Go-Ahead

Annual Report and Accounts
for the year ended 27 June 2015

STRONGER TOGETHER




We're part of the
Go-Ahead
Group







OUR LEADERSHIP TEAM DISCUSSES OUR RESULTS, THE POSITION OF THE GROUP AND PROSPECTS FOR THE FUTURE



Our Chairman's statement on page 4 →



Our Group Chief Executive's review on page 6 →



Our Finance review on page 48 →

- Read about our markets on page 14 →
- Information on our corporate governance report from page 52 →
- See how we are managing our risks on page 34 →

OUR STRATEGY AND OUR INTEGRATED APPROACH

OUR INTEGRATED APPROACH

Sustainability and corporate responsibility are integral to our strategy and the way we operate at every level of the business. This is our third integrated annual report which aims to present a comprehensive view of the Group.

Our strategic priorities:

SOCIETY
To run our companies in a safe, socially and environmentally responsible manner.

CUSTOMERS
To provide high quality, locally focused passenger transport services.

OUR PEOPLE
To be a leading employer in the transport sector.

FINANCE
To run our business with strong financial discipline to deliver sustainable shareholder value.

Read more about our strategic priorities on page 17 →

OUR STRATEGY AND BUSINESS MODEL

Our business model is a continuous cycle, supporting our strategy.
Read more on page 10 →

OUR BOARD

Our Board has a wide range of skills and experience.
Read more on page 54 →

GOVERNANCE

We are committed to maintaining a robust governance framework.
Read more on page 56 →

CONTENTS

STRATEGIC REPORT

2 Our performance at a glance
4 Chairman's statement
6 Group Chief Executive's review and Q&A
10 Our business model
12 Our core business units
14 Our markets
17 Our strategy and key performance indicators
34 Managing risk
40 Business review
48 Finance review

GOVERNANCE

52 Introduction to corporate governance
54 Board of directors
56 Corporate governance report
70 Directors' remuneration report
86 Directors' report
87 Directors' statement of responsibility

FINANCIAL STATEMENTS

88 Independent auditor's report to the members of The Go-Ahead Group plc
92 Consolidated income statement
94 Consolidated statement of comprehensive income
95 Consolidated statement of changes in equity
96 Consolidated balance sheet
98 Consolidated cashflow statement
100 Critical accounting judgements
101 Notes to the consolidated financial statements
138 Independent auditor's report to the members of The Go-Ahead Group plc
139 Parent Company statement of comprehensive income
140 Parent Company statement of changes in equity
141 Parent Company balance sheet
142 Directors' responsibilities in relation to the Parent Company financial statements
143 Notes to the Parent Company financial statements

SHAREHOLDER INFORMATION

153 Shareholder information, financial calendar and cautionary statement
155 Corporate information
156 More information for investors

GO-AHEAD ONLINE

For more information about The Go-Ahead Group and our operating companies, visit: www.go-ahead.com

SOCIAL MEDIA FOLLOW US ON:

linkedin.com/company/The-Go-Ahead-Group-PLC

facebook.com/TheGoAheadGroupPLC

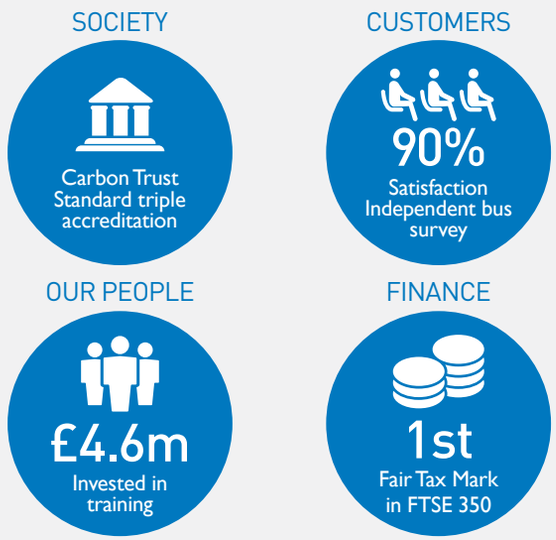
twitter.com/TheGoAheadGroup



STRENGTH IN OUR RESULTS

OVERVIEW

The Group has delivered good growth in revenue and operating profit during the year, with operating profit growth of 11.1%. Supported by this performance, the Board is pleased to propose an increase in the final dividend of 5.5p per share up 6.5%, in line with the Group's progressive dividend policy.
We have also made good progress against our non-financial KPIs.



Read more about our strategy and KPIs on page 17 →

REVIEW OF THE YEAR

FINANCIAL STRENGTH

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

STRATEGIC AND OPERATIONAL PROGRESS

- Continued progress in bus division with sector-leading customer satisfaction in regional bus operations
- Expect to deliver £100m of bus operating profit in 2016/2017, a year later than originally anticipated
- Record passenger numbers in rail division
- Group's net increase in contributions to the DfT in the year was £191.9m, up to £255.9m
- Challenging start in GTR – working closely with industry partners to improve performance and manage contract changes
- Submitted bids for Northern and TransPennine Express rail franchises and shortlisted for the London Overground contract
- Continue to explore selective opportunities in overseas markets

DIRECTORS' REMUNERATION

We report a single remuneration figure for executive directors which includes salary, annual performance-related bonus, long term incentive bonus and other benefits.

	2015 £'000	2014 £'000
Group Chief Executive David Brown	**2,163**	1,960
Group Finance Director Keith Down	**1,265**	1,299

A large proportion of the executive directors' remuneration is payable in shares. Half of the total annual performance-related bonus is awarded as deferred shares, to be held for a period of three years and subject to recovery and withholding provisions. Awards under the long term incentive plan (LTIP) are also made in shares, which further aligns the interests of our executive directors with those of our shareholders. A substantial part of executive directors' remuneration is performance-related and linked to key performance indicators. The remuneration committee's unanimous view was that the Group's performance supported the executive directors' remuneration this year. Overall operating profit rose 11.1% in the year to 27 June 2015 and the Group's share price rose 13.9%. Over the three year period to the same date, the share price increase was 124.1%.

The remuneration above includes the vesting of the LTIP award from 2012, which has rewarded the successful implementation of long term value strategic targets set three years ago.

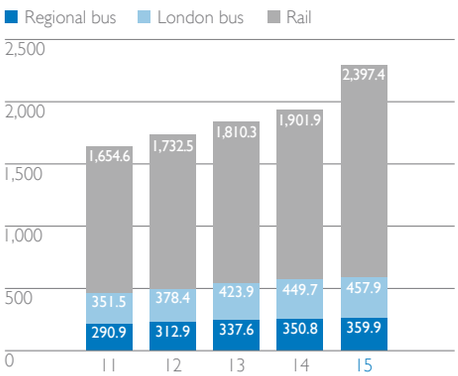
For the next tranche of LTIP awards in November 2015, we are proposing a customer satisfaction measure recognising that providing high levels of customer service is fundamental to our success.

Our directors' remuneration report can be found on page 70 →

GROUP HIGHLIGHTS

TOTAL REVENUE (£m)

£3,215.2m +19.0%



Group revenue rose £512.8m, or 19.0%, in the year with growth in all divisions. 14.6% of the increase is attributable to the introduction of the GTR rail franchise in September 2014.

TOTAL OPERATING PROFIT (£m) KPI

£114.7m +11.1%

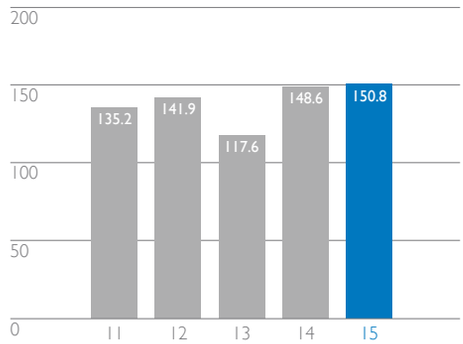


Group operating profit increased by £11.5m, or 11.1%, ahead of the Board's initial expectations. This strong performance was driven by our rail division.

We refer to operating profit excluding the impact of one off charges and credits to show a clearer trend. Our operating profit after exceptional items and amortisation was £96.8m (2014: £109.5m).

ADJUSTED EARNINGS PER SHARE (p)

150.8p +1.5%

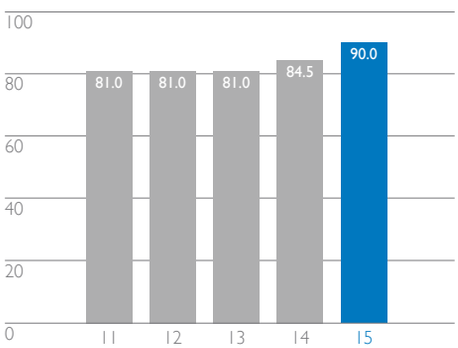


Adjusted earnings per share (3ps) rose by 2.2p, or 1.5%, reflecting increasing operating profit and taking the non-controlling interest in our rail division into account.

We use adjusted eps as a KPI as it excludes the impact of one off charges or credits in any year to provide a clearer trend. Our basic eps was 121.6p, down 25.9% due to the impact of exceptional costs in 2015 and an exceptional credit in 2014 (see note 7).

DIVIDEND PAID AND PROPOSED PER SHARE (p)

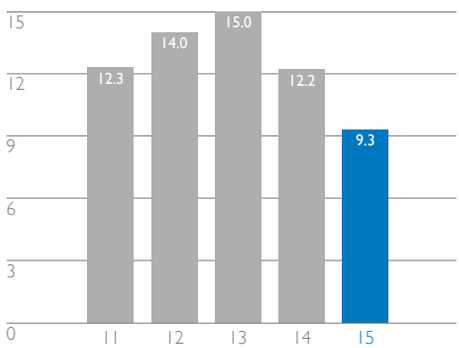
90.0p +6.5%



Further to a 4.3% increase in the interim dividend, the Board is pleased to propose a final dividend of 63.4p per share (2014: 59.0p), increasing the full year dividend to 90.0p (2014: 84.5p), up 5.5p or 6.5%.

REDUCTION IN CO_2 EMISSIONS PER PASSENGER JOURNEY (%)[1] KPI

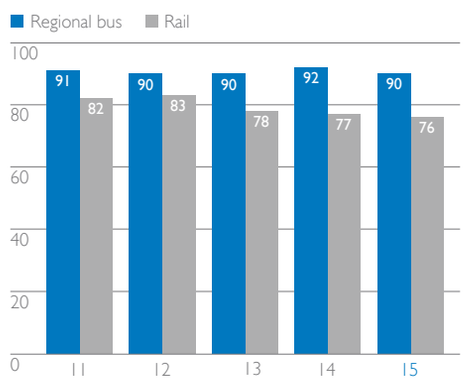
9.3% -2.9ppts



Year on year performance in this metric declined, largely due to the introduction of the GTR rail franchise, which has higher than Group average CO_2 emissions per passenger journey. Compared to our 2007/08 baseline data, overall Group CO_2 emissions per passenger journey have improved 9.3%, On a like for like basis, removing the impact of bus acquisitions and new rail franchises, since 2007/08 the improvement is 15.9% against the same baseline year.[1]

CUSTOMER SATISFACTION (%) KPI

Regional bus 90% -2ppts
Rail 76% -1ppts



Our regional bus passenger satisfaction scores remain industry leading. The overall score in our rail division declined in the year, impacted by the significant infrastructure improvements taking place as part of the Government's £6.5bn Thameslink Programme.

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

Our regional bus and London bus operating divisions were previously referred to as deregulated bus and regulated bus.

1. Reduction since our 2007/08 baseline, calculated using conversion factors provided annually by the Government.

CHAIRMAN'S STATEMENT



Andrew Allner,
Chairman

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

GOVERNANCE

Read more about our relations with shareholders on page 62 →

Our aim is to make a positive contribution to the communities in which we operate and wider society.

DEAR SHAREHOLDER

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

PERFORMANCE

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

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

Demanding economic and operating conditions in some of our bus markets have resulted in a more testing trading environment and the Board now expects to achieve the £100m bus operating profit target in 2016/17, a year later than the initial target date. Read about the performance of our bus and rail divisions from pages 40 to 47 →

DIVIDEND

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

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

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

GOVERNANCE

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

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

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

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

Following the year end, we consulted with major shareholders regarding changes to our executive remuneration policy and, in particular, our long term incentive arrangements. The proposed changes, which were developed to increase alignment between our strategy and the way we measure and reward performance, include the introduction of customer satisfaction as a long term performance measure. We know that providing high levels of customer service and a good customer experience is fundamental to our success as a leading transport operator. We believe these changes are a positive step in better connecting the remuneration of executive directors to customer experience. Read our remuneration report on pages 70 to 85 →

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

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

BOARD EFFECTIVENESS AND EVALUATION

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

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

In addition to an internal Board evaluation, led by the Group Company Secretary, in the first half of the year, an independent external evaluation of the Board took place later in the year. Building upon the internal review, the theme of this review was forward-looking and developmental. The review found good Board dynamics, open dialogue and constructive challenge, with a high standard of governance, and made a number of recommendations, including greater top-down consideration of risk and stakeholder management. View recommendations from the evaluation in the corporate governance report on page 61 →

OUR PEOPLE ARE STRONGER TOGETHER

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

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

On behalf of the Board, I would like to thank all of our people who work hard every day to provide good services to our passengers and create value for our shareholders. View our people information on page 29 →

A POSITIVE CONTRIBUTION

As a commercial organisation, our aim is to generate value for our shareholders while fulfilling our wider responsibilities to other stakeholders. We support economic growth, enabling over one billion passenger journeys each year, carrying millions of people to work, schools and colleges, shops and leisure activities every day. We have over 26,000 UK employees and also make a significant contribution to the economy through the taxes we pay. We are proud to be one of only two FTSE 350 organisations to be certified with the Fair Tax Mark for responsible tax behaviour. Go-Ahead's companies play a key role in the communities they serve and are vital to the future of UK public transport. Read about our relations with stakeholders on page 62 →

LOOKING FORWARD

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

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

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



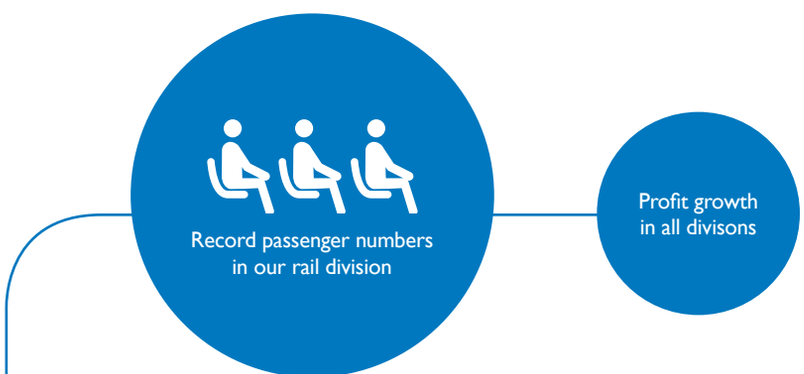
Andrew Allner,
Chairman
2 September 2015

GROUP CHIEF EXECUTIVE'S REVIEW



David Brown,
Group Chief Executive

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



STRONGER TOGETHER

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

CREATING VALUE FOR OUR STAKEHOLDERS

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

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

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

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

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

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

OUR PERFORMANCE

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

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

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

BUS

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

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

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

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

RAIL

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

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

Although this franchise will continue to be challenging and we expect margins to be impacted in the near term, our expectations for the life of the franchise remain unchanged. Read more about managing our risks on page 34 →

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

EXPLORING OPPORTUNITIES

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

During the period, we submitted bids for the DfT's Northern and TransPennine Express rail franchises and were pleased to be shortlisted for TfL's London Overground contract. Over the next two years, there are a number of other UK rail franchise opportunities which we will also consider.

We are bidding for contracts in the German regional rail market and have a small bid team based in Berlin. Germany has the largest rail market in Europe and it is amongst the most liberalised. The regional passenger rail market generates annual revenue of around €9.6bn and operates more than 50bn passenger kilometres a year.

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

As with all development activity, we undertake careful analysis to establish which opportunities best complement our portfolio, match our risk appetite and offer attractive returns for our shareholders. Read more about our approach to exploring new markets from page 14 →

OUR PEOPLE

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

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

Our local teams are well placed to understand their local markets and individually they bring great value to the Group, but we are stronger together and are consequently greater than the sum of our parts. Our operating companies are encouraged to share what works, coming together to build a stronger Group. Our local managing directors, who are accountable for and take ownership of their businesses, embrace this approach. Read more about our people from page 26 →

OUR APPROACH

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

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

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

Go-Ahead is an integral part of the UK public transport industry and we believe in offering wider transport solutions. We work closely with our industry partners and believe that together, we can build a better future for UK passenger transport. Read more about stakeholder relations on page 62 →

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

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

All of our stakeholders are important to us. Demonstrating our commitment to our suppliers, we were pleased to be recognised by the Prompt Payment Code during the year. Read more on page 30 →

OUTLOOK

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

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

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

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

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

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



David Brown,
Group Chief Executive
2 September 2015



DAVID ADDRESSES SOME TOPICAL QUESTIONS FROM OUR SHAREHOLDERS

YOUR EXPECTATIONS FOR TARGET 100 HAVE CHANGED. WHY ARE YOU NOT GOING TO HIT THE TARGET NEXT YEAR?

"We announced our £100m operating profit target in October 2012 and set out a roadmap of how this would be achieved. Since then, our bus division has performed very well; growing revenue both in and outside London, reducing costs and overcoming a number of challenging headwinds. 2014/15 has presented some particularly testing conditions in some of our operating areas with continuing weakness in the north east economy and roadworks in Oxford and Brighton significantly impacting our regional bus services. In London, roadworks and congestion have affected the punctuality of our services and consequently impacted the revenue we receive through Quality Incentive Contracts. Regardless of the targets we've set ourselves, we remain focused on delivering long term sustainable growth."

HOW ARE COMPANIES LIKE UBER GOING TO AFFECT YOUR BUSINESS?

"We operate in competitive markets in the UK and are always mindful of existing competition and new entrants to these markets. Advancements in technology are changing the way people access information and services. Go-Ahead responds to these changing needs and innovates to constantly improve the customer experience, so for instance our bus apps are the best in class and enable real time journey planning, personalised information and social media traffic and travel updates."

HOW ARE THE CHANGES IN NATIONAL LIVING WAGE GOING TO AFFECT THE GROUP?

"We believe in good reward and recognition for the work our people do. All of our companies already pay the vast majority of our employees the national living wage or higher. By the end of the year all employees, who are not apprentices or in training, will be on, or earning more than, the national living wage."

YOU HAVE INCREASED THE DIVIDEND AGAIN, BUT WHAT ARE THE PLANS FOR THE FUTURE?

"The Board was pleased to propose another increase to the full year dividend this year, recognising the importance of our dividend to the investment decision of many of our shareholders. This reflects our confidence in the Group's performance and prospects for the future. We are a long term business committed to delivering sustainable returns to our shareholders. Our strong balance sheet leaves us well placed to explore which options will deliver the best value for investors."

YOU'RE BIDDING FOR WORK OVERSEAS. THIS HAS NOT BEEN SUCCESSFUL FOR THE GROUP IN THE PAST. WHAT HAS CHANGED?

"Exploring opportunities overseas isn't a new stance for the Group. We have always sought growth and consider opportunities in all markets. We aren't interested in 'planting flags' or buying market share; we are looking for real value adding opportunities that will deliver shareholder value. We are interested in markets that are similar to those in which we currently operate and to which we can bring value through our expertise. All opportunities pursued by the Group are with full backing from the Board, in line with our strategic objectives and appetite for risk."

View the full year interview online, visit: www.go-ahead.com →

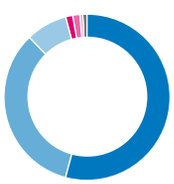
OUR BUSINESS MODEL

Our business model is a continuous cycle, supporting our strategy. In addition to creating value for our shareholders we deliver value for our customers, our people, the communities we serve and wider society.



ECONOMIC CONTRIBUTION

Total revenue £3,215.2m



Payments to suppliers	£1,746.8m
Staff costs	£1,079.6m
Net rail contribution to DfT	£255.9m
Economic value retained by shareholders	£52.2m
Capital expenditure	£42.3m
Corporation tax payments to Government	£20.3m
Finance costs	£18.1m

1 WE GENERATE REVENUE AND PROFIT IN TWO MAIN WAYS...

1) through the provision of transport services to fare-paying passengers, whose revenue covers the cost of service and a profit margin.

2) through the provision of passenger transport services on behalf of public sector transport authorities, for example, TfL, the DfT and local authorities. We tender for, and run, contracts in two main sub-categories:

- *Gross cost contracts* where our entire revenue comprises payments made by the transport authority to us with the authority retaining all fare revenue raised.
- *Net cost contracts* where our revenue is a combination of income from fares and payments from transport authorities.
- Where our revenue is partly or wholly derived from public sector transport authorities we have lower revenue risk but exposure to cost risk as cost overruns cannot be offset by fare increases. Good cost controls are therefore vital in areas such as staff utilisation, fuel efficiency and negotiation and management of contractual relationships. Part of the Group's core skill set is managing all of these areas without compromising safety or quality.

2 ...THROUGH OUR THREE OPERATING DIVISIONS...

Read about our operating divisions on page 12 →


Regional bus


London bus


Rail

3 ...ENABLED BY...

OUR KEY RELATIONSHIPS

Customers: Our passengers make over one billion journeys a year on our services. We need to know how we are performing so we can deliver change and improvements. We understand our local markets and strive to meet our customers' needs.

Our people: High levels of employee engagement, commitment and job satisfaction contribute directly to the success of Go-Ahead. The majority of our people are members of trade unions and our local teams work hard to foster good relationships with their representatives.

Communities: Our businesses are part of the local communities in which they operate. Our aim is to play a constructive role in the towns and cities we serve, working closely with local community groups.

Government: Policy and regulatory changes affect our bus and rail businesses. Working closely with both central and local government enables us to provide input into new policies and ensure we receive regular feedback on our performance. We also support central Government in activities such as rolling stock procurement where our teams have highly valued expertise.

Strategic partners and suppliers: We work collaboratively in a number of strategic partnerships including with the DfT, TfL, local authorities, Network Rail and rail rolling stock companies. Professional relationships with core suppliers help to ensure and support efficient delivery of our passenger transport services.

Shareholders: As a publicly listed company, we provide open and transparent communications which enable informed investment decisions to be made. Feedback from our shareholders forms part of strategic discussions in the Boardroom.

OUR KEY INPUTS

Our people: We employ directly almost all the people involved in providing our services.

Our trains and buses: All of our trains are leased and we own all of our regional bus fleet. In our London bus business, around half of our fleet is leased and half is owned.

Infrastructure: We pay for the use of public sector infrastructure such as railway track access or use of local authority bus stations. We own the majority of our bus depots. Rail depots are rented from Network Rail or similar providers.

Fuel: Our vehicles are mainly powered by a combination of diesel, electricity and gas. Read about our fuel hedging on page 43 →

Finance: We are financed partly by investment from our shareholders, partly by bank loans and other debt and also by profits generated by our operations. After payments to transport authorities and infrastructure providers, our largest costs are those of employing our people, funding our vehicle fleets and fuel. See the breakdown of our bus and rail cost bases on pages 42 and 46 →

4 ...SUPPORTED BY...

OUR STRATEGIC PRIORITIES

Read about our strategic priorities on page 17 →

OUR GOVERNANCE FRAMEWORK

Read our corporate governance report on page 56 →

OUR APPROACH TO RISK

Read about our approach to risk on page 34 →

5 ...CREATING VALUE FOR ALL OF OUR STAKEHOLDERS...

At Go-Ahead, we believe it is important to deliver shared value. Our bus and rail operations generate value for our people, the communities we serve, and our passengers who make over a billion journeys on our services each year. We deliver high levels of services to our transport authority customers and strive to be a reliable partner to our industry colleagues. Through our robust business model, we are committed to delivering sustainable shareholder value. We also create benefits for the UK economy through the employment of 26,000 people, the taxes we pay, payments to our suppliers and the contribution our rail franchises make to Government finances.

6 ...AND REINVESTING TO BUILD A SUSTAINABLE BUSINESS FOR THE LONG TERM

We continue to invest in our services to maintain our position as a leading provider of passenger transport.

OUR CORE BUSINESS UNITS

We create shared value for our stakeholders through our three operating divisions: regional bus, London bus and rail.

REGIONAL BUS

WE OPERATE COMMERCIAL BUS BUSINESSES, PREDOMINANTLY IN THE SOUTH OF ENGLAND

Outside London, we have operations in Brighton, Oxford, Plymouth, East Anglia, on the south coast and in north east England. We own 100% of these businesses.

Read about regional bus division performance from page 41 →



KEY MARKET FEATURES

- Outside London
- Services operated on a largely commercial basis
- Accountable to the traffic commissioner and other industry bodies
- Work in partnership with local authorities to meet the needs of our communities
- Comprises local markets with unique features
- Mainly private operators, some local authority owned operations
- Operators largely make their own decisions, such as setting bus fares, routes and service frequencies
- Some tendered services are run on behalf of councils, such as school contracts
- Operators have a relatively flexible cost base which can be adapted to mitigate external factors

GROWTH OPPORTUNITIES

Go-Ahead operates around 7% of the regional bus market in the UK. It is a mature market with scope for growth through acquisition, network expansion and changing behaviours resulting in increased bus use.

LONDON BUS

WE OPERATE TENDERED CONTRACTS FOR TRANSPORT FOR LONDON (TFL)

In London, we operate around 170 routes from 17 depots in the capital. Around 85% of these depots are freehold. We own 100% of this business.

Read about London bus division performance from page 41 →



KEY MARKET FEATURES

- Services operated for TfL which sets routes and service frequency
- Fares set by the Mayor of London
- Private operators bid for individual route contracts
- Revenue paid to operators by TfL on a revenue per mile basis
- Five to seven year contracts, dependent on performance
- Gross cost contracts require tight control of cost base

GROWTH OPPORTUNITIES

Go-Ahead is the largest bus operator in London with around 24% market share. Growth opportunities exist through additional contract wins, by moving into new areas through acquisition and where the scope of the network increases due to London's population growth.

RAIL

WE OPERATE RAIL FRANCHISES FOR THE DEPARTMENT FOR TRANSPORT (DFT)

Go-Ahead currently operates three UK rail franchises (GTR, Southeastern and London Midland) through Govia, a 65% owned joint venture with Keolis.

Read about rail division performance from page 45 →



KEY MARKET FEATURES

- Regulated by the Office of Rail Regulation (ORR) and other industry bodies
- Peak fares, routes and service frequencies set by the Government
- Franchises typically have initial contract terms of around eight years
- The infrastructure is largely owned and managed by Network Rail
- Trains are leased from rolling stock operators
- Operators have a relatively fixed cost base, reducing flexibility to adapt to changes in the wider economy

GROWTH OPPORTUNITIES

Govia operates around 27% of the UK rail market. There are significant growth opportunities in this market in the coming years, with 10 franchises due to be awarded by 2019.

24% of London bus market

27% of UK rail market

DIVISIONAL REVENUE

70% FARE PAYING PASSENGERS

By offering high quality services and value for money fares, we are able to grow passenger numbers. This contributes directly to the success of our business.

20% REIMBURSEMENT FOR CONCESSIONARY TRAVEL

Government policy entitles anyone of pensionable age to free travel on local bus services in England. Bus operators are reimbursed a percentage of the full fare for revenue forgone. This is paid by local authorities from a fund allocated by central Government, based on a principle of the operator being 'no better and no worse off'. Our typical reimbursement rates are around 50%.

10% TENDERED CONTRACTS

Services which are not commercially viable, such as rural routes and school buses, are tendered by local authorities. We also operate commercial contracts for universities and other third parties. These contracts are often tendered on a net cost basis.

DIVISIONAL REVENUE

95% RUNNING BUS SERVICES IN LONDON FOR TFL

Operating under a regulated system, TfL issues tenders for bus routes in London and private operators enter a competitive bidding process for individual route contracts. Contracts are usually five years in duration with a possible two year performance-based extension. Our revenue comes directly from TfL and is paid on a revenue per mile basis.

5% QUALITY INCENTIVE BONUSES AND OTHER REVENUE

Performance targets are set by TfL through Quality Incentive Contracts (QIC) to encourage the provision of punctual services. Operators receive bonus payments when targets are met and are penalised for poor performance.

Other sources of revenue include providing rail replacement services, advertising on buses and operating other third party contracts.

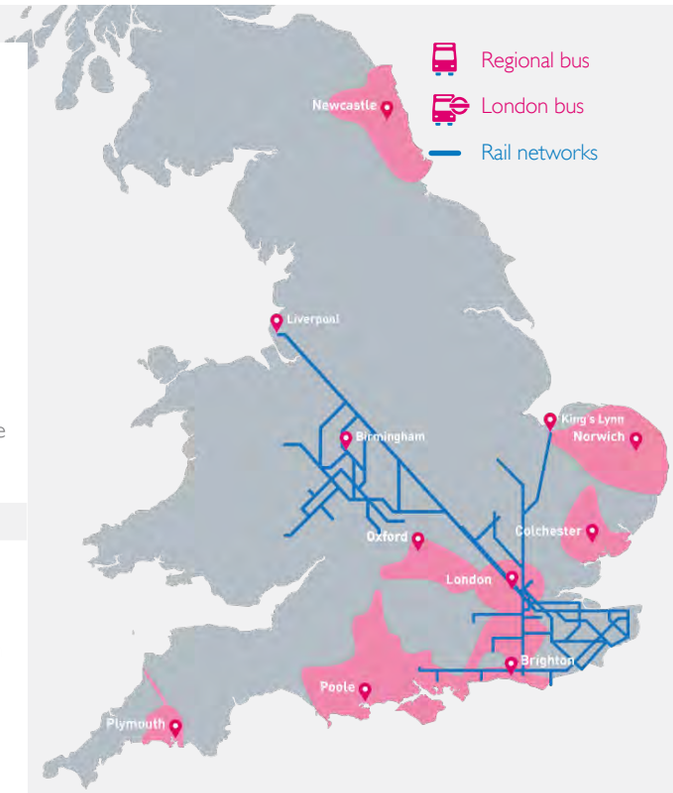
DIVISIONAL REVENUE

95% PASSENGER REVENUE, FRANCHISE PAYMENTS AND SUBSIDIES

Operating under a regulated system, the DfT issues tenders for rail franchises and private operators enter a competitive bidding process for the right to operate them. Typically, operators submit detailed franchise bids that specify the level of premium the operator will pay to the DfT or the level of subsidy or franchise payment it will require from the DfT for operating the franchise, dependent on a range of assumptions, such as passenger revenue and cost base. The model is designed to maximise the value to the taxpayer by incentivising train companies to operate efficiently and encourage passenger growth.

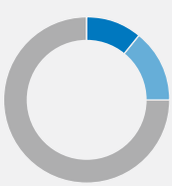
5% OTHER REVENUE

A small proportion of revenue is generated through other activities on the rail franchise network such as car parking, station retailing, advertising at stations and on trains and third party engineering work.



GROUP REVENUE (£m)

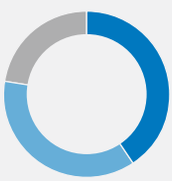
£3,215.2m +19.0%



Regional bus	359.9
London bus	457.9
Rail	2,397.4

GROUP OPERATING PROFIT (£m)

£114.7m +11.1%



Regional bus	46.7
London bus	42.3
Rail	25.7

OUR MARKETS

Our current bus and rail businesses operate in the UK, predominantly in London and the south east. In the three decades that Go-Ahead has operated in these markets, we have delivered strong growth organically and through acquisitions.

Public transport brings benefits to individuals, communities and the nation as a whole. Economically, it connects workers to jobs and enables trade. Socially, it provides access to employment, education, and health care, and unites friends and family. For many, especially older people, people with disabilities and children, public transport is often the only viable option.

In the UK, the population continues to increase and car ownership is rising, creating greater traffic congestion, with 55% of car journeys made being under five miles[1]. Public transport helps to reduce levels of traffic on the road, improve carbon emissions and reduce travel times.

It is important for us to listen to our customers and understand how their travel behaviours are changing and what is important to them. Understanding our customers enables us to innovate and evolve to continue meeting their changing demands.

Like most customer facing businesses, we use market and wider economic data to help us understand trends but do not solely rely on this. We believe the best way to understand our customers' behaviour is to ask our customers themselves for their views, as well as analysing travelling and purchasing behaviour through our various ticketing channels. Go-Ahead's companies undertake passenger research to ensure customers' needs are understood and are met.

Read more about our approach to understanding our customers from page 22 →

The way people use technology has changed in recent years. In the last three years alone the number of adults in the UK using smartphones has risen from 39% to 66%. Now, 90% of 16 to 19 year olds own a smartphone and usage by 55-64 year olds has reached an all-time high of 50%[2]. We strive to take advantage of technological advancements and improve the services we provide. For a number of years we've led the industry in our use of smart ticketing, with the largest transport smartcard scheme outside London. Over the last two years we have developed mobile apps with features such as real-time information to give customers access to up-to-the minute information on their own devices.

We strive to enable people to use their time travelling productively by creating comfortable environments and providing innovations such as on board WiFi and mobile phone charging points.

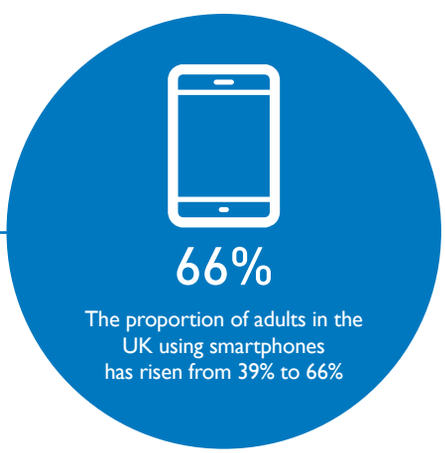
Research by the Independent Transport Commission shows that the end to end journeys that people take are increasingly being split across different modes. This supports our view that integrated transport solutions are a vital part of today's transport network. Go-Ahead already works with other transport companies and local authorities to promote integrated travel, with multi-operator smartcards in Tyne and Wear, Oxford and Brighton.

As an experienced transport operator we are mindful of new and increased competition that could impact our business. As the market is constantly changing, we too are always developing our approach to ensure we maintain competitive advantage in the areas and markets in which we operate.

OUR CORE MARKETS

Our current bus and rail businesses operate in the UK, predominantly in London and the south east. In the three decades that Go-Ahead has operated in these markets, we have delivered strong growth organically and through acquisitions.

The London bus and UK rail markets are regulated by Transport for London (TfL) and the Office of Rail Regulation respectively. Both markets operate under an established and successful model, and while the rail industry faced disruption following the Government's suspension of the franchise bidding process after the failed West Coast franchise competition in 2012, the revised franchising timetable is underway and the market is stabilising. There is also currently some uncertainty regarding the future of English regional bus markets in anticipation of the Government's proposed Bus Bill, potentially linked to a Devolution Bill.



1 Government policy local transport
2 Ofcom

The Government has demonstrated its commitment to a strong transport network through its pledge to invest £15bn by 2021 as part of its Road Investment Strategy, and £38bn on the rail network by 2019. Despite some planned infrastructure projects being put on hold, large scale programmes such as the Thameslink Programme and Crossrail demonstrate the commitment to building a stronger rail network for the future. TfL plans to make significant investments in its bus network over the coming years, to support the growing population in the capital.

As well as investment, Government and local authority policies are also critical in ensuring an efficient public transport system, such as bus lanes in city centres.

Our main competition in our markets comes from private and commercial car-based transport alongside other bus and rail operators. Go-Ahead is able to compete in its markets due to its expertise, experience and reputation as a high quality operator of value for money services.

FACTORS AFFECTING OUR MARKETS

THE ECONOMY

During the economic downturn in 2008/09, GDP fell by around 6% and did not return to its pre-downturn levels until 2013[3]. Unlike many sectors that experience volatility with economic changes, the bus and rail markets remained relatively stable through this period. Go-Ahead in particular, showed resilience at this time with consistent growth in passenger volumes between 2008 and 2013, demonstrating the strength of our business model and strategy. Economic prospects look strong for the UK, with forecast GDP growth of 2.7% and 2.6% in 2015 and 2016 respectively[4].

3 Office for National Statistics

4 British Chamber of Commerce

POPULATION

Population growth is a key driver for growth in public transport. Since the bus industry was privatised in 1987, the UK's population has risen by 13% and it is forecast to grow a further 13% to 73.2million over the next 20 years[3]. The highest rates of growth have been seen in London, where there is a direct correlation between population growth and rising passenger numbers on buses in the capital. TfL estimates London's population to be growing by a tube full of people every three days.

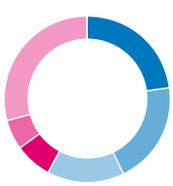
More people are now living in urban areas, where traffic congestion for car users has increased. In 2013, a DfT survey found 45% of respondents thought traffic congestion was a problem, up from 39% the year before.

OUR STRENGTHS AS AN OPERATOR:

- Understanding and meeting the needs of the travelling public in our local markets, delivering good quality services and value for money
- Developing strong local brands
- Delivering safe and efficient vehicle operations
- Providing excellent customer service, for both our passengers and our transport authority customers
- Adopting a partnership approach in developing and operating services which create long term value for all parties involved
- Operating on large and complex transport networks
- Marketing our services to passengers
- Employing experienced management who are committed to supporting and developing our people while delivering high quality services and sustainable shareholder value

REGIONAL BUS MARKET SHARE*

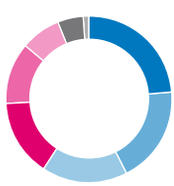
7%



Stagecoach	23%	Go-Ahead	7%
FirstGroup	20%	National Express	6%
Arriva	15%	Other	29%

LONDON BUS MARKET SHARE*

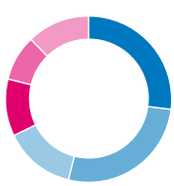
24%



Go-Ahead	24%	RATP	12%
Comfort DelGro	19%	Abellio	8%
Arriva	17%	Tower Transit	5%
Stagecoach	15%	Others	1%

RAIL MARKET SHARE*

27%



Govia	27%	FirstGroup	11%
Stagecoach	27%	Arriva	9%
Abellio	14%	Others	12%

* Go-Ahead estimates.

EXPLORING NEW MARKETS

Go-Ahead has successfully operated in the UK bus and rail market for several decades, over which time it has built a broad and in depth skill set covering complex and busy public transport networks.

The Group is exploring opportunities in other markets, outside the UK. Our longstanding approach to development has been to seek opportunities that deliver value to our shareholders. We do not make strategic investments which increase market share without generating clear returns.

We look for markets that fit with our strategy and risk appetite and to which we can bring knowledge, experience and expertise.

Currently, we are actively pursuing contract opportunities in the German rail market and the Singaporean bus market and have gained valuable knowledge and bidding experience over the past year.

CHARACTERISTICS OF THE MARKETS WE ARE EXPLORING:

- Cultural similarities to the UK
- Strong economic credentials
- High demand for public transport
- Stable political outlook
- Growing population

MARKET CHALLENGES



REGIONAL BUS:

- Infrastructure improvements in some of our operating areas that will deliver long term benefits are resulting in significant roadworks and disruption in the shorter term.
- The local economy in the north east has not recovered at the same rate as other areas in which we operate. Unemployment there stands at 8.1% compared to a UK average of 5.6%[3]. Passenger volumes have fallen in this area as a result of weaker economic conditions.
- The Government's plans regarding the Bus Bill and possible links to devolution are currently unknown and this creates uncertainty in this market, which may reduce investment by operators.



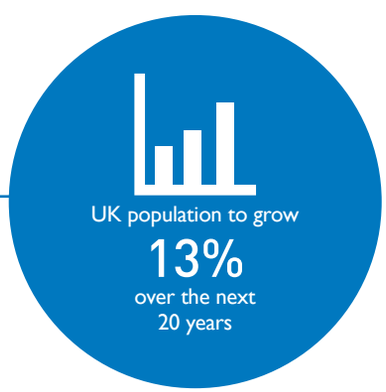
LONDON BUS:

- TfL has acknowledged that passenger volume targets have not been met due to rising levels of traffic congestion. The number of roadworks on TfL's road network rose 43% in the period to April 2015, compared to the same time last year. TfL expects reliability of the bus network to return to best ever levels by 2016/17.



RAIL:

- The large scale infrastructure project, the Thameslink Programme, continues to impact on our ability to operate some of our services to our usual target levels. We are reliant on other parties, such as Network Rail, delivering their contractual obligations.



3 Office for National Statistics

OUR STRATEGY AND KEY PERFORMANCE INDICATORS

The Group has a clear strategy to which the Board is committed. Our key performance indicators (KPIs), linked to our strategic priorities, are regularly reviewed. Performance against these KPIs is discussed by the Board in every meeting.

OUR VISION

Our vision is to be a leading provider of high quality, innovative, customer-focused passenger transport services, delivering the local needs of passengers and communities.

OUR STRATEGY

Our Group strategy is to increase the profitability of our existing business while growing the Group to deliver sustainable shareholder value. This strategy is underpinned by our strategic priorities and is supported by our divisional bus and rail strategies.

Read our bus and rail strategies on pages 41 and 45 →

OUR STRATEGIC PRIORITIES

SOCIETY

To run our companies in a safe, socially and environmentally responsible manner.

We believe a sustainable public transport network is essential to the future of any society and as a leading provider of passenger transport services, sustainability is integral to the way we run our business. Ensuring the safety of our passengers and our people is an absolute priority for us. We are also committed to making a contribution to the communities in which we operate and to wider society. Reducing the environmental impact of our operations while providing a greener alternative to the private car contributes to the Government's environmental targets. The economic contribution from Go-Ahead helps support economic recovery and longer term prosperity.

CUSTOMERS

To provide high quality, locally focused passenger transport services.

Meeting the needs of our customers is vital to the success of the Group. Providing reliable, value for money passenger transport encourages more passengers to use our services and leaves us well placed to tender for contracts with our transport authority customers. Our devolved structure ensures strong localised expertise, focuses on the needs of the local customer and has the ability to respond quickly to changing conditions in local markets. Good customer service is at the heart of everything we do and we are committed to delivering high levels of customer satisfaction.

OUR PEOPLE

To be a leading employer in the transport sector.

Our people are our most valuable and important asset. Without them, our buses and trains cannot create value. It is our teams across the Group that keep the business moving and are the face of Go-Ahead. Investing in and developing our people enable them to fulfil their own potential and assist them in carrying out their jobs to the best of their ability, thereby improving the customer experience. Effective leadership development and succession planning are essential to sustainable success for the Group and a diverse workforce further enhances this.

FINANCE

To run our business with strong financial discipline to deliver sustainable shareholder value.

Our aim is to deliver shareholder value through a combination of earnings growth, and strong cash generation and balance sheet management, supplemented by value adding growth opportunities. We have a steadfast commitment to operating with strong financial discipline and a conservative view towards risk. The strength of our balance sheet allows us to pursue opportunities, adding value to the Group, and making attractive returns to shareholders.

MEASURING OUR PERFORMANCE

The KPIs presented in this report are the measures we use in the business to assess the Group's performance against our strategic objectives. These measures are regularly reviewed to ensure we are focusing on the right areas of performance.

Last year, we set new targets for 2020 across our four strategic priorities. Our target setting process is both a top down and bottom up approach, considering guidance from industry bodies while allowing for the unique features of our businesses and markets. The 2020 targets use 2014 performance as a baseline for measurement.

The directors' remuneration policy is designed to reflect the Group's performance, with elements of remuneration linked to each of our strategic priorities.



SOCIETY

SERVING LOCAL COMMUNITIES

WE MAKE A POSITIVE CONTRIBUTION TO THE COMMUNITIES WE SERVE AND ALSO TO WIDER SOCIETY

Being part of the local community underpins Go-Ahead's devolved management approach and enables our bus and rail companies to be more responsive to the different needs that different passengers have. Whether customers are using wheelchairs or mobility scooters, have difficulty walking, are pregnant or travelling with young children, or have more complex learning difficulties or mental health issues – all our bus and rail companies strive to make their services as accessible to everyone as they can.

DEMENTIA FRIENDLY TOWNS AND CITIES

With an estimated 850,000 people living with dementia in the UK, the Government set a challenge for 20 cities to become 'dementia friendly' by the end of 2015. Many more towns and cities are aiming to achieve this status and our operating companies have an integral role in supporting their local authority partners towards this aim. This strengthens the collaborative working relationship we have with local authorities and councils – something that is vital for the success of our companies.

Being accredited 'dementia friendly' requires towns to have easy-to-navigate physical environments and appropriate transport facilities. All our bus companies have dementia awareness as part of their regular driver training and refresher courses, using guidance from Alzheimer's Society's Dementia Friends initiative. The training ensures staff have an understanding of what they can do to support people with dementia to carry on with everyday life, continue to travel on buses, and keep doing things they enjoy.

Several of our operating companies serve coastal towns in the south east of England. These are often popular places for people to retire to, and have higher than average levels of elderly people with dementia. In 2014 Go South Coast received an award for its work in this area on the Isle of Wight. The island has been identified as the local authority with the highest percentage of dementia sufferers and it is expecting to increase by 27% (from approximately 2,600 to 3,300 people) between 2011 and 2020. The company has worked with local specialist organisations to provide easy-to-read aide-memoirs for people with dementia and their carers, helping to make using buses easy and practical.

Other UK towns are also looking to follow the lead of Go-Ahead bus companies such as Brighton & Hove and Metrobus who have declared their bus depots and travel shops to be 'safe havens' for those with dementia or learning difficulties. Southern Railway's Brighton and Horsham stations in the same south-east region have also signed-up to the initiative.

Read more Society case studies online, visit: www.go-ahead.com →



BETTER

THAN SECTOR AVERAGE
CARBON DISCLOSURE PROJECT SCORE

96%

FOUR-STAR RATING IN BUSINESS
IN THE COMMUNITY CORPORATE
RESPONSIBILITY INDEX

SOCIETY

To run our companies in a safe, socially and environmentally responsible manner

SPADS PER MILLION MILES

What does it mean? Across the rail industry, train operating companies are legally required to report Signals Passed at Danger (SPADs). Although every SPAD is treated as a serious incident, most SPADs occur at low speed, where braking distance has been misjudged and the train is stopped by automatic warning systems, and therefore the likelihood of an accident is very low.

Why is it important? It helps us to measure against our commitment to provide a safe rail passenger service.

Risks Poor performance in this metric could impact on operational performance, result in a poor safety record and impact reputation.

2015 performance The number of SPADs per million miles decreased by 12.5% to 0.77. Overall, we have achieved an improvement of 43.5% against our 2007/08 baseline. This is a significant improvement despite falling short of our 2015 target of 60%.

This result should be viewed in the context of many years of improvement in this metric across the industry. Performance is tracked against a very good baseline performance.

We have very tight controls around safety and high standards of driver training which minimise the likelihood of SPADs occurring. We work closely with Network Rail to try and minimise the risk of SPADs on the network and investigate every SPAD which occurs on our services. We encourage accurate and timely reporting of incidents.

Due to the nature of these occurrences and high sensitivity to data changes, relative performance can fluctuate from one year to the next.

2020 target To maintain low levels of SPADs per million miles, delivering continuous improvement.

RIDDOR ACCIDENTS PER 100 EMPLOYEES

What does it mean? Riddor (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) is a statutory requirement for all companies and relates to a work place incident that results in absence from work for over seven days or a legally reportable incident to the Health and Safety Executive.

Why is it important? It helps us to measure against our commitment to providing a safe working environment for our employees.

Risks Failing to provide a safe working environment for our people goes against our objective to be the employer of choice in the sector. Poor performance could lead to issues around employee relations, including satisfaction and productivity, and could also increase employer's liability insurance claim costs.

2015 performance The number of Riddor accidents per 100 employees reduced by 7.9% to 0.70. Overall, we have achieved an improvement of 64.6% against our 2007/08 baseline, exceeding our 2015 target of 60%.

We take our responsibility for the safety of our people very seriously and ensure our employees have the necessary equipment and training to do their jobs properly and safely. During the year, we continued to invest in staff training and upgrades to our facilities to ensure a safe working environment for our people.

We investigate every accident and encourage accurate and timely reporting of incidents.

2020 target To maintain low levels of Riddor accidents per 100 employees, delivering continuous improvement.

BUS ACCIDENTS PER MILLION MILES

What does it mean? We monitor the number of bus accidents which result in a notification to a claims handler for every million miles we operate, including cases where we are not at fault.

Why is it important? It helps us to measure against our commitment to provide a safe and positive travel experience for our bus passengers and minimise risk to the general public. Good performance in this area can also reduce cost through lower insurance claim costs.

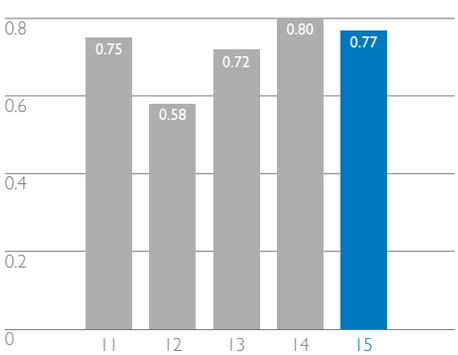
Risks Our objective to run our companies in a safe manner would be impacted by poor performance against this KPI. Risks associated with this include reputational risk and higher insurance claim costs.

2015 performance The number of bus accidents per million miles increased by 1.1%. to 38.2. Overall, we have achieved an improvement of 33.1% against our 2007/08 baseline. This is a significant improvement despite falling short of our 2015 target of 60%.

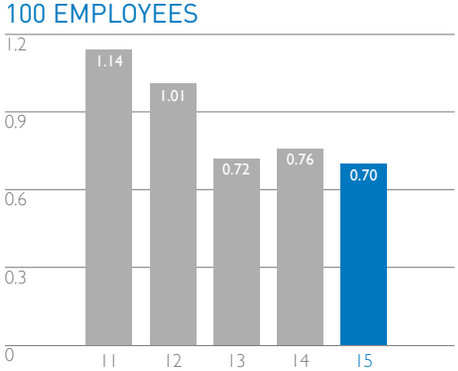
Bus accidents have significantly reduced since 2011 as a result of action we have taken despite an increase in accidents where we are not at fault. We invest heavily in training, monitor driving behaviour and encourage our drivers to improve their standards of driving through a range of initiatives across the division. We have better end to end processes in place from accident prevention to claims management. We investigate every accident and encourage accurate and timely reporting of incidents.

2020 target To maintain low levels of bus accidents per million miles, delivering continuous improvement.

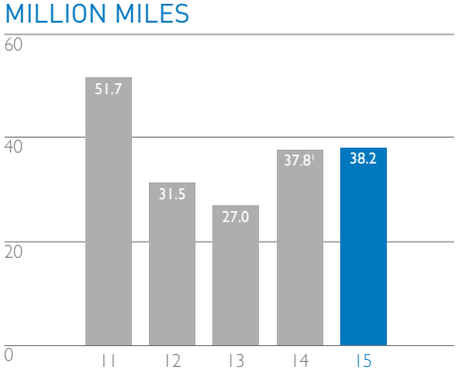
SPADS PER MILLION MILES



RIDDOR ACCIDENTS PER 100 EMPLOYEES



BUS ACCIDENTS PER MILLION MILES



1 Restated.

REDUCTION IN CARBON EMISSIONS PER PASSENGER JOURNEY[1]

What does it mean? We monitor the carbon emissions from our operations for every passenger we carry. CO_2 conversion factors[2] are used to measure overall CO_2 emissions which are then measured per passenger journey.

Why is it important? It helps us to measure against our commitment to improve energy efficiency while contributing to government and local authority carbon reduction targets and providing a greener way for our passengers to travel. Good performance in this area also reduces cost through fuel efficiency.

Risks Our objective to run our companies in an environmentally responsible manner would be impacted by poor performance against this KPI. Poor performance could result in reputational risk for the Group and higher costs.

2015 performance Carbon emissions per passenger journey have reduced 9.3% since 2007/08. The year on year performance in this metric declined, largely due to the introduction of the GTR rail franchise, which has higher than Group average CO_2 emissions per passenger journey.

On a like for like basis, removing the impact of bus acquisitions and new rail franchises, the improvement is 15.9% against the same baseline year as a result of initiatives introduced by the Group. This underlying performance is below our original target reduction of 20%.

2018 target To reduce like for like carbon emissions per passenger journey by 10%. This is against a challenging baseline as we have already made significant improvements in this area.

GREENHOUSE GAS EMISSIONS

We report on greenhouse gas (GHG) emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard and the UK Government's Environmental Reporting Guidance methodologies together with the emissions conversion factors from DEFRA/DECC GHG conversion factors for Company Reporting 2015. In line with this guidance, we have reported the emissions sources* that are required. These sources fall within businesses included in our consolidated financial statements.

Emissions are expressed in terms of equivalent carbon dioxide (CO_2e). Our relative performance metric is kilogrammes of CO_2e emissions per passenger journey.

Overall CO_2 emissions have increased in the year, largely due to the introduction of the GTR rail franchise.

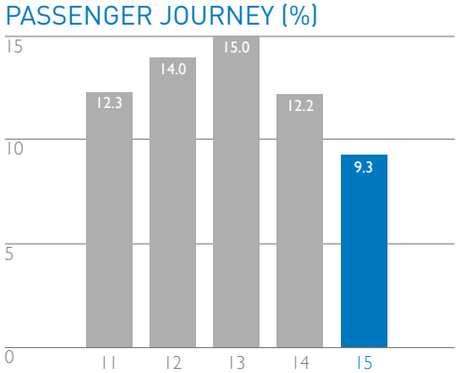
* Emissions from air conditioning equipment in our premises and vehicles are not included in this analysis due to the difficulty in obtaining this data. These emissions account for less than 0.5% of our total GHG emissions and are therefore not considered material.

	2014/15		2013/14	
Scope 1		CO_2e tonnes ('000)		CO_2e tonnes ('000)
Passenger journeys (m)	1,241.20		1,152.6	
Gas (buses) kwhs (m)	6.9	11.3	7.3	9.2
Gas (premises) kwhs (m)	54.5		42.3	
Bus diesel (10% bio-diesel blend) ltrs (m)	127.6	329.8	128.1	333.4
Rail diesel ltrs (m)	18.4	53.5	17.7	51.8
Scope 2				
Traction electricity kwhs[1] (m)	1,288.4	595.5	1,002.1	495.3
Site electricity kwhs (m)	100.3	46.3	85.1	42.1
Scope 3				
Electricity – transmission and distribution losses within the grid		53.0		47.0
Sub total		1,089.5		978.8
Kgs CO_2 per passenger journey		0.88		0.85
Outside scopes				
Biogenic content of bio-diesel[2]		11.0		8.0
Total		1,100.5		986.8

1 Traction electricity consumption data relates to the period from 1 April 2014 to 31 March 2015. This provides the most accurate figure for consumption.

2 The biogenic content of bio-diesel is considered outside scope as there is no conversion factor for our baseline year. Emissions from this source are reported for 2014/15 but are excluded from the calculation of our relative performance metric as comparative data is not available.
We define our organisational reporting boundary by applying the financial control approach with a materiality threshold set at 5%.

CARBON EMISSIONS PER PASSENGER JOURNEY (%)



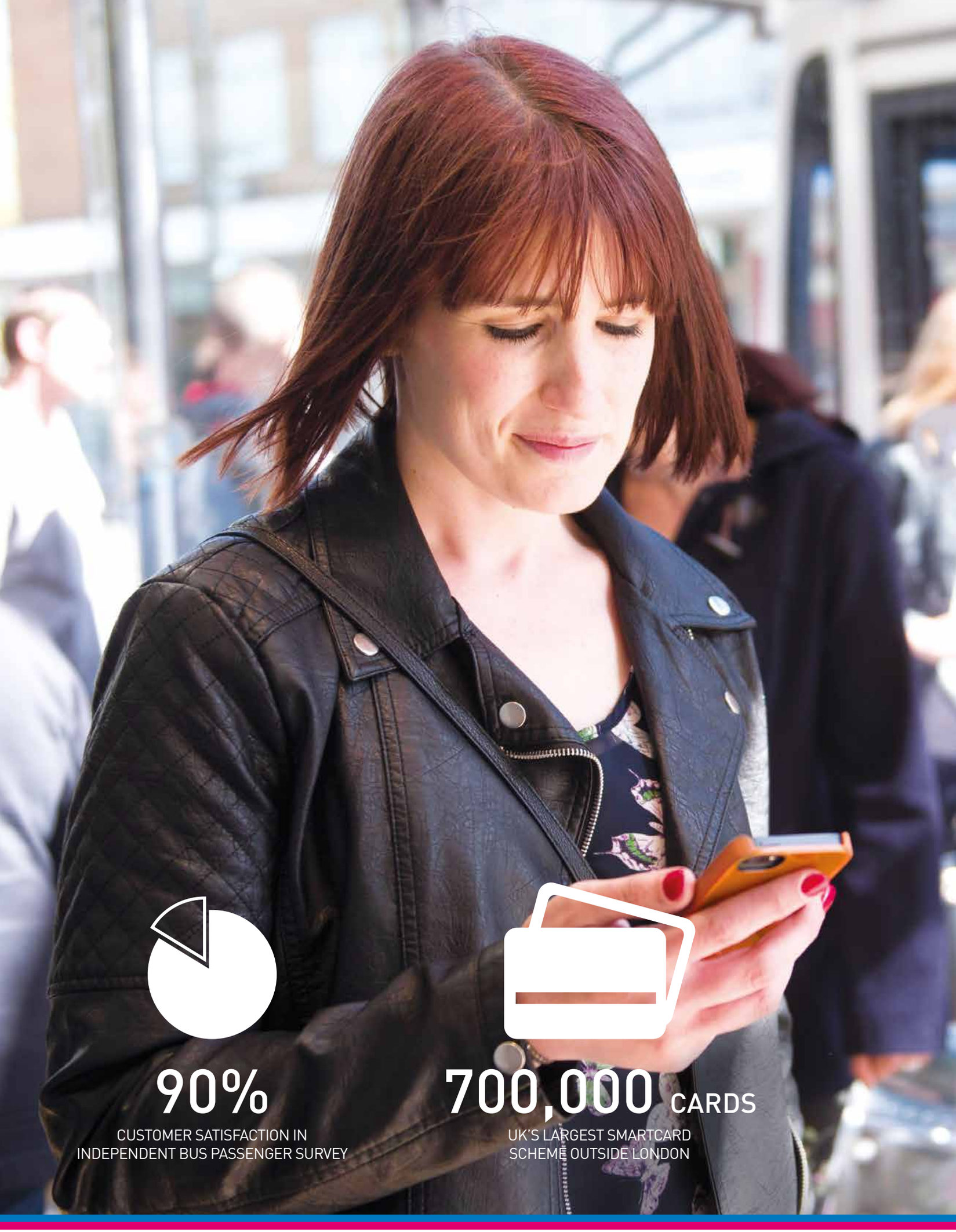
1 Reduction since 2007/2008 baseline.

2 Conversion factors, updated annually and provided by the Government, are used to convert energy consumption into the equivalent carbon emissions.

REMUNERATION

Directors' remuneration is linked to performance against this strategic priority, particularly relating to health and safety.

Read more in the directors' remuneration report on pages 70 to 85 →



90%

CUSTOMER SATISFACTION IN INDEPENDENT BUS PASSENGER SURVEY

700,000 CARDS

UK'S LARGEST SMARTCARD SCHEME OUTSIDE LONDON



CUSTOMERS

CUSTOMER FOCUSED

PROVIDING SERVICES THAT CUSTOMERS WANT, NEED AND VALUE IS FUNDAMENTAL TO OUR BUSINESS AS WE SEEK TO ATTRACT NEW CUSTOMERS AND RETAIN EXISTING ONES

The new products and services we offer, and the changes we make, are a reflection of what customers tell us that they want through their conversations with staff, local suggestion schemes, social media and via more formal feedback such as surveys and research.

This year we received a 90% customer satisfaction rating in the independent 2014 national bus passenger survey* – the highest of the UK's five largest operators. This result is encouraging but we know continual improvement is required and have increased the amount of research undertaken to assist in understanding our customers and improve their experience on our services. Every year more than 20,000 of our customers respond to surveys. Our Group companies engage 'passenger panels' for day-to-day feedback and also to take part in one-off focus groups. As a direct result of comments a number of improvements have been made to enhance the onboard experience such as the introduction of WiFi on many of our regional bus routes, handy usb phone charger sockets, and even increased padding in seat cushions. It is these small things, they tell us, that make a big difference to people's daily journeys.

DIGITAL INFORMATION AND TICKETS

We continue to work to enhance the real-time information for customers with new releases and upgrades to our bus and rail apps. The latest versions provide dynamic banner messages and in-app messages, improved personalisation, filters and live updates. We are leading the field in our sector in this area with increased payment options features such as Pingit and also – at the request of parents buying passes for teenage children – delegated payment options.

Our smartcard scheme remains the largest in the UK outside London's Oyster scheme and our mobile ticketing (m-tickets) products continue to grow in popularity with more than 2m m-tickets purchased on smartphones in the past year.

Working in partnership with other transport providers we have launched joint-operator smartcard and m-ticket schemes with local authorities in Oxford, Brighton and Newcastle. The introduction of 'the key' smartcard on its services won Southern the Technological Innovation category at the Rail Business Awards. The key smartcard is truly multi-modal and as well as Southern trains can be used on local Brighton & Hove buses and London's underground and bus network.

INTEGRATED TRAVEL: TRAIN, BUS, PLANE

Go-Ahead bus and rail companies serving Gatwick have collaborated with the airport to assist its employees, as well as airline passengers, to travel there from the South Coast in the early hours of the morning before train services begin. Metrobus and rail company Southern offer a joint ticket allowing travel out by bus and return by train. 'Early bird' bus services were introduced in May 2015, ahead of the busy summer period. The service has been promoted by Metrobus as well as Southern and Southeastern train companies and Gatwick has provided Metrobus with retail space in the main terminal to promote and sell bus and rail tickets. The joint project benefits both organisations, assisting the airport's allocation of shift rota times, reducing staff numbers required, and also providing Go-Ahead additional revenue from the new routes.

* Statutory independent watchdog Transport Focus national bus passenger survey 2014.

Read more customer case studies online, visit: www.go-ahead.com →

CUSTOMERS

To provide high quality, locally focused passenger transport services

LIKE FOR LIKE PASSENGER VOLUME GROWTH

What does it mean? We measure the number of passenger journeys taken on our regional bus and rail services compared with the previous year. This is measured on a like for like basis.

As we are contracted on the basis of mileage in our London bus division, we do not measure passenger numbers.

Why is it important? We track this metric closely as performance against our rail franchise bid assumptions and progress towards our bus operating profit targets are significantly impacted by passenger volumes.

Risks Decreasing volumes could be an indication of performance issues within our operations or changes in economic or market conditions, all of which could impact on the Group's overall performance.

2015 performance In regional bus, like for like volumes fell 1.4% due to challenging economic conditions in the north east and roadworks in Oxford and Brighton deterring bus travel. This decline follows many years of consistent growth of over 1%, against a backdrop of declining volumes in the wider UK bus industry, outside London. This growth has been supported by our geographical focus in more economically resilient areas and our approach to marketing our high quality services.

In rail, we continued to deliver consistent growth throughout the challenging economic period from 2008 and this has continued in the year, with like for like growth of 3.9%.

We have made improvements over a period of time including sales channels, off-peak services and marketing.

2020 target To maintain growth at broadly similar levels to those consistently delivered in recent years.

CUSTOMER SATISFACTION

What does it mean? Customer satisfaction is measured by the independent passenger watchdog, Transport Focus. Surveys are conducted twice a year for our rail franchises and annually for our regional bus operations.

Our primary customer in London bus is TfL. We measure satisfaction by performance against TfL performance targets, such as excess waiting time.

Why is it important? Providing high quality service is a strategic priority for the Group and monitoring customer satisfaction is a key measure of our performance. Identifying potential issues allows us to take action to improve our services.

Risks If our customers are not satisfied with the service they receive they may switch to other operators or other modes of transport such as driving, cycling or walking.

2015 performance In bus, we achieved the highest overall passenger satisfaction score in the UK bus industry, at 90%. One of our companies scored 98%, the highest recorded score in the UK bus market.

Rail scores declined slightly in the year to 76%, impacted by the significant infrastructure improvements taking place as part of the Government's £6.5bn Thameslink Programme. We continue to work closely with Network Rail to improve performance on the networks on which we operate.

The average score for train operators in London and the south east is 78% and the industry average for bus passenger satisfaction in England is 88%.

2020 target To maintain our sector leading bus passenger satisfaction scores and improve on levels of customer satisfaction in the rail division, bringing them in line with the industry average for the London and south east network.

REGIONAL BUS PUNCTUALITY

What does it mean? The punctuality of our regional bus operations is measured as a percentage of buses which arrive at their stop between one minute before and five minutes after their scheduled time. Therefore, the higher the percentage the better.

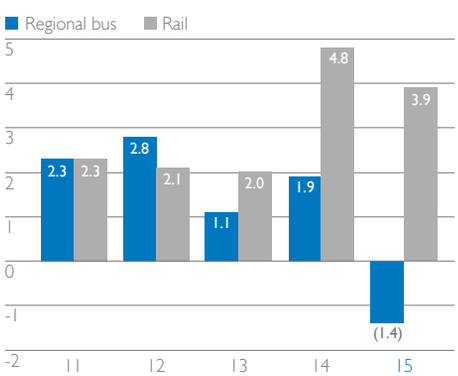
Why is it important? Service punctuality is important to our passengers and is key to helping us grow passenger numbers.

Risks Punctuality is a key driver of customer satisfaction. If our customers are not satisfied with the service they receive they may switch to other operators or other modes of transport such as driving, cycling or walking.

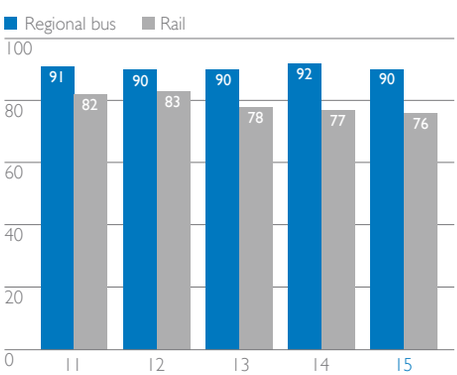
2015 performance 86.9% of our regional bus services ran on time. This decline on last year's performance is due to congestion and roadworks in some of our operating areas preventing us from running punctual services and a number of our operating companies moving to a new real-time monitoring system, providing more accurate data.

2020 target Achieve regional bus punctuality of over 95% in line with industry targets.

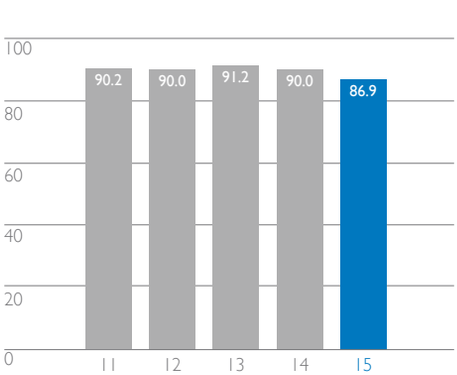
PASSENGER VOLUME GROWTH (%)



CUSTOMER SATISFACTION (%)



REGIONAL BUS PUNCTUALITY (%)



LONDON BUS PUNCTUALITY

What does it mean? The punctuality of London bus operations is measured by excess waiting time. This is the time passengers have to wait for a bus above the average scheduled waiting time. The lower the excess waiting time, the better the performance.

Why is it important? Service punctuality is important to the passengers we carry on behalf of TfL. We earn extra revenue through Quality Incentive Contract (QIC) bonus payments if we exceed TfL punctuality targets, on a contract route basis. Contract extensions are based on performance.

Risks Poor performance could result in lower QIC bonus payments and contracts not being extended.

2015 performance Average excess waiting time was 1.21 minutes below, a decline in performance of 15.2%. The industry average is 1.09 minutes.

Performance has been significantly impacted by roadworks and congestion associated with public rail improvements and the cycle super highway, affecting our ability to run services in line with targets. This has impacted the amount of revenue generated through Quality Incentive Contract bonuses in the year.

2020 target Achieve low average excess waiting time of below one minute, in line with TfL's targets.

RAIL PUNCTUALITY

What does it mean? The punctuality of our rail operations is measured on the basis of the DfT's Public Performance Measure (PPM) on a moving annual average basis. PPM is the percentage of trains that arrive at their final destination within five minutes of their scheduled arrival time.

Why is it important? Service punctuality is important to our passengers. Our PPM performance forms part of our franchise agreements with the DfT.

Risks Punctuality is a key driver of customer satisfaction. Poor performance could result in customers stopping using our services. Breach of franchise agreement terms could lead to financial penalties or ultimately result in the loss of a franchise.

2015 performance Overall PPM for our rail companies was 86.7%. This is a decline of 0.2ppt against the prior year. Performance against this metric has been impacted for the last two years by infrastructure issues and improvements. We continue to work closely with Network Rail to improve performance on the networks on which we operate. Around 60% of delay minutes are as a result of incidents outside our control.

Southeastern saw a particular improvement in the year up to 89.4%, reflecting network changes associated with the Thameslink Programme, while Southern's performance was adversely impacted by this, seeing performance dip to 82.7%. London Midland improved slightly on its performance last year at 87.6%, as continued focus has been placed on improving operational performance in this franchise. GTR achieved a similar level of performance at 87.3%.

Our franchises form part of the London and South East network for which the average PPM is 88.9%. The overall national rail industry average is 89.7%.

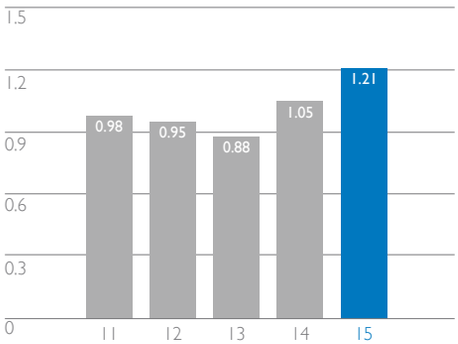
2020 target Increase levels of punctuality in all our franchises to 92.5% or above, in accordance with the ORR's London and South East operators' 2019 target.

REMUNERATION

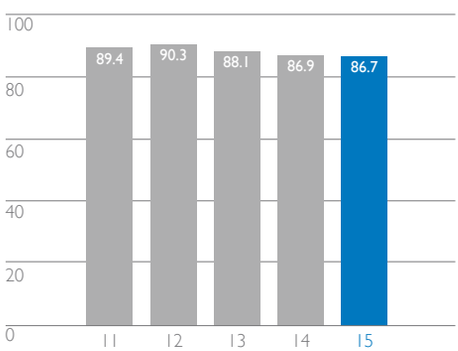
Directors' remuneration is linked to performance against this strategic priority, particularly relating to customer satisfaction.

Read more in the directors' remuneration report on pages 70 to 85 →

LONDON BUS PUNCTUALITY (minutes)



RAIL PUNCTUALITY (%)





800

INCREASE IN FEMALE EMPLOYEES ACROSS THE GROUP

* Includes 470 GTR employees.

£14.6m

INVESTED IN TRAINING AND DEVELOPMENT THIS YEAR



OUR PEOPLE

VALUING OUR PEOPLE

IT IS IMPORTANT FOR US TO BE AN ORGANISATION THAT VALUES AND RESPECTS ITS EMPLOYEES AND WE WORK HARD TO MAKE SURE THERE IS A POSITIVE, INCLUSIVE CULTURE ACROSS ALL OUR BUSINESSES

We know that engaged, motivated employees are likely to go 'above and beyond' for colleagues and customers and have fewer absent work days, all of which have clear benefits for the organisation.

HEALTH AND WELLBEING

We have strong evidence showing that our employee wellbeing initiatives, promoting and supporting healthy lifestyles for staff, increase engagement and reduce absence. Across the UK absenteeism costs businesses around £30bn a year* so our internal 'better together' forums have focused on sharing wellbeing best practice initiatives across the Group. As a result Southeastern has been recognised by Business in the Community for integrating wellbeing into the company's culture resulting in reduced levels of absence and improved engagement.

INCREASING DIVERSITY

We operate in increasingly diverse communities and recognise and appreciate the diversity of our customers, employees, suppliers and other stakeholders. We believe that a diverse workforce is likely to assist us in being more adaptable to social, technological and political changes as they occur, as it is an important component to combat 'groupthink' and helps stimulate innovation. Employing people who are a reflection of the community they are based within is also important, and demonstrating our work in this area can assist when bidding for new contracts.

Over past decades, our largest employee groups such as bus and train drivers and engineers, have traditionally attracted male candidates and, once recruited, we retain high proportions of these staff. Currently, as expected, we have a disproportionately higher percentage of men working for the Group than women, which we are taking steps to address. Over the past year we've increased the number of women overall by 800, a small step but moving in the right direction. This of course is not an issue that affects Go-Ahead in isolation, with a national shortage of engineers and fewer girls taking up engineering at higher education level**.

To increase diversity, we have active recruitment campaigns to encourage more female applicants and make our businesses more attractive to both potential employees and customers. It makes good business sense to recruit and retain the best people of all backgrounds. Encouraging diversity and inclusion works to create a culture of equity and opportunity where differences are celebrated and hardworking people, from any background, can rise through the organisation. This in turn has a positive influencing effect with external applicants recognising Go-Ahead as an attractive employer to work for.

COACHING LEADERS

Retaining experienced, valuable people is good business practice and we have strong succession plans at local and Group level with well-established schemes to identify those with potential to be the managers and leaders of the future.

Go-Ahead is committed to a coaching and mentoring approach for the professional and personal development of our leaders, managers and supervisors. This is an important component of ensuring that our workforce remains flexible to adapt to changing environments and markets. The pace of technological, social and political change makes it likely that a manager's traditional reliance on technical or functional expertise will no longer be enough. Challenges are now being faced that leaders may not have experienced before – and a coaching approach to problem solving and personal development enables leaders to continue to support teams effectively and in turn ensure the long term sustainability of our business.

* 2013 PricewaterhouseCoopers.

** 2011 Engineering UK: An investigation into why the UK has the lowest proportion of female engineers in the EU.

Read more our people case studies online, visit: www.go-ahead.com →

OUR PEOPLE

To be a leading employer in the transport sector

EMPLOYEE ENGAGEMENT INDEX

What does it mean? We measure how engaged our people are through annual independent staff surveys, conducted across our businesses.

Why is it important? Go-Ahead strives to be an employer of choice in the transport sector and values the insight gained from employee feedback. In addition to making Go-Ahead an attractive place to work, high levels of employee engagement will contribute to the success of the Group.

Risks Low levels of employee engagement could result in reduced productivity and higher levels of absence or staff turnover, all of which would impact on resource planning across the business.

2015 performance In the year, our bus division recorded levels of employee engagement of 46%, up 6ppts on last year's performance.

We have 'people plans' in place across all of our businesses and over the last few years have made significant improvements in areas such as personal development and performance management.

We seek to engage effectively with teams and individuals at a local level, while maintaining a Group identity. We value the experience and opinions of our people.

2020 target All of our bus and rail companies set their own challenging targets to increase levels of employee engagement.

Overall, our aim is to improve our levels of engagement each year, remaining above the average for large businesses.

ABSENTEEISM

What does it mean? We measure employee absence by the percentage of scheduled hours not worked due to unplanned absence from work.

Why is it important? High levels of absenteeism could be reflective of low levels of staff satisfaction and engagement. By monitoring levels of absence we are able to identify areas of the business with potential employee relations or staff shortage issues. This also helps us with our resource planning and allocation.

Risks Staff shortages could impact on our ability to deliver our services at the frequency, level of punctuality and to the standard we aim to achieve.

2015 performance In the year, the overall rate of Group absence was 3.9%, with 3.8% in our bus division and 4.0% in rail.

Our local management teams aim to foster good relations with employees and seek to identify any issues that may arise resulting in periods of absence.

2020 target Maintain low levels of absenteeism, below the national average.

EMPLOYEE TURNOVER

What does it mean? Employee turnover is measured by the percentage of employees who leave the business in a defined time period.

Why is it important? High levels of employee turnover could be reflective of low levels of staff satisfaction and engagement. By monitoring levels of turnover we are able to identify areas of the business with potential employee relations issues. This also helps to identify issues such as staff shortage and assists us in resource planning and allocation.

Risks Staff shortages could impact our ability to deliver our services at the frequency, level of punctuality and to the standard we aim to achieve.

2015 performance The overall rate of employee turnover was 10.5% for the Group, with 14.6% in our bus division and 6.2% in rail.

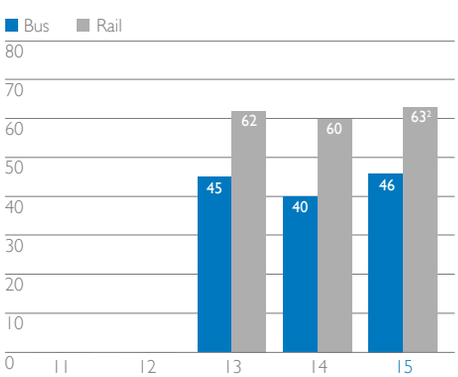
We aim to develop and incentivise our people to encourage low levels of employee turnover.

Levels of turnover are regularly monitored. Our local management teams are best placed to respond to changing levels of turnover.

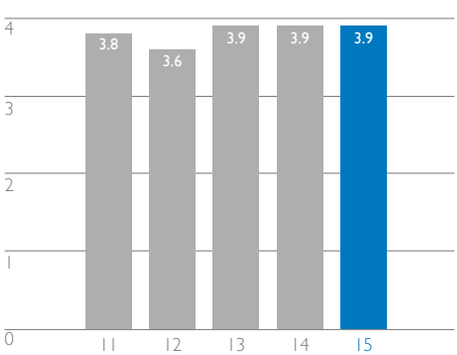
It is important to consider the economic climate in relation to this KPI as the wider job market can impact turnover levels.

2020 target Maintain consistently low levels of employee turnover.

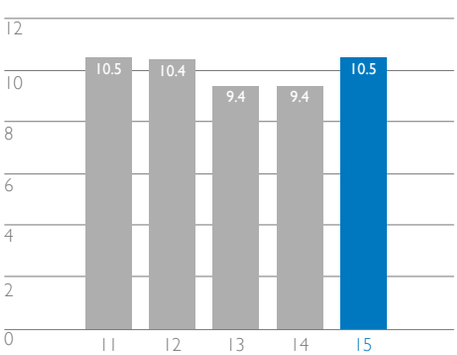
EMPLOYEE ENGAGEMENT INDEX (%)[1]



ABSENTEEISM (%)



EMPLOYEE TURNOVER (%)



1 Go-Ahead began conducting employee engagement surveys across our business in 2012/13. Data for previous years is therefore not available.

2 Due to timing of surveys taking place, this figure includes 2014/15 survey data for Southeastern and 2013/14 data for Southern and London Midland.

Our aim is to be the employer of choice in the sector. The safety and wellbeing of our people is our priority and we pride ourselves on the health and safety standards we maintain across the Group. Our organisational values and culture encourage an environment through which individuals can thrive and develop.

We seek to provide opportunities for personal and professional development and to recognise and reward excellence. We are committed to protecting the rights of our people and believe in equal opportunities at all levels of the business. During the year, we developed our 'people plans' across the organisation from the Boardroom to front line operational employees.

DIVERSITY AND EQUAL OPPORTUNITIES

Go-Ahead recognises the value of diversity in all areas and at all levels of the business. During the year, a Group diversity forum was established comprising individuals from across the business. An area of particular focus for the forum in the year was gender diversity. We continue to ensure that there is no bias towards either gender and that all appointments and internal promotions are made on the basis of merit.

The Group believes in equal opportunities regardless of gender, age, religion or belief, sexual orientation, race and, where practicable, disability. We give full and fair consideration to job applications from people with disabilities, considering their particular aptitudes and abilities. In respect of existing employees who may become disabled, the Group's policy is to provide continuing employment and appropriate training, career development and promotion of disabled people employed by the Group.

HUMAN RIGHTS

We are committed to protecting the rights of our people, customers, suppliers and other stakeholders. This commitment is reflected in our Group policies and procedures.

View all our Group policies at: www.go-ahead.com →

OUR LOCAL APPROACH

Go-Ahead has always operated through a devolved management structure, with local teams entrusted and empowered to run their businesses effectively. Our operating company management teams are best placed to respond to the needs of local customers and communities. This approach allows flexibility and fast action which we believe gives us competitive advantage in the markets we serve. This local focus is complemented by skills, expertise and support at Group level in areas such as marketing, IT and procurement and we work together, sharing experience and expertise around the Group.

EMPLOYEE RELATIONS

We seek to engage effectively with teams and individuals at a local level, while maintaining a Group identity. We value the experience and opinions of our people and conduct annual employee engagement surveys across the Group. Response rates to these surveys increased compared to the prior year as people are increasingly seeing their feedback being put into practice. Almost all of our workforce is represented by trade unions and we strive to foster good relationships with union representatives, acknowledging the impact of poor employee relations on our success.

REMUNERATION

Directors' remuneration is linked to performance against this strategic priority, including employee engagement.

Read more in the directors' remuneration report on pages 70 to 85 →

BOARD GENDER DIVERSITY



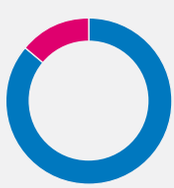
Male 83% Female 17%

SENIOR MANAGEMENT GENDER DIVERSITY



Male 82% Female 18%

OVERALL GROUP GENDER DIVERSITY



Male 86% Female 14%



FINANCE

TRANSPARENT AND OPEN

RUNNING OUR BUSINESS WITH STRONG FINANCIAL DISCIPLINE TO DELIVER SUSTAINABLE SHAREHOLDER VALUE COVERS A WIDE RANGE OF ACTIVITIES

We have been recognised for our transparency and openness and on the launch of the voluntary Fair Tax Scheme in 2014 became the first company in the FTSE 350 to be awarded the Fair Tax Mark. Our Board continues to work toward being assessed as 'low risk' by HMRC and ensures that the Group adheres to the revised tax policy adopted in 2014 of not undertaking tax planning or making use of tax havens.

ETHICAL PROCUREMENT

Our ethical procurement approach is embedded in our supply chain procurement and management processes. As a buyer of goods and services we have a responsibility for the supply chains from which these goods and services come into our organisation. We will take into account ethical as well as commercial and technical factors, when considering which suppliers to partner with.

We encourage our suppliers to adhere to similar high standards of corporate responsibility as our own businesses and to have in place appropriate safeguards against bribery, corruption and facilitation payments. In particular, we expect our suppliers to be committed to high standards of health and safety and demonstrate a respect for the environment.

PROMPT PAYMENT CODE

We seek to partner with suppliers to develop long-term business relationships that benefit both organisations with the aim of improving the quality, environmental performance and sustainability of goods and services. So, understanding the importance of paying suppliers promptly, particularly small suppliers, this year we have been accredited under the Prompt Payment Code (PPC). The code sets standards for payment practices and best practice and is administered by the Chartered Institute of Credit Management. Compliance with the principles of the code is monitored and it covers prompt payment, as well as wider payment procedures.

As well as the moral and fairness imperative to pay suppliers promptly, there is a real benefit to both the supplier and also to Go-Ahead as the customer. Strong, trusting and collaborative relationships with suppliers lead to more favourable contracts and services which increases our competitiveness.

As an organisation that understands the importance of a reliable cashflow, we believe it is right to make sure our suppliers are paid on time. Late payments could damage suppliers' businesses, which in turn could have a detrimental impact on ours. We consider this is not just good practice and ethical behaviour but is a demonstration of our responsible approach to business. It is this sustainable approach and the transparent reporting of our activities in this area that helps Go-Ahead demonstrate that it is an ethical fund for investment and can be a point of differentiation from other organisations in our sector.

Read more Finance case studies online, visit: www.go-ahead.com →


1st
FIRST IN FTSE 350 TO ACHIEVE FAIR TAX MARK
IR award
FOR MOST EFFECTIVE COMMUNICATION OF INVESTMENT PROPOSITION

FINANCE

To run our business with strong financial discipline to deliver sustainable shareholder value

LIKE FOR LIKE REVENUE GROWTH

What does it mean? For our rail operations, we measure revenue generated through the provision of passenger transport services. In our bus division, non-passenger revenue is less material, so we measure total revenue instead.

Why is it important? Growing revenue through a combination of growth in passenger numbers and modest fare increases drives operating profit growth.

Risks Inadequate levels of revenue growth can impact on profitability, reducing our ability to invest in the business and make returns to shareholders.

2015 performance In regional bus, like for like revenue growth was 2.6%. Growth has slowed since prior years as passenger volumes have been impacted by economic conditions and roadworks in some of our operating areas.

London bus like for like revenue increased by 1.8%. Performance was slightly lower than expected due to a significant reduction in Quality Incentive Contract bonus revenue resulting from roadworks and congestion in the capital.

Like for like growth in rail revenue of 7.3% is the result of growth in passenger numbers and rail fares set by the Government. Rail fare increases are passed back to the Government through the premium or subsidy payment of each franchise.

Read more about our bus and rail performance from pages 40 to 47 →

2020 target To maintain growth at broadly similar levels to those consistently delivered over recent years.

OPERATING PROFIT

What does it mean? We measure operating profit before amortisation, goodwill impairment and exceptional items to provide more comparable year-on-year information.

Why is it important? This helps us measure the underlying performance of our operating companies. Profit growth enables us to reinvest in the business and deliver shareholder value.

Risks Inadequate levels of profitability can reduce our ability to invest in the business and make returns to shareholders.

2015 performance Total Group operating profit was £114.7m, up 11.1%. Bus operating profit of £89.0m was marginally behind our expectations, despite an increase of 6.6% year on year, as passenger revenue growth in our regional bus operations slowed, and Quality Incentive Contract revenue declined in our London business. As a result, we now believe we will achieve £100m of bus operating profit during the course of 2016/17, one year later than originally expected.

Our rail division performance was ahead of our initial expectations with operating profit for the year of £25.7m, up 30.5%, helped by contract management benefits in the second half of the year, albeit at historically low margins of 1.1%.

Bus target: To achieve £100 of bus operating profit in 2016/17, a year later than originally expected.

Rail target: Deliver value from existing franchises and achieve margins nearer industry average of 3%.

ADJUSTED NET DEBT/EBITDA

What does it mean? This ratio is used to indicate the Group's ability to pay down its debt from earnings. Adjusted net debt, which is total net debt plus restricted cash in our rail division, is measured against earnings before interest, tax, depreciation and amortisation (EBITDA).

Why is it important? We have a bank covenant limit of 3.5x and are required to remain below this level. This ratio also helps us measure against our commitment to preserve a strong capital structure and maintain our investment grade credit ratings.

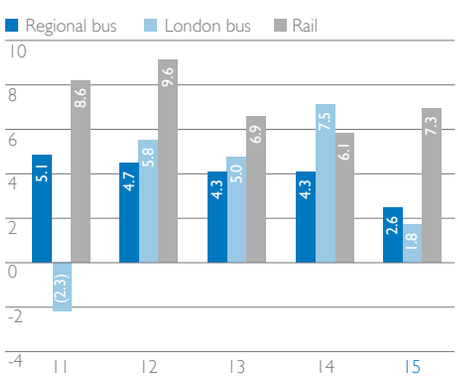
Risks Exceeding the bank covenant limit of 3.5x cover.

2015 performance In line with management's expectations, adjusted net debt to EBITDA was 1.32x, slightly below our target range.

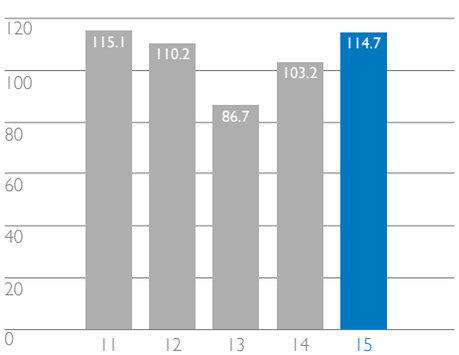
Adjusted net debt reduced by £15.3m to £244.7m in the year, while EBITDA was up by £21.3m to £185.2m.

2020 target To maintain adjusted net debt/EBITDA within our target range of 1.5x and 2.5x throughout the economic cycle.

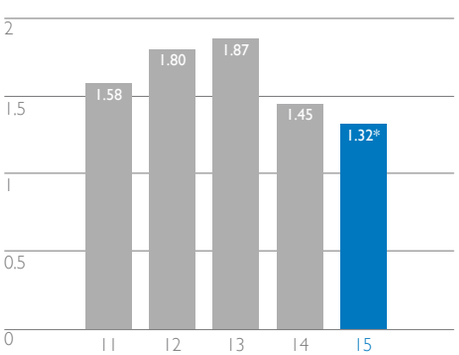
LIKE FOR LIKE REVENUE GROWTH (%)



OPERATING PROFIT (£m)



ADJUSTED NET DEBT/EBITDA (X)



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

CASHFLOW/EBITDA

What does it mean? This ratio is used to monitor the conversion of operating profit into operating cash.

Why is it important? Good performance against this KPI demonstrates strong working capital management and financial discipline. Strong cash generation provides liquidity.

Risks Not generating sufficient earnings to reinvest in the business.

2015 performance Cashflow generated from operations was 2.33 times EBITDA, with the year on year increase largely due to the introduction of the GTR franchise in September 2014.

In particular, £107m of working capital benefit in 2014/15 was due to the timing of GTR franchise payments, which is expected to reverse in 2015/16.

We manage payments and receipts closely to convert operating profit into operating cash.

The nature of our rail business can lead to large working capital movements at certain times of year, which can result in some fluctuations from year to year due to timing of payments and receipts.

Our London bus contracts run for five years with a possible two year extension. Capital expenditure requirements in this division are impacted by the timing of contract renewals.

2020 target To match or exceed cashflow generated from operations to EBITDA.

DIVIDEND COVER

What does it mean? We measure the level by which our dividend payments can be covered by earnings (adjusted earnings per share divided by dividend per share).

Why is it important? We are committed to delivering shareholder value through our dividend policy. We measure our dividend cover to help us assess how much of our profits we can pay to shareholders as a dividend whilst allowing sufficient retained earnings to invest in the business.

Risks Insufficient or unsustainable dividend cover could result in the dividend being reduced.

2015 performance Dividend cover was in line with our policy at 2.02 times earnings on a pre-IAS 19 basis.

Further to a 4.3% increase in the interim dividend, the Board has proposed a final dividend of 63.4p per share, increasing the full year dividend to 90.0p, up 5.5p or 6.5%, from 84.5p.

Had the dividend been maintained at 84.5p, cover would have been 2.15 times earnings.

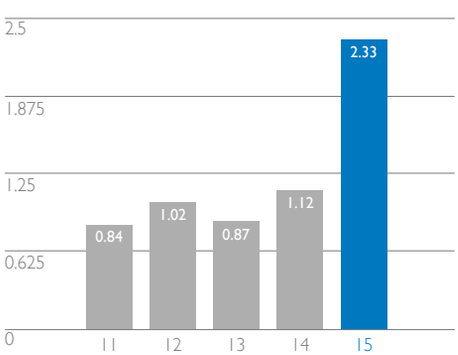
2020 target Maintain adequate dividend cover throughout the economic cycle, in line with our policy of two times cover, excluding the impact of IAS 19 (revised).

REMUNERATION

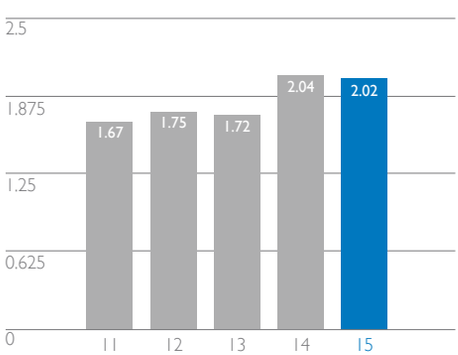
Directors' remuneration is linked to performance against this strategic priority, particularly relating to operating profit and cashflow.

Read more in the directors' remuneration report on pages 70 to 85 →

CASHFLOW/EBITDA (X)



DIVIDEND COVER (X)



MANAGING RISK



"Understanding our key risks and having appropriate processes of mitigation in place are integral to achieving our strategic priorities and fundamental to the long term success of the Group."

DEAR SHAREHOLDER

The Group's risk and governance framework allows the Board to understand the Group's most significant risk exposures and manage them accordingly within agreed levels of risk appetite and tolerance. Go-Ahead takes a conservative view of risk and attempts to minimise its exposure to undue risk. This is reflected in the Group's strategy.

Risk is always high on the Board's agenda and this focus on effective risk management cascades all the way through the organisation. The culture of the organisation ensures that all activities, from day-to-day operations to high level strategic decisions, are performed in line with this approach.

HOW WE MANAGE RISK

Through our robust and well-established risk management and internal control systems, we are able to identify, assess and prioritise risks to our business and seek to minimise, monitor and control their probability and impact whilst maximising the opportunities they present. Risks are monitored on an ongoing basis through our risk management processes and are mitigated through the internal control environment. Residual risks are assessed and it is determined whether they will be accepted as an integral part of the business, or deemed unacceptable and therefore either reduced, transferred to third parties or avoided by no longer pursuing the relevant activities. In addition to reports from the Group's internal auditors and health and safety consultants, external auditors' reports and updates from the executive directors were regularly reviewed by the audit committee during the year.

In 2015/16, the audit committee will continue to review the Group's risk management and internal control processes in line with the changes arising from the new UK Goverance Code and FRC Guidelines on risk management.

WHO IS INVOLVED IN RISK MANAGEMENT

All of our employees are required to manage risks of varying levels in their roles. We empower our people to take responsibility for risks facing them or their colleagues, our passengers, the general public and the success of the Group. The diagram on page 35 illustrates the key roles and responsibilities of each of the respective functions within our formalised risk management framework.

Ultimate accountability for risk management lies with the Board, supported by the work of the audit committee, to which the Board has delegated responsibility for reviewing the effectiveness of the Group's risk management and internal control systems. With clear leadership from the Board and audit committee, the executive directors play an integral role in helping the operating companies identify, assess and monitor their respective risks and controls. Through monthly meetings with the senior management of each operating company, the executive directors encourage open bottom-up communication on risk matters within a clearly defined framework and reporting process. Ownership of risk identification and mitigation lies with senior management in the operating companies, where it is an integral part of day-to-day local company operations.

WHAT ARE OUR RISKS

Go-Ahead is exposed to a range of risks with varying likelihoods and impacts. These risks could impact our performance, business model, strategy and our stakeholders and are therefore closely monitored and managed.

This report includes risks considered by the Group to be financially or reputationally material and relevant to the year under review. Longer term risks, including environmental risks, are also reviewed and managed by the Board.

The tables on pages 36 to 39 summarise our assessment of the key risks that could have a material impact on the Group's performance, strategy or business model.

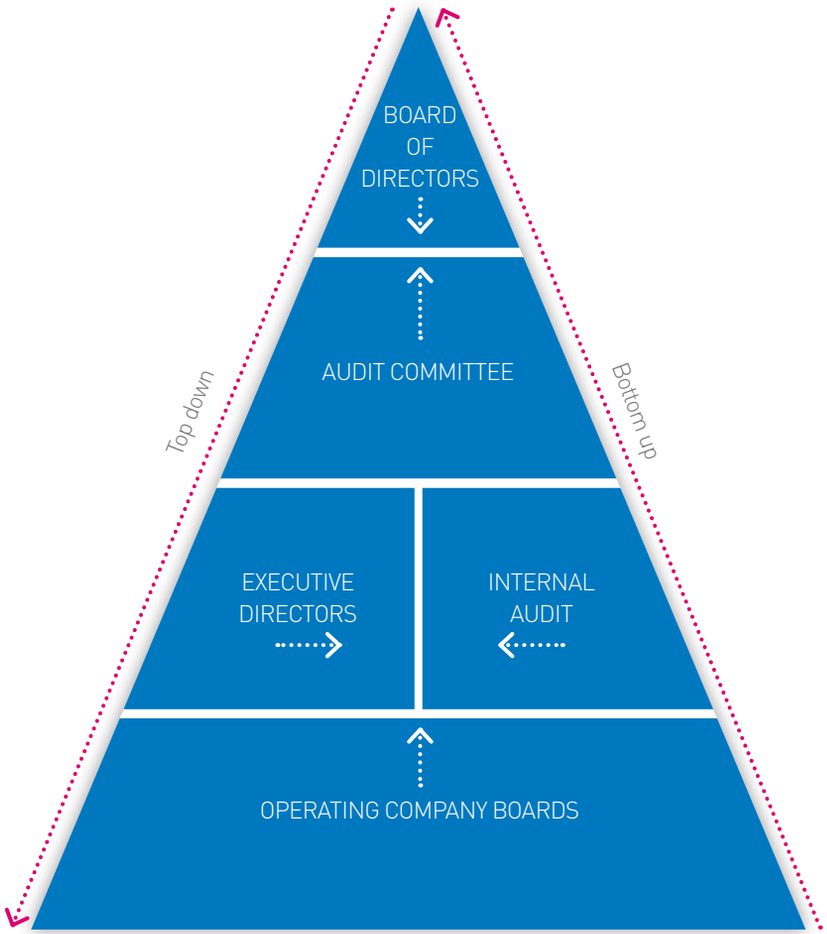
WHERE TO FIND OUT MORE

More detail of Go-Ahead's risk management and internal control framework can be found in the corporate governance report from page 56 of this report.



Adrian Ewer,
Chairman of the audit committee
2 September 2015

RISK MANAGEMENT FRAMEWORK



BOARD OF DIRECTORS

- Leadership of risk management, sets strategic objectives and risk appetite. Monitors performance
- Accountable for the effectiveness of the Group's internal control and risk management processes

AUDIT COMMITTEE

- Delegated responsibility from the Board to oversee risk management and internal controls
- Reviews the effectiveness of the Group's internal control and risk management processes
- Monitors the role and effectiveness of the internal auditors and the independence and expertise of the external auditors

EXECUTIVE DIRECTORS

- Communicate and disseminate risk policies
- Support and help operating companies to assess risk
- Encourage open communication on risk matters
- Oversee risk management
- Monitor performance
- Assess materiality of risks in the context of the whole Group. Monitor mitigation and controls

INTERNAL AUDIT

- Facilitate sharing of risk management information and best practice across the Group

OPERATING COMPANY BOARD

- Define risk management roles at operational and project level
- Use approach to risk as an explicit part of decision-making and management of external relationships
- Continuous identification of risk, assurance and self-assessment

CYBER SECURITY

The increasing threat of cyber security attacks* is an area which Go-Ahead is taking very seriously and working hard to mitigate. A dedicated Group function has been established to oversee this activity and to ensure best practice protection and implemented Group-wide. Guidance on the remedial action steps to take is also part of the damage limitation. As well as sound business continuity and reputational reasons to focus attention and resource in this area, a recent KPMG survey** highlights that investors would be discouraged from investing in a business that has been hacked.

We have implemented a set of controls into operational and support systems which provides Group companies protection from the most prevalent forms of threat coming from the internet and, by doing so, we have been awarded Cyber Essentials Certification in the Government-backed, industry-supported scheme. The certification means we can demonstrate we are secure and are protecting our businesses against common cyber attacks.

An internal communications campaign, underpinned by training and company policy, encourages our employees to report any security breach no matter how insignificant it may seem.

IT and technical solutions can minimise the risk of a security breach but it is very often employees' working practices which are where the risks lie. So behaviour and common practice need to be continually monitored to ensure the effectiveness of the technical and procedural controls in place and minimise the vulnerability of our security systems.

All breaches, vulnerability and system malfunctions, whether accidental or malicious, are reported so that the effectiveness of existing controls can be monitored and new countermeasures can be introduced as required. Vulnerable areas can be identified and positive corrective action taken, leading to potential significant savings against the cost of investigation and recovery following a security breach.

* The number of security incidents detected climbed by 25% from 2012 to 2013 and the average losses per incidents by 23% over the same period: PwC's Annual Global Information Security Survey.

** April 2015 Institutional investors shy away from hacked businesses: research conducted by FTI Consulting on behalf of KPMG.

Read more case studies online, visit: www.go-ahead.com →

	POTENTIAL IMPACT	MITIGATING ACTION
EXTERNAL Economic environment	Negative impact on the Group's businesses, largely through a reduction in demand for services. In rail, franchise bids make economic assumptions years into the future. A weaker economy can lead to under performance against bid targets and management's expectations	• Continue to focus our operations in more resilient geographical areas • Local management constantly assesses the needs of local markets and tailors services and products accordingly • Focus on driving volumes through innovative and targeted marketing • Generate customer loyalty through initiatives such as smart-ticketing • Proactive cost control
Political and regulatory framework	Changes in Government or to laws, regulations, policies (e.g. introduction of a Bus Bill, pressure on concessionary travel or BSOG, restrictions around vehicle specification devolution to TFL), local authority attitudes towards public transport and reductions in the availability of Government financial support could adversely impact the Group's operations and financial position	• Limited exposure to local authority funding. Our operations are predominantly commercial and do not require local authority funding • Actively participate in key industry, trade and Government steering groups • Maintain close relationships with key industry partners and stakeholders • Continually engage with all stakeholders to influence policies impacting the industry • Use internal initiatives across the business to offset the impact of external issues • Demonstrate the value delivered by the private sector through investment in services, responding quickly and flexibly to passengers' needs
STRATEGIC Sustainability of rail profits	The sustainability of rail profits is dependent on a number of factors. The nature of the current rail franchising model leads to high volatility of earnings; failure to retain, win or successfully mobilise and integrate franchises could impact on the overall profitability of the Group; failure to comply with conditions of rail franchise agreements could lead to financial penalties or even the termination of a rail franchise	• Flexible and experienced management team which responds quickly and expertly to changing circumstances • Experienced permanent bid team well placed to produce compelling bid submissions • Shared risk through Govia, which is 65% owned by Go-Ahead and 35% by Keolis • Element of protection through revenue support arrangements on some contracts. Not all contracts are exposed to revenue risk • Willingness to invest in performance improvements • Work constructively with industry partners, such as Network Rail, to deliver long term economic and infrastructure benefits • Significant resource and financial investment in bidding for new franchises • Regular Board review of rail performance, and Board approval of overall rail bidding strategy • Compliance with franchise conditions closely monitored • Clear mobilisation and integration plans
Inappropriate strategy or investment	Inappropriate strategic or investment decisions could adversely impact on the Group's economic and shareholder value	• Comprehensive strategic discussions with main Board and advisors • Extensive valuation and due diligence, supported by external expertise • Maintain strong financial discipline when assessing viability of opportunities • Minimum return on capital requirements of all investment opportunities • Cautious approach to investment opportunities overseas and outside our core operating areas
Competition	Loss of business to other modes of transport, existing competitors or new market entrants in our markets could have a significant impact on business, such as new technology based start ups	• Work hard to maintain our good reputation with our customers • Provide convenient, value for money services offering cost effective alternatives to the private car • Adapt to changing customer requirements and technological advancements • Foster close relationships with stakeholders to ensure we are meeting requirements including service quality and price • Work in partnership with local authorities and other operators • Promote multi-modal travel, improving the overall door-to-door experience for passengers • Remain at the forefront of promoting and introducing inter-operable ticketing schemes • Focus on customer needs and expectations, including more channels for ticket purchase and journey planning

POTENTIAL OPPORTUNITIES	OVERALL CHANGE IN RISK IN THE YEAR
• A more challenging economic environment encourages modal shift, as motorists seek value for money alternatives to the private car • Improvements in the economic environment can lead to increased employment and discretionary spending in shops and leisure facilities, which can result in more journeys being taken on public transport	• Economic growth rates for the quarter ended June 2015 were 2.6%[1] for the UK. There are variances between geographical areas in the rate of recovery. For example, unemployment in north east England was around 7.7% compared to close to 5.6% in the rest of the UK[1]
• Changes in law, regulation or funding could positively impact the Group, potentially leading to increased funding or more flexibility for operators. For example, the potential introduction of local authority contract schemes outside London may increase our ability to bid for contracts in new areas • The political and regulatory framework provides us with the opportunity to influence decisions through close dialogue with the Government, local authorities and other key parties	• Following the general election, uncertainty around the composition of the government has reduced. We engage with the new Government and play a role in helping to shape new policies. We also continue to engage with major political parties with a view to influencing policies impacting on the industry and Go-Ahead • The new Government has announced its intention to introduce a Bus Bill relating to bus franchising outside London. Details of this Bill are not yet known. • Following a fourth consultation, proposals for a bus contract scheme in Tyne & Wear are being considered by the Quality Contracts Scheme Board. Its conclusion is expected to be announced in autumn 2015
• The DfT's rail franchise competition timetable is well underway. Several rail franchises are due to be awarded in the next three years, presenting growth opportunities for the Group • We continue to bid for new franchises, including Northern and TransPennine Express, and are shortlisted for London Overground • For contracts where we take revenue risk, there may be the opportunity for increased earnings if the economic climate is stronger than assumed in a franchise bid	• The GTR franchise has seen a difficult start as a result of inherited operational issues, the impact of major infrastructure projects and network changes • We are heavily reliant on third parties, which have their own targets, budgets and deadlines to meet • We began operating Southeastern under new contract terms in October 2014 which will run until June 2018 • Discussions continue with the DfT regarding the proposed extension of the London Midland franchise to October 2017
• Continual focus on and review of strategy ensures the Board is well placed to assess value adding opportunities as they arise	• Good strategic progress made during the year. Continued focus on delivering profit growth in bus. Future of rail secured to 2021 through the GTR franchise • Go-Ahead has a clear strategy, communicated to all levels of the organisation
• Strategic partnerships, such as our joint-operator scheme with Stagecoach and the local authority in Oxford, may provide opportunities and aim to improve the passenger experience and perception of public transport as a whole • Increased competition in the market encourages innovation which improves the customer experience	• The reduction in oil price, leading to lower fuel prices for motorists, could result in passengers taking more trips in private cars rather than choosing public transport. • We are becoming increasingly experienced in developing inter-operable schemes, with initiatives launched in Go North East and Brighton since January 2015 • Technology based start ups are entering transport markets

1 Office for National Statistics.

	POTENTIAL IMPACT	MITIGATING ACTION
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	• Rigorous, high profile health and safety programme throughout the Group • Appropriate and regularly reviewed and tested contingency and disaster recovery plans • Thorough and regular staff training • Close relationship and work closely with our industry partners, such as Network Rail, which maintains the rail infrastructure, particularly on large infrastructure projects like the Thameslink Programme and London Bridge redevelopment
Large scale infrastructure projects	Large scale projects on and around the networks on which we operate (such as the Thameslink Programme, HS2, major roadworks) can significantly impact on our ability to run our services reliably, meet contractual obligations, and performance targets, or damage customer reputation	• Work constructively with industry partners, such as Network Rail, to minimise the impact of any disruption on our passengers • Strong engagement with stakeholders to enable effective communication • Good relationships with local authorities and industry bodies, such as the DfT • Communicate effectively with customers during structural change programmes and during disruption
Labour costs, employee relations and resource planning	Poor employee relations or reduced availability of staff could impact on reputation, revenue, staff morale and our ability to fulfil contract obligations. Labour costs are a high proportion of our cost base. Even relatively small percentage increases in wages could have a material impact on profits. For example, an increase of 1% in staff costs would increase costs by around £11m	• Ensuring Go-Ahead is viewed as an employer of choice • Robust and regularly reviewed recruitment and retention policies, training schemes, resource planning and working practices • Experienced approach to wage negotiations and fostering good relationships with employees and trade unions • Employee engagement surveys across all businesses to identify issues
Information technology (IT) failure or interruption or security breach	Prolonged or major failure of the Group's IT systems or a significant security breach could pose significant risk to the ability to operate and trade	• Process standardisation and continued investment in best practice systems, including 'light sites' and 'load bearing' servers • Clear and tested business continuity plans • Proactive approach to cyber security issues

POTENTIAL OPPORTUNITIES	OVERALL CHANGE IN RISK IN THE YEAR
• The threat of such an event requires our staff to be well trained and prepared at all times. Continuous review of processes and procedures can identify areas for operational improvement and improve overall safety on our networks	• We have maintained good levels of safety performance, demonstrating our continuing efforts to minimise this risk 
• Investment in railway infrastructure and roads will deliver long term benefits to passengers travelling on our services	• During the year, bus services in Oxford and Brighton have been significantly impacted by roadworks  • Our rail operations have been impacted by works associated with the the £6.5bn Thameslink Programme, particularly around London Bridge • Congestion due to roadworks in London has reduced our income from Quality Incentive Contracts
• Through fostering positive employee relations and offering good employment packages we have a motivated and committed workforce, with low staff turnover and absenteeism rates across all businesses	• We have developed our 'people plans' during the year, with particular focus on leadership development, performance management and succession planning  • We are monitoring the impact of changes in the employment market which may affect our ability to retain and recruit staff
• Ensuring our systems and processes are efficient and reliable strengthens day-to-day operations across the Group	• Continued investment in and maintenance of IT systems across the Group  • Cyber security certification achieved in June 2015 Read more about our case study on page 35 →


Liverpool Street
LTZ 1068

BUSINESS REVIEW

BUS

GO-AHEAD IS A LEADING BUS OPERATOR IN THE UK BOTH IN AND OUTSIDE LONDON. AROUND TWO MILLION PASSENGER JOURNEYS ARE MADE ON OUR SERVICES EVERY DAY

OUR STRATEGY

REGIONAL BUS

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

LONDON BUS

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

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

BUS OVERVIEW

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

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

4,800
NO. OF BUSES

13,600
NO. OF EMPLOYEES

£817.8m
TOTAL BUS REVENUE

Overall, our bus operations achieved record full year profits, with good revenue growth and cost control.

OVERALL BUS PERFORMANCE REVIEW

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

REGIONAL BUS OPERATIONS

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

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

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

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

LONDON BUS OPERATIONS

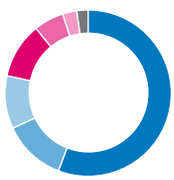
London bus revenue grew by 1.8%, or £8.2m, to £457.9m in the year (2014: £449.7m). Growth was impacted by the reallocation of the Bus Service Operators Grant (BSOG). Excluding BSOG, London bus revenue growth was 0.6%. Mileage reduced by 0.9% due to contract losses in the first half of the year, with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

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

OUR BUS FINANCIAL HIGHLIGHTS

2015 BUS REVENUE (£m)

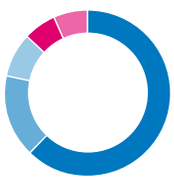
£817.8m 2014: £800.5m



- Go-Ahead London 56.0%
- Oxford Bus Company 5.9%
- Go North East 12.2%
- Plymouth Citybus 2.8%
- Go South Coast 10.4%
- Go East Anglia 2.1%
- Brighton and Hove 10.6%

2015 BUS OPERATING COST BASE (£m)

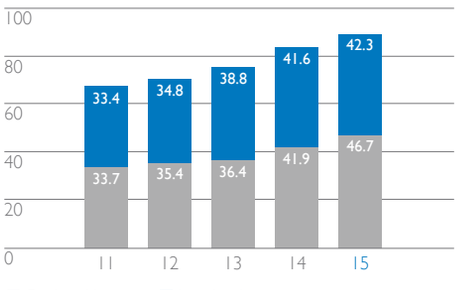
£728.8m 2014: £717.0m



- Staff costs 62.3%
- Depreciation 6.3%
- Fuel 16.2%
- Other 6.6%
- Engineering 8.6%

2015 BUS OPERATING PROFIT (£m)

£89.0m 2014: £83.5m



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

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

CAPITAL EXPENDITURE AND DEPRECIATION

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

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

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

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

FUEL

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

BUS FUEL HEDGING PRICES

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

In July 2015 the Board approved an additional purchase to lock in the 2016/17 and 2017/18 fuel costs. in order to create certainty around one of our largest costs. The table below reflects the position after the additional purchase.

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

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

OVERALL BUS OUTLOOK

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

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

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

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

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

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

OUR OPERATING COMPANIES

Go Ahead London
Revenue: **£457.9m**
Passenger journeys: **480m**
Average no. of employees: **6,837**

Go North East
Revenue: **£99.6m**
Passenger journeys: **67m**
Average no. of employees: **1,990**

go southcoast
Revenue: **£85.2m**
Passenger journeys: **48m**
Average no. of employees: **1,473**

go eastanglia
Revenue: **£17.4m**
Passenger journeys: **8m**
Average no. of employees: **426**

Brighton & Hove
Revenue: **£86.4m**
Passenger journeys: **65m**
Average no. of employees: **1,437**

oxford bus company
Revenue: **£48.5m**
Passenger journeys: **23m**
Average no. of employees: **737**

city bus
Revenue: **£22.8m**
Passenger journeys: **16m**
Average no. of employees: **538**

Bus operating profit up 6.6%



BUSINESS REVIEW

RAIL

GO-AHEAD'S RAIL OPERATION IS THE BUSIEST IN THE UK, RESPONSIBLE FOR AROUND 35% OF ALL TRAIN PASSENGER JOURNEYS

OUR RAIL STRATEGY

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

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

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

RAIL OVERVIEW

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

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

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

6,000
DAILY TRAIN SERVICES

12,600
NO. OF EMPLOYEES

£2,397.4m
TOTAL RAIL REVENUE

The rail division delivered better than expected profitability of £25.7m, despite the operational challenges faced during the year.

RAIL PERFORMANCE REVIEW

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

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

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

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

£25.7m
rail operating profit

REVENUE

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

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

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

** Represents passenger revenue generated in excess of the management fee payable to Go-Ahead for operating the franchise, which is remitted to the DfT.

PREMIUM PAYMENTS

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

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

OUR RAIL FINANCIAL HIGHLIGHTS

2015 RAIL REVENUE

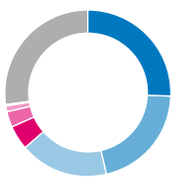
£2,397.4m 2014: £1,901.9m



Southern 33.8% | London Midland 16.6%
Southeastern 33.2% | GTR 16.4%

2015 RAIL OPERATING COST BASE

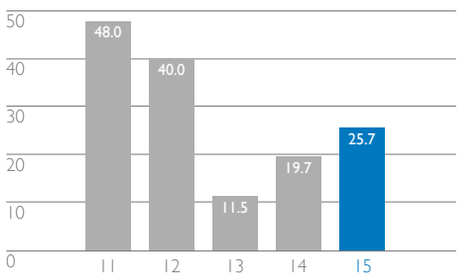
£2,371.7m 2014: £1,882.2m



Staff costs 25.8% | Engineering 3.2%
Track access 20.7% | Depreciation 1.0%
Rolling stock lease payments 17.3% | Fuel 0.4%
EC4T 4.6% | Other 27.0%

2015 RAIL OPERATING PROFIT (£m)

£25.7m 2014: £19.7m



OPERATING PROFIT

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

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

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

INDIVIDUAL FRANCHISE PERFORMANCE

SOUTHERN

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

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

SOUTHEASTERN

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

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

LONDON MIDLAND

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

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

GTR

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

CAPITAL EXPENDITURE AND DEPRECIATION

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

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

RAIL OUTLOOK

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

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

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

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

OUR OPERATING COMPANIES

GTR
Revenue: **£393.9m**
Passenger journeys: **100m**
Average no. of employees: **2,052**

London midland
Revenue: **£398.6m**
Passenger journeys: **65m**
Average no. of employees: **2,350**

southeastern
Revenue: **£795.3m**
Passenger journeys: **185m**
Average no. of employees: **4,005**

Southern / Gatwick Express
Revenue: **£809.6m**
Passenger journeys: **183m**
Average no. of employees: **4,183**

Record passenger numbers in rail
533m
journeys

FINANCE REVIEW



Keith Down,
Group Finance Director

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

OVERVIEW AND HIGHLIGHTS

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

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

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

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

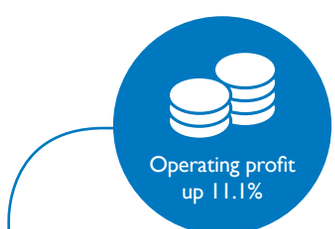
Unless otherwise stated, references made to operating profit throughout this report exclude amortisation, goodwill impairment and exceptional items.

SUMMARY INCOME STATEMENT

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

* Excludes amortisation, goodwill impairment and exceptional items.

Read commentary on the consolidated income statement on page 91 →



REVENUE AND OPERATING PROFIT BY DIVISION

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

EARNINGS PER SHARE

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

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

DIVIDEND

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

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

SUMMARY CASHFLOW

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

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

Read commentary on the consolidated cashflow statement on page 97 →

CASHFLOW

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

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

CAPITAL EXPENDITURE

Expenditure on capital during the year can be summarised as:

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

CAPITAL STRUCTURE

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

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

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

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

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

NET CASH/DEBT

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

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

NET FINANCE COSTS

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

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

AMORTISATION AND GOODWILL IMPAIRMENT

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

EXCEPTIONAL ITEMS

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

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

TAXATION

Net tax for the year was £19.4m (2014: £13.6m), equivalent to an effective rate of 24.7% (2014: 14.9%), above the UK statutory rate for the period of 20.75% (2014: 22.5%). The effective rate was higher than expected due to increased non-deductible items such as goodwill impairment and German bid costs. The underlying rate, excluding goodwill impairment of £4.9m, is 23.2%. The statutory rate will reduce to 20%, 19% and 18% in 2016, 2017 and 2018 respectively. We expect our effective tax rate to be 1% to 2% above the statutory rate in future years.

NON-CONTROLLING INTEREST

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

PENSIONS

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

BUS PENSIONS

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

RAIL PENSIONS

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

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

IAS 19 (REVISED)

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

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

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

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



Keith Down,
Group Finance Director
2 September 2015

Our strategic report for the year ended 27 June 2015, as set out on pages 2 to 51, and the directors' report, on pages 86 and 87, have been reviewed and approved by the Board of directors.

Andrew Allner,
Chairman
2 September 2015



INTRODUCTION TO CORPORATE GOVERNANCE



"Good governance is fundamental to the way we do business"

DEAR SHAREHOLDER

I am pleased to present Go-Ahead's corporate governance report for 2015 on behalf of the Board. In last year's report, I wrote that "our governance framework was built upon robust systems and processes, effective leadership, high standards of behaviour and a culture based on openness and honesty". This remains true today.

Our governance framework, values and business model continue to underpin our approach to achieving our strategic objectives. Good governance is fundamental to the way we do business. This report seeks to provide a comprehensive explanation of how we apply good governance principles in all we do.

UK CORPORATE GOVERNANCE CODE

The Group is fully compliant with all provisions of the 2012 UK Corporate Governance Code (the "Code") and we disclose details of how we comply throughout this report. The Code was updated by the Financial Reporting Council ("FRC") in September 2014 with changes including the assessment of principal risks and the new viability statement. We support the changes to the Code, which are designed to strengthen the focus of companies and investors in the longer term and the sustainability of value creation. Although these changes do not apply to Go-Ahead's annual report until next year, as a Board we have already begun to address them. In particular, we have made good progress looking at areas such as setting risk appetite and the assessment and reporting of risks and business prospects. A copy of the Code is available at www.frc.org.uk.

BOARD EVALUATION

During the year under review, both an internal and external evaluation of Board performance took place. The internal review was undertaken in the first quarter of the year. However, in order to better align the timing of the Board's performance review with annual reporting, the external review scheduled for next year was brought forward to the current year. With two reviews in one reporting period, it was important that they complemented each other.

The internal review focused on areas of improvement from the last evaluation and Boardroom best practice, while the theme of the external review was more forward-looking, constructive and developmental in order to maximise the prospects of strategy and delivery performance. I am pleased to report that both reviews found the overall functioning of the Board to be at a very good level, with the actions progressed from the previous evaluations contributing positively to the current position. **Full details of both of these reviews can be found on pages 60 and 61 →**

OUR PEOPLE

We recognise that significant advantage is to be gained by identifying and developing our own people as well as bringing in skills from outside the business. During the year, the Board continued to focus on senior management succession planning and leadership talent development and it is pleasing to report that many of the initiatives reported on last year are now embedded throughout the organisation. The Group continues to embrace all forms of diversity not only at Board level and across all operating companies, but also more widely through the industry and business communities. **Details of the introduction and continuation of a number of diversity initiatives are explained further on page 69 →**

AUDIT TENDERING

During the year, in accordance with best practice, a formal external auditor tender process was undertaken. The Board will propose to shareholders at the 2015 AGM that Deloitte LLP will replace Ernst & Young LLP as the Group's new external auditor. **Full details of the tender process can be found on page 67 →**



Andrew Allner,
Chairman
2 September 2015

	BOARD HIGHLIGHTS 2014/15	BOARD OBJECTIVES 2015/16
BOARD	• Conducted both an internal and external Board evaluation review • Implemented a number of initiatives to improve Board stewardship and dynamics • Reviewed remuneration policy with a major shareholder consultation on the proposed changes • Further developed succession planning and leadership development strategies across the Group • Reviewed key Board policies, including delegated authorities and diversity	• Implement the external Board evaluation review recommendations • Further align succession planning and leadership development with strategic planning • Continue to strengthen talent strategy in the context of culture, values and behavioural framework • Continue to build upon and develop diversity initiatives • Appoint a replacement Group Finance Director and facilitate his/her induction to the Group
STRATEGY	• Improved strategy formulation and decision making processes • Developed a framework for development and diversification opportunities • Monitored GTR mobilisation, integration and compliance with franchise commitments • Developed strategy planning for the general election, politics and devolution • Strengthened alliances between operators, local authorities and key strategic partners	• Review of organisational structure to deliver strategy • Continue to develop framework for development and diversification opportunities • Further enhance collaboration and partnership working • Improve focus in response to rail performance and customer experience
FINANCE	• Review of key financial policies including tax, treasury and fuel hedging • Reviewed progressive dividend policy with proposed increase to full year dividend • Maintained strong financial discipline with strong cash generation and robust balance sheet • Brought forward bank refinancing in light of favourable market conditions	• Continue to monitor progressive dividend policy • Maintain focus on strong financial discipline and best practice policies and processes • Respond to changes in the external regulatory environment to ensure best practice compliance and reporting
RISK & GOVERNANCE	• Improved top down process for risk assessment • Considered the changes required in response to the updating of the UK Corporate Governance Code 2014 • Completed formal audit tender process for the statutory auditor • Strengthened cyber security policies and processes	• Execute the agreed transition plan for the change of statutory auditor • Implement the changes required to comply with the updated UK Corporate Governance Code 2014 including risk process and appetite • Continue to review and strengthen cyber security policies and processes
MAJOR APPROVALS	• Bids for the DfT's Northern, TransPennine Express and CrossRail franchises • Bid for TfL's London Overground franchise • Bids for contracts in the German regional rail market • Bids for first tranche of work for the Singaporean bus market • Direct award contract for Southeastern	• Consider further contract opportunities in the German regional rail market • Bid for second tranche of work for the Singaporean bus market • Direct award contract terms for London Midland • Continue to undertake careful analysis to establish other opportunities which best complement our portfolio, match our risk appetite and offer attractive returns for our shareholders

BOARD OF DIRECTORS







	ANDREW ALLNER Chairman	DAVID BROWN Group Chief Executive	KEITH DOWN Group Finance Director
COMMITTEE MEMBERSHIP	Remuneration committee, nomination committee (Chair)	Nomination committee	
TERM OF OFFICE	Andrew Allner joined the Board in October 2008 and was appointed Chairman of the Group in 2013	David Brown was appointed Deputy Chief Executive on 1 April 2011 before his accession to Group Chief Executive on 3 July 2011	Keith Down was appointed to the Board as Group Finance Director in March 2011. In July 2015 it was announced that Keith will leave Go-Ahead in late 2015 to take up the position of Chief Finance Officer at Dunelm plc
LENGTH OF SERVICE	6 years, 10 months	4 years, 5 months	4 years, 6 months
INDEPENDENT	On appointment	–	–
SKILLS & EXPERIENCE	• Significant Board experience including Finance Director, Chief Executive Officer, Non-Executive Director and Chair roles • Experience across a broad range of UK and multinational companies and sectors • Former Partner at PricewaterhouseCoopers and a Fellow of the Institute of Chartered Accountants in England & Wales • Graduate of Oxford University • Non-Executive Director of AZ Electronic Materials SA from 2010 to 2014, of CSR plc from 2008 to 2013 and of Moss Bros Group plc from 2001 to 2005	• Over 32 years' experience in the industry with particular expertise in the London bus market • Former Managing Director of Surface Transport at Transport for London • Thorough knowledge and understanding of the Group's business, having been Chief Executive of Go-Ahead's London bus business from 2003 to 2006 and as advisor to the main Board	• Chartered Accountant • Former Finance Director of JD Wetherspoon plc • Before joining JD Wetherspoon plc in 2007 he served as Commercial Finance Director of Tesco plc • Experience in businesses with a strong consumer angle alongside complex logistics is an important contribution to the Board's skill set
EXTERNAL APPOINTMENTS	Non-Executive Chairman of Marshalls plc (Chairman of the nomination committee); Non-Executive Director of Northgate plc (Chairman of the audit and risk committee and member of the nomination and remuneration committees) and Non-Executive Chairman of Fox Marble Holdings plc (member of remuneration committee)	Non-Executive Director of the ATOC Limited (Chair of the remuneration committee) and Director of Rail Delivery Group Limited	Non-Executive Director of Topps Tiles plc (Chair of the audit committee and member of the remuneration and nomination committee)



KATHERINE INNES KER
Senior Independent Director

Audit committee, remuneration committee (Chair), nomination committee

Katherine Innes Ker joined the Board in July 2010 and was appointed Senior Independent Director in April 2013

5 years, 1 month

Yes

- Former City financial analyst
- Extensive executive and non-executive experience in helping to grow successful and dynamic organisations
- Held many previous non-executive directorships including St Modwen Properties Plc, Victoria plc, Taylor Wimpey plc, Taylor Woodrow plc, The Television Corporation plc, Fibernet plc, Williams Lea plc, Shed Media plc and Gyrus Group plc

Senior Independent Director of Tribal Group plc (Chair of the remuneration committee and member of the audit and nomination committees); Chair of the Mortgage Advice Bureau and Non-Executive Director of Colt Group S.A (member of audit and remuneration committees)



NICK HORLER
Non-Executive Director

Audit committee, remuneration committee, nomination committee

Nick Horler joined the Board in November 2011

3 years, 9 months

Yes

- Former Chief Executive Officer of Scottish Power and Managing Director of E.On Retail
- Extensive general management experience in UK and USA regulated markets, specialising in Sales and Marketing
- Brings valuable insights into Go-Ahead's development of social networks and digital marketing to attract new passengers

Non-Executive Director of Royal Mail Plc (member of the audit & risk and nomination committees); Chair of Alderney Renewable Energy Limited; Chair of Meter Provida Limited and Meter Provida Investments Limited; Non-Executive Director of Thames Water Utilities Limited and Chair of Adler and Allan Limited



ADRIAN EWER
Non-Executive Director

Audit committee (Chair), remuneration committee, nomination committee

Adrian Ewer joined the Board in April 2013

2 years, 4 months

Yes

- Former Chief Executive Officer of John Laing plc and associated limited companies
- Became a Chartered Accountant in 1977 and has sound recent and relevant financial experience.
- Wealth of experience of major long term contracts
- Strong customer focus and flair for strategy and finance
- Experience in bidding and operating heavy and light rail franchises as well as rail infrastructure procurement

None



CAROLYN FERGUSON
Group Company Secretary

Secretary to the audit committee, remuneration committee and nomination committee

Carolyn Ferguson was appointed Group Company Secretary in July 2006

9 years, 2 months

–

- A Fellow of the Institute of Chartered Secretaries and Administrators
- Qualified and practising coach and mentor
- Prior to her appointment as Group Company Secretary she was appointed Assistant Company Secretary in 2001 with responsibility for non-rail pensions and a wide range of company secretariat functions
- Before joining Go-Ahead she spent 12 years working for Northern Electric, predominantly in the field of pensions

None

CORPORATE GOVERNANCE REPORT

OUR DEVOLVED FRAMEWORK

Go-Ahead is headed by an effective Board, which is collectively responsible for the long term success of the Group. Day to day management of the Group and the implementation of strategies agreed by the Board across the Group and operating companies have been delegated to the executive directors. The executive directors meet regularly with senior management in Group and across our businesses both formally via monthly meetings and less formally on a regular basis. The Group's Board and governance framework is shown below. We believe that this devolved management structure enables the Group to be managed in a particularly effective way with a structure that allows the right balance between local and wider initiatives to deliver Group benefits. It also ensures the Board remains well informed about our businesses, employees, passengers and stakeholders, enabling it to respond pro-actively to the changing dynamics of the business.

BOARD AND GOVERNANCE FRAMEWORK

RESPONSIBILITY OF THE BOARD

Board and executive

- Setting the Group's vision and values
- Approval of the Board's policies and procedures including delegated authorities and the terms of reference of all committees of the Board
- Reviewing the performance of the Board, its committees and individual directors on an annual basis
- Determining the remuneration policy for the executive directors and senior management
- Succession planning and appointments to the Board and senior management

Strategy and performance

- Setting the long term strategy, targets and objectives to achieve long term shareholder value
- Approval of the corporate plan for the Group and individual operating companies
- Setting and monitoring key performance indicators
- Oversight and monitoring of the corporate plan and performance against strategy

Finance

- Approval of the Group and Company financial statements and ensuring that the Annual Report is fair, balanced and understandable
- Approval of dividend policy and recommending dividends payable
- Approval of key financial policies including accounting, fuel hedging, tax and treasury policies

Risk and governance

- Managing a sound framework of risk management and internal controls and setting the Board's risk appetite
- Approval of the Group's key policies, including health & safety, corporate social responsibility and sustainability
- Ongoing review of the Group's corporate governance framework and policies against best practice

Major approvals

- Approval of material capital projects, investments, acquisitions, franchises and disposals
- Approval of changes to the Group's corporate structure and constitution
- Approval of all share schemes and share buy-back programmes

BOARD COMMITTEES

Audit Committee

The audit committee has responsibility for overseeing and monitoring the Group's financial statements, internal and external auditors, accounting policies and processes, risk management systems and the effectiveness of internal controls. The committee also provides assurance to the Board that the Annual Report is fair, balanced and understandable.

See the audit committee report on page 63 →

Remuneration Committee

The remuneration committee has responsibility for the Group's overall remuneration framework and policy, including setting targets and reviewing outcomes in accordance with strategy. The committee ensures governance and best practice principles are integrated into remuneration policy, and that remuneration reporting is clear and transparent.

See the directors' remuneration report on page 70 →

Nomination Committee

The nomination committee regularly reviews the structure, size and composition of the Board and its committees, particularly in the context of experience, diversity and strategic direction. The committee reviews Board and senior management succession planning, leadership talent development and pipelines, in addition to wider Group diversity and developing people policies and initiatives.

See the nomination committee report on page 68 →

DEVOLVED MANAGEMENT STRUCTURE

Operating Company Boards

Local senior management teams, who know their markets well, are empowered to operate our operating companies as autonomous business units. Many aspects of the Group's day-to-day management are reported by operating company senior management directly to the executive directors who in turn keep the Board appraised of all operational matters.

Rail and Bus Steering Groups & Forums

Our cross-business groups, which comprise the managing directors in each operating company, meet with the executive directors on a regular basis to work together to explore and identify new opportunities and initiatives and share knowledge, experience and best practice across our operations. These groups are supported by the cross-business forums which include, but are not limited to, health and safety, engineering, HR and diversity forums.

Group Executive Team

The senior managers responsible for the key centralised Group functions meet monthly with the executive directors to review the business and identify, execute and track synergies which can then be cascaded through the cross-business groups and forums. These functions include, but are not limited to the areas of IT, procurement, bus and rail business development and marketing.

BOARD MEETINGS

The Board has a planned schedule of meetings arranged for the year, and a separate meeting dedicated to reviewing the Group's strategy, which all directors attended. During the year a number of additional meetings, predominantly to discuss franchise bids, were also held by conference call.

The Chairman and the non-executive directors periodically meet without the executive directors being present. During the year, the Chairman met individually with each director.

The agenda for each Board meeting is set by the Chairman in consultation with the Group Chief Executive and Group Company Secretary. Detailed briefing papers in relation to the business to be conducted at each meeting are circulated to the Board electronically at least one week before each meeting. The executive directors and Group Company Secretary are readily available should any Board member wish to receive additional information.

Board meetings are structured to allow open discussion and debate, and the Chairman ensures that adequate time is available for discussion of all agenda items, in particular strategic issues.

BOARD AND COMMITTEE ATTENDANCE AT MEETINGS IN 2014/15

Directors' attendance at scheduled meetings they were eligible to attend:

Board attendance	Board	Audit committee	Remuneration committee	Nomination committee
Total meetings	8	4	3	1
Andrew Allner	8	–	3	1
David Brown	8	–	–	1
Keith Down	8	–	–	–
Katherine Innes Ker*	7	3	2	0
Nick Horler	8	4	3	1
Adrian Ewer	8	4	3	1

* One meeting missed due to a bereavement.

Although not a member of all the committees, David Brown and Keith Down attended a number of audit committee, remuneration committee and nomination committee meetings as invited attendees.

MATTERS RESERVED

In addition to the responsibilities of the Board, the Board has a formal schedule of matters reserved for its decision. This schedule is reviewed by the Board each year and the full schedule can be found on the Group's corporate website www.go-ahead.com.

Routine matters also considered at all Board meetings include:

- Key issues and strategic matters
- The Group Chief Executive's report on safety, sustainability, strategic and business developments
- The Group Finance Director's report which includes the latest available management accounts
- Performance against financial and non-financial KPIs
- Investor relations report
- Where applicable, reports from the audit, remuneration and nomination committees

DIVISION OF RESPONSIBILITIES

The Chairman and Group Chief Executive hold distinctly separate roles and the division of responsibility between these roles is clearly established, as shown on page 58. The Board has adopted a written Statement of Division of Responsibilities between the Chairman and the Group Chief Executive. The Chairman leads the Board, ensuring its effectiveness by promoting challenge and debate and ensuring a regular evaluation process. The Group Chief Executive is responsible for the performance, management and supervision of the Group in accordance with the strategies and values set by the Board. The evaluation of the Board confirmed that the developing relationship of the Chairman and Group Chief Executive was seen as working well and was a source of satisfaction and strength to the wider Board. The Chairman is supported by the Senior Independent Director who provides a sounding board to the Chairman and is an alternative point of contact for directors and shareholders, where contact with the Chairman or Group Chief Executive is inappropriate.

The Chairman holds regular informal meetings and dinners with the Board members to help build relationships and foster mutual understanding of roles and personalities. This has also led to greater challenge and more constructive debates in the Boardroom where integrity and effective decision making is considered to be of utmost importance.

CONFLICTS OF INTEREST

The Board has established robust procedures for ensuring that its power to authorise conflicts of interest is operated in accordance with the Group's articles of association. The Board considers that the procedures in respect of this power, which have been properly followed, have operated effectively during the year and the conflicts' register has been updated accordingly. The Board is aware of its directors' other commitments and any changes to these commitments are advised to and approved by the Board committees.

INDIVIDUAL ROLES OF THE BOARD

CHAIRMAN

- Operation, leadership and governance of the Board
- Board effectiveness
- Sets Board agenda, style and tone of Board discussions
- Ensures the directors receive accurate, timely and clear information
- In conjunction with the Group Company Secretary, ensures that new directors receive a comprehensive induction programme
- Effective communication with shareholders
- Sets the tone of the Group's culture and values and ensures that these continue to be strengthened and embedded across the Group

GROUP CHIEF EXECUTIVE

- Overall responsibility and leadership for Group performance
- Communicates the vision and values of the Group
- Stewardship of Group assets
- Plans and executes objectives and strategies
- Maintains a close working relationship with the Chairman, ensuring effective dialogue with investors and stakeholders
- Manages the senior management team
- Has overall responsibility for the Group's sustainability performance
- Ensures that leadership and development frameworks are developed to generate a positive pipeline of future opportunities for the Group

GROUP FINANCE DIRECTOR

- Maintains strong financial management and implements effective financial controls
- Plays a lead role in the development and implementation of corporate strategy
- Provides financial and commercial decision leadership vision and support
- Ensures the appropriateness of risk management systems
- Leads the development of investor relations strategy and communications
- Responsible for corporate finance functions, financial planning and budget management
- Supports and advises the senior management team
- Oversees all aspects of accounting/finance operations including accounting policies and integrity of financial data and external financial reporting

SENIOR INDEPENDENT DIRECTOR

- Acts as a sounding board for the Chairman
- Serves as an intermediary for other directors
- Is available to meet shareholders if they have concerns which they have not been able to resolve through the normal channels of the Chairman, Group Chief Executive or Group Finance Director or for which such contact is inappropriate
- Conducts an annual review of the performance of the Chairman and convenes a meeting of the non-executive directors to discuss the same

NON-EXECUTIVE DIRECTORS

- Provide constructive challenge
- Help develop strategy
- Scrutinise performance of management
- Monitor reporting of performance
- Ensure integrity of financial information
- Ensure financial controls and systems of risk management are robust and defensible
- Determine appropriate levels of remuneration for the executive directors
- Are available to meet with major shareholders

GROUP COMPANY SECRETARY

- Secretary to the Board and its committees
- Ensures efficient information flows within the Board and its committees and between senior management and non-executive directors
- Facilitates induction of new directors and assists with training and development needs as required
- Ensures compliance with Board procedures
- Regularly updates the Board on corporate governance matters, legislative changes and regulatory regimes affecting the Group
- Co-ordinates external Board evaluation and conducts internal Board evaluations

For full details of our directors' biographies see pages 54 and 55 →

BOARD EFFECTIVENESS

BOARD COMPOSITION

On 27 June 2015, the Board comprised the Chairman, three non-executive directors and two executive directors. The Board is confident that collectively it brings a wealth of knowledge and a comprehensive mix of skills and experience. The biographies of all members of the Board, outlining the experience they bring to their roles, are set out on pages 54 and 55. The composition of the Board did not change during the year.

DIRECTORS' TENURE*

2-4 years

33%



Nick Horler (Non-Executive Director)
Adrian Ewer (Non-Executive Director)

4-6 years

67%



Andrew Allner (Chairman)
David Brown (Group Chief Executive)
Keith Down (Group Finance Director)
Katherine Innes Ker (Senior Independent Director)

* There are no directors with 0-2 years service

ELECTION & RE-ELECTION TO THE BOARD

All directors are required by the Group's articles of association to be elected by shareholders at the first AGM following their appointment by the Board. Subsequently, all directors are subject to annual re-election by shareholders as recommended by the Code.

The performance of all directors is objectively and rigorously reviewed on an annual basis and this is used as the basis for recommending re-election of directors to shareholders.

The performance evaluation reviews undertaken during the year confirmed that members of the Board and its committees have the appropriate balance of skills, experience and diversity of background to enable them to discharge their duties and responsibilities effectively. Their views carry significant weight in the Board's decision making and no individual or group of individuals dominates decision making. The Board works well together to bring independent and balanced judgement to their deliberations. The non-executive directors are independent in both character and judgement and the Chairman was considered independent on his appointment.

As such, and in accordance with the Group's articles of association and the Code, all directors will be offering themselves for annual re-election at the 2015 AGM. **Full details of the performance evaluation process can be found on page 60 →**

TIME COMMITMENTS

The nomination committee regularly assesses the other commitments of all directors. This year, the committee was again satisfied that there are no conflicts of interest and that all directors, particularly those who are also chairing committees, have sufficient time to fulfil their responsibilities. Prior to any new commitments being made by directors, agreement is sought from the Chairman.

INDEMNIFICATION OF DIRECTORS

The Group maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. The Group has also granted indemnities to each of its directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 234 of the Companies Act 2006) were in force during the year ended 27 June 2015 and remain in force, in relation to certain losses and liabilities that the directors may incur to third parties in the course of acting as directors or employees of the Group or of any associated company. Neither the Group's indemnity nor its insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

INDUCTION

All new directors undertake a full induction programme either shortly before or upon joining the Board. Each induction programme is personalised, tailored specifically to take into account the director's previous experience and background and is targeted to particular areas of focus. It is designed to enhance the new directors' understanding of their roles and responsibilities and develop their knowledge in relation to the transport industry generally, and, specifically, the Group's structure and operations. The Group Company Secretary, in collaboration with the Chairman, agrees the personalised induction plan with each new director. During the year, there were no new directors who required an induction.

DIRECTOR LEARNING AND DEVELOPMENT

The Chairman regularly encourages the non-executive directors to continually update their skills, knowledge and ongoing familiarity with the Group in order to competently carry out their responsibilities. This is achieved as follows:

- Regular presentations at Board meetings from senior management on matters of significance. Examples during the year included presentations on rail franchising opportunities and bidding, overseas rail and bus strategy, as well as succession planning and leadership programmes
- The non-executive directors have a planned programme of operating company visits during the year; they also usually attend the Group's annual senior management conference
- Regular updates on the Group's businesses as well as updates on corporate governance and legislative/regulatory issues. Updates are by way of written briefings from the Group Company Secretary, presentations from management and presentations from external advisors. During the year under review updates focused on the revisions to the Code and boardroom best practice
- Regular updates on political and market related issues as well as compliance training. During the year this included updates on the Quality Contract Scheme in the north east and the possible outcomes and impact of the general election on the Group

Equally, as part of their annual performance evaluation, directors are given the opportunity to discuss their own training and development needs. Directors are expected to take responsibility for identifying their training needs and to take steps to ensure each is adequately informed about the Group and their responsibilities as a director. The Board is confident that all of its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

BOARD EVALUATION

At the start of the reporting year, an internal Board effectiveness review was undertaken by the Group Company Secretary. The Group Company Secretary has significant insight into both the day-to-day and strategic workings of the Board and is therefore considered a suitable and independent sounding board for this process. To ensure continuity, the process was in line with that reported in the previous year and included 'peer to peer' director assessment.

During one-to-one detailed and focused discussions, directors were asked their views on a broad range of subjects with the general theme around areas of boardroom best practice.

AREAS OF INTERNAL BOARD EVALUATION



KEY FINDINGS

- Leadership and culture
  The Board was found to be well run, with all Board members engaged and positive Board dynamics. The initiatives led by the Chairman, to foster relationships inside and outside the Boardroom, were positive and welcomed improvements to building the trust and relationships that underpinned Board effectiveness.
- Challenge and decision making
  Sufficient information was provided, in a timely manner, in order to make informed decisions. The Chairman set the right tone from the top, with an approach that optimised collegiality, transparency and freedom of expression among Board directors. There was a robust, thorough and inclusive decision making process, with the right level of debate and challenge
- Strategy
  All Board members were clear about, and supportive of, the Group's current strategy and process for strategic discussion and decisions. Further consideration was planned on how to integrate strategy even further into Board meetings throughout the year, as a follow on from the annual strategy day, with more time given to free-flow discussion and deeper debate on key areas
- Risk
  The changes to improve the top-down process for risk assessment now allows more time to focus on the key risks that could impact the delivery of strategy. A more structured and documented process would however be needed around the Board's actual risk discussions, particularly in light of the recent changes to the UK Corporate Governance Code
- Board composition
  There was a good balance of skills, experience, gender and diversity generally, particularly in the context of a small Board, where each appointment was inevitably more significant. Achieving greater diversity at executive level and below was a more fundamental long term business priority

Given the timing of the previous internal review in 2013, significant progress had already been made on the recommendations by the end of the last reporting year. The actions taken were detailed on page 59 of last year's annual report. The internal review this year revisited these actions to ensure that the good practice continued and also found that even further progress had been made in some areas. In particular, the Board's oversight of succession planning and talent management had taken a step forward in the last year, with much more information provided and review at Board level to help inform the delivery of strategy. The increased engagement and inclusive approach with senior managers was also seen as a valuable and positive addition to decision making.

EXTERNAL BOARD EVALUATION

In order to better align the timing of the Board's performance review with annual reporting, the external review was brought forward. Condign Board Consulting ("Condign") was appointed to undertake this review. Condign did not provide any other services to the Group during the year. Given the timing of the recent internal review and the actions already implemented the Chairman expressed a desire for the external review to be forward looking, constructive and developmental. The theme of the external review was therefore based on what may need to change for the Board to maximise the delivery of strategy.

The process involved Condign initially meeting with the Chairman, Senior Independent Director and Group Company Secretary to discuss the scope and participants. A discussion guide was then sent to all participants in advance of one-to-one meetings with all Board members. Condign also received Board and committee meeting papers and attended these meetings as an observer. A briefing meeting was then held with the Chairman, Senior Independent Director and Group Company Secretary to discuss the interim report and feedback before a final report was sent to all Board members ahead of discussion at the next Board meeting.

In addition to the full Board, a number of senior executives were also selected to participate to ensure that the evaluation encompassed the input of those who interact with the Board so that the exercise did not simply represent the Board's own view of itself. Formal 'peer-to-peer' director evaluation was not included as part of the external review as this had been undertaken at the recent internal review.

KEY FINDINGS OF EXTERNAL BOARD REVIEW

In summary, the external review also found the overall functioning of the Board to be at a very good level and had improved markedly over the course of the last two years. This was largely seen to be from the new initiatives introduced by the Chairman, the development of the Group Chief Executive's relationship with the Board and their partnership together. Good Board dynamics, open dialogue and constructive challenge were observed, with governance at a high standard. Most of the priorities from the previous two internal evaluations had been dealt with, or were in progress, which had contributed positively to the current position.

RECOMMENDATIONS

There were a number of recommendations, as shown below, which the Board discussed at a meeting with Condign. At the time of this report being published, the actions in response to the recommendations were still being considered. A summary of the key areas which the Board are considering are shown below. Full details, including progress against them, will be provided in next year's annual report.

- Stakeholder management and corporate reputation
  Consider how to maximise the non-executive directors' participation in stakeholder management
- Strategy development/iteration
  Consider the timing and format of more regular formal strategy updates
- Organisation and Group structure
  Review Group and organisation structure, and succession and talent planning to further support Group strategic objectives
- Top down consideration of risk
  Consider new approaches to the assessment of risk including how the Group improves its articulation of risk appetite
- Non-executive director rotation/succession
  Plan for the next Board refreshment and crystallising non-executive director rotation points in the light of future needs
- Executive team development HR/diversity
  Develop internal and external candidate pools from non-traditional sources

INFORMATION AND SUPPORT

BOARD PROCEDURES MANUAL

The Board is supplied with high quality information, presented in a form appropriate to enhance Board effectiveness. A comprehensive Board procedures manual is maintained which includes formal procedures for the working of the Board and its committees, delegated authorities, the timely provision of appropriate information and the duties and responsibilities of directors, including standards of conduct and compliance. This manual is regularly updated to ensure it is consistent with current best practice.

GROUP COMPANY SECRETARY

The Group Company Secretary is available to all directors to provide advice and is responsible for ensuring that all Board procedures are complied with and that Board and committee papers are circulated to all directors by electronic means ensuring fast, timely and secure provision of information.

The Group Company Secretary reports to the Chairman in her role as secretary to the Board and its committees. She reports to the Group Finance Director on all other company secretariat matters, including the management of the Group's bus pension arrangements. Her biography can be found on page 55.

INDEPENDENT ADVICE

All directors may take independent professional advice, at the Group's expense, if they believe it to be necessary for the proper discharge of their duties as directors.

RELATIONS WITH OUR STAKEHOLDERS

Collaboration with stakeholders and partnership-working is fundamental in our approach and the long term sustainability of our business.

As a leading provider of transport in the UK, we face a wide range of complex issues. Some of those issues are within our control, some we seek to influence and others are more challenging to manage and require strong and collaborative relationships with our stakeholders, which can be seen to give us a positive advantage in our market.

OUR KEY STAKEHOLDERS

Our customers, people, communities, investors, government, strategic partners and suppliers are our key stakeholders that may have a material impact on the successful delivery of our strategic targets.

RELATIONS WITH STAKEHOLDERS

OUR PEOPLE

High levels of employee engagement, commitment and job satisfaction contribute directly to the success of Go-Ahead. The majority of our people are members of trade unions and our local teams foster good relationships with their representatives.

COMMUNITIES

Our businesses are part of the local communities in which they operate. Our aim is to play a constructive role in the villages, towns and cities we serve, working closely with local community groups.

INVESTORS

As a publicly listed company we provide open and transparent information which enables informed investment decisions to be made. Providing information so that investors can make informed decision is a priority for us. Feedback from our shareholders forms part of strategic discussions in the Boardroom.

GOVERNMENT

Policy and regulatory changes affect our bus and rail business. Working closely with both central and local government enables us to provide input into new policies and ensure we receive regular feedback on our performance.

STRATEGIC PARTNERS AND SUPPLIERS

Professional relationships with core suppliers help to ensure and support efficient delivery of our passenger transport services. We have an ethical procurement policy demonstrating our values are extended to our supply chain and those who do business with us.

CUSTOMERS

We need to know how we are performing and our passengers' perception of our services so we can deliver change and improvements. We understand our local markets and strive to meet our passengers' needs, including accessibility.

For more about our relationship with our stakeholders, visit: www.go-ahead.com →

RELATIONS WITH SHAREHOLDERS

Go-Ahead's Board has always been committed to reporting in a fair, balanced and understandable manner and places great importance on transparent, relevant and timely communication with shareholders. Throughout the year, we maintained open and frequent dialogue with investors, providing updates on strategy, objectives and governance.

The Group's investor relations ("IR") programme, managed by the Group IR team, includes regular dialogue between the executive directors and current and potential shareholders through group and one to one meetings, presentations and conferences. The executive team are also in regular contact with sell-side analysts and meet with broker sales teams to communicate the Group's key message to the people dealing with investors every day. We also communicate with the investment community through regular news releases and trading updates. Financial results and other material news releases are issued via the London Stock Exchange as well as being published on our corporate website www.go-ahead.com.

The IR section of our website provides a wealth of information including a dedicated results centre, latest news, access to reports, presentations and other useful documents, as well as share price, market capital and other shareholder information. Investors and other interested parties can subscribe to receive news through email updates by registering their details on our website.

Our website is fully responsive, enabling shareholders to access information on the move through a range of mobile devices.

We continue to use other channels to engage with a wider audience through our Facebook and Twitter accounts. We also have a range of award-winning social media activities in place across our bus and rail companies, updating passengers with real time service information. Combined, Go-Ahead and its companies are reaching 250,000 people on Twitter and 140,000 on Facebook. During the year we were awarded the most effective communication of overall investment proposition and best use of digital communications within the FTSE 250 category, at the Investor Relations Society Awards 2014. More recently, we were recognised for our Investor and analyst communications at the 2015 Corporate Finance Awards.

Our investor base is largely UK focused and as such we focus our IR programme in the UK. Following our full and half year results we hold investor roadshows in London and Edinburgh for institutional investors. We also attend the annual conferences held by our corporate brokers. In addition to these programmed events, we respond to meeting requests from institutional and private holders throughout the year. While key shareholder engagement activities are undertaken by the executive directors, overall responsibility for ensuring that there is regular and effective dialogue with investors rests with the Chairman, who is available to meet investors and appreciates the opportunity to do so. The Senior Independent Director and committee chairs are also available to meet key investors on request and the Group Corporate Communications Director and Head of IR are available to provide updates on the Group's sustainability and broader governance strategies to socially responsible investors.

When appropriate, we host investor events on specific topics. In October 2014, investors attended our half-day rail event in which executive directors and operational management provided updates on existing and new rail franchises as well as strategic plans.

The IR team provides the Board with regular reports and updates, including analysts' reviews, analysis of the shareholder register and shareholder feedback. Understanding our shareholders' views is important to us. Following our full and half year roadshows our corporate advisors gather detailed feedback from institutional shareholders which is presented to the Board. This forms an important part of the Board's strategic discussions and also assists the IR team in improving the quality of communications. Feedback is also sought by the committee chairs; for example, the remuneration committee chair has recently consulted with major shareholders on the proposed changes to the remuneration policy outlined in this report.

ANNUAL GENERAL MEETING (AGM)

In addition to individual meetings, the principal communication with all shareholders is through the annual report and the AGM. The AGM is attended by all directors and all shareholders are invited and encouraged to attend as it provides an opportunity to develop their understanding of the Group and ask questions. There is also the opportunity to meet informally with the directors before and after the meeting.

Full details of the business to be discussed at the Group's next AGM on Thursday 22 October 2015 can be found in the Notice of Meeting. This is sent to registered shareholders in advance of the meeting and will also be available on our website at www.go-ahead.com.

AUDIT COMMITTEE REPORT



AUDIT COMMITTEE MEMBERSHIP

Adrian Ewer	Committee Chair
Katherine Innes Ker	Senior Independent Director
Nick Horler	Independent Non-Executive Director
Carolyn Ferguson	Group Company Secretary

"During the year we conducted a full tender of the statutory auditor appointment"

DEAR SHAREHOLDER

On the following pages we set out the audit committee's report for the year ended 27 June 2015.

During the year, the committee focused on the areas of work highlighted as a priority for the audit committee in last year's report. This included monitoring changes in the external regulatory environment to ensure we continue to have appropriate financial, compliance and internal controls in place and ensuring we are able to exercise our assurance oversight role in the best possible way. This work is always an important and recurring priority for the committee and one that continues to be at the core of what we do. The committee also undertook a formal tender process for the Group's statutory audit work, full details of which can be found on page 67. As a result of this process the Board will propose to shareholders at the 2015 AGM that Deloitte LLP replace Ernst & Young LLP as the Group's new statutory auditor.

In addition to the audit committee's main responsibilities detailed opposite, we set out below our key highlights for 2014/15 and priorities for 2015/16. These key highlights and priorities, in addition to all of the work undertaken by the committee during the year, are explained in further detail throughout this report.



Adrian Ewer,
Audit Committee Chair
2 September 2015

AUDIT COMMITTEE RESPONSIBILITIES

The terms of reference of the audit committee are reviewed at least annually to ensure they remain fit for purpose and in line with best practice. The audit committee's terms of reference can be accessed via the corporate website www.go-ahead.com or upon request from the Group Company Secretary.

The audit committee is responsible for:

- Monitoring the integrity of the Group's financial statements and any formal announcements relating to the Group's financial performance, and reviewing significant financial reporting judgements contained in them before their submission to the Board for approval
- Reviewing and challenging, where necessary, the consistency of significant accounting policies, and whether appropriate accounting standards have been used
- Reviewing the content of the annual report and advising the Board on whether it is fair, balanced and understandable
- Reviewing the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems
- Reviewing reports from the internal health and safety auditor on health and safety audit standards
- Providing assurance to the remuneration committee on quality of earnings and budget for performance-related bonus purposes
- Reviewing the adequacy of the whistle blowing system, the Group's procedures for detecting fraud and the systems and controls for the prevention of bribery, and receiving reports on non-compliance
- Monitoring and keeping under review the effectiveness of the Company's internal audit function, including the review and assessment of the annual internal audit plan and receiving reports from the internal auditors at each meeting

2014/15 AUDIT COMMITTEE HIGHLIGHTS

- Approval of half year and full year financial statements
- Provided assurance to the Board on whether the 2014/15 Annual Report and Accounts, taken as a whole, are fair, balanced and understandable
- Focus on the key significant risks that could impact the Group achieving its strategic objectives
- Review of the effectiveness of the external audit process
- Ongoing control and assessment of the internal audit process, including approval of internal audit plan for the two years ending June 2017
- Strengthening of Group's cyber security policies
- Conducted a full tender of the statutory external auditor appointment

2015/16 AUDIT COMMITTEE PRIORITIES

In addition to its usual items of business, the audit committee's priorities for 2015/16 are to:

- Continue to monitor changes in the external regulatory environment to make sure that we continue to have appropriate financial, compliance and internal controls in place
- Support the transition of external auditors from Ernst & Young LLP to Deloitte LLP and facilitate the induction of Deloitte LLP
- Continue to ensure the committee is exercising its assurance oversight role in the best possible way
- Support the Board in responding to the amendments to the updated Code published in September 2014, including the assessment of risk and risk appetite and the statement on the Group's viability
- Review of scope and delivery of internal audit

AUDIT COMMITTEE RESPONSIBILITIES CONTINUED

- Overseeing the Group's relationship with the external auditor, including monitoring and reviewing their performance, assessing their continuing independence, making recommendations as to their reappointment (or, where appropriate, making recommendations for change), and approving their terms of engagement and the level of audit fees payable to them
- Assessing the qualifications, expertise and resources of the auditor and the effectiveness of the audit process
- Ensuring that at least once every 10 years the audit services contract is put out to tender

COMMITTEE MEETINGS

The audit committee usually meets at least four times a year excluding meetings held to review its effectiveness as part of the annual performance evaluation. Members' individual attendance at committee meetings for the year under review can be found on page 57.

Meetings of the committee generally take place immediately prior to a Board meeting in order to maximise the effectiveness of collaborating with the Board. Meetings are attended by the independent non-executive directors. By invitation, the Chairman, Group Chief Executive, Group Finance Director and internal and external auditors regularly attend meetings. In order to ensure momentum is sustained and matters progressed, the Committee Chair holds pre-audit committee meetings with key advisors between main committee meetings.

At least once a year, the non-executive directors hold separate meetings with the external and internal auditors, without the executive directors being present. The committee members have between them a wide range of business and financial experience which enables the committee to fulfil its responsibilities in a robust and independent manner. The committee considers Adrian Ewer, the Committee Chair, a Chartered Accountant, to have recent and relevant financial experience for the purposes of compliance with the Code.

FINANCIAL REPORTING

The primary role of the committee in relation to financial reporting is to review, with both management and the external auditors, the appropriateness of the interim and year end financial statements. The committee focuses amongst other matters, on:

- The quality and acceptability of accounting policies and practices
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements
- Material areas in which significant judgements have been applied or there has been discussion with the external auditor
- Whether the report, taken as a whole, is fair, balanced and understandable
- Any correspondence from regulators in relation to our financial reporting

KEY FINANCIAL AND INTERNAL CONTROLS MATTERS FOR 2014/15	HOW THE COMMITTEE ADDRESSED THESE KEY FINANCIAL MATTERS
Compliance with franchise terms and conditions relating to the rail components of the Group, specifically relating to the accounting for related income and costs arising from franchise agreements	The committee regularly reviews the accounting policies relating to income and cost arising from franchise agreements. At interim and year end reviews, a full schedule of material income statement and balance sheet is assessed against the committee's expectations and discussed with the Group Chief Executive, the Group Finance Director and, where appropriate, the external auditors.
Ongoing review of provisions for liabilities and charges, specifically relating to third-party claims and lease return and dilapidation provisions for rolling stock, stations, depots, other properties and measurement of uninsured liabilities	At interim and year end, the levels of provision for third-party claims, lease return and dilapidation provisions are reviewed with the Group Chief Executive and the Group Finance Director. Management's review is supported by reports from appropriate third-party experts who independently assess the required provision based on their industry knowledge and an understanding of the Group's specific circumstances. Increases in provisions, utilisation and release of provisions are all reviewed for reasonableness in light of these reports and the Group's specific circumstances.
Impairment testing in respect of the carrying value of goodwill on the Group's investments	The ongoing review of goodwill and carrying value of investments, as presented by management, is challenged by the committee. This is done by assessing the expected performance of the individual cash generating units and ensuring that relevant risk factors are imputed to the rate of return used to assess net present value of future cashflows. The committee also reviews historic performance against expectations set in previous years.
Assumptions underpinning the calculation of the Group's defined benefit pension liabilities	Pension scheme liabilities are assessed on behalf of the Group by independent actuaries. Additionally the committee assesses the underlying assumptions with other professional advisors to ensure that the actuaries' own assumptions are appropriate for the Group. The committee also discusses the appropriateness of the assumptions with the Group's external auditor.
Ongoing review of changing issues such as the impact of European working time directive on holiday pay	The audit committee's review of risks and uncertainties in the wider economy encompasses emerging risks and considers each when appropriate to the Group's circumstances. The committee will seek specific legal or other professional advice to support its assessment of areas that could affect the Group.
Understanding and treatment of exceptional items in the year end accounts	The committee will consider separate disclosure of exceptional income or costs in light of the FRC recommendations of a balanced and consistent approach. The committee is mindful of the need to understand the underlying trends of each division within the business with the impact of large and unusual items segregated out as necessary to avoid distortions from such non-recurring aspects.
Ensuring operating company compliance with Group policies and procedures and maintaining the required financial control environment	The committee, together with the Group Chief Executive and the Group Finance Director, approves the scope of internal audit including the cycle of visits to test operating company compliance and financial control, based on a risk assessment. The results of the internal audit visits are considered by the committee, together with management's responses to any improvement points. Control matters and reporting issues identified as part of the external auditors' interim and year end audits are also reviewed by the committee which considers the adequacy of any management responses required. In addition management ensure that the recruitment and review process for operating company directors gives confidence in the calibre of the operating company teams and their management, and review of the control environment in which they operate.

As part of the interim and year end financial statements approval process, the committee met with the external auditor. During this exercise the committee considered the key audit risks identified as being significant to the 2014/15 accounts and the most appropriate treatment and disclosure of any new or judgemental matters identified during the audit and half yearly review, as well as any recommendations or observations made by the external auditor. The primary areas of judgement considered by the committee in relation to the key financial matters for 2014/15 and how these were addressed are set out opposite.

FAIR, BALANCED & UNDERSTANDABLE

At the request of the Board, the audit committee has considered whether, in its opinion, the 2014/15 Annual Report and Financial Statements are fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

A collaborative approach is taken to creating the report which involves direct input from key report contributors, including the Board and committee, throughout the process and includes the following:

- Early planning and implementation of timetable with experienced project managers for each section
- Briefings on the requirements of the fair, balanced and understable requirements for all involved; this includes the Corporate Communications, Company Secretariat and Group Legal teams as well as Group Finance to validate the appropriateness of material disclosed. The inclusion of various Group departments, with input from operating divisions as appropriate, ensures the balance, completeness and accuracy of the annual report
- Validation of data and information included in the report undertaken both internally and by the external auditor
- A series of key proof dates for comprehensive review across all sections that aim to ensure consistency and accuracy
- Early drafts of the report available to the audit committee to ensure timely review and allow comments to be incorporated
- Audit committee recommendation to the Board

In considering whether the report is fair, balanced and understandable, the committee reflects upon the information it has received and discussions throughout the year. The committee also asks a number of key questions which include:

- Is the whole story presented and has equal weight been given to all messages?
- Is the narrative reporting consistent with the financial reporting, with key messages reflected in both?
- Is the description of the business, principal risks and uncertainties, strategy and objectives in the report consistent with the Board's understanding?
- Are KPIs disclosed at an appropriate level based on the financial reporting?
- Is there a clear and understandable framework to the report, with the important messages highlighted appropriately throughout?
- Is the layout clear with good linkage throughout in a manner that reflects the whole story?

Following its review, the committee was of the opinion that the 2015 Annual Report and Accounts is representative of the year and presents a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's performance, business model and strategy.

HOW WE MANAGE THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

THE BOARD'S RESPONSIBILITIES

For the financial year ended 27 June 2015 and up to the date of approval of this report, the Board confirms that it has complied with provision C.2.1 of the Code, and has established procedures that implement in full the guidanced given in "Internal Control: Revised Guidance for Directors on the Combined Code" (the Turnbull Guidance).

The Board recognises its responsibility for the Group's risk management and internal control system and is committed to ensuring its adequacy and effectiveness in every respect. Any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. The Board's objective is to ensure that the Group has appropriate systems in place for the identification and management of risks.

INTERNAL CONTROL AND RISK MANAGEMENT

The key roles and responsibilities of each of the respective functions within the Group's system of risk management are detailed on page 34. Through the process outlined in the framework:

- Key risk areas are identified, assessed and prioritised
- Areas for improvement of internal controls and risk management are identified
- Action plans are agreed and implemented to achieve such improvements
- Progress against actions is monitored by senior management, the executive directors and the audit committee

The other key features of the Group's internal control and risk management system are set out in the table on page 35. The Board has confirmed that through its audit committee and that committee's review of the key financial and internal control matters for 2014/15 as detailed on page 64, it has reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, and considers that this system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Group structure	The Group's devolved organisation structure supports an effective top-down/bottom-up approach to risk management and control
Leadership	Clear leadership from the Board with the executive directors playing an integral role working with operating companies
Board-level reporting	Regular review of reports received from the Group's internal auditor, health and safety consultants, external auditor and the executive directors
Health and safety reporting	Health and safety standards established across all operating companies and key performance indicators monitored on a monthly basis at operating company and Board level
Strategy and financial reporting	A comprehensive Group-wide system of financial reporting, budgeting and cash forecasting and control through which the consolidated financial accounts are prepared and submitted to the Board monthly and from which the interim and annual consolidated financial reporting is derived
Compliance management	Annual certification by each operating company that they have adhered to the Group's policies and procedures manual which reinforces the Group's corporate governance, internal control processes and management of risk

WHISTLEBLOWING & ANTI-BRIBERY PROCEDURES

The Group is committed to the highest standards of quality, honesty, openness and accountability. The Group and all operating companies have whistleblowing policies in place. Employees are encouraged to raise genuine concerns under the policy and any concerns raised are investigated carefully and thoroughly to assess what action, if any, should be taken. Any matters of significance are reported to the audit committee.

The Board supports the objectives of the Bribery Act and procedures have been established to ensure that compliance is achieved. This sets out what is expected from employees to ensure that they protect themselves as well as the Group's reputation and assets. Training has been provided to the Board and senior management and is refreshed on a regular basis. Any breach of the Bribery Act will be regarded as serious misconduct, potentially justifying immediate dismissal.

EFFECTIVENESS OF THE AUDIT COMMITTEE

The committee's performance was reviewed both internally this year by the Group Company Secretary, and externally by Condign Board Consulting. Both reviews found the committee to be effective and well run, with particular commendation for the committee's response to the changes in the external regulatory environment and best practice reporting of the same. A key area identified from the review was for the committee to further develop their approach to the assessment of risk, including risk appetite, which is already underway.

INTERNAL AUDITOR

The Group's internal audit function has been outsourced to PricewaterhouseCoopers on a rolling 12 month contract, with overall responsibility and direction being retained by the audit committee. The internal audit function provides assurance over the effectiveness of key internal controls as identified as part of the risk assessment process. In addition to meetings with local management, the internal auditor reports to the executive directors at least six times a year and to the audit committee at least four times a year.

The committee keeps under review the internal audit relationship with PricewaterhouseCoopers and maintains the procedures to ensure appropriate independence of the internal audit function.

In accordance with the previously agreed internal audit plan for the two years ended 27 June 2015 the committee reviewed reports confirming the findings from the internal audit reviews undertaken, the actions taken to implement the recommendations made in these reports and the status of progress against previously agreed actions. The committee also considered and approved the new internal audit plan for two years ending June 2017.

THE AUDIT COMMITTEE REVIEWED AN AUDIT QUALITY FRAMEWORK WHICH ASSESSED THE FOLLOWING KEY AUDIT PHASES:

PHASE	AREAS COVERED
Audit planning and design	• Team structure and leadership demonstrated by the audit partner • Integrated audit approach • Audit tailored to the business • Leveraging sources of assurance • Use of innovation and technology
Audit execution	• Behavioural factors including professional challenge • Technical excellence • Communication and audit reporting • Audit efficiency and project management
Independence and quality control	• Review of external auditor's internal quality control procedures • Consideration of audit firm transparency report in line with the Code, paying specific attention to the sections on independence and quality assurance and training
Role of management	• Detailed questioning of the role of management both at operating company and Group level

EXTERNAL AUDITOR EFFECTIVENESS

The audit committee believed it remained necessary to review the effectiveness of the incumbent auditor Ernst & Young, despite completing the formal tender process for a new statutory auditor. During the year, the Committee Chair led the process, the primary purpose of which was to gain assurance that the external auditor had conducted a comprehensive, appropriate and effective audit. Through a constructive, honest and open dialogue with the external auditor about its performance, the objectives of the process were to:

- Assess each phase of the audit process against a quality framework, as shown in the table below
- Discuss with the external auditor what areas went well and what could be improved
- Result in optimised assurance being derived from the audit
- Help inform the incoming audit firm of any improvements to processes that the audit committee will undertake

The assessment was carried out in conjunction with each key phase of the audit and so was discussed at each subsequent committee meeting.

The observations from this assessment for the 2014/15 financial year were presented and discussed at the August 2015 meeting and it was concluded by the audit committee that our audit process was effective.

INDEPENDENCE, OBJECTIVITY AND FEES

The Board recognises the importance of auditor independence and is aware of the situations that may give rise to the impairment of auditor independence. The audit committee carefully considers the objectivity of the auditor on an annual basis, in relation to both the audit process and the relationship with the Group.

In order to safeguard auditor objectivity and independence, the committee has, as part of its terms of reference, the following policy for the provision of non-audit services by the external auditor:

- The auditor will only be used for the provision of non-audit work if it can be demonstrated that the engagement will not impair independence, is a natural extension of their audit work or there are other overriding reasons that make them the most suitably qualified to undertake the work
- The auditor will not provide certain categories of non-audit services to the Group, such as internal audit, and litigation support; the full list of which can be found in the committee's terms of reference
- The provision of certain non-audit services (including accounting and tax services if the fees exceed a cumulative £50,000) is subject to approval by the audit committee. In 2014, this was reduced from a previous cumulative of £250,000
- The ratio of the external auditor's audit to non-audit fees during the year, as a proportion of the annual external audit fee, is kept under review by the committee

During the financial year, the principal external auditor's fees were £0.5m (2014: £0.5m); in addition, non-audit fees of £0.2m (2014: £0.1m) were payable to the principal auditor. In comparison, non-audit fees paid to other providers during the financial year were £1.5m (2014: £1.8m). Approval was given for the provision of taxation services where the committee was satisfied that the external auditor was able to provide better value for money without compromise to their independence.

Several of our operating companies use Grant Thornton as their auditor. Total fees to Grant Thornton during the financial year were less than £0.1m (2014: £0.1m). Grant Thornton received non-audit fees of less than £0.1m (2014: £0.1m).

EXTERNAL AUDIT APPOINTMENT

Last year we advised that in accordance with the Code provision C.3.7 we would be initiating a formal tender process, which would also coincide with the timing of the retirement of our current senior statutory auditor. The tender process commenced in June 2014 with the publication of an OJEU notice and concluded at the end of the calendar year. The Board will propose to the shareholders at the 2015 AGM that Deloitte LLP will be the Group's new statutory auditor.

An audit tender panel (the "AT panel") was established, comprised of the Audit Committee Chair, the Group Finance Director and the Group Financial Controller. Six firms submitted a response to the pre-qualification questionnaire and three were shortlisted to provide presentations to the AT panel. The presentations provided the opportunity for detailed discussion and rigorous evaluation.

In determining who to appoint, the audit committee took into account a number of factors. These included but were not limited to the extensive experience of the firms particularly in the listed environment and knowledge and experience of the transport industry particularly the rail and bus sectors.

A recommendation was made to the Board to appoint Deloitte LLP, which was approved. Ernst & Young LLP will therefore resign as auditors with effect from the 2015 AGM and a resolution to appoint Deloitte LLP as the Group's new statutory auditor will be put to the shareholders. A planned process of transition from Ernst & Young LLP to Deloitte LLP has been agreed.

NOMINATION COMMITTEE REPORT



NOMINATION COMMITTEE MEMBERSHIP

Andrew Allner	Committee Chair
Katherine Innes Ker	Senior Independent Director
Nick Horler	Independent Non-Executive Director
Adrian Ewer	Independent Non-Executive Director
David Brown	Group Chief Executive
Carolyn Ferguson	Group Company Secretary

"Leadership, talent and succession planning has been further embedded across the business"

DEAR SHAREHOLDER

During the year, the committee focused on the areas of work highlighted as a priority for the nomination committee in last year's report. In conjunction with the Board, the committee continued to build upon the initiatives outlined in previous years, to focus on its own and senior management succession planning, leadership talent development and management pipelines.

The Board continued to monitor developments in corporate governance to ensure we remain at the forefront of good governance practices. One example of this was diversity across the workforce where, with oversight from the committee, good progress has been made to review the strategy and guide policy for diversity and inclusion across the Group.

While the nomination committee met formally on only one occasion, this figure does not depict the actual number of matters, such as succession planning, diversity and performance evaluation, that were discussed with the full Board throughout the period. It is one of the advantages of a smaller Board, in that such discussions are able to easily take place with all Board members contributing to the debate.

There were no changes to the Board during the year however following the year end, the Board announced that Keith Down, Group Finance Director, would be leaving the Group to join Dunelm plc as Chief Financial Officer at the end of the calendar year. At the time of this report being published, Russell Reynolds Associates, an external search agency, had been appointed to assist the Board with the appointment of a successor. Russell Reynolds Associates did not carry out any other services for the Group during the year. Full details of the process undertaken will be provided in next year's annual report.



Andrew Allner,
Nomination Committee Chair
2 September 2015

BOARD COMPOSITION

The nomination committee considers that the Board consists of individuals with the right balance of skills, experience and knowledge to provide strong and effective leadership of the Group. The Board of Go-Ahead consists of the Chairman, three non-executive and two executive directors, who together bring a diverse and complementary range of backgrounds, personal attributes and experience. The majority of the Board, excluding the Chairman, are independent non-executive directors. The committee reviews non-executive director tenure and skills set on a regular basis to ensure an appropriate mix of diversity and experience aligned to strategy and business needs. The time commitments required from the non-executive directors are also reviewed as part of the year end process.

COMMITTEE PURPOSE AND RESPONSIBILITIES

The purpose of the nomination committee is to keep the Board's governance, composition, skills, experience, knowledge, independence and succession arrangements under review and to make appropriate recommendations to the Board to ensure the Group's arrangements are consistent with the highest corporate governance standards. A full list of responsibilities is detailed in the committee's terms of reference which are reviewed regularly, approved by the Board, and are available on the Group's corporate website (www.go-ahead.com) or upon request from the Group Company Secretary.

EFFECTIVENESS OF THE NOMINATION COMMITTEE

The committee's performance was reviewed both internally this year by the Group Company Secretary, and externally by Condign Board Consulting. From both reviews, performance was felt to have improved with better information flowing through both the committee and the wider Board, particularly in the areas of succession planning, leadership and talent management.

HIGHLIGHTS 2014/15

- Deep-dive review of succession plans for key senior management roles
- Leadership, talent and succession planning developed further and embedded
- Implementation of a range of successful diversity initiatives, including the diversity steering forum
- Review of the Board's diversity policy
- Improved the quality and flow of information to the committee

KEY AREAS OF FOCUS 2015/16

- Board composition and non-executive rotation in the context of business needs
- Future orientated Group wide succession planning aligned to strategy
- Further development of the leadership and talent framework and pipeline
- Development of the diversity initiatives in the bus division across the rail division and wider Group
- Appoint a replacement Group Finance Director and facilitate his/her induction to the Group

SUCCESSION PLANNING AND TALENT MANAGEMENT

With oversight from the committee and the Board, the Group has fully embedded within its operating companies an annual leadership review. This process identifies and addresses succession risks for the key roles beneath the executive director level and is regularly updated. This review consists of two separate elements:

- Succession planning to identify critical roles and succession risks at Group and operating company level
- A leadership programme to identify and develop potential successors for critical roles

In addition, internal retention strategies were further built upon to include career planning, tailored personal development, secondments and improved incentive arrangements.

The Board recognises that significant advantage is to be gained by identifying and developing our own people as well as bringing in skills from outside the organisation.

Training, personal development and career planning are therefore an integral part of how the Group equips people to do their job and encourage employees to build a long term career with the Group. The objective is to drive high performance, develop the next generation of leaders, reward excellent performance and behaviour, and create an engaging culture where individuals and teams can be successful in achieving the Group's strategic objectives.

Our non-executive directors continue to engage with both senior management and the broader business. This is something we intend to build on in the year ahead and which we believe helps to inform the broader succession planning process.

For further information on succession planning and our people plans, see pages 27 to 29 →

BOARD DIVERSITY

During the year a review of the Board's diversity policy was undertaken with the conclusion that our approach to diversity in the Boardroom remained appropriate.

Our policy states that Go-Ahead recognises and embraces the benefits of having a diverse Board. We believe increasing diversity at Board level is an essential element in maintaining a competitive advantage.

We have one female non-executive director on the Board, with the percentage of female representation currently 17%. While this is below the recommendation of Lord Davies, which was that there should be a minimum female representation on Boards of 25% by 2015, the Board's view is that this level of female representation is appropriate at this time. This is particularly in the context of the comparatively small size of Go-Ahead's Board, which we feel is appropriate, with all the directors participative and accountable.

Our policy confirms that the Board aspires to maintain the current level of gender diversity going forward and, in considering appointments to the Board and to senior management positions, will consider diversity across a wider range of areas including gender, background, skill set, experience and expertise. Our foremost priority however remains to ensure that Go-Ahead continues to have the strongest possible leadership and we will appoint only the most appropriate candidates.

Across the Group, our vision is to be a leading employer in the transport sector by creating a diverse and inclusive working environment where we represent the local communities we serve. We recognise, in line with the transport industry generally, that there are barriers to attracting, retaining and promoting women in the workplace. The promotion of women to the Board and other senior positions within the Group is dependent on the recruitment, development and retention of women in the workforce, both across the Group and more widely through the industry and business community. Since the launch of the Board diversity policy in 2014, with the oversight of the committee, a number of initiatives have been developed and introduced to promote diversity further:

- The diversity and inclusion forum established last year, with representatives from the bus operating companies, has set targets for improvements with 'champions' across each business to sponsor local activities, particularly to attract women in driving roles
- A new diversity steering group was established to review strategy and guide policy across the Group and operating companies
- The leadership and talent programmes promote, encourage and support participants of all diversities, including gender
- The annual board evaluation process includes an assessment of the Board's diversity including gender, helping the Board to objectively consider its composition and effectiveness

DEVELOPING PEOPLE

The Board recognises the importance of developing people across the Group and this was a core topic discussed, in conjunction with succession planning, during the year. Consideration was given not only in relation to succession planning and the leadership review for senior positions within the Group, but also the wider talent programmes and graduate schemes. Focus was on the development and implementation of a future focused resourcing strategy, to enable talent identification both inside and outside the business. Encouraging more local talent development will be key to providing additional pipelines. In addition to maintaining the Group and bus graduate schemes, a rail graduate scheme will also be introduced.

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE REPORT



REMUNERATION COMMITTEE MEMBERSHIP

Katherine Innes Ker	Committee Chair
Andrew Allner	Chairman
Nick Horler	Independent Non-Executive Director
Adrian Ewer	Independent Non-Executive Director
Carolyn Ferguson	Group Company Secretary

"Our remuneration policy is focused on supporting our business strategy"

DEAR SHAREHOLDER

It is my pleasure to present the directors' remuneration report for the year ended 27 June 2015.

The report which follows my annual statement has been split into two parts:

- The directors' remuneration policy, which sets out the Group's remuneration policy for directors for the next three years. As explained below, this policy is subject to a binding shareholder vote at the 2015 AGM and will replace the policy approved at the 2014 AGM
- The annual report on remuneration, which sets out (i) payments and awards made to the directors and details the link between Group performance and remuneration for the year ending 27 June 2015 and (ii) how the remuneration policy will be implemented for the year ending 2 July 2016. This report together with my annual statement is subject to an advisory vote at the 2015 AGM

The key principles underpinning the remuneration committee's approach to executive remuneration have been to ensure that the way we measure and reward performance is aligned to our strategic objectives. Remuneration strategy is designed to facilitate the long term success of the Group and provides a strong and demonstrable link between incentives and performance delivery. Alignment between the interests of our shareholders and executive directors is a key focus and this report seeks to provide shareholders with a clear and transparent account of how these key principles have been applied to achieve the remuneration outcomes for our executive directors.

PERFORMANCE AND REWARD 2014/15

The total single remuneration figure for our executive directors for the year ended 27 June 2015 is shown below. The committee's unanimous view was that the Group's performance supported the executive directors' remuneration this year. There has been a good set of results, which were aligned with our strategy and the Group remains in a strong financial position with strong cash generation and a robust balance sheet. Over the year, the Group's market capitalisation has increased by 13.9% to £1.16bn and over the three year period by 124.1%.

The total single remuneration figure for our executive directors for the year ended 27 June 2015 is shown below:

	2015 £'000	2014 £'000
Group Chief Executive David Brown	2,163	1,960
Group Finance Director Keith Down	1,265	1,299

See pages 78 and 79 for further details →

A large proportion of the executive directors' remuneration is payable in shares. Half of the total annual performance related bonus is awarded as deferred shares, to be held for a period of three years and subject to recovery and withholding provisions. Awards under the Long Term Incentive Plan ("LTIP") are also made in shares which further aligns the interests of our executive directors with those of our shareholders. In the case of the Group Chief Executive this year, around 75% of his total remuneration has been delivered through variable pay and over 60% of his total remuneration was delivered in shares.

An annual performance related bonus of 104.4% of salary which is 69.6% of maximum bonus (2014: 97.5%) will be awarded to the executive directors. The annual bonus this year rewarded the achievement of Group operating profit and cashflow targets and the majority of the business objectives set at the start of the year. These included challenging Group profit, cashflow and non financial targets, the full details of which can be found on pages 78 and 79. The remuneration committee used its discretion to adjust the reported operating profit of £114.7m by the amount of goodwill writeoff of £4.9m, details of which can be found on page 117.

The LTIP awards granted to the executive directors in 2012 will mature with 100% of the award vesting (2014: 80%). This long term incentive award rewarded the successful implementation of long term value creation targets set three years ago and which included stretching total shareholder return, earnings per share and strategic target measures. Full details of the performance against targets can be found on page 79.

The Group Chief Executive received a base salary increase of 1.8% on 1 April 2015, which is less than the average inflationary increase awarded to all employees across the Group, this approach having been consistent for the last four years. During the year, the Group Finance Director's role was expanded to include additional commercial responsibilities and in light of the significant increase in scope of his role, his salary was increased by 11.35% with effect from 1 April 2015.

DEPARTURE OF GROUP FINANCE DIRECTOR

Shortly after the 2014/15 year end, the Board was informed of the Group Finance Director's intention to leave the Group to take up a new role at the end of the calendar year. While full details will be disclosed in next year's annual report, we can confirm that the remuneration he will be paid upon leaving will be in accordance with our policy. As he will remain employed by the Group on the vesting date, the 2012 LTIP award will therefore vest in November 2015, as will the performance related deferred shares held for three years since 2012. All other LTIP awards and deferred shares will lapse upon cessation of employment. This includes half of the annual performance related bonus of 104.4% of salary referred to above, the deferred share element of which will not be awarded. In addition, he will forfeit any entitlement to bonus for the year ending 2 July 2016.

LTIP AND REMUNERATION POLICY

The current LTIP was first approved by shareholders at the AGM in 2005 and will expire in September 2015. The Company therefore intends to introduce a replacement LTIP at this year's AGM on 22 October 2015. The remuneration committee felt it would be appropriate to include as part of the process a review of its overall remuneration policy to ensure that it is aligned with

Group strategy. We shall therefore seek to obtain approval for a revised policy at the same time as seeking approval for the new LTIP. Whilst we believe our remuneration arrangements have been effective and are fit for purpose, our business has continued to evolve as has the industry in which we operate. We are also conscious of changes in remuneration market practice and investors' perspective on certain aspects of remuneration governance. The combination of these factors has led us to believe that the time is right to make amendments to strengthen our current policy.

The proposed changes were developed with three main aims:

- To increase alignment between our strategy and the way we measure and reward performance
- To further strengthen the alignment between executives and our shareholders, and longer term shareholder returns
- To ensure compliance with best practice and corporate governance principles

We have consulted with our major shareholders and shareholder representative bodies regarding changes to our remuneration policy for the 2015/16 financial year and beyond.

In addition to the introduction of the new LTIP, the key changes proposed to our policy going forward are:

- An increase in the level of the Group Chief Executive's shareholding guideline from 100% to 150% of salary and a commensurate increase in the maximum LTIP opportunity. This proposal is in light of the growth in both size and complexity of the Group driven by our success in bidding for the Thameslink, Southern and Great Northern Rail Franchise. Alongside this, the Group has also delivered outstanding total shareholder returns ("TSR") (three year TSR of 33.7% p.a.). As a result, the committee believes it appropriate to reflect the increased size and complexity of the Group in the Group Chief Executive's total remuneration, with the increase in performance related reumeration to tie it to longer term performance and shareholder returns
- For the 2015/16 long term incentive awards, a customer service target will replace the operating profit performance condition used for the 2014/15 grant. This is as measured by the independent passenger watchdog Transport Focus (formerly Passenger Focus) and published in the annual report. The measure will be subject to an operating profit threshold. The customer service target, split equally between rail and bus, recognises that providing high levels of customer service is fundamental to our success and it is a key operating performance measure for Go-Ahead. It is a strategic priority for the Group to provide high quality service, and it influences our ability to retain franchises and to win new ones. Ensuring management is focused on this strategic measure is critically important therefore as a driver of long term shareholder value. From 2014/15, customer service targets will no longer form part of the annual performance related bonus.
- Growth in adjusted earnings per share ("EPS") and relative TSR are retained and will each determine 40% of the award and the customer service target will determine 20%.
- Going forwards, the committee has the discretion to vary the weighting and choice of metrics for future awards. However, it would consult with shareholders before introducing significantly different metrics
- The recovery and withholding provisions will be extended and updated so that they apply to all future bonus and LTIP awards and are in line with market and best practice
- An additional two year post vesting requirement will apply to vested LTIP shares for awards granted from 2015 onwards

I have appreciated the time various major shareholders and their representative bodies have put into helping us develop our new remuneration policy and I look forward to shareholder support at the forthcoming AGM.



Katherine Innes Ker,
Remuneration Committee Chair
2 September 2015

During the year, our executive directors delivered a good financial and strategic performance in bus and rail with overall results ahead of initial expectations at the beginning of the year. The highlights of the year included:

- Successful mobilisation of the GTR franchise, the UK's largest franchise
- Successful negotiation of the Southeastern direct award contract
- Submitted bids for Northern and TransPennine Express franchises as well as bidding in German rail and Singaporeon bus markets
- Sector leading customer satisfaction in regional bus operations
- Profit growth in all divisions of the business
- Rail division profit ahead of initial expectations
- Share price of the Group increased to £26.98 and over the three year period to 27 June 2015, the increase was 124.1%
- Continued growth in the bus division operating profit up 6.6% and margins up 0.5%
- Record passenger numbers in the rail division
- Proposed full year dividend increased to 90p per share, an increase of 6.5% in line with our progressive dividend policy
- An improvement in net cash of £335.6m and an adjusted net to EBITDA ratio of 1.32x, below the Group's target level
- Extension of the Group's bank facility for an additional year to July 2020
- Achievement of key financial targets against a challenging operational and political climate

ABOUT THIS REPORT

This report has been prepared in accordance with the requirements of the Companies Act 2006, the Large and Medium-Sized Companies and Groups (Accounts & Reports) (Amendment) Regulations 2013, which came into force on 1 October 2013 and which set out the new reporting requirements in respect of directors' remuneration, and the Listing Rules. The legislation requires the external auditor to state whether, in their opinion, the parts of the report that are subject to audit have been properly prepared in accordance with the relevant legislation and these parts have been highlighted.

SUMMARY OF REMUNERATION POLICY OPERATED FROM 28 JUNE 2015 ONWARDS

It is intended that the remuneration policy set out in this report will, if approved for the purposes of section 226D(6)(b) of the Act, take effect immediately after the AGM on 22 October 2015.

ELEMENT & MAXIMUM	PURPOSE & LINK TO STRATEGY	OPERATION	MAXIMUM
Base salary	• Salary is the core reward for the role and enables the Group to recruit and retain individuals of the calibre required to deliver its strategic objectives and lead its management team, without paying more than is necessary • Base salary also reflects the individual's skills, expertise, experience and role within the Group	• Paid monthly in cash • In determining base salaries, the committee considers: – Pay levels at companies of a similar size and complexity in the FTSE 250 – External market conditions – Pay and conditions elsewhere in the Group – Individual performance, skills, experience in post and potential • Salaries are normally reviewed annually with changes taking effect from 1 April each year • The committee may also review salaries on an ad hoc basis if an individual is promoted and/or there is an increase in their responsibilities	• Annual salary increases for executive directors will not normally exceed the average increase awarded to other UK based employees • However, larger increases may be awarded in certain circumstances including but not limited to: – Increase in scope of responsibilities of the role – To apply salary progression for a newly appointed director – Where a directors' salary has fallen significantly below market position
Performance related bonus ("PRB")	• Focuses on the key priorities for the coming year • Deferral of half of bonus into Group shares aligns executive directors' interests with those of shareholders	• Annual, non-pensionable payments made after the AGM • Half of any bonus is paid in cash following the AGM and half is paid in shares deferred for a period of three years • Based on the achievement of specific financial and non financial objectives • Subject to recovery and withholding provisions for three years following the award	• Maximum of 150% of salary
Long term incentive plan ("LTIP")	• Aligned to the strategic objectives of the Group to deliver long term returns to shareholders	• Annual grant of performance shares that vest three years after grant (subject to the satisfaction of performance conditions) • Awards granted from 2015 must be retained (other than to pay tax or NICs due on receipt of the shares) for two further years • Subject to recovery and withholding provisions for three years following vesting	• Maximum of 150% of salary for Group Chief Executive and 100% of salary for other executive directors • Exceptional circumstances maximum (e.g. on recruitment) of 200% of salary
Pension allowance	• Provides a cash alternative to pension contributions in line with market practice	• Monthly, non pensionable payment, paid in cash[1]	• A cash allowance of up to 15% of salary may be provided
Other benefits	• Ensures package is competitive with market practice and employees have a minimum level of insured benefits	• The main benefits include family private health care, death in service and life assurance cover (4x base salary), free travel on the Group's services and professional membership subscriptions	• Benefits are intended to be market competitive but are not subject to a maximum as the cost of providing the insured benefits is set by third party providers and can vary from year to year
All employee share plans	• Executive directors are eligible to participate in HMRC approved all employee schemes which encourage share ownership	• Executive directors may participate in these plans in line with HMRC guidelines currently prevailing (where relevant), on the same basis as other eligible employees	• Participation levels operate in accordance with HMRC limits as amended from time to time
Share ownership	• To align the financial interests of the executive directors with those of shareholders	• Executive directors are required to retain 50% of the post tax gain on vested LTIP and deferred share awards until such time as the Group Chief Executive has achieved a holding of 150% of salary and other executive directors have achieved 100% of salary	• 150% of salary holding for the Group Chief Executive and 100% of salary holding for other executive directors

1 The current Group Chief Executive does not receive any form of pension provision from the Group.

	PERFORMANCE TARGETS
	• n/a
	• Performance metrics will normally include Group profit, cash and individual strategic goals with profitability accounting for at least half of the opportunity • A quality of earnings review and health and safety target thresholds also apply to the full bonus
	• Performance measured over three financial years • Performance metrics will include compound annual growth in adjusted EPS and relative TSR with each accounting for at least 25% of the award • For the 2015 awards adjusted EPS would have a 40% weighting, relative TSR would have a 40% weighting and customer satisfaction ratings in our bus and rail divisions will each have a 10% weighting • For the EPS and TSR measures not more than 25% of the award may vest at threshold performance • The committee has the discretion to vary the weighting of and choice of metrics including the comparator groups prior to each award. However, it would consult with shareholders before introducing significantly different metrics
	• n/a
	• n/a
	• n/a
	• n/a

DIRECTORS' REMUNERATION POLICY

In this section of the report, we set out the remuneration policy for the Group operating from 28 June 2015 and which will become formally effective following approval from shareholders through a binding vote at the 2015 AGM. We do not envisage making any changes to our policy over the next three years, however, we will review our policy each year to ensure that it remains appropriate. If we feel it necessary to make a change to our policy within the next three years, we will seek shareholder approval.

POLICY OVERVIEW

Our remuneration policy aims to ensure that the way we measure and reward performance is aligned to our strategy in order to incentivise our executive directors to deliver long term value for our shareholders. Remuneration levels must not be excessive and be at a level that promotes the attraction, motivation and retention of high calibre individuals to deliver performance that will meet the strategic objectives of the Group.

CONSIDERATIONS WHEN DETERMINING REMUNERATION POLICY

The committee considers shareholder feedback received and guidance from shareholder representative bodies more generally when reviewing remuneration policy. During the year, the committee undertook a review of remuneration policy and consulted with our major shareholders and shareholder representative bodies and their feedback has helped shape the policy.

A substantial proportion of the executive directors' pay is performance-related, with half of the annual bonus subject to deferral into the Group's shares. A broad range of financial and non financial targets are included in our incentive structure and recovery and withholding provisions have been extended to apply to both the annual bonus and LTIP.

Working with the audit committee, the remuneration committee ensures that risk is properly considered in setting the overall remuneration policy. The executive directors are also incentivised to take environmental, social and governance matters seriously and to consider the long term implications of their decision making. Accordingly, in line with the Investment Association's guidelines on responsible investment disclosure, the committee has linked a proportion of the annual bonus to the achievement of safety and good governance objectives.

In setting the remuneration policy the committee considers the remuneration packages offered to employees across the Group. As a point of principle, salaries, benefits, pensions and other elements of remuneration are benchmarked regularly to ensure they remain competitive in the markets in which we operate.

As would be expected, we have differences in pay and benefits across the businesses which reflect individual responsibility, market and geographical location. When considering annual salary increases, the committee reviews the proposals for salary increases for the employee population generally, as it does for any other changes to remuneration policy being considered.

The Group did not formally consult with employees when drawing up the directors' remuneration policy. However, the Group considers any informal feedback received through employee staff surveys or other channels.

COMMITTEE DISCRETIONS

The committee operates the Group's variable incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the committee will apply certain operational discretions. These include the following:

- Selecting the participants in the plans on an annual basis
- Determining the timing of grants of awards and/or payment
- Determining the quantum of awards and/or payments (within the limits set out in the policy table on page 72)
- Determining the extent of vesting based on the assessment of performance
- Making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events, and special dividends)
- Determining "good leaver" status for incentive plan purposes and applying the appropriate treatment
- Undertaking the annual review of weighting of performance measures, and setting targets for the annual bonus plan and LTIP from year to year

If an event occurs, which results in the annual bonus plan or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment), the committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

Outstanding share incentive awards that remain unvested or unexercised at the date of this report, as detailed on pages 81 and 85, remain eligible for vesting or exercise based on their original award terms.

PERFORMANCE MEASURE SELECTION

In choosing the performance metrics and targets we have sought to provide a strong and demonstrable link between management incentives and the Group's strategic objectives. We have also sought to set a performance based framework for remuneration which is consistent with the Group's scale and unique structure. This enables the executive directors and senior managers to share in the long term success of the Group without delivering excessive benefits or encouraging short termism or excessive risk taking. It also aligns their interests with those of our shareholders.

The choice of performance measures for the performance related bonus is based on a mixture of financial, non financial, personal and strategic targets, with a clear alignment to the Group's short and long term strategic objectives.

As the LTIP was due to expire in September 2015, the Group intends to introduce a replacement LTIP at this year's AGM. The performance metrics used in the current LTIP have been reviewed in order to ensure they are aligned with delivering value to shareholders. As a result of this review, changes have been made to the performance metrics used in the LTIP.

The key change to the LTIP performance metric for 2015/16 will be to replace the operating profit measure with customer satisfaction targets. Operating profit was introduced in 2012/13 to reflect the three year strategic target to increase bus operating profit to £100m and rail operating profit by 2015/16. As the Group has made significant progress towards achieving these goals, we propose to remove this measure for future LTIP awards and to replace it with a measure derived from the Group's strategic objectives. Customer satisfaction is a key operating performance measure for Go-Ahead and it is a strategic priority for the Group to provide high quality service, with customer service a key measure of our performance. It influences our ability to retain franchises and to win new ones, and ensuring management is focused on this strategic measure is critically important therefore as a driver of long term shareholder value.

The weighting of the earnings per share (EPS) targets has been increased as it is an important growth measure and a driver of shareholder value. The weighting on the total shareholder return (TSR) measure has also increased as it improves shareholder alignment and is consistent with providing long term returns to shareholders.

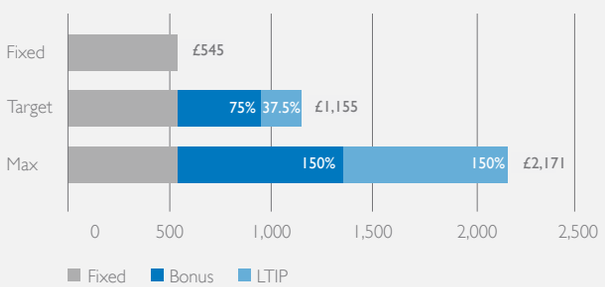
The committee will have discretion to introduce other measures for future awards but would consult with major shareholders before making any significant changes.

Details of the specific targets chosen for each of the performance related bonus and LTIP for the coming year are set out on pages 83 and 84.

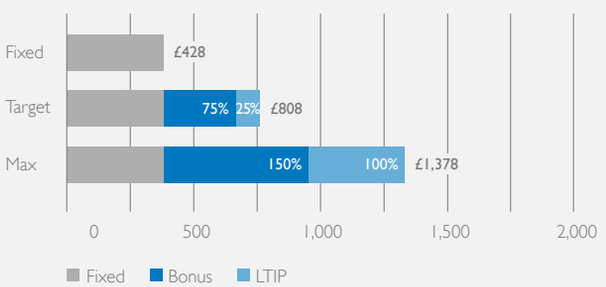
TOTAL REMUNERATION BY PERFORMANCE SCENARIO FOR 2015/16 FINANCIAL YEAR (£'000)

A significant proportion of executive directors' potential remuneration is performance-related. This comprises annual bonuses under the performance-related bonus and long term incentives under the LTIP. The charts below provide estimates of the potential future reward opportunity for the executive directors split between fixed, target and maximum remuneration scenarios. The scenarios do not take into account share price appreciation or dividends.

GROUP CHIEF EXECUTIVE



GROUP FINANCE DIRECTOR



The assumptions underlying each scenario are described below.

Fixed remuneration: base salary as at 1 April 2015, benefits as received in 2014/15 and, for the Group Finance Director only, the value of his pension allowance.

Target: fixed remuneration plus half of the maximum annual bonus plus threshold vesting under the LTIP.

Maximum: fixed remuneration plus the maximum annual bonus award (150% of base salary) plus 100% vesting of LTIP awards (150% for the Group Chief Executive and 100% for the Group Finance Director).

Note: The Group Finance Director will be leaving the Group at the end of the calendar year and therefore fixed remuneration will only be part payable with no remuneration payable for LTIP and bonus, these values having lapsed upon cessation of employment.

CONSISTENCY WITH REMUNERATION FOR THE WIDER GROUP

Remuneration arrangements are determined throughout the Group based on the same principles: that reward should be sufficient to attract and retain high calibre talent whilst supporting the delivery of the business strategy. The committee reviews the remuneration for those employees immediately below the executive directors to ensure that this incentivises the delivery of both strategy and business objectives.

Through our devolved structure, local management are empowered to create tailored remuneration packages on an individual business-by-business basis. As a result, the components and levels of remuneration for different employees will differ from the policy for executive directors as set out above. Employees may receive bonus, pension and share awards which vary according to the local business and market practice. The maximum provision and incentive opportunity available are determined by the seniority and responsibility of the role.

Participation in the LTIP is currently limited to executive directors only while participation in the DSBP is limited to executive directors and senior management.

It is an important part of Go-Ahead's values that all colleagues, not just management, have the opportunity to become shareholders in the Group. All employees, with at least six months continuous service, therefore have the opportunity to participate in our Share Incentive Plan and Sharesave Scheme.

RECRUITMENT REMUNERATION

On appointing a new executive director, the committee would seek to align the remuneration package for the relevant individual with the Group's remuneration policy as set out on pages 72 and 73. It would aim not to pay more than necessary to secure the right candidate and the package would take into account the experience and calibre of the individual concerned. The remuneration package for a new executive director would be set in accordance with the terms of the approved remuneration policy in force at the time of appointment.

Where a newly appointed executive director is required to relocate, the Group may pay the costs of relocation if appropriate and may provide tax equalisation and assistance with reasonable legal fees.

Any executive director promoted internally may remain eligible for payments under incentive plans joined and/or contractual arrangements entered into before joining the Board. However the committee will have regard to best practice in reviewing the treatment of any such entitlements.

The committee assesses on an individual basis whether it is necessary to compensate executive directors for incentives lost from their previous employers. The level and timing of such compensation will normally seek to reflect or take account of the term and performance conditions of the payments or awards forgone on a like for like basis.

Compensation will normally take the form of conditional awards or options over Group shares but cash and/or time vested payments may be made where the committee believes these would offer better value for money for shareholders. Existing arrangements will be used where possible, however, the committee also reserves the ability to make use of the flexibility provided under the Listing Rules without prior shareholder approval. The committee is sensitive to investor concerns about such arrangements and will endeavour to take cost effective approaches.

SERVICE CONTRACTS OF EXECUTIVE DIRECTORS

The Group Chief Executive and the Group Finance Director entered into a service agreement with The Go-Ahead Group plc on 1 April 2011 and 7 March 2011 respectively. The term of each service contract is undefined and is terminable by either the Group on one year's notice or by the executive director on six months' notice. The directors' service contracts are available for inspection at the Company's registered office.

EXTERNAL APPOINTMENTS

In accordance with their service contracts, the executive directors are able to accept external appointments and are permitted to retain any fees paid for such services, provided that approval is given by the Board. During the year, the Group Finance Director was appointed as a non-executive director of Topps Tiles plc and received fees totalling £17,409 (2014: £nil). The Group Chief Executive is a non-executive director of ATOC Limited and Rail Delivery Group Limited. He does not receive any fees in relation to these roles.

DEPARTURE OF EXECUTIVE DIRECTORS

Executive directors' service contracts contain a provision, exercisable at the discretion of the Group, to pay an amount in lieu of notice on early termination of the contract. Such payments are limited to base salary plus pension allowance and other benefits (such as family private healthcare and life assurance cover), but would not automatically include entitlement to bonus or share awards. The Group can also pay legal fees and outplacement services. There are no provisions for special pension benefits, such as beneficial early retirement terms. Other than the notice periods specified above, the executive directors are not due any contractual compensation payments in the event of early termination of a service contract. The committee believes that the contracts provide appropriate protection of the interests of shareholders when negotiating a termination, at which time the committee would take into account the departing director's duty to mitigate his/her loss when determining the amount of any compensation.

LOSS OF OFFICE PAYMENTS

The treatment of remuneration for executive directors whose service with Go-Ahead terminates will be considered on a case-by-case basis. However, the table below sets out the treatment of elements of remuneration that would normally apply:

Reason for termination	Retirement, redundancy; disability; death or change of ownership	Other leavers (e.g. resignation/misconduct)
Salary and contractual benefits	Payment equal to the aggregate of the base salary and the value of any contractual benefits for the notice period including any accrued or untaken holiday	Paid to date of termination, including pay for any accrued but untaken holiday
Performance related bonus (cash)	Bonus awarded (subject to satisfaction of performance targets) for the relevant financial year, pro-rated accordingly for the period of employment to the date of cessation of employment	No award for year of termination
Performance-related bonus (deferred shares)	Awards vest on the date of cessation of employment	Awards lapse in full on cessation of employment
Unvested LTIP awards	Awards normally vest at the normal vesting date unless the remuneration committee determines the award should vest on the date of cessation of employment The amount of award vesting will be subject to the satisfaction of performance conditions and will normally be reduced pro rata to reflect time elapsed between grant and cessation of employment although the committee has discretion to waive pro rating where it believes it would be appropriate to do so	Awards lapse in full on cessation of employment

NON-EXECUTIVE DIRECTORS

REMUNERATION POLICY

The remuneration policy for non-executive directors is set out in the table below. Non-executive directors are not involved in any discussions or decisions about their own remuneration.

Element	Purpose and link to strategy	Operation
Fees	The basic fee for the Chairman and non-executive directors is a fixed annual fee commensurate with the time each director is expected to spend on the Group's affairs and with the responsibility assumed as director of a listed company Fees are set at a level to attract and retain individuals with appropriate expertise to complement the Group's strategy	The remuneration of the non-executive directors takes the form solely of fees, which are set annually by the Board The level of fees set is subject to the current limits as set out in the Group's articles of association (currently aggregate fees of £500,000 for all non-executive directors) Fees are reviewed on 1 April each year with reference to comparable listed companies in the FTSE 250
Additional fees payable for duties	Additional fees may be paid to non-executive directors who are Chairmen of a Board committee and/or who occupy the role of senior independent director to reflect the additional responsibility and time commitment required	Non-executive directors are not eligible to receive performance-related remuneration or pension entitlements or to participate in share option schemes Non-executive directors may also be provided with limited travel, hospitality and accommodation expenses.

LETTERS OF APPOINTMENT

Each non-executive director has a letter of appointment which provides for a notice period of six months. The terms of appointment contain no entitlement to compensation for early termination. The letters of appointment are available for inspection at the Group's registered office during normal business hours and will also be available for inspection prior to and during the AGM.

The contract dates and notice periods for the non-executive directors are shown in the table below:

Director	Date of service contract	Notice period from the Company	Notice period from the director
Andrew Allner	October 2008	6 months	6 months
Katherine Innes Ker	July 2010	6 months	6 months
Nick Horler	November 2011	6 months	6 months
Adrian Ewer	April 2013	6 months	6 months

RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Group's articles of association and the provisions of the UK Corporate Governance Code, all directors are required to submit themselves for re-election at each AGM. Accordingly all directors will be offering themselves for annual re-election at the Group's AGM on 22 October 2015.

ANNUAL REPORT ON REMUNERATION

INTRODUCTION

This section details the remuneration of the Board during the financial year ended 27 June 2015. Together with the remuneration committee's annual statement on pages 70 and 71, it will be proposed for an advisory vote by shareholders at the 2015 AGM.

REMUNERATION COMMITTEE MEETINGS

The committee held three scheduled meetings during the year, excluding additional meetings to review and discuss remuneration policy and shareholder feedback and performance evaluation. Details of the members' attendance at committee meetings can be found on page 57.

ROLE OF THE COMMITTEE

The committee's principal responsibilities are to:

- Review the ongoing appropriateness and effectiveness of the Group's remuneration policy
- Determine and approve the remuneration policy for the executive directors and senior management, including bonuses and share awards and the balance between the fixed and performance-related elements of pay
- Regularly review the design and targets for performance-related pay arrangements and approve the total annual payments
- Determine the policy for executive directors' service agreements, including recruitment and termination payment policies
- Oversee the salary and bonus arrangements for the senior management within the Group
- Determine the fees of the Chairman

The members of the committee have no personal interests in the matters to be decided by the committee other than as shareholders, and have no conflicts of interest arising from cross directorships. Committee members did not attend meetings where matters associated with their own remuneration were considered.

During the year, the committee's recommendations were all accepted unanimously by the Board and implemented without amendment.

TERMS OF REFERENCE

The committee's terms of reference are reviewed annually and approved by the Board. They are available on our corporate website at www.go-ahead.com or upon request from the Group Company Secretary.

EXTERNAL ADVISORS TO THE COMMITTEE

New Bridge Street ("NBS") (a trading name of Aon Hewitt Limited, part of Aon plc) act as independent remuneration advisors to the committee. The advisor was selected through a thorough process led by the Chair of the remuneration committee and was appointed by the committee. Neither Aon Hewitt Limited nor the wider Aon plc provided any other services to the Group during the year and therefore the committee was satisfied that it provided objective and independent advice. NBS is a member of the Remuneration Consultants Group and complies with its code of conduct. The fees payable to NBS for advice throughout the year were £20,778 (2014: £19,079).

2014/15 REMUNERATION COMMITTEE HIGHLIGHTS

In addition to the remuneration committee's principal responsibilities detailed above, we set out below our key highlights during the year ended 27 June 2015, which can be broadly divided into the following areas:

REMUNERATION POLICY

- Reviewing overall remuneration policy to ensure it is aligned with Group strategy and complies with best practice principles
- Consulting with major shareholders and shareholder representatives on changes to remuneration policy, in particular in relation to the LTIP
- In conjunction with the current LTIP expiring in 2015, agreeing new rules for the replacement LTIP

SETTING TARGETS & REVIEWING OUTCOMES

- Setting the executive directors' LTIP and performance related bonus targets for 2015/16
- Testing the performance conditions and level of vesting for the 2012/13 LTIP
- Reviewing performance against targets for the annual performance related bonus 2014/15

REWARD FRAMEWORK

- Reviewing the levels of pay for the executive directors in the annual salary review and making recommendations to the Board in respect of the remuneration of the Chairman
- Reviewing the overall remuneration policy for senior management

GOVERNANCE

- Considering remuneration best practice to ensure it is integrated into remuneration policy, strategy and implementation
- Ensuring remuneration reporting is clear, transparent and in accordance with best practice reporting

2015/16 REMUNERATION COMMITTEE PRIORITIES

In addition to setting targets and reviewing outcomes, the committee will also focus on the following priorities which will be to:

- Ensure that the Group's remuneration policy for the departure of executive directors is applied for the remuneration of the departing Group Finance Director
- Ensure that the Group's recruitment remuneration policy is taken into account when appointing the new Group Finance Director
- Set targets and review outcomes for performance related remuneration
- Continue to remain abreast of best practice and market developments in remuneration and reporting
- Monitor the ongoing balance between long term and short term incentives to ensure that they remain appropriately aligned to the Group's strategic objectives
- Provide ongoing training and support for committee members

CONSIDERATION OF SHAREHOLDER VIEWS

At last year's AGM (24 October 2014) the directors' remuneration report received the following votes from shareholders:

	Directors' remuneration policy		Directors' remuneration report	
Shareholder vote	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	21,489,111	96.71%	25,012,991	97.59%
Against	651,724	2.93%	538,681	2.10%
Discretionary	78,990	0.36%	78,377	0.31%
Total votes cast (excluding withheld)	**22,219,825**	**100%**	**25,630,049**	**100%**
Votes withheld	3,452,025		41,801	
Total votes cast (including withheld votes)	**25,671,850**		**25,671,850**	

IMPLEMENTATION OF REMUNERATION POLICY FOR THE YEAR ENDED 27 JUNE 2015

EXECUTIVE DIRECTOR BASE SALARIES

Base salary levels for executive directors are shown below and will remain in place until April 2016 when they will be reviewed again:

Executive directors	From 1 April 2015	From 1 April 2014	% Increase
David Brown	£541,800	£532,200	1.8%
Keith Down	£380,000	£341,251	11.35%

Keith Down's increase reflected the significant increase in the scope of his role to include wider commercial responsibilities.

EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

The table below sets out a single figure for the total remuneration received by each executive director for the year ended 27 June 2015. Comparative figures for 2014 have also been provided.

				Short term incentives (Performance-related bonuses[2])				
		Salary and fees £'000	Taxable benefits[1] £'000	Cash bonus[2] £'000	Deferred share bonus[2] £'000	Long term incentives LTIP[3] £'000	Pension allowance[4] £'000	Single total remuneration figure £'000
Executive directors								
David Brown	**2015**	**535**	**3**	**279**	**279**	**1,067**	**–**	**2,163**
	2014	523	5	383	383	666	–	1,960
Keith Down	**2015**	**351**	**2**	**183**	**–**	**683**	**46**	**1,265**
	2014	335	4	245	245	426	44	1,299

1. Taxable benefits

The taxable benefit for the Group Chief Executive and the Group Finance Director comprises family healthcare membership.

2. Cash bonus and deferred share bonus (performance-related bonus)

The table below illustrates the components of the annual performance-related bonus award at maximum and actual payouts for business objectives set at the start of the year. The executive directors were awarded an overall bonus of 104.4% of salary out of a potential maximum bonus of 150%. As shown above, half of this bonus is payable in cash and half is awarded as deferred shares to be held for a period of three years. The full bonus is subject to clawback provisions. The Group Finance Director will not receive the deferred shares element of this bonus on account of his cessation of employment at the end of the calendar year.

Metric	Performance Measure	Payout of maximum performance	Actual payout
Group operating profit	Actual 2013/14 Profit before tax (post IAS 19)	65%	40.5%
Group cash flow	Net debt after adding back restricted cash	10%	10.0%
Strategic KPIs	See below	25%	19.1%
Total		100%	69.6%

Group operating profit

The Group operating profit target for the 2014/15 financial year was as shown below, with payout on a sliding scale from the 2013/14 Group operating profit:

Measure	Target	Payout (% of salary)
Actual 2014/15 Group operating profit	Group Operating Profit £103.2m in 2013/14	0%
	Group Operating Profit Budget of £113.8m in 2014/15	65%

Actual Group operating profit for the year ended 27 June 2015 was £114.7m. In accordance with the committee's procedures, a formal end of year quality of profit and budget was undertaken. As a result, an adjustment was made to the Group operating profit to include the £4.9m impairment charge for performance related remuneration purposes. The actual Group operating profit used to determine performance related bonus was £109.8m resulting in a payout of 40.5% of salary, equivalent to 65% of the maximum payout under this measure.

Cashflow

For Group cashflow (defined as net debt after adding back restricted cash), the target for the 2014/15 financial year was £250.3m. Actual net debt after adding back restricted cash was £244.7m (2014: £260.0m) resulting in the maximum payout of 10%.

Strategic KPIs

For the 25% of performance-related bonus attributable to strategic KPIs, the following objectives were set for both executive directors:

- Progress towards the £100m bus operating profit target for 2015/16, evidenced by revenue growth of 3% on budget performance for 2014/15 and progress on cost efficiency plans leading to £9m cost reduction target by 2015/16
- Address any under performance in acquisitions from 2009 with a strategic view
- Explore growth opportunities in the bus division either though an acquisition or contract bidding
- Ensure operational performance is maintained at all train operating companies and continue to work collaboratively with Network Rail to improve their performance
- Ensure that the mobilisation process for the new rail franchise allows for a smooth transition to GTR. Deliver committed obligations for GTR, set up appropriate governance and recruit top team. Prepare for the assimilation of Southern in July 2015. Meet corporate plan targets
- Secure extensions to Southeastern and London Midland on the right terms. Bid for UK franchise contracts at Northern and TransPennine Express. Bid for international contracts
- As a consequence of GTR, strategically plan the incorporation of synergies in both rail and Group
- Ensure that the Group's core values of trust and transparency and achieving the highest levels of corporate governance are maintained and recognised
- Ensure that Go-Ahead's reputation is enhanced with key stakeholders and that the role that private operators can bring to the provision of public services is recognised
- Ensure that succession plans are in place for all directors across the businesses. Continue with people development plans including staff engagement across the Group
- Ensure customers are satisfied with our services. For Rail, measured through overall passenger satisfaction (National Rail Passenger Survey), target of an average of 80%. For Bus, as measured by passenger satisfaction levels from Passenger Focus' target 90%
- Ensure that investor confidence in Go-Ahead is enhanced and that market expectations are managed and aligned

The committee reviewed in detail all objectives which had been set at the start of the financial year. Each objective, which had been individually weighted, was measured before the committee concluded that 19.1% of the 25% overall award had been achieved.

Health and safety target threshold

The annual performance related bonus includes an underpin that enables the committee to use its discretion to scale back the bonus earned should there be a major safety event or a deterioration in health and safety performance. The committee concluded that bonus payments should not be reduced.

3. Vesting of 2012/13 LTIP award

The table below summarises the performance conditions for the 2012/13 LTIP award and the actual performance achieved. This award was subject to performance conditions measured over three financial years ending with the end of the 2014/15 financial period.

As shown below, the adjusted EPS growth target (50% weighting) and relative TSR target (40% weighting) were fully achieved. The long term strategic target (10% weighting) was also achieved in full upon satisfying the following objectives:

- Improve the pre qualification submissions for preferred bidder status in our targeted franchises
- Ensure we had the highest probability of winning further rail franchises, in particular GTR, to replace the predicted loss of rail profits whilst fully understanding the 'risk and reward' mechanism in the new style franchises
- Reduce the requirement for rail profit from new franchises, by improving bus profits, through a combination of organic growth, acquisitions and cost efficiencies

	% of EPS and TSR elements vesting	Compound annual growth in EPS	Relative TSR vs FTSE 250 (excluding certain sectors)	Long term strategic targets
Weighting (% of award)	–	50%	40%	10%
Below threshold	0%	Less than RPI + 2% p.a.	Below median	–
Threshold	25%	RPI + 2% p.a.	Median	–
Between threshold and maximum	25% to 100%	RPI + 2% p.a. to RPI + 6% p.a.	Between median and upper quartile	–
Maximum	100%	RPI + 6% p.a. or more	At or above upper quartile	–
Performance achieved		Adjusted EPS of 150.8p. From a base of 141.9p this is equivalent to growth of RPI + 8.4% p.a.	31st out of 127 companies	See commentary above
Actual % vesting	–	50%	40%	10%

The values of the LTIP awards are shown in the executive directors' remuneration table on page 78. These include the share value of the long term incentives and a cash value equivalent of the gross cumulative dividend payment which would have been payable between the date of award and the date the shares are acquired.

For the Group Chief Executive and the Group Finance Director the share values amount to £970,823 and £621,324 respectively based on the average market share price in the last quarter of 2014/15 of £25.78. These values have been estimated as the awards will not actually vest until shortly after the 2015 AGM. The cash equivalent value of the gross cumulative dividend payment equates to £96,216 for the Group Chief Executive and £61,578 for the Group Finance Director.

4. Pension allowance

The Group Finance Director only receives a non-pensionable cash supplement of 13% of his base salary. The Group Chief Executive does not receive any form of pension provision from the Group.

2014/15 LTIP AWARDS GRANTED DURING THE YEAR ENDED 27 JUNE 2015 (AUDITED)

As reported in the annual report last year, LTIP awards were granted to the executive directors during the year ended 27 June 2015. These were structured as nil-cost options, which are exercisable at the end of a three year performance period commencing with the start of the 2014/15 financial period and ending with the 2016/17 financial period, subject to the satisfaction of performance conditions. The 2014/15 grant policy was to grant awards with a face value of 100% of salary as follows:

Executive director	Basis of award granted	Share price at grant date	Number of shares over[1] which award was granted	Face value of award[2] (£'000)	Vesting determined by performance over
David Brown	100% of salary	£25.03	21,335	534	Three financial years ending on 1 July 2017
Keith Down	100% of salary	£25.03	13,661	342	

1 The number of shares over which the award was granted was calculated using a share price of £24.52, this being the average closing mid-market price of a Go-Ahead share during the four week period immediately prior to the date of grant in accordance with the Plan rules.

2 The face value of the award has been calculated based on the share price of £25.03 at date of grant.

The performance conditions attaching to the 2014/15 LTIP awards were as follows:

	Payout (% of each element)	Compound annual growth in EPS	Relative TSR vs FTSE 250 (excluding certain sectors)	Group operating company profit
Weighting (% of total award)	–	30%	30%	40%
Below threshold	0%	Less than RPI + 2% p.a.	Below median	Achievement of long term strategic targets, as assessed by the committee, is described below
Threshold	25%	RPI + 2% p.a.	Median	
Between threshold and maximum	Between 25% and 100%	Between RPI + 2% p.a. and RPI + 8% p.a.	Between median and upper quartile	
Maximum	100%	RPI + 8% p.a.	Upper quartile	

The Group operating profit target applying to 40% of the LTIP award will be payable on a sliding scale between the threshold and maximum targets. No element of the award will vest unless Group operating profit has increased from the Group's operating profit for the year ended 28 June 2014 by at least 25% over three financial years. At threshold, 20% will vest if operating profit measured in the year ending in June 2017 has grown by 25%. At maximum, 40% will vest if operating profit has grown by 50%. A sliding scale applies for growth between 25% and 50%.

The above targets would be adjusted should there be any changes to current accounting policies. Awards will continue to vest three years after grant, subject to the performance conditions being met over broadly the same period.

PAYMENTS TO FORMER DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE (AUDITED)

There were no payments made to former executive directors and no payments for loss of office were made during the year ended 27 June 2015.

SHARE INCENTIVE PLAN (SIP)

During the year, executive directors participated in The Go-Ahead Group plc SIP on the same terms as other employees. The SIP is an HMRC approved plan open to all staff permanently employed by a participating company and who have completed at least six months' continuous service at the date of application. Participants may contribute up to a maximum of £150 per month (or 10% of pre-tax salary if less) which the Trustee of the SIP uses to buy partnership shares on their behalf. Deductions are made from an employee's gross income so no income tax or National Insurance will be payable provided the shares are held in trust for up to five years.

SHARESAVE SCHEME

During the year, executive directors participated in The Go-Ahead Group Plc Savings-Related Share Option Scheme ("Sharesave"), launched in February 2014. At this time, all permanent employees who had completed at least six months' continuous service with a participating company were invited to make monthly savings of between £5 and £50 for three years. At the end of the savings term, participants have the choice of their money back, or Go-Ahead Group shares at a 20% discount to the market price set at the date of invitation.

SOURCING OF SHARES AND DILUTION

Awards under all the Group's share schemes are satisfied by market purchases of shares. Further details can be found in shareholder information on pages 153 to 154.

PENSION AND OTHER BENEFITS

The Group Chief Executive had no specific pension entitlement. The Group Finance Director receives a non-pensionable cash alternative to pension contributions of 13% of his salary.

CHAIRMAN AND NON-EXECUTIVE DIRECTOR FEES

Fee levels for the non-executive directors were reviewed on 1 April 2015 and increased by 1.8%.

Fees	From 1 Apr 2015 £'000 p.a.	From 1 Apr 2014 £'000 p.a.
Andrew Allner	**172**	169
Katherine Innes Ker[1]	**52**	51
Nick Horler	**47**	46
Adrian Ewer[1]	**52**	51

1 Additional fees of £5,000 payable to Katherine Innes Ker and Adrian Ewer for chairing the remuneration and audit committees respectively.

NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 27 June 2015 and the prior year:

		Single total remuneration figure £'000 p.a.
Andrew Allner	**2015**	**170**
	2014	166
Katherine Innes Ker	**2015**	**52**
	2014	50
Nick Horler	**2015**	**46**
	2014	45
Adrian Ewer	**2015**	**52**
	2014	50

STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

SHAREHOLDING REQUIREMENTS

The remuneration committee believes that the interests of the executive directors should be closely aligned with those of shareholders over the long term. Executive directors are required to retain 50% of the post-tax gain on vested LTIP and deferred share awards until such time as they achieve a holding of 100% of salary. Shares that count to this requirement are limited to shares beneficially held by the director, their spouses or dependent children. During the year, in consultation with major shareholders, the level of the guidelines was reviewed and from the 2015/16 year, the Group Chief Executive's share ownership guidelines will increase to 150% of salary.

EXECUTIVE DIRECTORS' SHAREHOLDINGS (AUDITED)

Details of the interests of the executive directors in shares and long term incentive interests are set out in the table below, together with the extent to which each of the executive directors has complied with the guidelines as at 27 June 2015. At this date, the Group Chief Executive beneficially held 21,677 shares. Based on the closing share price on 27 June 2015, this equates to 108% of base salary. The Group Finance Director beneficially held 13,322 shares, equating to 95% of base salary.

The vesting of the 2012/13 LTIP awards and the 2012 deferred share bonus award in November 2015 would result in post tax indicative holdings of the Group Chief Executive and the Group Finance Director increasing to 226% and 202% respectively.

	Legally owned		Shareholder requirement	Shareholding as a % of salary[1]	Shareholder requirement met	DSBP awards subject to deferral conditions				LTIP awards subject to performance conditions				Sharesave options (without performance conditions)
Executive Director	27.06.15	28.06.14		27.06.15		Unvested[2]	Vested	Lapsed	Vested but not exercised	Unvested[2]	Vested	Lapsed	Vested but not exercised[3]	
David Brown	21,677	6,586	100%	108%	Yes	28,694	–	–	–	51,797	28,670	–	37,658	103
Keith Down[4]	13,322	3,639	100%	95%	No	18,369	–	–	–	33,157	18,348	–	24,101	103

1 Shareholding as a % of salary includes only shares held beneficially by the director, their spouse or children. Unvested deferred shares or LTIP awards have not been included. Shareholding is based on the closing share price on 27 June 2015.

2 Excludes DSBP shares and LTIP awards which will be granted in November 2015 for the year ended 27 June 2015. The value of deferred share awards granted in respect of the year ended 27 June 2015 is shown in the executive directors' remuneration table on page 78.

3 Relates to the 2012/13 LTIP awards which have vested in respect of performance for the year ended 27 June 2015 and which will be exercised shortly after the 2015 AGM, in November 2015, the value of which is shown in the executive directors' remuneration table on page 78.

4 In accordance with policy, 12,826 of the unvested DSBP awards for the Group Finance Director will lapse upon cessation of employment at the end of the calendar year. The remaining 5,543 will vest as normal in November 2015 having been held for a period of three years. The 33,157 unvested LTIP awards for the Group Finance Director will also lapse in full.

NON-EXECUTIVE DIRECTORS' SHAREHOLDINGS (AUDITED)

Non-executive directors are not subject to a shareholding requirement. The shareholdings of each non-executive director is as follows:

	As at 27 June 2015	As at 28 June 2014
Andrew Allner	742	742
Katherine Innes Ker	–	–
Nick Horler	–	–
Adrian Ewer	138	140

There have been no changes in the current executive and non-executive directors' interests in shares in the Group between the end of the financial year and 2 September 2015.

PERCENTAGE CHANGE IN THE GROUP CHIEF EXECUTIVE'S REMUNERATION

The table below shows the percentage change in the Group Chief Executive's total remuneration between the financial years 28 June 2014 and 27 June 2015, compared to the average change for all employees of the Group.

	% change from 2014 to 2015		
	Salary	Benefits	Bonus
Group Chief Executive	1.8	(40.0)	(27.2)
Average employees	2.5	-	0.8

THE RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out the percentage change in dividends and overall spend on pay in the financial year being reported on, compared to that of the previous year.

	2014/15 £'m	2013/14 £'m	% change
Dividends	£36.7	£34.7	5.8
Overall expenditure on pay	**£1,079.6**	£929.2	16.2

The Group has not made any other significant distributions and payments or other uses of profit or cashflow deemed by the directors to assist in understanding the relative importance of spend on pay.

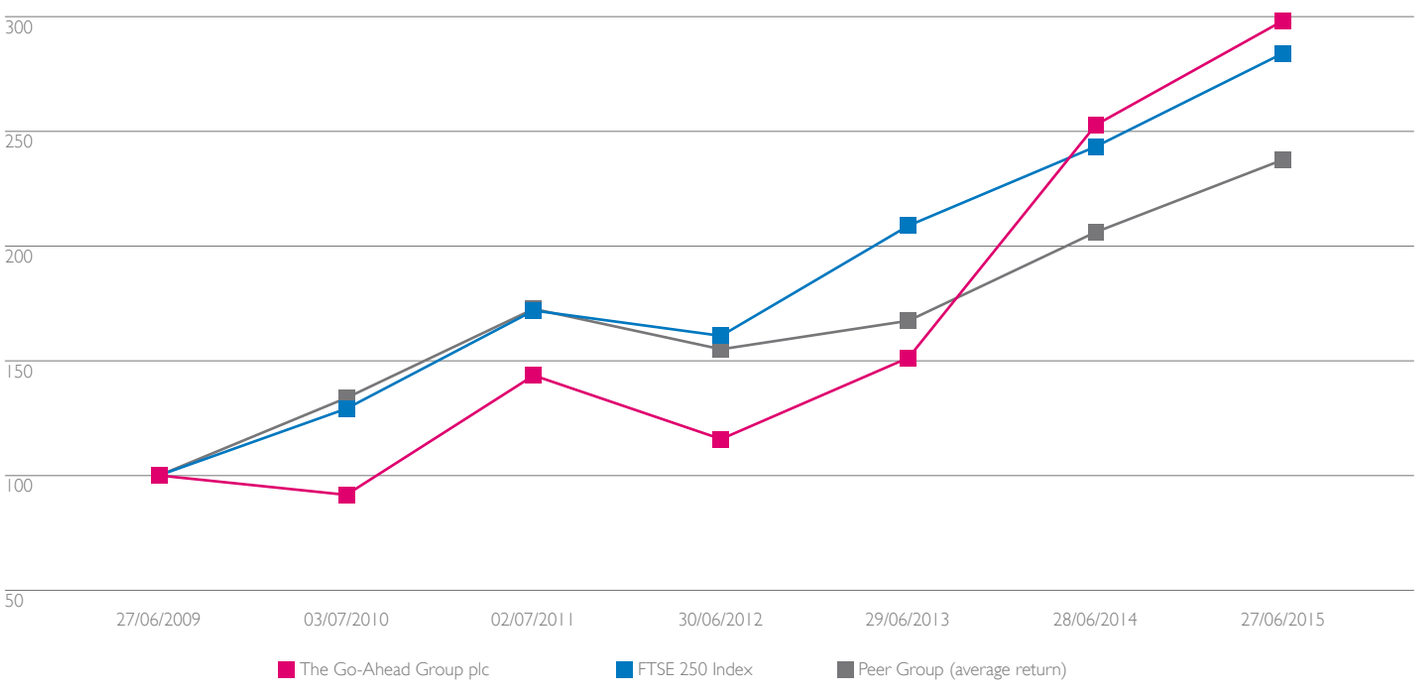
MATERIAL CONTRACTS

There have been no other contracts or arrangements during the financial year in which a director of the Group was materially interested and/or which were significant in relation to the Group's business.

TOTAL SHAREHOLDER RETURN (TSR) PERFORMANCE GRAPH

The graph below shows a comparison of The Go-Ahead Group plc cumulative TSR against that achieved by the FTSE 250 Index for the last six financial years to 27 June 2015. In assessing the performance of the Group's TSR, the Board believes the FTSE 250 index comparator group it has chosen represents an appropriate and fair benchmark upon which to measure the Group's performance for this purpose.

TOTAL SHAREHOLDER RETURN (REBASED TO 100)



This graph shows the value by 27 June 2015 of £100 invested in The Go-Ahead Group plc on 27 June 2009 compared with the value of £100 invested in the FTSE 250 index and our peer group over the same period. The other points plotted are the same values at intervening financial year ends.

The table overleaf shows the total remuneration figure for the Group Chief Executive over the same six year period. The total remuneration figure includes the performance related bonus and LTIP awards (and the percentage of the maximum opportunity that these represent).

GROUP CHIEF EXECUTIVE REMUNERATION COMPARISON

Year	Group Chief Executive	Single total figure of remuneration £'000	Annual performance related bonus (actual award v maximum opportunity) £'000 (and % vesting)	Long term incentive vesting (vesting v maximum opportunity) £'000 (and % vesting)
2014/15	David Brown	2,163[1]	£558 (69.6%)	£1,067 (100.0%)
2013/14	David Brown	1,960[2]	£766 (97.5%)	£666 (80.0%)
2012/13	David Brown	942	£422 (55.3%)	–
2011/12	David Brown	1,022	£513 (68.0%)	–
2010/11	David Brown	251[3]	£125 (100.0%)	–
2010/11	Keith Ludeman	1,564	£530 (100.0%)	–
2009/10	Keith Ludeman	1,349	£689 (100.0%)	£73 (21.7%)

1 The single figure of total remuneration for 2014/15 includes the vesting of the 2012/13 LTIP award.

2 The single figure of total remuneration for 2013/14 includes the vesting of the 2011/12 LTIP award. David Brown was granted LTIP awards for the first time in October 2011 following his appointment in April 2011 and hence this is the first opportunity that LTIP awards have been eligible to vest.

3 Following his appointment in April 2011, David Brown was paid a pro-rata performance-related bonus for the financial year 2010/11.

IMPLEMENTATION OF REMUNERATION POLICY FOR THE YEAR ENDING 2 JULY 2016

This policy will apply to any remuneration paid on or after the Group's AGM on 22 October 2015.

EXECUTIVE DIRECTORS' BASE SALARIES

The base salaries of the executive directors were reviewed with effect from 1 April 2015 and are £541,800 and £380,000 for the Group Chief Executive and Group Finance Director respectively. These will remain unchanged until the annual salary review is undertaken on 1 April 2016.

BENEFITS

The benefits for both executive directors will remain consistent with those detailed in the remuneration policy section on page 72.

PENSION

The current pension arrangements described on page 80 will remain in place for the forthcoming financial year.

PERFOMANCE-RELATED BONUS

The performance-related bonus for 2015/16 will operate on a similar basis as in 2014/15 and will be consistent with the policy detailed in the remuneration policy section of this report in terms of the maximum bonus opportunity and performance conditions. The incumbent Group Finance Director will not be entitled to any pro-rata performance related bonus for 2015/16.

In the table below, we disclose the executive directors' performance-related targets for the year ending 2 July 2016:

Metric	Weighting (% of maximum bonus)
Group operating profit	65% see below
Group cashflow	10% see below
Strategic KPIs	25% see below

Group operating profit

The Group operating target for the 2015/16 financial year will be 2015/16 Corporate Plan operating profit budget with payout on a sliding scale from the final 2014/15 operating profit.

Measure	Target	Payout (% of salary)
Actual 2015/16 Group operating profit	Group operating profit in 2014/15	0%
	Group operating profit budget in 2015/16	65%

Cashflow

For Group cashflow, the target for the 2015/16 financial year will be adjusted net debt after adding back restricted cash in accordance with the Corporate Plan.

For Group operating profit and cashflow metrics, the maximum bonus opportunity requires performance to be in line with the Group's budget for 2015/16. The committee believes that to achieve budget, which is considered to be very stretching, would be a significant performance and deserve payment of maximum bonus. Group operating profit must exceed that in 2014/15 before any element of the Group operating profit measure can vest. Vesting will be on a straight line basis between these two points. Any bonus payable would be satisfied 50% in cash and 50% in deferred shares and all bonus is subject to recovery and witholding provisions.

Strategic KPIs

For strategic KPIs, the target for the 2015/16 financial year includes a number of non-financial strategic and personal objectives over the course of the year. These objectives reflect the individual roles of the executive directors in achieving the Group's strategy and cover both bus and rail divisions and the Group as a whole. The individual targets include short term strategy, people and investors, in addition to personal objectives.

Targets will be stretching, and more information on the specific targets and performance against them will be provided retrospectively in next year's remuneration report to the extent that they do not remain commercially sensitive at the time.

A health and safety target threshold will continue to apply to the full bonus, with the remuneration committee having discretion to reduce bonus payments potentially to zero should it be considered appropriate.

Recovery and holding provisions will apply to the full performance-related bonus and the audit committee will undertake a formal end-of-year quality of profit and budget review in conjunction with the auditor.

LTIP AWARDS

Subject to approval at the 2015 AGM, LTIP awards from the 2015/16 financial year will be granted under the new LTIP. The incumbent Group Finance Director will not receive an award as he will leave the Group shortly after the awards will be granted. The new LTIP will have standard terms, allowing the grant of conditional awards, nil cost options and forfeitable shares. Dividend equivalents will be paid on vested shares up to the end of the holding period. The new LTIP will comply with the 5% and 10% in 10 years dilution limits and best practice with regard to leavers and on a change of control. Full details will be contained in the Notice of AGM.

LTIP awards granted in the 2015/16 financial year will continue to operate under the same EPS and TSR principles subject to the following changes:

- The EPS and TSR elements of the award will account for 40% each (previously 30% each)
- The EPS target and threshold have been raised and the amount of award gained at threshold reduced to reflect the impact of the GTR franchise and Southeastern direct award contract
- A customer satisfaction target of 20% split equally between rail and bus will replace the Group operating profit target

For the year commencing 28 June 2015, the LTIP award for the Group Chief Executive will have a face value of 150% of salary. The performance measures and targets for awards to be made in 2015/16 are detailed below:

	EPS Payout (% of element)	Compound annual growth in EPS	Payout (% of TSR element)	Relative TSR vs FTSE 250 (excluding certain sectors)	Customer satisfaction targets
Weighting (% of total award)	–	40%	–	40%	20%
Below threshold	0%	Less than RPI + 5% p.a.	0%	Below median	See below
Threshold	10%	RPI + 5% p.a.	25%	Median	
Between threshold and maximum	Between 10% and 100%	Between RPI + 5% p.a. and RPI + 13% p.a.	Between 25% and 100%	Between median and upper quartile	
Maximum	100%	RPI + 13% p.a.	100%	Upper quartile	

The customer satisfaction target will be as measured by the independent passenger watchdog Transport Focus (formerly Passenger Focus) and published in the annual report. This is a key operating performance measure for Go-Ahead. It is a strategic priority for the Group to provide high quality service and customer satisfaction is a critical measure of our performance. It influences our ability to retain franchises and to win new ones and ensuring management is focused on this strategic measure is critically important therefore as a driver of long term shareholder value.

For the rail customer service targets, there has been a decline over the last three years from 82% in 2012 to 76% in 2015 in the blended Transport Focus National Rail Passenger Survey ("NRPS") for the three train operating companies. GTR is a new franchise to the Group and was not included in these results before Spring 2015.

The benchmark for the train operating companies will be the London and South East Sector NRPS score which consists of 12 franchises that serve the region and run into London. The threshold for the performance measure will be the current London and South East Sector NPRS of 78%. The target will be to increase it to 82% over the three year performance period.

For the bus customer service targets, the threshold will be to maintain the 2015 Bus National Passenger Survey (National Passenger Survey "NPS") score of 90% which is already high and at an industry leading level. The target will be in increase the NPS score to 93% over the three year performance period.

	Payout (% of each element)	Rail Customer Service Target	Bus Customer Service Target
Weighting	–	10%	10%
Below Threshold	0%	Less than 78%	Less than 90%
Threshold	10%	78%	90%
Between Threshold and Max	Between 10% and 100%	Between 78% and 82%	Between 90% and 93%
Maximum	100%	82%	93%

There is an additional profit threshold for the customer service target which is that EPS growth over the three year period must be greater than RPI + 5% before any of the customer service element of award can vest.

The above EPS targets are based on current accounting policies and will be adjusted should there be any changes to these policies. Awards will continue to vest three years after grant, subject to the performance conditions being met over broadly the same period.

We have taken the opportunity to bring our clawback provisions in line with best practice, by extending the recovery and withholding provisions to include both the performance-related bonus and LTIP.

Awards granted under the new LTIP will also be subject to an additional two-year holding period following the vesting of awards. During this period vested awards may not be sold (other than to pay any tax or NICs due on exercise). This will result in an overall five-year period before executives can realise the gain on their vested shares.

NON-EXECUTIVE DIRECTORS' FEES

The non-executive directors' fees were reviewed on 1 April 2015 as stated in the table on page 80. These will remain unchanged until the next annual fee review is undertaken on 1 April 2016.

APPENDICES

OUTSTANDING LTIP AWARDS (AUDITED)

	Award date	Share price at the date of award	At 28 June 2014 No.	Granted during the year No.	Exercised during the year No.	Lapsed during the year No.	Balance at 27 June 2015 No.	Awards that vested in 2014/15 and exercised in 2015/16 Vested No.	Lapsed No.	Balance post exercise in 2014/15
David Brown	05-Nov-14	£25.03		21,335			21,335			21,335
	30-Oct-13	£16.84	30,462				30,462			30,462
	05-Nov-12	£13.06	37,658				37,658	37,658	–	–
										51,797
Keith Down	05-Nov-14	£25.03		13,661			13,661			13,661
	30-Oct-13*	£16.84	19,496				19,496			19,496
	05-Nov-12*	£13.06	24,101				24,101	24,101	–	–
										33,157

* The LTIP awards granted to the Group Finance Director in 2013 and 2014 will lapse upon cessation of employment.

NOVEMBER 2014 AWARDS

The performance conditions attaching to the November 2014 awards are measured over the three financial years ending with the 2016/17 financial period. Details of the performance conditions relating to this award can be found on page 80.

OCTOBER 2013 AWARDS

The performance conditions attaching to the October 2013 awards are measured over the three financial years ending with the 2015/16 financial period. Details of the performance conditions relating to this award can be found on page 71 of the 2013 annual report.

NOVEMBER 2012 AWARDS

Details of the performance targets to which the 2012 LTIP award relates together with actual vesting against those targets are set out on page 79.

For and on behalf of the Board



Katherine Innes Ker,
Remuneration Committee Chair
2 September 2015

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 27 June 2015.

This report has been prepared in accordance with requirements outlined within The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the management report as required under DTR4. Certain information that fulfils the requirements of this report can be found elsewhere in this document and is referred to below. This information is incorporated into this directors' report by reference.

DIRECTORS

A full list of the individuals who were directors of the Group during the financial year ended 27 June 2015 is set out below:

Andrew Allner, David Brown, Keith Down, Katherine Innes Ker, Nick Horler and Adrian Ewer.

DIRECTORS' CONFLICTS OF INTEREST

Established within the Group is a procedure for managing and monitoring conflicts of interests for directors. Full details of this procedure are set out in the corporate governance report on page 57.

DIRECTORS' INDEMNITIES

Details of qualifying third party indemnity provisions for the benefit of the Group's directors can be found in the corporate governance report on page 59.

CORPORATE GOVERNANCE REPORT

Under Disclosure and Transparency Rule 7, a requirement exists for certain parts of the corporate governance report to be outlined in this directors' report. This information is laid out in the corporate governance report, on pages 52 to 85.

CAPITAL STRUCTURE AND RIGHTS ATTACHING TO SHARES

All information relating to the Group's capital structure, rights attaching to shares, dividends, the policy to repurchase the Group's own shares and other shareholder information is shown on pages 153 to 154 and incorporated into this directors' report by reference.

DIVIDENDS

Our dividend policy is for progressive dividend growth whilst maintaining dividend cover of approximately two times adjusted earnings, on a pre IAS19 (revised) basis, through the economic cycle. Details of the proposed final dividend payment for the year ended 27 June 2015 are shown on the consolidated income statement on page 91 of the report.

POLITICAL DONATIONS AND EXPENDITURE

It is the Group's policy not to make political donations and accordingly no such payments were made in the year (2014: £nil). Additionally, the Group did not incur any political expenditure as defined in the Companies Act 2006 (2014: £nil).

POST BALANCE SHEET EVENTS

There are no other post balance sheet events.

MATERIAL INCLUDED IN THE STRATEGIC REPORT

The strategic report on pages 2 to 51 includes information on the following matters that would otherwise be required to be presented in the directors' report;

- future developments in the business; and
- greenhouse gas emissions

EMPLOYEE DISCLOSURES

Our disclosures relating to the diversity and equal opportunities, the number of women in senior management roles, employee relations and policies are included in the 'People' section on pages 27 to 29. Employees are kept informed of the performance and strategy of the Group through regular interactive forums by the Group Chief Executive. Established share schemes encourage and support employees' involvement in the performance of the Group, through direct ownership. There have been no significant changes to our policies over the year.

PENSION

The final salary section of the Group's pension plan closed to future accrual with effect from 1 April 2014. Existing members were offered the opportunity to join the money purchase section instead. The money purchase section of the Group's pension plan was closed to new employees with effect from 1 April 2013 but existing members continue to contribute at their current contribution levels. A new 'workplace savings section' was set up with effect from 1 April 2013 for the purposes of auto-enrolment. This provides a default investment option and at least the minimum level of contributions as required under Government regulations.

SHARE SCHEMES

EXECUTIVE SHARE SCHEMES

At the date of this report, Computershare Trustees (Jersey) Limited, as Trustee of The Go-Ahead Group plc Employee Trust, holds 0.1% of the issued share capital of the Group, less treasury shares, in trust for the benefit of the executive directors of the Group under the LTIP and DSBP. The voting rights in relation to these shares are exercised by the Trustee and dividends are waived while the shares are held by the Trustee.

Vesting of awards under the LTIP and DSBP for the executive directors is satisfied by market purchases of shares which are held in Trust.

SHARE INCENTIVE PLAN

The Company operated a Share Incentive Plan during the year under review, enabling employees of the Group to acquire shares in the Group. In order to preserve certain tax benefits, these shares are held in a trust by EES Corporate Trustees Limited for participating employees. Whilst these shares are held in trust, the voting rights attached to them will not be exercised by the Trustee or the employees for whom they are held. As at the date of this report, 0.8% of the issued share capital of the Group, less treasury shares, was held by EES Corporate Trustees Limited. In the event of an offer being made to acquire these shares the employees are entitled to direct EES Corporate Trustees Limited to accept an offer in respect of the shares held on their behalf.

SAVE AS YOU EARN SCHEME

The Company also operates a Save as you earn scheme known as The Go-Ahead Group Plc 2013 Savings-Related Share Option Scheme ("Sharesave"), the last launch was in February 2014. Under Sharesave, all permanent employees who have completed at least six months' continuous service with a participating company are invited to make monthly savings of between £5 and £50 for three years. At the end of the savings term, participants have the choice of their money back, or to purchase Go-Ahead Group shares at a 20% discount to the market price set at the date of invitation.

AUDITOR

Following an audit tendering process Ernst & Young LLP will resign as auditors with effect from the date of the next Annual General Meeting; a resolution to appoint Deloitte LLP will be put to the members at that Annual General Meeting. A resolution will also be proposed that the directors be authorised to fix the remuneration of the auditor.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are described in the financial review on pages 48 to 50. In addition [note 22] to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Cash generation from the Group's bus and rail operations was excellent and the balance sheet remains strong. Core financing is provided by a £200m sterling bond securing financing to September 2017 and committed bank facilities of £280.0m originally to July 2019, but subsequent to the year end, has been extended to July 2020. In July 2014 the £280m facility replaced a £275.5m February 2016 facility. The directors believe that the Group is well placed to manage its business risks successfully, despite the current uncertain economic outlook.

The directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a 'going concern'. The directors confirm they are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis in preparing the Annual Report and Accounts.

DIRECTORS' STATEMENT OF RESPONSIBILITY

The directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare Group financial statements for each financial year. Under that law, the directors are required to prepare Group financial statements under IFRSs as adopted by the European Union. Detailed below are statements made by the directors in relation to their responsibilities, disclosure of information to the Group's auditors, going concern and management's report on internal control over financial reporting.

FINANCIAL STATEMENTS AND ACCOUNTING RECORDS

Under Company Law the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group financial statements have been prepared in accordance with IFRS as adopted by the European Union.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for the system of internal control, for safeguarding the assets of the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing the strategic report, directors' report, including the directors' remuneration report and the corporate governance report, in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's corporate website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER THE DISCLOSURE AND TRANSPARENCY RULES

The Board confirms to the best of its knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- The strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

DIRECTORS' STATEMENT UNDER THE UK CORPORATE GOVERNANCE CODE

- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Group's auditor is unaware and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

By Order of the Board



Carolyn Ferguson,
Group Company Secretary
2 September 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GO-AHEAD GROUP PLC

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 27 June 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

OVERVIEW

Materiality	Overall Group materiality of £4.38 million 5% of profit before exceptional items and tax
Audit scope	An audit involves obtaining evidence about the amounts and disclosures in the Group financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. We have obtained an understanding of the entity-level controls of the Group which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy, including the scope of procedures to be performed on the components of the Group. We performed an audit of the complete financial information of nine components and audit procedures on specific balances, where we consider the risk of material misstatement to be higher, for a further eight components. These seventeen reporting components account for 100 per cent of the Group's revenue and 100 per cent of the Group's profit before exceptional items and tax. The nine reporting components where we performed an audit of the complete financial information account for 97.2 per cent of the Group's revenue and 97.5 per cent of the Group's profit before exceptional items and tax
Areas of focus	Revenue recognition Non-compliance with franchise terms and conditions Estimation of provisions for liabilities and charges Accounting for the Group's pension liabilities Carrying value of goodwill
What has changed	Changes in our scope since the 2014 audit included one additional new full scope reporting component being the Group's new rail franchise Govia Thameslink Railway Limited. In 2014, we did not visit or perform any detailed testing at five of the smaller bus operating companies. In the current year we have visited these locations and performed specific procedures relating to the risk of material misstatement in respect of revenue.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We have used an earnings based measure as our basis of materiality consistent with how performance is measured for the Group. We determined materiality for the Group to be £4.38 million (2014: £3.95 million), which is 5 per cent of profit before exceptional items and tax (being the profit before tax of £78.7 million plus the exceptional items charge of £8.8 million). We excluded exceptional items on the basis that these are infrequent in occurrence and are not indicative of the underlying performance of the Group. We also note that market and analyst commentary on the performance of the Group uses an equivalent measure. We therefore, considered profit before exceptional items and tax to be the most relevant performance metric on which to base our materiality calculation. This provided the basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality for the Group should be 50 per cent of materiality, namely £2.19 million. Our objective in adopting this approach is to ensure that, together with qualitative considerations, total detected and undetected audit differences do not exceed our planning materiality of £4.38 million for the financial statements as a whole.

Audit work at individual components is undertaken based on a percentage of our total performance materiality. The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was £0.44 million to £1.75 million (2014: £0.39 million to £1.54 million).

We agreed with the Audit Committee that we would report to the Committee all adjusted and unadjusted audit differences in excess of £0.2 million. We also agreed to report differences below those thresholds that, in our view, warranted reporting on qualitative grounds. We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Following our assessment of the risk of material misstatement to the Group financial statements, we selected seventeen (2014: eleven) components which represent the business units within the Group's reportable segments and account for 100 per cent of the Group's revenue and 100 per cent of the Group's profit before exceptional items and tax (of which 97.2% and 97.5% of these metrics were covered by full scope components). Nine (2014: eight) of these components were subject to a full audit and eight (2014: three) were subject to audits of specific account balances based on our judgement of risk and materiality. The additional component subject to a full audit, compared to the prior year, was the Group's new rail franchise Govia Thameslink Railway Limited. In 2014, we did not visit or perform any detailed testing at five of the smaller bus operating companies. In the current year we have visited these locations and performed specific procedures relating to the risk of material misstatement in respect of revenue.

The Senior Statutory Auditor or a senior member of the Group audit team participated in the execution of the audits of ten of the full scope and specific scope components, as well as Group-wide areas, in accordance with our assessment of risk. The Senior Statutory Auditor or a senior member of the Group audit team also attended meetings with management and engaged with the audit team on planning and execution of our work at the other two components, including reviewing key working papers. In respect of the risks described below, audit procedures in respect of the estimation of provisions for uninsured claims, accounting for pension liabilities and the testing of the carrying value of goodwill were completed by the Group team, overseen by the Senior Statutory Auditor. In respect of the other risks: revenue recognition, non-compliance with franchise terms and conditions (all rail operating companies were full scope components) and provisions for dilapidations (all balances were covered in our scope allocation), the Senior Statutory Auditor had oversight of our audit response across the components, including reviewing the results of the audit testing and discussing the risks with the component teams.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT AND OUR AUDIT RESPONSE

We identified the following risks that have had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. For each risk identified, we have documented our response and audit procedures below:

Risk of material misstatement	Our response to the risks of material misstatement included the following procedures
Revenue recognition (as described in notes 2 and 4 of the financial statements) Market expectations and profit based targets may place pressure on Management to distort revenue recognition, this therefore increases the risk of material misstatement in respect to m easurement and occurrence of revenue. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations. Whilst a large proportion of the revenue recorded is derived from system generated reports on ticket sales and cash settlements, adjustments are also required to appropriately accrue or defer revenue for: • advance sales of tickets and season tickets (both rail and bus) • concessionary fare income (bus) • performance related revenue from Transport for London (bus) • income allocations due for rail tickets The revenue relating to the rail operating companies is also governed by complex franchise arrangements with mechanisms in place to determine revenue support or revenue share depending on performance outcomes relative to original forecasts at the start of the franchise. This is further discussed below in our risk relating to non-compliance with franchise terms and conditions.	• We understood the processes used to record the different income streams of the Group, in particular identifying the points at which manual adjustments were made to system and third party generated information, in order to test the nature, appropriateness and completeness of manual adjustments to reflect the accrual or deferral of revenue. • We agreed routine automated revenue to cash settlements including those generated through the Rail Settlement Plan. • We assessed whether the revenue recognition policies adopted complied with IFRS. • We examined management's underlying assumptions and methodology used to calculate manual adjustments to revenue relating to accrued and deferred income, comparing to post year end receipt (where applicable), passenger numbers and latest correspondence with the relevant authorities. We also compared the assumptions and methodology used to those used in the prior year to test whether a consistent approach had been utilised, • For material items we re-performed the calculation to confirm the accuracy of the accrued and deferred income recorded by management. • We performed analytical procedures and journal entry testing in order to identify material adjustments made to revenue and test the risk of fraud arising from management override of controls.
Non-compliance with franchise terms and conditions (as described on page 64 of the Audit Committee Report) This specifically relates to the four rail operating companies of the Group. Each franchise is governed by an individual franchise agreement setting out arrangements covering entitlement to revenue, costs and performance conditions. Performance conditions are significant and need to be monitored to ensure compliance. Issues with non-compliance can result in penalties or the requirement to fulfil certain obligations which would create a risk over the completeness of costs and liabilities. These franchise agreements are complex and result in different arrangements in respect of Department for Transport funding of rail operations. For example in respect of: • subsidies for specific activities required under the franchise agreement • revenue support and revenue share arrangements dependent on passenger volumes • profit share arrangements • agency arrangements in respect of rail ticket income at GTR Due to the complexity, there is a risk that the financial statements do not appropriately reflect the related revenue and cost of these items in terms of completeness, measurement and occurrence. The franchise agreements also set out terms in respect of maintenance of infrastructure, this matter is addressed in the risk relating to estimation of provisions for liabilities and charges	• We tested the Group's process for identifying and monitoring compliance with the requirements of the franchise agreements and related bid models, which have a financial consequence. This included discussion with the compliance team at each of the train operating companies and reviewing correspondence with the Department for Transport for evidence of additional liabilities requiring recognition, or the resolution of issues for which a liability had previously been recognised. • We obtained information on changes in agreements during the year and tested whether the financial impact of such changes had been appropriately reflected in the financial statements. • We re-assessed matters brought forward from prior years to consider the appropriateness of related accruals, provisions and disclosures. • We assessed whether any items that were recorded in the income statement warranted separate disclosure as exceptional items because of their size or nature. • We considered whether Department for Transport funding had been appropriately accounted for, in accordance with IFRS, in the context of each individual franchise agreement. • We tested the estimates used in determining the valuation and timing of revenue and cost recognition, considering whether the conditions for recognition of related assets and liabilities had been met under IFRS.

Risk of material misstatement	Our response to the risks of material misstatement included the following procedures
Estimation of provisions for liabilities and charges (as described on page 64 of the Audit Committee Report and in note 24 of the financial statements) The Group's provisions are based on management's best estimate of outcomes using assumptions that require judgement, because of the high level of judgement the financial statement balance is more at risk of manipulation or error. The highest risks relate to completeness and valuation of the liabilities which could be understated to enhance the results of the Group. Provisions are made for: • dilapidation commitments under lease handback conditions for property, bus and rolling stock fleet, depots and stations £60.1m • uninsured claims in respect of transport incidents £41.3 million	• We understood the level of internal and external expert involvement used in estimating liabilities. External experts are utilised by management to assess dilapidation provisions for the train operating companies and to assess notified uninsured claims. Our testing included understanding the terms of reference of those external experts, their competence and objectivity. • For dilapidations liabilities, we obtained the contract documentation for maintenance of rolling stock, stations and depots, to assess the relevant terms and conditions and consider whether these contracts gave rise to a liability. Where previously provided amounts were re-estimated we obtained evidence for changes including details of contract amendments. Where no movement occurred, we considered whether the assumptions used previously to estimate the liability remain reasonable. • For uninsured claims, we utilised information on claims over the past seven years to assess trends in settlement values in terms of growth from original assessed liability and value of settlement. • For both dilapidation liabilities and uninsured claims, we obtained information on settlements made in the year of previously provided liabilities, to understand how these compared with the quantification previously recorded and to assess the quality of estimates made by management and their independent experts. • We met with in-house legal counsel to obtain up to date information on additional claims or disputes. We reviewed board and subcommittee minutes for evidence of the existence of further liabilities and external legal correspondence for the existence of any further contractual issues. • We assessed whether each of the liabilities were appropriately classified between accruals, provisions and contingent liabilities against the recognition and measurement criteria of IFRS. • For those items classified as provisions, we assessed whether appropriate disclosure had been given in the financial statement as required by IFRS. • We assessed whether any items that were recorded in the income statement warranted separate disclosure as exceptional items because of their size or nature.
Accounting for the Group's pension liabilities (as described on page 64 of the Audit Committee Report and in note 27 of the financial statements) The Group operates a defined benefit pension scheme (which is closed to new entrants and future accrual) and its train operating companies participate in the Rail Pension Scheme, a defined benefit scheme. The liabilities recorded in respect of these defined benefit schemes are sensitive to long-term assumptions, small changes in these assumptions can result in material fluctuations in amounts recorded in the financial statements. For example the discount rate could be overstated in order to reduce the pension liability shown in the balance sheet and increase the net assets of the Group.	• We utilised our own actuarial experts to benchmark and consider an appropriate range for the key assumptions underpinning the calculation of the pension liabilities being discount rate, price inflation, salary increases and mortality in retirement. • We also utilised our own actuarial experts to assess the appropriateness of the methodology used by management's actuaries to calculate the liabilities for the pension schemes. • We tested the membership data utilised by the actuaries, to source data held by the pension scheme administrators • We reviewed the adequacy of pension disclosures provided in the financial statements and compliance with the requirements of IAS 19 revised.
Carrying value of goodwill (as described on page 64 of the Audit Committee Report and in note 13 of the financial statements) **The value of goodwill is £75.9 million and relates to acquisitions of bus operating companies. The recoverable value is sensitive to changes in assumptions over future business performance by each of the relevant operating companies and discount rates. The Group's annual assessment of the recoverable value requires judgement as to the future cash flow projections and the discount rate to be used. Cash flow projections may be overstated and the discount rate understated in order to provide a calculation of the recoverable value in excess of the carrying value, so that no impairment is recorded.**	• We evaluated the cash flow forecasts and key assumptions, agreeing assumptions made to supporting evidence, such as corporate plans and current performance • We compared the latest plans with prior year plans and assessed changes in these plans over time and the historic accuracy of management's forecasts as an indicator of the reliability of current forecasts • We performance sensitivity analysis over data including growth rates, forecast cashflows in respect of costs and revenue • We audited the discount rate calculation applied, using our internal valuation experts to assist in our review of whether management's assumptions are within an acceptable range based on comparative market data • We confirmed the clerical accuracy of the models • We assessed whether disclosures made are in accordance with IFRS

WHAT WE HAVE AUDITED

We have audited the financial statements of the Go-Ahead Group plc for the year ended 27 June 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cashflow Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 87, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 87, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

OTHER MATTER

We have reported separately on the parent company financial statements of The Go-Ahead Group plc for the year ended 27 June 2015 and on the information in the Directors' Remuneration report that is described as having been audited.

Ernst + Young LLP

Kathryn Barrow (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor, London

2 September 2015

Notes:

1. The maintenance and integrity of The Go-Ahead Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 27 JUNE 2015

	Notes	2015 £m	2014 £m
Group revenue	4	**3,215.2**	2,702.4
Operating costs (excluding amortisation, goodwill impairment and exceptional items)	5	**(3,100.5)**	(2,599.2)
Group operating profit (before amortisation, goodwill impairment and exceptional items)		**114.7**	103.2
Intangible asset amortisation and goodwill impairment	13	**(9.1)**	(5.8)
Exceptional items (before taxation)	7	**(8.8)**	12.1
Group operating profit		**96.8**	109.5
Finance revenue	8	**2.4**	1.5
Finance costs	8	**(20.5)**	(19.8)
Profit on ordinary activities before taxation		**78.7**	91.2
Tax expense	9	**(19.4)**	(13.6)
Profit for the year from continuing operations		**59.3**	77.6
Attributable to:			
Equity holders of the parent		**52.2**	70.3
Non-controlling interests		**7.1**	7.3
		59.3	77.6
Earnings per share			
– basic	10	**121.6p**	164.0p
– diluted	10	**119.5p**	162.4p
– adjusted basic	10	**150.8p**	148.6p
– adjusted diluted	10	**148.2p**	147.1p
Dividends paid (pence per share)	11	**85.6p**	81.0p
Final dividend proposed (pence per share)	11	**63.4p**	59.0p

THE CONSOLIDATED INCOME STATEMENT INCLUDES THE MAJORITY OF OUR INCOME AND EXPENSES FOR THE YEAR WITH THE REMAINDER RECORDED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Highlights of the movements in the year are set out below:

REVENUE

Revenue increased by 19.0% to £3,215.2m (2014: £2,702.4m). The rail operations comprised 74.6% of the total revenue and grew by 26.1% during the year to £2,397.4m primarily as a result of GTR taking over operation of the First Capital Connect franchise in the year. Regional bus comprised 11.2% of revenue, growing by 2.6% to £359.9m, and London bus comprised the remaining 14.2%, growing by 1.8% to £457.9m. Divisional performance is shown in note 3.

OPERATING PROFIT

Overall, the operating profit increased 11.1% from £103.2m to £114.7m with improved profitability in both rail and regional bus. The rail business improved margins from 1.0% to 1.1%, the regional bus margins improved from 11.9% to 13.0% and London bus decreased marginally from 9.3% to 9.2%. Rail profitability is underpinned by cost controls and contract management benefits. Cost control is also a focus of the bus divisions.

INTANGIBLE ASSET AMORTISATION AND GOODWILL IMPAIRMENT

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

EXCEPTIONAL ITEMS

During the year ended 27 June 2015 the Group incurred restructuring costs in its GTR franchise which brings Thameslink and Greater Northern together with Southern and Gatwick Express under one management structure. In the year ended 28 June 2014 the exceptional credit related primarily to the closure of the defined benefit pension scheme to future accruals.

FINANCE COSTS

Overall net finance costs are consistent year on year.

TAX EXPENSE

The tax expense increased from £13.6m in 2014 to £19.4m. The 2015 effective rate is 24.7%. The underlying rate, excluding goodwill impairment of £4.9m, is 23.2%. The 2014 expense is after crediting £6.8m of deferred tax benefit that resulted from an enacted reduction in UK tax rates as outlined in note 9. The effective rate of tax for 2014 was 14.9%; excluding the effect of the deferred tax adjustment the effective rate would have been 22.4%. In both years the underlying rate is higher than the statutory rate due to non-tax deductible costs such as depreciation on industrial buildings.

ADJUSTED EARNINGS PER SHARE

Adjusted earnings per share is calculated after adjusting for amortisation, goodwill impairment and exceptional items to the extent that they impact earnings attributable to equity shareholders. Adjusted earnings per share is as shown in note 10 and has increased to 150.8p from 148.6p, an increase of 1.5%, largely reflecting increased profit before taxation offset by increased taxation rates.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 27 JUNE 2015

	Notes	2015 £m	2014 £m
Profit for the year		**59.3**	77.6
Other comprehensive income/(losses)			
Items that will not be reclassified to profit or loss			
Remeasurement gains/(losses) on defined benefit pension plans	27	**24.6**	(14.5)
Tax relating to items that will not be reclassified	9	**(4.9)**	1.5
		19.7	(13.0)
Items that may subsequently be reclassified to profit or loss			
Unrealised losses on cashflow hedges		**(36.0)**	(5.2)
Losses on cashflow hedges taken to income statement – operating costs		**16.2**	2.1
Tax relating to items that may be reclassified	9	**4.0**	0.5
		(15.8)	(2.6)
Other comprehensive gains/(losses) for the year, net of tax		**3.9**	(15.6)
Total comprehensive income for the year		**63.2**	62.0
Attributable to:			
Equity holders of the parent		**49.4**	51.0
Non-controlling interests		**13.8**	11.0
		63.2	62.0

THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME RECORDS ALL OF THE INCOME AND LOSSES GENERATED FOR THE YEAR

Highlights of the movements in the year are set out below:

PROFIT FOR THE YEAR

The profit for the year after taxation is £59.3m and includes amounts attributable to equity shareholders and non-controlling interests.

REMEASUREMENT OF DEFINED BENEFIT PENSION PLANS

As disclosed in note 27 the remeasurement gains on defined benefit pension plans were £24.6m, which consisted of rail pension plans showing remeasurement gains of £23.9m and bus pension plans showing remeasurement gains of £0.7m.

UNREALISED LOSSES ON CASHFLOW HEDGES

The Group manages its exposure to the future cost of diesel through a programme of hedging. At each period end the derivatives used are marked to a market price and the amounts attributable to future periods are revalued through the comprehensive income statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 27 JUNE 2015

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

THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY SHOWS THE MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS AND NON-CONTROLLING INTERESTS

Equity shareholders' funds increased from £50.7m to £65.3m as a result of retained profit for the year exceeding dividend payments.

Non-controlling interests have increased from £16.4m to £17.4m and consist of the appropriate share of rail profits, plus a relevant proportion of remeasurement gains on rail pension schemes, less dividends paid to non-controlling interests during the year.

CONSOLIDATED BALANCE SHEET
AS AT 27 JUNE 2015

	Notes	2015 £m	2014 £m
Assets			
Non-current assets			
Property, plant and equipment	12	**437.4**	458.6
Intangible assets	13	**84.7**	87.7
Trade and other receivables	17	**0.8**	1.2
Other financial assets	23	**–**	0.1
Deferred tax assets	9	**11.9**	12.0
		534.8	559.6
Current assets			
Inventories	16	**17.9**	15.6
Trade and other receivables	17	**260.1**	254.8
Cash and cash equivalents	18	**604.2**	281.8
		882.2	552.2
Assets classified as held for sale	15	**6.0**	72.4
Total assets		**1,423.0**	1,184.2
Liabilities			
Current liabilities			
Trade and other payables	19	**(772.9)**	(557.7)
Other financial liabilities	23	**(19.1)**	(3.5)
Interest-bearing loans and borrowings	20	**0.7**	(2.9)
Current tax liabilities	9	**(14.9)**	(10.6)
Provisions	24	**(75.4)**	(66.3)
		(881.6)	(641.0)
Non-current liabilities			
Interest-bearing loans and borrowings	20	**(310.2)**	(320.0)
Retirement benefit obligations	27	**(59.5)**	(59.8)
Other financial liabilities	23	**(5.5)**	(1.4)
Deferred tax liabilities	9	**(46.1)**	(50.8)
Other liabilities	19	**(5.2)**	(2.4)
Provisions	24	**(32.2)**	(41.7)
		(458.7)	(476.1)
Total liabilities		**(1,340.3)**	(1,117.1)
Net assets		**82.7**	67.1
Capital & reserves			
Share capital		**72.1**	72.1
Reserve for own shares		**(68.8)**	(69.9)
Hedging reserve		**(20.0)**	(4.2)
Other reserve		**1.6**	1.6
Capital redemption reserve		**0.7**	0.7
Retained earnings		**79.7**	50.4
Total shareholders' equity		**65.3**	50.7
Non-controlling interests		**17.4**	16.4
Total equity		**82.7**	67.1



Andrew Allner,
Chairman
2 September 2015



Keith Down,
Group Finance Director
2 September 2015

THE CONSOLIDATED BALANCE SHEET SHOWS ALL OF OUR ASSETS AND LIABILITIES AT THE YEAR END

Further details of the major movements of our assets and liabilities in the year are set out below:

ASSETS

Property, plant and equipment

Overall, the property, plant and equipment totalled £437.4m, consistent with prior years with the vast majority held in the bus division in freehold land and buildings and bus vehicles. During the year the Group spent £42.3m on assets, £36.1m in the bus division and £6.2m in the rail division; offsetting this were depreciation charges of £70.5m, £45.7m in bus and £24.8m in rail.

Intangible assets

Of the total intangible balance of £84.7m, goodwill on the acquisition of bus businesses represents £75.9m, with no additions during the year. Additions during the year included £3.8m of software costs and £2.3m of franchise bid costs. Amortisation during the year totalled £4.2m, plus an impairment of goodwill of £4.9m.

Deferred tax asset

The deferred tax asset of £11.9m reflects the expected tax rate of 20% applied to the pension deficit.

Other current assets

The Group's current assets totalled £882.2m, up £330.0m on the prior year. Of this increase, £322.4m was in cash and cash equivalents, mainly held in the rail business.

Assets held for resale

Of the balances held within the assets held for resale of £6.0m, £2.5m was property, plant and equipment and £3.5m was bus vehicles awaiting refinancing onto operating leases.

LIABILITIES

Trade and other payables

Trade and other payables have increased by £215.2m to £772.9m, mainly attributable to the rail business.

Other financial liabilities

Included in current liabilities is £19.1m and in non-current liabilities is £5.5m which represent the mark to market value of the fuel hedges, split between those due within one year and those due in more than one year.

Non-current interest bearing loans and borrowings

Non-current interest bearing loans and borrowings totalled £309.5m, down from £322.9m in 2014. Principal balances within this amount are a corporate bond of £200m and amounts drawn on our revolving credit facility of £111.0m offset by deferred debt issue costs. Interest rates and movements on these balances are shown in full in note 20.

Retirement benefit obligations

Further details of the retirement benefit obligations in both bus and rail are shown in note 27. The deficit on the bus schemes totals £59.5m and represents the excess of future liabilities compared to current assets in the pension fund. This deficit is primarily being addressed using an asset backed off balance sheet funding arrangement agreed with the scheme trustees. The rail deficit is £nil as the ongoing responsibility for the deficit remains with DfT beyond each franchise term.

Provisions

As shown in note 24, the Group provides for both uninsured claims and for franchise commitments including property and rolling stock dilapidations. The total provision for uninsured claims of £7.3m is lower than in 2014. Franchise commitments are higher at £9.0m. The Group engages with external third party professionals to assist in the calculation of these provisions.

TOTAL EQUITY

Movements in equity and reserves are described in the commentary on the consolidated statement of changes in equity.

CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 27 JUNE 2015

	Notes	2015 £m	2014 £m
Profit after tax for the year		**59.3**	77.6
Net finance costs	8	**18.1**	18.3
Tax expense	9	**19.4**	13.6
Depreciation of property, plant and equipment	12	**70.5**	60.7
Amortisation of intangible assets	13	**4.2**	5.8
Impairment of goodwill	13	**4.9**	–
Pension plan curtailment		**–**	(15.1)
Release of fuel hedge		**–**	(0.5)
Loss on sale of property, plant and equipment		**–**	1.2
Profit on sale of assets held for disposal		**(0.4)**	–
Share based payment charges	6	**1.6**	2.2
Difference between pension contributions paid and amounts recognised in the income statement		**22.0**	10.7
Impairment of joint venture		**–**	0.3
Sale of assets held for disposal		**1.5**	0.4
Decrease/(increase) in inventories		**3.0**	(1.4)
Increase in trade and other receivables		**(3.3)**	(13.1)
Increase in trade and other payables		**232.1**	21.0
Movement in provisions		**(1.5)**	2.6
Cashflow generated from operations		**431.4**	184.3
Taxation paid	9	**(20.3)**	(12.4)
Net cashflows from operating activities		**411.1**	171.9
Cashflows from investing activities			
Interest received		**2.3**	1.5
Proceeds from sale of property, plant and equipment		**0.5**	3.9
Purchase of property, plant and equipment		**(42.3)**	(69.5)
Purchase of intangible assets		**(6.1)**	(1.7)
Net cash transfer on handover of rail franchise	18	**34.8**	–
Purchase of businesses	14	**(0.4)**	–
(Repayment)/receipt of funding for rolling stock procurement		**(68.6)**	68.6
Deposit paid on rolling stock		**–**	(68.6)
Sale of rolling stock		**68.6**	–
Repayments from joint venture		**1.8**	0.3
Sale of current investments		**–**	1.6
Net cashflows used in investing activities		**(9.4)**	(63.9)
Cashflows from financing activities			
Interest paid		**(16.6)**	(16.5)
Dividends paid to members of the parent	11	**(36.7)**	(34.7)
Dividends paid to non-controlling interests		**(12.8)**	(8.6)
Repayment of borrowings		**(122.5)**	(13.7)
Proceeds from borrowings		**111.0**	–
Payment of finance lease and hire purchase liabilities		**(1.7)**	(1.6)
Net cash outflows on financing activities		**(79.3)**	(75.1)
Net increase in cash and cash equivalents		**322.4**	32.9
Cash and cash equivalents at 28 June 2014	18	**281.8**	248.9
Cash and cash equivalents at 27 June 2015	18	**604.2**	281.8

THE CONSOLIDATED CASHFLOW STATEMENT SHOWS THE CASHFLOWS FROM OPERATING, INVESTING AND FINANCING ACTIVITIES FOR THE YEAR

NET CASH/DEBT

Closing net cash was £292.9m, a positive movement of £335.6m from opening net debt of £42.7m. This has been achieved as the result of both increased profitability and positive inflows in working capital.

CASHFLOW RECONCILIATION

A reconciliation of cash generated by operations to free cashflow and net debt, two non-GAAP measures used by management, is shown below.

Summary cashflow	**2015 £m**	2014 £m	Increase/(decrease) £m
EBITDA[1]	**185.2**	163.9	21.3
Working capital/other items	**224.2**	9.7	214.5
Pensions	**22.0**	10.7	11.3
Cashflow generated from operations	**431.4**	184.3	247.1
Tax paid	**(20.3)**	(12.4)	(7.9)
Net interest paid	**(14.3)**	(15.0)	0.7
Net capital investment	**(47.9)**	(67.3)	19.4
Net cash transfer on handover of rail franchise	**34.8**	–	34.8
Free cashflow	**383.7**	89.6	294.1
Net acquisitions	**(0.4)**	–	(0.4)
Joint venture repayment	**1.8**	0.3	1.5
Other	**–**	1.6	(1.6)
Dividends paid	**(49.5)**	(43.3)	(6.2)
Decrease in net debt[2]	**335.6**	48.2	287.4
Opening net debt[2]	**(42.7)**	(90.9)	
Closing net cash/(debt)	**292.9**	(42.7)	

1 EBITDA excludes amortisation, goodwill impairment and exceptional items.

2 Net debt excludes unamortised issue costs.

EBITDA increased by £21.3m or 13.0% to £185.2m through increased profitability across all three divisions. Cash generated by operations increased by £247.1m or 134.1% to £431.4m, primarily driven by working capital improvements, mainly in the rail division.

Capital expenditure, net of sale proceeds, was £19.4m lower in the year at £47.9m (2014: £67.3m) predominantly due to lower levels of new bus vehicle purchases in the regional business.

Free cashflow of £383.7m was £294.1m higher, an increase of 328.2% on 2014.

As detailed in note 20, the Group re-financed its syndicated loan facility resulting in a repayment during the year of £120.0m outstanding under the old facility and drawdown under the new facility of £111.0m. In addition, a US$ based loan facility of £2.5m was also cancelled and repaid.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are in relation to:

Impairment testing

IFRS require management to perform impairment testing if events or changes in circumstances indicate that the carrying values may not be recoverable. The measurement and impairment testing of indefinite life intangible assets requires estimation of the net present value of future cashflows that an investment might make which requires estimations of:

- Growth in profitability and EBITDA adjusted for risk factors appropriate to each business
- Future growth rates
- Timing of future cash outflows such as capital items required
- The selection of a suitable discount rate adjusted for risk factors appropriate to the Group

Our assessment of impairment and the associated sensitivities are detailed in note 13.

Retirement benefit obligations

The measurement of defined benefit pension obligations requires the estimation of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 27. The Group engages Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to our particular circumstances. Management also benchmark these assumptions on a periodic basis with other professional advisors such as PricewaterhouseCoopers.

Uninsured claims

The measurement of uninsured liabilities is based on an assessment of the expected settlement of known claims and an estimate of the cost of claims not yet reported to the Group, as detailed in note 24. In order to assess the appropriate level of provisions the Group engages with its brokers and claims handlers to ensure external expertise is adequately factored in to the provision for known claims.

Measurement of franchise commitments

The measurement of franchise commitments, comprising dilapidation provisions on rolling stock, depots and stations and also income claims from other rail franchise operators is set out in note 24. Significant elements of the provisions required are subject to interpretation of franchise agreements and rolling stock agreements. The Group has significant internal expertise to assess and manage these aspects of the agreements and to enable management to assess the most probable outcomes. Where appropriate, and specifically in assessing dilapidation provisions, this process is supported by valuations from professional external advisors to support provision levels.

Contract and franchise accounting

Judgements are made on an ongoing basis with regard to amounts due and the recoverable carrying value of related assets and liabilities arising from franchises and other contracts. Regular forecasts are compiled on the outcome of these arrangements, which require assessments and judgements relating to the expected level of revenues and costs. In cases where options exist, consideration is also given to the expected life of the contract or franchise.

Exceptional items

The Group presents as exceptional items on the face of the income statement those material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 JUNE 2015

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSS

The consolidated financial statements of The Go-Ahead Group plc (the Group) for the year ended 27 June 2015 were authorised for issue by the Board of directors on 2 September 2015 and the balance sheet was signed on the Board's behalf by Andrew Allner and Keith Down. The Go-Ahead Group plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. The Group's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) as they apply to the consolidated financial statements of the Group for the year ended 27 June 2015, and applied in accordance with the provisions of the Companies Act 2006. The Group is required to comply with international accounting requirements under IAS 1 Presentation of Financial Statements, except in extremely rare circumstances where management concludes that compliance would be so misleading that it would conflict with the objective to 'present fairly' its financial statements. On that basis, the Group has departed from the requirements of IAS 19 Employee Benefits (revised) and has accounted for its contractual but not legal obligations for the Railways Pension Scheme (RPS) under the terms of its UK rail franchise agreements. Details of the background and rationale for this departure are provided in note 27.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This note details the accounting policies which have been applied in the Group's consolidated financial statements. New accounting standards and interpretations which require adoption in future years have also been listed and our current view of the impact they will have on financial reporting.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand (£0.1m) except when otherwise indicated.

As noted above, the Group has taken the decision to depart from the requirements of IAS 19 (revised) so as to present fairly its financial performance, position and cashflows in respect of its obligation for the RPS.

New standards

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

- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Involvement with Other Entities
- IFRS10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between Investors and its Associate or Joint Venture
- IAS 27 Separate Financial Statements (amendment)
- IAS 32 Offsetting Financial Assets and Financial Liabilities (amendment)
- IAS 36 Recoverable Amount Disclsoures for Non-Financial Assets (amendment)
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (amendment)
- IFRIC 21 Levies

Adoption of these new standards and interpretations had no material impact on the financial position or reported performance of the Group. IFRS 12 requires new disclosures about material non-controlling interests which are given in note 28.

The Group does not expect IFRS 15 – Revenue Recognition to have a material impact on the Group when implemented in the year to June 2019.

Basis of consolidation

The consolidated financial statements comprise the financial statements of The Go-Ahead Group plc and its subsidiaries as at 27 June 2015.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The financial statements of subsidiaries for use in the consolidation are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Non-controlling interests represent the equity interests not held by the Group in Govia Limited, a 65% owned subsidiary, and are presented within equity in the consolidated balance sheet, separately from shareholders' equity.

Interest in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in the joint venture are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, that the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of Profit of a joint venture' in the income statement.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment as its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the income will flow to the Group and the value can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales taxes or duty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Rendering of services

The revenue of the Group comprises income from road passenger transport and rail passenger transport.

Bus revenue comprises amounts receivable generated from ticket sales and revenue generated from services provided on behalf of local transport authorities.

Rail revenue comprises amounts based principally on agreed models of route usage, by Railway Settlement Plan Limited (which administers the income allocation system within the UK rail industry), in respect of passenger receipts and other related services such as rolling stock maintenance and commission on tickets sold. In addition, franchise subsidy receipts from the DfT and local Passenger Transport Executives (PTEs) are treated as revenue, whereas franchise premium payments to the DfT are recognised in operating costs.

Revenue is recognised by reference to the stage of completion of the customer's journey or for other services based on the proportion of services provided. The attributable share of season ticket or travel card income is deferred within liabilities and released to the income statement over the life of the relevant season ticket or travel card.

Rental income

Rental income is generated from rental of surplus properties and subleasing of rolling stock and railway infrastructure access. It is accounted for on a straight-line basis over the lease term.

Profit and revenue sharing/support agreements

The rail companies have certain revenue and profit sharing agreements with the DfT. An accrual is made within amounts payable to central Government for the estimated cost to the Group of the relevant amounts accrued at the balance sheet date. Payments are charged to operating costs.

Revenue support is provided by the DfT typically in the last two years of a franchise. Receipts are shown in revenue.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost on transition to IFRSs less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives and the lease terms.

Depreciation is charged to the income statement based on cost or fair value, less estimated residual value of each asset, evenly over its expected useful life as follows:

Short leasehold land and buildings	The life of the lease
Freehold buildings and long leasehold land and buildings	Over 10 to 100 years
Bus vehicles	Over 8 to 15 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, the assets are written down to their recoverable amount.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the income statement over the period necessary to match on a systematic basis to the costs that it is intended to compensate. Where the grant relates to a non-current asset, value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset.

Franchise bid costs

A key part of the Group's activities is the process of bidding for and securing franchises, principally to operate rail services in the UK. All franchise bid costs incurred prior to achieving preferred bidder status are treated as an expense in the income statement irrespective of the ultimate outcome of the bid. 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.

Share based payment transactions

The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group plc (market conditions); conditions not related to performance or service (non-vesting conditions); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised at each reporting date reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Exceptional items

The Group presents as exceptional items on the face of the income statement those material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance.

Finance revenue

Interest on deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest-bearing loans and borrowings

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other de-recognition of debt are recognised directly in the income statement.

Assets held under finance leases, which are leases where substantially all of the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet, with a corresponding liability being recognised, and are depreciated over the shorter of their useful lives and the lease terms.

The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the periods of the leases and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Leases where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, and the amortisation of lease incentives and initial direct costs in securing leases, are charged to the income statement on a straight-line basis over the lease term.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- On the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

Software

Software, that is not integral to the related hardware, is capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three to five years.

Franchise assets

Where the conditions relating to the award of a franchise require the Group to assume legal responsibility for any pension liability that exists at that point in time, the Group recognises a liability representing the fair value of the related net pension deficit that the Group expects to fund during the franchise term. When a pension deficit exists at the start of the franchise, a corresponding intangible asset is recognised, reflecting a cost in acquiring the right to operate the franchise. If a pension surplus exists at the start of the franchise, then a corresponding deferred income balance is recognised, representing a government grant. The intangible asset or deferred income balance is amortised through the income statement on a straight-line basis over the period of the franchise.

The carrying value of franchise assets is reviewed for impairment at the end of the first financial year following the award of the franchise and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Business combinations and goodwill

Business combinations are accounted for under IFRS 3 Business Combinations (revised) using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit and loss or in other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate from the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion, are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount, being the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reinstated amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Inventories

Stocks of fuel and engineering spares, that are not expected to be used during more than one period, are valued at the lower of cost and net realisable value. Cost comprises direct materials and costs incurred in bringing the items to their present location and condition. Net realisable value represents the estimated selling price less costs of sale.

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand, and short term deposits with an original maturity of three months or less. For the purpose of the consolidated cashflow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial assets and derivatives

Financial assets are accounted for in accordance with IAS 39. Financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through profit or loss, directly attributable transaction costs.

The Group uses derivatives to hedge its risks associated with fuel price fluctuations, and interest derivatives to hedge its risks associated with interest rate fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently re-measured at fair value at each balance sheet date.

Changes in the fair value of financial instruments that are designated and effective as hedges of future cashflows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. When the cashflow hedge results in the recognition of a non-financial asset or a liability, then at the time that asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of that non-financial asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the period in which the hedged item affects net profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement as they arise.

Hedge accounting is discontinued when the derivative expires or is sold, terminated or exercised without replacement or rollover, or otherwise no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs, at which point it is taken to the income statement or included in the initial carrying amount of the related non-financial asset as described above. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement.

Fair value measurement

The Group measures financial instruments, such as derivatives, and non-financial assets, such as investment properties, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in note 23.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

When required, the Group presents the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, expected future cashflows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Uninsured liabilities

The Group limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits for total claims within the excess limits. A provision is recognised for the estimated cost to the Group to settle claims for incidents occurring prior to the balance sheet date.

The estimation of this provision is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Group by the insurer.

Treasury shares

Re-acquired shares in the Group, which remain uncancelled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares. Any gain or loss on the purchase, sale, issue or cancellation of the Group's shares is transferred from the reserve for own shares to revenue reserves.

Retirement benefits

The Group operates a number of pension schemes, both defined benefit and defined contribution. The costs of these are recognised in the income statement. As discussed below, the Group has invoked the provisions of IAS 1 Presentation of Financial Statements and has departed from the requirements of IAS 19 (revised) in respect of the Rail Pension Schemes (RPS).

Bus schemes

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest) are recognised in the statement of comprehensive income in the period in which they occur.

The current service cost is recognised in the income statement within operating costs. The net interest expense or income is recognised in the income statement within finance costs.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

Contributions payable under defined contribution schemes are charged to operating costs in the income statement as they fall due.

Rail schemes

The train operating companies participate in the RPS, a defined benefit scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. A liability or asset is recognised in line with other defined benefit schemes in the Group, although this is offset by a franchise adjustment so that the net liability or asset (including as appropriate the impact of any minimum funding requirements) represents the deficit or surplus that the Group expects to fund or benefit from during the franchise term. This represents a departure from IAS 19 (revised) so as to present fairly the Group's financial performance, position and cashflow in respect of its obligations for the RPS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

New standards and interpretations not applied

The International Accounting Standards Board ('IASB') has issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date (periods beginning on or after)
IAS 19 Defined Benefit Plans: Employee Contributions (amendment)	1 July 2014
Annual Improvements to IFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011 – 2013 Cycle	1 July 2014
Annual Improvements to IFRSs 2012 – 2014 Cycle	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IAS 1 Presentation of Financial Statements – Disclosure Initiative	1 January 2016
IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Bearer Plants	1 January 2016
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018

The directors do not anticipate adoption of these standards and interpretations will have a material impact on the Group's financial statements.

3. SEGMENTAL ANALYSIS

The Group's businesses are managed on a divisional basis. Selected financial data is presented on this basis below. For accounting policies see 'Interest in joint ventures' in note 2.

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

The regional bus division comprises bus operations outside London.

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

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

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

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

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

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

Year ended 27 June 2015

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

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

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

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

Year ended 28 June 2014

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

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

4. GROUP REVENUE

This note provides an analysis of Group revenue. For accounting policies see 'Revenue recognition', 'Rendering of services', 'Rental income' and 'Profit and revenue sharing/support agreements' in note 2.

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

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

Detailed below are the key amounts recognised in arriving at our operating costs. For accounting policies see 'Profit and revenue sharing/support agreements', 'Property, plant and equipment', 'Government grants' and 'Franchise bid costs' in note 2.

	2015 £m	2014 £m
Staff costs (note 6)	**1,079.6**	929.2
Operating lease payments		
– bus vehicles	**16.6**	18.4
– non-rail properties	**2.6**	2.8
– other non-rail	**0.1**	0.1
– rail rolling stock	**410.9**	320.2
– other rail	**88.0**	65.8
Total lease and sublease payments recognised as an expense (excluding rail access charges)[1]	**518.2**	407.3
– rail access charges	**489.9**	461.1
Total lease and sublease payments recognised as an expense[2]	**1,008.1**	868.4
DfT Franchise agreement payments	**228.6**	182.5
Other operating income	**(24.8)**	(25.5)
Depreciation of property, plant and equipment		
– owned assets	**69.4**	51.9
– leased assets	**1.1**	8.8
Total depreciation expense	**70.5**	60.7
Auditors' remuneration		
– audit of the financial statements (EY)	**0.5**	0.5
– audit of the financial statements (Grant Thornton)	**–**	0.1
– taxation services	**0.1**	0.1
– other services	**0.1**	–
Total auditors' remuneration	**0.7**	0.7
Trade receivables not recovered	**0.3**	0.1
Energy costs		
– bus fuel	**118.4**	112.9
– rail diesel fuel	**9.6**	10.6
– rail electricity (EC4T)	**109.5**	84.6
– cost of site energy	**15.2**	11.7
Total energy costs	**252.7**	219.8
Government grants	**(8.0)**	(2.8)
(Profit)/loss on disposal of property, plant and equipment	**(0.4)**	1.2
Costs expensed relating to franchise bidding activities	**10.7**	8.1
Other operating costs	**482.5**	356.8
Total operating costs	**3,100.5**	2,599.2

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

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

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

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

6. 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. For accounting policies see 'Share based payment transactions' in note 2.

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

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

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

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

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

Sharesave scheme

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

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

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

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

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

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

6. STAFF COSTS CONTINUED

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

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

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

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

Long Term Incentive Plans

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

The expense recognised for the LTIP during the year to 27 June 2015 was £0.4m (2014: £1.8m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 27 June 2015 and 28 June 2014 were:

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

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

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

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

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

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

Deferred Share Bonus Plan

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

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

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

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

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

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

Deferred Share Bonus Plan continued

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

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

Share incentive plans

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

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

7. EXCEPTIONAL ITEMS

This note identifies items of an exceptional nature that have a significant impact on the results of the Group in the period. For accounting policies see 'Exceptional items' in note 2.

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

Year ended 27 June 2015

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

Year ended 28 June 2014

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

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

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

8. FINANCE REVENUE AND COSTS

Finance revenue comprises interest received from bank deposits. Finance costs mainly arise from interest due on the bond and bank loans. For accounting policies see 'Finance revenue' and 'Interest-bearings loans and borrowings' in note 2.

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

9. TAXATION

This note explains how our Group tax charge arises. The deferred tax section of the note sets out the deferred tax liabilities held across the Group. For accounting policies see 'Taxation' in note 2.

a. Tax recognised in the income statement and in equity

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

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

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

b. Reconciliation

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

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

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

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

c. Reconciliation of current tax liabilities

A reconciliation of the current tax liability is provided below:

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

d. Deferred tax

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

	2015 £m	2014 £m
Deferred tax liability		
Accelerated capital allowances	**(29.6)**	(30.6)
Other temporary differences	**(1.1)**	(2.8)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**(15.4)**	(17.4)
Deferred tax liability included in balance sheet	**(46.1)**	(50.8)
Deferred tax asset		
Retirement benefit obligations	**11.9**	12.0
Deferred tax asset included in balance sheet	**11.9**	12.0

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

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

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

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

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

10. EARNINGS PER SHARE

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

Basic and diluted earnings per share

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

10. EARNINGS PER SHARE CONTINUED

	2015	2014
Basic weighted average number of shares in issue ('000)	**42,916**	42,854
Dilutive potential share options ('000)	**754**	448
Diluted weighted average number of shares in issue ('000)	**43,670**	43,302
Earnings per share:		
Basic earnings per share (pence per share)	**121.6**	164.0
Diluted earnings per share	**119.5**	162.4
Adjusted basic earnings per share	**150.8**	148.6
Adjusted diluted earnings per share	**148.2**	147.1

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

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

The effect of taxation and non-controlling interests on exceptional items and amortisation is shown below for each of the periods.

Adjusted earnings per share

Adjusted earnings per share is also presented to eliminate the impact of intangible and goodwill amortisation and exceptional items in order to show a 'normalised' earnings per share. This is analysed as follows:

Year ended 27 June 2015

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

Year ended 28 June 2014

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

11. DIVIDENDS PAID AND PROPOSED

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

	2015 £m	2014 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2014: 59.0p per share (2013: 55.5p)	**25.3**	23.8
Interim dividend for 2015: 26.6p per share (2014: 25.5p)	**11.4**	10.9
	36.7	34.7

	2015 £m	2014 £m
Proposed for approval at the AGM (not recognised as a liability as at 27 June 2015)		
Equity dividends on ordinary shares:		
Final dividend for 2015: 63.4p per share (2014: 59.0p)	**27.2**	25.3

12. 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. For accounting policies see 'Property, plant and equipment' in note 2.

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

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

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

13. INTANGIBLE ASSETS

The consolidated balance sheet contains significant intangible assets mainly in relation to goodwill, software, franchise bid costs and customer contracts. Goodwill, which arises when the Group acquire a business and pay a higher amount than the fair value of the net assets primarily due to the synergies the Group expect to create, is not amortised but is subject to annual impairment reviews. Software is amortised over its expected useful life. Franchise bid costs are amortised over the life of the franchise/franchise extension. Customer contracts are amortised over the life of the contract. For further details see 'Software', 'Franchise bid costs', 'Franchise assets', 'Business combinations and goodwill' and 'Impairment of assets' in note 2.

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

Software costs

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

Franchise bid costs

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

Rail franchise asset

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

Customer contracts

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

Goodwill

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

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

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

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

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

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

14. BUSINESS COMBINATIONS

This note details acquisition transactions carried out in the current and prior periods. For accounting policies see 'Business combinations and goodwill' in note 2.

Year ended 27 June 2015

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

Net assets at date of acquisition:

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

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

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

Year ended 28 June 2014

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

15. 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. For accounting policies see 'Non-current assets held for sale' in note 2.

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

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

16. INVENTORIES

Inventory primarily consists of vehicle spares and fuel and is presented net of allowances for obsolete products. For accounting policies see 'Inventories' in note 2.

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

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

17. TRADE AND OTHER RECEIVABLES

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

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

	2015 £m	2014 £m
Non-current		
Other receivables	**0.8**	1.2

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

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

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

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

18. CASH AND CASH EQUIVALENTS

The majority of the Group's cash is held in bank deposits which have a maturity of three months or less to comply with DfT short term liquidity requirements. For accounting policies see 'Cash and cash equivalents' in note 2.

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

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

Amounts held by rail companies included in cash at bank and on short term deposit can be distributed only with the agreement of the DfT, normally up to the value of revenue reserves or based on a working capital formula. As at 27 June 2015, balances amounting to £537.6m (2014: £217.3m) were restricted. Part of this amount is to cover deferred income for rail season tickets, which was £172.8m at 27 June 2015 (2014: £123.4m).

Non cashflow movements

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

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

19. TRADE AND OTHER PAYABLES

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

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

	2015 £m	2014 £m
Non-current		
Government grants	**5.2**	2.4
	5.2	2.4

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

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

20. INTEREST-BEARING LOANS AND BORROWINGS

The Group's sources of borrowing for funding and liquidity requirements come from a range of committed bank facilities and a capital market bond. The Group held a dollar loan facility to mitigate the impact of exchange rate movements on joint venture transactions. For accounting policies see 'Interest-bearing loans and borrowings' and 'Cash and cash equivalents' in note 2.

Net cash/debt and interest-bearing loans and borrowings

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

Year ended 27 June 2015

			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)	1.01	0-5 years	–	111.0	–	111.0
Debt issue costs on syndicated loans			(0.4)	(0.8)	–	(1.2)
£200m sterling 7.5 year bond (see below)	5.38	0-3 years	–	200.0	–	200.0
Debt issue costs			(0.5)	(0.1)	–	(0.6)
Finance leases and HP commitments (see note 21)	9.55	0-3 years	0.2	0.1	–	0.3
Total interest-bearing loans and borrowings			(0.7)	310.2	–	309.5
Debt issue costs			0.9	0.9	–	1.8
Total interest-bearing loans and borrowings (gross of debt issue costs)			0.2	311.1	–	311.3
Cash and short term deposits (note 18)			(604.2)	–	–	(604.2)
Net cash			(604.0)	311.1	–	(292.9)
Restricted cash						537.6
Adjusted net debt						244.7

Year ended 28 June 2014

			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 note 21)	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 (note 18)			(281.8)	–	–	(281.8)
Net debt			(278.1)	320.8	–	42.7
Restricted cash						217.3
Adjusted net debt						260.0

Analysis of Group net debt

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

Syndicated loan facility

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

As at 27 June 2015, £111.0m (2014: £120.0m) of the facility was drawn down.

£200m sterling 7.5 year bond

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

Dollar loan

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

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

Debt issue costs

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

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

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

21. FINANCE LEASE AND HIRE PURCHASE COMMITMENTS

This note details finance lease and hire purchase commitments. For accounting policies see 'Interest bearing loans and borrowings' in note 2.

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

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

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

This note details our treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to interest rate, liquidity, foreign exchange and credit risk, and the policies in place to monitor and manage these risks.

Financial risk factors and management

The Group's principal financial instruments comprise bank loans, a sterling bond, hire purchase and finance lease contracts, and cash and short term deposits. The main purpose of these financial instruments is to provide an appropriate level of net debt to fund the Group's activities, namely working capital, fixed asset expenditure, acquisitions and dividends. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, primarily fuel swaps and interest rate swaps. The purpose of these is to manage the fuel price and interest rate risks arising from the Group's operations and its sources of finance.

It is, and has been throughout 2014/15 and 2013/14, the Group's policy that no trading in derivatives shall be undertaken and derivatives are only purchased for internal benefit.

The main financial risks arising from the Group's activities are interest rate risk, liquidity risk and credit risk. Risks arising from fuel derivatives are explained in note 23.

Interest rate risk

The Group borrows and deposits funds and is exposed to changes in interest rates. The Board's policy toward cash deposits is to deposit cash short term on UK money markets. Interest payable on senior bank borrowings can be based on re-fixing the rate of interest over short periods of time of up to 36 months.

The Group manages interest rate risk through a combination of fixed rate instruments and/or interest rate derivatives. During the years ended 27 June 2015 and 28 June 2014 the Group had no interest rate swaps in place. The Group has net cash and hence the present adverse risk is a decrease in interest rates.

The maturity and interest rate profile of the financial assets and liabilities of the Group (excluding unamortised issue costs) as at 27 June 2015 and 28 June 2014 is as follows:

	Average rate %	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Year ended 27 June 2015								
Floating rate (assets)/liabilities								
Variable rate loans	**1.10**	**–**	**–**	**–**	**–**	**111.0**	**–**	**111.0**
Gross floating rate liabilities		**–**	**–**	**–**	**–**	**111.0**	**–**	**111.0**
Cash assets	**0.54**	**(604.2)**	**–**	**–**	**–**	**–**	**–**	**(604.2)**
Net floating rate (assets)/liabilities		**(604.2)**	**–**	**–**	**–**	**111.0**	**–**	**(493.2)**
Fixed rate liabilities								
£200m sterling 7.5 year bond	**5.38**	**–**	**–**	**200.0**	**–**	**–**	**–**	**200.0**
Obligations under finance lease and hire purchase contracts	**9.55**	**0.2**	**0.1**	**–**	**–**	**–**	**–**	**0.3**
Net fixed rate liabilities		**0.2**	**0.1**	**200.0**	**–**	**–**	**–**	**200.3**
Year ended 28 June 2014								
Floating rate (assets)/liabilities								
Variable rate loans	1.70	2.5	120.0	–	–	–	–	122.5
Gross floating rate liabilities		2.5	120.0	–	–	–	–	122.5
Cash assets	0.53	(281.8)	–	–	–	–	–	(281.8)
Net floating rate (assets)/liabilities		(279.3)	120.0	–	–	–	–	(159.3)
Fixed rate liabilities								
£200m sterling 7.5 year bond	5.38	–	–	–	200.0	–	–	200.0
Obligations under finance lease and hire purchase contracts	7.87	1.2	0.6	0.2	–	–	–	2.0
Net fixed rate liabilities		1.2	0.6	0.2	200.0	–	–	202.0

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables above are non-interest bearing and are therefore not subject to interest rate risk.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2015			
GBP	**50.0**	**(0.5)**	**(0.5)**
GBP	**(50.0)**	**0.5**	**0.5**
2014			
GBP	50.0	(0.6)	(0.6)
GBP	(50.0)	0.6	0.6

Liquidity risk

The Group has in place a £280.0m syndicated loan facility which allows the Group to maintain liquidity within the desired gearing range.

On 16 July 2014, the Group re-financed and entered into a £280.0m five year syndicated loan facility, with two one-year extensions replacing the previous £275.0m five year syndicated loan facility. One of the one-year extensions was agreed on 1 July 2015, extending the maturity of the current facility to July 2020.

On 24 March 2010, the Group raised a £200m bond of 7.5 years maturing on 29 September 2017. The level of drawdown and prevailing interest rates are detailed in note 20.

Available liquidity as at 27 June 2015 and 28 June 2014 was as follows:

	2015 £m	2014 £m
Five year syndicated facility 2019/Five year syndicated facility 2016	**280.0**	275.0
£200m 7.5 year 5.375% sterling bond 2017	**200.0**	200.0
Total core facilities	**480.0**	475.0
Amount drawn down at 27 June 2015	**311.0**	320.0
Headroom	**169.0**	155.0

The Group's bus vehicles can be financed by hire purchase or finance lease arrangements, or term loans at fixed rates of interest over two to five year primary borrowing periods. This provides a regular inflow of funding to cover expenditure as it arises.

Foreign currency risk

On 26 July 2010, a $10.0m five year facility was agreed with RBS to ensure dollar investment in our US joint venture is funded by dollar borrowings to provide an effective foreign currency hedge.

The amount drawn on the facility reflects the investment in and the working capital requirements of the Group's share in its US joint venture. As the investment and borrowings are both denominated in US$ this provides a natural hedge over the Group's foreign currency exposure.

The US$ loan facility was repaid in full during the year ended 27 June 2015 on termination of the US joint venture and the facility subsequently cancelled.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables (see note 17) and cash deposits (see note 18). The maximum credit risk exposure of the Group comprises the amounts presented in the balance sheet, which are stated net of provisions for doubtful debt. A provision is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of future cashflows.

The majority of the Group's receivables are with public (or quasi-public) bodies (such as the DfT). The Group does not consider these counterparties to be a significant credit risk. Risk of exposure to non-return of cash on deposit is managed through a treasury policy of holding deposits with banks rated A- or A3 or above by at least one of the credit rating agencies. The treasury policy outlines the maximum level of deposit that can be placed with any one given financial institution.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Contractual payments

The tables below summarise the maturity profile of the Group's financial liabilities at 27 June 2015 and 28 June 2014 based on contractual undiscounted payments.

Year ended 27 June 2015

	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	–	0.2	0.7	113.8	–	114.7
£200m sterling 7.5 year bond	–	10.6	–	212.9	–	223.5
Other financial liabilities	–	4.8	14.3	5.5	–	24.6
Trade and other payables	20.0	321.5	80.4	–	–	421.9
	20.0	337.1	95.4	332.2	–	784.7

Year ended 28 June 2014

	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	–	3.2	2.2	122.0	–	127.4
£200m sterling 7.5 year bond	–	10.4	–	223.3	–	233.7
Other financial liabilities	–	0.9	2.6	1.3	–	4.8
Trade and other payables	73.2	166.9	109.7	–	–	349.8
	73.2	181.4	114.5	346.6	–	715.7

Managing capital

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 27 June 2015 and 28 June 2014.

The Group applies the primary objective by managing its capital structure such that net debt (adjusted to exclude restricted cash) to EBITDA (before exceptionals) is within a range which retains an investment grade debt rating of at least BBB-.

In the year ended 2 July 2011, the Group obtained investment grade long term credit ratings from Standard & Poor's and Moody's as follows:

Standard & Poor's BBB- (Stable outlook)

Moody's Baa3 (Stable outlook)

Those ratings have been maintained in the year ended 27 June 2015.

The Group's policy is to maintain an adjusted net debt to EBITDA ratio of 1.5x to 2.5x through the cycle. The Group's calculation of adjusted net debt is set out in note 20 and includes cash and short term deposits, interest-bearing loans and borrowings, and excludes restricted cash. During the year no specific actions were required to be taken by the Group with regard to this ratio or to ensure the investment grade debt rating.

Our primary financial covenant under the 2019 syndicated loan facility is an adjusted net debt to EBITDA ratio of not more than 3.5x. Under the 2019 syndicated loan facility our covenants are 1.32x (2014: 1.59x). Under the previous 2016 syndicated loan facility we adjusted for the effect of IAS 19 (revised) of £20.0m (2014: £15.6m) resulting in a restated adjusted net debt to EBITDA ratio for 2014 of 1.45x.

Operating leases

The Group uses operating leases for bus and coach purchases across the Group primarily where the vehicles service specific contracts to mitigate the risk of ownership at the end of the contract. This results in £1.1m (2014: £1.9m) of cost within operating charges which would otherwise have been charged to interest. The Group holds operating leases for its bus fleet with an asset capital value of £20.1m (2014: £27.0m).

The majority of assets in the rail division are financed by operating leases, in particular rolling stock.

23. DERIVATIVES AND FINANCIAL INSTRUMENTS

A derivative is a security whose price is dependent upon or derived from an underlying asset. The Group uses energy derivatives to hedge its risks associated with fuel price fluctuations. Financial instruments held by the Group include fuel hedge derivatives and finance lease/hire purchase contracts. For accounting policies see 'Financial assets and derivatives', 'Fair value measurement' and 'Interest bearing loans and borrowings' in note 2.

a. Fair values

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

	2015 £m	2014 £m
Non-current assets	**–**	0.1
	–	0.1
Current liabilities	**(19.1)**	(3.5)
Non-current liabilities	**(5.5)**	(1.4)
	(24.6)	(4.9)
Net financial liabilities	**(24.6)**	(4.8)

Year ended 27 June 2015

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

Year ended 28 June 2014

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

The fair value of all other assets and liabilities in notes 17, 19 and 20 is not significantly different from their carrying amount, with the exception of the £200m sterling 7.5 year bond which has a fair value of £213.7m (2014: £217.2m) but is carried at its amortised cost of £199.4m. The fair value of the £200m sterling 7.5 year bond has been determined by reference to the price available from the market on which the bond is traded. The fuel price derivatives were valued externally by the respective banks by comparison with the market fuel price for the relevant date.

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

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

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

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

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

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

During the year ended 27 June 2015, there were no transfers between valuation levels.

23. DERIVATIVES AND FINANCIAL INSTRUMENTS CONTINUED

b. Hedging activities

Fuel derivatives

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

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

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

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

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

24. 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. For accounting policies see 'Provisions' and 'Uninsured liabilities' in note 2.

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

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

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

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

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

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

25. ISSUED CAPITAL AND RESERVES

Called up share capital is the number of shares in issue at their par value. For accounting policies see 'Treasury shares' in note 2.

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

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

Share capital

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

Reserve for own shares

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

The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances. During the year ended 27 June 2015 the Group has not purchased any shares (2014: no shares purchased). The Group has not cancelled any shares during the year (2014: no shares cancelled).

Other reserve

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

Hedging reserve

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

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

26. COMMITMENTS AND CONTINGENCIES

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

Capital commitments

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

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

Contractual commitments

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

26. COMMITMENTS AND CONTINGENCIES CONTINUED

Operating lease commitments – Group as lessee

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

Future minimum rentals payable under non-cancellable operating leases as at 27 June 2015 and 28 June 2014 were as follows:

As at 27 June 2015

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

As at 28 June 2014

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

The significant increase in operating lease commitments reflects the lease obligations in the GTR franchise and the directly awarded contract in Southeastern which commenced during the year ended 27 June 2015. Details of the lease cost for the year are shown in note 5.

Operating lease commitments – Group as lessor

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

Future minimum rentals payable under non-cancellable operating leases as at 27 June 2015 and 28 June 2014 were as follows:

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

Performance bonds

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

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

To support subsidiary companies in their normal course of business, the Group has indemnified certain banks and insurance companies who have issued certain performance bonds and a letter of credit. The letter of credit at 27 June 2015 is £45.0m (2014: £45.0m).

27. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a defined contribution pension scheme and a workplace saving scheme for our employees. We also administer a defined benefit pension scheme, which is closed to new entrants and future accruals. The train operating companies participate in the Rail Pension Scheme, a defined benefit scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. For accounting policies see 'Retirement benefits' in note 2.

Retirement benefit obligations consist of the following:

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

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

BUS SCHEMES

The Go-Ahead Group Pension Plan

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

The defined contribution section of the Go-Ahead Plan is not contracted-out of the State Second Pension Scheme. It was closed to new entrants during the year ended 28 June 2014 and replaced by a workplace saving scheme, which is also a defined contribution pension scheme. The expense recognised for the defined contribution section of the Go-Ahead Plan is £11.3m (2014: £9.0m), being the contributions paid and payable. The expense recognised for the workplace saving scheme is £1.9m (2014: £0.9m) being the contributions paid and payable.

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

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

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

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

Other pension plans

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

Summary of year end assumptions

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

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

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

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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

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

Sensitivity analysis

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

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

Maturity profile of defined benefit obligation

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

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

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

Category of assets at the year end

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

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

Funding position of the Group's pension arrangements

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

Pension cost for the financial year

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

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

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

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

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

Estimated contributions for future

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

RAIL SCHEMES

The Railways Pension Scheme (RPS)

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

BRASS matching AVC Group contributions of £0.8m (2014: £0.9m) were paid in the year.

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

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

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Summary of year end assumptions

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

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

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

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

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

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

Sensitivity analysis

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

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

Category of assets at the year end

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

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

Funding position of the Group's pension arrangements

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

Pension cost for the financial year

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

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

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

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

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

Estimated contributions for future

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

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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

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

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

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

RISKS ASSOCIATED WITH DEFINED BENEFIT PLANS

Bus schemes

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

Rail schemes

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

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

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

28. RELATED PARTY DISCLOSURES AND GROUP UNDERTAKINGS

Our subsidiaries are located across the country and each contributes to the profits, assets and cashflow of the Group. The Group has a number of related parties including joint ventures, pension schemes and directors.

The consolidated financial statements include the financial statements of The Go-Ahead Group plc and the following Group undertakings:

Name	Country of incorporation	% equity interest 2015	2014
Trading subsidiaries			
Go-Ahead Holding Limited	United Kingdom[2]	**100**	100
Go North East Limited	United Kingdom	**100**	100
Go Northern Limited	United Kingdom	**100**	100
London General Transport Services Limited	United Kingdom	**100**	100
London Central Bus Company Limited	United Kingdom	**100**	100
Dockland Buses Limited	United Kingdom	**100**	100
Blue Triangle Buses Limited	United Kingdom	**100**	100
Go-Ahead London Rail Replacement Services Limited	United Kingdom	**100**	100
Metrobus Limited	United Kingdom	**100**	100
Brighton & Hove Bus and Coach Company Limited	United Kingdom	**100**	100
The City of Oxford Motor Services Limited	United Kingdom	**100**	100
Go South Coast Limited	United Kingdom	**100**	100
Hants & Dorset Transport Support Services Limited	United Kingdom	**100**	100
Plymouth Citybus Limited	United Kingdom	**100**	100
Konectbus Limited	United Kingdom	**100**	100
Thames Travel (Wallingford) Limited	United Kingdom	**100**	100
Carousel Buses Limited	United Kingdom	**100**	100
Hedingham and District Omnibuses Limited	United Kingdom	**100**	100
Anglian Bus Limited	United Kingdom	**100**	100
HC Chambers and Son Limited	United Kingdom	**100**	100
Aviance UK Limited	United Kingdom	**100**	100
New Southern Railway Limited	United Kingdom[1]	**65**	65
London and South Eastern Railway Limited	United Kingdom[1]	**65**	65
London and Birmingham Railway Limited	United Kingdom[1]	**65**	65
Southern Railway Limited	United Kingdom[1]	**65**	65
Govia Thameslink Railway Limited	United Kingdom[1]	**65**	65
Thameslink Rail Limited	United Kingdom[1]	**65**	65
Govia Limited	United Kingdom[1]	**65**	65
Go-Ahead Leasing Limited	United Kingdom	**100**	100
Go-Ahead Scotland Limited	United Kingdom	**100**	100
Go-Ahead Holding LLC	United States of America	**100**	100
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Germany	**100**	100
Jointly controlled entities			
Go-Ahead North America LLC	United States of America	**–**	50
On Track Retail Limited	United Kingdom	**50**	n/a

1 The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.

2 Held by The Go-Ahead Group plc. All other companies are held through subsidiary undertakings.

28. RELATED PARTY DISCLOSURES AND GROUP UNDERTAKINGS CONTINUED

Name	Country of incorporation	% equity interest 2015	% equity interest 2014
Dormant subsidiaries			
Eastern Railway Limited	United Kingdom	**100**	100
Go Wear Buses Limited	United Kingdom	**100**	100
Go-Reading Limited	United Kingdom	**100**	100
South Central Limited	United Kingdom	**100**	100
The Go-Ahead Group Trustee Co Limited	United Kingdom	**100**	100
Go-Ahead Property Development Limited	United Kingdom	**100**	100
Go-Ahead XX Limited	United Kingdom	**100**	100
GHI Limited	United Kingdom	**100**	100
Southern Vectis Limited	United Kingdom	**100**	100
Birmingham Passenger Transport Services Limited	United Kingdom	**100**	100
Go Coastline Limited	United Kingdom	**100**	100
Go London Limited	United Kingdom	**100**	100
Go West Midlands Limited	United Kingdom	**100**	100
Levers Coaches Limited	United Kingdom	**100**	100
MetroCity (Newcastle) Limited	United Kingdom	**100**	100
Thames Trains Limited	United Kingdom	**100**	100
Victory Railway Holdings Limited	United Kingdom	**100**	100
Govia Northern Limited	United Kingdom[1]	**65**	65
London & East Midlands Railway Limited	United Kingdom[1]	**65**	65
North London Orbital Railway Limited	United Kingdom[1]	**65**	65
Abingdon Bus Company Limited	United Kingdom	**100**	100
Reed Investments Limited	United Kingdom	**100**	100
Gatwick Handling Limited	United Kingdom	**100**	100
GH Heathrow Limited	United Kingdom	**100**	100
GH Manchester Limited	United Kingdom	**100**	100
GH Stansted Limited	United Kingdom	**100**	100
Midland Airport Services Limited	United Kingdom	**100**	100
Oxford Newco Limited	United Kingdom	**100**	100
London General Trustee Company Limited	United Kingdom	**100**	100
Go-Ahead Finance Company	United Kingdom	**100**	100
Hants & Dorset Motor Services Limited	United Kingdom	**100**	100
Hants & Dorset Trim Limited	United Kingdom	**100**	100
Solent Blue Line Limited	United Kingdom	**100**	100
Marchwood Motorways (Services) Limited	United Kingdom	**100**	100
Marchwood Motorways (Southampton) Limited	United Kingdom	**100**	100
The Southern Vectis Omnibus Co. Limited	United Kingdom	**100**	100
Tourist Coaches Limited	United Kingdom	**100**	100
Wilts & Dorset Bus Company Limited	United Kingdom	**100**	100
Wilts & Dorset Investments Limited	United Kingdom	**100**	100
Wilts & Dorset Holdings Limited	United Kingdom	**100**	100

1 The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.

Transactions with other related parties

The Group meets certain costs of administering the Group's retirement benefit plans, including the provision of meeting space and office support functions to the trustees. Costs borne on behalf of the retirement benefit plans amounted to £0.2m (2014: £0.2m).

During the year ended 27 June 2015, the Group disposed of its 50% interest in Go-Ahead North America (2014: 50%), a 50:50 joint venture with Cook-Illinois, and received repayment of all loan capital, leaving a residual investment value of £nil (2014: £1.8m). During the year, £1.8m (2014: £0.3m) of loans were repaid to the Group by Go-Ahead North America.

Compensation of key management personnel of the Group

The key management are considered to be the directors of the Group.

	2015 £m	2014 £m
Short term employee benefits	**1.9**	2.0
Long term employee benefits[1]	**2.3**	2.0
Post employment benefits	**0.1**	0.1
	4.3	4.1

1 The long term employee benefits relate to LTIP and DSBP

MATERIAL PARTLY OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	2015	2014
Govia Limited	United Kingdom	**35%**	35%
London and South Eastern Railway Limited[1]	United Kingdom	**35%**	35%
Southern Railway Limited[1]	United Kingdom	**35%**	35%
London and Birmingham Railway Limited[1]	United Kingdom	**35%**	35%
Govia Thameslink Railway Limited[1]	United Kingdom	**35%**	35%
Thameslink Rail Limited[1]	United Kingdom	**35%**	35%
New Southern Railway Limited[1]	United Kingdom	**35%**	35%

1 Subsidiary of Govia Limited

	2015 £m	2014 £m
Accumulated balances of material non-controlling interest:		
Govia Limited	**15.8**	14.6
Total comprehensive income allocated to material non-controlling interest:		
Govia Limited	**13.8**	11.0

The summarised financial information of these subsidiaries is provided below. The information is based on amounts before inter-company eliminations:

Summarised income statement of Govia Limited and its subsidiary companies for the year ended 27 June 2015 and 28 June 2014:

	2015 £m	2014 £m
Revenue	**2,397.4**	1,901.8
Operating costs	**(2,355.1)**	(1,867.5)
Intangible asset amortisation	**(0.8)**	(2.4)
Exceptional items	**(8.8)**	(3.0)
Finance revenue	**2.3**	1.4
Finance costs	**(2.9)**	(1.5)
Profit on ordinary activities before taxation	**32.1**	28.8
Tax expense	**(11.8)**	(7.9)
Profit for the year from controlling operations	**20.3**	20.9
Total comprehensive income	**39.4**	31.5
Attributable to non-controlling interests	**13.8**	11.0
Dividends paid to non-controlling interests	**12.8**	8.6

Summarised balance sheet of Govia Limited and its subsidiary companies as at 27 June 2015 and 28 June 2014:

	2015 £m	2014 £m
Current assets – inventories, trade and other receivables, cash	**843.7**	626.1
Non-current assets – property, plant and equipment, intangible assets, deferred tax	**25.0**	36.0
Current liabilities – trade and other payables, provisions	**(815.7)**	(611.6)
Non-current liabilities – provisions	**(8.0)**	(8.8)
Total equity	**45.0**	41.7
Attributable to:		
Equity holders of the parent	**29.2**	27.1
Non-controlling interest	**15.8**	14.6

These balance sheet amounts are shown before intercompany elimations.

Summarised cashflow information of Govia Limited and its subsidiary companies for the year ended 27 June 2015 and 28 June 2014:

	2015 £m	2014 £m
Operating	**324.9**	41.6
Investing	**45.5**	10.1
Financing	**(39.3)**	(26.1)
Net increase in cash and cash equivalents	**331.1**	25.6

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE GO-AHEAD GROUP PLC

We have audited the Parent Company financial statements of The Go-Ahead Group plc for the year ended 27 June 2015 which comprise the Parent Company statement of comprehensive income, the Parent Company statement of changes in equity, the Parent Company balance sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the directors' responsibilities statement set out on page 142, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 27 June 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the Group financial statements of The Go-Ahead Group plc for the year ended 27 June 2015.

Ernst + Young LLP

Kathryn Barrow (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor, London
2 September 2015

Notes:

1 The maintenance and integrity of The Go-Ahead Group plc website is the responsibility of the directors; the work carried out by the auditor's does not involve consideration of these matters and, accordingly, the auditor's accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 27 JUNE 2015

	2015 £m	2014 £m
Profit for the year	**72.4**	65.5
Other comprehensive income/(losses):		
Items that will not be reclassified to profit or loss		
Remeasurement losses on defined benefit pension plans	**0.7**	(12.2)
Tax relating to items that will not be reclassified	**(0.1)**	1.1
	0.6	(11.1)
Items that may subsequently be reclassified to profit or loss		
Unrealised losses on cashflow hedges	**–**	(0.4)
Tax relating to items that may be reclassified	**–**	0.1
	–	(0.3)
Other comprehensive income/(losses) for the year, net of tax	**0.6**	(11.4)
Total comprehensive income for the year	**73.0**	54.1

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 27 JUNE 2015

	Note	Share capital £m	Share premium £m	Revaluation reserve £m	Other reserve £m	Capital redemption reserve £m	Reserve for own shares £m	Retained earnings £m	Total equity £m
At 29 June 2013		4.7	67.4	85.0	8.8	0.7	(70.2)	415.3	511.7
Profit for the year		–	–	–	–	–	–	65.5	65.5
Other comprehensive losses (net of tax)		–	–	–	–	–	–	(11.4)	(11.4)
Total comprehensive income		–	–	–	–	–	–	54.1	54.1
Dividends	2	–	–	–	–	–	–	(34.7)	(34.7)
Movement on revaluation reserve		–	–	(3.0)	–	–	–	3.0	–
Share based payment charge (and associated tax)		–	–	–	–	–	–	2.7	2.7
Reserves transfer		–	–	–	–	–	0.3	(0.3)	–
At 28 June 2014		4.7	67.4	82.0	8.8	0.7	(69.9)	440.1	533.8
Profit for the year		–	–	–	–	–	–	72.4	72.4
Other comprehensive gains (net of tax)		–	–	–	–	–	–	0.6	0.6
Total comprehensive income		–	–	–	–	–	–	73.0	73.0
Dividends	2	–	–	–	–	–	–	(36.7)	(36.7)
Movement on revaluation reserve		–	–	(4.9)	–	–	–	4.9	–
Share based payment charge (and associated tax)		–	–	–	–	–	–	1.2	1.2
Reserves transfer		–	–	–	–	–	1.1	(1.1)	–
At 27 June 2015		**4.7**	**67.4**	**77.1**	**8.8**	**0.7**	**(68.8)**	**481.4**	**571.3**

PARENT COMPANY BALANCE SHEET
AS AT 27 JUNE 2015

Registered No: 02100855

	Notes	2015 £m	2014 £m
Fixed assets			
Intangible assets	3	**1.8**	2.2
Tangible assets	4	**162.9**	165.6
Investments	5	**215.1**	215.1
Debtors: amounts falling due after more than one year	6	**10.8**	10.8
		390.6	393.7
Current assets			
Debtors: amounts falling due within one year	6	**641.6**	597.0
Cash on deposit		**1.2**	7.4
		642.8	604.4
Creditors: amounts falling due within one year	7	**(115.1)**	(111.1)
Net current assets		**527.7**	493.3
Total assets less current liabilities		**918.3**	887.0
Creditors: amounts falling due after more than one year	7	**(269.4)**	(273.0)
Retirement benefit obligations	11	**(56.7)**	(57.1)
Provisions	9	**(20.9)**	(23.1)
Net assets		**571.3**	533.8
Capital and reserves			
Share capital	12	**4.7**	4.7
Share premium		**67.4**	67.4
Revaluation reserve		**77.1**	82.0
Other reserve		**8.8**	8.8
Capital redemption reserve		**0.7**	0.7
Reserve for own shares		**(68.8)**	(69.9)
Retained earnings		**481.4**	440.1
Total equity		**571.3**	533.8



Keith Down,
Group Finance Director
2 September 2015

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PARENT COMPANY FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. PARENT COMPANY ACCOUNTING POLICIES

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are in relation to:

Retirement benefit obligations

The measurement of defined benefit pension obligations requires the estimation of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 11. The Company engages with Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to our particular circumstances.

Uninsured claims

The measurement of uninsured liabilities is based on an assessment of the expected settlement of known claims and an estimate of the cost of claims not yet reported to the Company, as detailed in note 9. In order to assess the appropriate level of provisions the Company engages with its brokers and claims handlers to ensure external expertise of our claims development history is adequately built in to the provision.

AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS101

The Parent Company financial statements of The Go-Ahead Group plc for the year ended 27 June 2015 were authorised for issue by the Board of directors on 2 September 2015 and the balance sheet was signed on the Board's behalf by Keith Down. The Go-Ahead Group plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101).

No profit or loss is presented by the Company as permitted by Section 408 of the Companies Act 2006.

Basis of preparation

The Company transitioned to FRS101from the UK Generally Accepted Accounting Practice during the year ended 28 June 2014. The Company has adopted FRS101 early, which is permitted under the standard.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 27 June 2015.

The financial statements are prepared in pounds sterling and are rounded to the nearest one hundred thousand (£0.1m).

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures:

- the requirements of paragraph 45(b) and 46-52 of IFRS2 Share Based Payment;
- the requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), b64(n)(ii), B64(o)(ii), B64(p), B64(Q)(ii), B66 and B67 of IFRS3 Business Combinations;
- the requirement of IFRS7 Financial Instruments: Disclosures;
- the requirement of paragraphs 91-99 of IFRS13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS1 Presentation of Financial Statements to present comparative information in respect of:
- paragraph 79(a)(iv) of IAS1;
- paragraph 73(e) of IAS16 Property, Plant and Equipment;
- paragraph 118(e) of IAS38 Intangible Assets
- the requirements of paragraphs 10(d), 10(f), 16, 39(c), 40A, 40B, 40C, 40D, 111 and 134-136 of IAS1 Presentation of Financial Statements;
- the requirements of IAS7 Statement of Cashflows;
- the requirements of paragraphs 30 and 31 of IAS8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS24 Related Party Disclosures;
- the requirements in IAS24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS36 Impairment of Assets.

Tangible fixed assets

Property, plant and equipment is stated at cost or deemed cost on transition to IFRSs less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives and the lease terms.

Depreciation is charged to the income statement based on cost or valuation, less estimated residual value of each asset evenly over its expected useful life as follows:

Short leasehold land and buildings	The life of the lease
Freehold buildings and long leasehold land and buildings	Over 10 to 100 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists the assets are written down to their recoverable amount.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

1. PARENT COMPANY ACCOUNTING POLICIES CONTINUED

Pension benefits

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest) are recognised in the statement of comprehensive income in the period in which they occur.

The current service cost is recognised in the income statement within operating costs. The net interest expense or income is recognised in the income statement within finance costs.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which obligations are to be settled directly for The Go-Ahead Group Pension Plan. Fair value is based on market price information and in the case of quoted securities is the published bid price.

The total net assets and liabilities of The Go-Ahead Group Pension Plan have been brought onto the Parent Company balance sheet on transition to FRS101.

For the defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share based payments

The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group plc (market conditions); conditions not related to performances or service (non-vesting condition); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised, at each reporting date, reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

Uninsured liabilities

The Company limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits. A provision is recognised for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss.

The estimation of this provision is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Company.

Treasury shares

Re-acquired shares in the Company, which remain uncancelled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares. Any gain or loss on the purchase, sale, issue or cancellation of the Company's shares is transferred from the reserve for own shares to revenue reserves.

Interest bearing loans and borrowings

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition, the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other derecognition of debt are recognised directly in the income statement.

Assets held under finance leases, which are leases where substantially all of the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet, with a corresponding liability being recognised, and are depreciated over the shorter of their useful lives and the lease terms.

The capital elements of future obligations under leases are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the periods of the leases and represents a constant proportion of the balance of capital repayments outstanding.

Leases where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, and the amortisation of lease incentives and initial direct costs in securing leases, are charged to the income statement on a straight-line basis over the lease term.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefit will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, provisions are discounted. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain.

Financial assets and derivatives

Financial assets are accounted for in accordance with IAS 39. Financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through profit or loss, directly attributable transaction costs.

The Company uses interest derivatives to hedge its risks associated with interest rate fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently re-measured at fair value at each balance sheet date.

Changes in the fair value of financial instruments that are designated and effective as hedges of future cashflows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. When the cashflow hedge results in the recognition of a non-financial asset or a liability, then at the time that asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of that non-financial asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the period in which the hedged item affects net profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement as they arise.

Hedge accounting is discontinued when the derivative expires or is sold, terminated or exercised without replacement or rollover, or otherwise no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs, at which point it is taken to the income statement or included in the initial carrying amount of the related non-financial asset as described above. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement.

Software

Software, that is not integral to the related hardware, is capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three to five years.

2. DIVIDENDS

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

	2015 £m	2014 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2014: 59.0p per share (2013: 55.5p)	**25.3**	23.8
Interim dividend for 2015: 26.6p per share (2014: 25.5p)	**11.4**	10.9
	36.7	34.7

	2015 £m	2014 £m
Proposed for approval at the AGM (not recognised as a liability as at 27 June 2015)		
Equity dividends on ordinary shares:		
Final dividend for 2015: 62.4p per share (2014: 59.0p)	**26.8**	25.3

3. INTANGIBLE ASSETS

	Software £m
Cost or valuation:	
At 28 June 2014	9.3
Additions	1.1
Disposals	(0.3)
At 27 June 2015	**10.1**
Amortisation:	
At 28 June 2014	7.1
Charge for the year	1.2
At 27 June 2015	**8.3**
Net book value:	
At 27 June 2015	**1.8**
At 28 June 2014	2.2

4. TANGIBLE FIXED ASSETS

	Freehold land and buildings £m	Leasehold properties £m	Plant and equipment £m	Total £m
Cost or valuation:				
At 28 June 2014	170.2	5.2	9.3	184.7
Additions	0.3	0.2	0.6	1.1
Disposals	(1.1)	–	–	(1.1)
Transfers to Group companies	–	(0.6)	–	(0.6)
At 27 June 2015	**169.4**	**4.8**	**9.9**	**184.1**
Depreciation:				
At 28 June 2014	11.1	1.0	7.0	19.1
Charge for the year	0.8	0.3	1.0	2.1
At 27 June 2015	**11.9**	**1.3**	**8.0**	**21.2**
Net book value:				
At 27 June 2015	**157.5**	**3.5**	**1.9**	**162.9**
At 28 June 2014	159.1	4.2	2.3	165.6

Freehold land and buildings include non-depreciable land amounting to £111.3m (2014: £111.9m).

The net book value of leasehold properties comprises:

	2015 £m	2014 £m
Leases with 50 or more years unexpired	**0.2**	1.1

5. FIXED ASSET INVESTMENTS

	Loans to Group £m	Shares in Group companies £m	Total £m
Cost:			
At 27 June 2015 and 28 June 2014	63.2	151.9	215.1
Provisions:			
At 27 June 2015 and 28 June 2014	–	–	–
Net carrying amount:			
At 27 June 2015 and 28 June 2014	**63.2**	**151.9**	**215.1**

During the year ended 28 June 2014, The Go-Ahead Group plc undertook a sale and leaseback of certain properties used by the Group. This has been accounted for as a sale and leaseback and results in a long term investment of £63.2m in an intermediate Group company.

For details of the subsidiary undertakings as at 27 June 2015, refer to note 28 of the Group financial statements.

6. DEBTORS

Amounts falling due within one year

	2015 £m	2014 £m
Amounts owed by Group companies	**620.9**	579.2
Corporation tax	**11.1**	10.5
Other debtors	**9.6**	7.3
	641.6	597.0

Amounts falling due after more than one year

	2015 £m	2014 £m
Amounts owed by Group companies	**10.8**	10.8
	10.8	10.8

7. CREDITORS

Amounts falling due within one year

	2015 £m	2014 £m
Amounts owed to Group undertakings	**95.1**	95.2
Other creditors	**18.9**	15.4
Finance leases (note 8)	**1.1**	0.5
	115.1	111.1

Amounts falling due after more than one year

	2015 £m	2014 £m
Interest-bearing loans and borrowings repayable:		
In more than one year but not more than five years	**198.2**	200.9
In more than five years	**–**	–
Finance leases (note 8)	**71.2**	72.1
	269.4	273.0

Included in finance leases is an amount of £72.3m (2014: £72.6m) owing to group undertakings.

The Company has no security over its liabilities.

8. FINANCE LEASES

During the year ended 28 June 2014, The Go-Ahead Group plc undertook a sale and leaseback of certain properties used by the Group. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	2015		2014	
	Minimum value of payments £m	Present value of payments £m	Minimum value of payments £m	Present value of payments £m
Within one year	**4.2**	**1.1**	4.0	0.5
After one year but not more than five years	**18.2**	**6.2**	17.3	4.3
After five years	**91.3**	**65.0**	86.6	67.8
Total minimum lease payments	**113.7**	**72.3**	107.9	72.6
Less amounts representing finance charges	**(41.4)**	**–**	(35.3)	–
Present value of minimum lease payments	**72.3**	**72.3**	72.6	72.6

9. PROVISIONS

	Deferred taxation (note 10) £m	Uninsured claims £m	Other £m	Total £m
As at 28 June 2014	13.6	9.2	0.3	23.1
Provided (after discounting)	–	0.7	–	0.7
Released	–	(2.6)	–	(2.6)
Utilised	–	–	–	–
Deferred tax credited to profit and loss	(0.1)	–	–	(0.1)
Deferred tax on LTIP credited outside of profit and loss	(0.3)	–	–	(0.3)
Deferred tax on defined benefit pension plans debited outside of profit and loss	0.1	–	–	0.1
As at 27 June 2015	**13.3**	**7.3**	**0.3**	**20.9**

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. It is estimated that the majority of uninsured claims will be settled within six years.

The other provision relates to dilapidation costs. It is expected that the dilapidations will be incurred within two to three years.

10. DEFERRED TAXATION

Deferred taxation provided at the enacted rate is as follows:

	2015 £m	2014 £m
Capital allowances in advance of depreciation	**3.0**	4.0
Other timing differences	**6.2**	3.6
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**15.4**	17.4
Retirement benefit obligations	**(11.3)**	(11.4)
Deferred taxation (note 9)	**13.3**	13.6

11. PENSION COMMITMENTS

Defined contribution

During the year ended 27 June 2015, the Company participated in the defined contribution scheme of The Go-Ahead Group Pension Plan (the Go-Ahead Plan). This scheme 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 in these accounts for the year in respect of the defined contribution scheme of the Go-Ahead Plan was £0.4m (2014: £0.1m), being the contributions paid and payable. The expense recognised for the workplace saving scheme was less than £0.1m (2014: less than £0.1m), being the contributions paid and payable.

Defined benefit

During the year ended 27 June 2015, the Company participated in a scheme which is part of the Go-Ahead Plan. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Previously, the section had been effectively closed to new entrants, however existing members continued to build up benefits under the defined benefit pension scheme. However, during the year ended 28 June 2014, the Group commenced a formal consultation process with existing members and their representatives to close the defined benefit section to future accrual and to offer members the opportunity to join the defined contribution section instead. On 31 March 2014, the defined benefit section of the Go-Ahead Plan was closed to future accrual for all members.

The most recent actuarial valuation of the scheme was at 31 March 2012 and was updated by Towers Watson to take account of the requirements of IAS 19 (revised) in order to assess the liabilities of the scheme at 27 June 2015, 28 June 2014 and 29 June 2013. Up until the closure of the defined benefit section to future accruals on 31 March 2014, the contributions paid to the defined benefit section were paid in line with the schedule of contributions.

The total net assets and liabilities of the scheme have been brought onto the Parent Company balance sheet on transition to FRS101.

The following disclosures provide details of the entire defined benefit scheme.

The main assumptions are:

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

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 the pension scheme at age 65.

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

Sensitivity analysis

In making the valuation, the above assumptions have been used. For The Go-Ahead Group Pension Plan, the following is an approximate sensitivity analysis of the impact of the change in the key assumptions. In isolation, the following adjustments would adjust the pension deficit as shown.

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

11. PENSION COMMITMENTS CONTINUED

Maturity profile of defined benefit obligation

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

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

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

Category of assets at the year end

	2015 £m	2015 %	2014 £m	2014 %
Equities	245.3	37.9	202.4	34.2
Bonds	14.9	2.3	33.7	5.7
Property	60.2	9.3	33.1	5.6
Liability driven investing portfolio	306.1	47.3	308.9	52.2
Cash/other	20.7	3.2	13.6	2.3
	647.2	100.0	591.7	100.0

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

Funding position of the Group's pension arrangements

	2015 £m	2014 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	(703.9)	(648.8)
Assets at fair value	647.2	591.7
Pension scheme liabilities	(56.7)	(57.1)
Deferred tax asset	11.3	11.4
Post-tax pension scheme liabilities	(45.4)	(45.7)

Pension cost for the financial year

	2015 £m	2014 £m
Service cost	–	4.8
Administration costs	2.2	1.9
Settlement loss	0.5	–
Interest cost on net liabilities	2.3	2.0
Total pension costs	5.0	8.7

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

	2015 £m	2014 £m
Employer's share of pension scheme liabilities – at start of year	648.8	604.1
Service cost	–	7.0
Interest cost	26.6	27.6
Remeasurement (gains)/losses due to:		
Experience on benefit obligations	(21.9)	2.5
Changes in demographic assumptions	–	–
Changes in financial assumptions	93.1	43.2
Curtailments	–	(15.1)
Transfer payments (bulk)	(17.9)	–
Benefits paid	(24.8)	(20.5)
Employer's share of pension scheme liabilities – at end of year	703.9	648.8

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

	2015 £m	2014 £m
Fair value of assets – at start of year	**591.7**	559.2
Interest income on plan assets	**24.3**	25.8
Remeasurement gains due to return on assets greater than discount rate	**71.9**	17.9
Administration costs	**(2.2)**	(1.9)
Group contributions	**4.7**	9.1
Employee contributions (including age related rebates)	**–**	2.1
Transfer payments (bulk)	**(18.4)**	–
Benefits paid	**(24.8)**	(20.5)
Fair value of plan assets – at end of year	**647.2**	591.7

Estimated contributions for future

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

Risks associated with defined benefit plans

The number of employees in defined benefit plans is reducing as The Go-Ahead Group Pension Plan is closed to new entrants and future accrual. Consequently, the number of defined contribution members increased during the year ended 28 June 2014. Risks associated with the defined benefit plan are outlined in note 27 to the Group financial statements.

12. ISSUED CAPITAL AND RESERVES

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

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

The cumulative amount of goodwill written off to the profit and loss reserve of the Company at 27 June 2015 is £0.2m (2014: £0.2m).

The reserve for own shares is in respect of 3,955,000 ordinary shares (8.4% of total share capital), of which 52,770 are held for LTIP and DSBP arrangements. The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for re-issue in appropriate circumstances. During the year ended 27 June 2015 the Company has not purchased any shares (2014: no shares purchased). The Company has not cancelled any shares during the year (2014: no shares cancelled).

The information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is provided in the directors' report.

The audit fee payable in respect of the Company was £0.1m (2014: £0.2m). Other fees payable to the auditor in respect of the Company were less than £0.1m (2014: less than £0.1m).

13. OPERATING LEASE COMMITMENTS

The Company's future minimum rentals payable under non-cancellable operating leases are as follows:

	Property	
	2015 £m	2014 £m
Within one year	**0.6**	0.6
In second to fifth years	**0.8**	0.4
After five years	**1.0**	–
	2.4	1.0

14. CAPITAL COMMITMENTS

There were capital commitments of £nil at 27 June 2015 (2014: £0.1m).

15. CONTINGENT LIABILITIES

The Company provides guarantees in respect of bank and equipment finance borrowings of the subsidiaries of The Go-Ahead Group plc.

The Company has issued guarantees dated 30 March 2006 to participating subsidiaries of The Go-Ahead Group Pension Plan in respect of scheme liabilities arising. Total liabilities in respect of this guaranteed scheme were £45.4m as at 27 June 2015 (2014: £45.7m).

At 27 June 2015 letters of credit amounting to £45.0m (2014: £45.0m) were provided by a Company banker, guaranteed by the Company, in favour of one of the Group's insurers, to cover liabilities of the Company and its subsidiaries.

16. SHARE BASED PAYMENTS

Full disclosures of the Group's Sharesave scheme, SIP, LTIP and DSBP are given in note 6 to the Group financial statements.

17. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under FRS101, and transactions with 100% subsidiaries of The Go-Ahead Group plc have not been disclosed.

The Company owns 65% of the ordinary shares in Govia Limited. London and Southeastern Railway Limited (Southeastern), London and Birmingham Railway Limited (London Midland), Thameslink Rail Limited (Thameslink), New Southern Railway Limited (New Southern), Southern Railway Limited (Southern) and Govia Thameslink Railway Limited (GTR) are 100% owned by Govia Limited and hence the Company owns a 65% interest.

	Govia		Southeastern		London Midland		Thameslink		New Southern		Southern		GTR	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Interest paid to related party	**0.3**	0.2	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Interest received from related party	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Loans to related party	**(90.0)**	(39.0)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Repayment of loan from related party	**28.0**	53.0	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Management charges	**–**	–	**1.3**	1.6	**1.1**	1.3	**–**	–	**–**	–	**1.3**	1.6	**2.2**	–
Amounts owed from related party	**30.4**	47.6	**–**	–	**1.8**	11.8	**–**	–	**–**	–	**–**	0.8	**16.9**	–
Amounts owed to related party	**–**	–	**1.8**	54.2	**–**	–	**0.6**	0.6	**11.0**	11.9	**8.7**	–	**–**	–

During the year Southeastern, London Midland, Southern and GTR have traded with wholly owned subsidiaries of the Company; £16.6m (2014: £5.3m) of costs were incurred by Southeastern, London Midland, Southern and GTR on an arm's length basis.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Final dividend record date	30 October 2015
First quarter trading update	20 October 2015
AGM	22 October 2015
Final dividend payment date	13 November 2015
Half year end	26 December 2015
Half year results announcement	18 February 2016
Half year dividend payment	April 2016
Next financial year end	2 July 2016
Full year results announcement	8 September 2016

ANNUAL GENERAL MEETING

The 28th AGM of the Group will be held at the Hilton Newcastle Gateshead, Bottle Bank, Gateshead, NE8 2AR on Thursday 22 October 2015 at 11.00am. Details of the business to be considered can be found in the Notice of Meeting which will be available on the Group's corporate website (www.go-ahead.com) from 22 September 2015.

DIVIDEND PAYMENTS

The dividend dates are available on our corporate website in the financial calendar. Following each dividend payment date we will send a tax voucher to your home address. Please therefore ensure that Equiniti have your correct address and bank details.

We recommend that you arrange for your dividends to be paid directly into your bank account:

- to avoid the risk of losing a cheque in the post and thereby incurring a replacement fee; and
- for faster receipt of your dividend which is paid into your account on the payment date, rather than waiting for a cheque to be delivered, deposited and cleared

To select this method of dividend payment, please contact Equiniti directly using the details on page 155.

MANAGING YOUR SHARES

The Group's Registrar, Equiniti, is responsible for maintaining our register of members. Shareholders with queries relating to their shareholding should contact Equiniti directly.

Shareholders can sign up for a Shareview portfolio which enables you to:

- View information regarding your holding
- Change your address and bank details online;
- Sell or purchase shares in the Group online

Go to www.shareview.co.uk and click on 'Register' in the top left corner to sign up for these services. When completing your details you will need your shareholder reference number which is the eleven digit number found on your latest tax voucher or share certificate.

DUPLICATE DOCUMENTS

If you have more than one registered shareholder account, you will receive duplicate documentation and split dividend payments. To request that your accounts be combined, please contact Equiniti.

ELECTRONIC COMMUNICATIONS

As far as possible, the Group provides shareholder documents via the corporate website. If you wish to receive future shareholder communications electronically, please sign up via Shareview (details above). By electing to receive shareholder communications electronically you will be allowing us to communicate with you securely in a more environmentally friendly and cost effective way.

WARNING TO SHAREHOLDERS ("BOILER ROOM" SCAMS)

Shareholders are advised to be extremely cautious of any unsolicited advice from third parties; offers to buy shares at a discount; or offers of free reports about the Group. By law, the Group's register of members is open to public inspection however, we do not endorse any specific share dealing facilities; will not pass on shareholder information to any third party; and any requests for access to the register are subject to 'proper purpose' requirements which ensure that personal data is not used unlawfully.

SHAREHOLDER PROFILE BY SIZE OF HOLDING AS AT 27 JUNE 2015

	No of holdings	%	Shares held	% Issued share capital
1 – 10,000	3,042	92.80	2,269,899	4.84
10,001 – 100,000	171	5.22	5,534,848	11.80
100,001 – 500,000	43	1.31	9,412,011	20.06
500,001 – 1,000,000	10	0.30	7,546,281	16.09
Over 1,000,001	12	0.37	22,143,103	47.21
Total	**3,278**	**100**	**46,906,142**	**100**

SHAREHOLDER PROFILE BY CATEGORY AS AT 27 JUNE 2015

	No. of holdings	Number of shares	% of holdings	% of shares
Treasury Shares	1	3,902,230	0.03	8.32
Directors	4	82,944	0.12	0.18
Other individuals	2,484	3,983,666	75.78	8.49
Institutional investors	789	38,937,302	24.07	83.01
Total	**3,278**	**46,906,142**	**100**	**100**

It should be noted that many private investors hold their shares through nominee companies, therefore, the percentage of shares held by private holders is likely to be higher than that shown.

MAJOR SHAREHOLDERS

As at 2 September 2015 (being the latest practical date prior to the date of this report), the Group had been notified, in accordance with Rule 5 of the UK Listing Authority's Disclosure and Transparency Rules, of the following significant holdings in the Group's ordinary share capital[1]:

Notifiable interests	Ordinary shares	% of capital	Nature of holding
Norges Bank	1,318,890	3.07	Direct interest
Old Mutual Plc	2,155,361	5.01	Indirect (4.99%) & CFD (0.02%)

1 A notification was received from JP Morgan Asset Management (UK) Limited during the year to disclose that they no longer held notifiable interest.

These holdings include, where applicable, the aggregate of investment management clients' interests within the respective asset management companies. No further notifications have been received; however, the above holdings may have changed without triggering a further notification.

ARTICLES OF ASSOCIATION

The Group's Articles can only be amended by a special resolution at a general meeting of shareholders. Shareholders of the Group can request a copy of the Articles by contacting the Group Company Secretary at the registered office.

DIRECTORS

The appointment and replacement of directors are governed by the Articles, the Code, the Companies Act 2006 and related legislation. The directors are appointed by ordinary resolution at a general meeting of shareholders. The directors have the power to appoint a director during the year but any person so appointed must be subject to election at the first AGM following their appointment. The current Articles require that all directors are subject to re-election on an annual basis.

The business of the Group is managed by the directors, who may exercise all powers of the Group that are not required to be exercised by the Group in general meeting, subject to the Group's Articles, relevant statutory law and any direction given by the Group in general meeting by special resolution.

All directors will be submitting themselves for re-election at the AGM in accordance with the Code. The Board is satisfied that each Director is qualified for re-election by virtue of their skills, experience and contribution to the Board.

There are no agreements between the Group and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

SHAREHOLDER AND CONTROL STRUCTURE

On 27 June 2015, the Group's issued share capital comprised a single class of shares referred to as ordinary shares, with a nominal value of ten pence each. At this date there were 46,906,142 ordinary shares in issue, of which 3,902,230 were held in treasury. The Group did not purchase any of its own shares during the year for either cancellation or to hold as treasury shares, and no such shares were purchased between the year end and the date of this report. During the year ended 27 June 2015, the Group has not re-purchased any shares for potential LTIP and DSBP awards that may vest in the future (2014: nil).

There are no restrictions on the transfer of ordinary shares in the Group other than:

- Certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws)
- Restrictions pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Group require the approval of the Group to deal in the Group's securities

All shareholders have the same voting rights for each share, regardless of the total number of shares held. On a show of hands at a general meeting of the Group, every holder of shares present in person or by proxy and entitled to vote shall have one vote (except in the circumstance where a proxy has been appointed by more than one member, in which case he or she will have one vote for and one vote against if he or she has been instructed by one or more members to vote for the resolution and by one or more members to vote against). On a poll, every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. The Notice of Meeting specifies deadlines for exercising voting rights either in person or by proxy in relation to resolutions to be passed at the 2015 AGM. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the AGM itself and published on the Group's corporate website (www.go-ahead.com) after the meeting.

The Group is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

The authorities for the Group to allot relevant securities (up to an aggregate nominal amount of £1,433,464) and for the disapplication of pre-emption rights on the allotment of equity securities (for cash up to an aggregate nominal amount of £215,020), as passed by ordinary and special resolutions at the 2014 AGM, were not utilised in the financial year or up to the date of this report.

These authorities will expire at the 2015 AGM and approval for new authorities will be sought. In the last three years no shares have been issued on a non-pre-emptive basis, other than those issued under all-employee share schemes which are not included for the purposes of this authority.

The authority for the Group to make market purchases of its own ordinary shares, as passed by special resolution at the 2014 AGM, was still in effect at the end of the financial year and will expire at the 2015 AGM where approval for a new authority will be sought.

Under the existing authority the maximum aggregate number of shares that can be purchased is 4,300,391. The authority also limits the maximum number of shares held in treasury to 10% of the issued share capital of the Group and states minimum and maximum prices payable for shares purchased under the authority. During the financial year this authority was not utilised. .

Each of the Group's rail franchise agreements is subject to change of control criteria that would mean, on a change of control, there would be deemed to be an 'event of default' that could potentially terminate the rail franchise. This is, however, subject to the discretion of the Secretary of State. Additionally, the Group's sterling bond issue dated 24 March 2010 and Revolving Credit Facility dated 16 July 2014 are subject to change of control clauses that contain certain specified conditions which could lead to a compulsory prepayment of the bond and loan respectively. Transport for London also has powers to prevent the operation of London Bus contracts by an existing operator which is the subject of a change of control.

CORPORATE WEBSITE

Our corporate website www.go-ahead.com provides a wealth of information on the Group and its activities. Information available on the site includes half year results and trading updates which are not sent to shareholders, as well as share price data, dividend information and the financial calendar. You can register to receive email alerts when the website has been updated with announcements, press releases and other publications.

CORPORATE INFORMATION

www.go-ahead.com
enquiries@go-ahead.com

SECRETARY AND REGISTERED OFFICE
Carolyn Ferguson
The Go-Ahead Group plc
3rd Floor, 41-51 Grey Street
Newcastle upon Tyne, NE1 6EE
Tel: +44 (0) 191 232 3123

HEAD OFFICE
The Go-Ahead Group plc
4 Matthew Parker Street,
London, SW1H 9NP
Tel: +44 (0) 20 7799 8999

REGISTRAR
Equiniti Ltd
Aspect House, Spencer Road
Lancing
West Sussex, BN99 6DA
Tel: +44 (0) 871 384 2193*

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

JOINT CORPORATE BROKER
Investec Bank plc
2 Gresham Street
London, EC2V 7QP

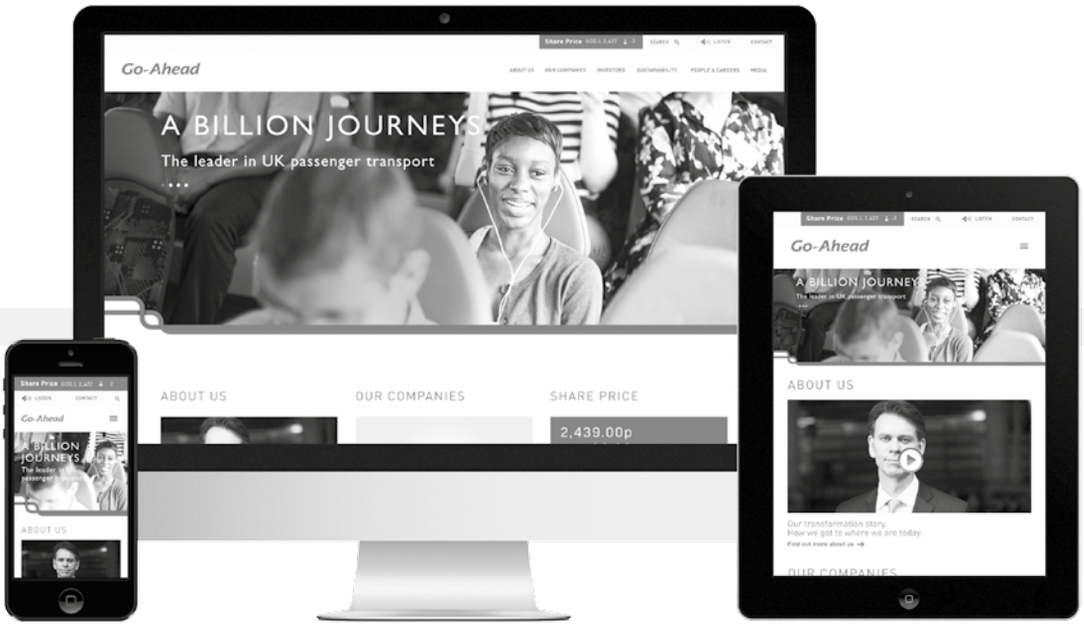
JOINT CORPORATE BROKER
Jefferies Hoare Govett Ltd
Vinters Place
Upper Thames Street
London, EC4V 3BJ

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

FINANCIAL PR ADVISORS
Citigate Dewe Rogerson
3 London Wall Buildings
London, EC2M 5SY

* Calls to this number are charged at 10p per minute plus network extras. Lines are open 8:30am to 5:30pm Monday to Friday

MORE INFORMATION FOR INVESTORS



Our new website has been designed to be viewed on any device. It delivers concise, consistent and meaningful information using interactive charts and tools - developed to assist investors. Strong use of videos, animations and infographics help explain and illustrate the material issues to our organisation.

UP TO DATE INFORMATION

OUR WEBSITE CONTAINS A WEALTH OF INFORMATION INCLUDING:

- an overview of who we are, what we do and the markets in which we operate
- profiles of our operational directors, the Board of directors and our corporate governance framework
- a map showing the areas in which we operate, the latest Group news and our financial calendar

SUSTAINABILITY

DETAILED INFORMATION ABOUT OUR APPROACH TO SUSTAINABILITY, OUR TARGETS AND PERFORMANCE, INCLUDING:

- progress against KPIs for our strategic priorities – Society, Customers, Our People and Finance, including our economic impacts
- datasheets showing detailed sustainability performance for the Group and our operating companies
- the Group's awards and achievements
- our approach to engaging and working with our key stakeholders

INVESTOR RELATIONS

A WIDE RANGE OF INFORMATION INCLUDING:

- a five year history of Group and divisional key financials
- a record of all trading updates, half year and full year announcements in the results centre
- share price information, including download function
- our dividend policy, dividend history and dividend calculator
- our bus fuel hedging policy and profile of the Group's hedging prices

SOCIAL MEDIA

FOLLOW US ON TWITTER, FACEBOOK AND LINKEDIN

linkedin.com/company/The-Go-Ahead-Group-PLC

facebook.com/TheGoAheadGroupPLC

twitter.com/TheGoAheadGroup









Go-Ahead

Registered Office

The Go-Ahead Group plc
3rd Floor
41–51 Grey Street
Newcastle Upon Tyne
NE1 6EE

Tel: +44 (0) 191 232 3123

Head Office

The Go-Ahead Group plc
4 Matthew Parker Street
Westminster
London
SW1H 9NP

Tel: +44 (0) 20 7799 8999

Website: www.go-ahead.com

Email: enquiries@go-ahead.com

This report is printed on Arctic Matt paper. Manufactured at a mill that is FSC® accredited, certified to both ISO 14001 Environmental Management and the European Eco-Management and Audit Schemes

Printed by Principal Colour

Principal Colour are ISO 14001 certified, Alcohol Free and FSC® Chain of Custody certified

Photography by Martin Burton
www.martin-burton.squarespace.com

Designed and produced by Black Sun Plc
www.blacksunplc.com

Summary verification statement from Bureau Veritas UK Ltd

For the seventh year, Bureau Veritas UK Ltd has worked with The Go-Ahead Group plc. to verify selected sustainability Key Performance Indicator (KPI) data contained within the Group's annual report

The information and data reviewed for this verification process relates to the period from 28 June 2014 to the 27 June 2015

To read the statement in full online, visit
www.go-ahead.com/en/sustainability