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Go-Ahead

PRESS RELEASE

4 September 2014

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

FULL YEAR RESULTS FOR THE YEAR ENDED 28 JUNE 2014

Significant and successful year;
strong performance in both bus and rail divisions

Highlights

Strategic and operational progress

- Won the UK's largest rail franchise, Thameslink, Southern and Great Northern (TSGN)
- Sector leading customer satisfaction of 92% in deregulated bus
- Record passenger numbers in bus and rail
- Shortlisted for Northern and TransPennine Express rail franchises

Delivering financially

- Good progress towards bus operating profit target of £100m by 2015/16
- Profit before tax and exceptional items increased by 25.4% to £79.1m
- Adjusted earnings per share increased by 26.4% to 148.6p
- Strong free cashflow and reduced net debt despite increased investment in the business
- Proposed full year dividend increased by 4.3% to 84.5p per share in line with progressive policy

Contributing to society

- Only operator in the sector to achieve Carbon Trust triple standard for carbon, waste and water reduction
- First FTSE 350 company to be awarded the Fair Tax Mark
- Continued improvements in fleet quality and underlying environmental performance

Financial summary:	**FY'14 £m**	Restated* FY'13 £m	Increase/ (Decrease) £m	Increase/ (Decrease) %
Revenue	**2,702.4**	2,571.8	130.6	5.1
Operating profit	**103.2**	86.7	16.5	19.0
Operating profit margin (%)	**3.8%**	3.4%		0.4ppts
Net finance costs	**(18.3)**	(17.1)	(1.2)	(7.0)
Profit before tax and exceptional items	**79.1**	63.1	16.0	25.4
Profit before tax	**91.2**	63.1	28.1	44.5
Adjusted earnings per share (p)	**148.6p**	117.6p	31.0p	26.4
Proposed dividend per share (p)	**84.5p**	81.0p	3.5p	4.3

	FY'14 £m	Restated* FY'13 £m	Increase/ (Decrease) £m
Cashflow generated from operations	**184.3**	126.0	58.3
Free cashflow	**89.6**	41.2	48.4
Net debt	**(42.7)**	(90.9)	-
Adjusted net debt	**(260.0)**	(299.6)	-
Adjusted net debt/EBITDA+	**1.45x**	1.87x	-

Notes:

Unless otherwise stated, references made to operating profit throughout this statement exclude amortisation and an exceptional credit of £12.1m (2013: nil)

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

\+ 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:

"Delivering for our customers is a prerequisite to the increasing financial strength of our business. The Group performed very well in the financial year with our bus and rail divisions both delivering strong results, which were significantly ahead of our initial expectations for the year. Overall operating profit was £103.2m, up 19.0% from last year.

"This was a particularly busy and exciting year for Go-Ahead in which we made excellent progress towards our strategic objectives. We remained focused on delivering high quality value for money services for our passengers and strengthened the finances of the business. We continued to make a positive contribution to society through the services we run, careful environmental stewardship and the taxes we pay.

"Both our bus and rail divisions performed well. Record numbers of passengers travelled on our services. Our deregulated bus division achieved a sector leading customer satisfaction score of 92%. Another key achievement in the year was winning the Thameslink, Southern and Great Northern (TSGN) franchise on the basis of both quality for the passenger and value for money to the taxpayer. We are also pleased to be on the shortlists for the Department for Transport's Northern and TransPennine rail franchise competitions and we look forward to submitting strong bids, working collaboratively with industry partners.

"The end of the year marked the halfway point towards our bus operating profit target. We made steady progress towards our target in the year, and remain confident in our ability to achieve £100m of bus operating profit by 2015/16. The Group is in a very good financial position, with strong cash management allowing us to increase investment while reducing our net debt during the year. Our robust balance sheet supports our progressive dividend policy and allows us flexibility to pursue value adding opportunities. The Board's confidence in the Group's performance and prospects has allowed us to propose a full year dividend of 84.5p, an increase of 4.3%, in line with our policy.

"I am proud of our position as a responsible business. Reflecting our commitment to being an environmentally responsible operator, we became the only transport Group to be awarded the Carbon Trust triple standard for achievements in carbon, water and waste reduction during the year. I am also pleased that we have been recognised as the first FTSE 350 company to be awarded a Fair Tax Mark for our open and transparent approach to our tax affairs.

"Together these successes contributed towards us ending the year as a stronger Group with enhanced prospects for the future."

ENDS

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Michael Berkeley/ Angharad Couch/ Eleni Menikou

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

A live audio webcast of the presentation will be available on Go-Ahead's website – www.go-ahead.com.
The presentation slides will be added to Go-Ahead's website at around 7:30am today.
Go-Ahead will be hosting an investor event in London on 21 October 2014. Details will be made available on the Group's website www.go-ahead.com in due course.

Chairman's Statement

It has been a significant and successful year for Go-Ahead and our shareholders. I am proud of what we have achieved, including securing the UK's biggest rail franchise, delivering a strong financial performance and making further investment in greener buses, all while providing high standards of service to our bus and rail passengers.

We have a clear strategy to increase the profitability of our existing business and to grow the Group to deliver sustainable shareholder value. This strategy, which is underpinned by a stable business model, has delivered increased shareholder value in the year. We have an experienced management team in place and I am confident that together we will create further value by continuing to deliver against the Group's strategic priorities.

Performance

The Group performed well in the year to 28 June 2014. We achieved record profits in our bus business, making steady progress towards our bus operating profit target of £100m by 2015/16, and carried more passengers on our buses and trains than ever before.

Dividend

Over the last few years, the Board has been committed to maintaining the full year dividend, having recognised its importance to the investment decision of many of our shareholders. Reflecting the Board's confidence in the Group's performance and prospects, we now believe that the time is right to resume our policy of progressive dividend growth whilst maintaining dividend cover of approximately two times adjusted earnings, on a pre IAS19 (revised) basis, through the economic cycle. The Board is therefore proposing a final dividend of 59.0p per share (2013: 55.5p), making the total dividend for the year 84.5p per share (2013: 81.0p), an increase of 4.3%. The final dividend is payable on 14 November 2014 to shareholders registered at the close of business on 31 October 2014.

Governance

As a Board, we are committed to the principles of good governance. Through our robust internal framework of systems and controls, we strive to maintain the highest standards of corporate governance.

In common with other public companies, this year we are meeting new standards of disclosure. Our annual report has been considered by the Board, which carefully considered the new requirement to present fair, balanced and understandable information.

We have taken seriously the spirit as well as the letter of the new regulations, which are intended to build trust between business and society through improved levels of transparency and disclosure, in which the UK is undoubtedly a world leader.

We have complied with the provisions of the UK Corporate Governance Code throughout the year ended 28 June 2014 as outlined in our corporate governance report.

With the exception of Rupert Pennant-Rea's retirement at last year's Annual General Meeting, the membership of the Board has been consistent throughout the year.

Board effectiveness and evaluation

My priority as Chairman is to ensure the effectiveness of the Board and I believe our key strength is a positive atmosphere around our Board table with all directors demonstrating mutual trust and confidence, facilitating discussions which are open and frank.

This year the Board made good progress in delivering against its 2013/14 priorities and has clear objectives for the year ahead, which are detailed in our annual report.

During the year, an internal evaluation of Board performance was conducted by the Group Company Secretary. The review sought to build upon and enhance the effectiveness of the Board as a whole, and of individual directors. I am pleased to report that no areas of material concern were highlighted, although a number of areas for improvement were identified. The actions we have taken to enhance the Board's stewardship of the business are set out in our annual report.

Our people are the cornerstone of our success

Last year, I set myself an objective to visit all of the Group's operating companies in my first year as Chairman. Having done so, I can say that without exception these businesses have impressed me with their 'can do' culture and commitment to excellence. The dedication and hard work of our people are the cornerstones of Go-Ahead's success and I would like to thank every one of them for their enduring commitment and professionalism.

During the year, we intensified our focus on the Group's 'people plans' to ensure that we attract, develop and retain the best people. We also made considerable progress in improving the way we manage performance and leadership processes. This has, in turn, strengthened our culture and behaviours across the Group.

We recognise that a strong governance framework alone is not enough to achieve our long term ambitions. These can only be achieved through strong leadership, a diverse and well-balanced Board and the right values and culture of our people. Effective leadership development and succession planning are essential for sustainable success, in the Boardroom and through all levels of the organisation. I firmly believe that diversity in all areas at all levels of the Group enhances our success. We are aligned with the aims and objectives of the Davies Report on women on boards which recommends a minimum of 25% female board membership.

Our Nomination Committee searches for candidates from the widest possible pool, making appointments on the basis of merit against objective criteria, including the diversity of skills, experience, background and gender which are necessary for an effective board.

Our role in society

Our aim is to make a positive contribution to the communities in which we operate and wider society. First and foremost, we help people get to the places they want to be; connecting with family and friends, travelling to work or school and accessing retail and leisure facilities. By attracting more people to use our services, we strengthen our business while increasing the role we play in our society. Through the provision of passenger transport we make a fundamental contribution to the economy.

Commitment to transparent investor communications

We have always been proud of our high standards of reporting. Having adopted an integrated approach last year, which provides a more holistic view of the business, we were keen to make further improvements to the quality of our reporting. Examples of improvements made this year include the introduction of commentary and explanations within the financial statements, the alignment and integration of the reporting of the Group's strategic priorities and sustainability areas, as well as providing clearer links between the Group's remuneration policy and our performance and the significant achievements in the year. Our remuneration policy is set out in our annual report.

Go-Ahead places great importance on effective, open and transparent reporting. The annual report is one of our key communications with shareholders and other stakeholders, and we consider its content and form with care.

I am pleased our commitment to good reporting continued to be recognised during the year. Go-Ahead was recognised at the PwC Building Public Trust Awards, receiving the Excellence in Reporting award for FTSE 250 businesses and we were delighted to top the list of the 4,000 publicly traded companies included in GMI Ratings' review of trustworthy accounting and governance behaviour.

Looking forward

We are well equipped as a Group to manage the complexity and challenges in our industry, including the significant changes associated with beginning a major new franchise. Our most important resource is our people who work tirelessly to anticipate and meet the needs of our customers, and I have every confidence in our teams across the business. Following an exciting year for Go-Ahead, we look forward to building on our success in the coming years.

Group Chief Executive's review

This was a particularly busy and exciting year for Go-Ahead. We were awarded the Thameslink, Southern and Great Northern (TSGN) franchise, securing our future in UK rail until at least 2021, and we made good progress towards our bus operating profit target. As a result, Go-Ahead ended the year as a stronger Group with enhanced prospects for the future.

The Group performed very well in the financial year with our bus and rail divisions both delivering strong results, which were significantly ahead of our initial expectations for the year and slightly ahead of the Board's latest expectations. Overall operating profit was £103.2m, up 19.0% from last year.

Bus operating profit of £83.5m supported our strategic target of £100m of bus operating profit by 2015/16. Rail operating profit of £19.7m exceeded our original expectations in a year when all three of our franchises were in the final stages of their original contract terms.

Since 2008, the Group has shown its resilience through the recession in an environment of challenging economic conditions. The economy is showing good signs of recovery in many parts of the country, particularly in the South East where our operations are focused. We will seek to maximise the opportunities which arise from improving market conditions.

I believe in the fundamental strengths of UK public transport. Since privatisation of the rail industry, the number of journeys made on the UK's railways has increased by 73% and more than five billion journeys are made on the UK's buses each year. As a private operator we are experienced in delivering commercial services, meeting the needs of passengers and running our networks efficiently. Overall, the rail industry makes a net contribution to the Government through net premium payments. This demonstrates the success of the rail franchise model and the benefits it brings to the taxpayer. In the year, Southern alone contributed £173.1m to the Government with a total contribution over the life of the franchise of around £430m since 2009. The public transport industry plays an integral part in the UK economy.

Delivering our strategy

Our strategy is to increase the profitability of our existing business and to grow the Group to deliver sustainable shareholder value. This strategy is underpinned by our strategic priorities of being a leading employer that provides high quality, locally focused passenger transport services, running our companies in a responsible manner, with strong financial discipline.

During the year, we delivered against these priorities in a range of areas including achieving the highest bus passenger satisfaction in the sector, increasing the number of hybrid and other alternative fuel vehicles to over 200 and increasing the proposed final dividend.

A sustainable business

Sustainability and corporate responsibility are integral to our strategy and the way we operate at every level of the business. This is our second integrated annual report which aims to present a comprehensive view of the Group. I believe this style of reporting is a natural fit for Go-Ahead as it is a true reflection of the way we run our business.

While our approach to our strategic priorities and sustainability has always been aligned, we have taken steps to improve the reporting of this. Our former five key sustainability areas of Safety, Environment, Passengers, Employees and Communities have now been aligned with our strategic priorities of Society, Customers, Our people and Finance.

Following the year end, we were pleased to be the first UK public transport operator awarded the Carbon Trust's triple accreditation for achievements in carbon, water and waste reduction. This recognises our commitment to running environmentally responsible operations.

A look back over the year

Rail

A significant achievement in the year was our successful bid for the seven year Thameslink, Southern and Great Northern (TSGN) franchise which we will operate through our joint venture, Govia, from 14 September 2014, as GTR (Govia Thameslink Railway). From this date we start operating the Great Northern and Thameslink routes which stretch from Brighton to Bedford and London to Kings Lynn. Our existing Southern franchise, under its current contract, will continue until July 2015 when it is integrated into GTR. Not only does this mean we will retain the routes and customer relationships from the Southern franchise, we will also gain a significant revenue stream from the Great Northern and Thameslink services. GTR is not two existing franchises merging into one; it is the start of a single, wholly new franchise with important objectives to deliver.

Our bid scored highly on both price and quality measures. We believe areas of particular strength were our timetable and train plan, targeted investment in quality and reducing cost where appropriate without impacting on service. Our bid was focused on improving services for passengers and we look forward to delivering benefits to our customers over the coming years.

Other rail franchise bidding activity in the year included Transport for London's Crossrail and Docklands Light Railway franchises. Whilst we were not appointed on either, we gained valuable experience through the bidding processes which is beneficial as we develop our plans for future rail franchise competitions.

We are working hard to deliver value from our existing franchises and are pleased with the good financial performance during the year.

Following a challenging period for London Midland in 2012/13, I am pleased to report improved performance during the year. The franchise delivered the most improved punctuality performance in the London and South East network, having run 86.2% of services on time. However, this franchise continues to face challenges. During the year, London Midland began a reorganisation of management and administrative staff to reduce costs, resulting in an exceptional charge of £3.0m. This was against a backdrop of reduced subsidy receipts, higher operational costs and increased competition on the West Coast mainline.

Bus

Target 100

The end of the year marked the halfway point of our target period. We continued to make good progress towards our target to grow bus operating profit to £100m by 2015/16 in the year with bus operating profit up 11.0%. to £83.5m. Deregulated bus contributed more to bus profit than regulated in the year, in line with our projections towards achieving the target.

Our bus operations continue to perform well, driving revenue through initiatives such as smart and mobile-ticketing (m-ticketing) and delivering cost savings. In the year, efficiencies were made in a range of areas including employee productivity and procurement.

Last year, I set out our key assumptions underpinning the target. We are tracking broadly in line with those assumptions and consider them to remain valid as we go into 2014/15. These assumptions are on an annual basis and may vary from year to year.

Target assumptions:

– Average annual deregulated bus revenue growth of 3.5%
– Average annual regulated bus revenue growth of 2.5%
– Average annual cost inflation of 2.5-3.0%
– Cost efficiency savings of £10m by 2015/16
– No significant mileage growth in the regulated and deregulated business

2013/14 performance:

– Like for like deregulated bus revenue growth of 4.3%
– Like for like regulated bus revenue growth of 7.5%, including a reallocation of BSOG representing 3.7%, not included within the target assumptions
– Cost increases broadly in line with inflation. Some costs increased proportionately with mileage growth.
– Insurance savings of £4.0m and other cost savings of £1.9m in the year, resulting in cumulative cost savings of £6.9m since 2012/13.
– Like for like regulated bus mileage growth of 1.6% and deregulated of 1.8%

Although the 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 TfL route contracts in Dagenham, East London, in June 2013, the Group has made no acquisitions since announcing the target.

We remain confident in our ability to deliver our target by 2015/16.

In the year, we invested significantly in our bus operations. We introduced 267 new vehicles to our fleet and upgraded our depot facilities. In February, I was pleased to open a new bus depot in Gateshead. Over 500 Go North East drivers and engineers will operate from our £8.5m facility which will provide a modern working environment for our people and will enable us to improve efficiency by combining two previous sites.

It is only by achieving our profit targets that we are able to reinvest in our networks, improving customer experience, creating opportunities for our people and growing a larger and stronger business which generates superior returns for our shareholders.

Our operational performance

Delivering excellent levels of customer service is important to us and I am impressed by the standards of service across the Group. Our bus division achieved its highest ever passenger satisfaction score which, at 92%, is industry leading and we maintained our high levels of service punctuality.

In the period I was disappointed that rail passenger satisfaction scores dipped in two of our three franchises. This has been an unusual year in terms of performance with Southeastern, for example, delivering its best ever customer satisfaction score of 84% in the first half of the year, followed by one of its lowest scores of 72% in the second half. This illustrates the extent to which our services can be impacted by factors outside our control, such as flooding and landslips, and infrastructure maintenance. We are committed to improving performance and delivering good quality service for our passengers. Through our joint performance board with Network Rail, we have taken steps to address these issues and I am confident that improvements will be made.

Working in partnership

Collaboration and partnership working is a particular strength for Go-Ahead. We have always worked closely with our key strategic partners and in the year we further strengthened these relationships. We also place great importance on our relationships with Government, TfL and local authority partners.

The complex nature of the rail industry requires collaborative working between train operating companies, infrastructure companies and suppliers. There are times when we take on activities not traditionally considered part of the operator's role, such as large station management, train procurement and project management of major refurbishments. During the year, the DfT benefited from our expertise in rolling stock procurement to deliver new trains. This is becoming an increasingly valuable partnership.

In bus, I am pleased with the progression of our business-to-business relationships during the year. Two of our bus companies already have schemes in place with local businesses and during 2014/15 all our other deregulated bus companies will launch schemes to provide local companies with travel plans for their employees.

Innovation and technology

We continue to lead the way in the industry with our online journey planning and ticketing solutions. We understand that our customers use our services to facilitate their daily lives and our aim is to continue to improve the convenience of choosing public transport. Acknowledging the growing demand for mobile apps and other means of providing up to date information on the move, we are constantly developing our approach in this field, always remaining focused on customers' needs. Seven in ten people in the UK now have a smartphone and the appetite for mobile technology is demonstrated by UK consumers buying more via smartphones than the rest of Europe.

We have been developing smartcards and m-ticketing solutions for a number of years now and our efforts in this area are going from strength to strength. Since the launch of our first smartcard in 2011 around 550,000 people have switched to 'the key', which is used across all of our large bus operations. In less than two years, over 130,000 people have downloaded our m-ticketing bus app to their mobile phones.

In October 2013, we launched an initiative enabling rail passengers to travel from stations served by Southern into central London, tapping in and out with 'the key'. Working with TfL in this industry first, we will be extending this to allow customers to use our smartcard on London Underground services, with a pilot scheme planned for later this year. This is just the start of our plans to drive integrated transport, enabling passengers to move from bus to train to tube seamlessly, using one Go-Ahead product.

Adding to our suite of digital tools for customers we introduced our rail app, 'On Track', in January 2014, delivering highly personalised real-time information and journey planning at the touch of a button. The locally branded app was designed with the help of passengers and rail user groups. In addition to planning journeys, passengers can buy tickets and even claim compensation if their train is delayed. In the first three months alone 100,000 people downloaded 'On Track' and take up has continued to grow, with close to 150,000 people now using the app.

Ticketing and journey planning solutions are not the only areas where we seek to innovate; we also strive to develop the technology we use on our buses and trains to make them more efficient and reduce the impact they have on the environment. In 2012, we announced our pilot scheme using flywheel technology. This has been a great success and has directly contributed to us securing two London bus contracts. Over the next two to three years we have plans to introduce flywheel systems to 500 additional buses, resulting in over 10% of our fleet being powered by this leading edge technology. This significant investment is part of our longstanding commitment to reduce carbon emissions in the towns and cities we serve, as well has helping to control fuel costs. In the year, we continued to work with local authorities to address their targets around air quality and emissions.

Our people

Our people are the key to our success. I am proud to be Chief Executive of a business with such dedicated individuals and teams working to develop themselves and also the Group and its prospects.

We are committed to developing our people and this year we have placed more focus on this priority than ever before. We have great people in the business today but we need to plan for tomorrow. We have detailed plans in place across our businesses designed to ensure we are attracting, retaining and developing high calibre individuals.

We have succession plans from the Board through all levels of the business, and are using our leadership development programme to identify and develop individuals with potential across the Group.

During the year, I was pleased to launch a Sharesave scheme for our employees, enabling them to share directly in the Group's success, to which we all contribute.

The nature of our industry means that we face challenges at all levels of the business every day and we believe our local teams are best-placed to respond to them. During the year, we continued to build on our organisational capabilities. We have the benefit of being a large organisation at the same time as having autonomous business units making local decisions.

I have great trust in all our local management teams across the business. I am delighted to have appointed such an experienced management team to lead GTR, particularly as many have been internal promotions from existing Group companies.

Outlook

The new financial year has started well, with trading in line with the Board's expectations.

We are entering an exciting period for the Group. There is a lot of hard work ahead of us and also a lot to look forward to. It has been a very good year and I am confident we will continue to achieve more success going forward.

We remain confident in our ability to deliver our £100m bus operating profit target by 2015/16. We are already an efficient business and there are no 'easy wins' for us so we are introducing innovative technology, such as the flywheel, and further improvements in our business practices to deliver cost savings. We will continue to invest in our marketing activity, improving customer service, and delivering quality value for money offers to drive passenger numbers and subsequently revenue.

The coming year promises a great deal of activity in our rail division. Following a short mobilisation period, GTR will run its first service on 14 September 2014. In the following months our focus will be on the successful delivery of the franchise commitments, working closely with industry partners such as Network Rail and train manufacturer Siemens, and preparing for the integration of our existing Southern franchise into GTR.

Following the success of the TSGN bid, our experienced bid team continues to work on forthcoming opportunities. These include the Northern and TransPennine Express franchises which we were pleased to be shortlisted for in partnership with Keolis, following the year end. We look forward to submitting our bids in spring 2015.

We hope to agree terms with the DfT shortly for the extension of Southeastern from October 2014 to June 2018 and we continue discussions with the DfT regarding the proposed extension of the London Midland franchise from March 2016 to June 2017.

The Group remains in a good financial position with strong cash generation and a robust balance sheet, supporting our progressive dividend policy and allowing flexibility to pursue value adding opportunities both within and outside our traditional markets. This strong position underpins the Board's decision to propose an increased final dividend for the year, the first such increase since 2007/08.

Business review - Bus

Bus overview

	2014*	2014	2013*
Total bus operations			
Revenue (£m)		**800.5**	761.5
Operating profit (£m)		**83.5**	75.2
Margin		**10.4%**	9.9%
Deregulated bus			
Revenue (£m)		**350.8**	337.6
Operating profit (£m)		**41.9**	36.4
Margin		**11.9%**	10.8%
Regulated bus			
Revenue (£m)		**449.7**	423.9
Operating profit (£m)		**41.6**	38.8
Margin		**9.3%**	9.2%
Revenue growth			
Deregulated	4.3%	**3.9%**	4.3%
Regulated	7.5%	**6.1%**	5.0%
Volume growth			
Deregulated – passenger journeys	1.9%	**1.9%**	1.1%
Regulated – miles operated	1.6%	**1.1%**	1.9%

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

Overall bus performance review

Overall, the performance of our bus operations was our strongest yet, with increased commercial and concessionary revenue and good cost control, particularly around insurance claims. Total bus revenue increased by 5.1%, or £39.0m, to £800.5m (2013: £761.5m).

The bus division delivered record operating profit of £83.5m (2013: £75.2m), increasing in the year by £8.3m, or 11.0%, resulting in an increase in operating profit margin of 0.5ppts to 10.4%.

Deregulated bus operations

All our deregulated bus operations saw revenue growth in the period, helped by consistent passenger journey growth and initiatives such as increased purchasing options for passengers, including smart and mobile-ticketing (m-ticketing).

Revenue was £350.8m (2013: £337.6m), up £13.2m, or 3.9%. Excluding the impact of the Olympic Games, revenue growth was 4.3%, underpinned by passenger journey growth of 1.9% and mileage growth of 1.8%. The increase in mileage was due to investment in our services and commercial contract wins. The increase in passenger numbers was driven by growth in both fare paying and concessionary passengers.

Operating profit was £41.9m (2013: £36.4m), up £5.5m, or 15.1%, and operating margins increased to 11.9% (2013: 10.8%). We made good progress towards Target 100 and, despite lower cost savings in the second half of the year compared to the first, overall cost savings of £2.9m since 2012/13 remain on target. Cost of claims improved slightly as we continued to focus on accident prevention and minimising claims. This, combined with underlying growth and lower capital costs, more than offset increased fuel costs, resulting from a higher hedged price, and slightly higher pension costs, relating to the closure of the final salary pension scheme.

	£m
2013 operating profit	37.9
IAS 19 (revised) adjustment	(1.5)
2013 operating profit (restated)	36.4
Change in:	
Underlying growth	3.9
Cost savings	1.9
Pension costs	(0.5)
Capital costs	0.9
Fuel costs	(1.2)
Claims costs	0.5
2014 operating profit	41.9

Providing high quality passenger services is one of our strategic priorities. During the year, we maintained our consistently high levels of punctuality at 90.0% (2013: 91.2%), with some operating companies achieving higher than 96%. Our customer satisfaction score of 92% (2013: 90%) is the highest in the sector and surpasses those of many leading companies in other industries including retail and leisure.

In the year, we continued to focus on providing largely commercial services, with only around 10% of our deregulated revenue generated from contracts that could be exposed to changes in local authority policies and budgets. Over time, our geographic focus in the South has helped to protect us from the challenges of the wider economic environment.

Regulated bus operations

Our regulated bus operations in London delivered a very strong performance. Revenue grew by 6.1%, or £25.8m, to £449.7m in the year (2013: £423.9m). Excluding the impact of the Olympic Games, revenue growth was 7.5%, of which 3.7% related to the reallocation of Bus Service Operators Grant (BSOG) from costs to contract revenue. Mileage was up 1.1%, or 1.6% when excluding the impact of the Olympic Games. This was helped by increased rail replacement work, particularly in the first half of the year.

Operating profit was £41.6m (2013: £38.8m), up £2.8m, or 7.2%. Operating margins increased to 9.3% (2013: 9.2%), up 0.4ppts on prior year margins adjusted for the impact of the Olympic Games of 8.9%. Reduced claims costs and contract growth have more than offset incremental fuel costs and reduced Quality Incentive Contract (QIC) payments, which, although still strong at £9.1m (2013: £9.9m), were lower, as anticipated, than the prior year when performance improved due to restrictions on roadworks around the Olympic Games period.

	£m
2013 operating profit	40.3
IAS 19 (revised) adjustment	(1.5)
2013 operating profit (restated)	38.8
Change in:	
Claims cost	3.5
Underlying growth	2.5
Acquisitions	0.9
QIC bonuses	(0.8)
Olympic Games	(1.6)
Pension costs	(0.5)
Fuel costs	(1.2)
2014 operating profit	41.6

We continue to perform well in the Transport for London (TfL) quality league tables, operating 99.5% (2013: 99.5%) of our target mileage before traffic congestion losses.

North America

During the year our 50:50 joint venture with Cook-Illinois continued to operate two contracts in St Louis, Missouri, running around 120 buses.

These contracts came to an end following the year end on 25 July 2014. This operation was cash generative during the contract term.

Capital expenditure and depreciation

Capital expenditure for the division was £61.3m (2013: £51.3m), of which £49.8m related to the purchase of new vehicles, including £5.6m on 18 hybrid buses, which will improve fuel efficiency and reduce carbon emissions.

Investment in our deregulated fleet was higher than in 2013, with expenditure of £43.2m (2013: £27.9m) on 244 new buses (2013: 157 buses).

Contract wins in our regulated business required £6.6m (2013: £17.4m) to be spent on 23 new buses (2013: 94 buses). Investment in our regulated fleet was less than in the prior year as requirements for new vehicles were lower as a result of continued success in gaining automatic two year contract extensions on the basis of performance.

We have a young, green bus fleet with an average age of 7.5 years.

Depreciation for the division was £45.2m (2013: £45.7m).

Fuel

Bus fuel hedging prices

We have continued with our bus fuel hedging programme which uses fuel swaps to fix the price of our diesel fuel in advance. Our policy is to be fully hedged for the next financial year before the start of that year, at which point we aim to have also fixed at least 50% of the following year and 25% of the year after that. This hedging profile is then maintained on a quarterly basis.

After the year end the Board approved an additional purchase to increase the hedging profile for 2015/16 to 100%, taking advantage of low commodity costs and favourable exchange rates. As a result, we have fixed costs at 45.8ppl for 2015/16.

	2013	2014	2015	2016	2017
% hedged	Fully	Fully	Fully	Fully	25%
Price (pence per litre)	49.2	50.5	48.5	45.8	44.3*

* Assuming hedging is completed at the latest transaction price.

Bus fuel costs

In 2013/14 we consumed around 127 million litres of fuel at a net cost of £112.9m. From 1 October 2013, the allocation of part of BSOG was devolved to local authorities and TfL. The amount of BSOG received directly from central Government has reduced to around £20m (2013: £44.0m).

Overall bus outlook

We continue to make steady progress against Target 100 and are confident in our ability to achieve this by 2015/16. We expect this to be delivered through continuing deregulated revenue growth, a stable performance in our regulated business, keeping costs in line with, or below, inflation and progressing toward £10m of cost savings by 2015/16. The impact of IAS 19 (revised) is included in the target.

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

In regulated bus, contract mileage is expected to be broadly flat in the year and we anticipate a slight year on year reduction in QIC payments.

In 2014/15, we expect total capital expenditure to be around £40m as we continue to invest in our services. We will continue to look for value adding investment opportunities both in and outside our traditional markets.

Business review - Rail

Rail overview

	2014*	2014	2013*
Total rail operations			
Total revenue (£m)		1,901.9	1,810.3
Operating profit (£m)		19.7	11.5
Margin		1.0%	0.6 %
Passenger revenue growth			
Southern	6.1%	5.8%	5.4%
Southeastern	5.6%	4.3%	6.7%
London Midland	7.4%	6.8%	11.5%
Volume growth			
Southern	4.1%	3.9%	0.8%
Southeastern	5.3%	3.8%	3.1%
London Midland	4.9%	4.5%	2.1%

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

Rail performance review

The rail division has delivered a good result in the year, significantly exceeding our initial expectations, despite a challenging premium payment profile.

Overall passenger revenue growth was 5.4% (2013: 7.6%). When adjusted for the impact of the Olympic Games this was 6.1%, slightly lower than last year (2013: 6.9%), due in part to lower fare increases in January 2014 than the prior year. Passenger journey data across all companies was impacted by a change in Travelcard allocations, inflating growth rates as well as an increase in shorter, lower yield journeys. Total passenger journey growth was 4.0% (2013: 2.8%) or 4.8% when adjusting for the impact of the Olympic Games (2013: 2.0%).

The Group's net increase in contributions to the DfT was £51.6m (2013: £85.9m increase) with an overall contribution of £64.0m (2013: £12.4m). Southern's core premium payments to the DfT increased by £29.8m in the year whilst subsidy receipts in Southeastern and London Midland decreased by £44.5m and £2.5m respectively, a total increase in net core premium of £76.8m. Revenue support increased by £15.8m for Southeastern. Southern, which became eligible to receive revenue support during the year, was paid £9.4m in the period.

Revenue

Total revenue increased by 5.1%, or £91.6m, to £1,901.9m (2013: £1,810.3m) consisting of:

	2014 £m	2013 £m	Net change £m	% change
Passenger revenue	**1,636.2**	**1,552.8**	**83.4**	**5.4**
Southern	687.7	649.8	37.9	5.8
Southeastern	671.6	643.8	27.8	4.3
London Midland	276.9	259.2	17.7	6.8
Other revenue	**147.2**	**117.2**	**30.0**	**25.6**
Southern	77.5	54.4	23.1	42.5
Southeastern	26.4	24.0	2.4	10.0
London Midland	43.3	38.8	4.5	11.6
Total subsidy	**26.3**	**73.3**	**(47.0)**	**(64.1)**
Southeastern	(29.6)	14.9	(44.5)	(298.7)
London Midland	55.9	58.4	(2.5)	(4.3)
Total revenue support	**92.2**	**67.0**	**25.2**	**37.6**
Southeastern revenue support	82.8	67.0	15.8	23.6
Southern revenue support	9.4	–	9.4	n/a
Total revenue	**1,901.9**	**1,810.3**	**91.6**	**5.1**

Premium payments

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

	2014 £m	2013 £m	Net change £m	% change
Southern core premium	182.5	152.7	29.8	19.5

Operating profit

Operating profit in the rail division was up £8.2m at £19.7m (2013: £11.5m), with operating margins increasing to 1.0% (2013: 0.6%) but remaining at historically low levels.

Rail bid costs of £8.1m (2013: £3.2m) were higher than in the prior year due to increased bidding activity, including £5.9m for our successful bid for the Thameslink, Southern and Great Northern (TSGN) franchise, which we will operate as GTR (Govia Thameslink Railway). The remaining costs were in respect of our unsuccessful Crossrail bid and the bidding activity associated with our bid for Docklands Light Railway, which was not submitted, due to our partners, Colas UK, withdrawing from the process ahead of the bid submission date.

	£m
2013 operating profit	24.3
IAS 19 (revised) adjustment	(12.8)
2013 operating profit (restated)	11.5

Change in:	
Additional passenger revenue	83.4
Additional like for like costs and other income	(23.6)
Premium payments	(29.8)
Subsidy receipts	(47.0)
Revenue support receipts	25.2
2014 operating profit	**£19.7m**

Individual franchise performance

Southern

Passenger revenue growth was 5.8% (2013: 5.6%) year on year driven by growth in passenger numbers of 3.9% (2013: 1.1%). When adjusting for the impact of the Olympic Games, passenger revenue increased by 6.1% (2013: 5.4%) and journeys were up 4.1% (2013: 0.8%).

Southern is now in receipt of revenue support at the maximum 80% level.

Southeastern

Overall passenger revenue increased by 4.3% (2013: 8.0%), with passenger numbers up 3.8% (2013: 4.7%). Excluding the impact of the Olympic Games, passenger revenue grew by 5.6% (2013: 6.7%), with an increase of 5.3% (2013: 3.1%) in the number of journeys taken. Southeastern was impacted by a revenue recognition adjustment in the fourth quarter, but otherwise traded in line with our expectations.

In March 2014, Southeastern began a seven month extension period, continuing on the original contract assumptions.

The franchise continues to receive revenue support at the 80% level.

London Midland

Passenger revenue grew by 6.8% (2013: 12.1%) in the year and passenger numbers increased by 4.5% (2013: 2.4%). Passenger revenue and journeys rose 7.4% (2013: 11.5%) and 4.9% (2013: 2.1%) respectively, when adjusting for the impact of the Olympic Games.

As previously reported, the rate of passenger revenue growth in the London Midland franchise began to slow during the year as a result of increased competition on the West Coast main line.

During the year, London Midland carried out a reorganisation of management and administrative staff to reduce costs. This resulted in an exceptional charge of £3.0m in the year.

The franchise has been awarded a seven month extension which will run to March 2016, continuing on its original contract terms.

London Midland is no longer making revenue share payments to the DfT.

Capital expenditure and depreciation

Capital expenditure for the rail division was £8.2m (2013: £7.2m), slightly higher than the prior year. Depreciation for the division was £15.5m (2013: £12.4m).

Capital expenditure for 2014/15 is expected to increase to around £25m reflecting the start of the GTR franchise and assuming the start of Southeastern's planned extension to June 2018 in October 2014.

Rail outlook

We are entering a transitional year in rail. On 14 September 2014, we will begin operating the Great Northern and Thameslink routes of the GTR franchise. We anticipate a margin of around 3% from the beginning of the franchise.

We continue discussions with the DfT regarding the planned extension of the Southeastern franchise to June 2018 and we hope to agree terms shortly. The seven month extension period, which is expected to run to 12 October 2014, will continue to be loss making.

London Midland is not expected to contribute to Group profit in 2014/15. We look forward to working with the DfT in the coming months to agree contract terms for the planned extension to this franchise to June 2017.

The full benefits of GTR and the planned extension of Southeastern will not be realised until 2015/16. Southern will continue on its original contract terms until July 2015 when it will be incorporated into the GTR franchise and London Midland will also remain on existing terms in 2014/15. We expect the same level of bid costs as in 2013/14. Therefore, we expect rail profits to be broadly similar to 2013/14.

Finance review

Overview and highlights

The Group delivered a strong performance in the year ended 28 June 2014 and is in a good financial position. Revenue for the year was £2,702.4m, up £130.6m, or 5.1%, on last year (2013: £2,571.8m), with growth in both bus and rail.

Operating profit was significantly ahead of the Board's initial expectations for the year and slightly ahead of our latest expectations at £103.2m (2013: £86.7m), up £16.5m, or 19.0%. The overall operating margin of 3.8% (2013: 3.4%) was driven by stronger performance in both bus and rail. The bus division delivered record profits in the year, making good progress towards Target 100, our 2015/16 £100m bus operating profit target.

Profit before tax excluding amortisation and exceptional items for the year increased by £15.3m, or 22.0% to £84.9m (2013: £69.6m) and adjusted earnings per share were up 26.4% at 148.6p (2013: 117.6p).

Net debt at the year end reduced significantly to £42.7m (2013: £90.9m) reflecting higher profits, positive working capital inflows and slightly lower than expected capital expenditure. Adjusted net debt (net debt plus restricted cash) to EBITDA (adjusted for the impact of IAS 19 (revised)) of 1.45x (2013: 1.87x) remains close to our target range of 1.5x to 2.5x.

Summary income statement

	2014 £m	Restated 2013 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue	2,702.4	2,571.8	130.6	5.1
Operating profit	103.2	86.7	16.5	19.0
Net finance costs	(18.3)	(17.1)	(1.2)	(7.0)
Profit before tax*	84.9	69.6	15.3	22.0
Amortisation	(5.8)	(6.5)	0.7	10.8
Exceptional items	12.1	–	12.1	n/a
Profit before tax	91.2	63.1	28.1	44.5
Total tax expense	(13.6)	(13.1)	(0.5)	(3.8)
Profit for the period	77.6	50.0	27.6	55.2
Non-controlling interests	(7.3)	(3.8)	(3.5)	(92.1)
Profit attributable to shareholders	70.3	46.2	24.1	52.2
Adjusted profit attributable to shareholders*	63.7	50.4	13.3	26.4
Weighted average number of shares (m)	42.9	42.8	0.1	0.2
Adjusted earnings per share (p)	148.6	117.6	31.0	26.4
Proposed full year dividend per share (p)	84.5	81.0	3.5	4.3

* Excludes amortisation and exceptional items.

Revenue and operating profit by division

	2014 £m	Restated 2013 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue				
Deregulated bus	350.8	337.6	13.2	3.9
Regulated bus	449.7	423.9	25.8	6.1
Total bus	800.5	761.5	39.0	5.1
Rail	1,901.9	1,810.3	91.6	5.1
Total	2,702.4	2,571.8	130.6	5.1
Operating profit				
Deregulated bus	41.9	36.4	5.5	15.1
Regulated bus	41.6	38.8	2.8	7.2
Total bus	83.5	75.2	8.3	11.0
Rail	19.7	11.5	8.2	71.3
Total	103.2	86.7	16.5	19.0

Earnings per share

Adjusted earnings (net profit after tax attributable to members before amortisation and exceptional items) were £63.7m (2013: £50.4m), resulting in an increase in adjusted earnings per share from 117.6p to 148.6p.

The weighted average number of shares was 42.9 million (2013: 42.8 million), and the number of shares in issue, net of treasury shares, was 42.9 million (2013: 42.8 million).

Dividend

The Board is proposing a total dividend for the year of 84.5p per share (2013: 81.0p), an increase of 4.3%, reflecting the Board's confidence in the Group's performance and prospects. This includes a proposed final payment of 59.0p per share (2013: 55.5p) payable on 14 November 2014 to shareholders registered at the close of business on 31 October 2014.

Dividends of £34.7m (2013: £34.7m) paid in the period represent the payment of the prior year's final dividend of 55.5p per share (2013: 55.5p) and the interim dividend in respect of this year of 25.5p per share (2013: 25.5p). Dividends paid to non-controlling interests were £8.6m (2013: £6.0m). Excluding the non-cash impact of IAS 19 (revised), dividend cover was 2.04x (2013: 1.72x).

Summary cashflow

	2014 £m	2013 £m	Increase/ (decrease) £m
EBITDA*	163.9	144.8	19.1
Working capital/other items	9.7	(23.2)	32.9
Pensions	10.7	4.4	6.3
Cashflow generated from operations	184.3	126.0	58.3
Tax paid	(12.4)	(11.1)	(1.3)
Net interest paid	(15.0)	(16.9)	1.9
Net capital investment	(67.3)	(56.8)	(10.5)
Free cashflow	89.6	41.2	48.4
Net acquisitions	–	(0.7)	0.7
Joint venture repayment	0.3	0.3	–
Other	1.6	–	1.6
Dividends paid	(43.3)	(40.7)	(2.6)
Decrease/(increase) in net debt	48.2	0.1	48.1
Opening net debt	(90.9)	(91.0)	0.1
Closing net debt	(42.7)	(90.9)	48.2

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

Cashflow

Cash generated from operations before tax was £184.3m (2013: £126.0m). This is an increase of £58.3m, largely due to better than expected profits and a favourable movement in working capital, primarily reflecting timing of payments in rail. Tax paid of £12.4m (2013: £11.1m) comprised payments on account in respect of the current year's liabilities. Net interest paid of £15.0m (2013: £16.9m) is lower than the charge for the period of £18.3m (2013: £17.1m) after excluding the impact of non-cash interest on pensions and the unwinding of discounting on provisions. Capital expenditure, net of sale proceeds, was £10.5m higher in the year at £67.3m (2013: £56.8m) predominantly due to greater investment in the deregulated fleet. Investment in the bus division is expected to reduce to around £40m in 2014/15 due to the timing of regulated bus contract renewals.

The Group did not repurchase any shares (2013: nil) and no shares were issued in the year (2013: nil).

Capital expenditure

Expenditure on capital during the year can be summarised as:

	2014 £m	2013 £m
Deregulated bus	52.4	42.1
Regulated bus	8.9	9.2
Total bus	61.3	51.3
Rail	8.2	7.2
Group total	69.5	58.5

Capital structure

	2014 £m	2013 £m
Five year syndicated facility 2016	275.0	275.0
7.5 year £200m 5.375% sterling bond 2017	200.0	200.0
Total core facilities	475.0	475.0
Amount drawn down at 28 June 2014	320.0	333.0
Balance available	155.0	142.0
Restricted cash	217.3	208.7
Net debt	42.7	90.9
Adjusted net debt	260.0	299.6
EBITDA	163.9	144.8
Adjusted net debt/EBITDA1 (12 month rolling basis)	1.45x	1.87x
Adjusted net debt/EBITDA2	1.59x	2.07x

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

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

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

At the year end, $4.3m, equivalent to £2.5m, of our $10m dollar facility was utilised. This is expected to be repaid following the sale of our US school bus vehicles following the end of the contracts in July 2014.

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

Net debt

Net debt of £42.7m (2013: £90.9m) comprised the £200m sterling bond; amounts drawn down against the £275m five year RCF of £120.0m (2013: £133.0m); hire purchase and lease agreements of £2.0m (2013: £3.6m); US dollar facility of £2.5m (2013: £3.2m), partly offset by cash and short term deposits of £281.8m (2013: £248.9m) including £217.3m of restricted cash in rail (2013: £208.7m). There were no overdrafts in use at the year end (2013: £nil).

Our primary financial covenant under the 2016 RCF was an adjusted net debt to EBITDA ratio of not more than 3.5x. Under this facility we adjusted for the effects of IAS 19 (revised) of £15.6m (2013: £15.8m) giving a restated net debt to EBITDA ratio of 1.45x (2013: 1.87x). Under the 2019 RCF no adjustment is made. Had this been in place at the year end our covenants would have been 1.59x (2013: 2.07x)

Net finance costs

Net finance costs for the year were slightly ahead of the prior year at £18.3m (2013: £17.1m) including finance costs of £19.8m (2013: £18.7m) less finance revenue of £1.5m (2013: £1.6m). This now includes £2.0m of pension interest, previously allocated under operating profit (2013: £0.8m), with £1.2m in bus and £0.8 in rail.

The average underlying net interest rate for the period was 4.3% (2013: 4.3%).

Amortisation

The amortisation charge for the year of £5.8m (2013: £6.5m) represents the non-cash cost of amortising software costs, franchise bid costs, customer contracts and rail franchise acquisition assets.

Exceptional items

Total exceptional items in the year were £12.1m. (2013: £nil).

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

Rail restructuring costs were £3.0m. Against a backdrop of reduced subsidy receipts, more challenging trading conditions and higher operational costs, London Midland carried out a reorganisation to reduce the number of management and administrative staff, in order to reduce costs.

Taxation

Net tax for the year was £13.6m (2013: £13.1m), equivalent to an effective rate of 14.9% (2013: 20.8%), below the UK statutory rate for the period of 22.5% (2013: 23.75%). This primarily reflects a £6.8m credit (2013: £2.1m credit) in respect of the impact on deferred tax due to the change in statutory rate. Without this adjustment to deferred tax, our tax rate would have been around 22.4% (2013: 24.1%). The statutory rate is expected to be 20.75% in 2014/15, reducing to 20% in 2015/16. We expect our effective tax rate to be around 1% above the statutory rate in future years.

Non-controlling interest

The non-controlling interest in the income statement of £7.3m (2013: £3.8m) arises from our 65% holding in Govia Limited which owns 100% of our current rail operations and therefore represents 35% of the profit after taxation of these operations.

Pensions

Operating profit includes the net cost of the Group's defined benefit pension plans for the year of £53.8m (2013: £51.3m) consisting of bus costs of £6.7m (2013: £7.8m) and rail costs of £47.1m (2013: £43.5m). Group contributions to the schemes totalled £43.2m (2013: £46.9m).

Bus pensions

Under accounting valuations, the net deficit after taxation on the bus defined benefit schemes was £47.8m (2013: £36.7m), consisting of pre-tax liabilities of £59.8m (2013: £47.7m) less a deferred tax asset of £12.0m (2013: £11.0m). The pre-tax deficit consisted of estimated liabilities of £663.3m (2013: £617.3m) less assets of £603.5m (2013: £569.6m). The percentage of assets held in higher risk, return seeking assets was 50% (2013: 49%).

During the year, the Group completed negotiations to close the Go-Ahead Group Plan defined benefit scheme to future accruals which took effect on 31 March 2014. The full year cost for the bus scheme was £8.7m (2013: £8.6m). Without the 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 from those used in the accounting valuations.

Rail pensions

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

In the year we recorded a pre-tax liability of £nil (2013: £nil).

IAS 19 (revised)

IAS 19 (revised) became effective for the Group in the year under review. The impact of the change on profit before tax was a reduction of £14.2m, £8.6m of which is attributable to equity holders of the parent. This resulted in a reduction in basic earnings per share of 20.1p and a reduction in adjusted earnings per share of 24.0p, of which 9.6p relates to the bus division.

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 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 in adjusted earnings per share of 22.0p, of which 6.8p relates to the bus division.

The table below shows the impact of IAS 19 (revised) on the financial results to 28 June 2014, and the impact on the restated results to 29 June 2013.

	2014 £m	2013 £m
Profit adjustment – Bus	(3.3)	(3.0)
Profit adjustment – Rail	(12.3)	(12.8)
Total operating profit effect	(15.6)	(15.8)
Amortisation	3.4	3.8
Net finance costs	(2.0)	(0.8)
Profit before taxation	(14.2)	(12.8)
Taxation (22.5%/23.75%)	3.2	2.9
Profit for the year	(11.0)	(9.9)
Attributable to:		
Equity holders of the parent	(8.6)	(7.5)
Non-controlling interests	(2.4)	(2.4)
	(11.0)	(9.9)
Reduction in basic earnings per share (p)	(20.1)p	(17.5)p
Reduction in adjusted earnings per share (p)	(24.0)p	(22.0)p
Reduction in earnings per share attributable to bus (p)	(9.6)p	(6.8)p

The complete restatement of prior period comparatives is set out in note 1 to the financial statements

Key risks

The key risks described in the Group's Annual Report for the year ended 28 June 2014 can be summarised as below. More detail can be found on pages 34-37 of the 2014 Group Annual Report and Accounts, available on our website at www.go-ahead.com

Key risks for 2014 can be summarised as:

External:

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

Political and regulatory framework Changes in Government or to laws, regulations, policies (e.g. concessionary travel), local authority attitudes towards public transport and reductions in the availability of Government financial support could adversely impact the Group's operations and financial position.

Strategic:

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

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

Competition Loss of business to existing competitors or new entrants to the markets in which we operate could have a significant impact on our business.

Operational:

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

Labour costs, employee relations and resource planning Poor employee relations or reduced availability of staff could impact on reputation, revenue, staff morale and our ability to fulfil contract obligations. Labour costs are a high proportion of our cost base. Even relatively small percentage increases in wages could have a material impact on profits. For example, an increase of 1% in staff costs would increase costs by £9.3m.

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

Consolidated income statement

for the year ended 28 June 2014

	2014 £m	Restated* 2013 £m
Group revenue	2,702.4	2,571.8
Operating costs (excluding amortisation and exceptional items)	(2,599.2)	(2,485.1)
Group operating profit (before amortisation and exceptional items)	103.2	86.7
Intangible asset amortisation	(5.8)	(6.5)
Exceptional items (before taxation)	12.1	–
Group operating profit (after amortisation and exceptional items)	109.5	80.2
Finance revenue	1.5	1.6
Finance costs	(19.8)	(18.7)
Profit on ordinary activities before taxation	91.2	63.1
Tax expense	(13.6)	(13.1)
Profit for the year from continuing operations	77.6	50.0
Attributable to:		
Equity holders of the parent	70.3	46.2
Non-controlling interests	7.3	3.8
	77.6	50.0
Earnings per share		
– basic	164.0p	107.8p
– diluted	162.4p	106.6p
– adjusted	148.6p	117.6p
Dividends paid (pence per share)	81.0p	81.0p
Final dividend proposed (pence per share)	59.0p	55.5p

* Restated for adoption of IAS19 (revised) as explained in note 1.

Consolidated statement of comprehensive income

for the year ended 28 June 2014

	2014 £m	Restated* 2013 £m
Profit for the year	77.6	50.0
Other comprehensive (losses)/income		
Items that will not be reclassified to profit or loss		
Remeasurement losses on defined benefit pension plans	(14.5)	(19.7)
Tax relating to items that will not be reclassified	1.5	4.1
	(13.0)	(15.6)
Items that may subsequently be reclassified to profit or loss		
Unrealised (losses)/gains on cashflow hedges	(5.2)	4.0
Losses/(gains) on cashflow hedges taken to income statement – operating costs	2.1	(3.4)
Tax relating to items that may be reclassified	0.5	(0.2)
	(2.6)	0.4
Other comprehensive losses for the year, net of tax	(15.6)	(15.2)
Total comprehensive income for the year	62.0	34.8
Attributable to:		
Equity holders of the parent	51.0	28.1
Non-controlling interests	11.0	6.7
	62.0	34.8

* Restated for adoption of IAS19 (revised) as explained in note 1.

Consolidated statement of changes in equity

for the year ended 28 June 2014

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 30 June 2012	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	–	–	–	–	–	46.2	46.2	3.8	50.0
Net movement on hedges (net of tax)	–	–	0.3	–	–	–	0.3	0.1	0.4
Remeasurement (losses)/gains on defined benefit pension plans (net of tax)	–	–	–	–	–	(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 year	–	–	–	–	–	70.3	70.3	7.3	77.6
Net movement on hedges (net of tax)	–	–	(2.6)	–	–	–	(2.6)	–	(2.6)
Remeasurement (losses)/gains on defined benefit pension plans (net of tax)	–	–	–	–	–	(16.7)	(16.7)	3.7	(13.0)
Total comprehensive income	–	–	(2.6)	–	–	53.6	51.0	11.0	62.0
Reserves transfer	–	0.3	–	–	–	(0.3)	–	–	–
Share based payment charge (and associated tax)	–	–	–	–	–	2.7	2.7	–	2.7
Dividends	–	–	–	–	–	(34.7)	(34.7)	(8.6)	(43.3)
At 28 June 2014	**72.1**	**(69.9)**	**(4.2)**	**1.6**	**0.7**	**50.4**	**50.7**	**16.4**	**67.1**

* Restated for adoption of IAS19 (revised) as explained in note 1.

Consolidated balance sheet

as at 28 June 2014

	2014 £m	Restated* 2013 £m	Restated* 2012 £m
Assets			
Non-current assets			
Property, plant and equipment	458.6	457.6	459.4
Intangible assets	87.7	91.8	99.1
Trade and other receivables	1.2	1.1	1.4
Investment in joint venture	–	2.3	3.4
Other financial assets	0.1	1.7	1.6
Deferred tax assets	12.0	11.0	5.5
	559.6	565.5	570.4
Current assets			
Inventories	15.6	14.2	15.2
Trade and other receivables	254.8	237.8	194.5
Cash and cash equivalents	281.8	248.9	253.7
Other financial assets	–	0.6	2.3
	552.2	501.5	465.7
Assets classified as held for sale	72.4	2.8	75.6
Total assets	1,184.2	1,069.8	1,111.7
Liabilities			
Current liabilities			
Trade and other payables	(557.7)	(465.2)	(519.6)
Other financial liabilities	(3.5)	(1.7)	(5.2)
Interest-bearing loans and borrowings	(2.9)	(0.6)	(2.4)
Current tax liabilities	(10.6)	(10.5)	(8.8)
Provisions	(66.3)	(45.6)	(18.9)
	(641.0)	(523.6)	(554.9)
Non-current liabilities			
Interest-bearing loans and borrowings	(320.0)	(336.7)	(338.8)
Retirement benefit obligations	(59.8)	(47.7)	(22.8)
Other financial liabilities	(1.4)	(1.1)	(2.8)
Deferred tax liabilities	(50.8)	(51.2)	(49.4)
Other liabilities	(2.4)	(5.3)	(4.6)
Provisions	(41.7)	(58.5)	(86.8)
	(476.1)	(500.5)	(505.2)
Total liabilities	(1,117.1)	(1,024.1)	(1,060.1)
Net assets	67.1	45.7	51.6
Capital & reserves			
Share capital	72.1	72.1	72.1
Reserve for own shares	(69.9)	(70.2)	(70.2)
Hedging reserve	(4.2)	(1.6)	(1.9)
Other reserve	1.6	1.6	1.6
Capital redemption reserve	0.7	0.7	0.7
Retained earnings	50.4	29.1	36.0
Total shareholders' equity	50.7	31.7	38.3
Non-controlling interests	16.4	14.0	13.3
Total equity	67.1	45.7	51.6

* Restated for adoption of IAS19 (revised) as explained in note 1.

Consolidated cashflow statement

for the year ended 28 June 2014

	2014 £m	Restated* 2013 £m
Profit after tax for the year	77.6	50.0
Net finance costs	18.3	17.1
Tax expense	13.6	13.1
Depreciation of property, plant and equipment	60.7	58.1
Amortisation of goodwill and intangible assets	5.8	6.5
Pension plan curtailment	(15.1)	–
Ineffective interest swap hedge	–	(0.1)
Release of fuel hedge	(0.5)	(3.0)
Loss/(profit) on sale of property, plant and equipment	1.2	(0.5)
Share based payment charges	2.2	–
Difference between pension contributions paid and amounts recognised in the income statement	10.7	4.4
Impairment of joint venture	0.3	0.7
Sale of assets held for disposal	0.4	–
(Increase)/decrease in inventories	(1.4)	1.0
Increase in trade and other receivables	(13.1)	(42.0)
Increase in trade and other payables	21.0	22.3
Movement in provisions	2.6	(1.6)
Cashflow generated from operations	184.3	126.0
Taxation paid	(12.4)	(11.1)
Net cashflows from operating activities	171.9	114.9
Cashflows from investing activities		
Interest received	1.5	1.6
Proceeds from sale of property, plant and equipment	3.9	2.8
Purchase of property, plant and equipment	(69.5)	(58.5)
Purchase of intangible assets	(1.7)	(1.1)
Purchase of subsidiaries	–	(0.7)
Receipt/(repayment) of funding for rolling stock procurement	68.6	(75.5)
Deposit paid on rolling stock	(68.6)	–
Sale of rolling stock	–	75.5
Repayments from joint venture	0.3	0.3
Sale of current investments	1.6	–
Net cashflows used in investing activities	(63.9)	(55.6)
Cashflows from financing activities		
Interest paid	(16.5)	(18.5)
Dividends paid to members of the parent	(34.7)	(34.7)
Dividends paid to non-controlling interests	(8.6)	(6.0)
Repayment of borrowings	(13.7)	(2.3)
Payment of finance lease and hire purchase liabilities	(1.6)	(2.6)
Net cash outflows on financing activities	(75.1)	(64.1)
Net increase/(decrease) in cash and cash equivalents	32.9	(4.8)
Cash and cash equivalents at 29 June 2013	248.9	253.7
Cash and cash equivalents at 28 June 2014	281.8	248.9

* Restated for adoption of IAS19 (revised) as explained in note 1.

Notes to the consolidated financial statements

for the year ended 28 June 2014

1. Restatement of prior period comparatives

The following tables show restated prior period comparative figures for the reportable divisions and for the Group for the financial year ended 29 June 2013. The restatement reflects the retrospective adjustment from the adoption of the changes in IAS 19 'Employee Benefits' (revised) which applies to financial years beginning on or after 1 January 2013. 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 benefit and the cash contributions for these plans are not impacted by the revised standard.

The adoption of IAS 19 (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 IAS 19 (revised) pension costs is to increase the estimate of the deficit at the end of the franchise and thereby reduce the post franchise adjustment liability to £nil.

Subsequent to the introduction of IAS 19 (revised) in the interim statements to 28 December 2014, the Group has reviewed annual reports of peer groups and other FTSE 350 companies and restated defined benefit pension scheme net interest expense from operating costs into finance costs.

Consolidated income statement

	Year to 29 June 2013		
	Reported £m	Impact of IAS19(revised) £m	Restated £m
Deregulated bus	37.9	(1.5)	36.4
Regulated bus	40.3	(1.5)	38.8
Total bus	78.2	(3.0)	75.2
Rail	24.3	(12.8)	11.5
Group operating profit (before amortisation)	102.5	(15.8)	86.7
Intangible asset amortisation	(10.3)	3.8	(6.5)
Deregulated bus (after amortisation)	36.5	(1.5)	35.0
Regulated bus (after amortisation)	38.2	(1.5)	36.7
Total bus (after amortisation)	74.7	(3.0)	71.7
Rail (after amortisation)	17.5	(9.0)	8.5
Group operating profit (after amortisation)	92.2	(12.0)	80.2
Net finance costs	(16.3)	(0.8)	(17.1)
Profit before taxation	75.9	(12.8)	63.1
Tax expense	(16.0)	2.9	(13.1)
Profit for the year	59.9	(9.9)	50.0
Attributable to:			
Equity holders of the parent	53.7	(7.5)	46.2
Non-controlling interests	6.2	(2.4)	3.8
	59.9	(9.9)	50.0
Earnings per share			
– basic	125.3p	(17.5)p	107.8p
– diluted	124.6p	(17.4)p	107.2p
– adjusted	139.6p	(22.0)p	117.6p

Consolidated statement of comprehensive income

	Reported £m	Impact of IAS19(revised) £m	Restated £m
Profit for the year	59.9	(9.9)	50.0
Other comprehensive (losses)/income			
Items that will not be reclassified to profit or loss			
Remeasurement losses on defined benefit pension plans	(28.6)	8.9	(19.7)
Tax relating to items that will not be reclassified	6.1	(2.0)	4.1
	(22.5)	6.9	(15.6)
Items that may subsequently be reclassified to profit or loss			
Unrealised gains on cashflow hedges	4.0	–	4.0
Gains on cashflow hedges taken to income statement – operating costs	(3.4)	–	(3.4)
Tax relating to items that may be reclassified	(0.2)	–	(0.2)
	0.4	–	0.4
Other comprehensive losses for the year, net of tax	(22.1)	6.9	(15.2)
Total comprehensive income for the year	37.8	(3.0)	34.8
Attributable to:			
Equity holders of the parent	30.1	(2.0)	28.1
Non-controlling interests	7.7	(1.0)	6.7
	37.8	(3.0)	34.8

Consolidated balance sheet

	2013 £m	2012 £m
Intangible asset		
As previously reported	97.5	108.6
Prior year adjustment	(5.7)	(9.5)
Restated	91.8	99.1
Retirement benefit obligations		
As previously reported	(47.7)	(30.5)
Prior year adjustment*	–	7.7
Restated	(47.7)	(22.8)
Net deferred tax liabilities		
As previously reported	(41.5)	(44.3)
Prior year adjustment	1.3	0.4
Restated	(40.2)	(43.9)

* To remove the rail pension liability of £7.7m previously recognised at the year ended 30 June 2012.

2. Segmental analysis

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

For management purposes, the Group is 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 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 £nil (2013: £nil), 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 IFRS 8 does not require this information to be presented. Segment performance is evaluated based on operating profit or loss excluding amortisation of goodwill and intangible assets and exceptional items.

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

The following tables present information regarding the Group's reportable segments for the year ended 28 June 2014 and the year ended 29 June 2013.

Year ended 28 June 2014

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

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

At 28 June 2014, there were non-current assets of £nil (2013: £2.3m) and current assets of £1.8m (2013: £0.4m) relating to US operations, being made up of equity accounted investments of £nil (2013: £nil) and loans of £1.8m (2013: £2.7m) in Go-Ahead North America, a 50:50 joint venture with Cook-Illinois which commenced trading in August 2010. For the year ended 28 June 2014, segment revenue for this venture was £1.7m (2013: £2.2m) and segment profit was £nil (2013: £nil).

During the year ended 28 June 2014, segment revenue from external customers outside the United Kingdom was £1.7m (2013: £2.2m), which related entirely to the Go-Ahead North America joint venture.

Year ended 29 June 2013 restated

	Deregulated bus £m	Regulated bus £m	Total bus £m	Rail £m	Total operations £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)
Group revenue	337.6	423.9	761.5	1,810.3	2,571.8
Operating costs (excluding amortisation)	(301.2)	(385.1)	(686.3)	(1,798.8)	(2,485.1)
Segment profit – Group operating profit (before amortisation)	36.4	38.8	75.2	11.5	86.7
Intangible amortisation	(1.4)	(2.1)	(3.5)	(3.0)	(6.5)
Group operating profit (after amortisation)	35.0	36.7	71.7	8.5	80.2
Net finance costs					(17.1)
Profit before tax and non-controlling interests					63.1
Tax expense					(13.1)
Profit for the year					50.0

	Deregulated bus £m	Regulated bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
Additions	42.1	9.2	51.3	7.2	58.5
Acquisitions	–	0.3	0.3	–	0.3
Intangible fixed assets	0.5	0.7	1.2	0.5	1.7
Depreciation	29.5	16.2	45.7	12.4	58.1

3. Group revenue

This note provides an analysis of Group revenue.

	2014 £m	2013 £m
Rendering of services	2,574.6	2,422.7
Rental income	9.3	8.9
Franchise subsidy receipts and revenue support	118.5	140.2
Group revenue	2,702.4	2,571.8

4. Operating costs (excluding amortisation and exceptional items)

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

	2014 £m	Restated 2013 £m
Staff costs	929.2	895.9
Operating lease payments		
– bus vehicles	18.4	18.9
– non-rail properties	2.8	2.5
– other non-rail	0.1	0.1
– rail rolling stock	320.2	307.7
– other rail	65.8	65.7
Total lease and sublease payments recognised as an expense (excluding rail access charges)[1]	407.3	394.9
– rail access charges	461.1	439.4
Total lease and sublease payments recognised as an expense[2]	868.4	834.3
DfT Franchise agreement payments	182.5	152.7
Other operating income	(25.5)	(23.7)
Depreciation of property, plant and equipment		
– owned assets	51.9	46.4
– leased assets	8.8	11.7
Total depreciation expense	60.7	58.1
Auditors' remuneration		
– audit of the financial statements (EY)	0.5	0.5
– audit of the financial statements (Grant Thornton)	0.1	0.1
– taxation services	0.1	0.1
– other services	–	0.1
Total auditors' remuneration	0.7	0.8
Trade receivables not recovered	0.1	0.6
Energy costs		
– bus fuel	112.9	93.6
– rail diesel fuel	10.6	7.9
– rail electricity (EC4T)	84.6	82.8
– cost of site energy	11.7	12.2
Total energy costs	219.8	196.5
Government grants	(2.8)	(2.9)
Loss/(profit) on disposal of property, plant and equipment	1.2	(0.5)
Costs expensed relating to franchise bidding activities	8.1	3.2
Other operating costs	356.8	370.1
Total operating costs	2,599.2	2,485.1

1 The total lease and sublease payments recognised as an expense (excluding rail access charges) are made up of minimum lease payments of £423.9m (2013: £408.2m), net of sublease payments of £16.6m (2013: £13.3m) relating to other rail leases.

2 The total lease and sublease payments recognised as an expense are made up of minimum lease payments of £885.0m (2013: £847.6m), net of sublease payments of £16.6m (2013: £13.3m) relating to other rail leases.

The fee relating to the audit of the financial statements can be analysed between audit of the Group's consolidated financial statements of £0.2m (2013: £0.2m) and audit of subsidiaries' financial statements of £0.4m (2013: £0.4m).

During the year, £1.8m (2013: £0.7m) was also paid to other 'Big 4' accounting firms for a variety of services.

5. Staff costs

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

	2014 £m	Restated 2013 £m
Wages and salaries	793.5	769.7
Social security costs	69.8	68.0
Other pension costs	63.7	58.2
Share based payments charge	2.2	–
	929.2	895.9

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

	2014	2013
Administration and supervision	2,452	2,375
Maintenance and engineering	2,302	2,350
Operations	19,038	18,838
	23,792	23,563

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

	2014 £m	2013 £m
Group Chief Executive	1,960	942
Group Finance Director	1,299	646
Non-executive Directors	326	355
	3,585	1,943

Sharesave scheme

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

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

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The key assumptions input into the model are future share price volatility, future dividend yield, future risk free interest rate, forfeiture rate and option life.

There are savings-related options at 28 June 2014 as follows:

Scheme maturity	1 May 2017
Option price (£)	17.34
No. of options unexercised at 28 June 2014	461,575
No. of options exercised during the year	–
No. of options exercisable at 28 June 2014	–

The expense recognised for the scheme during the year to 28 June 2014 was £0.1m (2013: n/a).

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

	2014 No.	2014 WAEP £	2013 No.	2013 WAEP £
Outstanding at the beginning of the year	–	–	–	–
Granted during the year	464,407	17.34	–	–
Forfeited during the year	(2,832)	17.34	–	–
Exercised during the year	–	–	–	–
Outstanding at the end of the year	461,575	17.34	–	–

The weighted average share price at the date of exercise for the options exercised in the period was n/a (2013: n/a).

The options outstanding at the end of the year have a weighted average remaining contracted life of 2.83 years (2013: n/a). These options are exercisable at £17.34 (2013: n/a).

Long Term Incentive Plans

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

The expense recognised for the LTIP during the year to 28 June 2014 was £1.8m (2013: £0.1m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 28 June 2014 and 29 June 2013 were:

	2014 % per annum	2013 % per annum
The Go-Ahead Group plc		
Future share price volatility	24.0	27.0
FTSE Mid-250 index comparator		
Future share price volatility	25.0	30.0
Correlation between companies	30.0	30.0

The weighted average fair value of options granted during the year was £15.63 (2013: £10.96).

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

	2014	2013
Outstanding at the beginning of the year	293,863	258,206
Granted during the year	49,958	113,380
Forfeited during the year	(58,798)	(77,723)
Exercised during the year	(25,878)	–
Outstanding at the end of the year	259,145	293,863

At the year end, 76,489 options were exercisable and the weighted average exercise price of the options is £23.67 (2013: £nil).

The weighted average remaining contractual life of the options is 0.79 years (2013: 1.53 years). The weighted average share price of options exercised was £21.32 (2013: n/a).

Deferred Share Bonus Plan

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

The expense recognised for the DSBP during the year to 28 June 2014 was £0.3m (2013: less than £0.1m).

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

The weighted average fair value of options granted during the year was £16.39 (2013: £12.32).

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

	2014	2013
Outstanding at the beginning of the year	14,204	–
Granted during the year	46,624	14,204
Forfeited during the year	(2,789)	–
Exercised during the year	(1,953)	–
Outstanding at the end of the year	56,086	14,204

Deferred Share Bonus Plan continued

At the year end, 866 options were exercisable and the weighted average exercise price of the options is £23.67 (2013: nil).

The weighted average remaining contractual life of the options is 1.75 years. The weighted average share price of options exercised was £20.19 (2013: £nil).

Share incentive plans

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

The SIP permits the Group to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the Group has, so far, made awards of partnership shares only. Under these awards, the Group invites qualifying employees to apply between £10 and £150 per month in acquiring shares in the Group at the prevailing market price. Under the terms of the scheme, certain tax advantages are available to the Group and employees.

6. Exceptional items

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

	2014 £m	2013 £m
Pension plan curtailment gain	15.1	–
Rail restructuring costs	(3.0)	–
Total exceptional items	12.1	–

Year ended 28 June 2014

Total exceptional items in the year were £12.1m.

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

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

Year ended 29 June 2013

There were no exceptional items in the year ended 29 June 2013.

7. Finance revenue and costs

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

	2014 £m	Restated 2013 £m
Bank interest receivable on bank deposits	1.4	1.5
Other interest receivable	0.1	0.1
Finance revenue	1.5	1.6
Interest payable on bank loans and overdrafts	(3.2)	(3.9)
Interest payable on £200m sterling 7.5 year bond	(11.1)	(11.1)
Other interest payable	(2.0)	(1.9)
Hedging ineffectiveness	–	0.1
Unwinding of discounting on provisions	(1.1)	(0.7)
Interest payable under finance leases and hire purchase contracts	(0.4)	(0.4)
Interest on net pension liability	(2.0)	(0.8)
Finance costs	(19.8)	(18.7)

8. Taxation

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

a. Tax recognised in the income statement and in equity

	2014 £m	Restated 2013 £m
Current tax charge	13.5	14.7
Adjustments in respect of current tax of previous years	(0.9)	(1.3)
	12.6	13.4
Deferred tax relating to origination and reversal of temporary differences at 20% (2013: 23%)	7.6	1.5
Adjustments in respect of deferred tax of previous years	0.2	0.3
Impact of opening deferred tax rate reduction	(6.8)	(2.1)
Tax reported in consolidated income statement	13.6	13.1

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

	2014 £m	Restated 2013 £m
Tax on remeasurement losses on defined benefit pension plans	(2.9)	(4.5)
Corporation tax on cashflow hedges	(0.1)	(0.6)
Deferred tax on cashflow hedges	(0.4)	0.8
Deferred tax on LTIP	(0.5)	–
Impact of opening deferred tax rate reduction	1.4	0.4
Tax reported outside of profit or loss	(2.5)	(3.9)

b. Reconciliation

A reconciliation of income tax applicable to accounting profit before tax and exceptional items at the statutory tax rate to tax at the Group's effective tax rate for the years ended 28 June 2014 and 29 June 2013 is as follows:

	2014 £m	Restated 2013 £m
Accounting profit on ordinary activities before taxation	91.2	63.1
At United Kingdom tax rate of 22.5% (2013: 23.75%)	20.5	15.0
Adjustments in respect of current tax of previous years	(0.9)	(1.3)
Expenditure not allowable for tax purposes	1.6	1.3
Adjustments in respect of deferred tax of previous years	0.2	0.3
Effect of changes in tax rates	(1.0)	(0.1)
Impact of opening deferred tax rate reduction	(6.8)	(2.1)
Tax reported in consolidated income statement	13.6	13.1
Effective tax rate	14.9%	20.8%

c. Reconciliation of current tax liabilities

A reconciliation of the current tax liability is provided below:

	2014 £m	2013 £m
Current tax liability at start of year	10.5	8.8
Corporation tax reported in consolidated income statement	12.6	13.4
Corporation tax on cashflow hedges	(0.1)	(0.6)
Paid in the year	(12.4)	(11.1)
Current tax liability at end of year	10.6	10.5

d. Deferred tax

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

	2014 £m	Restated 2013 £m	Restated 2012 £m
Deferred tax liability			
Accelerated capital allowances	(30.6)	(31.8)	(31.2)
Other temporary differences	(2.8)	0.5	2.7
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(17.4)	(19.9)	(20.9)
Deferred tax liability included in balance sheet	(50.8)	(51.2)	(49.4)
Deferred tax asset			
Retirement benefit obligations	12.0	11.0	5.5
Deferred tax asset included in balance sheet	12.0	11.0	5.5

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

	2014 £m	Restated 2013 £m
Accelerated capital allowances	2.6	2.5
Retirement benefit obligations	0.5	(1.3)
Temporary differences arising on pension spreading	3.6	–
Temporary differences arising on unwinding of leasing arrangements	1.6	–
Other temporary differences	(0.7)	0.3
	7.6	1.5
Adjustments in respect of prior years	0.2	0.3
Adjustments in respect of opening deferred tax rate reduction	(6.8)	(2.1)
Deferred tax expense	1.0	(0.3)

The UK Government has announced its intention to reduce the UK corporation tax rate to 20% by 1 April 2015.

A reduction in the UK corporation tax rate from 23% to 21% came into effect on 1 April 2014. Finance Bill 2013 was substantively enacted on 2 July 2013 and given Royal Assent on 17 July 2013, giving effect to a 20% rate effective from 1 April 2015.

9. Earnings per share

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

Basic and diluted earnings per share

	2014 £m	Restated 2013 £m
Net profit attributable to equity holders of the parent	70.3	46.2
Consisting of:		
Adjusted earnings attributable to equity holders of the parent	63.7	50.4
Amortisation after taxation and non-controlling interests	(3.9)	(4.2)
Exceptional items after taxation and non-controlling interests	10.5	–
Basic and diluted earnings attributable to equity holders of the parent	70.3	46.2

	2014	Restated 2013
Basic weighted average number of shares in issue ('000)	42,854	42,845
Dilutive potential share options ('000)	448	510
Diluted weighted average number of shares in issue ('000)	43,302	43,355
Earnings per share:		
Adjusted earnings per share (pence per share)	148.6	117.6
Basic earnings per share	164.0	107.8
Diluted earnings per share	162.4	106.6

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

No shares were bought back and cancelled by the Group in the period from 28 June 2014 to 3 September 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 also presented to eliminate the impact of goodwill and intangible amortisation and exceptional items in order to show a 'normalised' earnings per share. This is analysed as follows:

Year ended 28 June 2014

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

Year ended 29 June 2013

	Profit for the year £m	Amortisation £m	Exceptional items £m	Restated 2013 Total £m
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)
Adjusted profit attributable to equity holders of the parent	46.2	4.2	–	50.4
Adjusted earnings per share (pence per share)				117.6

10. Dividends paid and proposed

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

	2014 £m	2013 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2013: 55.5p per share (2012: 55.5p)	23.8	23.8
Interim dividend for 2014: 25.5p per share (2013: 25.5p)	10.9	10.9
	34.7	34.7

	2014 £m	2013 £m
Proposed for approval at the AGM (not recognised as a liability as at 28 June 2014)		
Equity dividends on ordinary shares:		
Final dividend for 2014: 59.0p per share (2013: 55.5p)	25.3	23.8

11. Property, plant and equipment

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

	Freehold land and buildings £m	Leasehold land and properties £m	Bus vehicles £m	Plant and equipment £m	Total £m
Cost:					
At 30 June 2012	166.5	18.9	470.7	168.0	824.1
Additions	9.2	0.5	40.2	8.6	58.5
Acquisitions	–	–	0.3	–	0.3
Disposals	(0.2)	–	(17.3)	(1.3)	(18.8)
Transfer categories	3.9	(3.9)	(0.6)	3.1	2.5
Transfer of assets held for resale	(2.7)	–	–	–	(2.7)
At 29 June 2013	176.7	15.5	493.3	178.4	863.9
Additions	10.6	0.9	52.5	5.5	69.5
Disposals	(1.8)	(1.8)	(25.6)	(3.4)	(32.6)
Transfer categories	–	–	0.3	(0.3)	–
Transfer of assets held for resale	(1.8)	–	–	–	(1.8)
At 28 June 2014	**183.7**	**14.6**	**520.5**	**180.2**	**899.0**
Depreciation and impairment:					
At 30 June 2012	9.9	5.4	229.1	120.3	364.7
Charge for the year	4.2	0.5	38.8	14.6	58.1
Disposals	–	–	(15.3)	(1.2)	(16.5)
Transfer categories	0.3	(0.3)	(0.3)	0.3	–
At 29 June 2013	14.4	5.6	252.3	134.0	406.3
Charge for the year	5.6	1.1	39.2	14.8	60.7
Disposals	–	(0.7)	(23.8)	(1.7)	(26.2)
Transfer of assets held for resale	(0.4)	–	–	–	(0.4)
At 28 June 2014	**19.6**	**6.0**	**267.7**	**147.1**	**440.4**
Net book value:					
At 28 June 2014	**164.1**	**8.6**	**252.8**	**33.1**	**458.6**
At 29 June 2013	162.3	9.9	241.0	44.4	457.6
At 30 June 2012	156.6	13.5	241.6	47.7	459.4

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

	2014 £m	2013 £m
Bus vehicles	1.9	46.1
Plant and equipment	0.1	0.3
	2.0	46.4

Additions and acquisitions during the year included £nil (2013: £nil) of rolling stock and £nil (2013: £nil) of plant and equipment under finance leases and hire purchase contracts.

12. Intangible assets

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

	Goodwill £m	Software costs £m	Franchise bid costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
Cost:						
At 30 June 2012 restated	80.8	18.0	8.7	16.7	12.6	136.8
Additions	–	1.1	–	–	–	1.1
Acquisitions	–	–	–	–	0.6	0.6
Transfer categories	–	(2.5)	–	–	–	(2.5)
At 29 June 2013 restated	80.8	16.6	8.7	16.7	13.2	136.0
Additions	–	1.2	0.5	–	–	1.7
Disposals	–	(0.3)	–	–	–	(0.3)
At 28 June 2014	**80.8**	**17.5**	**9.2**	**16.7**	**13.2**	**137.4**
Amortisation and impairment:						
At 30 June 2012 restated	–	12.0	6.3	13.1	6.3	37.7
Charge for the year	–	1.6	0.8	2.1	2.0	6.5
At 29 June 2013 restated	–	13.6	7.1	15.2	8.3	44.2
Charge for the year	–	1.5	0.8	1.5	2.0	5.8
Disposals	–	(0.3)	–	–	–	(0.3)
At 28 June 2014	**–**	**14.8**	**7.9**	**16.7**	**10.3**	**49.7**
Net book value:						
At 28 June 2014	**80.8**	**2.7**	**1.3**	**–**	**2.9**	**87.7**
At 29 June 2013 restated	80.8	3.0	1.6	1.5	4.9	91.8
At 30 June 2012 restated	80.8	6.0	2.4	3.6	6.3	99.1

Software costs

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

Franchise bid costs

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

Rail franchise asset

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

Customer contracts

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

Goodwill

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

	2014 £m	2013 £m
Metrobus	**10.6**	10.6
Go South Coast	**28.6**	28.6
Brighton & Hove	**2.1**	2.1
Plymouth Citybus	**13.0**	13.0
Go-Ahead London	**10.5**	10.5
Go North East	**2.7**	2.7
Konectbus	**3.6**	3.6
Thames Travel	**2.7**	2.7
Carousel	**2.1**	2.1
Anglian	**3.3**	3.3
Chambers	**1.6**	1.6
	80.8	80.8

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash-generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three year period which have then been extended over an appropriate period. The directors feel that the extended period is justified because of the long term stability of the relevant income streams. Growth has been extrapolated forward from the end of the three year forecasts over a total period of ten years plus a terminal value using a growth rate of 2.25%-3.0% which reflects the directors' view of long term growth rates in each business, and the long term recurrent nature of the businesses.

The pre-tax cashflows for all cash-generating units have been discounted using a pre-tax discount rate of 8.3% (2013: 9.3%), based on the Group's weighted average cost of capital, plus an appropriate risk premium for the business of 0.0-2.0% (2013: 0.0-2.0%).

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

The directors consider the assumptions used to be consistent with the historical performance of each unit and to be realistically achievable in light of economic and industry measures and forecasts. We have conducted sensitivity analysis on our calculations and except for Anglian, no reasonable change in key assumptions would cause the unit carrying amount to exceed its recoverable amount. Using a 8.3% pre-tax discount rate, Anglian has headroom of £1.2m. An increase in discount rate of 0.7% or a reduction of cashflows of 14% would be required to reduce the headroom in this business to £nil.

13. Business combinations

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

Year ended 28 June 2014

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

Year ended 29 June 2013

On 22 June 2013, London General Transport Services Limited, a wholly owned subsidiary of the Group, acquired 11 residual TfL Route contracts, including 45 buses, from First Capital East Limited's operation in Dagenham for a cash consideration of £0.7m.

Net assets at date of acquisition:

	Total acquisitions – Fair value to Group 2013 £m
Tangible fixed assets	**0.3**
Intangibles – Customer contracts	**0.6**
Payables falling due within one year	**(0.2)**
	0.7
Cash	**0.7**
Total consideration	**0.7**

Acquisition costs of £nil have been expensed through other operating costs.

14. Assets classified as held for sale

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

At 28 June 2014, assets held for sale, had a carrying value of £72.4m, of which £68.6m (2013: £nil) represents a payment on account for new rolling stock in Southern Railway Limited and in respect of which it is expected that a sale and operating leaseback will be completed before 27 June 2015. The remaining £3.8m (2013: £2.8m) relates to property, plant and equipment available for sale.

15. Inventories

Our inventory primarily consists of vehicle spares and fuel and is presented net of our allowance for obsolete products.

	2014 £m	2013 £m
Raw materials and consumables	15.6	14.2

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

16. Trade and other receivables

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

	2014 £m	2013 £m
Current		
Trade receivables	124.7	103.4
Less: Provision for impairment of receivables	(1.0)	(1.2)
Trade receivables – net	123.7	102.2
Other receivables	30.6	43.5
Prepayments and accrued income	56.8	50.5
Receivable from central Government	41.9	41.2
Amounts due from joint venture	1.8	0.4
	254.8	237.8

	2014 £m	2013 £m
Non-current		
Other receivables	1.2	1.1

Trade receivables at nominal value of £1.0m (2013: £1.2m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total £m
At 29 June 2013	1.2
Charge for the year	0.4
Utilised	(0.3)
Unused amounts reversed	(0.3)
At 28 June 2014	1.0

As at 28 June 2014, the ageing analysis of trade receivables is as follows:

	Total £m	Neither past due nor impaired £m	Less than 30 days £m	30-60 days £m	60-90 days £m	90-120 days £m	Past due but not impaired – more than 120 days £m
2014	123.7	114.3	4.6	1.9	1.8	1.1	–
2013	102.2	97.0	4.5	0.3	0.1	–	0.3

17. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits which have a maturity of three months or less to enable us to meet our short term liquidity requirements.

	2014 £m	2013 £m
Cash at bank and in hand	47.5	51.0
Cash and cash equivalents	234.3	197.9
	281.8	248.9

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

Amounts held by rail companies included in cash at bank and on short term deposit can be distributed only with the agreement of the DfT, normally up to the value of revenue reserves or based on a working capital formula. As at 28 June 2014, balances amounting to £217.3m (2013: £208.7m) were restricted. Part of this amount is to cover deferred income for season tickets which was £123.4m at 28 June 2014 (2013: £118.2m).

18. Trade and other payables

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

	2014 £m	2013 £m
Current		
Trade payables	115.4	131.6
Other taxes and social security costs	22.8	22.9
Other payables	45.6	41.5
Deferred season ticket income	123.4	118.2
Accruals and deferred income	124.6	109.6
Payable to central Government	116.0	38.8
Government grants	9.9	2.6
	557.7	465.2

	2014 £m	2013 £m
Non-current		
Government grants	2.4	3.5
Other liabilities	–	1.8
	2.4	5.3

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

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

19. Interest-bearing loans and borrowings

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

Net debt and interest-bearing loans and borrowings

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

Year ended 28 June 2014

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

Year ended 29 June 2013

			Current	Non-current		
	Effective interest rate %	Maturity	Within one year £m	After one year but not more than five years £m	After five years £m	Total £m
Syndicated loans (see below)	1.82	0-3 years	–	133.0	–	133.0
Debt issue costs on syndicated loans			(0.6)	(0.3)	–	(0.9)
Dollar loans (see below)	2.04	0-3 years	–	3.2	–	3.2
£200m sterling 7.5 year bond (see below)	5.38	0-5 years	–	200.0	–	200.0
Debt issue costs			(0.4)	(1.2)	–	(1.6)
Finance leases and HP commitments (see below)	8.36	0-4 years	1.6	2.0	–	3.6
Total interest-bearing loans and borrowings			0.6	336.7	–	337.3
Debt issue costs			1.0	1.5	–	2.5
Total interest-bearing loans and borrowings (gross of debt issue costs)			1.6	338.2	–	339.8
Cash and short term deposits			(248.9)	–	–	(248.9)
Net debt			(247.3)	338.2	–	90.9
Restricted cash						208.7
Adjusted net debt						299.6

Analysis of Group net debt

	Cash and cash equivalents £m	Syndicated loan facility £m	Dollar loan £m	Hire purchase/ finance leases £m	£200m sterling bond £m	Total £m
30 June 2012	253.7	(135.0)	(3.5)	(6.2)	(200.0)	(91.0)
Cashflow	(4.8)	2.0	0.3	2.6	–	0.1
29 June 2013	248.9	(133.0)	(3.2)	(3.6)	(200.0)	(90.9)
Cashflow	32.9	13.0	0.7	1.6	–	48.2
28 June 2014	**281.8**	**(120.0)**	**(2.5)**	**(2.0)**	**(200.0)**	**(42.7)**

Syndicated loan facility

On 3 February 2011 the Group entered into a £275.0m five year syndicated loan facility. The loan facility is unsecured and interest is charged at LIBOR + Margin, where the margin is dependent upon the gearing of the Group.

As at 28 June 2014, £120.0m (2013: £133.0m) of the facility was drawn down.

On 16 July 2014, the Group re-financed and entered into a £280.0m five year syndicated loan facility, replacing the £275.0m five year syndicated loan facility. The new loan facility is unsecured and interest is charged at LIBOR + Margin, where the margin is dependent upon the gearing of the Group.

£200m sterling 7.5 year bond

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

Dollar loan

On 26 July 2010, a $10.0m five year facility was entered into for the purposes of financing our Go-Ahead North America joint venture. As at 28 June 2014, $4.3m (2013: $4.8m) or £2.5m (2013: £3.2m) of this facility was drawn down.

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

Debt issue costs

There are debt issue costs of £0.4m (2013: £0.9m) on the syndicated loan facility.

The £200m sterling 7.5 year bond has debt issue costs of £1.2m (2013: £1.6m).

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

20. Finance lease and hire purchase commitments

This note details finance lease and hire purchase commitments.

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

	2014		2013	
	Minimum payments £m	Present value of payments £m	Minimum payments £m	Present value of payments £m
Within one year	**1.3**	**1.2**	1.8	1.6
After one year but not more than five years	**0.9**	**0.8**	2.2	2.0
Total minimum lease payments	**2.2**	**2.0**	4.0	3.6
Less amounts representing finance charges	**(0.2)**	**–**	(0.4)	–
Present value of minimum lease payments	**2.0**	**2.0**	3.6	3.6

21. Derivatives and financial instruments

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

a. Fair values

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 28 June 2014 and 29 June 2013 and are as follows:

	2014 £m	2013 £m
Non-current assets	0.1	1.7
Current assets	–	0.6
	0.1	2.3
Current liabilities	(3.5)	(1.7)
Non-current liabilities	(1.4)	(1.1)
	(4.9)	(2.8)
Net financial liabilities	(4.8)	(0.5)

Year ended 28 June 2014

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

Year ended 29 June 2013

	Amortised cost £m	Held to maturity £m	Held for trading – Fair value through profit and loss £m	Total carrying value £m	Fair value £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 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 assets and liabilities in notes 16, 18 and 19 is not significantly different from their carrying amount, with the exception of the £200m sterling 7.5 year bond which has a fair value of £217.2m (2013: £216.6m) but is carried at its amortised cost of £198.8m. The fair value of the £200m sterling 7.5 year bond has been determined by reference to the price available from the market on which the bond is traded. The fuel price derivatives were valued externally by the respective banks by comparison with the market fuel price for the relevant date.

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

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

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

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

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

As at 28 June 2014, the Group has used a level 2 valuation technique to determine the fair value of all financial instruments. During the year ended 28 June 2014, there were no transfers between valuation levels.

b. Hedging activities

Fuel derivatives

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

At the year end, the Group had various fuel price swaps in place. For the 2015, 2016 and 2017 financial years cashflow hedges were placed over 130, 63 and 31 million litres of fuel respectively. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

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

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

The Group's hedging policy for the target percentage of anticipated bus fuel usage hedged for the next year and subsequent two years as at 28 June 2014 is as follows:

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

After the year end the Board approved an additional purchase to increase the hedging profile for 2015/16 to 100%, taking advantage of low commodity costs and favourable exchange rates.

22. Provisions

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

	Depots £m	Franchise commitments £m	Uninsured claims £m	Restructuring provision £m	Other £m	Total £m
At 29 June 2013	0.2	51.4	49.6	–	2.9	104.1
Provided (after discounting)	–	17.3	17.7	3.0	0.4	38.4
Utilised	(0.1)	(9.6)	(17.5)	(0.6)	(1.1)	(28.9)
Released	(0.1)	(6.6)	(2.0)	–	(0.1)	(8.8)
Transferred from creditors	–	1.4	–	–	0.7	2.1
Unwinding of discounting	–	0.3	0.8	–	–	1.1
At 28 June 2014	**–**	**54.2**	**48.6**	**2.4**	**2.8**	**108.0**

	2014 £m	2013 £m
Current	**66.3**	45.6
Non-current	**41.7**	58.5
	108.0	104.1

Franchise commitments comprise £54.2m dilapidation provisions on vehicles, properties, depots and stations across our three active rail franchises. Of the dilapidation provisions, £45.4m 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. During the year £6.6m has been released following the successful renegotiation of certain contract conditions. The dilapidations will be incurred in order to meet the hand back requirements over the remaining period of the franchise, which at the balance sheet date is anticipated as within one to two years, subject to contract extension negotiations.

Uninsured claims represent the cost to the Group to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer, subject to the overall stop loss. Of the uninsured claims, £17.5m are classified as current and £31.1m are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years.

The restructuring provision of £2.4m relates to the London Midland franchise and has been created to cover the cost of restructuring front line and head office personnel, in order for the franchise to adapt effectively to increasing competitive pressures on the West Coast line. The restructuring provision is all current.

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

23. Issued capital and reserves

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

	Allotted, called up and fully paid			
		2014		2013
	Millions	£m	Millions	£m
As at 28 June 2014 and 29 June 2013	**46.9**	**4.7**	46.9	4.7

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

Share capital

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

Reserve for own shares

The reserve for own shares is in respect of 4,033,481 ordinary shares (8.6% of share capital), of which 131,251 are held for LTIP and DSBP arrangements.

The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances. During the year ended 28 June 2014 the Group has not purchased any shares (2013: no shares purchased). The Group has not cancelled any shares during the year (2013: no shares).

Other reserve

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

Hedging reserve

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

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

24. Commitments and contingencies

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

Capital commitments

	2014 £m	2013 £m
Contracted for but not provided	**16.2**	27.6

In addition, the Group has contractual commitments regarding procurement of rolling stock of £103.0m (2013: £nil), to be funded by central Government. The Group will continue to be involved in rolling stock procurement as part of the Thameslink rolling stock investment programme, in respect of which a contract for the procurement of 116 new rail vehicles was signed on 30 July 2013. This contract will facilitate the procurement of the new rolling stock, which will in due course be financed by a rolling stock leasing company. Interim funding has been provided by the DfT, and the Group will not ultimately bear any liability for the new rolling stock.

Contractual commitments

The Group also has contractual commitments of £213.8m (2013: £179.5m) payable within one year, and £18.7m (2013: £222.1m) payable within two to five years, regarding franchise agreement payments to the DfT in respect of the Southern franchise.

Operating lease commitments – Group as lessee

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

Future minimum rentals payable under non-cancellable operating leases as at 28 June 2014 and 29 June 2013 were as follows:

As at 28 June 2014

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

As at 29 June 2013

	Bus vehicles £m	Bus property £m	Other non rail £m	Rail rolling stock £m	Rail access charges £m	Rail other £m
Within one year	18.7	0.8	–	327.8	441.2	118.2
In the second to fifth years inclusive	26.8	1.6	0.1	289.6	408.5	84.9
Over five years	0.1	3.2	–	–	–	–
	45.6	5.6	0.1	617.4	849.7	203.1

Details of the lease cost for the year are shown in note 4.

Operating lease commitments – Group as lessor

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

Future minimum rentals payable under non-cancellable operating leases as at 28 June 2014 and 29 June 2013 were as follows:

	2014		2013	
	Land and buildings £m	Other rail agreements £m	Land and buildings £m	Other rail agreements £m
Within one year	2.1	21.4	3.1	23.8
In the second to fifth years inclusive	1.3	1.6	3.0	25.9
Over five years	–	–	–	–
	3.4	23.0	6.1	49.7

Performance bonds

The Group has provided bank guaranteed performance bonds of £121.7m (2013: £100.1m), a loan guarantee bond of £36.3m (2013: £nil), and season ticket bonds of £162.9m (2013: £157.4m) to the DfT in support of the Group's rail franchise operations.

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

To support subsidiary companies in their normal course of business, the Group has indemnified certain banks and insurance companies who have issued certain performance bonds and a letter of credit. The letter of credit at 28 June 2014 is £45.0m (2013: £43.0m).

25. Retirement benefit obligations

The Group operates a defined contribution pension scheme and a Workplace Saving Scheme for our employees. We also administer a defined benefit pension scheme, which is closed to new entrants and future accruals.

Retirement benefit obligations consist of the following:

	2014			Restated 2013			Restated 2012		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Pre-tax pension liabilities	(59.8)	–	(59.8)	(47.7)	–	(47.7)	(22.8)	–	(22.8)
Deferred tax asset	12.0	–	12.0	11.0	–	11.0	5.5	–	5.5
Post-tax pension scheme liabilities	(47.8)	–	(47.8)	(36.7)	–	(36.7)	(17.3)	–	(17.3)
Remeasurement (losses)/gains on defined benefit pension plans	(27.7)	13.2	(14.5)	(30.1)	10.4	(19.7)			

Bus schemes

The Go-Ahead Group Pension Plan

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

The defined contribution section of the Go-Ahead Plan is not contracted-out of the State Second Pension Scheme. It was closed to new entrants during the year ended 28 June 2014 and replaced by a Workplace Saving Scheme, which is also a defined contribution pension scheme. The expense recognised for the defined contribution section of the Go-Ahead Plan is £9.0m (2013: £6.9m), being the contributions paid and payable. The expense recognised for the Workplace Saving Scheme is £0.9m (2013: n/a) being the contributions paid and payable.

The defined benefit section of the Go-Ahead Plan is contracted-out of the State Second Pension Scheme and provides benefits based on a member's final salary. The assets of the scheme are held in a separate trustee-administered fund. Contributions to this section are assessed in accordance with the advice of an independent qualified actuary. Previously, the section had been effectively closed to new entrants, however existing members continued to build up further Final Salary benefits. However, during the year ended 28 June 2014, the Group commenced a formal consultation process with existing members and their representatives to close the defined benefit section to future accrual and to offer members the opportunity to join the defined contribution section instead. On 31 March 2014, the defined benefit section of the Go-Ahead Plan was closed to future accrual for all members.

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

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

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

Other pension plans

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

Summary of year end assumptions

	2014 %	2013 %
Retail price index inflation	**3.3**	3.3
Consumer price index inflation	**2.0**	2.0
Discount rate	**4.3**	4.7
Rate of increase in salaries	**n/a**	4.3
Rate of increase of pensions in payment and deferred pension*	**2.0**	2.0

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

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

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

	2014 Years	2013 Years
Pensioner	**20**	20
Non-pensioner	**21**	21

Sensitivity analysis

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

	2014 Pension deficit %
Discount rate – increase of 0.1%	**(1.7)**
Price inflation – increase of 0.1%	**1.5**
Rate of increase in salaries – increase of 0.1%	**n/a**
Rate of increase of pensions in payment – increase of 0.1%	**0.9**
Increase in life expectancy of pensioners or non-pensioners by 1 year	**3.6**

Maturity profile of defined benefit obligation

The following table shows the expected future benefit payments of the plan.

	£m
June 2015	20.5
June 2016	21.2
June 2017	21.9
June 2018	22.6
June 2019	23.3
June 2020 to June 2024	128.6

Category of assets at the year end

	2014		2013	
	£m	%	£m	%
Equities	206.4	34.2	212.5	37.3
Bonds	34.4	5.7	31.3	5.5
Property	33.8	5.6	30.8	5.4
Liability driven investing portfolio	315.0	52.2	282.5	49.6
Cash/other	13.9	2.3	12.5	2.2
	603.5	100.0	569.6	100.0

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

Funding position of the Group's pension arrangements

	2014 £m	2013 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	(663.3)	(617.3)
Assets at fair value	603.5	569.6
Pension scheme liability	(59.8)	(47.7)

Pension cost for the financial year

	2014 £m	Restated 2013 £m
Service cost	4.8	6.1
Administration costs	1.9	1.7
Interest cost on net liabilities	2.0	0.8
Total pension costs	8.7	8.6

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

	2014 £m	Restated 2013 £m
Employer's share of pension scheme liabilities – at start of year	617.3	558.7
Service cost	6.9	9.3
Interest cost	28.2	27.3
Remeasurement losses/(gains) due to:		
Experience on benefit obligations	2.8	(18.1)
Changes in demographic assumptions	0.2	12.0
Changes in financial assumptions	44.1	46.4
Curtailments	(15.1)	–
Benefits paid	(21.1)	(18.3)
Employer's share of pension scheme liabilities – at end of year	663.3	617.3

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

	2014 £m	Restated 2013 £m
Fair value of assets – at start of year	569.6	535.9
Interest income of plan assets	26.2	26.5
Remeasurement gains due to return on assets greater than discount rate	19.4	10.2
Administration costs	(1.9)	(1.7)
Group contributions	9.2	13.8
Employee contributions (including age related rebates)	2.1	3.2
Benefits paid	(21.1)	(18.3)
Fair value of plan assets – at end of year	603.5	569.6

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2015	4.7
Estimated employee contributions in financial year 2015	–
Estimated total contributions in financial year 2015	4.7

Rail schemes

The Railways Pension Scheme (the RPS)

The majority of employees in our train operating companies are members of sections of the RPS, a funded defined benefit scheme. The RPS is a shared costs scheme, with assets and liabilities split 60%/40% between the franchise holder/employee respectively. The RPS sections are all open to new entrants and the assets and liabilities of each company's section are separately identifiable and segregated for funding purposes.

BRASS matching AVC Group contributions of £0.9m (2013: £0.8m) were paid in the year.

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

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

Summary of year end assumptions

	2014 %	2013 %
Retail price index inflation	3.3	3.3
Consumer price index inflation	2.0	2.0
Discount rate	4.3	4.7
Rate of increase in salaries	4.3	4.3
Rate of increase of pensions in payment and deferred pension*	2.0	2.0

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

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

The most significant non-financial assumption is the assumed rate of longevity. The life expectancy of a male member at age 65, is 22 years and 24 years for a pensioner and non-pensioner respectively. The mortality assumptions adopted as at 28 June 2014 are based on the initial results of the latest funding valuation as at 31 December 2013. The mortality assumptions adopted as at 29 June 2013 are based on the funding valuation as at December 2010. 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 S1 SAPS tables, published by the CMI on 31 October 2008. As such, different members will have different life expectancies, dependent on their characteristics, and it is not possible to quote a single life expectancy figure.

Sensitivity analysis

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

	2014 Pension deficit %
Discount rate – increase of 0.1%	(2.0)
Price inflation – increase of 0.1%	2.0
Rate of increase in salaries – increase of 0.1%	0.5
Rate of increase of pensions in payment – increase of 0.1%	1.1
Increase in life expectancy of pensioners or non-pensioners by 1 year	3.1

Category of assets at the year end

	2014		2013	
	£m	%	£m	%
Equities	1,131.5	89.5	1,040.2	89.7
Bonds	64.5	5.1	58.0	5.0
Property	60.7	4.8	54.5	4.7
Cash	7.6	0.6	6.9	0.6
	1,264.3	100.0	1,159.6	100.0

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

Funding position of the Group's pension arrangements

	2014 £m	Restated 2013 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	(1,601.6)	(1,427.4)
Assets at fair value	1,264.3	1,159.6
Gross deficit	(337.3)	(267.8)
Franchise adjustment	337.3	267.8
Pension scheme liability	–	–

Pension cost for the financial year

	2014 £m	Restated 2013 £m
Service cost	45.2	40.4
Administration costs	1.9	3.1
Interest cost on net liabilities	12.7	11.3
Interest on franchise adjustments	(12.7)	(11.3)
Pension cost	47.1	43.5

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

	2014 £m	Restated 2013 £m
Employer's share of pension scheme liabilities – at start of year	1,427.4	1,264.6
Franchise adjustment	(267.8)	(224.9)
	1,159.6	1,039.7
Liability movement for members' share of assets	56.6	60.9
Service cost	45.2	40.4
Interest cost	44.0	42.2
Interest on franchise adjustment	(12.7)	(11.3)
Remeasurement losses/(gains) due to:		
Experience on benefit obligations	15.8	(20.7)
Changes in demographic assumptions	52.6	87.3
Changes in financial assumptions	(1.5)	(13.5)
Benefits paid	(38.5)	(33.4)
Franchise adjustment movement	(56.8)	(32.0)
	1,264.3	1,159.6
Franchise adjustment	337.3	267.8
Employer's share of pension scheme liabilities – at end of year	1,601.6	1,427.4

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

	2014 £m	Restated 2013 £m
Fair value of assets – at start of year	1,159.6	1,039.7
Interest income of plan assets	31.6	31.3
Remeasurement gains due to return on assets greater than discount rate	23.2	31.5
Administration costs	(3.2)	(5.1)
Group contributions	34.0	33.1
Benefits paid	(38.5)	(33.4)
Members' share of movement of assets	57.6	62.5
Fair value of plan assets – at end of year	1,264.3	1,159.6

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2015	25.5
Estimated employee contributions in financial year 2015	16.9
Estimated total contributions in financial year 2015	42.4

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

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

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

	2014 £m	Restated 2013 £m
Balance sheet		
Defined benefit pension plan	(337.3)	(267.8)
Deferred tax asset	67.5	61.6
	(269.8)	(206.2)
Other comprehensive income		
Remeasurement gains	56.8	32.0
Tax on remeasurement gains	(11.4)	(7.4)
	45.4	24.6
Income statement		
Operating costs – franchise adjustment	(12.7)	(11.3)
Deferred tax charge	2.5	2.6
	(10.2)	(8.7)

Risks associated with defined benefit plans

Bus schemes

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

Rail schemes

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

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

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

Directors’ statement of responsibility

The Directors of The Go-Ahead Group plc, who are listed in the Group’s Report and Accounts for the year ended 28 June 2014, confirm that, to the best of each person’s knowledge:

– The condensed set of consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU, IFRIC interpretation and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidated financial statements taken as a whole. The accounting policies utilised in the preparation of the Group's Report and Accounts are unchanged from those disclosed in the financial statements for the year ended 29 June 2013.

– The management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidated financial statements taken as a whole, together with a description of the principal risks and uncertainties that they face.

This condensed set of consolidated financial statements does not constitute the Group’s statutory financial statements for the year ended 28 June 2014, or for the year ended 29 June 2013, within the meaning of Section 435 of the Companies Act 2006. The financial information is based on the audited statutory financial statements for the year ended 29 June 2013. The financial statements for the year ended 29 June 2013 have been delivered to the Registrar of Companies. The financial statements for the year ended 28 June 2014 will be sent to shareholders and delivered to the Registrar of Companies in due course. They will also be available at the Registered Office of the Company at 3rd Floor, 41-51 Grey Street, Newcastle upon Tyne NE1 6EE. The auditor's opinions on the financial statements for the years ended 28 June 2014 and 29 June 2013 were unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the audit report, nor did they contain a statement under section 498(2) or (3) of the Companies Act 2006.

This final results announcements and the results for the year ended 28 June 2014 were approved by the Board of Directors on 3 September 2014.