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Go-Ahead

PRESS RELEASE

5 September 2013

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

FULL YEAR RESULTS FOR THE 12 MONTHS ENDED 29 JUNE 2013

Strong trading in bus; good progress towards £100m bus profit target; overall results slightly ahead of management expectations

Business overview

- Overall results slightly ahead of management expectations
- Record passenger levels across both bus and rail divisions
- Good progress towards bus operating profit target of £100m by 2015/16
- Sector-leading deregulated passenger revenue growth
- Solid revenue growth in rail
- Shortlisted for Thameslink and Crossrail franchise bid competitions
- Maintained full year dividend at 81.0p
- The new financial year has started well, with trading in line with the Board's expectations

Financial summary:	**FY'13 £m**	**FY'12 £m**	Increase/ (Decrease) £m
Revenue	**2,571.8**	2,423.8	148.0
Operating profit	**102.5**	110.2	(7.7)
Operating profit margin (%)	**4.0%**	4.5%	
Net finance costs	**(16.3)**	(16.0)	(0.3)
Profit before tax*	**86.2**	94.2	(8.0)
Adjusted earnings per share (p)	**139.6**	141.9	(2.3)
Proposed full year dividend per share (p)	**81.0**	81.0	
EBITDA	**160.6**	164.0	(3.4)
Cashflow generated from operations	**126.0**	167.8	(41.8)
Closing net debt	**(90.9)**	(91.0)	
Adjusted net debt+/EBITDA (x)	**1.87**	1.80	

Unless otherwise stated, references to operating profit included throughout this statement exclude amortisation and exception items.

Bus operating profit target of £100m by 2015/16 (Target 100) is excluding amortisation and exceptional items.

* Excludes amortisation and exceptional items.

+ Net debt plus restricted cash.

David Brown, Group Chief Executive, commented:

"I am very pleased with the Group's performance this year. We are reporting a set of good results, slightly ahead of the Board's expectations, and are progressing well towards our bus operating profit target.

"At the core of the Group is our bus division, which has performed exceptionally well in the year, delivering record operating profit of £78.2m, up 11.4%. Increasing our profits ensures that we can continue to invest in the business and improve service quality for our passengers. Once again, we have invested in our bus fleet, spending £45.3m on 251 new buses in the year. This improves customer satisfaction and helps drive growth in passenger numbers.

"Strong take up of our smartcard, 'the key', has continued with over 400,000 cards now in issue and our advancements in mobile-ticketing (m-ticketing) also helped to grow our bus business, generating over £1m of revenue in less than 12 months.

"As our rail franchises near the end of their original terms, performance has become more challenging as the assumptions set out in the franchise bid no longer reflect the current economic conditions. In line with the franchise bid profile, our payments to the Government in the year increased by £85.9m, despite our rail profits falling by £15.7m. The UK railway system is in good health and makes a net contribution to the Government. Franchising works for both the customer and the taxpayer.

"The new financial year has started well, with trading in line with the Board's expectations. In the bus division, we are on course to deliver our £100m target by 2015/16. This year will build on the excellent progress we have made towards this target, driving revenue through our continually innovative products and marketing, and reducing costs by sharing best practice and cost efficiency initiatives across the division. We have great confidence in our ability to deliver this target. We will also continue to assess acquisition opportunities.

"Following a challenging year in the rail industry, we continue to believe in the fundamental strengths of the UK rail market and look forward to the significant opportunities available to the Group over the coming months and years. We are working hard to submit strong bids for the Thameslink and Crossrail franchises, for which we are shortlisted.

"The Group remains in a good financial position with strong cash generation and a robust balance sheet, underpinning the dividend and allowing flexibility to pursue value adding opportunities."

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David Brown, Group Chief Executive and Keith Down, Group Finance Director will be hosting a presentation for analysts at 9.00am today (5 September 2013) at Investec, 2 Gresham Street, London EC2V 7QP, Tel: +44 (0) 20 7597 5970.

A live audio webcast of the presentation will be available on Go-Ahead's website – www.go-ahead.com. The presentation slides will be added to Go-Ahead's website at around 7:30am today.

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Chairman's statement

This is my first report to shareholders following my appointment as Chairman on 25 April 2013 and I am pleased to be reporting good results for the year ended 29 June 2013. Your Group has strong and experienced management, a clear strategy, good values and high integrity, a strong commitment to high standards of health and safety, and considerable opportunity for the future.

I joined Go-Ahead in 2008, as a Non-Executive Director and Chairman of the Audit Committee, and was appointed Senior Independent Director in 2011. Throughout this time, I have been continually impressed by the dedication of our management and staff across the Group, and their commitment to providing high quality and locally focused bus and rail services. I believe in sound corporate governance and openness and transparency in the Boardroom.

A responsible business

As a leading public transport provider, operating our bus and rail companies in a responsible and sustainable way is integral to our success. By encouraging more passengers to use our services, we are strengthening our business and reducing congestion and pollution through reduced car use. Our services also provide essential links to employment, education and leisure and retail services. I am proud to be Chairman of a Group where our success benefits the economy, society and the environment.

A clear strategy

I am taking over as Chairman at an exciting time for the Group. Our objective is to grow shareholder value whilst at the same time recognising the interests of our passengers, employees and other stakeholders.

Your Group has a clear strategy, focused on growing our strong core UK bus division, for which we have established a target to organically grow bus operating profit to £100m by 2015/16. This will be achieved through a combination of revenue growth and cost efficiencies and demonstrates the confidence we have in our local bus businesses.

During the year, the rail market experienced a period of uncertainty when, in October 2012, the Transport Secretary, Patrick McLoughlin, announced that unacceptable flaws had been uncovered in the Department for Transport's rail franchising procurement process. As a result, the franchising timetable was temporarily paused.

I am pleased that the process is now back on course and I continue to believe in the fundamental strengths of the UK rail industry. The Group is committed to maintaining a well-established and significant presence in this market.

Our rail strategy is to continue to improve the quality and operating performance of our current franchises and, building on our proven track record of successfully operating complex franchises that deliver value for passengers and taxpayers, to win new franchises that bring an appropriate balance of risk and return for our shareholders.

Dividend

The Board is committed to at least maintaining the current dividend per share, recognising its importance to the investment decision of many shareholders. Our target of £100m operating profit for our bus business is particularly important, creating a strong underpin for the dividend in a period of some uncertainty for our rail operations. This commitment is further supported by our robust balance sheet and strong cashflows. The Board is proposing a final dividend of 55.5p per share (2012: 55.5p) to maintain the total dividend for the year at 81.0p (2012: 81.0p). The final dividend is payable on 15 November 2013 to shareholders registered at the close of business on 1 November 2013.

Board effectiveness

As Chairman, I am responsible for ensuring that your Board remains effective. I work closely with David Brown, our Chief Executive, to ensure your Board provides the necessary support to the Executive Team. During the year, we carried out a review of Board effectiveness, using independent consultants. Whilst no areas of material concern were highlighted, a number of areas for improvement were identified, including the need for greater debate around strategy, talent management and a more effective Director appraisal process. The requirement for increased time and focus on key issues in Board discussions was also identified.

To ensure I am fully informed, I have set myself the objective of visiting all of our operating companies in my first year as Chairman. I have also sought the views of our major shareholders, which I welcome.

Board and people

Following my appointment as Chairman, Katherine Innes Ker became Senior Independent Director. Katherine joined the Board in 2010 and is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Adrian Ewer joined the Board as a Non-Executive Director and Chairman of the Audit Committee with effect from 25 April 2013. Adrian is currently Chief Executive Officer of John Laing plc, a post he has held since 2006. Adrian has a strong consumer focus, a flair for strategy and finance and a wealth of experience of major long term contracts, all of which will enable him to provide an important contribution to the Board.

Rupert Pennant-Rea has confirmed his intention to retire at the next Annual General Meeting on 24 October 2013, following over ten years as a Non-Executive Director. I would like to thank Rupert for his longstanding commitment to the Group.

On behalf of shareholders I would like to thank my predecessor, Sir Patrick Brown, who served as Chairman for over ten years. During that time, he successfully steered the Group through some challenging times and, in my view, he got the big decisions right. I would like to thank Sir Patrick for his significant contribution.

On behalf of the Board, I would also like to thank our 23,500 staff for their continuing dedication and hard work to ensure we remain a strong and successful Group.

Conclusion

Looking ahead, I believe we have the right strategy in place to deliver long term sustainable growth and I look forward to working with the Board and Executive Team to build on the Group's successes.

Group Chief Executive's review

I am very pleased with the Group's performance this year. We are reporting a set of good results, slightly ahead of the Board's expectations, and are progressing well towards our bus operating profit target.

The year began exceptionally well with our bus and rail operations forming an integral part of the Olympic Transport Plan. Our staff made a great contribution to what was a fantastic event for London and the UK.

We had many other successes throughout the year despite facing some challenges in both our bus and rail divisions. Our bus businesses faced significant cost headwinds due to the reduction in Bus Service Operators Grant (BSOG) in April 2012 and increased fuel costs. We also experienced some difficult trading conditions in our rail business, delays to the rail franchising timetable and continued uncertainty about the wider economy.

We managed these challenges well and we start our new financial year with a lot to be optimistic about.

Bus

At the core of the Group is our bus division, which has performed exceptionally well in the year, delivering record operating profit of £78.2m, up 11.4%. Increasing our profits ensures that we can continue to invest in the business and improve service quality for our passengers.

Once again, we have invested in our bus fleet, spending £45.3m on 251 new buses in the year. We pride ourselves on having a young and green bus fleet. Our buses have an average age of 7.4 years and, in the year, we increased our fleet of alternative fuel vehicles to 160, having bought 86 hybrids and introduced the first gas buses.

Our deregulated business delivered strong and consistent revenue growth of 7.9%. This was driven by underlying commercial revenue growth in all companies.

Our high quality services, award-winning marketing and innovative customer facing technology enable us to deliver sector-leading passenger revenue growth.

Performance in our regulated operations was also strong, with revenue growth of 12.0% helped by the successful delivery of Olympic contracts in the first half of the year.

Our locally focused approach enables our dedicated management teams to put customers' needs at the heart of their operations, empowering their teams to deliver the highest standards of customer service.

Target 100

In October 2012, we announced our target to organically grow bus operating profit to £100m by 2015/16. We plan to achieve this through a combination of revenue growth and cost efficiencies.

Over a number of years, we have delivered good and consistent revenue growth in our bus division. However, profit has increased at a slower rate. Our target assumes that cost efficiencies will be achieved alongside consistent revenue growth, with the biggest contribution to operating profit growth coming from the deregulated business.

Although we are committed to investing in our networks and growing our business, this target does not rely on a significant uplift in capital expenditure or network expansion. It is about maximising the fundamental strengths of our existing individual businesses and leveraging synergy benefits by benchmarking and sharing best practice across the Group.

How are we doing?

Initial target projections expected first year (2012/13) operating profit to be in line with the previous year, at around £70m, followed by steady growth through subsequent years. This first year was set to be challenging as we were faced with cost headwinds of around £20m due to the reduction of BSOG and increased fuel costs in our both regulated and deregulated bus divisions.

However, I am very pleased to report growth of 11.4% in bus operating profit to £78.2m this year, around £8m ahead of our original expectations. This has been driven by bus division revenue growth of 10.2% and cost savings of £1.0m. This is an impressive achievement and reinforces my confidence in our ability to achieve the target.

What next?

In order to continue on the journey to achieving operating profit of £100m in 2015/16, we need to develop the good work we have begun in driving revenue growth, restricting cost inflation and identifying cost efficiencies. Our key assumptions for the next three years are as follows:

- average annual deregulated revenue growth of 3.5%;
- average annual regulated revenue growth of 2.5%;
- average annual cost inflation of 2.5-3.0%;
- cost efficiency savings of £10m over the next three financial years;
- no significant mileage growth in the regulated and deregulated business; and
- the impact of IAS 19 (revised) will be absorbed into the target.

These assumptions are on an average annual basis which may vary from year to year.

Why is this achievable?

Revenue growth

We believe the strong and consistent growth in our deregulated business is driven by our high quality, value for money services, supported by a number of push and pull factors, discussed in detail in the market review in our annual report. We work hard to attract passengers to our services using our sector leading approach to marketing and customer facing technology, innovative and flexible products and reliable and convenient services.

Strong take up of our smartcard, 'the key', has continued with over 400,000 cards now in issue. Our advancements in mobile-ticketing (m-ticketing) also helped to grow our bus business, generating over £1m of revenue in less than 12 months. In our regulated business, we remain a well-respected, high quality operator with vast experience of tendering for, and winning contracts.

Assumed deregulated revenue growth of 3.5% is lower than recent historic growth rates in the division, which has consistently achieved annual underlying revenue growth of between 4% and 4.5%. Similarly, our regulated business has historically delivered average annual revenue growth well in excess of 2.5% growth.

Cost efficiencies

Whilst we have always focused on our cost base, we have identified areas where cost efficiency can be improved. We are now better at leveraging our position as a large, leading transport operator by effectively benchmarking and sharing best practice across our businesses. In the year, we achieved cost efficiency savings of £1.0m, driven by procurement, staff productivity, fuel and IT infrastructure. In addition to continuing efficiencies in these areas flowing through into following years, we also expect significant savings to be identified in engineering, shared services and insurance.

Rail

The performance of our rail business has remained solid and in line with the Board's expectations.

Early in the year, we delivered key elements of the Olympic Games Transport Plan and we did this extremely well. Southeastern alone was responsible for transporting one in ten of all spectators. At the busiest times up to 25,000 people an hour travelled between central London and the Olympic stadium on our High Speed Javelin trains. This was a fantastic achievement in challenging circumstances.

We continue to lead the field in the industry when it comes to innovative marketing. London Midland got into the Olympic spirit and launched an innovative campaign to reduce fares by 1% for every gold medal won by Team GB during the London 2012 Games. This award winning campaign resulted in 27,000 new customers signing up to our Customer Relationship Management (CRM) database.

Another great achievement in the year was Southern being named Public Transport Operator of the Year at the London Transport Awards. This is testament to the local management team's commitment and dedication to continued high quality, customer-focused service.

As our franchises near the end of their original terms, performance has become more challenging as the assumptions set out in the franchise bid no longer reflect the current economic conditions. In line with the franchise bid profile, our payments to the Government in the year increased by £85.9m, despite our rail profits falling by £15.7m.

During the year, we were delighted to be shortlisted for the Crossrail franchise and were pleased that the Thameslink, Southern and Great Northern (Thameslink) franchise process was restarted.

We also welcomed the Department for Transport's (DfT) announcement in March, proposing extended end dates for the current Southeastern and London Midland franchises as part of the revised franchising timetable. The suggested revised end dates for Southeastern and London Midland are June 2018 and June 2017 respectively. These extensions offer short term stability for our existing rail operations and we look forward to working with the DfT to agree contract terms.

Operating sustainably

This is the first year we have presented a fully integrated report, with sustainability embedded throughout. At Go-Ahead, this approach is integral to our business. Continual focus is given to this area across the Group and our sustainability performance is a permanent item on the Group Board agenda.

For us, taking a responsible and sustainable approach to running our business means operating our buses and trains safely, reducing the impact of our operations on the environment and being totally focused on our customers' needs, as well as investing in and developing our staff and contributing to our local communities and wider society. This approach leaves us better placed to grow our businesses profitably for our shareholders.

Go-Ahead is leading the way in the transport sector and is widely recognised as a sustainable operator. This year, we were proud to be highly commended in the Sir Mervyn Pedelty Award which recognises companies which have made the most significant improvements to their business's sustainability in recent years.

This year has seen a number of other successes. They include the introduction of our first gas buses to the fleet in East Anglia, the launch of a bus division graduate scheme to bring new talent into the Group, receiving Platinum ranking in Business in the Community's Corporate Responsibility Index and achieving Investors in People status. During the year, we launched Go-Learn, our unique educational programme, and made good progress towards our Driving Energy Further target, with a total reduction in CO2 emissions per passenger journey of 15% since the target was launched in 2008.

Outlook

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

In the bus division, we are on course to deliver our £100m target by 2015/16. This year will build on the excellent progress we have made towards this target, driving revenue through our continually innovative products and marketing, and reducing costs by sharing best practice and cost efficiency initiatives across the division. We have great confidence in our ability to deliver this target. We will also continue to assess acquisition opportunities both in and outside London.

Following a challenging year in the rail industry, we continue to believe in the fundamental strengths of the UK rail market and look forward to the significant opportunities available to the Group over the coming months and years. Our focus this year will remain on delivering high quality services on our existing franchises as well as working hard to submit attractive bids in the franchise competitions for Thameslink and Crossrail.

As well as thinking about the coming year, we need to look further ahead and consider how the transport industry will evolve and develop so we can respond to those changes and remain at the forefront of passenger transport. Our report 'The Future of Transport', published in partnership with Passenger Focus during the year, looked at how everyday patterns of living and working might change and what the consequences of those changes could be over the next ten to 15 years. Go-Ahead is part of that future and there are exciting opportunities ahead for us.

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

Finance and business review

The Group has delivered a good performance in the year ended 29 June 2013 and remains in a strong financial position. Revenue for the year was £2,571.8m, up £148.0m, or 6.1%, on last year (2012: £2,423.8m), underpinned by strong passenger revenue growth in our bus and rail businesses.

Overview and highlights

Operating profit was slightly ahead of our expectations at £102.5m (2012: £110.2m), down £7.7m, or 7.0%, with an overall operating margin of 4.0% (2012: 4.5%).

Profit before tax for the year reduced by £8.6m, or 10.2% to £75.9m (2012: £84.5m) and adjusted earnings per share were down 1.6% at 139.6p (2012: 141.9p). The adjusted earnings per share reduced by significantly less than the reduction in profit before tax as a higher proportion of profit was derived from our bus business, which is 100% owned by the Group. This reflects the importance of bus earnings to the Group.

Net debt remains low at £90.9m (2012: £91.0m). Adjusted net debt (net debt plus restricted cash) to EBITDA of 1.87x (2012: 1.80x) is comfortably within our target range of 1.5x to 2.5x.

Summary income statement

	2013 £m	2012 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue	**2,571.8**	2,423.8	148.0	6.1
Operating profit	**102.5**	110.2	(7.7)	(7.0)
Net finance costs	**(16.3)**	(16.0)	(0.3)	1.9
Profit before tax*	**86.2**	94.2	(8.0)	(8.5)
Amortisation	**(10.3)**	(9.7)	(0.6)	6.2
Profit before tax	**75.9**	84.5	(8.6)	(10.2)
Total tax expense	**(16.0)**	(18.0)	2.0	(11.1)
Profit for the period	**59.9**	66.5	(6.6)	(9.9)
Non-controlling interests	**(6.2)**	(11.0)	4.8	(43.6)
Profit attributable to shareholders	**53.7**	55.5	(1.8)	(3.2)
Adjusted profit attributable to shareholders*	**59.8**	60.8	(1.0)	(1.6)
Weighted average number of shares (m)	**42.8**	42.9	(0.1)	(0.2)
Adjusted earnings per share (p)	**139.6**	141.9	(2.3)	(1.6)
Proposed full year dividend per share (p)	**81.0**	81.0	–	–

Revenue and operating profit by division

	2013 £m	2012 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue				
Deregulated bus	**337.6**	312.9	24.7	7.9
Regulated bus	**423.9**	378.4	45.5	12.0
Total bus	**761.5**	691.3	70.2	10.2
Rail	**1,810.3**	1,732.5	77.8	4.5
Total	**2,571.8**	2,423.8	148.0	6.1
Operating profit				
Deregulated bus	**37.9**	35.4	2.5	7.1
Regulated bus	**40.3**	34.8	5.5	15.8
Total bus	**78.2**	70.2	8.0	11.4
Rail	**24.3**	40.0	(15.7)	(39.3)
Total	**102.5**	110.2	(7.7)	(7.0)

Bus

Overall bus performance review

Overall, the performance of our bus operations was strong, with underlying commercial revenue growth in all of our businesses. We continue to provide high quality services and to be innovative in our approach to marketing and customer facing technology. Total bus revenue increased by 10.2%, or £70.2m, to £761.5m (2012: £691.3m), with 4.6% from acquisitions.

The bus division delivered record operating profit of £78.2m (2012: £70.2m), increasing in the year by £8.0m, or 11.4%, largely driven by strong underlying revenue growth in and outside London. Overall profit contribution from acquisitions was £2.1m.

Operating profit margin slightly improved on the prior year at 10.3% (2012: 10.2%), despite significantly higher fuel costs and the reduced Bus Service Operators Grant (BSOG).

Acquisitions

Following a number of acquisitions in 2012, there were fewer value adding opportunities available in 2013. One small acquisition made during the year was the purchase of 11 residual Transport for London (TfL) route contracts in Dagenham, including 45 buses, from First Capital East Limited, for a cash consideration of £0.7m.

During the year, our 2012 regulated bus acquisition in Northumberland Park performed well and is now delivering operating profit margins similar to our other London bus operations.

The focus for our 2012 deregulated acquisitions has been to bring these companies up to Group standards, particularly in the areas of reliability, engineering and health and safety, and we are making good progress. We expect them to contribute to profitability during 2013/14.

New businesses are included within acquisitions data until the first anniversary of each entity becoming part of the Group. Subsequently their results are deemed to be like for like.

Deregulated bus operations

All operating companies reported growth in commercial revenue in the year. Revenue was £337.6m (2012: £312.9m), up £24.7m, or 7.9%. Like for like revenue growth was 4.3%, with 3.6% of total growth from acquisitions. Passenger numbers increased by 3.1%, with acquisitions contributing 2.0% and like for like growth of 1.1%. Strong growth in fare paying passengers was once again partially offset by a weaker concessionary performance.

Operating profit was £37.9m (2012: £35.4m), up £2.5m, or 7.1%. Operating margins remained in line with last year at 11.2% (2012: 11.3%). They showed an improvement in the second half due to cost saving initiatives being delivered ahead of plan, and reduced insurance claim costs.

In the second half of the year, we lapped the 4-7% fare increases introduced in April 2012 in response to the reduction of BSOG. This resulted in a more challenging comparative figure as average fare increases in the current year have been more in line with inflation.

2012 operating profit	£35.4m
Change in:	
Contract recovery*	£1.5m
Underlying growth	£9.3m
Cost of claims	£2.2m
Cost Savings	£1.0m
Fuel/BSOG	£(9.4)m
Capital costs	£(2.0)m
Acquisitions	£(0.1)m
2013 operating profit	**£37.9m**

* Contract recovery refers to a loss making contract which began in the first half of 2011/12.

We are committed to delivering high quality services and meeting our passengers' needs. We improved our already high levels of punctuality to 91% during the year (2012: 88%), with some operating companies achieving higher than 95%. Our customer satisfaction scores remained high at an average of 90% (2012: 90%).

Regulated bus operations

Our regulated bus operations in London delivered a very strong performance. Revenue grew by 12.0%, or £45.5m, to £423.9m in the year (2012: £378.4m), of which 6.5% was on a like for like basis and 5.5% was from the Northumberland Park depot, acquired in March 2012. Mileage also grew strongly, up 7.3%, reflecting like for like increases of 2.5% and a contribution from Northumberland Park of 4.8%.

Operating profit was £40.3m (2012: £34.8m), up £5.5m, or 15.8%, including a contribution of £2.2m from the Northumberland Park acquisition. During the year, the operating margin of the Northumberland Park depot was brought in line with the rest of our London business.

Operating margins increased to 9.5% (2012: 9.2%), although when adjusting for revenue associated with Olympic Games contracts of £5.6m and operating profit of £1.6m, the underlying margin was 9.2%, consistent with last year.

Incremental fuel costs and the impact of the reduction in BSOG have also been mitigated by strong cost control and Quality Incentive Contract (QIC) payments of £9.9m (2012: £6.8m), up £3.1m.

2012 operating profit	£34.8m
Change in:	
QICs	£3.1m
Contract growth	£11.0m
Olympic Games	£1.6m
Acquisitions	£2.2m
Cost of claims	£(1.2)m
Fuel/BSOG	£(9.2)m
Capital costs	£(2.0)m
2013 operating profit	**£40.3m**

We continue to perform well in the TfL quality league tables, operating 99.5% of our target mileage before traffic congestion losses (2012: 99.6%).

North America

Our 50:50 joint venture with Cook-Illinois continues to operate two contracts in St Louis, Missouri, running around 120 buses. This operation remains cash generative.

Capital expenditure and depreciation

Capital expenditure for the division was £51.3m (2012: £69.0m), the majority of which related to the purchase of new buses. Investment in our deregulated fleet was higher than in 2012, with a spend of £27.9m (2012: £21.5m) on 157 new buses (2012: 126 buses).

Contract wins in our regulated business required £17.4m (2012: £59.2m) to be spent on 94 new buses (2012: 349 buses), £8.4m (2012: £27.1m) of which related to operating leases for 41 new buses(2012: 176 buses). Investment in our regulated fleet was lower than 2012 spend due to the timing of contract renewals.

In total, we spent £45.3m on new vehicles, including £19.8m on 86 hybrid buses, which will improve fuel efficiency.

We have one of the youngest bus fleets in the sector, with an average age of 7.4 years. Depreciation for the division was £45.7m (2012: £40.6m), reflecting the increase in capital expenditure in the previous two years.

Fuel

Bus fuel hedging prices

Our bus fuel hedging programme uses fuel swaps to fix the price of our diesel fuel in advance. Our aim is to be fully hedged for the next financial year three months 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.

	2013	**2014**	**2015**	**2016**
% hedged	Fully	Fully	50%	25%
Price (pence per litre)	49	51	50	48

Bus fuel costs

In 2012/13 we consumed around 127 million litres of fuel at a net cost £93.6m, consisting of:

	Price per litre (p)	**Approx cost (£m)**
Underlying cost (hedged price)	**49**	**62**
Duty	**58**	**74**
Delivery	**1**	**1**
Gross cost	**108**	**137**
BSOG	**(35)**	**(44)**
Net cost	**73**	**93**
Proportion of duty rebated through BSOG	**60%**	**–**

Overall bus outlook

In deregulated bus, we continue to drive revenue growth through market leading products and purchasing options such as smart media, m-ticketing and other innovations, but also through maintaining a high quality, reliable service.

In regulated bus, we remain focused on delivering high quality and cost efficient services for TfL. We expect mileage in the year to be relatively flat.

Investment in our bus operations will continue, with a total capex spend of around £50m expected in 2013/14.

We will continue to look for value adding acquisitions and will drive profitability from our 2012 acquisitions.

We have made good progress against Target 100 and have great confidence in our ability to achieve this by 2015/16. We expect this to be delivered through continuing deregulated revenue growth, a stable regulated business, keeping costs in line with inflation and achieving £10m of cost savings by 2015/16. The impact of IAS 19 (revised) is now included in the target.

Rail

Rail performance review

The rail division has delivered a solid result in the year, in line with our expectations, despite a challenging premium payment profile.

Southeastern and London Midland achieved strong passenger revenue growth, with a slightly weaker performance in Southern. As anticipated, we saw slower revenue growth in the second half of the year across each of the three businesses, as January 2013 fare increases were lower than last year. Passenger journeys across all companies increased significantly in the fourth quarter due to a change in DfT methodology in Travelcard allocations rather than a significant improvement in underlying performance.

Southern's premium payments to the DfT have increased by £45.8m in the year, reflecting the franchise's challenging bid profile, whilst subsidy receipts in Southeastern and London Midland have decreased by £50.1m and £9.0m respectively. After including revenue support, our contribution to DfT was £12.4m compared to net receipts in 2012 of £73.5m, an overall net increase in contributions of £85.9m.

Revenue

Total revenue increased by 4.5%, or £77.8m, to £1,810.3m (2012: £1,732.5m) consisting of:

	2013 (£m)	2012 (£m)	Net change (£m)	% change
Passenger revenue	**1,552.8**	1,442.8	110.0	7.6
Southern	**649.8**	615.2	34.6	5.6
Southeastern	**643.8**	596.3	47.5	8.0
London Midland	**259.2**	231.3	27.9	12.1
Other revenue	**117.2**	109.3	7.9	7.2
Southern	**54.4**	51.7	2.7	5.2
Southeastern	**24.0**	23.9	0.1	0.4
London Midland	**38.8**	33.7	5.1	15.1
Total subsidy	**73.3**	132.4	(59.1)	(44.6)
Southeastern	**14.9**	65.0	(50.1)	(77.1)
London Midland	**58.4**	67.4	(9.0)	(13.4)
Southeastern revenue support	**67.0**	48.0	19.0	39.6
Total revenue	**1,810.3**	1,732.5	77.8	4.5

Premium payments

Southern's premium payments are included in operating costs.

	2013 (£m)	2012 (£m)	Net change (£m)	% change
Southern premium	**152.7**	106.9	45.8	42.8

Operating profit

Operating profit in the rail division was £24.3m (2012: £40.0m). Passenger revenue increased by £110.0m but this was offset by increased premium payments, reduced subsidy receipts and increased operating costs through inflation. Operating margins therefore reduced to 1.3% (2012: 2.3%).

Rail bid costs of £3.2m (2012: £2.1m) were lower than originally expected due to the pause in the franchising programme during the year.

2012 operating profit	£40.0m
Change in:	
Passenger revenue	£110.0m
Additional like for like costs	£(39.8)m
Subsidy	£(59.1)m
Revenue support	£19.0m
Premium payments	£(45.8)m
2013 operating profit	**£24.3m**

Individual franchise performance

Southern

Passenger revenue growth was 5.6% (2012: 7.9%) and passenger numbers increased by 1.1% (2012: 1.2%) when compared to last year. When adjusting for the impact of the Olympic Games, passenger revenue increased by 5.4% and journeys were up 0.8%.

The Southern franchise continues to face challenging trading conditions but remained profitable during the year. As previously indicated, Southern will receive revenue support in 2013/14 and, in preparation, a cost efficiency programme has been introduced.

Southeastern

The increase in passenger revenue was 8.0% (2012: 10.1%), with passenger numbers up by 4.7% (2012: 1.3%). Excluding the impact of the Olympic Games, passenger revenue grew by 6.7%, with an increase of 3.1% in the number of journeys taken.

Southeastern remains in 80% revenue support. In March 2014, Southeastern will begin a seven month extension period, continuing on the original contract assumptions, which will not be profitable for the Group. Since the beginning of the franchise we have made significant progress in managing the business to deliver value for passengers, employees and shareholders, and look forward to discussing terms for the planned contract extension to June 2018 with the DFT.

London Midland

Passenger revenue grew by 12.1% (2012: 13.3%) in the year and passenger numbers increased by 2.4% (2012: 7.4%). Passenger revenue and journeys were up 11.5% and 2.1% respectively, when adjusting for the impact of the Olympic Games.

Had it been required, the franchise would have been eligible to receive revenue support throughout the year. However, this was not necessary due to London Midland's strong revenue growth in the year. It is the only franchise of its time not to be in receipt of revenue support. London Midland's management has made good progress in addressing the operational issues the franchise experienced and in ensuring compliance with the DfT measures introduced in December 2012. We are pleased to have been given the opportunity to agree extended contract terms with the DfT to June 2017.

Capital expenditure and depreciation

Rail division capital expenditure was £7.2m (2012: £8.3m), lower than the prior year due to fewer franchise commitments falling within the year. Depreciation for the division was £12.4m (2012: £13.2m).

Rail outlook

We expect like for like rail profitability to be lower in 2013/14 due to Southeastern's unprofitable extension period, the challenging trading conditions in the Southern franchise and higher bid costs.

We will continue to drive revenue through targeted marketing campaigns promoting our value for money fares whilst maintaining our focus on cost efficiencies.

In September 2013, we expect the DfT to issue the Invitation to Tender document for the Thameslink rail franchise. Our bid team are working hard to deliver a strong bid, designed to provide benefits to passengers and value for our shareholders.We are also working on our bid for Crossrail.

We also look forward to working with the DfT in the coming months on agreeing contract terms for the planned extensions of our Southeastern and London Midland franchises.

Other financial items

Earnings per share

Adjusted earnings (net profit after tax attributable to members before amortisation and exceptional items) were £59.8m (2012: £60.8m), resulting in a reduction in adjusted earnings per share from 141.9p to 139.6p.

The weighted average number of shares was 42.8 million (2012: 42.9 million), and the number of shares in issue, net of treasury shares, was 42.8 million (2012: 42.9 million).

Dividend

The Board is proposing a total dividend for the year of 81.0p per share (2012: 81.0p). This includes a proposed final payment of 55.5p (2012: 55.5p) payable on 15 November 2013 to shareholders registered at the close of business on 1 November 2013.

Dividends of £34.7m (2012: £34.7m) paid in the period represent the payment of last year's final dividend of 55.5p per share (2012: 55.5p, being the final dividend for 2011) and the interim dividend in respect of this year of 25.5p per share (2012: 25.5p). Dividends paid to non-controlling interests were £6.0m (2012: £12.0m). Dividend cover remained broadly in line with last year at 1.72x (2012: 1.75x).

Summary cashflow

	2013 £m	2012 £m	Increase/ (decrease) £m
EBITDA*	**160.6**	164.0	(3.4)
Working capital/other items	**(23.2)**	20.6	(43.8)
Pensions	**(11.4)**	(16.8)	5.4
Cashflow generated from operations	**126.0**	167.8	(41.8)
Tax paid	**(11.1)**	(15.7)	4.6
Net interest paid	**(16.9)**	(15.1)	(1.8)
Net capital investment	**(56.8)**	(80.6)	23.8
Free cashflow	**41.2**	56.4	(15.2)
Net acquisitions	**(0.7)**	(29.3)	28.6
Joint venture repayment	**0.3**	0.4	(0.1)
Cash acquired with subsidiaries	**–**	2.1	(2.1)
Proceeds from sale of financial instruments	**–**	0.6	(0.6)
Other	**–**	(4.1)	4.1
Dividends paid	**(40.7)**	(46.7)	6.0
Share issues/buybacks	**–**	(0.6)	0.6
Decrease/(increase) in net debt	**0.1**	(21.2)	21.3
Opening net debt	**(91.0)**	(69.8)	(21.2)
Closing net debt	**(90.9)**	(91.0)	0.1

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

Cashflow

Cash generated from operations before tax was £126.0m (2012: £167.8m). This is a decrease of £41.8m, largely due to an adverse movement in working capital, primarily reflecting timing of payments in rail. Tax paid of £11.1m (2012: £15.7m) comprised payments on account in respect of the current year's liabilities. Net interest paid of £16.9m (2012: £15.1m) is broadly in line with a charge for the period of £16.3m (2012: £16.0m). Capital expenditure, net of sale proceeds, was £23.8m lower in the year at £56.8m (2012: £80.6m) predominantly due to lower levels of new buses required for London contracts. Dividends paid to shareholders amounted to £34.7m.

The Group did not repurchase any shares (2012: 41,880 shares at a consideration of £0.6m for potential LTIP awards that may vest in the future). No shares were issued in the year (2012: nil).

Capital structure

	2013 £m	2012 £m
Five year syndicated facility 2016	**275.0**	275.0
7.5 year £200m 5.375% sterling bond 2017	**200.0**	200.0
Total core facilities	**475.0**	475.0
Amount drawn down at 29 June 2013	**333.0**	335.0
Balance available	**142.0**	140.0
Restricted cash	**208.7**	205.0
Net debt	**90.9**	91.0
Adjusted net debt	**299.6**	296.0
EBITDA	**160.6**	164.0
Adjusted net debt/EBITDA (12 month rolling basis)	**1.87**	1.80

Significant medium term finance is secured through our £275m revolving credit facility, expiring in February 2016, and our £200m sterling bond, expiring in September 2017. At 29 June 2013 $4.8m, equivalent to £3.2m, of our US$10m facility was utilised.

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

Net debt

Net debt at 29 June 2013 of £90.9m (2012: £91.0m) comprises the £200m sterling bond; amounts drawn down against the £275m (2012: £275m) five year revolving credit facility of £133.0m (2012: £135.0m); hire purchase and lease agreements of £3.6m (2012: £6.2m); US dollar facility of £3.2m (2012: £3.5m), partly offset by cash and short term deposits of £248.9m (2012: £253.7m) including £208.7m of restricted cash in rail (2012: £205.0m). There were no overdrafts in use at the year end (2012: £nil).

Adjusted net debt (net debt plus restricted cash) was £299.6m (2012: £296.0m), equivalent to 1.87x EBITDA (2012: 1.80x), comfortably within our target range of 1.5x to 2.5x and well below our primary financing covenant of not more than 3.5x.

Net finance costs

Net finance costs for the year were largely in line with the prior year at £16.3m (2012: £16.0m) including finance costs of £17.9m (2012: £17.8m) less finance revenue of £1.6m (2012: £1.8m).

During the period a credit of £0.1m (2012: £0.7m credit) relating to mark to market interest swaps was released directly to income. The average underlying net interest rate for the period was 4.3% (2012: 4.9%).

Goodwill/amortisation

The charge for the year of £10.3m (2012: £9.7m) represents the non-cash cost of amortising goodwill, intangibles including assets associated with pension accounting for the rail franchises, and computer costs.

Taxation

Net tax for the year was £16.0m (2012: £18.0m), equivalent to an effective rate of 21.1% (2012: 21.3%), below the UK statutory rate for the period of 23.75% (2012: 25.5%), reflecting a £2.2m credit in respect of the impact on deferred tax on the change in statutory rate. Without this adjustment to deferred tax, our tax rate would have been around 24% (2012: 25.7%).

Non-controlling interest

The non-controlling interest in the income statement of £6.2m (2012: £11.0m) 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 £35.5m (2012: £34.3m) consisting of bus costs of £4.8m (2012: £4.9m) and rail costs of £30.7m (2012: £29.4m). Group contributions to the schemes totalled £46.9m (2012: £51.1m).

Bus pensions

The net deficit after taxation on the bus defined benefit schemes was £36.7m (2012: £17.3m), consisting of pre-tax liabilities of £47.7m (2012: £22.8m) less a deferred tax asset of £11.0m (2012: £5.5m). The increase in deficit was largely due to an increase in the life expectancy assumptions in the year. The pre-tax deficit consisted of estimated liabilities of £617.3m (2012: £558.7m) less assets of £569.6m (2012: £535.9m). The percentage of assets held in higher risk, return seeking assets was 49% (2012: 45%). In June 2013, after considering the results of the triennial valuation of The Go-Ahead Group Pension Scheme with the Pension Trustees, the Group commenced a formal 60-day consultation process with existing members and their representatives to close the defined benefit section to future accrual and to offer these members the opportunity to join the defined contribution section instead. At the time of writing this report, the Group was still considering the feedback it had received during the consultation period before reaching a final decision.

Rail pensions

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

We recorded a pre-tax liability of £nil (2012: £7.7m).

IAS 19 (revised)

IAS 19 (revised) becomes effective for the Group in the financial year ending 28 June 2014. Had the IAS been applied to these financial statements the effect would be a reduction in operating profit before tax for the year of £16.6m (comprising £3.8m in bus and £12.8m in rail), £9.3m of which would be attributable to shareholders. This would have resulted in a reduction of 21.7p to basic earnings per share, of which 6.8p would have related to the bus division. There would have been no effect on the Group's cashflow, credit rating or bank covenants had the revised standard been applied.

The impact of IAS 19 (revised) upon the financial year ending 28 June 2014 is expected to be a reduction in operating profit before tax of £17.9m (comprising £4.5m in bus and £13.4m in rail), £10.3m of which will be attributable to shareholders. This is expected to result in a reduction of 24.0p to basic earnings per share, of which 8.1p relates to the bus division.

The table below shows the expected impact of IAS 19 (revised) on the financial results to 28 June 2014, and the theoretical impact on the results to 29 June 2013 had the standard been adopted.

	2014 £m	2013 £m
Profit adjustment – Bus	**(4.5)**	(3.8)
Profit adjustment – Rail	**(13.4)**	(12.8)
Total operating profit effect	**(17.9)**	(16.6)
Taxation (22.5%/23.75%)	**4.0**	3.9
Profit for the year	**(13.9)**	(12.7)
Attributable to:		
Equity holders of the parent	**(10.3)**	(9.3)
Non-controlling interests	**(3.6)**	(3.4)
	(13.9)	(12.7)
Reduction in basic EPS (p)	**(24.0)**	(21.7)
Reduction in EPS attributable to bus (p)	**(8.1)**	(6.8)

Key risks

The key risks described in the Group's Annual Report for the year ended 29 June 2013 can be summarised as below. More detail can be found on pages 32-37 of the 2013 Group Annual Report and Accounts, available on our website at www.go-ahead.com

Key risks for 2013 can be summarised as:

External:

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

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

Strategic:

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

Ongoing key risks can be summarised as:

Operational:

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

Labour costs, employee relations and resource planning Poor employee relations or reduced availability of staff could impact on reputation, revenue, staff morale and our ability to fulfil contract obligations. Labour costs are a high proportion of our cost base. Even relatively small percentage increases in wages could have a material impact on profits. For example, an increase of 1% in staff costs would increase costs by £8.8m.

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

Supply chain management Our suppliers are key to the successful delivery of our services. One of our key suppliers failing to fulfil contractual obligations could result in disruption to our operations.

Financial:

Increased pension scheme funding required The Group participates in a number of pension schemes. Any funding shortfalls in defined benefit schemes could adversely impact the Group's financial position. During the year, the Group complied with the new auto-enrolment legislation and introduced a new section of the pension scheme. This could result in increased contributions.

Fuel cost Fuel is a significant cost to the Group. Both our bus and rail operations are exposed to fuel cost volatility, primarily diesel for buses and electricity for rail traction. Increased prices could adversely impact our financial position.

Insurance and claims The number and magnitude of claims falling within the Group's self-insured limits could impact the financial position of the Group.

Financing risk Loss of liquidity, credit risk on cash investments and interest rate risk could have a negative impact on the financial position of the Group.

Strategic:

Contract work Our London bus business and a small proportion of our bus operations outside London are reliant on running contracted services. Should we fail to retain existing contracts or win new work this could have an adverse impact on Group profitability.

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

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

Environmental:

Environmental risk Our reputation as a responsible operator is a key strength of our business. A failure to maintain our high standards may negatively impact the Group.

Consolidated income statement

for the year ended 29 June 2013

	2013 £m	2012 £m
Group revenue	**2,571.8**	2,423.8
Operating costs (excluding amortisation)	**(2,469.3)**	(2,313.6)
Group operating profit (before amortisation)	**102.5**	110.2
Intangible asset amortisation	**(10.3)**	(9.7)
Group operating profit (after amortisation)	**92.2**	100.5
Finance revenue	**1.6**	1.8
Finance costs	**(17.9)**	(17.8)
Profit on ordinary activities before taxation	**75.9**	84.5
Tax expense	**(16.0)**	(18.0)
Profit for the year from continuing operations	**59.9**	66.5
Attributable to:		
Equity holders of the parent	**53.7**	55.5
Non-controlling interests	**6.2**	11.0
	59.9	66.5
Earnings per share		
– basic	**125.3p**	129.5p
– diluted	**124.6p**	128.9p
– adjusted	**139.6p**	141.9p
Dividends paid (pence per share)	**81.0p**	81.0p
Final dividend proposed (pence per share)	**55.5p**	55.5p

Consolidated statement of comprehensive income

for the year ended 29 June 2013

	2013 £m	2012 £m
Profit for the year	**59.9**	66.5
Other comprehensive (losses)/income		
Items that will not be reclassified to profit or loss		
Actuarial (losses)/gains on defined benefit pension plans	**(28.6)**	29.6
Tax relating to items that will not be reclassified	**6.1**	(8.7)
	(22.5)	20.9
Items that may subsequently be reclassified to profit or loss		
Unrealised gains/(losses) on cashflow hedges	**4.0**	(12.5)
Gains on cashflow hedges taken to income statement – operating costs	**(3.4)**	(13.0)
Tax relating to items that may be reclassified	**(0.2)**	6.5
	0.4	(19.0)
Other comprehensive (losses)/income for the year, net of tax	**(22.1)**	1.9
Total comprehensive income for the year	**37.8**	68.4
Attributable to:		
Equity holders of the parent	**30.1**	56.9
Non-controlling interests	**7.7**	11.5
	37.8	68.4

Consolidated statement of changes in equity

for the year ended 29 June 2013

	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 2 July 2011	72.1	(69.8)	16.1	1.6	0.7	(3.6)	17.1	14.3	31.4
Profit for the year	–	–	–	–	–	55.5	55.5	11.0	66.5
Net movement on hedges (net of tax)	–	–	(18.0)	–	–	–	(18.0)	(1.0)	(19.0)
Actuarial gains on defined benefit pension plans (net of tax)	–	–	–	–	–	19.4	19.4	1.5	20.9
Total comprehensive income	–	–	(18.0)	–	–	74.9	56.9	11.5	68.4
Share based payment charge	–	–	–	–	–	0.5	0.5	–	0.5
Dividends	–	–	–	–	–	(34.7)	(34.7)	(12.0)	(46.7)
Acquisition of own shares	–	(0.6)	–	–	–	–	(0.6)	–	(0.6)
Exercise of share options	–	0.2	–	–	–	(0.2)	–	–	–
At 30 June 2012	72.1	(70.2)	(1.9)	1.6	0.7	36.9	39.2	13.8	53.0
Profit for the year	–	–	–	–	–	53.7	53.7	6.2	59.9
Net movement on hedges (net of tax)	–	–	0.3	–	–	–	0.3	0.1	0.4
Actuarial (losses)/gains on defined benefit pension plans (net of tax)	–	–	–	–	–	(23.9)	(23.9)	1.4	(22.5)
Total comprehensive income	–	–	0.3	–	–	29.8	30.1	7.7	37.8
Dividends	–	–	–	–	–	(34.7)	(34.7)	(6.0)	(40.7)
At 29 June 2013	**72.1**	**(70.2)**	**(1.6)**	**1.6**	**0.7**	**32.0**	**34.6**	**15.5**	**50.1**

Consolidated balance sheet

as at 29 June 2013

	2013 £m	2012 £m
Assets		
Non-current assets		
Property, plant and equipment	**457.6**	459.4
Intangible assets	**97.5**	108.6
Trade and other receivables	**1.1**	1.4
Investment in joint venture	**2.3**	3.4
Other financial assets	**1.7**	1.6
Deferred tax assets	**11.0**	7.3
	571.2	581.7
Current assets		
Inventories	**14.2**	15.2
Trade and other receivables	**237.8**	194.5
Cash and cash equivalents	**248.9**	253.7
Other financial assets	**0.6**	2.3
	501.5	465.7
Assets classified as held for sale	**2.8**	75.6
Total assets	**1,075.5**	1,123.0
Liabilities		
Current liabilities		
Trade and other payables	**(465.2)**	(519.6)
Other financial liabilities	**(1.7)**	(5.2)
Interest-bearing loans and borrowings	**(0.6)**	(2.4)
Current tax liabilities	**(10.5)**	(8.8)
Provisions	**(45.6)**	(18.9)
	(523.6)	(554.9)
Non-current liabilities		
Interest-bearing loans and borrowings	**(336.7)**	(338.8)
Retirement benefit obligations	**(47.7)**	(30.5)
Other financial liabilities	**(1.1)**	(2.8)
Deferred tax liabilities	**(52.5)**	(51.6)
Other liabilities	**(5.3)**	(4.6)
Provisions	**(58.5)**	(86.8)
	(501.8)	(515.1)
Total liabilities	**(1,025.4)**	(1,070.0)
Net assets	**50.1**	53.0
Capital & reserves		
Share capital	**72.1**	72.1
Reserve for own shares	**(70.2)**	(70.2)
Hedging reserve	**(1.6)**	(1.9)
Other reserve	**1.6**	1.6
Capital redemption reserve	**0.7**	0.7
Retained earnings	**32.0**	36.9
Total shareholders' equity	**34.6**	39.2
Non-controlling interests	**15.5**	13.8
Total equity	**50.1**	53.0

Consolidated cashflow statement

for the year ended 29 June 2013

	2013 £m	2012 £m
Profit after tax for the year	**59.9**	66.5
Net finance costs	**16.3**	16.0
Tax expense	**16.0**	18.0
Depreciation of property, plant and equipment	**58.1**	53.8
Amortisation of goodwill and intangible assets	**10.3**	9.7
Ineffective interest swap hedge	**(0.1)**	(0.7)
Release of fuel hedge	**(3.0)**	(2.3)
Profit on sale of property, plant and equipment	**(0.5)**	(0.1)
Share based payments	**–**	0.5
Difference between pension contributions paid and amounts recognised in the income statement	**(11.4)**	(16.8)
Impairment of joint venture	**0.7**	–
Decrease in inventories	**1.0**	0.7
(Increase)/decrease in trade and other receivables	**(42.0)**	8.9
Increase in trade and other payables	**22.3**	9.5
Movement in provisions	**(1.6)**	4.1
Cashflow generated from operations	**126.0**	167.8
Taxation paid	**(11.1)**	(15.7)
Net cashflows from operating activities	**114.9**	152.1
Cashflows from investing activities		
Interest received	**1.6**	1.8
Proceeds from sale of property, plant and equipment	**2.8**	0.7
Purchase of property, plant and equipment	**(58.5)**	(77.3)
Purchase of intangible assets	**(1.1)**	(4.0)
Purchase of subsidiaries	**(0.7)**	(29.3)
Proceeds from sale of financial instruments	**–**	0.6
(Repayment)/receipt of funding for rolling stock procurement	**(75.5)**	75.5
Deposit paid on rolling stock	**–**	(75.5)
Sale of rolling stock	**75.5**	–
Repayments from joint venture	**0.3**	0.4
Cash acquired with subsidiaries	**–**	2.1
Net cashflows used in investing activities	**(55.6)**	(105.0)
Cashflows from financing activities		
Interest paid	**(18.5)**	(16.9)
Dividends paid to members of the Parent	**(34.7)**	(34.7)
Dividends paid to non-controlling interests	**(6.0)**	(12.0)
Payment to acquire own shares	**–**	(0.6)
Repayment of borrowings	**(2.3)**	(0.4)
Proceeds from borrowings	**–**	51.0
Payment of finance lease and hire purchase liabilities	**(2.6)**	(3.4)
Net cash outflows on financing activities	**(64.1)**	(17.0)
Net (decrease)/increase in cash and cash equivalents	**(4.8)**	30.1
Cash and cash equivalents at 30 June 2012	**253.7**	223.6
Cash and cash equivalents at 29 June 2013	**248.9**	253.7

Notes to the consolidated financial statements

for the year ended 29 June 2013

1. Segmental analysis

For management purposes, the Group is organised into four reportable segments: Deregulated Bus, Regulated Bus, Rail and Go-Ahead North America. Operating segments within those reportable divisions are combined on the basis of their long term characteristics and similar nature of their products and services, as follows:

The Deregulated Bus division comprises bus operations outside London.

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

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

The Go-Ahead North America division comprises a 50% investment in a US school bus operation. The Group's share of the profit of this division is currently £nil (2012: £nil), and it is therefore not shown separately within the tables below but aggregated within Deregulated Bus.

The information reported to the Group Chief Executive in his capacity as chief operating decision maker does not include an analysis of assets and liabilities and accordingly IFRS 8 does not require this information to be presented. Segment performance is evaluated based on operating profit or loss excluding amortisation of goodwill and intangible assets and exceptional items.

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

The following tables present information regarding the Group's reportable segments for the year ended 29 June 2013 and the year ended 30 June 2012.

Year ended 29 June 2013

	Deregulated Bus £m	Regulated Bus £m	Total Bus £m	Rail £m	Total operations £m
Segment revenue	356.3	430.9	787.2	1,815.2	2,602.4
Inter-segment revenue	(18.7)	(7.0)	(25.7)	(4.9)	(30.6)
Group revenue	**337.6**	**423.9**	**761.5**	**1,810.3**	**2,571.8**
Operating costs (excluding amortisation)	(299.7)	(383.6)	(683.3)	(1,786.0)	(2,469.3)
Segment profit – Group operating profit (before amortisation)	**37.9**	**40.3**	**78.2**	**24.3**	**102.5**
Intangible amortisation	(1.4)	(2.1)	(3.5)	(6.8)	(10.3)
Group operating profit (after amortisation)	**36.5**	**38.2**	**74.7**	**17.5**	**92.2**
Net finance costs					(16.3)
Profit before tax and non-controlling interests					**75.9**
Tax expense					(16.0)
Profit for the year					**59.9**

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

At 29 June 2013, there were non-current assets of £2.3m (2012: £3.4m) and current assets of £0.4m (2012: £0.3m) relating to US operations, being made up of equity accounted investments of £nil (2012: £0.7m) and loans of £2.7m (2012: £3.0m) in Go-Ahead North America, a 50:50 joint venture with Cook-Illinois which commenced trading in August 2010. For the year ended 29 June 2013, segment revenue for this venture was £2.2m (2012: £2.4m) and segment profit was £nil (2012: £nil).

During the year ended 29 June 2013, segment revenue from external customers outside the United Kingdom was £2.2m (2012: £2.4m), which related entirely to the Go-Ahead North America joint venture.

Year ended 30 June 2012

	Deregulated Bus £m	Regulated Bus £m	Total Bus £m	Rail £m	Total operations £m
Segment revenue	330.5	385.1	715.6	1,736.6	2,452.2
Inter-segment revenue	(17.6)	(6.7)	(24.3)	(4.1)	(28.4)
Group revenue	312.9	378.4	691.3	1,732.5	2,423.8
Operating costs (excluding amortisation)	(277.5)	(343.6)	(621.1)	(1,692.5)	(2,313.6)
Segment profit – Group operating profit (before amortisation)	35.4	34.8	70.2	40.0	110.2
Intangible amortisation	(1.3)	(1.1)	(2.4)	(7.3)	(9.7)
Group operating profit (after amortisation)	34.1	33.7	67.8	32.7	100.5
Net finance costs					(16.0)
Profit before tax and non-controlling interests					84.5
Tax expense					(18.0)
Profit for the year					66.5

	Deregulated Bus £m	Regulated Bus £m	Total Bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
Additions	35.8	33.2	69.0	8.3	77.3
Acquisitions	10.2	8.5	18.7	–	18.7
Intangible fixed assets	7.9	6.7	14.6	2.8	17.4
Depreciation	26.4	14.2	40.6	13.2	53.8

2. Group revenue

	2013 £m	2012 £m
Rendering of services	**2,422.7**	2,236.0
Rental income	**8.9**	7.5
Franchise subsidy receipts and revenue support	**140.2**	180.3
Group revenue	**2,571.8**	2,423.8

3. Operating costs (excluding amortisation)

	2013 £m	2012 £m
Staff costs	**880.1**	831.3
Operating lease payments		
– bus vehicles	**18.9**	15.9
– non-rail properties	**2.5**	2.7
– other non-rail	**0.1**	0.1
– rail rolling stock	**307.7**	283.7
– other rail	**65.7**	57.9
Total lease and sublease payments recognised as an expense (excluding rail access charges)*	**394.9**	360.3
– rail access charges	**439.4**	405.9
Total lease and sublease payments recognised as an expense**	**834.3**	766.2
DfT Franchise agreement payments	**152.7**	106.9
Other operating income	**(23.7)**	(21.2)
Depreciation of property, plant and equipment		
– owned assets	**46.4**	41.2
– leased assets	**11.7**	12.6
Total depreciation expense	**58.1**	53.8
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**	0.4
– other services	**0.1**	0.1
Total auditors' remuneration	**0.8**	1.0
Trade receivables not recovered	**0.6**	(0.9)
Energy costs		
– bus fuel	**93.6**	69.6
– rail diesel fuel	**7.9**	7.6
– rail electricity (EC4T)	**82.8**	67.7
– cost of site energy	**12.2**	10.8
Total energy costs	**196.5**	155.7
Government grants	**(2.9)**	(1.7)
Profit on disposal of property, plant and equipment	**(0.5)**	(0.1)
Costs expensed relating to franchise bidding activities	**3.2**	2.1
Other operating costs	**370.1**	420.5
Total operating costs	**2,469.3**	2,313.6

* The total lease and sublease payments recognised as an expense (excluding rail access charges) are made up of minimum lease payments of £408.2m (2012: £375.3m), net of sublease payments of £13.3m (2012: £15.0m) relating to other rail leases.

** The total lease and sublease payments recognised as an expense are made up of minimum lease payments of £847.6m (2012: £781.2m), net of sublease payments of £13.3m (2012: £15.0m) relating to other rail leases.

The fee relating to the audit of the financial statements can be analysed between audit of the Company's financial statements of £0.2m (2012: £0.1m) and audit of subsidiaries' financial statements of £0.4m (2012: £0.4m).

During the year, £0.7m (2012: £0.3m) was also paid to other 'Big 4' accounting firms for a variety of services.

4. Staff costs

	2013 £m	2012 £m
Wages and salaries	**769.7**	726.1
Social security costs	**68.0**	64.4
Other pension costs	**42.4**	40.3
Share based payments charge	**–**	0.5
	880.1	831.3

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

	2013 No.	2012 No.
Administration and supervision	**2,375**	2,337
Maintenance and engineering	**2,350**	2,334
Operations	**18,838**	18,301
	23,563	22,972

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.

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 Company 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 29 June 2013 was less than £0.1m (2012: £0.5m).

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 29 June 2013 and 30 June 2012 were:

	2013 % per annum	2012 % per annum
The Go-Ahead Group plc		
Future share price volatility	**27.0**	33.0
FTSE Mid-250 index comparator		
Future share price volatility	**30.0**	35.0
Correlation between companies	**30.0**	30.0

The weighted average fair value of options granted during the year was £10.96 (2012: £11.72).

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

	2013 No.	2012 No.
Outstanding at the beginning of the year	**258,206**	194,337
Granted during the year	**113,380**	110,777
Forfeited during the year	**(77,723)**	(35,181)
Exercised during the year	**–**	(11,727)
Outstanding at the end of the year	**293,863**	258,206

None of the options were exercisable at the year end and the weighted average exercise price of the options is £nil (2012: £nil).

The weighted average remaining contractual life of the options is 1.53 years (2012: 1.46 years). The weighted average share price of options exercised was n/a (2012: £14.09).

Deferred Share Bonus Plan

From the financial year 30 June 2012, the Executive Directors were able to participate in the Deferred Share Bonus Plan (DSBP). The DSBP provides for Executive Directors to be awarded shares in the Company conditional on the achievement of profit before tax targets that are higher than the profit targets set for the annual performance-related cash bonus. 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 29 June 2013 was less than £0.1m (2012: £nil).

The fair value of DSBP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions under which the options were granted. The inputs to the model used for the options granted in the year to 29 June 2013 and 30 June 2012 were:

	2013 % per annum	2012 % per annum
The Go-Ahead Group		
Future share price volatility	**27.0**	n/a
FTSE Mid-250 index comparator		
Future share price volatility	**30.0**	n/a
Correlation between companies	**30.0**	n/a

The weighted average fair value of options granted during the year was £12.32 (2012: n/a).

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

	2013 No.	2012 No.
Outstanding at the beginning of the year	**–**	–
Granted during the year	**14,204**	–
Outstanding at the end of the year	**14,204**	–

None of the options were exercisable at the year end and the weighted average exercise price of the options is £nil (2012: n/a).

Directors' discretionary deferred share awards

On 17 November 2009 the Company awarded a total of 6,996 ordinary shares to Directors of the Group. The stock was at no cost to the Directors and restrictions limit the sale or transfer of these shares until they vest, which occurs at the end of a three year period. The shares were held in a trust until they vested. During the year ended 30 June 2012, the shares exercised had vested in full following the retirement of a Director and in accordance with the 'good leaver' provisions of the Plan.

The expense recognised for the Directors' discretionary deferred share awards during the year to 29 June 2013 was £nil (2012: less than £0.1m).

	2013 No	**2013 WAEP £**	2012 No	2012 WAEP £
Outstanding restricted stock at the beginning of the year	**–**	**–**	3,498	14.29
Forfeited during the year	**–**	**–**	–	–
Exercised during the year	**–**	**–**	(3,498)	14.29
Outstanding restricted stock at the end of the year	**–**	**–**	–	–

Share incentive plans

The Company 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 Company to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the Company has, so far, made awards of partnership shares only. Under these awards, the Company invites qualifying employees to apply between £10 and £125 per month in acquiring shares in the Company at the prevailing market price. Under the terms of the scheme, certain tax advantages are available to the Company and employees.

Sharesave Scheme

The Group previously operated an HMRC approved savings-related share option scheme, known as The Go-Ahead Group plc Savings-Related Share Option Scheme 2003 (Sharesave Scheme). The Sharesave Scheme was open to all Group employees (including Executive Directors) who had completed at least six months' service with a Group company at the date they were invited to participate in the scheme. No invitations have been made during the current or prior year and no accounts remain outstanding.

5. Finance revenue and costs

	2013 £m	2012 £m
Bank interest receivable on bank deposits	**1.5**	1.7
Other interest receivable	**0.1**	0.1
Finance revenue	**1.6**	1.8
Interest payable on bank loans and overdrafts	**(3.9)**	(4.8)
Interest payable on £200m sterling 7.5 year bond	**(11.1)**	(11.1)
Other interest payable	**(1.9)**	(2.3)
Hedging ineffectiveness	**0.1**	0.7
Unwinding of discounting on provisions	**(0.7)**	–
Interest payable under finance leases and hire purchase contracts	**(0.4)**	(0.3)
Finance costs	**(17.9)**	(17.8)

6. Taxation

a. Tax recognised in the income statement and in equity

	2013 £m	2012 £m
Current tax charge	**14.7**	10.6
Adjustments in respect of current tax of previous years	**(1.3)**	(0.7)
	13.4	9.9
Deferred tax relating to origination and reversal of temporary differences at 23% (2012: 24%)	**4.5**	11.1
Adjustments in respect of deferred tax of previous years	**0.3**	0.7
Impact of opening deferred tax rate reduction	**(2.2)**	(3.7)
Tax reported in consolidated income statement	**16.0**	18.0

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

	2013 £m	2012 £m
Tax on actuarial (losses)/gains on defined benefit pension plans	**(6.6)**	7.1
Corporation tax on cash flow hedges	**(0.6)**	(2.6)
Deferred tax on cash flow hedges	**0.8**	(3.6)
Impact of opening deferred tax rate reduction	**0.5**	1.3
Tax reported outside of profit or loss	**(5.9)**	2.2

b. Reconciliation

A reconciliation of income tax applicable to accounting profit before tax and exceptional items at the statutory tax rate to tax at the Group's effective tax rate for the years ended 29 June 2013 and 30 June 2012 is as follows:

	2013 £m	2012 £m
Accounting profit on ordinary activities before taxation	**75.9**	84.5
At United Kingdom tax rate of 23.75% (2012: 25.5%)	**18.0**	21.6
Adjustments in respect of current tax of previous years	**(1.3)**	(0.7)
Expenditure not allowable for tax purposes	**1.3**	0.8
Adjustments in respect of deferred tax of previous years	**0.3**	0.7
Effect of changes in tax rates	**(0.1)**	(0.7)
Impact of opening deferred tax rate reduction	**(2.2)**	(3.7)
Tax reported in consolidated income statement	**16.0**	18.0
Effective tax rate	**21.1%**	21.3%

c. Deferred tax

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

	2013 £m	2012 £m
Deferred tax liability		
Accelerated capital allowances	**(31.8)**	(31.2)
Intangible assets	**(1.3)**	(2.3)
Other temporary differences	**0.5**	2.8
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**(19.9)**	(20.9)
Deferred tax liability included in balance sheet	**(52.5)**	(51.6)
Deferred tax asset		
Retirement benefit obligations	**11.0**	7.3
Deferred tax asset included in balance sheet	**11.0**	7.3

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

	2013 £m	2012 £m
Accelerated capital allowances	**2.5**	8.3
Retirement benefit obligations	**1.7**	3.1
Other temporary differences	**0.3**	(0.3)
	4.5	11.1
Adjustments in respect of prior years	**0.3**	0.7
Adjustments in respect of opening deferred tax rate reduction	**(2.2)**	(3.7)
Deferred tax expense	**2.6**	8.1

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

A reduction in the UK corporation tax rate from 24% to 23% came into effect on 1 April 2013. Finance Bill 2013 was substantively enacted on 2 July 2013 and given Royal Assent on 17 July 2013, giving effect to a 21% rate effective from 1 April 2014 and 20% rate effective from 1 April 2015.

As the 21% and 20% rates had not been substantively enacted at the balance sheet date they have no effect on current or deferred tax liabilities in these accounts. However, as the 23% rate was substantively enacted at the balance sheet date, this rate has been applied to the deferred tax liabilities/assets at the year end.

If the reduction to 20% had been enacted by 29 June 2013 the Group's deferred tax liability would have been reduced by a further £6.8m to £45.7m and the deferred tax asset would have been reduced by a further £1.4m to £9.6m.

7. Earnings per share

Basic and diluted earnings per share

	2013	2012
Net profit attributable to equity holders of the parent (£m)	**53.7**	55.5
Consisting of:		
Adjusted earnings attributable to equity holders of the parent (£m)	**59.8**	60.8
Amortisation after taxation and non-controlling interests (£m)	**(6.1)**	(5.3)
Basic and diluted earnings attributable to equity holders of the parent (£m)	**53.7**	55.5

	2013	2012
Basic weighted average number of shares in issue ('000)	**42,845**	42,851
Dilutive potential share options ('000)	**254**	217
Diluted weighted average number of shares in issue ('000)	**43,099**	43,068
Earnings per share:		
Adjusted earnings per share (pence per share)	**139.6**	141.9
Basic earnings per share	**125.3**	129.5
Diluted earnings per share	**124.6**	128.9

The weighted average number of shares in issue excludes treasury shares held by the Company, 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 29 June 2013 to 4 September 2013.

The effect of taxation and non-controlling interests on exceptional items and amortisation is shown below for each of the periods.

Adjusted earnings per share

Adjusted earnings per share is also presented to eliminate the impact of goodwill and intangible amortisation and exceptional costs and revenues in order to show a 'normalised' earnings per share. This is analysed as follows:

Year ended 29 June 2013

	Profit for the year £m	Amortisation £m	2013 Total £m
Profit before taxation	**75.9**	**10.3**	**86.2**
Less: Taxation	**(16.0)**	**(2.4)**	**(18.4)**
Less: Non-controlling interests	**(6.2)**	**(1.8)**	**(8.0)**
Adjusted profit attributable to equity holders of the parent	**53.7**	**6.1**	**59.8**
Adjusted earnings per share (pence per share)			**139.6**

Year ended 30 June 2012

	Profit for the year £m	Amortisation £m	2012 Total £m
Profit before taxation	84.5	9.7	94.2
Less: Taxation	(18.0)	(2.5)	(20.5)
Less: Non-controlling interests	(11.0)	(1.9)	(12.9)
Adjusted profit attributable to equity holders of the parent	55.5	5.3	60.8
Adjusted earnings per share (pence per share)			141.9

8. Dividends paid and proposed

	2013 £m	2012 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2012: 55.5p per share (2011: 55.5p)	**23.8**	23.8
Interim dividend for 2013: 25.5p per share (2012: 25.5p)	**10.9**	10.9
	34.7	34.7

	2013 £m	2012 £m
Proposed for approval at the AGM (not recognised as a liability as at 29 June 2013)		
Equity dividends on ordinary shares:		
Final dividend for 2013: 55.5p per share (2012: 55.5p)	**23.8**	23.8

9. Property, plant and equipment

	Freehold land and buildings £m	Leasehold land and properties £m	Bus vehicles £m	Plant and equipment £m	Total £m
Cost:					
At 2 July 2011	158.1	16.2	407.5	159.7	741.5
Additions	3.5	0.2	61.2	12.4	77.3
Acquisitions	3.4	2.5	12.2	0.6	18.7
Disposals	–	–	(10.0)	(4.9)	(14.9)
Transfer categories	–	–	(0.2)	0.2	–
Transfer of assets held for resale	1.5	–	–	–	1.5
At 30 June 2012	166.5	18.9	470.7	168.0	824.1
Additions	9.2	0.5	40.2	8.6	58.5
Acquisitions	–	–	0.3	–	0.3
Disposals	(0.2)	–	(17.3)	(1.3)	(18.8)
Transfer categories	3.9	(3.9)	(0.6)	3.1	2.5
Transfer of assets held for resale	(2.7)	–	–	–	(2.7)
At 29 June 2013	**176.7**	**15.5**	**493.3**	**178.4**	**863.9**
Depreciation and impairment:					
At 2 July 2011	7.1	4.7	203.9	109.4	325.1
Charge for the year	2.9	0.7	34.7	15.5	53.8
Disposals	–	–	(9.3)	(4.8)	(14.1)
Transfer categories	–	–	(0.2)	0.2	–
Transfer of assets held for resale	(0.1)	–	–	–	(0.1)
At 30 June 2012	9.9	5.4	229.1	120.3	364.7
Charge for the year	4.2	0.5	38.8	14.6	58.1
Disposals	–	–	(15.3)	(1.2)	(16.5)
Transfer categories	0.3	(0.3)	(0.3)	0.3	–
At 29 June 2013	**14.4**	**5.6**	**252.3**	**134.0**	**406.3**
Net book value:					
At 29 June 2013	**162.3**	**9.9**	**241.0**	**44.4**	**457.6**
At 30 June 2012	156.6	13.5	241.6	47.7	459.4
At 2 July 2011	151.0	11.5	203.6	50.3	416.4

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

	2013 £m	2012 £m
Bus vehicles	**46.1**	60.5
Plant and equipment	**0.3**	0.3
	46.4	60.8

Additions and acquisitions during the year included £nil (2012: £4.5m) of rolling stock and £nil (2012: £0.3m) of plant and equipment under finance leases and hire purchase contracts.

10. Intangible assets

	Goodwill £m	Software costs £m	Franchise bid costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
Cost:						
At 2 July 2011	125.5	14.0	8.7	49.6	6.2	204.0
Additions	–	4.0	–	–	–	4.0
Acquisitions	7.0	–	–	–	6.4	13.4
Disposals*	(51.7)	–	–	–	–	(51.7)
At 30 June 2012	80.8	18.0	8.7	49.6	12.6	169.7
Additions	–	1.1	–	–	–	1.1
Acquisitions	–	–	–	–	0.6	0.6
Transfer categories	–	(2.5)	–	–	–	(2.5)
At 29 June 2013	**80.8**	**16.6**	**8.7**	**49.6**	**13.2**	**168.9**
Amortisation and impairment:						
At 2 July 2011	51.7	10.0	5.5	30.6	5.3	103.1
Charge for the year	–	2.0	0.8	5.9	1.0	9.7
Disposals*	(51.7)	–	–	–	–	(51.7)
At 30 June 2012	–	12.0	6.3	36.5	6.3	61.1
Charge for the year	–	1.6	0.8	5.9	2.0	10.3
At 29 June 2013	**–**	**13.6**	**7.1**	**42.4**	**8.3**	**71.4**
Net book value:						
At 29 June 2013	**80.8**	**3.0**	**1.6**	**7.2**	**4.9**	**97.5**
At 30 June 2012	80.8	6.0	2.4	13.1	6.3	108.6
At 2 July 2011	73.8	4.0	3.2	19.0	0.9	100.9

* The goodwill disposal value of £51.7m represents fully amortised goodwill.

Rail franchise asset

This reflects the cost of the right to operate a rail franchise. The net brought forward element of the franchise intangible is made up of £9.5m relating to the opening deficit in the RPS for all franchises and £3.6m relating to the cost of the intangible asset acquired on the handover of the franchise assets relating to the Southeastern rail franchise. The intangible asset is being amortised on a straight-line basis over the life of the franchises (being between five and eight years).

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.

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:

	2013 £m	2012 £m
Metrobus	**10.6**	10.6
Go South Coast	**28.6**	28.6
Brighton & Hove	**2.1**	2.1
Plymouth Citybus	**13.0**	13.0
Go-Ahead London	**10.5**	10.5
Go North East	**2.7**	2.7
Konectbus	**3.6**	3.6
Thames Travel	**2.7**	2.7
Carousel	**2.1**	2.1
Anglian	**3.3**	3.3
Chambers	**1.6**	1.6
	80.8	80.8

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash-generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three year period which have then been extended over an appropriate period. The Directors feel that the extended period is justified because of the long term stability of the relevant income streams. Growth has been extrapolated forward from the end of the three year forecasts over the extended period 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.

The pre-tax cashflows for all cash-generating units have been discounted using a pre-tax discount rate of 9.3% (2012: 10.0%), based on the Group's weighted average cost of capital, plus an appropriate risk premium for each cash-generating unit of 0.0-2.0% (2012: 0.0-2.0%).

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

The Directors consider the assumptions used to be consistent with the historical performance of each unit and to be realistically achievable in light of economic and industry measures and forecasts. We have conducted sensitivity analysis on our calculations and the assumption that would most likely lead to an impairment is a change in discount rate. Using a 9.3% pre-tax discount rate the cash-generating unit with the least headroom is Anglian, which has headroom of £2.2m. An increase in discount rates of 1.2% would be required to reduce the headroom to nil.

11. Business combinations

Year ended 29 June 2013

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

Net assets at date of acquisition:

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

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

From the date of acquisition, in the year ended 29 June 2013, this acquisition recorded a profit after tax of £nil to the Group and revenue of £0.1m. Had the combination taken place at the beginning of the year, it is estimated that it would have recorded £0.2m of profit after tax and £6.4m of revenue to the Group.

Year ended 30 June 2012

On 3 March 2012, Go-Ahead Holding Limited, a wholly owned subsidiary of the Group, acquired 100% of the share capital of Carousel Buses Limited.

On 2 March 2012, Go-Ahead Holding Limited acquired 100% of the share capital of Hedingham and District Omnibuses Limited.

On 30 March 2012, London General Transport Services Limited, a wholly owned subsidiary of the Group, acquired Northumberland Park bus depot in Tottenham, North East London from FirstGroup plc for a cash consideration of £14.3m. The business operates in the regulated market.

On 23 April 2012, Go-Ahead Holding Limited acquired 100% of the share capital of Anglian Bus Limited.

On 2 June 2012, Go-Ahead Holding Limited acquired 100% of the share capital of HC Chambers and Son Limited.

Net assets at date of acquisition:

	Deregulated acquisitions – Fair value to Group 2012 £m	Regulated acquisitions – Fair value to Group 2012 £m	Total acquisitions – Fair value to Group 2012 £m
Tangible fixed assets	10.2	8.5	18.7
Intangibles – Customer contracts	–	6.4	6.4
Investments – Held to maturity	1.6	–	1.6
Inventories	0.2	0.2	0.4
Receivables	1.5	–	1.5
Payables falling due within one year	(3.0)	(0.8)	(3.8)
Hire purchase contracts	(4.1)	–	(4.1)
Deferred taxation	(0.5)	–	(0.5)
Cash	2.1	–	2.1
	8.0	14.3	22.3
Goodwill arising on acquisition	7.0	–	7.0
			29.3
Cash	15.0	14.3	29.3
Total consideration	15.0	14.3	29.3

Acquisition costs of £0.3m have been expensed through other operating costs.

Receivables have been assessed and are considered to be recoverable.

Management believes that capitalised goodwill represents future growth opportunities and created value in respect of customer awareness and an assembled workforce for which the recognition of a discrete intangible asset is not permitted.

12. Assets classified as held for sale

At 29 June 2013, assets held for sale, with a carrying amount of £2.8m, related to property, plant and equipment available for sale.

At 30 June 2012, assets held for sale, with a carrying amount of £75.6m, of which £75.5m represented a payment on account for new rolling stock in Southern Railway Limited, in respect of which a sale and operating leaseback was completed before 31 December 2012. The remaining £0.1m related to property, plant and equipment available for sale.

13. Inventories

	2013 £m	2012 £m
Raw materials and consumables	**14.2**	15.2

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

14. Trade and other receivables

	2013 £m	2012 £m
Current		
Trade receivables	**103.4**	101.5
Less: Provision for impairment of receivables	**(1.2)**	(1.1)
Trade receivables – net	**102.2**	100.4
Other receivables	**43.5**	34.2
Prepayments and accrued income	**50.5**	26.2
Receivable from central Government	**41.2**	33.4
Amounts due from joint venture	**0.4**	0.3
	237.8	194.5

	2013 £m	2012 £m
Non-current		
Other receivables	**1.1**	1.4

Trade receivables at nominal value of £1.2m (2012: £1.1m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total £m
At 30 June 2012	1.1
Charge for the year	0.8
Utilised	(0.5)
Unused amounts reversed	(0.2)
At 29 June 2013	**1.2**

As at 29 June 2013, 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
2013	**102.2**	**97.0**	**4.5**	**0.3**	**0.1**	**–**	**0.3**
2012	100.4	90.4	7.4	1.7	0.7	0.1	0.1

15. Cash and cash equivalents

	2013 £m	2012 £m
Cash at bank and in hand	**51.0**	54.9
Cash and cash equivalents	**197.9**	198.8
	248.9	253.7

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 29 June 2013, balances amounting to £208.7m (2012: £205.0m) were restricted. Part of this amount is to cover deferred income for season tickets which was £122.8m at 29 June 2013 (2012: £116.0m).

16. Trade and other payables

	2013 £m	2012 £m
Current		
Trade payables	**131.6**	124.5
Other taxes and social security costs	**22.9**	23.3
Other payables	**41.5**	43.5
Deferred season ticket income	**118.2**	110.8
Accruals and deferred income	**109.6**	102.1
Payable to central Government*	**38.8**	112.2
Government grants	**2.6**	3.2
	465.2	519.6

* At 30 June 2012, £75.5m was included within amounts payable to central Government representing deposit payments associated with the rolling stock payment.

	2013 £m	2012 £m
Non-current		
Government grants	**3.5**	2.7
Other liabilities	**1.8**	1.9
	5.3	4.6

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

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

17. Interest-bearing loans and borrowings

Net debt and interest-bearing loans and borrowings

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

Year ended 29 June 2013

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

Year ended 30 June 2012

	Effective interest rate %	Maturity	Current: Within one year £m	Non-current: After one year but not more than five years £m	Non-current: After five years £m	Total £m
Syndicated loans (see below)	1.92	0-4 years	–	135.0	–	135.0
Debt issue costs on syndicated loans			(0.4)	(1.1)	–	(1.5)
Dollar loans (see below)	2.04	0-4 years	–	3.5	–	3.5
£200m sterling 7.5 year bond (see below)	5.38	0-6 years	–	–	200.0	200.0
Debt issue costs			(0.4)	(1.5)	(0.1)	(2.0)
Finance leases and HP commitments (see below)	8.20	0-5 years	3.2	3.0	–	6.2
Total interest-bearing loans and borrowings			2.4	138.9	199.9	341.2
Debt issue costs			0.8	2.6	0.1	3.5
Total interest-bearing loans and borrowings (gross of debt issue costs)			3.2	141.5	200.0	344.7
Cash and short term deposits			(253.7)	–	–	(253.7)
Net debt			(250.5)	141.5	200.0	91.0
Restricted cash						205.0
Adjusted net debt						296.0

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
2 July 2011	223.6	(84.0)	(3.9)	(5.5)	(200.0)	(69.8)
On acquisitions	2.1	–	–	(4.1)	–	(2.0)
Cashflow	28.0	(51.0)	0.4	3.4	–	(19.2)
30 June 2012	253.7	(135.0)	(3.5)	(6.2)	(200.0)	(91.0)
Cashflow	(4.8)	2.0	0.3	2.6	–	0.1
29 June 2013	**248.9**	**(133.0)**	**(3.2)**	**(3.6)**	**(200.0)**	**(90.9)**

Syndicated loan facility

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

As at 29 June 2013, £133.0m (2012: £135.0m) 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. As at 29 June 2013, $4.8m (2012: $5.5m) or £3.2m (2012: £3.5m) of this facility was drawn down.

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

Debt issue costs

There are debt issue costs of £0.9m (2012: £1.5m) on the syndicated loan facility.

The £200m sterling 7.5 year bond has debt issue costs of £1.6m (2012: £2.0m).

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.

18. Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for bus vehicles and various items of plant and machinery. 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:

	2013		2012	
	Minimum payments £m	**Present value of payments £m**	Minimum payments £m	Present value of payments £m
Within one year	**1.8**	**1.6**	3.5	3.2
After one year but not more than five years	**2.2**	**2.0**	3.3	3.0
Total minimum lease payments	**4.0**	**3.6**	6.8	6.2
Less amounts representing finance charges	**(0.4)**	**–**	(0.6)	–
Present value of minimum lease payments	**3.6**	**3.6**	6.2	6.2

The finance lease and hire purchase commitments all relate to bus vehicles.

19. Derivatives and financial instruments

a. Fair values

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 29 June 2013 and 30 June 2012 and are as follows:

	2013 £m	2012 £m
Non-current assets	**1.7**	1.6
Current assets	**0.6**	2.3
	2.3	3.9
Current liabilities	**(1.7)**	(5.2)
Non-current liabilities	**(1.1)**	(2.8)
	(2.8)	(8.0)
Net financial liabilities	**(0.5)**	(4.1)

Year ended 29 June 2013

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

Year ended 30 June 2012

	Amortised cost £m	Held to maturity £m	Held for trading – Fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	–	(5.1)	(5.1)	(5.1)
Interest rate derivatives	–	–	(0.6)	(0.6)	(0.6)
Long term deposits	–	1.6	–	1.6	1.6
Net financial assets/(liabilities)	–	1.6	(5.7)	(4.1)	(4.1)
Obligations under finance lease and hire purchase contracts	(6.2)	–	–	(6.2)	(6.2)
	(6.2)	1.6	(5.7)	(10.3)	(10.3)

The fair value of all other assets and liabilities is not significantly different from their carrying amount, with the exception of the £200m sterling 7.5 year bond which has a fair value of £216.6m (2012: £212.7m) but is carried at its amortised cost of £200.0m. The fair value of the £200m sterling 7.5 year bond has been determined by reference to the price available from the market on which the bond is traded. The fuel price derivatives and interest rate swaps were valued externally by the respective banks by comparison with the market fuel price for the relevant date.

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

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

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

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

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

As at 29 June 2013, the Group has used a level 2 valuation technique to determine the fair value of all financial instruments. During the year ended 29 June 2013, there were no transfers between valuation levels.

b. Hedging activities

Fuel derivatives

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

At the year end, the Group had various fuel price swaps in place. For the 2014, 2015 and 2016 financial years cashflow hedges were placed over 130, 66 and 31 million litres of fuel respectively. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 29 June 2013 the Group had derivatives against bus fuel of 126 million litres for the year ending 28 June 2014, representing approximately 100% of the anticipated fuel usage in our bus division. As at 29 June 2013 the Group also had derivatives against bus fuel for the 2015 and 2016 financial years of 62 and 31 million litres respectively.

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

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

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

20. Provisions

	Depots £m	Onerous contracts £m	Franchise commitments £m	Uninsured claims £m	Other £m	Total £m
At 30 June 2012	0.3	0.2	53.7	50.5	1.0	105.7
Provided (after discounting)	0.3	–	18.5	18.4	–	37.2
Utilised	(0.2)	(0.2)	(9.2)	(17.6)	(0.2)	(27.4)
Released	(0.2)	–	(12.0)	(2.0)	(0.5)	(14.7)
Transferred from creditors	–	–	–	–	2.6	2.6
Unwinding of discounting	–	–	0.4	0.3	–	0.7
At 29 June 2013	**0.2**	**–**	**51.4**	**49.6**	**2.9**	**104.1**

	2013 £m	2012 £m
Current	**45.6**	18.9
Non current	**58.5**	86.8
	104.1	105.7

The depots provision of £0.2m is classified as current.

Franchise commitments comprise £51.4m dilapidation provisions on vehicles, properties, depots and stations across our three active rail franchises. Of the dilapidation provisions, £26.6m are classified as current. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisers. During the year £12.0m has been released following the successful renegotiation of certain contract conditions, offset by ongoing provisions on other contracts. The dilapidations will be incurred in order to meet the hand back requirements over the remaining period of the franchise, which is within the next one to two years.

Uninsured claims represent the cost to the Group to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer, subject to the overall stop loss. Of the uninsured claims, £17.6m are classified as current and £32.0m are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years.

Within other provisions, £2.0m relates to dilapidations of which £0.3m are classified as current, and £1.7m are classified as non-current. Both provisions relate to the Bus division. It is expected that the dilapidations will be incurred within the next two to three years. The remaining other current provision of £0.9m relates to completion claims regarding the sale of our aviation business.

21. Issued capital and reserves

	2013 £m	2012 £m
62.5 million 10p ordinary shares	**6.3**	6.3

	Allotted, called up and fully paid			
	Millions	**2013 £m**	Millions	2012 £m
As at 29 June 2013 and 30 June 2012	**46.9**	**4.7**	46.9	4.7

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

Share capital

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

Reserve for own shares

The reserve for own shares is in respect of 4,061,312 ordinary shares (8.7% of share capital), of which 159,082 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 29 June 2013 the Company has not purchased any shares (2012: 41,880 shares purchased for potential LTIP and DSBP awards that may vest in the future for a consideration of £0.6m). The Company has not cancelled any shares during the year (2012: no shares).

Other reserve

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

Hedging reserve

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

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

22. Commitments and contingencies

Capital commitments

	2013 £m	2012 £m
Contracted for but not provided	**27.6**	34.5

In addition, the Group has contractual commitments regarding procurement of rolling stock, to be funded by central Government of £nil (2012: £113.3m). The Group will continue to be involved in rolling stock procurement, as part of the Thameslink rolling stock investment program a contract for the procurement of 116 new trains was signed on 30 July 2013. This contract will facilitate the procurement of the new rolling stock which, on completion, will be financed by third party rolling stock leasing companies. Interim funding will be provided through funding from DfT however the Group will not ultimately bear any liability for the new rolling stock.

Contractual commitments

The Group also has contractual commitments of £179.5m (2012: £142.3m) payable within one year, and £222.1m (2012: £368.0m) payable within two to five years, regarding franchise agreement payments to the DfT in respect of the Southern franchise.

Operating lease commitments – Group as lessee

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

Future minimum rentals payable under non-cancellable operating leases as at 29 June 2013 and 30 June 2012 were as follows:

As at 29 June 2013

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

As at 30 June 2012

	Bus vehicles £m	Bus property £m	Other non rail £m	Rail rolling stock £m	Rail access charges £m	Rail other £m
Within one year	19.3	2.1	0.1	308.6	388.4	119.6
In the second to fifth years inclusive	38.9	1.5	–	466.7	659.8	158.2
Over five years	0.3	1.5	–	–	–	–
	58.5	5.1	0.1	775.3	1,048.2	277.8

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 29 June 2013 and 30 June 2012 were as follows:

	2013		2012	
	Land and buildings £m	**Other rail agreements £m**	Land and buildings £m	Other rail agreements £m
Within one year	**3.1**	**23.8**	2.3	23.5
In the second to fifth years inclusive	**3.0**	**25.9**	3.8	49.8
Over five years	**–**	**–**	–	–
	6.1	**49.7**	6.1	73.3

Performance bonds

The Group has provided bank guaranteed performance bonds of £100.1m (2012: £88.7m), and season ticket bonds of £157.4m (2012: £144.3m) 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 29 June 2013 is £43.0m (2012: £38.0m).

23. Retirement benefit obligations

Retirement benefit obligations consist of the following:

	2013			2012		
	Bus £m	**Rail £m**	**Total £m**	Bus £m	Rail £m	Total £m
Pre-tax pension liabilities	**(47.7)**	**–**	**(47.7)**	(22.8)	(7.7)	(30.5)
Deferred tax asset	**11.0**	**–**	**11.0**	5.5	1.8	7.3
Post-tax pension scheme liabilities	**(36.7)**	**–**	**(36.7)**	(17.3)	(5.9)	(23.2)
Actuarial (losses)/gains on defined benefit pension plans	**(33.9)**	**5.3**	**(28.6)**	24.0	5.6	29.6

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 and is open to new entrants. The expense recognised for the defined contribution section of the Go-Ahead Plan is £6.9m (2012: £6.0m), 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. The section is effectively closed to new entrants, however existing members continue to build up further Final Salary benefits. In June 2013, the Group commenced a formal 60-day 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. At the time of writing this report, the Group was still considering the feedback it had received during the consultation period before reaching a final decision.

The Go-Ahead Plan is a Group plan for related companies where risks are shared. The overall costs of the Go-Ahead Plan have been recognised in the Group's financial statements according to IAS 19. 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 cost of the scheme and the aggregate contributions paid.

During the year ended 30 June 2012, the Wilts and Dorset Pension Scheme, and the Southern Vectis Group Pension Plan merged into the Go-Ahead Plan. These were defined benefit schemes which were externally funded and contracted-out of the State Second Pension Plan. A defined benefit plan which existed for employees who transferred from East Thames Buses, also transferred to the Go-Ahead Plan during the year ended 30 June 2012. All transferring schemes were closed to new entrants. The Go-Ahead Plan remains structured as a pooled arrangement, with no sectionalisation of the assets and liabilities attributable to the transferring schemes. Members of the transferring schemes were provided the same benefits for past and future service in the Go-Ahead Plan as they had previously been entitled to.

Other pension plans

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

Summary of year end assumptions

	2013 %	2012 %
Retail price index inflation	**3.3**	2.9
Consumer price index inflation	**2.0**	1.9
Discount rate	**4.7**	5.0
Rate of increase in salaries	**4.3**	3.9
Rate of increase of pensions in payment and deferred pension*	**2.0**	1.9

* 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.

	2013 Years	2012 Years
Pensioner	**20**	19
Non-pensioner	**21**	20

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (suggested by the yields available), and the views of investment organisations.

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 and cost as shown.

	2013	
	Pension deficit £m	**Pension cost £m**
Discount factor – increase of 0.1%	**(10.5)**	**(0.1)**
Price inflation – increase of 0.1%	**8.8**	**0.3**
Rate of increase in salaries – increase of 0.1%	**1.7**	**0.2**
Rate of increase of pensions in payment – increase of 0.1%	**5.7**	**0.3**
Increase in life expectancy of pensioners or non-pensioners by 1 year	**21.5**	**1.3**

Category of assets at the year end

	2013		2012	
	£m	**%**	£m	%
Equities	**214.8**	**37.7**	176.8	33.0
Bonds	**32.2**	**5.7**	29.7	5.5
Property	**31.0**	**5.4**	31.1	5.8
Cash/other*	**291.6**	**51.2**	298.3	55.7
	569.6	**100.0**	535.9	100.0

* This includes the Go-Ahead Plan's liability driven investing portfolio.

The weighted average expected long term rates of return were:

	2013 % p.a.	2012 % p.a.
Weighted average rate of return	**5.5**	5.5

Funding position of the Group's pension arrangements

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Employer's share of pension scheme:					
Liabilities at the end of the year	**(617.3)**	(558.7)	(529.7)	(516.9)	(428.7)
Assets at fair value	**569.6**	535.9	469.8	420.0	352.7
Pension scheme liability	**(47.7)**	(22.8)	(59.9)	(96.9)	(76.0)

Pension cost for the financial year

	2013 £m	2012 £m
Service cost	**6.9**	6.3
Interest cost on liabilities	**27.3**	30.3
Expected return on assets	**(29.4)**	(31.7)
Total pension costs	**4.8**	4.9

Experience recognised in other comprehensive income

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Experience (losses)/gains on pension scheme liabilities	**(41.2)**	(6.5)	9.6	(68.6)	28.8
Experience gains/(losses) on assets	**7.3**	30.5	20.1	40.0	(49.7)
Total (losses)/gains recognised in other comprehensive income during the year	**(33.9)**	24.0	29.7	(28.6)	(20.9)

The Directors were unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and then taken directly to equity is attributable to actuarial gains and losses since the inception of the pension schemes. Consequently the Directors are unable to determine the amounts of actuarial gains and losses that would have been recognised in other comprehensive income before 3 July 2004.

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

	2013 £m	2012 £m
Employer's share of pension scheme liabilities – at start of year	**558.7**	529.7
Service cost	**10.1**	10.8
Interest cost	**27.3**	30.3
Actuarial losses	**41.2**	6.5
Benefits paid	**(20.0)**	(18.6)
Employer's share of pension scheme liabilities – at end of year	**617.3**	558.7

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

	2013 £m	2012 £m
Fair value of assets – at start of year	**535.9**	469.8
Expected return	**29.4**	31.7
Actuarial gains	**7.3**	30.5
Company contributions	**13.8**	18.0
Employee contributions (including age related rebates)	**3.2**	4.5
Benefits paid	**(20.0)**	(18.6)
Fair value of plan assets – at end of year	**569.6**	535.9

Estimated contributions for future

	£m
Estimated company contributions in financial year 2014	11.8
Estimated employee contributions in financial year 2014	3.2
Estimated total contributions in financial year 2014	15.0

Rail schemes

The Railways Pension Scheme (the RPS)

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

BRASS matching AVC company contributions of £0.8m (2012: £0.8m) were paid in the year.

It is our experience that all pension obligations to the RPS cease on expiry of the franchises without cash or other settlement, and therefore the obligations recognised on the balance sheet under IAS 19 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.

Summary of year end assumptions

	2013 %	2012 %
Retail price index inflation	**3.3**	2.9
Consumer price index inflation	**2.0**	1.9
Discount rate	**4.7**	5.0
Rate of increase in salaries	**4.3**	3.9
Rate of increase of pensions in payment and deferred pension*	**2.0**	1.9

* 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 mortality assumptions adopted as at 29 June 2013 are based on the latest funding valuation as at December 2010. This includes different assumptions for different subsections of each Scheme's membership. Factors used to differentiate between members include level of pension in payment, pensionable pay and member postcodes. These factors were used as they have been shown to impact upon life expectancy. The mortality tables used were the S1 SAPS tables, published by the CMI on 31 October 2008. As such, different members will have different life expectancies, dependant on their characteristics, and it is not possible to quote a single life expectancy figure.

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (suggested by the yields available), and the views of investment organisations.

Category of assets at the year end

	2013		2012	
	£m	%	£m	%
Equities	**1,040.2**	**89.7**	931.6	89.6
Bonds	**58.0**	**5.0**	52.0	5.0
Property	**54.5**	**4.7**	49.9	4.8
Cash	**6.9**	**0.6**	6.2	0.6
	1,159.6	**100.0**	1,039.7	100.0

The weighted average expected long term rates of return were:

	2013 % p.a.	2012 % p.a.
Weighted average rate of return	**6.5**	6.9

Funding position of the Group's pension arrangements

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Employer's share of pension scheme:					
Liabilities at the end of the year	**(1,448.6)**	(1,284.7)	(1,232.4)	(1,195.2)	(937.1)
Assets at fair value	**1,159.6**	1,039.7	1,021.7	857.7	705.8
Gross deficit	**(289.0)**	(245.0)	(210.7)	(337.5)	(231.3)
Franchise adjustment	**289.0**	237.3	193.7	337.5	223.8
Pension scheme liability	**–**	(7.7)	(17.0)	–	(7.5)

Pension cost for the financial year

	2013 £m	2012 £m
Service cost	**42.4**	42.8
Interest cost on liabilities	**43.4**	46.4
Expected return on assets	**(43.4)**	(49.0)
Interest on franchise adjustments	**(11.7)**	(10.8)
Pension cost	**30.7**	29.4

Experience recognised in other comprehensive income

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Experience (losses)/gains on pension scheme liabilities	**(54.1)**	25.0	96.4	(136.4)	89.6
Experience gains/(losses) on assets	**19.3**	(52.1)	48.3	41.9	(152.9)
Franchise adjustment movement	**40.1**	32.7	(161.5)	100.6	57.3
Total gains/(losses) recognised in other comprehensive income during the year	**5.3**	5.6	(16.8)	6.1	(6.0)

The Directors were unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and then taken directly to equity is attributable to actuarial gains and losses since the inception of the pension schemes. Consequently the Directors are unable to determine the amounts of actuarial gains and losses that would have been recognised in other comprehensive income before 3 July 2004.

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

	2013 £m	2012 £m
Employer's share of pension scheme liabilities – at start of year	**1,284.7**	1,232.4
Franchise adjustment	**(237.3)**	(193.7)
	1,047.4	1,038.7
Liability movement for members' share of assets	**62.6**	18.6
Service cost	**42.4**	42.8
Interest cost	**43.4**	46.4
Interest on franchise adjustment	**(11.7)**	(10.8)
Actuarial losses/(gains)	**54.1**	(25.0)
Benefits paid	**(38.5)**	(30.6)
Franchise adjustment movement	**(40.1)**	(32.7)
	1,159.6	1,047.4
Franchise adjustment	**289.0**	237.3
Employer's share of pension scheme liabilities – at end of year	**1,448.6**	1,284.7

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

	2013 £m	2012 £m
Fair value of assets – at start of year	**1,039.7**	1,021.7
Expected return	**43.4**	49.0
Actuarial gains/(losses)	**19.3**	(52.1)
Company contributions	**33.1**	33.1
Benefits paid	**(38.5)**	(30.6)
Members' share of movement of assets	**62.6**	18.6
Fair value of plan assets – at end of year	**1,159.6**	1,039.7

Estimated contributions for future

	£m
Estimated company contributions in financial year 2014	33.8
Estimated employee contributions in financial year 2014	22.6
Estimated total contributions in financial year 2014	56.4

IAS 19 would require the Group to account for its legal obligation under the formal terms of the RPS and its constructive obligation under the terms of each franchise agreement. Following industry practice, the Group has concluded that the appropriate accounting policy for the RPS to ensure that the financial statements present fairly the Group's financial position, financial performance and cashflows, is to recognise its constructive but not its legal RPS defined benefit obligations. In all other respects the Group's accounting policy is consistent with IAS 19 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 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 the following adjustments would have been made to the financial statements:

	2013 £m	2012 £m
Balance sheet		
Defined benefit pension plan	**(289.0)**	(237.3)
Deferred tax asset	**65.2**	54.7
Intangible asset	**5.7**	9.5
	(218.1)	(173.1)
Other comprehensive income		
Actuarial gains	**40.1**	32.7
Tax on actuarial gains	**(9.2)**	(7.8)
	30.9	24.9
Income statement		
Operating costs – franchise adjustment	**(11.7)**	(10.8)
Intangible asset amortisation	**3.8**	3.8
Deferred tax charge	**1.8**	1.7
	(6.1)	(5.3)

IAS 19 disclosures

All of the above plans have been accounted for under IAS 19 covering employee benefits.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors of The Go-Ahead Group plc, who are listed in the Group's Report and Accounts for the year ended 29 June 2013, confirm that, to the best of each person's knowledge:

- The condensed set of consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU, IFRIC interpretation and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidated financial statements taken as a whole. The accounting policies utilised in the preparation of the Group's Report and Accounts are unchanged from those disclosed in the financial statements for the year ended 30 June 2012.
- The management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidated financial statements taken as a whole, together with a description of the principal risks and uncertainties that they face.

This condensed set of consolidated financial statements does not constitute the Group's statutory financial statements for the year ended 29 June 2013, or for the year ended 30 June 2012, within the meaning of Section 435 of the Companies Act 2006. The financial information is based on the audited statutory financial statements for the year ended 30 June 2012. The financial statements for the year ended 30 June 2012 have been delivered to the Registrar of Companies. The financial statements for the year ended 29 June 2013 will be sent to shareholders and delivered to the Registrar of Companies in due course. They will also be available at the Registered Office of the Company at 3rd Floor, 41-51 Grey Street, Newcastle upon Tyne NE1 6EE. The auditor's opinions on the financial statements for the years ended 29 June 2013 and 30 June 2012 were unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the audit report, nor did they contain a statement under section 498(2) or (3) of the Companies Act 2006.

This final results announcements and the results for the year ended 29 June 2013 were approved by the Board of Directors on 4 September 2013.'