

# PRESS RELEASE

20 February 2014

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

### HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 28 DECEMBER 2013

#### Good performance in bus and rail; 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 14.7% to £40.6m
- On course to achieve bus operating profit target of £100m by 2015/16
- Record passenger numbers in bus and rail
- Profit before tax rose 30.8% to £40.3m
- Bids submitted for the Thameslink and Crossrail franchise competitions during the period
- Strong cash management allowing increased investment and reduced net debt
- Maintained half year dividend at 25.5p

| <b>Financial summary:</b>                    | <b>HI'14<br/>£m</b> | <b>Restated*<br/>HI'13<br/>£m</b> | <b>Increase/<br/>(Decrease)<br/>£m</b> | <b>Increase/<br/>(Decrease)<br/>%</b> |
|--|---------------------|-----------------------------------|--|---------------------------------------|
| Revenue                                      | <b>1,370.0</b>      | 1,296.6                           | 73.4                                   | 5.7                                   |
| Operating profit                             | <b>51.1</b>         | 42.1                              | 9.0                                    | 21.4                                  |
| Operating profit margin (%)                  | <b>3.7%</b>         | 3.2%                              |  | 0.5ppts                               |
| Net finance costs                            | <b>(7.6)</b>        | (8.0)                             | 0.4                                    | 5.0                                   |
| Profit before tax and amortisation           | <b>43.5</b>         | 34.1                              | 9.4                                    | 27.6                                  |
| Profit before tax                            | <b>40.3</b>         | 30.8                              | 9.5                                    | 30.8                                  |
| Adjusted earnings per share (p) (see note 7) | <b>83.3p</b>        | 58.3p                             | 25.0p                                  | 42.9                                  |
| Proposed dividend per share (p)              | <b>25.5p</b>        | 25.5p                             | —                                      | —                                     |

|  | <b>HI'14<br/>£m</b> | <b>Restated*<br/>HI'13<br/>£m</b> | <b>Increase/<br/>(Decrease)<br/>£m</b> |
|--|---------------------|-----------------------------------|--|
| Cashflow generated from operations                                 | <b>120.3</b>        | 117.0                             | 3.3                                    |
| Free cashflow**  | <b>52.8</b>         | 56.5                              | (3.7)                                  |
| Net debt**   | <b>(70.5)</b>       | (64.1)                            | —                                      |
| Adjusted net debt  | <b>(295.6)</b>      | (277.1)                           | —                                      |
| Adjusted net debt/EBITDA <sup>+</sup> (twelve month rolling basis) | <b>1.73x</b>        | 1.67x                             | —                                      |

#### Notes:

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

\* Restated for the adoption of IAS 19 (revised), detailed in note 3 to the financial statements

\*\* HI'13 free cashflow and net debt figures are adjusted by £90.6m (£75.5m plus VAT) for the sale of rolling stock relating to the Southern franchise. This was repaid to the Department for Transport (DfT) in January 2013

+ In accordance with our bank covenants adjusted net debt/EBITDA is calculated excluding the impact of IAS 19 (revised)

### David Brown, Group Chief Executive, commented:

"In October 2012 we set out a three year plan of growth and business improvement with the aim of raising the performance of our UK bus business to £100 million in operating profit.

"We are making good progress, and 16 months into that timetable, our planning assumptions remain valid and we are on course for our target.

"Meanwhile we maintain our long-term commitment to rail and were pleased to have submitted our bids for the Thameslink and Crossrail franchise competitions during the period.

"The sustained efforts of our 23,500 people, backed by substantial targeted investments in technology, fleet and new facilities, are strengthening our business by improving services for all our customers.

"Our use of smart and mobile ticketing data helps deepen our understanding of our customers' needs and allows us to continue to develop and improve our capabilities, to make our bus and rail services more attractive and more convenient.

"With record passenger numbers, effective cash management and a strong balance sheet, Go-Ahead is in good shape with excellent growth prospects."

### For further information, please contact:

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*David Brown, Group Chief Executive and Keith Down, Group Finance Director will be hosting a presentation for analysts at 9.00am today (20 February 2014) 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](http://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 to report another set of good results for the first half of our financial year. Overall profitability increased year on year to £51.1m (H1'13: £42.1m), with good performance in all divisions.

## Bus

Our core bus division performed very well in the first half, with strong results in both our regulated and deregulated businesses. Operating profit was up 14.7% to £40.6m (H1'13: £35.4m). We have seen growth in both commercial and concessionary travel in all our deregulated areas and have high levels of regulated contract retention in London.

Our deregulated operations continue to deliver high quality, value for money services to our passengers through our locally focused businesses, with more passengers choosing to use our services than ever before. Mindful of the economic climate, fare increases have been held broadly in line with inflation, offering an economic and attractive alternative to private motoring. During the period we extended our network through commercial contract wins and investment in new services, resulting in higher than expected mileage growth year on year.

Go-Ahead's ticketing solutions remain industry leading and we continue to invest in innovative technology to improve the customer experience and drive revenue growth. Mobile ticketing is still in the early stages, but we are making good progress and it is becoming increasingly popular with our bus customers. To date more than 40,000 people have downloaded tickets to their mobile devices, 20 times the number this time last year.

Our regulated business has again performed very well, slightly ahead of our expectations. Performance has been strengthened by the delivery of rail replacement services for planned line closures, and some small contract gains. We remain the largest operator of bus services in London.

We invested significantly in our bus fleet in the first half of the year, spending £42.4m on 231 new buses, including 36 hybrids, taking our total of alternative fuel vehicles to around 200. The average age of our fleet remains low at 7.4 years.

In the first half of the year Go-Ahead company Go North East submitted its response to Tyne and Wear's Integrated Transport Authority's consultation on bus services in the area, in which we recommended partnership working as the right outcome for both bus passengers and taxpayers in the region. A range of possible outcomes remain, however Go-Ahead's preferred approach, at all times, is to work closely in partnership with local authorities to deliver service improvements, develop transport infrastructure and ensure the best use of public money, particularly in challenging economic times.

## Target 100

In October 2012 we announced our target to grow bus operating profit organically to £100m by 2015/16.

We are tracking well against internal plans and are confident in our ability to meet the target, which is based on a combination of revenue growth and cost efficiencies.

At 3.7%, like for like deregulated revenue growth for the period is slightly ahead of our three year guideline and has been helped by a small expansion of our network following investment in new services and some commercial contract wins.

In the regulated business, like for like revenue growth of 7.9% includes around 2.5% relating to a reallocation of Bus Service Operators' Grant (BSOG) from costs to contract revenue. Underlying growth is ahead of our three year guideline, helped in particular by higher than expected rail replacement revenue. Regulated mileage has grown by 2.8%, excluding the impact of the Olympic Games. This reflects the additional rail replacement work and some small contract gains.

Annual cost inflation has been broadly in line with our guideline of 2.5-3.5%, although some costs have risen in line with the additional deregulated and regulated mileage growth.

Including reduced insurance costs we have delivered around £4.5m of cost savings in the first half of the year. This includes around £1m of savings from initiatives introduced in the second half of last year. We do not expect to achieve such significant savings in the second half of the year but remain well on course to deliver £10m of cost savings by 2015/16.

Although the £100m target was based on organic growth we continue to assess acquisition opportunities both in and outside London. With the exception of the purchase of a small number of Transport for London (TfL) route contracts in Dagenham, East London, in June 2013 the Group has made no acquisitions since announcing the operating profit target.

## Rail

As we approach the end of the existing franchise terms on our three rail franchises, performance against original bid assumptions becomes more challenging. Despite this, rail profitability has improved year on year with operating profit in the first half of the year of £10.5m (H1'13: £6.7m). The rail division is not expected to generate material profits in the second half of the year as the premium profile becomes more stretching and an unprofitable seven-month extension period of the Southeastern franchise begins.

Southeastern has delivered strong operational performance and maintained customer satisfaction at its highest ever level, 84%. Our high speed service continues to achieve high scores with an overall satisfaction score of 95% in the latest passenger survey. We have now received the Request for Proposal (RfP) from the Department for Transport (DfT) for the planned franchise extension to June 2018 and continue our discussions with the DfT.

Following a period of challenging trading conditions in the Southern franchise revenue growth is improving, helped by the early signs of economic recovery in the South East. Following the success of our smartcard, 'the key', across our bus network we were pleased to introduce it to Southern commuters travelling into London in October 2013. We are the first company in the UK to launch this technology for national UK rail customers.

During the period Southern again supported the DfT in its train procurement programme, ordering 116 Class 377's for use on the Thameslink franchise. We also introduced a brand new fleet of 26 trains, increasing capacity and improving the passenger experience for our customers.

Revenue growth in London Midland remains strong and in the first half of the year the franchise contributed directly to the Government through the revenue share mechanism. There is a planned extension period for the franchise to June 2017 and we await discussions with the DfT.

We await the outcome of the DfT's Thameslink franchise and TfL's Crossrail franchise competitions, having submitted our bids on 24 December and 14 February respectively. We believe in the fundamental strengths of the UK rail industry and we look forward to operating rail services into the future.

During the period, our teams were working hard in developing our rail planning mobile app 'On Track', which was launched in January. The free app provides highly personalised, real-time information and fast journey planning for all national rail routes. We have already seen a high take up, with over 55,000 downloads in the first three weeks.

## Sustainability

Operating sustainably is integral to our business. Continual focus is given to this area across Go-Ahead and our sustainability performance is a permanent item on the Group Board agenda.

Go-Ahead is widely recognised as one of the UK's most responsible businesses with a Business in the Community ranking at the Platinum level. Only 25 FTSE 350 businesses achieved this in 2013. Our award-winning sustainability reporting ensures transparency of our five key reporting areas; safety, passengers, employees, environment and communities.

Safety is our top priority and we continue to monitor our performance closely at all levels of the business. We are committed to reducing the environmental impact of our operations and good progress has been made in minimising carbon emissions, waste and water usage. During the period we invested in our bus fleet, introducing more hybrid vehicles, and also began piloting the use of electric buses in London, in partnership with TfL. We continue to develop flywheel technology working alongside Williams Hybrid Power; and during the period we were pleased to win our first London bus contract as a result of introducing this leading edge, carbon efficient technology.

Our primary aim is to provide high quality value for money services for our customers. Beyond this, we are constantly striving to increase our contribution to the communities we serve. We support our local management teams and develop our people, believing that services are at their best when delivered by local people who form part of the community and understand passengers' needs.

During the period our businesses were commended in many different ways. Go-Ahead won more awards than any other transport group at the prestigious UK Bus Awards and our train companies were recognised at the respected National Rail Awards. We were awarded for initiatives including our unique Go-Learn education pack for schools, bus marketing campaigns and our innovative rail engineering Wiki. The quality of our operations was also celebrated, with accolades for outstanding bus depot performance and high standards of train maintenance.

Some of our people have also been commended for their individual contribution to the transport industry and I would like to thank each of our 23,500 employees for their hard work and dedication.

## Outlook

Overall our full year expectations are unchanged. In the second half of the year, we anticipate a similar bus performance as in the first. As previously indicated, the rail division is not expected to generate material profits in the second half of the year as our premium profile will become more challenging and Southeastern will commence a seven-month extension period, which is expected to be unprofitable.

We remain confident in our ability to deliver our £100m bus profit target by 2015/16 and continue to make progress in securing our rail portfolio.

The Group remains in a good financial position with strong cash generation and a solid balance sheet, underpinning the dividend policy and allowing flexibility to pursue value-adding opportunities. We continue to focus on our key strengths of providing high quality, locally-focused and innovative transport services.

## David Brown, Group Chief Executive

19 February 2014

# Chairman's Statement

The Group has delivered another set of good results.

It is an exciting time for Go-Ahead, with a lot of opportunities ahead of us. Public transport is integral to our society and economy, with millions of commuters travelling to work creating huge annual economic outputs. Go-Ahead plays a key role in UK public transport, with over one billion passenger journeys on our services each year.

Since becoming Chairman in April 2013 I have visited almost all of the Group's operating companies and have been impressed by the dedication and hard work of our people across the bus and rail divisions. The steadfast commitment to customer service in our businesses is one of the things that stood out to me most and it is central to Go-Ahead's reputation.

## Dividends

The Board remains committed to at least maintaining the current full year dividend per share, recognising its importance to the investment decision of many of our shareholders. The dividend is supported by the Group's strong balance sheet and cash generation, and our £100m bus operating profit target underpins this.

The interim dividend has been maintained at 25.5p (H1'13: 25.5p) and is payable on 4 April 2014 to shareholders registered at the close of business on 21 March 2014.

In the period, we were pleased to pay out last year's final dividend of 55.5p (H1'13: 55.5p). The total dividend in respect of the full year ended 29 June 2013 was 81.0p.

## Commitment to transparent reporting

The UK Corporate Governance Code's requirement for all relevant communications, including the annual report and accounts, to be fair, balanced and understandable takes effect during our current financial year. We are already well on the way to meeting these requirements and are proud of our high standards of reporting. We are determined to make further improvements to improve the quality of our reporting. During the period our commitment to good reporting was recognised at the PwC Building Public Trust Awards where we received the Excellence in Reporting award for FTSE 250 businesses.

## Your Board

Your Board is well-balanced with a wealth of varied experience and expertise. 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 an internal evaluation of the Board was undertaken. Led by the Group Company Secretary, the review sought to build upon and enhance Board and individual Director effectiveness. The review found a well-run Board and no areas of material concern were highlighted. Nevertheless, a number of areas for possible improvements were identified and are currently being implemented, including enhancing the strategic planning process and the introduction of a formal appraisal process for all Executive and Non-Executive Directors.

As previously announced, Rupert Pennant-Rea retired from the Board at the Annual General Meeting on 24 October 2013, following ten years as a Non-Executive Director. I would like to thank him for his longstanding commitment to the Group. Through an effective succession planning process, Nick Horler joined the Board in November 2011 in advance of Rupert's retirement.

## Conclusion

I am pleased by our performance in the first half of the year and I am positive about the future of the business. There are exciting opportunities for the Group in both the short and long term and I look forward to the role Go-Ahead will continue to play in the public transport industry.

**Andrew Allner, Chairman**

19 February 2014

## Business and finance review

The accounting standard IAS19 'Employee benefits' (revised) was adopted for the first time in the interim financial statements for the six months ended 28 December 2013. All comparative figures have been restated for the impact of IAS19 (revised). A summary of the impact can be found in note 3 to the financial statements.

### Revenue and operating profit by division

|                         | HI'14<br>£m    | Restated<br>HI'13<br>£m | Increase/<br>(Decrease)<br>£m | Increase/<br>(Decrease)<br>% |
|-------------------------|----------------|-------------------------|-------------------------------|------------------------------|
| <b>Revenue</b>          |                |                         |                               |                              |
| <i>Deregulated Bus</i>  | <b>174.3</b>   | 169.4                   | 4.9                           | 2.9                          |
| <i>Regulated Bus</i>    | <b>222.7</b>   | 211.9                   | 10.8                          | 5.1                          |
| Total Bus               | <b>397.0</b>   | 381.3                   | 15.7                          | 4.1                          |
| Rail                    | <b>973.0</b>   | 915.3                   | 57.7                          | 6.3                          |
| Total                   | <b>1,370.0</b> | 1,296.6                 | 73.4                          | 5.7                          |
| <b>Operating profit</b> |                |                         |                               |                              |
| <i>Deregulated Bus</i>  | <b>20.2</b>    | 16.0                    | 4.2                           | 26.3                         |
| <i>Regulated Bus</i>    | <b>20.4</b>    | 19.4                    | 1.0                           | 5.2                          |
| Total Bus               | <b>40.6</b>    | 35.4                    | 5.2                           | 14.7                         |
| Rail                    | <b>10.5</b>    | 6.7                     | 3.8                           | 56.7                         |
| Total                   | <b>51.1</b>    | 42.1                    | 9.0                           | 21.4                         |

### Summary income statement

|  | HI'14<br>£m    | Restated<br>HI'13<br>£m | Increase/<br>(Decrease)<br>£m | Increase/<br>(Decrease)<br>% |
|--|----------------|-------------------------|-------------------------------|------------------------------|
| Revenue                                  | <b>1,370.0</b> | 1,296.6                 | 73.4                          | 5.7                          |
| Operating profit                         | <b>51.1</b>    | 42.1                    | 9.0                           | 21.4                         |
| Net finance costs                        | <b>(7.6)</b>   | (8.0)                   | 0.4                           | 5.0                          |
| Profit before tax*                       | <b>43.5</b>    | 34.1                    | 9.4                           | 27.6                         |
| Amortisation                             | <b>(3.2)</b>   | (3.3)                   | 0.1                           | 3.0                          |
| Profit before tax                        | <b>40.3</b>    | 30.8                    | 9.5                           | 30.8                         |
| Total tax expense                        | <b>(2.4)</b>   | (5.6)                   | 3.2                           | 57.1                         |
| Profit for the period                    | <b>37.9</b>    | 25.2                    | 12.7                          | 50.4                         |
| Non-controlling interests                | <b>(4.3)</b>   | (2.3)                   | (2.0)                         | (87.0)                       |
| Profit attributable to members           | <b>33.6</b>    | 22.9                    | 10.7                          | 46.7                         |
| Adjusted profit attributable to members* | <b>35.7</b>    | 25.0                    | 10.7                          | 42.8                         |
| Weighted average number of shares (m)    | <b>42.8</b>    | 42.8                    | —                             | —                            |
| Adjusted earnings per share (p)          | <b>83.3</b>    | 58.3                    | 25.0                          | 42.9                         |
| Proposed dividend per share (p)          | <b>25.5</b>    | 25.5                    | —                             | —                            |

\* Before amortisation

## Overview and highlights

Revenue in the period increased by £73.4m, or 5.7%, to £1,370.0m (H1'13: £1,296.6m), with growth in both bus and rail.

Operating profit was £51.1m (H1'13: £42.1m) up £9.0m, or 21.4%, with an increase in overall operating profit margin to 3.7% (H1'13: 3.2%).

Profit before tax for the period was £40.3m (H1'13: £30.8m), up £9.5m, or 30.8%, and adjusted earnings per share rose 42.9% to 83.3p (H1'13: 58.3p), impacted by the increase in operating profit and the reduction in the effective tax rate from 18.2% to 6.0%. Net profit after tax for the period was £37.9m (H1'13: £25.2m).

Net debt was £70.5m at the half year end (29 June 2013: net debt £90.9m). Adjusted net debt to EBITDA of 1.73x remains within our target range of 1.5x to 2.5x. Adjusted net debt to EBITDA is calculated excluding the impact of IAS 19 (revised) as required by our bank covenant.

## Bus

|                                  | H1'14         | H1'14          | Restated<br>H1'13* | Restated<br>H1'13 |
|----------------------------------|---------------|----------------|--------------------|-------------------|
| <b>Revenue</b>                   |               |                |                    |                   |
| Deregulated                      |               | <b>£174.3m</b> |                    | £169.4m           |
| Regulated                        |               | <b>£222.7m</b> |                    | £211.9m           |
| Total Bus                        |               | <b>£397.0m</b> |                    | £381.3m           |
| <b>Operating profit</b>          |               |                |                    |                   |
| Deregulated                      |               | <b>£20.2m</b>  |                    | £16.0m            |
| Regulated                        |               | <b>£20.4m</b>  |                    | £19.4m            |
| Total Bus                        |               | <b>£40.6m</b>  |                    | £35.4m            |
| <b>Operating profit margin</b>   |               |                |                    |                   |
| Deregulated                      |               | <b>11.6%</b>   |                    | 9.4%              |
| Regulated                        |               | <b>9.2%</b>    |                    | 9.2%              |
| Total Bus                        |               | <b>10.2%</b>   |                    | 9.3%              |
| <b>Revenue growth</b>            |               |                |                    |                   |
| Deregulated                      | <b>3.7%**</b> | <b>2.9%</b>    | 4.7%               | 9.6%              |
| Regulated                        | <b>7.9%**</b> | <b>5.1%</b>    | 6.3%**             | 16.9%             |
| <b>Volume growth</b>             |               |                |                    |                   |
| Deregulated – passenger journeys | <b>1.4%**</b> | <b>1.4%</b>    | 2.7%               | 5.5%              |
| Regulated – miles operated       | <b>2.8%**</b> | <b>1.8%</b>    | 3.3%**             | 11.1%             |

\* On a like for like basis, excluding acquisitions

\*\* Adjusting for the impact of the Olympic Games. The deregulated Olympic contract we delivered was on a gross cost basis. Passenger journeys were not recorded.

## Overall bus performance review

Overall our bus operations delivered strong half year operating profits, with increased fuel and pension costs being more than offset by lower insurance costs, cost saving initiatives and underlying growth.

Total bus revenue increased by 4.1%, or £15.7m, to £397.0m (H1'13: £381.3m). The division achieved strong operating profit of £40.6m, up £5.2m or 14.7% (H1'13: £35.4m), resulting in an increase in operating profit margin of 0.9ppts to 10.2%.

All of our bus operations saw sustained commercial and concessionary revenue growth in the period, through market leading products and increased purchasing options for our passengers such as m-ticketing and other innovations.

## Capital expenditure

We made significant investment in our bus operations in the first half, with net cash outflow from capital expenditure of £48.8m (H1'13: £28.3m), including £42.4m on 231 new buses (H1'13: £18.7m on 100 new buses). This is notably higher than the same period last year, reflecting service enhancements and commercial contract wins, primarily in our deregulated business. We now expect full year bus capital expenditure of around £65m.

## Deregulated bus

### Revenue

Excluding the impact of the Olympics, deregulated revenue growth was 3.7%, driven by passenger journey growth of 1.4% and increased mileage due to investment in our services and commercial contract wins. Revenue and passenger journeys have increased in respect of both commercial and concessionary travel.

We continued to focus on commercial services and only around 10% of our deregulated revenue is generated from contracts that could give exposure to changes in local authority policies and budgets. Our on going strategic focus on more vibrant urban areas, mainly in the South, has helped to protect us from the challenges of the wider economic environment.

## Operating profit

Deregulated bus operating profit was £20.2m (H1'13: £16.0m), up £4.2m or 26.3% with higher fuel and pension costs more than offset by cost savings, underlying growth and lower insurance claim costs. As a result operating profit margins increased by 2.2ppts to 11.6%.

|                                 |         |
|---------------------------------|---------|
| H1'13 operating profit restated | £16.0m  |
| Change in:                      |         |
| Pension costs                   | £(1.0)m |
| Cost of claims                  | £1.5m   |
| Cost base improvements          | £1.5m   |
| Underlying growth               | £2.2m   |
| Fuel costs                      | £(0.6)m |
| Capital costs                   | £0.6m   |
| H1'14 operating profit          | £20.2m  |

## Regulated bus Revenue

Regulated bus revenue increased by 5.1% and mileage increased by 1.8%, or 7.9% and 2.8% respectively when adjusting for the impact of the Olympics. Mileage increased as a result of higher than expected rail replacement work due to planned line closures, and some small contract gains. Our ranking in the TfL performance league tables remains high with 99.6% (H1'13: 99.6%) of our target mileage operated.

## Operating profit

Operating profit for regulated bus was £20.4m, (H1'13: £19.4m) up £1.0m, or 5.2%, with underlying contract growth and reduced insurance claim costs more than offsetting increased fuel, pension and capital costs. Operating profit margin remained at 9.2%.

|                                 |         |
|---------------------------------|---------|
| H1'13 operating profit restated | £19.4m  |
| Change in:                      |         |
| QICs                            | £0.2m   |
| Acquisition                     | £0.3m   |
| Olympic Games                   | £(1.6)m |
| Pension costs                   | £(0.8)m |
| Underlying growth               | £2.5m   |
| Fuel costs                      | £(0.6)m |
| Capital costs                   | £(0.4)m |
| Cost of claims                  | £1.4m   |
| H1'14 operating profit          | £20.4m  |

## North American Yellow School Bus

Our 50:50 joint venture with Cook-Illinois continues to operate two contracts, running around 120 buses in St Louis, Missouri, which are both due to end in July 2014.

## Bus outlook

In the second half of the year we expect similar levels of performance in our regulated and deregulated businesses to the first half.

We continue to drive revenue growth in our deregulated business by tackling the barriers that prevent people from using public transport. We are committed to making bus travel more convenient and accessible to all. Our regulated business remains focused on the delivery of high quality, cost efficient contracted services. We continue to work closely with TfL and partners, such as Williams Hybrid Power, to develop innovative solutions for the industry.

We are pleased with our progress towards our target and are confident in our ability to achieve £100m of bus operating profit by 2015/16. We expect to achieve further cost savings in the second half of the year, albeit less significant than in the first half.



## Rail

|                                 | HI'14*       | HI'14          | HI '13* | Restated<br>HI'13 |
|---------------------------------|--------------|----------------|---------|-------------------|
| <b>Total revenue</b>            |              | <b>£973.0m</b> |         | £915.3m           |
| <b>Operating profit</b>         |              | <b>£10.5m</b>  |         | £6.7m             |
| <b>Operating profit margin</b>  |              | <b>1.1%</b>    |         | 0.7%              |
| <b>Passenger revenue growth</b> |              |                |         |                   |
| Southern                        | <b>8.2%</b>  | <b>7.7%</b>    | 5.5%    | 6.0%              |
| Southeastern                    | <b>5.3%</b>  | <b>2.7%</b>    | 10.0%   | 12.7%             |
| London Midland                  | <b>10.1%</b> | <b>8.9%</b>    | 12.4%   | 13.6%             |
| <b>Volume growth</b>            |              |                |         |                   |
| Southern                        | <b>4.3%</b>  | <b>3.9%</b>    | (2.3)%  | (1.8)%            |
| Southeastern                    | <b>3.9%</b>  | <b>0.8%</b>    | 2.3%    | 5.4%              |
| London Midland                  | <b>5.4%</b>  | <b>4.7%</b>    | 2.6%    | 3.2%              |
| <b>Punctuality**</b>            |              |                |         |                   |
| Southern                        |              | <b>86%</b>     |         | 87%               |
| Southeastern                    |              | <b>90%</b>     |         | 91%               |
| London Midland                  |              | <b>84%</b>     |         | 86%               |
| <b>Customer satisfaction#</b>   |              |                |         |                   |
| Southern                        |              | <b>76%</b>     |         | 82%               |
| Southeastern                    |              | <b>84%</b>     |         | 84%               |
| London Midland                  |              | <b>84%</b>     |         | 83%               |

\* On a like for like basis, adjusting for the impact of the Olympic Games

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

# Based on National Passenger Survey – results announced in January 2014. Passenger Focus noted that survey results for Southern may have been affected by several incidents causing major disruption outside of Southern's direct control

## Performance review

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

The rail division has delivered a solid result in the six months to 28 December 2013.

Revenue growth is improving in the Southern franchise, with growth in like for like passenger revenue of 8.2%. The franchise is expected to enter revenue support at the 80% level during the second half of the year. Underlying profitability continues through cost and contract management programmes.

Southeastern performance remains in line with expectations and reported like for like growth in passenger revenue of 5.3%. The franchise continues to receive revenue support at the 80% level and will begin an unprofitable seven-month extension period in the second half of the year.

London Midland continued to report strong like for like growth in passenger revenue and journeys. The franchise became eligible to receive revenue support in November 2011 but has never required it due to strong revenue performance. It is the only franchise of its type that has not required this support and, in the period to 28 December 2013, the franchise made revenue share payments to the DfT.

Passenger journey data across all companies continue to be impacted by the change in DfT methodology in Travelcard allocations, inflating growth rates.

## Revenue

Total rail revenue increased by 6.3%, or £57.7m, to £973.0m. This consisted of:

|                              | HI'14<br>£m  | HI'13<br>£m | Increase/<br>(Decrease)<br>£m | Increase/<br>(Decrease)<br>% |
|------------------------------|--------------|-------------|-------------------------------|------------------------------|
| Passenger revenue            | <b>814.2</b> | 769.6       | 44.6                          | 5.8                          |
| Other revenue                | <b>92.4</b>  | 73.9        | 18.5                          |                              |
| Total subsidy                | <b>28.0</b>  | 41.4        | (13.4)                        |                              |
| Southeastern                 | <b>(2.4)</b> | 11.8        | (14.2)                        |                              |
| London Midland               | <b>30.4</b>  | 29.6        | 0.8                           |                              |
| Southeastern revenue support | <b>39.7</b>  | 30.4        | 9.3                           |                              |
| London Midland revenue share | <b>(1.3)</b> | —           | (1.3)                         |                              |
| Total revenue                | <b>973.0</b> | 915.3       | 57.7                          | 6.3                          |

Subsidy refers to the support provided by the DfT for running the franchise as agreed in the tender process.

## Premium payments

Southern's premium payments are included in operating costs.

|                  | HI'14<br>£m | HI'13<br>£m | Increase/<br>(Decrease)<br>£m |
|------------------|-------------|-------------|-------------------------------|
| Southern premium | <b>88.8</b> | 69.4        | 19.4                          |

Net franchise model payments to the DfT (excluding revenue support and revenue share) were up £32.8m on the same period last year. Revenue support receipts increased by £9.3m, partly offset by revenue share payments up £1.3m. Southern's premium payments increased by £19.4m and subsidy receipts, excluding revenue support and revenue share, reduced by £13.4m. Overall, we contributed £22.4m to the DfT in net franchise model premium payments, including revenue share and support (HI'13: net receipt from the DfT of £2.4m).

## Operating profit

Half year operating profit in the rail division was £10.5m (HI'13: £6.7m) resulting in an increase in operating profit margin of 0.4ppts to 1.1%.

|   |          |
|---|----------|
| HI'13 operating profit restated                   | £6.7m    |
| Change in:  |          |
| Passenger revenue                                 | £44.6m   |
| Additional like for like costs and other revenues | £(16.0)m |
| Southern premium                                  | £(19.4)m |
| Southeastern subsidy                              | £(14.2)m |
| London Midland subsidy                            | £0.8m    |
| Southeastern revenue support                      | £9.3m    |
| London Midland revenue share                      | £(1.3)m  |
| HI'14 operating profit                            | £10.5m   |

## Capital expenditure

Net capital expenditure in rail was £0.7m (HI'13: £2.1m), of which £0.1m related to Southeastern and £0.6m to London Midland. Full year rail capital expenditure is expected to be around £5m.

## Rail outlook

In the second half of the year no material rail profits are expected as our premium profile will become more challenging and Southeastern will commence a seven-month extension period, which is expected to be unprofitable.

A more modest revenue yield is expected in the second half of the year as January 2014 fare increases were lower than last year.

We have recently submitted our bid for TfL's Crossrail franchise competition and we await the outcome of the DfT's Thameslink franchise competition in the spring. We have now received the Request for Proposal (RfP) from the DfT for the planned Southeastern franchise extension to June 2018 and continue our discussions. We await discussions with the DfT regarding the planned London Midland extension to June 2017.

We remain focused on delivering value over the remaining lives of our existing franchises and are committed to securing our future rail portfolio.

## Other financial items

### Pensions

Operating profit includes the net cost of the Group's defined benefit pension plans for the period of £29.3m (H1'13: £27.4m), comprising bus costs of £5.3m (H1'13: £4.3m) and rail costs of £24.0m (H1'13: £23.1m). Company contributions to the schemes totalled £22.8m (H1'13: £23.5m).

During the period the Group completed negotiations to close the bus division defined benefit scheme to future accruals with effect from 31 March 2014. The full year cost for the bus scheme will be £8.7m (2013: £8.6m). Without scheme closure the full year costs would have been over £10.5m. Future cash contributions are expected to be lower.

An asset backed funding arrangement is now in place which gives pension scheme trustees an interest in some Group properties. This combined with the scheme closure is expected to eliminate the actuarial deficit on the scheme. The actuarial valuation applies different assumptions to the valuation of assets and liabilities to those used in the accounting valuations.

The net deficit after taxation on the bus defined benefit schemes was £65.6m (29 June 2013: £36.7m), consisting of pre tax liabilities of £82.0m (29 June 2013: £47.7m) less a deferred tax asset of £16.4m (29 June 2014: £11.0m). The increase in deficit was largely due to increased scheme liabilities generated by a lower discount rate. The pre tax deficit consisted of estimated liabilities of £659.4m (29 June 2013: £617.3m) less assets of £577.4m (29 June 2013: £569.6m). The percentage of assets held in higher risk, return seeking assets was 50% (29 June 2013: 49%). The net deficit calculation does not take into account the impact of the scheme closure.

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 (29 June 2013: £nil).

### IAS19 (revised)

IAS19 (revised) became effective for the Group for the first time in the current financial year. Having applied the revised standard to the financial statements for the year ended 29 June 2013, the effect is a reduction in profit before tax for the year of £12.8m, £7.5m of which is attributable to equity holders of the parent. This has resulted in a reduction in basic earnings per share of 17.5p and a reduction to adjusted earnings per share of 22.0p, of this 6.8p relates to the bus division. Applying the revised standard has no effect on cash, credit rating or bank covenants.

The table below shows the impact of IAS 19 (revised) on the financial results for the six months to 28 December 2013 and on the restated results for the six months to 29 December 2012 and the year ended 29 June 2013.

|   | H1'14<br>£m    | H1'13<br>£m | FY13<br>£m |
|---|----------------|-------------|------------|
| Profit adjustment – bus                             | <b>(2.3)</b>   | (1.7)       | (3.8)      |
| Profit adjustment – rail                            | <b>(6.7)</b>   | (7.4)       | (12.8)     |
| Total operating profit effect                       | <b>(9.0)</b>   | (9.1)       | (16.6)     |
| Amortisation  | <b>1.9</b>     | 1.9         | 3.8        |
| Profit before taxation                              | <b>(7.1)</b>   | (7.2)       | (12.8)     |
| Tax   | <b>1.6</b>     | 1.7         | 2.9        |
| Profit for the period                               | <b>(5.5)</b>   | (5.5)       | (9.9)      |
| Attributable to:                                    |                |             |            |
| Equity holders of the parent                        | <b>(4.2)</b>   | (4.0)       | (7.5)      |
| Non-controlling interests                           | <b>(1.3)</b>   | (1.5)       | (2.4)      |
|   | <b>(5.5)</b>   | (5.5)       | (9.9)      |
| Reduction in basic earnings per share               | <b>(9.8)p</b>  | (9.4)p      | (17.5)p    |
| Reduction in diluted earnings per share             | <b>(9.7)p</b>  | (9.3)p      | (17.4)p    |
| Reduction in adjusted earnings per share            | <b>(12.0)p</b> | (11.7)p     | (22.0)p    |
| Reduction in earnings per share attributable to bus | <b>(4.2)p</b>  | (3.0)p      | (6.8)p     |

## Net finance costs

Net finance costs for the period were £7.6m (H1'13: £8.0m), comprising finance costs of £8.2m (H1'13: £8.9m) less finance revenue of £0.6m (H1'13: £0.9m). The average underlying net interest rate for the period was 4.4% (H1'13: 4.6%).

## Intangible amortisation and exceptional items

The charge for the period of £3.2m (H1'13: £3.3m) represents the non-cash cost of amortising intangibles including assets associated with rail franchises, acquired contracts and computer costs.

There were no exceptional items in the period (H1'13: £nil).

## Taxation

Net tax for the period of £2.4m (H1'13: £5.6m) includes underlying tax on ordinary activities of £9.1m (H1'13: £7.8m) and is equivalent to an underlying effective tax rate of 22.6%, above the statutory rate for the period of 22.5% as a result of non-qualifying capital allowances. Including the impact of the opening deferred tax rate reduction of £6.7m credit (H1'13: £2.2m credit), the effective tax rate is 6.0% (H1'13: 18.2%). The effective tax rate for the full year is expected to be around 15% including the impact of currently enacted tax rate changes.

## Non-controlling interests

Non-controlling interests in the income statement of £4.3m (H1'13: £2.3m) 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 £35.7m in the period (H1'13: £25.0m) resulting in adjusted earnings per share of 83.3p (H1'13: 58.3p). In addition to the increase in operating profit, this was impacted by the reduction in the effective tax rate from 18.2% to 6.0%. The impact of the opening deferred tax reduction increased adjusted earnings per share by 15.6p.

The weighted average number of shares remained at 42.8 million (H1'13: 42.8 million). The closing number of shares in issue, net of treasury shares was also 42.8 million (H1'13: 42.8 million).

## Dividends

The Board has maintained the interim dividend at 25.5p (H1'13: 25.5p), payable on 4 April 2014 to shareholders on the register at the close of business on 21 March 2014.

Dividends paid in the period represent the payment of last year's final dividend of 55.5p (H1'13: 55.5p), giving a total dividend in respect of the full year ended 29 June 2013 of 81.0p.

## Summary cashflow

|  | H1'14<br>£m  | Restated<br>H1'13<br>£m | Increase/<br>(Decrease)<br>£m |
|--|--------------|-------------------------|-------------------------------|
| EBITDA*  | 80.3         | 70.0                    | 10.3                          |
| Working capital/other items                      | 33.5         | 43.1                    | (9.6)                         |
| Pensions   | 6.5          | 3.9                     | 2.6                           |
| <b>Cashflow generated from operations</b>        | <b>120.3</b> | <b>117.0</b>            | <b>3.3</b>                    |
| Tax paid   | (5.5)        | (2.4)                   | (3.1)                         |
| Net interest paid                                | (12.9)       | (13.4)                  | 0.5                           |
| Net capital investment                           | (49.1)       | (29.6)                  | (19.5)                        |
| Sale of rolling stock                            | –            | 75.5                    | (75.5)                        |
| Rolling stock deposit                            | (68.6)       | –                       | (68.6)                        |
| Receipt of funding for rolling stock procurement | 68.6         | –                       | 68.6                          |
| <b>Free cashflow**</b>                           | <b>52.8</b>  | <b>147.1</b>            | <b>(94.3)</b>                 |
| Repayment from joint venture                     | –            | 0.2                     | (0.2)                         |
| Dividends paid                                   | (32.4)       | (29.8)                  | (2.6)                         |
| <b>Decrease in net debt</b>                      | <b>20.4</b>  | <b>117.5</b>            | <b>(97.1)</b>                 |
| Opening net debt                                 | (90.9)       | (91.0)                  |                               |
| Closing (net debt)/net cash**                    | (70.5)       | 26.5                    |                               |

\* Operating profit before interest, tax, depreciation and amortisation

\*\* When adjusting for the sale of rolling stock, H1'13 free cashflow was £56.5m and net debt was £64.1m

## Cashflow

Cashflow generated from operations before taxation increased by £3.3m to £120.3m (H1'13: £117.0m) and working capital and other items fell by £9.6m to £33.5m (H1'13: £43.1m). This working capital benefit is due to the timing of season ticket payments and is expected to reverse in the second half of the year.

Tax paid of £5.5m (H1'13: £2.4m) related to the final instalments of the 2012/13 tax year. Net interest paid of £12.9m (H1'13: £13.4m) was higher than the net charge for the period of £7.6m (H1'13: £8.0m) 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 £49.1m (H1'13: £29.6m), higher than the comparative period as a result of increased requirements for new vehicles, mainly in the deregulated business. Capital expenditure for the full year is expected to be around £70m.

During the period, Southern has again supported the DfT in its train procurement programme, ordering 116 Class 377's for use on the Thameslink franchise. A £68.6m deposit was paid to the manufacturer during the period and was subsequently refunded by the DfT. The total procurement cost of £171.6m is underwritten by the DfT and will ultimately be funded through a third party rolling stock leasing company.

Dividends paid to parent company shareholders remained at £23.8m (H1'13: £23.8m) and dividends paid to non-controlling interests increased to £8.6m (H1'13: £6.0m).

As happened last year, we expect the working capital benefit to unwind in the second half of the year and anticipate net debt to be broadly unchanged year on year.

## Capital structure

|   | H1'14<br>£m  | H1'13<br>£m | FY'13<br>£m |
|---|--------------|-------------|-------------|
| Five year syndicated facility 2016                      | 275.0        | 275.0       | 275.0       |
| 7½ year £200m 5.375% sterling bond 2017                 | 200.0        | 200.0       | 200.0       |
| Total core facilities                                   | 475.0        | 475.0       | 475.0       |
| Amount drawn down at half year end                      | 312.0        | 301.0       | 333.0       |
| <b>Balance available</b>                                | <b>163.0</b> | 174.0       | 142.0       |
| Restricted cash*  | 225.1        | 303.6       | 208.7       |
| Net debt/(cash)   | 70.5         | (26.5)      | 90.9        |
| Adjusted net debt                                       | 295.6        | 277.1       | 299.6       |
| EBITDA as reported                                      | 80.3         | 70.0        | 144.0       |
| Impact of IAS 19 revised                                | 9.0          | 9.1         | 16.6        |
| EBITDA**  | 89.3         | 79.1        | 160.6       |
| Adjusted net debt/EBITDA (twelve month rolling basis)** | 1.73x        | 1.67x       | 1.87x       |

\* When adjusting for the sale of rolling stock, H1'13 restricted cash was £213.0m

\*\* In accordance with our bank covenants adjusted net debt/EBITDA is calculated excluding the impact of IAS 19 (revised)

## Net debt

Net debt was £70.5m at the half year end (29 June 2013: net debt £90.9m; H1 '13: net cash £26.5m). Included in the net cash position at 29 December 2012 was a receipt of £90.6m (£75.5m plus VAT) on the sale of rolling stock relating to the Southern franchise. This was repaid to the DfT in January 2013. Removing the impact of this one-off transaction would have resulted in net debt of £64.1m at the previous half year end.

Net debt comprised the £200m sterling bond (H1'13: £200m), amounts drawn down against the £275m five year revolving credit facility of £112.0m (H1'13: £101.0m), amounts drawn down against the US\$10m facility of £2.9m (H1'13: £3.3m), hire purchase and lease agreements of £2.7m (H1'13: £4.9m) less cash and short term deposits of £247.1m (H1'13: £335.7m).

Adjusted net debt, consisting of net debt plus restricted cash in our rail division of £225.1m (H1'13: £303.6m), was £295.6m (H1'13: £277.1m), equivalent to 1.73x EBITDA on a twelve month rolling basis (29 June 2013: 1.87x; H1'13: 1.67x). Adjusted net debt was unaffected by the sale of rolling stock as this cash was restricted. Adjusted net debt/EBITDA is calculated excluding the impact of IAS 19 (revised) in accordance with our bank covenants.

## 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 29 June 2013 and identified the following principal risks and uncertainties affecting the Group's business for the second six months of the financial year ended 28 June 2014.

The key risks and uncertainties include:

- External – economic environment; political and regulatory framework
- Operational – catastrophic incident or severe infrastructure failure; labour costs, employee relations, and resource planning; information technology failure or interruption
- Strategic – sustainability of rail profits; competition; inappropriate strategy or investment

More details about these risks can be found on pages 32 – 37 of the 'Business Review: Managing Risk' section of the Group Annual Report and Accounts, available on our website at [www.go-ahead.com](http://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**

19 February 2014

## 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 28 December 2013 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 28 December 2013

|  | Notes | Six months to<br>28 Dec 13<br>£m<br>Unaudited | Restated <sup>1</sup><br>Six months to<br>29 Dec 12<br>£m<br>Unaudited | Restated <sup>1</sup><br>Year to<br>29 Jun 13<br>£m<br>Audited |
|--|-------|---|--|--|
| <b>Group revenue</b>                                     | 5     | <b>1,370.0</b>                                | 1,296.6  | 2,571.8  |
| Operating costs (excluding amortisation)                 |       | <b>(1,318.9)</b>                              | (1,254.5)  | (2,485.9)  |
| <b>Group operating profit (before amortisation)</b>      | 5     | <b>51.1</b>                                   | 42.1   | 85.9   |
| Intangible amortisation                                  |       | <b>(3.2)</b>                                  | (3.3)  | (6.5)  |
| <b>Group operating profit (after amortisation)</b>       |       | <b>47.9</b>                                   | 38.8   | 79.4   |
| Finance revenue  |       | <b>0.6</b>                                    | 0.9  | 1.6  |
| Finance costs  |       | <b>(8.2)</b>                                  | (8.9)  | (17.9)   |
| <b>Profit from continuing operations before taxation</b> |       | <b>40.3</b>                                   | 30.8   | 63.1   |
| Tax expense  | 6     | <b>(2.4)</b>                                  | (5.6)  | (13.1)   |
| <b>Profit for the period</b>                             |       | <b>37.9</b>                                   | 25.2   | 50.0   |
| Attributable to:   |       |   |  |  |
| Equity holders of the parent                             |       | <b>33.6</b>                                   | 22.9   | 46.2   |
| Non-controlling interests                                |       | <b>4.3</b>                                    | 2.3  | 3.8  |
|  |       | <b>37.9</b>                                   | 25.2   | 50.0   |
| Earnings per share                                       |       |   |  |  |
| – basic  | 7     | <b>78.4p</b>                                  | 53.4p  | 107.8p   |
| – diluted  | 7     | <b>77.9p</b>                                  | 53.1p  | 107.2p   |
| – adjusted   | 7     | <b>83.3p</b>                                  | 58.3p  | 117.6p   |
| Dividend paid (pence per share)                          | 10    | <b>55.5p</b>                                  | 55.5p  | 81.0p  |
| Dividend proposed (pence per share)                      | 10    | <b>25.5p</b>                                  | 25.5p  | 55.5p  |

<sup>1</sup> Restated for adoption of IAS19 (revised) as explained in note 3.



# Interim consolidated statement of comprehensive income

for the six months ended 28 December 2013

|  | Notes | Six months to<br>28 Dec 13<br>£m<br>Unaudited | Restated <sup>1</sup><br>Six months to<br>29 Dec 12<br>£m<br>Unaudited | Restated <sup>1</sup><br>Year to<br>29 Jun 13<br>£m<br>Audited |
|--|-------|---|--|--|
| <b>Profit for the period</b>   |       | <b>37.9</b>                                   | 25.2   | 50.0   |
| <b>Other comprehensive (losses)/income</b>                           |       |   |  |  |
| <b>Items that will not be reclassified to profit or loss</b>         |       |   |  |  |
| Remeasurements of defined benefit retirement plans                   |       | <b>(27.9)</b>                                 | (25.2)   | (19.7)   |
| Tax relating to items that will not be reclassified                  | 6     | <b>4.2</b>                                    | 5.5  | 4.1  |
|  |       | <b>(23.7)</b>                                 | (19.7)   | (15.6)   |
| <b>Items that may subsequently be reclassified to profit or loss</b> |       |   |  |  |
| Unrealised (losses)/gains on cashflow hedges                         |       | <b>(1.4)</b>                                  | 5.0  | 4.0  |
| Gains on cashflow hedges taken to income statement – operating costs |       | <b>(0.2)</b>                                  | (2.6)  | (3.4)  |
| Tax relating to items that may be reclassified                       | 6     | <b>0.3</b>                                    | (0.6)  | (0.2)  |
|  |       | <b>(1.3)</b>                                  | 1.8  | 0.4  |
| <b>Other comprehensive losses for the period, net of tax</b>         |       | <b>(25.0)</b>                                 | (17.9)   | (15.2)   |
| <b>Total comprehensive income for the period</b>                     |       | <b>12.9</b>                                   | 7.3  | 34.8   |
| Attributable to:   |       |   |  |  |
| Equity holders of the parent   |       | <b>6.6</b>                                    | 3.2  | 28.1   |
| Non-controlling interests  |       | <b>6.3</b>                                    | 4.1  | 6.7  |
|  |       | <b>12.9</b>                                   | 7.3  | 34.8   |

<sup>1</sup> Restated for adoption of IAS 19 (revised) as explained in note 3.

# Interim consolidated statement of changes in equity

for the six months ended 28 December 2013

|  | Share capital | Reserve for own shares | Hedging reserve | Other reserve | Capital redemption reserve | Retained earnings | Total shareholders equity | Non-controlling interests | Total  |
|--|---------------|------------------------|-----------------|---------------|----------------------------|-------------------|---------------------------|---------------------------|--------|
| At 30 June 2012 as previously reported                                   | 72.1          | (70.2)                 | (1.9)           | 1.6           | 0.7                        | 36.9              | 39.2                      | 13.8                      | 53.0   |
| Prior year adjustment  | —             | —                      | —               | —             | —                          | (0.9)             | (0.9)                     | (0.5)                     | (1.4)  |
| At 30 June 2012 restated   | 72.1          | (70.2)                 | (1.9)           | 1.6           | 0.7                        | 36.0              | 38.3                      | 13.3                      | 51.6   |
| Profit for the year restated   | —             | —                      | —               | —             | —                          | 46.2              | 46.2                      | 3.8                       | 50.0   |
| Net movement on hedges (net of tax)                                      | —             | —                      | 0.3             | —             | —                          | —                 | 0.3                       | 0.1                       | 0.4    |
| Remeasurements of defined benefit retirement plans (net of tax) restated | —             | —                      | —               | —             | —                          | (18.4)            | (18.4)                    | 2.8                       | (15.6) |
| Total comprehensive income   | —             | —                      | 0.3             | —             | —                          | 27.8              | 28.1                      | 6.7                       | 34.8   |
| Dividends  | —             | —                      | —               | —             | —                          | (34.7)            | (34.7)                    | (6.0)                     | (40.7) |
| At 29 June 2013 restated   | 72.1          | (70.2)                 | (1.6)           | 1.6           | 0.7                        | 29.1              | 31.7                      | 14.0                      | 45.7   |
| Profit for the period  | —             | —                      | —               | —             | —                          | 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   |

|  | Share capital | Reserve for own shares | Hedging reserve | Other reserve | Capital redemption reserve | Retained earnings | Total shareholders equity | Non-controlling interests | Total  |
|--|---------------|------------------------|-----------------|---------------|----------------------------|-------------------|---------------------------|---------------------------|--------|
| At 30 June 2012 restated   | 72.1          | (70.2)                 | (1.9)           | 1.6           | 0.7                        | 36.0              | 38.3                      | 13.3                      | 51.6   |
| Profit for the year restated   | —             | —                      | —               | —             | —                          | 22.9              | 22.9                      | 2.3                       | 25.2   |
| Net movement on hedges (net of tax)                                      | —             | —                      | 1.7             | —             | —                          | —                 | 1.7                       | 0.1                       | 1.8    |
| Remeasurements of defined benefit retirement plans (net of tax) restated | —             | —                      | —               | —             | —                          | (21.4)            | (21.4)                    | 1.7                       | (19.7) |
| Total comprehensive income   | —             | —                      | 1.7             | —             | —                          | 1.5               | 3.2                       | 4.1                       | 7.3    |
| Share based payment charge   | —             | —                      | —               | —             | —                          | 0.4               | 0.4                       | —                         | 0.4    |
| Dividends  | —             | —                      | —               | —             | —                          | (23.8)            | (23.8)                    | (6.0)                     | (29.8) |
| At 29 December 2012 restated   | 72.1          | (70.2)                 | (0.2)           | 1.6           | 0.7                        | 14.1              | 18.1                      | 11.4                      | 29.5   |

# Interim consolidated balance sheet

as at 29 December 2012

|                                       | Notes | 28 Dec 13<br>£m<br>Unaudited | Restated <sup>1</sup><br>29 Dec 12<br>£m<br>Unaudited | Restated <sup>1</sup><br>29 Jun 13<br>£m<br>Audited |
|---------------------------------------|-------|------------------------------|---|---|
| <b>Assets</b>                         |       |                              |   |   |
| <b>Non-current assets</b>             |       |                              |   |   |
| Property, plant and equipment         |       | 476.9                        | 462.9   | 457.6   |
| Intangible assets                     |       | 89.4                         | 93.7  | 91.8  |
| Trade and other receivables           |       | 0.9                          | 0.5   | 1.1   |
| Investment in joint venture           |       | 2.0                          | 3.2   | 2.3   |
| Other financial assets                | 11    | —                            | 0.1   | 1.7   |
| Deferred tax assets                   |       | 16.4                         | 11.9  | 11.0  |
|                                       |       | 585.6                        | 572.3   | 565.5   |
| <b>Current assets</b>                 |       |                              |   |   |
| Inventories                           |       | 15.0                         | 15.1  | 14.2  |
| Trade and other receivables           |       | 257.7                        | 202.7   | 237.8   |
| Cash and cash equivalents             |       | 247.1                        | 336.2   | 248.9   |
| Other financial assets                | 11    | 1.7                          | 3.2   | 0.6   |
|                                       |       | 521.5                        | 557.2   | 501.5   |
| Assets classified as held for sale    |       | 71.0                         | 0.1   | 2.8   |
| <b>Total assets</b>                   |       | <b>1,178.1</b>               | <b>1,129.6</b>  | <b>1,069.8</b>                                      |
| <b>Liabilities</b>                    |       |                              |   |   |
| <b>Current liabilities</b>            |       |                              |   |   |
| Trade and other payables              |       | (585.3)                      | (572.9)   | (465.2)   |
| Other financial liabilities           | 11    | (1.7)                        | (1.5)   | (1.7)   |
| Interest-bearing loans and borrowings |       | (0.2)                        | (1.5)   | (0.6)   |
| Current tax liabilities               |       | (12.0)                       | (12.4)  | (10.5)  |
| Provisions                            | 12    | (33.3)                       | (27.7)  | (45.6)  |
|                                       |       | (632.5)                      | (616.0)   | (523.6)   |
| <b>Non-current liabilities</b>        |       |                              |   |   |
| Interest-bearing loans and borrowings |       | (315.5)                      | (305.3)   | (336.7)   |
| Retirement benefit obligations        | 8     | (82.0)                       | (51.9)  | (47.7)  |
| Other financial liabilities           | 11    | (1.6)                        | (1.9)   | (1.1)   |
| Deferred tax liabilities              |       | (47.7)                       | (50.5)  | (51.2)  |
| Other liabilities                     |       | (2.8)                        | (4.6)   | (5.3)   |
| Provisions                            | 12    | (69.4)                       | (69.9)  | (58.5)  |
|                                       |       | (519.0)                      | (484.1)   | (500.5)   |
| <b>Total liabilities</b>              |       | <b>(1,151.5)</b>             | <b>(1,100.1)</b>                                      | <b>(1,024.1)</b>                                    |
| <b>Net assets</b>                     |       | <b>26.6</b>                  | <b>29.5</b>   | <b>45.7</b>   |
| <b>Capital &amp; reserves</b>         |       |                              |   |   |
| Share capital                         |       | 72.1                         | 72.1  | 72.1  |
| Reserve for own shares                |       | (70.2)                       | (70.2)  | (70.2)  |
| Hedging reserve                       |       | (2.9)                        | (0.2)   | (1.6)   |
| Other reserve                         |       | 1.6                          | 1.6   | 1.6   |
| Capital redemption reserve            |       | 0.7                          | 0.7   | 0.7   |
| Retained earnings                     |       | 13.6                         | 14.1  | 29.1  |
| <b>Total shareholders' equity</b>     |       | <b>14.9</b>                  | <b>18.1</b>   | <b>31.7</b>   |
| Non-controlling interests             |       | 11.7                         | 11.4  | 14.0  |
| <b>Total equity</b>                   |       | <b>26.6</b>                  | <b>29.5</b>   | <b>45.7</b>   |

<sup>1</sup> Restated for adoption of IAS 19 (revised) as explained in note 3.

# Interim consolidated cashflow statement

for the six months ended 28 December 2013

|  | Notes | Six months to<br>28 Dec 13<br>£m<br>Unaudited | Restated<br>Six months to<br>29 Dec 12<br>£m<br>Unaudited | Restated<br>Year to<br>29 Jun 13<br>£m<br>Audited |
|--|-------|---|---|---|
| <b>Profit after tax</b>  |       | <b>37.9</b>                                   | 25.2  | 50.0  |
| Net finance costs  |       | <b>7.6</b>                                    | 8.0   | 16.3  |
| Tax expense  | 6     | <b>2.4</b>                                    | 5.6   | 13.1  |
| Depreciation of property, plant and equipment  |       | <b>29.2</b>                                   | 27.9  | 58.1  |
| Amortisation of intangible assets  |       | <b>3.2</b>                                    | 3.3   | 6.5   |
| Ineffective interest swap hedge  |       | —   | (0.1)   | (0.1)   |
| Release of fuel hedge  |       | <b>(0.5)</b>                                  | (1.5)   | (3.0)   |
| Loss/(profit) on sale of property, plant and equipment                                       |       | <b>0.1</b>                                    | —   | (0.5)   |
| Share based payments   |       | <b>0.4</b>                                    | 0.4   | —   |
| Difference between pension contributions paid and amounts recognised in the income statement |       | <b>6.5</b>                                    | 3.9   | 5.2   |
| Impairment of joint venture  |       | —   | —   | 0.7   |
| (Increase)/decrease in inventories   |       | <b>(0.8)</b>                                  | 0.1   | 1.0   |
| Increase in trade and other receivables  |       | <b>(18.9)</b>                                 | (6.3)   | (42.0)  |
| Increase in trade and other payables   |       | <b>54.6</b>                                   | 58.6  | 22.3  |
| Movement in provisions   |       | <b>(1.4)</b>                                  | (8.1)   | (1.6)   |
| <b>Cashflow generated from operations</b>  |       | <b>120.3</b>                                  | 117.0   | 126.0   |
| Taxation paid  |       | <b>(5.5)</b>                                  | (2.4)   | (11.1)  |
| <b>Net cashflows from operating activities</b>   |       | <b>114.8</b>                                  | 114.6   | 114.9   |
| Interest received  |       | <b>0.8</b>                                    | 0.8   | 1.6   |
| Proceeds from sale of property, plant and equipment  |       | <b>1.2</b>                                    | 1.3   | 2.8   |
| Purchase of property, plant and equipment  |       | <b>(49.5)</b>                                 | (30.4)  | (58.5)  |
| Purchase of intangible assets  |       | <b>(0.8)</b>                                  | (0.5)   | (1.1)   |
| Purchase of subsidiaries   |       | —   | —   | (0.7)   |
| Repayment from joint venture   |       | —   | 0.2   | 0.3   |
| Deposit paid on rolling stock  |       | <b>(68.6)</b>                                 | —   | —   |
| Receipt/(repayment) of funding for rolling stock procurement                                 |       | <b>68.6</b>                                   | —   | (75.5)  |
| Sale of rolling stock  |       | —   | 75.5  | 75.5  |
| <b>Net cashflows (used in)/from investing activities</b>                                     |       | <b>(48.3)</b>                                 | 46.9  | (55.6)  |
| Interest paid  |       | <b>(13.7)</b>                                 | (14.2)  | (18.5)  |
| Dividends paid to members of the parent  | 10    | <b>(23.8)</b>                                 | (23.8)  | (34.7)  |
| Dividends paid to non-controlling interests  |       | <b>(8.6)</b>                                  | (6.0)   | (6.0)   |
| Repayment of borrowings  |       | <b>(21.3)</b>                                 | (34.2)  | (2.3)   |
| Payment of finance lease and hire purchase liabilities                                       |       | <b>(0.9)</b>                                  | (1.3)   | (2.6)   |
| <b>Net cash outflows on financing activities</b>   |       | <b>(68.3)</b>                                 | (79.5)  | (64.1)  |
| Net (decrease)/increase in cash and cash equivalents   |       | <b>(1.8)</b>                                  | 82.0  | (4.8)   |
| <b>Cash and cash equivalents at start of period</b>  | 9     | <b>248.9</b>                                  | 253.7   | 253.7   |
| <b>Cash and cash equivalents at end of period</b>  | 9     | <b>247.1</b>                                  | 335.7   | 248.9   |

# Notes to the interim consolidated financial statements

for the six months ended 28 December 2013

## 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 28 December 2013 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 2013 Annual Report and Accounts as described on pages 86 to 92 of that report which can be found on the Group's website at [www.go-ahead.com](http://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 28 June 2014:

IFRS 7 Amendment to IFRS 7 Disclosures – Offsetting financial assets and liabilities

IFRS 13 Fair Value Measurement

IAS 19 Employee Benefits (revised)

IAS 1 Presentation of Financial Statements – Clarification of requirements for comparative information

IAS 16 Property, Plant and Equipment – Classification of servicing equipment

IAS 32 Financial Instruments: Presentation – Tax effects of distributions to holders of equity instruments

IAS 34 Interim Financial Reporting – Interim financial reporting and segment information for total assets and liabilities

With the exception of IAS 19 Employee Benefits (revised) ("IAS 19 (revised)"), the Directors do not anticipate adoption of these standards and interpretations will have a material impact on the Group's financial statements. The key impact of IAS 19 (revised) will be to remove the separate assumptions for expected return on plan assets and discounting of scheme liabilities and to replace them with one single discount rate for the net deficit, as discount rates are typically lower than returns on assets this reduces the credit in the income statement for returns on scheme assets and therefore increases the net pension charge. The actual benefits and the cash contributions for the plan are not impacted by IAS 19 (revised).

The financial information for the six months ended 28 December 2013 and the comparative financial information for the six months ended 29 December 2012 has not been audited, but has been reviewed by the auditors. The comparative financial information for the year ended 29 June 2013 has been extracted from the 2013 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 2013 Annual Report and Accounts. The statutory accounts for the year ended 29 June 2013, which were approved by the Board of Directors on 4 September 2013 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.

The Group's net debt position reduced over the period. After taking this into account and the £275.0 million syndicated loan facility of which £112.0 million was drawn down at the period end, making enquiries and reviewing the outlook for 2014 and medium term plans, 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. Restatement of prior period comparatives

The table below shows restated prior period comparative figures for the reportable divisions and for the Group for the six months to 29 December 2012 and the financial year ended 29 June 2013. The restatement reflects the retrospective adjustment from the adoption of the changes in IAS19 (revised) which applies to financial years beginning on 1 January 2013 or later. The key impact on the Group from the revised standard removes the assumptions for expected return on plan assets and discounting of scheme liabilities and replaces them with one single discount rate for the net deficit, as discount rates are typically lower than returns on assets this reduces the credit in the income statement for returns on scheme assets and therefore increases the net pension charge. The actual benefits and cash contributions for these plans are not impacted by the revised standard.

The adoption of IAS19 (revised) has also resulted in the derecognition of the rail pension intangible asset, which was created to offset the pension deficit recognised at the outset of the franchise. The effect of the increased IAS19 (revised) pension costs is to reduce the post franchise adjustment liability to £nil. Had IAS19 (revised) been applicable at the start of the franchises, the initial deficit would also have been £nil, therefore the retrospective adjustment is to remove both the asset and the associated amortisation.

#### Consolidated income statement

|   | Six months to 29 Dec 12 |                        |                | Year to 29 Jun 13 |                        |                |
|---|-------------------------|------------------------|----------------|-------------------|------------------------|----------------|
|   | Reported<br>£m          | Impact of IAS19R<br>£m | Restated<br>£m | Reported<br>£m    | Impact of IAS19R<br>£m | Restated<br>£m |
| Deregulated bus                                     | 16.9                    | (0.9)                  | 16.0           | 37.9              | (1.9)                  | 36.0           |
| Regulated bus                                       | 20.2                    | (0.8)                  | 19.4           | 40.3              | (1.9)                  | 38.4           |
| Total bus   | 37.1                    | (1.7)                  | 35.4           | 78.2              | (3.8)                  | 74.4           |
| Rail  | 14.1                    | (7.4)                  | 6.7            | 24.3              | (12.8)                 | 11.5           |
| <b>Group operating profit (before amortisation)</b> | <b>51.2</b>             | <b>(9.1)</b>           | <b>42.1</b>    | <b>102.5</b>      | <b>(16.6)</b>          | <b>85.9</b>    |
| Intangible amortisation                             | (5.2)                   | 1.9                    | (3.3)          | (10.3)            | 3.8                    | (6.5)          |
| Deregulated bus (after amortisation)                | 16.1                    | (0.9)                  | 15.2           | 36.5              | (1.9)                  | 34.6           |
| Regulated bus (after amortisation)                  | 19.2                    | (0.8)                  | 18.4           | 38.2              | (1.9)                  | 36.3           |
| Total bus (after amortisation)                      | 35.3                    | (1.7)                  | 33.6           | 74.7              | (3.8)                  | 70.9           |
| Rail (after amortisation)                           | 10.7                    | (5.5)                  | 5.2            | 17.5              | (9.0)                  | 8.5            |
| <b>Group operating profit (after amortisation)</b>  | <b>46.0</b>             | <b>(7.2)</b>           | <b>38.8</b>    | <b>92.2</b>       | <b>(12.8)</b>          | <b>79.4</b>    |
| Net finance costs                                   | (8.0)                   | –                      | (8.0)          | (16.3)            | –                      | (16.3)         |
| <b>Profit before taxation</b>                       | <b>38.0</b>             | <b>(7.2)</b>           | <b>30.8</b>    | <b>75.9</b>       | <b>(12.8)</b>          | <b>63.1</b>    |
| Tax at 23.75%                                       | (7.3)                   | 1.7                    | (5.6)          | (16.0)            | 2.9                    | (13.1)         |
| <b>Profit for the period</b>                        | <b>30.7</b>             | <b>(5.5)</b>           | <b>25.2</b>    | <b>59.9</b>       | <b>(9.9)</b>           | <b>50.0</b>    |
| Attributable to:                                    |                         |                        |                |                   |                        |                |
| Equity holders of the parent                        | 26.9                    | (4.0)                  | 22.9           | 53.7              | (7.5)                  | 46.2           |
| Non-controlling interests                           | 3.8                     | (1.5)                  | 2.3            | 6.2               | (2.4)                  | 3.8            |
|   | 30.7                    | (5.5)                  | 25.2           | 59.9              | (9.9)                  | 50.0           |
| Earnings per share                                  |                         |                        |                |                   |                        |                |
| – basic   | 62.8p                   | (9.4)p                 | 53.4p          | 125.3p            | (17.5)p                | 107.8p         |
| – diluted   | 62.4p                   | (9.3)p                 | 53.1p          | 124.6p            | (17.4)p                | 107.2p         |
| – adjusted  | 70.0p                   | (11.7)p                | 58.3p          | 139.6p            | (22.0)p                | 117.6p         |

### 3. Restatement of prior period comparatives continued

#### Consolidated statement of comprehensive income

|  | Six months to 29 Dec 12 |                        |                | Year to 29 Jun 13 |                        |                |
|--|-------------------------|------------------------|----------------|-------------------|------------------------|----------------|
|  | Reported<br>£m          | Impact of IAS19R<br>£m | Restated<br>£m | Reported<br>£m    | Impact of IAS19R<br>£m | Restated<br>£m |
| <b>Profit for the period</b>   | 30.7                    | (5.5)                  | 25.2           | 59.9              | (9.9)                  | 50.0           |
| <b>Other comprehensive (losses)/income</b>                           |                         |                        |                |                   |                        |                |
| <b>Items that will not be reclassified to profit or loss</b>         |                         |                        |                |                   |                        |                |
| Remeasurements of defined benefit retirement plans                   | (34.7)                  | 9.5                    | (25.2)         | (28.6)            | 8.9                    | (19.7)         |
| Tax relating to items that will not be reclassified                  | 7.7                     | (2.2)                  | 5.5            | 6.1               | (2.0)                  | 4.1            |
|  | (27.0)                  | 7.3                    | (19.7)         | (22.5)            | 6.9                    | (15.6)         |
| <b>Items that may subsequently be reclassified to profit or loss</b> |                         |                        |                |                   |                        |                |
| Unrealised gains on cashflow hedges                                  | 5.0                     | –                      | 5.0            | 4.0               | –                      | 4.0            |
| Gains on cashflow hedges taken to income statement – operating costs | (2.6)                   | –                      | (2.6)          | (3.4)             | –                      | (3.4)          |
| Tax relating to items that may be reclassified                       | (0.6)                   | –                      | (0.6)          | (0.2)             | –                      | (0.2)          |
|  | 1.8                     | –                      | 1.8            | 0.4               | –                      | 0.4            |
| <b>Other comprehensive losses for the period, net of tax</b>         | (25.2)                  | 7.3                    | (17.9)         | (22.1)            | 6.9                    | (15.2)         |
| <b>Total comprehensive income for the period</b>                     | 5.5                     | 1.8                    | 7.3            | 37.8              | (3.0)                  | 34.8           |
| Attributable to:   |                         |                        |                |                   |                        |                |
| Equity holders of the parent   | 2.0                     | 1.2                    | 3.2            | 30.1              | (2.0)                  | 28.1           |
| Non-controlling interests  | 3.5                     | 0.6                    | 4.1            | 7.7               | (1.0)                  | 6.7            |
|  | 5.5                     | 1.8                    | 7.3            | 37.8              | (3.0)                  | 34.8           |

#### Consolidated balance sheet

|                                       | 29 Dec 12<br>£m | 29 Jun 13<br>£m | 30 Jun 12<br>£m |
|---------------------------------------|-----------------|-----------------|-----------------|
| <b>Intangible asset</b>               |                 |                 |                 |
| As previously reported                | 101.3           | 97.5            | 108.6           |
| Prior year adjustment                 | (7.6)           | (5.7)           | (9.5)           |
| Restated                              | 93.7            | 91.8            | 99.1            |
| <b>Retirement benefit obligations</b> |                 |                 |                 |
| As previously reported                | (60.0)          | (47.7)          | (30.5)          |
| Prior year adjustment                 | 8.1             | –               | 7.7             |
| Restated                              | (51.9)          | (47.7)          | (22.8)          |
| <b>Net deferred tax liabilities</b>   |                 |                 |                 |
| As previously reported                | (38.5)          | (41.5)          | (44.3)          |
| Prior year adjustment                 | (0.1)           | 1.3             | 0.4             |
| Restated                              | (38.6)          | (40.2)          | (43.9)          |

## 4. Risks and uncertainties

The Board of Directors approved this report including the condensed financial statements on 19 February 2014. The risks and uncertainties described in the Business Review: Managing Risks for the year ended 29 June 2013 remain the principal risks affecting the Group's business for the second six months of the financial year ended 28 June 2014. The key risks and uncertainties can be summarised as:

- major accident or incident; inappropriate strategy or investment; political and regulatory changes; increased pension scheme funding requirements; insurance and claims
- economic downturn affects demand for our bus services; bus fuel price increases; London bus contracts not renewed or reduction in existing revenues
- economic downturn affects demand for our rail services; inaccurate or erroneous bid assumptions; loss of franchise

## 5. Segmental analysis

The Group is organised into four reportable segments, Deregulated Bus, Regulated Bus, Rail and Go-Ahead North America. 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 Deregulated Bus division comprises bus operations outside of London.

The Regulated Bus division comprises bus operations in London under control of Transport for London (TfL).

The Rail operation, Govia, is 65% owned by Go-Ahead and 35% by Keolis and comprises three rail franchises: Southern, Southeastern and London Midland. The registered office of Keolis (UK) Limited is in England and Wales.

The Go-Ahead North America division comprises a 50% investment in a US school bus operation. The Group's share of the profit of this division is currently not material, and it is therefore not shown separately within the tables below but aggregated within Deregulated Bus.

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.

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 28 December 2013, the six months ended 29 December 2012 and the year ended 29 June 2013.

### Six months ended 28 December 2013 (unaudited)

|  | Deregulated<br>Bus<br>£m | Regulated<br>Bus<br>£m | Total<br>Bus<br>£m | Rail<br>£m   | Total<br>operations<br>£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)                    |
| <b>Group revenue</b>   | <b>174.3</b>             | <b>222.7</b>           | <b>397.0</b>       | <b>973.0</b> | <b>1,370.0</b>            |
| <b>Segment profit – Group operating profit<br/>(before amortisation)</b> | <b>20.2</b>              | <b>20.4</b>            | <b>40.6</b>        | <b>10.5</b>  | <b>51.1</b>               |
| Intangible amortisation  | (0.7)                    | (1.1)                  | (1.8)              | (1.4)        | (3.2)                     |
| <b>Group operating profit<br/>(after amortisation)</b>                   | <b>19.5</b>              | <b>19.3</b>            | <b>38.8</b>        | <b>9.1</b>   | <b>47.9</b>               |
| Net finance costs  |                          |                        |                    |              | (7.6)                     |
| <b>Profit before tax and non-controlling interests</b>                   |                          |                        |                    |              | <b>40.3</b>               |
| Tax expense  |                          |                        |                    |              | (2.4)                     |
| <b>Profit for the period</b>   |                          |                        |                    |              | <b>37.9</b>               |



## 5. Segmental analysis *continued*

### Six months ended 29 December 2012 (unaudited) restated

|  | Deregulated<br>Bus<br>£m | Regulated<br>Bus<br>£m | Total<br>Bus<br>£m | Rail<br>£m   | Total<br>operations<br>£m |
|--|--------------------------|------------------------|--------------------|--------------|---------------------------|
| Segment revenue  | 178.5                    | 215.8                  | 394.3              | 918.0        | 1,312.3                   |
| Inter-segment revenue  | (9.1)                    | (3.9)                  | (13.0)             | (2.7)        | (15.7)                    |
| <b>Group revenue</b>   | <b>169.4</b>             | <b>211.9</b>           | <b>381.3</b>       | <b>915.3</b> | <b>1,296.6</b>            |
| <b>Segment profit – Group operating profit<br/>(before amortisation)</b> | <b>16.0</b>              | <b>19.4</b>            | <b>35.4</b>        | <b>6.7</b>   | <b>42.1</b>               |
| Intangible amortisation  | (0.8)                    | (1.0)                  | (1.8)              | (1.5)        | (3.3)                     |
| <b>Group operating profit<br/>(after amortisation)</b>                   | <b>15.2</b>              | <b>18.4</b>            | <b>33.6</b>        | <b>5.2</b>   | <b>38.8</b>               |
| Net finance costs  |                          |                        |                    |              | (8.0)                     |
| <b>Profit before tax and non-controlling interests</b>                   |                          |                        |                    |              | <b>30.8</b>               |
| Tax expense  |                          |                        |                    |              | (5.6)                     |
| <b>Profit for the period</b>   |                          |                        |                    |              | <b>25.2</b>               |

### Year ended 29 June 2013 (audited) restated

|  | Deregulated<br>Bus<br>£m | Regulated<br>Bus<br>£m | Total<br>Bus<br>£m | Rail<br>£m     | Total<br>operations<br>£m |
|--|--------------------------|------------------------|--------------------|----------------|---------------------------|
| Segment revenue  | 356.3                    | 430.9                  | 787.2              | 1,815.2        | 2,602.4                   |
| Inter-segment revenue  | (18.7)                   | (7.0)                  | (25.7)             | (4.9)          | (30.6)                    |
| <b>Group revenue</b>   | <b>337.6</b>             | <b>423.9</b>           | <b>761.5</b>       | <b>1,810.3</b> | <b>2,571.8</b>            |
| <b>Segment profit – Group operating profit<br/>(before amortisation)</b> | <b>36.0</b>              | <b>38.4</b>            | <b>74.4</b>        | <b>11.5</b>    | <b>85.9</b>               |
| Intangible amortisation  | (1.4)                    | (2.1)                  | (3.5)              | (3.0)          | (6.5)                     |
| <b>Group operating profit<br/>(after amortisation)</b>                   | <b>34.6</b>              | <b>36.3</b>            | <b>70.9</b>        | <b>8.5</b>     | <b>79.4</b>               |
| Net finance costs  |                          |                        |                    |                | (16.3)                    |
| <b>Profit before tax and non-controlling interests</b>                   |                          |                        |                    |                | <b>63.1</b>               |
| Tax expense  |                          |                        |                    |                | (13.1)                    |
| <b>Profit for the year</b>   |                          |                        |                    |                | <b>50.0</b>               |

At 28 December 2013, there were non-current assets of £2.0m (29 June 2013: £2.3m) and current assets of £0.5m (29 June 2013: £0.4m) relating to US operations, being made up entirely of loans in Go-Ahead North America, a 50:50 joint venture with Cook-Illinois which commenced trading in August 2010. For the half year ending 28 December 2013, segment revenue for this venture was £0.9m (H1'13: £1.0m; 2013: £2.2m) and segment loss was £0.1m (H1'13: loss of £0.1m; 2013: £nil).

During the six months to 28 December 2013 the Group incurred capital expenditure of £49.5m (H1'13: £30.4m; 2013: £58.5m) on tangible fixed assets of which £42.8m (H1'13: £23.9m; 2013: £42.1m) related to the deregulated bus division, £6.0m (H1'13: £4.4m; 2013: £9.2m) related to the regulated bus division and £0.7m (H1'13: £2.1m; 2013: £7.2m) related to the rail division.

During the six months to 28 December 2013 the depreciation charge for the Group was £29.2m (H1'13: £27.9m; 2013: £58.1m) of which £12.5m (H1'13: £13.1m; 2013: £29.5m) related to the deregulated bus division, £9.5m (H1'13: £9.2m; 2013: £16.2m) related to the regulated bus division and £7.2m (H1'13: £5.6m; 2013: £12.4m) related to the rail division.

## 6. Taxation

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

|   | Six months to<br>28 Dec 13<br>£m<br>Unaudited | Restated<br>Six months to<br>29 Dec 12<br>£m<br>Unaudited | Restated<br>Year to<br>29 Jun 13<br>£m<br>Audited |
|---|---|---|---|
| Current tax charge  | 7.2   | 6.3   | 14.7  |
| Adjustments in respect of current tax of previous years   | (0.1)   | –   | (1.3)   |
|   | 7.1   | 6.3   | 13.4  |
| Deferred tax relating to origination and reversal of temporary differences in the period at 20%<br>(29 June 2013: 23%; 29 December 2012: 23%) | 2.0   | 1.5   | 1.6   |
| Previously unrecognised deferred tax of a prior period  | –   | –   | 0.3   |
| Impact of opening deferred tax rate reduction   | (6.7)   | (2.2)   | (2.2)   |
| Total tax   | 2.4   | 5.6   | 13.1  |

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 22.6% (H1'13: 25.3% ; 2013: 24.2%), marginally ahead of the statutory rate.

|   | Six months to<br>28 Dec 13<br>£m<br>Unaudited | Restated<br>Six months to<br>29 Dec 12<br>£m<br>Unaudited | Restated<br>Year to<br>29 Jun 13<br>£m<br>Audited |
|---|---|---|---|
| Tax charges                                   | 9.1   | 7.8   | 15.3  |
| Impact of opening deferred tax rate reduction | (6.7)   | (2.2)   | (2.2)   |
|   | 2.4   | 5.6   | 13.1  |

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<br>28 Dec 13<br>£m<br>Unaudited | Restated<br>Six months to<br>29 Dec 12<br>£m<br>Unaudited | Restated<br>Year to<br>29 Jun 13<br>£m<br>Audited |
|---|---|---|---|
| Tax on remeasurements on defined benefit retirement plans | (5.6)   | (5.8)   | (4.6)   |
| Corporation tax on cashflow hedges                        | (0.1)   | (0.2)   | (0.6)   |
| Deferred tax on cashflow hedges                           | (0.2)   | 0.8   | 0.8   |
| Impact of opening deferred tax rate reduction             | 1.4   | 0.3   | 0.5   |
|   | (4.5)   | (4.9)   | (3.9)   |

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 20% effective from 1 April 2015.

## 7. Earnings per share

### Basic and diluted earnings per share

|  | Six months to<br>28 Dec 13<br>Unaudited | Restated<br>Six months to<br>29 Dec 12<br>Unaudited | Restated<br>Year to<br>29 Jun 13<br>Audited |
|--|---|---|---|
| Net profit on total operations attributable to equity holders of the parent (£m)             | 33.6                                    | 22.9  | 46.2  |
| Consisting of:   |   |   |   |
| Adjusted earnings on continuing operations attributable to equity holders of the parent (£m) | 35.7                                    | 25.0  | 50.4  |
| Exceptional items after taxation and non-controlling interests (£m)                          | —                                       | —   | —   |
| Amortisation after taxation and non-controlling interests (£m)                               | (2.1)                                   | (2.1)   | (4.2)                                       |
| Basic and diluted earnings attributable to equity holders of the parent (£m)                 | 33.6                                    | 22.9  | 46.2  |
| Basic weighted average shares in issue ('000)  | 42,845                                  | 42,845  | 42,845                                      |
| Dilutive potential share options ('000)  | 310                                     | 254   | 254   |
| Diluted weighted average number of shares in issue ('000)                                    | 43,155                                  | 43,099  | 43,099                                      |
| Earnings per share:  |   |   |   |
| Adjusted earnings per share (pence per share)  | 83.3                                    | 58.3  | 117.6                                       |
| Basic earnings per share (pence per share)   | 78.4                                    | 53.4  | 107.8                                       |
| Diluted earnings per share (pence per share)   | 77.9                                    | 53.1  | 107.2                                       |

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 29 December 2013 to 19 February 2014.

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 (there are no non-recurring exceptional items in any of the periods presented).

Adjusting earnings (net profit after tax attributable to members before amortisation) were £35.7m in the period (H1'13: £25.0m) resulting in adjusted earnings per share of 83.3p (H1'13: 58.3p). In addition to the increase in operating profit, this was impacted by the reduction in the effective tax rate from 18.2% to 6%. The impact of the opening deferred tax reduction increased adjusted earnings per share by 15.6p. This is analysed as follows:

|   | Profit<br>for the period<br>£m<br>Unaudited | Amortisation<br>£m<br>Unaudited | Six months to<br>28 Dec 13<br>Total<br>£m<br>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)  |
| <b>Adjusted profit attributable to equity holders of the parent</b> | <b>33.6</b>                                 | <b>2.1</b>                      | <b>35.7</b>  |
| <b>Adjusted earnings per share (pence per share)</b>                |   |                                 | <b>83.3</b>  |

|   | Profit<br>for the period<br>£m<br>Unaudited | Amortisation<br>£m<br>Unaudited | Restated<br>Six months to<br>29 Dec 12<br>Total<br>£m<br>Unaudited |
|---|---|---------------------------------|--|
| Profit before taxation  | 30.8  | 3.3                             | 34.1   |
| Less: Taxation  | (5.6)                                       | (0.8)                           | (6.4)  |
| Less: Non-controlling interests                                     | (2.3)                                       | (0.4)                           | (2.7)  |
| <b>Adjusted profit attributable to equity holders of the parent</b> | <b>22.9</b>                                 | <b>2.1</b>                      | <b>25.0</b>  |
| <b>Adjusted earnings per share (pence per share)</b>                |   |                                 | <b>58.3</b>  |

## 7. Earnings per share *continued*

|   | Profit<br>for the year<br>£m<br>Audited | Amortisation<br>£m<br>Audited | Restated<br>Year to<br>30 Jun 13<br>Total<br>£m<br>Audited |
|---|---|-------------------------------|--|
| Profit before taxation  | 63.1                                    | 6.5                           | 69.6   |
| Less: Taxation  | (13.1)                                  | (1.5)                         | (14.6)   |
| Less: Non-controlling interests                                     | (3.8)                                   | (0.8)                         | (4.6)  |
| <b>Adjusted profit attributable to equity holders of the parent</b> | <b>46.2</b>                             | <b>4.2</b>                    | <b>50.4</b>  |
| <b>Adjusted earnings per share (pence per share)</b>                |   |                               | <b>117.6</b>   |

## 8. Pensions

Retirement benefit obligations consist of the following:

|                                     | Bus<br>£m<br>Unaudited | Rail<br>£m<br>Unaudited | 28 Dec 13<br>Total<br>£m<br>Unaudited | Bus<br>£m<br>Audited | Rail<br>£m<br>Audited | 29 Jun 13<br>Total<br>£m<br>Audited |
|-------------------------------------|------------------------|-------------------------|---------------------------------------|----------------------|-----------------------|-------------------------------------|
| Pre-tax pension scheme liabilities  | <b>(82.0)</b>          | —                       | <b>(82.0)</b>                         | (47.7)               | —                     | (47.7)                              |
| Deferred tax asset                  | <b>16.4</b>            | —                       | <b>16.4</b>                           | 11.0                 | —                     | 11.0                                |
| Post-tax pension scheme liabilities | <b>(65.6)</b>          | —                       | <b>(65.6)</b>                         | (36.7)               | —                     | (36.7)                              |

The net deficit before taxation on the bus defined benefit scheme was £82.0m (29 June 2013: £47.7m), consisting of estimated liabilities of £659.4m (29 June 2013: £617.3m) less assets of £577.4m (29 June 2013: £569.6m).

The net deficit before taxation on the rail schemes was £nil (29 June 2013: £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<br>28 Dec 13<br>%<br>Unaudited | Year to<br>29 Jun 13<br>%<br>Audited |
|---|--|--------------------------------------|
| Retail price index inflation                                  | <b>3.4</b>                                   | 3.3                                  |
| Consumer price index inflation                                | <b>2.1</b>                                   | 2.0                                  |
| Discount rate   | <b>4.5</b>                                   | 4.7                                  |
| Rate of increase in salaries                                  | <b>4.4</b>                                   | 4.3                                  |
| Rate of increase of pensions in payment and deferred pension* | <b>2.1</b>                                   | 2.0                                  |

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

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.

|               | Bus<br>28 Dec 13<br>Years<br>Unaudited | 29 Jun 13<br>Years<br>Audited |
|---------------|--|-------------------------------|
| Pensioner     | <b>20</b>                              | 20                            |
| Non Pensioner | <b>21</b>                              | 21                            |

For the rail schemes, the mortality assumptions adopted as at 28 December 2013 are based on the December 2010 valuation. This includes different assumptions for different subsections of each Scheme's membership. Factors used to differentiate between members include level of pension in payment, pensionable pay and member postcodes. These factors were used as they have been shown to impact upon life expectancy. The mortality tables used were the SI SAPS tables, published by the CMI on 31 October 2008. As such different members will have different life expectancies dependant on their characteristics and it is not possible to quote a single life expectancy figure.

## 8. Pensions *continued*

### Sensitivity analysis

The following is an approximate sensitivity analysis of the impact of the change in the key assumptions for the non-rail schemes calculated as at 29 June 2013. In isolation the following adjustments would adjust the pension deficit and cost as shown.

|   | Restated<br>Bus<br>2013<br>Pension deficit<br>£m | Restated<br>Bus<br>2013<br>Pension cost<br>£m |
|---|--|---|
| Discount factor – increase of 0.1%                                    | (10.5)   | (0.6)   |
| Price inflation – increase of 0.1%                                    | 8.8  | 0.5   |
| Rate of increase in salaries – increase of 0.1%                       | 1.7  | 0.2   |
| Rate of increase of pension in payment – increase of 0.1%             | 5.7  | 0.3   |
| Increase in life expectancy of pensioners or non pensioners by 1 year | 21.5   | 1.3   |

## 9. Notes to the cashflow statement

### Analysis of Group net debt (unaudited)

|                         | Cash and cash<br>equivalents<br>£m<br>Unaudited | Syndicated loan<br>facility<br>£m<br>Unaudited | Dollar loan<br>£m<br>Unaudited | Hire purchase/<br>finance leases<br>£m<br>Unaudited | £200m Sterling<br>Bond<br>£m<br>Unaudited | Total<br>£m<br>Unaudited |
|-------------------------|---|--|--------------------------------|---|---|--------------------------|
| 29 June 2013            | 248.9   | (133.0)  | (3.2)                          | (3.6)   | (200.0)                                   | (90.9)                   |
| Cashflow                | (1.8)   | 21.0   | 0.3                            | 0.9   | –   | 20.4                     |
| <b>28 December 2013</b> | <b>247.1</b>                                    | <b>(112.0)</b>                                 | <b>(2.9)</b>                   | <b>(2.7)</b>  | <b>(200.0)</b>                            | <b>(70.5)</b>            |

Cash and cash equivalents includes overdrafts amounting to £nil (29 June 2013: £nil).

Group net debt excludes unamortised issue costs of £2.0m (29 June 2013: £2.5m).

As at 28 December 2013 balances amounting to £225.1m (H1'13: £303.6m; 29 June 2013: £208.7m) were restricted, including amounts to cover deferred income for season tickets sold in advance of £126.3m (H1'13: £131.1m; 29 June 2013: £122.8m) 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<br>28 Dec 13<br>£m<br>Unaudited | Six months to<br>29 Dec 12<br>£m<br>Unaudited | Year to<br>29 Jun 13<br>£m<br>Audited |
|---|---|---|---------------------------------------|
| Declared and paid during the period                           |   |   |                                       |
| <b>Equity dividends on ordinary shares:</b>                   |   |   |                                       |
| <b>Final dividend for 2013: 55.5p per share (2012: 55.5p)</b> | <b>23.8</b>                                   | 23.8  | 23.8                                  |
| <b>Interim dividend for 2013: 25.5p per share</b>             | –   | –   | 10.9                                  |
|   | <b>23.8</b>                                   | 23.8  | 34.7                                  |

|   | Six months to<br>28 Dec 13<br>£m<br>Unaudited | Six months to<br>29 Dec 12<br>£m<br>Unaudited | Year to<br>29 Jun 13<br>£m<br>Audited |
|---|---|---|---------------------------------------|
| Dividend proposed (not recognised as a liability)               |   |   |                                       |
| <b>Equity dividends on ordinary shares:</b>                     |   |   |                                       |
| <b>Interim dividend for 2014: 25.5p per share (2013: 25.5p)</b> | <b>11.0</b>                                   | 11.0  | 23.8                                  |

## 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 28 December 2013 and 29 June 2013 and are as follows:

|                           | 28 Dec 13<br>£m | 29 Jun 13<br>£m |
|---------------------------|-----------------|-----------------|
| Non-current assets        | —               | 1.7             |
| Current assets            | 1.7             | 0.6             |
|                           | 1.7             | 2.3             |
| Current liabilities       | (1.7)           | (1.7)           |
| Non-current liabilities   | (1.6)           | (1.1)           |
|                           | (3.3)           | (2.8)           |
| Net financial liabilities | (1.6)           | (0.5)           |

### Six months ended 28 December 2013

|  | Amortised cost<br>£m | Held to<br>maturity<br>£m | Held for trading<br>– Fair value<br>through profit<br>and loss<br>£m | Total<br>carrying value<br>£m | Fair value<br>£m |
|--|----------------------|---------------------------|--|-------------------------------|------------------|
| Fuel price derivatives   | —                    | —                         | (3.2)  | (3.2)                         | (3.2)            |
| Long term deposits   | —                    | 1.6                       | —  | 1.6                           | 1.6              |
| Net financial assets/(liabilities)                             | —                    | 1.6                       | (3.2)  | (1.6)                         | (1.6)            |
| Obligations under finance lease<br>and hire purchase contracts | (2.7)                | —                         | —  | (2.7)                         | (2.7)            |
|  | (2.7)                | 1.6                       | (3.2)  | (4.3)                         | (4.3)            |

### Year ended 29 June 2013

|  | Amortised cost<br>£m | Held to<br>maturity<br>£m | Held for trading<br>– Fair value<br>through profit<br>and loss<br>£m | Total<br>carrying value<br>£m | Fair value<br>£m |
|--|----------------------|---------------------------|--|-------------------------------|------------------|
| Fuel price derivatives   | —                    | —                         | (2.1)  | (2.1)                         | (2.1)            |
| Long term deposits   | —                    | 1.6                       | —  | 1.6                           | 1.6              |
| Net financial assets/(liabilities)                             | —                    | 1.6                       | (2.1)  | (0.5)                         | (0.5)            |
| Obligations under finance lease<br>and hire purchase contracts | (3.6)                | —                         | —  | (3.6)                         | (3.6)            |
|  | (3.6)                | 1.6                       | (2.1)  | (4.1)                         | (4.1)            |

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 £217.1m (29 June 2013: £216.6m) 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 28 December 2013, the Group has used a level 2 valuation technique to determine the fair value of all financial instruments. During the six months ended 28 December 2013, there were no transfers between valuation levels.

## 11. Derivatives and financial instruments *continued*

### 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 29 June 2013, the Group had various fuel price swaps in place. For the 2014, 2015 and 2016 financial years cashflow hedges were placed over 130, 66 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 29 June 2013 the Group had derivatives against bus fuel of 126 million litres for the year ending 28 June 2014, representing approximately 100% of the anticipated fuel usage in our bus division. As at 29 June 2013 the Group also had derivatives against bus fuel for the 2015 and 2016 financial years of 62 and 31 million litres respectively.

As at 29 June 2013 the Group had derivatives against rail fuel of 4 million litres for the year ending 28 June 2014, representing the anticipated fuel usage in London Midland and Southern. As at 29 June 2013 the Group also had further derivatives for the 2015 financial year of 4 million litres 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 is as follows:

|   | 2014   | 2015  | 2016  |
|---|--------|-------|-------|
| Percentage to hedge as per Group policy | 100.0% | 50.0% | 25.0% |
| Actual percentage hedged                | 100.0% | 50.0% | 25.0% |

## 12. Provisions

|                            | Depots<br>£m<br>Unaudited | Franchise<br>Commitments<br>£m<br>Unaudited | Uninsured<br>Claims<br>£m<br>Unaudited | Other<br>£m<br>Unaudited | Total<br>£m<br>Unaudited |
|----------------------------|---------------------------|---|--|--------------------------|--------------------------|
| At 29 June 2013            | 0.2                       | 51.4  | 49.6                                   | 2.9                      | 104.1                    |
| Provided                   | –                         | 3.3   | 20.1                                   | 0.4                      | 23.8                     |
| Utilised                   | (0.1)                     | (4.1)                                       | (17.9)                                 | (0.4)                    | (22.5)                   |
| Released                   | (0.1)                     | (0.7)                                       | (1.9)                                  | –                        | (2.7)                    |
| <b>At 28 December 2013</b> | <b>–</b>                  | <b>49.9</b>                                 | <b>49.9</b>                            | <b>2.9</b>               | <b>102.7</b>             |

|             | 28 Dec 13<br>£m<br>Unaudited | 29 Jun 13<br>£m<br>Audited |
|-------------|------------------------------|----------------------------|
| Current     | <b>33.3</b>                  | 45.6                       |
| Non current | <b>69.4</b>                  | 58.5                       |
|             | <b>102.7</b>                 | 104.1                      |

At 28 December 2013 the depots provision is £nil (29 June 2013: £0.2m), this represented the residual element of ongoing legal actions relating to planning consent issues and was considered a current provision.

Franchise commitments comprise £49.9m (29 June 2013: £51.4m) dilapidation provisions on vehicles, depots and stations across our three active rail franchises. During the six months ended 28 December 2013 £0.7m of provisions previously provided were released following the successful renegotiation of certain contract conditions, partially offset by ongoing provisions on other contracts. Of the dilapidations provisions, £14.7m (29 June 2013: £26.6m) are classified as current. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisors. The dilapidations will be incurred as part of a rolling maintenance contract over the next three years.

Of the uninsured claims, £17.9m (29 June 2013: £17.6m) are classified as current and £32.0m (29 June 2013: £32.0m) 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.

£0.7m of other provisions, dilapidations and restructuring costs in the bus division, are classified as current (29 June 2013: £1.2m).

### 13. Changes in commitments and contingencies

#### Capital commitments

Capital commitments contracted but not provided at 28 December 2013 were £8.9m (29 June 2013: £27.6m).

The Group has contractual commitments regarding procurement of rolling stock of £103.0m (29 June 2013: £nil), and has a contract with central Government under which these purchases are fully funded. The Group is committed by this contract to re-finance the rolling stock procurement contract on behalf of central government.

#### Contractual commitments

The Group also has contractual commitments of £186.3m (29 June 2013: £179.5m) payable within one year, and £123.2m (29 June 2013: £222.1m) 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 £100.2m (29 June 2013: £100.1m), and season ticket bonds of £161.4m (29 June 2013: £157.4m) 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 4,061,312 (29 June 2013: 4,061,312) ordinary shares (8.7% of share capital), of which 159,082 (29 June 2013: 159,082) 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 28 December 2013 the company has not repurchased any shares (year ended 29 June 2013: no shares repurchased). No shares were cancelled in the period (year ended 29 June 2013: no shares cancelled).

At 28 December 2013 there were 46,906,000 ordinary shares in issue (29 June 2013: 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 28 December 2013 the Group has a 50% interest in Go-Ahead North America LLC (29 June 2013: 50%) of £2.5m (29 June 2013: £2.7m). There were no transactions between the Group and Go-Ahead North America LLC during the first half of the financial year.



# 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  
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 28 December 2013 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 15. 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 28 December 2013 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  
19 February 2014