and stations across our three active rail franchises, and £3.0m (27 June 2015: £3.1m) provisions relating to other franchise commitments. Of the dilapidations provisions, £14.6m (27 June 2015: £52.1m) are classified as current. All of the £3.0m provision relating to other franchise commitments is classified as non-current. During the six months ended 26 December 2015, £0.9m 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.

Uninsured claims represent the cost to the Group to settle claims for incidents occurring prior to the balance sheet date, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer. Of the uninsured claims, £17.3m (27 June 2015: £19.1m) are classified as current and £24.8m (27 June 2015: £22.2m) are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years.

Within other provisions, £3.2m (27 June 2015: £2.8m) relates to dilapidation provisions on vehicles and depots, of which £0.6m (27 June 2015: £0.8m) are classified as current, and £2.6m (27 June 2015: £2.0m) 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 £0.3m (27 June 2015: £0.3m) 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 26 December 2015 were £56.5m (27 June 2015: £52.7m).

Contractual commitments

The Group had contractual commitments, regarding payments to the DfT in respect of the Southern franchise which transferred to GTR on 26 July 2015, of £nil at 26 December 2015 (27 June 2015: £22.5m payable within one year).

Performance bonds

The Group has provided bank guaranteed performance bonds of £123.9m (27 June 2015: £124.3m), a loan guarantee bond of £36.3m (27 June 2015: £36.3m) and season ticket bonds of £163.5m (27 June 2015: £207.2m) 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 3,919,300 (27 June 2015: 3,955,000) ordinary shares (8.4% of share capital), of which 17,070 (27 June 2015: 52,770) 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 26 December 2015 the company has repurchased 74,852 shares (year ended 27 June 2015: no shares repurchased). No shares were cancelled in the period (year ended 27 June 2015: no shares cancelled).

At 26 December 2015 there were 46,906,809 ordinary shares in issue (27 June 2015: 46,906,142).

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. During the year ended 27 June 2015 the Group disposed of its 50% interest in Go-Ahead North America LLC and received repayment of all loan capital leaving a residual investment value of £nil.

16. Business combinations

On 13 October 2015, Go South Coast Limited, a wholly owned subsidiary of the Group, acquired certain tendered contracts, commercial operations and thirteen buses from Excelsior Coaches Limited and Excelsior Transport Limited for a cash consideration of £0.5m.

Net assets at date of acquisition:

	Total acquisitions – Fair value to Group 2015 £m
Tangible fixed assets	1.2
Intangible assets – customer contracts	0.4
Interest-bearing loans and borrowings	(1.1)
Net assets	0.5
Cash	0.5
Total consideration	0.5

Interest-bearing loans and borrowings comprise finance leases and hire purchase commitments.

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

From the date of acquisition in the period, the acquisition recorded an operating profit of less than £0.1m and revenue of £0.6m. Had the acquisition been completed on the first day of the financial period, the impact on the Group's operating profit would have been £0.1m and the impact on revenue would have been £1.5m.

Directors and Advisors

Directors

Andrew Allner	Chairman (Non-Executive)
David Brown	Group Chief Executive
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

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Joint corporate broker

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London Wall
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Auditor

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Chartered Accountants and Statutory Auditor
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United Kingdom
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Principal banker

The Royal Bank of Scotland plc
Corporate Banking
8th Floor
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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 26 December 2015 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. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our 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 26 December 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
17 February 2016