Go-Ahead

Moving communities today towards a greener tomorrow

Annual Report and Accounts
for the year ended 27 June 2020

Our purpose is to be the local partner taking care of journeys that enhance the lives and wellbeing of our communities across the world

2020 overview

- Results slightly above our revised guidance, with overall financial performance significantly impacted by COVID-19 in regional bus and losses in German rail
  - Regional bus heavily impacted by COVID-19, operating profit* £20.5m (2019: £44.5m). Government support enabled breakeven performance since March
  - Resilient London & International bus businesses, operating profit of £48.5m (2019: £51.2m). Revenue protected by contracted income
  - Rail operating profit* of £8.9m (2019: £25.4m) impacted by lower contractual margins in Southeastern and significant operational and commercial challenges in German rail
- During the COVID-19 crisis, we have three priorities: to safeguard the health and wellbeing of our colleagues and customers; to play our role in society in challenging times; and to protect our business
- Resilient business model – 90 per cent of revenues secured through contracts with no revenue risk from changes in passenger demand
- Public transport remains critical to environmental sustainability, economic recovery, the delivery of health and wellbeing outcomes, and keeping communities connected
- Robust balance sheet, strong cashflows and good liquidity
  - Adjusted net debt to EBITDA of 1.96x**, comfortably within target range of 1.5 to 2.5x and well below 3.5x bank covenant
  - Underlying business remains cash generative
  - Unrestricted cash and unutilised facilities of c.£230m at the year end has since increased to c.£240m
- Committed to resumption of dividend payments when appropriate

Operating profit (pre-exceptional items)
£77.9m
(2019: £121.1m)

Operating profit (post-exceptional items)
£20.8m
(2019: £104.3m)

Available cash and unutilised facilities
£229.8m
(2019: £282.5m)

Adjusted net debt/EBITDA**
1.96x
(2019: 1.32x)

Regional bus customer satisfaction
91%
(2019: 92%)

Carbon emissions per vehicle mile
1.07kgs
(2019: 1.15kgs)

* Before exceptional items of £26.7m in regional bus and £30.4m in German rail businesses. Details are provided in Note 7 to the financial statements.

** On a pre-IFRS 16 basis, in line with bank covenants.

Compliance with Section 172(1) of the Companies Act 2006

The directors confirm that, during the year, they continued to promote the success of Go-Ahead for the benefit of all stakeholders. In doing so, the Board's desire to act fairly between members, maintain a reputation for high standards of business conduct, and consider the long term consequences of the decisions they take, have continued to underpin the way it operates at every level of the business.

Read more about:

- Why and how we engage with our stakeholders, the key topics of engagement during the year and how we responded, pages 22 to 25
- The Group's goals, strategy and business model in the Strategic report, pages 1 to 62
- How we guided our decisions and behaviours in response to COVID-19, pages 6 to 11
- How we manage risks, pages 50 to 58
- How our robust corporate governance principles underpin the decisions we take including how the Board considers stakeholders in its decision making process, pages 64 to 68

Non-financial information statement

We aim to comply with the Non-Financial Reporting Directive requirements. The table below sets out where relevant information can be found within this report or on our website*:

Reporting requirement and policies and standards which govern our approach	Information necessary to understand our business and its impact, policy due diligence and outcomes
Environmental matters	
• Environment policy	Cleaner environment, page 35 and 36
• Energy and climate change	GHG emission, pages 225 to 227
• Approach to sustainability	Our approach to sustainability page 27
Employees	
• Whistleblowing policy	Better teams, pages 28 and 29
• Conflicts of interest	Governance in action, pages 68 to 70
• Equal opportunities policy	Nomination committee report, pages 79 to 81
• Code of conduct and ethics policy	Directors' report, page 113 to 115
Human rights	
• Human rights policy	Better teams, pages 28 and 29
• Modern slavery policy	Safer working, pages 33 and 34
• Code of Conduct	
• Sustainable supply chain charter	
Social matters	
• Charity and community policy	Stronger communities, page 32
• Sustainable supply chain charter	Safer working, pages 33 and 34
Anti-bribery and anti-corruption	
• Anti-bribery and anti-corruption policy	Better teams, pages 28 and 29
	Governance in action, pages 68 to 70
Principal risks and impact on business activity	Risk management, pages 50 to 58 Audit committee report, pages 82 to 89
Description of the business model	Our business model, pages 20 and 21
Non-financial key performance indicators	Non-financial key performance indicators, pages 28 to 35

* Our policies and procedures are available on our corporate website www.go-ahead.com.

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We are a leading public transport provider, keeping communities moving today as we work towards a greener tomorrow

Clear and important purpose

Delivering vital services essential to society and for economic growth

- Ongoing government support during COVID-19 crisis underscoring the importance of public transport
- Bringing our communities together, providing vital links to friends and family
- Essential to economic recovery, enabling access to work, education, leisure and retail

Part of the solution

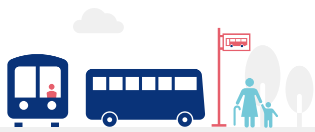
Integral part of climate change and air quality agendas in our towns and cities

- Recognition by policy makers that mass transport is key to achieving air quality and climate-related targets
- Aside from walking and cycling, rail travel is the most carbon efficient mode of transport, followed by bus. An average journey by petrol car emits 120 per cent more CO_2 than the same journey by a diesel bus
- Leading industry change in transition to cleaner transport, introduced the UK's first all electric bus depot and our own innovative air-filtering bus technology

Experts in our field

Extensive experience and expertise in bus and rail markets

- Largest bus operator in London with strategically located depots providing competitive advantage
- Well established regional bus operator with a focus on urban areas
- Leading change and transformation as the operator of the UK's busiest rail franchises
- Successful operations in Singapore, Ireland and Norway



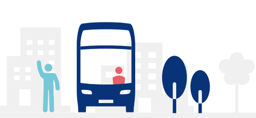
“The strengths I observed early in my tenure as Chairman are attributes that have helped make the Group resilient during the COVID-19 crisis.”

Clare Hollingsworth
Chairman

A proven approach

Devolved customer focused management, innovative approach and engaged colleagues

- Agile and responsive local management teams embedded in their local communities optimising performance and award-winning customer service
- Continual improvement driven by an innovative approach in all areas of the business
- Engaged colleagues promoting our inclusive culture which encourages diversity in all its forms, aiming to reflect the diverse communities which we serve



A reliable partner

Strong partnerships and collaborative working with transport authorities and policy makers

- 90 per cent of revenue generated through contracts with transport authorities and industry partners
- A leading voice on the issues most critical to our business and industry
- Integral to major infrastructure change projects in UK rail delivered collectively with industry partners
- Working towards shared goals with local stakeholders, including local authorities, in our communities

Strong financial profile

Disciplined and sustainable decision making

- Robust balance sheet; adjusted net debt to EBITDA within target range at 1.96 times*
- Positive cashflow and good liquidity; c£230m of cash and available facilities
- Strong profile will support the resumption of dividend payments when prudent to do so
- Disciplined approach to capital allocation and risk management

* Presented on a pre-IFRS 16 basis, in line with our bank covenant. On an IFRS 16 basis adjusted net debt/EBITDA is 1.76 times.

Playing an important role in society is inherent in our purpose

Clare Hollingsworth
Chairman

Dear Shareholder,
When I took on the role of Chairman in October 2019, I did not anticipate I would be addressing you in my first annual report in the midst of a global pandemic. People's lives across the world fundamentally changed in a matter of weeks, and the crisis continues to have an unprecedented impact on global economies and businesses, including Go-Ahead.

Whilst much of our report to you focuses on the crisis, it is important to reflect on the eight months of our financial year that came before the impact of COVID-19 was felt on our business.

First impressions

I joined the Group early in the financial year, giving me the opportunity to learn about the business under more normal circumstances. It soon became evident that the real strength of this business is its people. At all levels of the organisation I have been impressed by my colleagues; from our experienced Board of Directors, to our capable local management teams and everyone in operational roles keeping our services running around the clock with their can-do attitudes.

The Group's devolved operating model really leverages its engaged colleague base, empowering our teams to provide a service that is right for their local communities. This model works well with the business units successfully operating independently but also collaborating to share knowledge, experience and expertise. While some things, such as risk appetite and capital allocation, are determined at Group level, the people running our businesses are best placed to make local decisions, and this approach enables maximum agility and responsiveness to changing customer needs.

Our customers, both our passengers and our transport authority clients, are at the centre of everything we do and there is a culture of continuous improvement that motivates our teams around the Group to deliver more efficient and innovative ways to meet our customers' expectations.

The strengths I observed early in my tenure are attributes that have helped make the Group resilient during the COVID-19 crisis.

Read about our response to the COVID-19 crisis in the Chief Executive's review on **pages 6 to 9** and the impact on our business divisions in the Chief Financial Officer's review on **pages 10 and 11**

COVID-19

David Brown's strong and down-to-earth leadership as our Chief Executive, his passion and ambition for the business, and his depth of experience in public transport have been more valuable than ever during the COVID-19 crisis. Under his direction, our teams have achieved incredible results; keeping services running through the most challenging of circumstances, always with an unwavering focus on our customers and a commitment to supporting our people.

Our devolved model, which sets Go-Ahead apart in the industry, has proved invaluable during this time. The virus has impacted different geographical areas in different ways and a tailored response specific to those communities has enabled us to respond quickly; altering timetables to ensure adequate provision to hospitals; addressing specific colleague concerns and working collaboratively with local authorities and other stakeholders to deliver appropriate solutions as we navigate through this crisis.

This approach has been fundamental in our response to the COVID-19 crisis and will continue to support the Group's resilience as we move forward.

The safety and wellbeing of our colleagues and our customers is our priority and we have no tolerance for safety risk exposure. We recognise that we have been, and continue to be, operating through a time of heightened risk, both to health and to operating practices at a time of much change. We have, therefore, taken appropriate measures to protect our colleagues and ensure that travelling by public transport remains a safe and convenient option for customers.

This crisis has reinforced that public transport is critical to the functioning of society and it will always be needed. Governments around the world have invested billions of pounds in public transport networks by supporting the provision of services at this time and safeguarding them for the future. In the UK, I appreciate the Department for Transport's rapid response and continued support of our industry, acknowledging how fundamental a resilient public transport network is to economic recovery. Before the pandemic, 90 per cent of journeys into London were made using public transport and two billion journeys were made annually on regional bus services in England. No other mode can sustainably transport this volume of people.

Go-Ahead has been a leading voice as the industry has worked collectively to find the right solutions for customers, colleagues, governments and private businesses. It has become apparent over recent months how valuable the experience of Go-Ahead colleagues has been in influencing these solutions, and how important continuous and meaningful two-way stakeholder engagement is.

The experience and expertise of our Board members have also been valuable as we develop a framework within which the business can withstand this period of extended uncertainty and heightened risk. This has involved the modelling of various operational and financial scenarios so the Group can emerge from the crisis robust and resilient.

→≡ Read about our principal risks and approach to risk management on **pages 50 to 58**

Throughout the crisis, we have had to make difficult decisions. Some decisions have impacted our people, like the furloughing of many colleagues. Others have impacted our shareholders, such as the suspension of dividend payments. I recognise the sacrifices that have been made and the impact of these decisions on people's lives. The Board understands the importance of dividends to Go-Ahead's shareholders and will continue to assess the appropriate timing for the resumption of dividend payments.

Alongside these big decisions, we have also taken action in small, but collectively meaningful, ways to conserve cash and protect the financial strength of the Group. These actions have touched all areas of our business.

Performance

Some parts of the business have been particularly resilient throughout the crisis, such as our London & International bus division, which comprises contract-based businesses, and our UK rail franchises. However, our regional bus division has experienced the most financially challenging year on record. Across the Group, our teams have worked tirelessly to maintain safe and convenient services for passengers during this time, but also to protect our business.

The implications of the crisis on our financial performance cannot be ignored but I would also like to focus on other aspects of performance: the highest customer satisfaction in the industry in regional bus; the improvements in punctuality across our rail businesses; the progress we are making towards transitioning to a greener fleet. It is these fundamental strengths that will enable us to return to strong financial performance in the future.

Our international development story was something of a tale of two halves in the year. We had some great successes, such as the introduction of more commuter bus routes in Ireland and the smooth start to our first Norwegian rail operation in December 2019, followed by the announcement of a two-year extension of our bus contract in Singapore after the year end. However, we have faced significant challenges in our German rail operation following its introduction in June 2019 which weighed heavily on the financial performance of the rail division. We are taking decisive action to turn around performance and have also chosen to pause development activities in the German rail market while the Board considers its strategic options.

The Board

Katherine Innes-Ker will retire from the Board at our Annual General Meeting in November 2020 after over ten years as a non-executive director, over eight years as Remuneration Committee Chair and seven years as Senior Independent Director. On behalf of the Board, I would like to thank Katherine for the valuable contribution she has made over this time and, personally, for supporting my induction and the smooth transition of the role of Chairman.

→≡ Read more about Board succession planning on **pages 61 and 76**

As a Board, we collectively took the decision to temporarily reduce our fees and salaries by 20 per cent in April to support the Group's cash preservation during the crisis.

I came into this role with the intention of upholding the highest standards of corporate governance and nothing has changed my view. I have undertaken a thorough and structured induction and the external Board evaluation which had to be postponed earlier in the year, is now underway. Further details can be found on page 76.

A word of thanks and reflection

As I reflect on the events of recent months, I am truly saddened by the loss of valued colleagues across the business. My thoughts are with their families and friends as well as all our colleagues, who have been affected by the virus.

I would like to thank all of our 30,000 people for their commitment to Go-Ahead and its customers, particularly at the current time. From those working on the front line delivering vital services, to colleagues who have been furloughed, each of you is playing an important part. I would also like to thank you, our shareholders, for your loyalty and support during this challenging period for the Group.

Whilst the challenges are not over, I believe that we are taking the right steps to both protect the Group in the near term and prepare the business for opportunities in the future; confident that we have the right people in place to see us through these unprecedented times.

Clare Hollingsworth
Chairman

23 September 2020

Resilient business model, dedicated people and strong values

David Brown
Group Chief Executive

Had I been writing this in early 2020 I would have been talking about a new dawn for bus travel, the Government's plans to introduce a National Bus Strategy and the role we are playing in the fight against climate change. All of these are still very much on the agenda for us and our industry but, along with the rest of the world, COVID-19 has tested us, stretched our resources and shifted our immediate focus.

Our financial results for the year to 27 June 2020 have been significantly impacted by the pandemic despite the effects of it only being felt for a little over a quarter of our financial year.

The pre-crisis period

The scale of the crisis was only just beginning to emerge as we reported our half year results in March – on the day that the US introduced a ban on international travel. Alongside those results, I outlined a step change in public transport policy, the UK Government's commitment to invest billions in public transport and rail reform. I set out our growing international footprint with new operations beginning in Norway, Germany and Ireland over the previous 12 months. I also reflected on the growth from our UK operations with the introduction of Go North West in Manchester and the recent significant bus contract win in Cornwall. We had maintained our sector leading customer satisfaction levels and delivered improved punctuality in our UK rail businesses. We continued to strengthen our Group for the future, welcoming more graduates and apprentices to the Go-Ahead family and increasing the diversity of our workforce. Our fleet continued to become cleaner and greener, introducing more zero or low emission vehicles across the business and rolling out more of our air filtering buses.

As well as the successes, I also communicated the challenges we faced and the plans in place to improve performance. Despite carrying more passengers on our regional bus services, the division's profitability was impacted by increasing depreciation and engineering costs, associated with investing in and maintaining an increasingly green fleet. Profit improvement plans were underway across the business along with specific local action to target the most challenging areas of the cost base. Our German rail operations were continuing to experience difficulties with availability and reliability of rolling stock and driver shortages impacting operational performance, resulting in significant financial penalties and unplanned costs.

In response to the specific challenges in German rail, a comprehensive review of the businesses operations was initiated, resulting in decisive action, including management changes. Following the review, operational performance has subsequently materially improved over recent months. All rolling stock is now in service and we have made progress in training and recruiting drivers, notwithstanding setbacks due to COVID-19 restrictions. Despite these improvements, financial performance remains challenging.

Setting our priorities in 2020

At the outset of the crisis, we identified three priorities that have focused our efforts;

Safeguard the health and wellbeing of our colleagues and customers

- Operating within government rules and guidelines
- Enhanced cleaning and supporting social distancing for customers
- Protective equipment issued for colleagues

Play our role in society

- Maintained a core network throughout lockdown period
- Adapting services to accommodate shift patterns of key workers
- Supporting wider efforts to tackle the virus

Protect our business

- Disciplined approach to financial management
- Swift action to conserve cash and reduce costs
- Secured government funding to support essential service provision

Progress in recovering losses associated with the late delivery of trains from the rolling stock provider has been slower than we had hoped and we continue to incur costs associated with temporary drivers. However, we have a plan to deliver profitability in the medium term.

Read about the performance of our business units in more detail on **pages 39 to 46**

A huge amount has changed in the period since I reported on our half year results but some things have remained the same, the dedication of our people, our resilient business model and the values that have seen us through previous challenging times. These have been pivotal to our effective response to the COVID-19 crisis.

COVID-19

Proud of our people

The past six months have been unlike any other and we have all had to adapt to living and working in a different way. While many of our colleagues have successfully adapted to home working, for the majority of our people, working from home is not an option. They are key workers who have played an essential role throughout this pandemic, something of which I will always be very proud. I have great respect for and gratitude to our people who have come to work every day to keep our services running.

Throughout this challenging period, my thoughts have been with the families and friends of our colleagues who have tragically lost their lives as a result of COVID-19. I am devastated by the loss and we are doing everything we can to support their families and colleagues.

Our three priorities during the crisis

Our overall strategy remains in place with our three strategic objectives being: protect and grow the core; win new bus and rail contracts; and develop for the future of transport. At the outset of the pandemic, we identified three priorities under our objective to protect and grow the core that have focused our efforts throughout the crisis and continue to guide our decisions and behaviours: to safeguard the health and wellbeing of our colleagues and customers, to play our role in society in challenging times, and to protect our business.

Safeguarding our people and customers

Safety is always our priority and we strive continually to improve our already high safety standards. Over the past six months we have been operating in an environment of heightened risk and we have taken additional precautions to safeguard the health and wellbeing of our colleagues and customers.

Every business has operated within the rules and guidelines set out by local and national governments, the World Health Organization and relevant advisory bodies. In keeping with our devolved operating model, we have taken a tailored approach in each business, engaging with our colleagues, local union representatives and other stakeholders to ensure appropriate measures are taken.

Go-Ahead is an extended family of 30,000 people and our absolute priority is safeguarding their health and wellbeing. Colleagues have been provided with additional protective equipment and measures have been taken to minimise contact between colleagues and passengers and cash handling has been reduced. This has been aided significantly by our mobile ticketing app and contactless payment channels on 100 per cent of Go-Ahead bus services. Our industry-leading tap-on/tap-off capped contactless payment channel is now available on 25 per cent of our buses, offering a simple and hassle-free way to pay.

We have partnered with companies from our Billion Journey Project to use artificial intelligence and big data to inform customers about the best times to travel. All our regional bus businesses rolled out the 'When2Travel' app following the Government's lifting of restrictions on travel. This information, available through our apps and websites, allows customers to choose specific journey times and bus stops via a map to see how busy their services are and plan their journeys accordingly.

Enhanced cleaning of vehicles and other workplaces follows rigorous schedules and social distancing measures remain in place, including the provision of information to help our colleagues and customers adhere to government guidelines. Research by the Rail Safety and Standards Board found the risk of infection from COVID-19 on trains to be less than 0.01 per cent, based on an hour-long train journey in a carriage with no social distancing or face coverings.

For colleagues working from home, we have taken steps to ensure people are working safely.

We acknowledge that some colleagues are at greater risk from COVID-19 for a range of reasons and have taken steps to protect these individuals and provide additional support where appropriate.

Of course, safeguarding people is about more than physical health and safety. This crisis has brought to the fore the importance of mental health and wellbeing. Across the business, we have enhanced some of the actions already in place, such as open lines of communication with line managers and promoting the use of independent colleague assistance lines. We have introduced some new measures in light of the crisis, such as virtual colleague forums and social events.

Every one of our people, from the customer-facing colleagues keeping our customers moving to those who have been furloughed, is important. We acknowledge the different circumstances in which people are living and working and have endeavoured to provide suitable support, recognising that colleagues in different roles come up against different challenges and have different concerns.

Playing our part

Playing an important role in society is inherent in our purpose. Recent months have really shone a light on how vital this role is, and we have risen to the challenge of keeping people moving through the most challenging of times.

At the height of lockdown, key workers, such as those employed by the NHS, emergency services, supermarkets and food production facilities, continued to rely on our services to reach their places of work.

Since travel restrictions were put in place in mid-March we have maintained regular and reliable services enabling people to plan and complete their journeys as seamlessly as before. We recognised that the lockdown period was not about running a pre-existing timetable, it was about making sure people who needed to travel could get where they needed to be, safely.

COVID-19 continued
Playing our part continued

Our local teams listened to customer feedback and made changes to services as quickly as possible. For example, we increased service frequency and extended running hours on routes serving hospitals and responded to customers telling us our timetable did not accommodate their new shift patterns.

Playing our part hasn't only meant maintaining a reliable core transport network throughout the pandemic. We have taken on a wider role to support the crisis response. Where possible, we have put underutilised resources to use to deliver crucial medical supplies, bottle and distribute hand sanitiser to other key workers and supporting colleagues to volunteer in different roles, such as monitoring CCTV footage across our extensive network to identify vulnerable people. We have supported our communities at the time they needed it most: collecting and distributing donations for hospital workers, delivering food packages to those in need and holding virtual 'Chatty Bus' events. We have helped vulnerable individuals by supporting, for example, victims of domestic abuse to reach safe places.

The importance of morale should not be underestimated at a time of global crisis. We have endeavoured to boost the morale of our people and our communities throughout this time by, for example, embracing the clap for carers initiative and updating bus and train livery to include rainbow designs.

Protecting our business

On 12 March, when we announced our half year results, our operations were largely unaffected by COVID-19 with a small number of, mainly tourist, bus services in the UK seeing a small reduction in demand. Within a week of that announcement, the UK Government urged people to avoid anything but essential travel and two days after that, it took the decision to close schools. By 23 March the country was in lockdown and passenger numbers were down to around 10 per cent of typical levels. The rate at which this change took place required us to act quickly and decisively as a business, and collaboratively as an industry.

Difficult decisions had to be taken quickly: the interim dividend to shareholders was suspended, all-but-essential expenditure ceased and investment in new vehicles was postponed. None of these decisions were taken lightly but they were essential to conserving cash and protecting our business.

The strong reputation and positive stakeholder relationships we have developed over many years have never been more important than during this pandemic. We have worked closely and collaboratively with key industry partners, such as the Department for Transport (DfT) and Transport for London (TfL), to find solutions which ensure that service provision remains at the right level, government policy is brought into effect, and transport operators receive funding to enable essential services to be delivered.

Our disciplined approach to risk and financial management, alongside our established business model, have positioned us well to withstand this challenging period. The Group has a robust balance sheet and strong liquidity, with around £230m of available cash and unutilised facilities. Our devolved structure places experienced leaders at the heart of local operations meaning better decisions are made and rapid action is taken. Over 90 per cent of Group revenue is generated through contracts. These contracted businesses have remained resilient throughout the crisis. Under current arrangements, the 10 per cent of revenue typically generated through passenger fares is being partially supported by government funding.

The reasons we were successful before the pandemic – customer focused decision making, an innovative and agile approach, a collaborative and inclusive culture, to name a few – are the reasons we have remained resilient throughout the crisis.

→≡ Read about our financial strength on **pages 10 and 11**, and our business model on **pages 20 and 21**

In regional bus, although the number of journeys made was around 10 per cent of usual capacity, service levels were maintained at between 40 and 50 per cent to ensure adequate service provision and to enable social distancing. This created a misalignment between revenue and our cost base, which has largely been mitigated through specific bus industry funding arrangements and (the COVID-19 Bus Services Support Grant) through the use of the UK Government's Coronavirus Job Retention Scheme. In August, the DfT confirmed bus funding would remain available until it is no longer required.

Our London & International bus division, which is made up of gross cost contracts, has remained resilient with no change to core contracted revenue. Quality Incentive Contract income reduced in London, reflecting the reduction in mileage operated during the lockdown period and the timing of settlements with TfL.

Our rail division comprises four distinct businesses with different contractual arrangements – GTR and Southeastern in the UK, and German and Norwegian operations. The tendering authorities for all of these contracts have supported service provision and, as a result, the pandemic has not materially impacted the financial performance of this division in the year. The DfT, in particular, moved very quickly to introduce Emergency Measures Agreements (EMAs) in the UK enabling key transport links to remain open. The EMA terms were extended to a direct award contract of at least 18-months for Southeastern, which took effect on 1 April. Southeastern has been an important part of Go-Ahead since 2006 and we are pleased it will remain within the Group until at least October 2021. In September, an Emergency Recovery Measures Agreement (ERMA) was introduced for GTR to replace the EMA. The new arrangement, which generates a margin of up to 1.5 per cent, is a management contract with no exposure to changes in passenger demand or ancillary revenue, such as car parking and retail commission.

→≡ Read about the specific arrangements in place for each business unit on **pages 39 to 46**

While I hope to be operating under more normal circumstances as soon as possible, it is important to acknowledge that such support and funding has been, and continues to be, essential. It has enabled an adequate public transport provision to continue over the past six months, and ensured the viability of transport businesses through this period.

Although short term action has been taken to protect the business in recent months, all decisions have been made with consideration of the longer term impacts and the sustainability of our business. We have taken active steps to safeguard our essential supply chain; continuing to pay suppliers in line with the Prompt Payment Code and applying a fair and structured process when the reduction of supplier services has been necessary, in line with our Sustainable Supply Chain Charter.

→≡ Read about the action we have taken in more detail on **page 34**

An acceleration of trends

The crisis has seen an acceleration of the trends we have observed for a number of years: home working, online shopping, virtual socialising and home entertainment. We have been adapting to these trends for some time, developing our customer offering to provide more flexibility in travel, attracting new younger customers who will develop a habit of bus travel and introducing contactless payments to make travelling on our services as easy as possible. We do not know the pace at which these trends will continue, but they are unlikely to reverse in the medium term. A trend that I hope continues is that of increased active travel – it is great to see more people walking and cycling. This is something Go-Ahead has supported for many years through initiatives like active travel marketing campaigns, partnerships with cycle hire schemes, and even mobile gym buses. People who use public transport are more active than those travelling by car, benefiting from 26 minutes more daily activity, and have more associated health benefits. We will continue to promote walking and cycling alongside our buses and trains with facilities like station cycle hubs, walking maps, cycle storage on buses and holistic journey planners.

→≡ Read about the acceleration of market trends on **pages 18 and 19**

While we do not know how these trends will evolve, what we do know is that people have missed visiting family and friends, they have missed socialising in pubs and restaurants, and they have missed interacting and collaborating with colleagues. We also know that climate change and air quality remain two of the greatest challenges we, as a society, face. We are certain that public transport is essential to achieving the necessary targets to reduce carbon emissions and improve air quality. We need to encourage people back out of their cars and onto public transport; otherwise, we risk one public health crisis leading to another.

→≡ Read about our commitment to a cleaner environment on **pages 35 and 36**

Outlook

We are in a very different place today than we were during the period of national lockdown in the UK. Services are now running at around 90 per cent of pre-COVID-19 levels in our regional bus businesses, carrying 50 to 60 per cent of typical passenger journeys, and around 90 per cent of our UK rail services are now in operation. However, the coming months remain uncertain for us all.

Due to this uncertainty, we are unable to reinstate meaningful financial guidance for our regional bus business for the 2021 financial year. Instead, we are considering a range of scenarios and the associated potential impact on the division, set out on pages 60 to 62. The contracted nature of the remainder of the business provides greater visibility of future financial performance. For the 2021 financial year, we expect our London & International bus division to generate operating profit similar to that delivered in 2020. Our rail division is expected to deliver a breakeven operating performance.

The aftermath of the pandemic will undoubtedly present us with challenges. We may see increasing levels of home working, more online medical appointments and fewer international trips, all of which could impact demand for our services. However, we may see more domestic holidays, more people moving out of cities and commuting from the countryside and more activity in our local communities, with more home-workers shopping close to home and socialising in their local towns and cities. We will adapt to evolving trends, and will strive to maximise the arising opportunities. It is important that we take forward the strengths we have displayed so well throughout the crisis and become even more agile, more innovative and more collaborative.

I am hopeful that before too long, we can, as a society, move away from some of the changes COVID-19 has required – social distancing, mandatory face coverings in public and limited contact with friends and family. I do, however, believe that some of the changes we have introduced as a business – such as increased usage of artificial intelligence, better online information, reduced cash payments and more flexible working – will be here to stay.

The crisis is not yet over and we still have an important part to play in national responses in all our geographies. We also have a key role in the recovery efforts. In July, the Chancellor of the Exchequer, Rishi Sunak, spoke about a green recovery. There is no question that public transport is pivotal to this and we will wholeheartedly support this transition.

While our decisions continue to be guided by our three priorities: to safeguard the health and wellbeing of our colleagues and customers, to play our role in society in challenging times, and to protect our business, we remain committed to delivering against our core strategic objectives to protect and grow the core, win new bus and rail contracts and develop for the future of transport.

Our long-established culture, strong values, resilient business model, disciplined financial management and risk appetite gave us a stable footing as the crisis unfolded. I believe these attributes will continue to support our business as we look to the future.

David Brown
Group Chief Executive

23 September 2020

Strong financial discipline, a robust balance sheet and good liquidity

Elodie Brian
Group Chief Financial Officer

The Group has strong fundamentals and ended the 2020 financial year with a robust balance sheet and good liquidity. The majority of Go-Ahead's revenue is secured through contractual arrangements. Financial support packages are currently in place to mitigate the impact of COVID-19 on revenue in the parts of the business that are exposed to changes in passenger demand. We have strong financial discipline and robust risk management.

Profitability

The COVID-19 pandemic and a challenging performance in our German rail operation have weighed heavily on the Group's profitability for the year. Overall Group operating profit was £77.9m before exceptional items. On a comparable basis with last year's result, operating profit was £68.2m (before exceptional items and on a pre-IFRS 16 basis) (2019: £121.1m).

The pandemic has mostly impacted the financial performance of our regional bus business. Government funding, which will continue for as long as required, has prevented material losses in this division for the period it has covered. Regional bus operating profit was £20.5m (before exceptional items). On a comparable basis with last year's result, operating profit was £20.2m (before exceptional items and on a pre-IFRS 16 basis) (2019: £44.5m).

Our London & International bus division has remained particularly resilient, with contracted revenue secured at pre-crisis levels throughout the pandemic. Operating profit for the division was £48.5m. On a comparable basis with last year's result, operating profit was £47.9m (on a pre-IFRS 16 basis) (2019: £51.2m).

* (1.76 times on an IFRS 16 basis).

Financially resilient

£229.8m
Cash and unutilised facilities

1.96 times
Adjusted net debt to EBITDA on a pre-IFRS 16 basis*

90%
of revenue secured through contractual arrangement

£93.1m
Net capital expenditure

Baa3/BBB-
Moody's/S&P credit ratings

Ongoing operational and commercial challenges in our German rail operations have resulted in significant losses in the year, heavily impacting the overall profitability of the rail division. In the UK, Emergency Measures Agreements (EMAs) were introduced for GTR and Southeastern, enabling a small profit margin and in Norway, government funding has prevented material losses for our rail operation. Rail operating profit was £8.9m before exceptional items. On a comparable basis with last year's result, operating profit was £0.1m (before exceptional items and on a pre-IFRS 16 basis) (2019: £25.4m).

Read about our operating divisions on **pages 39 to 46**

Exceptional items

Exceptional charges, which are largely non-cash, totalling £57.1m have been reflected in the accounts. Asset impairment and restructuring in regional bus of £26.7m relates predominantly to our coach operations which have been heavily impacted by the pandemic.
The remaining £30.4m is in respect of our German rail operation and includes asset impairments, contract provisions and restructuring costs.

Cash management

The Group's cash discipline is strong and cash flows are closely monitored. We entered the crisis in a strong position with liquidity of around £250m, similar to that reported for the first half of the year, and rapidly took action to conserve cash, restricting all but essential outflows. Actions taken include suspension of the interim dividend, a 20 per cent reduction in Board members' salaries and fees, efficient use of the Government's job retention scheme, a freeze on all discretionary expenditure and restrictions on capital spend.

Before the effects of COVID-19 were felt on the business, we anticipated total Group capital expenditure for the year of around £140m, mainly comprising bus vehicles for our regional and London & International bus businesses. We responded quickly to the rapidly developing crisis and identified vehicle orders that could be delayed or, in some cases, converted into leases. Despite being almost nine months into the financial year. we delivered a saving of around £50m on capital expenditure compared with our expectations in early March.

Liquidity and bank covenant

At 27 June 2020, the Group held £229.8m in cash and unutilised facilities.

The Group has no debt maturities until 2024, when our £250m sterling bond and RCF matures. We have a 12 month extension option on the RCF which if exercised will extend its maturity to 2025.

No additional facilities have been arranged during the year and, while we are eligible to access £300m through the Bank of England's COVID Corporate Financing Facility, we have not needed to do so.

A requirement of the EMAs in UK rail resulted in the temporary restriction of cash held in the franchises. Excluding this temporary restriction of rail cash, the Group's cash position has improved since the half year, reflecting the action we have taken to conserve cash throughout the crisis.

The Group has remained cash generative throughout the crisis.

We entered the crisis in a strong position. Our balance sheet was conservative, at the bottom end of our target leverage range of 1.5 to 2.5 times, at 1.53 times, as a result of our good financial discipline and low to moderate appetite for risk. These factors have also enabled us, along with specific cash conservation measures, to remain resilient through this most challenging period.

Our primary bank covenant continues to be assessed on a pre-IFRS 16 basis. At the year end, adjusted net debt was £321.6m on a pre-IFRS 16 basis (2019: £270.3m).

Consequently, reflecting a reduction of £41.6m in EBITDA (on a pre-IFRS 16 basis) to £163.9m, adjusted net debt to EBITDA was 1.96 times, comfortably within our target range of 1.5 to 2.5 times and allowing adequate headroom on our primary bank covenant of 3.5 times. Under the modelled scenarios within our going concern assessment, positive liquidity headroom exists throughout the going concern period and the Group remains in compliance with its bank covenants.

We maintain a positive dialogue with our lenders and keep our current facilities under review. In the final quarter of the year, Moody's and S&P reaffirmed credit ratings at Baa3 and BBB-, respectively; both consider the Group's outlook to be stable.

Shareholder returns

The proposed interim dividend of 30.17p per share was suspended following the half year results to retain around £13m of cash within the Group, and no final dividend has been proposed. The Board, which fully recognises the importance of shareholder returns, will continue to assess the appropriate timing for the resumption of dividend payments.

IFRS 16

We adopted IFRS 16 on 30 June 2019 and the first set of results reported under the new standard was our half year results announced on 12 March 2020. The change in accounting standard does not have a material impact on reported results for our regional bus or London & International bus businesses. However, the results of the rail division are more materially impacted as they include significant rolling stock leases in the UK franchises. Total leased assets in the rail division were around £570m as at 27 June 2020. The impact of the standard on the balance sheet is, therefore, also material. However, due to the short remaining durations of GTR and Southeastern (September 2021 and October 2021, respectively), this liability will unwind rapidly over the next year, subject to further extensions. Our adjusted net debt to EBITDA bank covenant will continue to be assessed on a pre-IFRS 16 basis, and we will continue to disclose the ratio on this basis, alongside statutory reporting.

→≡ Read about IFRS 16 on **page 38**

Risk

Reflecting the COVID-19 crisis and ongoing challenges in our German rail operations, we have identified increased areas of risk within a number of our principal risks. The Group maintains a low tolerance to risk in its core activities and a moderate tolerance in relation to growth opportunities.

→≡ Read about our principal risks and our risk management approach on **pages 50 to 58**

Going concern

Having assessed the Group's ability to continue as a going concern in light of current and anticipated economic conditions, the Board is satisfied that the Group has adequate resources to continue operating over the next 12 months.

Outlook

Due to ongoing uncertainty, we are unable to reinstate meaningful financial guidance for our regional bus business for the 2021 financial year. Instead, we have considered a range of scenarios through our going concern assessment. Details are set out in our going concern statement on pages 60 to 62.

The contracted nature of the remainder of the business provides greater visibility of future financial performance. For the 2021 financial year, we expect our London & International bus division to generate operating profit similar to that achieved in the 2020 financial year. Our rail division is expected to deliver a breakeven operating result in 2021.

Elodie Brian
Group Chief Financial Officer

23 September 2020

Group Q&A

Go-Ahead's Chairman, Group Chief Executive and Group Chief Financial Officer answer the topical questions that we get asked by our stakeholders.

Clare Hollingsworth
Chairman

David Brown
Group Chief Executive

Elodie Brian
Group Chief Financial Officer

Q Are you concerned that the crisis and the UK Government's initial advice to avoid public transport could have lasting damage on demand?

Public transport is essential for society. It is the only practical and sustainable means of transporting large numbers of people to towns and cities and is the only way the Government's climate change targets will be achieved. Since lockdown measures were relaxed in the summer we have seen a steady return of passengers while maintaining social distancing requirements. In the past few weeks, since children have returned to school, we welcomed more people back onto our services, with demand back to 50 to 60 per cent of normal levels. The Government's advice was given to ensure adequate social distancing could be followed at a time when the risk of infection was at its highest.

Of course the crisis has the potential to create longer term behavioural change; more home working, more online shopping, but what lockdown has also taught us is that people are social; they have missed visiting friends and family, socialising in pubs and restaurants and interacting with colleagues in the work place. No number of virtual get-togethers can replace the value people place on real social interaction. As people are returning to public transport the measures we have put in place to safeguard our customers and colleagues are apparent to them.

Read more about the trends we are observing in our markets on **pages 18 and 19**

Q What action have you taken to ensure employees and passengers are safe since the pandemic began?

We have always maintained high hygiene standards on our vehicles, in our stations and in our places of work. As cases of COVID-19 began to be identified we recognised the need to enhance cleaning regimes, providing colleagues with hand sanitiser and displaying both customer and colleague messaging about the importance of rigorous hygiene practices. Our local management teams acted quickly to put measures in place and identify vulnerable colleagues and safeguard them. The current situation called for an agile and innovative response to rapidly address the safety of colleagues and customers. Customer information displaying the busyness of services was made available very quickly, systems to reduce cash handling were put in place and new antibacterial technology was introduced into cleaning regimes across parts of our network. Throughout the crisis we have followed guidelines from local and national governments, the World Health Organisation and relevant advisory bodies, as well as engaging with our colleagues, union representatives and other stakeholders to ensure appropriate measures are taken.

Read more about our approach to safety on **pages 33 and 34**

Q If the UK Government stops funding the provision of regional bus services, what can you do? Will service cuts be necessary?

The Government appreciates the vital role public transport operators play in supporting our society and economy and has committed to the continuation of funding until it is no longer required. It has acknowledged that policy around travel restrictions and social distancing has prevented operators from running commercially; thus, it has provided financial support to ensure the continued delivery of essential bus services. While this funding has been necessary to keep the country moving during this time, we look forward to resuming normal, commercial operations at the earliest opportunity.

Q If passenger volumes in regional bus don't return to pre-crisis levels what happens to margins in that division?

The recovery of passenger numbers since travel restrictions were eased is encouraging and we are now carrying around 50 to 60 per cent of pre-crisis volumes. Of course, uncertainty remains around future passenger demand. While financial support from the Government through the COVID-19 Bus Services Support Grant and the Coronavirus Job Retention Scheme has enabled us to retain our depots, fleets and colleagues throughout the crisis, a permanent rebasing of passenger numbers would inevitably result in a change in the way we provide services to match demand, resulting in a reduction in the cost base, which largely comprises semi-variable costs.

Q Is the financial performance of the German rail contracts likely to worsen?

As set out on page 45, the performance in our German rail operations since they commenced in 2019 has fallen materially short of our original expectations. A comprehensive review of operations has recently concluded and we have taken action to improve performance and reduce costs, and we have robust financial forecasts that would see our current operations generating profit by 2023. We are seeking compensation from the rolling stock manufacturer in relation to the late delivery of trains. Operational performance has markedly improved in the last few months, reflecting better availability and reliability of rolling stock. While this has improved our financial performance, we continue to face challenges with driver shortages; an issue impacting all operators in Baden-Württemberg where there is a very tight labour market. We are also in close contractual dialogue with the transport authority. In the year, we recognised an exceptional charge of £30.4m in respect of our operational German rail contracts in Baden-Württemberg and those currently being mobilised in Bavaria. The charges relate to asset impairment, contract provisions and restructuring.

→ Read about the action taken in our German rail business on **page 45**

Q You are scaling back your ambitions internationally. Is this because of the issues in German rail or as a result of the pandemic?

When we set out on our international development journey we had a clear strategy for growth, and that strategy remains in place. However, like all good strategies it has the ability to be reviewed periodically and adapted as appropriate, and that is what we are doing. We have taken the decision to pause development activities in the German rail market, concentrating resources on addressing performance of current German rail operations and the successful mobilisation and introduction of two contracts in December 2021 and December 2022. The other international markets previously identified as targets for us – Singapore, Ireland, Australia, the Nordics – continue to offer attractive opportunities in line with our strategic objectives and risk appetite. In August, we were pleased to be granted an extension to our bus contract in Singapore, where we have successfully operated since 2016, which will see us continue to operate in the city state until at least September 2023.

Q You have not sought waivers on your bank covenants or drawn on the Bank of England Coronavirus Corporate Financing Facility (CCFF). Why not?

We have conducted robust scenario planning and stress testing and the Board is satisfied that it is not necessary for us to seek a covenant waiver or utilise the Bank of England's CCFF at this time. We maintain an active dialogue with our banks and are eligible for £300m through the CCFF scheme which remains open to us until March 2021.

Q What will need to happen before you can resume dividend payments?

Go-Ahead has always understood the importance of its dividend for its shareholder base. Ahead of the crisis we had grown or maintained the dividend every year since we listed on the London Stock Exchange in 1994. We understand that our shareholders, which include charities, educational institutions and pension funds, rely upon the income they receive and we do not underestimate the importance of dividends in supporting society and national economies.

Ahead of the crisis, Go-Ahead had good levels of cash generation, a strong balance sheet and a clear dividend policy. Throughout the crisis, we continue to be cash positive, albeit generating low levels of cash currently, and our balance sheet remains healthy, comfortably within our target adjusted net debt/EBITDA range and well below the bank covenant of 3.5 times.

While we have taken all necessary action to protect the Group's viability and financial position, the support provided by governments has been essential to our resilience at a time of significantly suppressed passenger demand. As demand continues to return, and our reliance on government support reduces, the Board will be able to better assess the suitability of the, currently suspended, dividend policy, and establish a reasonable timetable for a resumption of dividend payments to shareholders.

"As passenger demand continues to return and our reliance on government support reduces, the Board will be able to establish a reasonable timetable for a resumption of dividend payments."

Clare Hollingsworth
Chairman

Where will growth come from now?

Our current strategic priority is protecting our core business during the COVID-19 crisis but we have continued to pursue development opportunities in line with our broader strategic objectives. There is a strong pipeline of bids in our target international markets, predominantly in regulated bus markets similar to our successful operations in London, Singapore and Ireland and as we transition to a new normal from the current situation, we are well placed to consider opportunities that may arise in the regional bus market. Earlier in the year, before the crisis, we were awarded a large bus contract in Cornwall, operating 50 per cent of the county's bus services. Following the year end, we were pleased to be awarded a two-year extension to our bus contract in Singapore. Such opportunities draw on our strong reputation as an experienced and reliable operator, and a trusted partner that works collaboratively with local authorities. We believe the UK rail market can offer attractive and value-adding opportunities in the coming years both through contract extensions and bidding for new style rail contracts in the future. We are well placed to benefit from these opportunities.

Public transport is key to delivering many societal and environmental objectives in the coming years. In February 2020, the Government pledged £3bn of funding for the bus industry, a commitment that has been reaffirmed in recent weeks and as one of the most experienced bus operators in the UK, we are well placed to make good use of this funding, bringing great value to our communities.

Does the need for such extensive Government support during the crisis support the argument for renationalisation?

The Government's funding of public transport through this crisis has been driven by its recognition of the key role bus and rail plays in our society and its desire to preserve a resilient network from which economic recovery can be supported. Go-Ahead has delivered remarkable outcomes throughout this period through our agile and collaborative approach with local authorities, our commercial acumen and our deep understanding of our customers and local communities. The crisis has highlighted why public transport is best delivered by experienced private operators, like Go-Ahead, that are close to their customers and can bring together retail expertise, strong cost control and innovation to create a healthy and vibrant transport market.

"Public transport is key to delivering many societal and environmental objectives in the coming years."

David Brown
Group Chief Executive

You have always had a strong balance sheet; what are you doing to protect it now?

Our financial strength at the outset of the crisis has supported our resilience through a challenging period for the Group. This strength has been the result of a well-managed balance sheet, good financial discipline and low to moderate appetite for risk. This approach continues along with specific cash conservation measures to maintain a comfortable net debt position and adequate headroom on our bank covenant.

Read more about specific action taken and measures in place to maintain a strong balance sheet on **page 10**

COVID-19 has required the Government to step in and change the contract structures in UK rail. What does this mean for the future of rail and how do you see Go-Ahead's role in the industry?

Rail reform has been anticipated for some time and we were involved with the Government-commissioned rail review led by Keith Williams (the publication of which has been delayed). The pandemic required a temporary change to rail contracts to ensure the continuation of a reliable train service throughout the crisis. Emergency Measures Agreements have enabled a reliable rail network to operate over the past six months, and the recently announced Emergency Recovery Measures Agreements can give passengers confidence that their train services will continue to operate in the same way over the coming months. Go-Ahead has operated rail franchises in the UK since privatisation in 1997. We have strong relationships with the DfT and Network Rail, and a good reputation as a reliable operator. The Group has generated profits from its UK rail operations every year. We believe that with the right reforms, UK rail has the potential to be a more value-adding part of the Group in the coming years.

Are London bus services at risk because of TfL funding pressure?

London bus services have been a critical part of the Capital's success for 200 years. Before COVID-19 hit, two-thirds of all public transport journeys in London were made on its buses. Even at the current time, when passenger numbers are suppressed, bus travel continues to be the most popular mode of public transport in London. As the city has grown, it has become even better suited for public transport, and not for car travel. When the volume of people in the Capital begins to increase, which it inevitably will, higher levels of congestion, road traffic accidents, carbon emissions and air pollution will highlight the disadvantages of extensive and longer-term car use in the city.

A core aim of the Mayor's Transport Strategy is that, by 2041, 80 per cent of journeys in London will be made on foot, by cycle or using public transport. It is great to see active travel increasing with more people walking and cycling. When used alongside public transport, these modes provide healthy, environmentally responsible and convenient ways of getting around the city. A thriving city needs a well-served transport network. While social distancing measures are in place adequate service levels are required to facilitate this, and even when those measures are no longer required, people are likely to retain a preference for more personal space than was previously typical in pre-COVID-19 times, which further supports demand for full service provision.

"Our financial strength at the outset of the crisis has supported our resilience through a challenging period for the Group."

Elodie Brian
Group Chief Financial Officer

Your workforce has a much higher proportion of men than women, and white people than people from ethnic minority groups. What are you doing to bring this into balance?

Our aim is to have a workforce that is representative of the communities we serve and a culture that respects individuality. We are encouraged that 73 per cent of colleagues feel their individual differences are recognised. We have made progress in increasing diversity in recent years and we want to build on this further. We chose to initially focus on increasing gender diversity which has historically been low in the transport industry. We set a target to increase gender diversity to 20 per cent by 2025, aligned with our commitment to the fifth Sustainable Development Goal, Gender Equality.

This year the proportion of female colleagues grew from 14.4 per cent to 15.3 per cent. Two of the three most senior roles in the business, the Chairman and the Group Chief Financial Officer, are held by women and 20 per cent of senior roles are performed by female colleagues. Through schemes such as our "Women in Bus" initiative, graduate programme and apprenticeship scheme we aim to mirror senior level diversity at all levels of the organisation.

As well as continuing to improve gender diversity, our next priority is increasing ethnic diversity across our business, targets for which are being set for each of our businesses. Our apprenticeship scheme is already creating positive progress against this aim and our graduate scheme is growing more diverse leadership for the future with around a quarter of the 2019 cohort from BAME groups.

Read more about our approach to diversity and inclusion on **page 29**

Responding to COVID-19

Decisive action and our resilient business model supported our response to the rapidly evolving pandemic.

Our priorities

At the outset of the crisis, we identified three priorities which have focused our efforts to date and will continue to guide our decisions and behaviours.

They are to:

Safeguard the health and wellbeing of our colleagues and customers

- Adherence to government policies and guidelines and advice from WHO and other relevant advisory bodies
- Enhanced cleaning regimes and social distancing measures in place
- Measures taken to minimise contact, such as a reduction in cash handling
- Provision of protective equipment for customer facing colleagues
- Customer information showing how busy services are, helping people choose quieter services to travel on
- Colleagues encouraged to work from home where possible and in the initial months following the outbreak
- Increased levels of engagement with colleagues from front-line workers to those furloughed
- Increased support of colleagues' mental health and wellbeing through greater access to enhanced programmes and helplines

Play our role in society in challenging times

- Provision of convenient and reliable services for our passengers
- Operation of service levels in excess of demand, ensuring a solid network is maintained
- Adaptation of services to accommodate customers' needs, such as timetable changes to reflect hospital shift patterns
- Adoption of wider role supporting society's collective effort by delivering medical and food supplies and helping vulnerable individuals
- Initiatives to boost morale in our communities and workforce

Protect our business

- Quick and decisive action taken
- Cash conservation measures taken
- 90 per cent of revenue not exposed to passenger demand
- Strengthening stakeholder relationships
- Collaborating and influencing policy decisions
- Trusting in our experienced teams and devolved business model
- Robust scenario planning and analysis
- Long term view considered when making short term decisions

Read more about our three priorities in our CEO review on **pages 6 to 9**

Operating and financial overview

Regional bus

- Operating profit before exceptional items was £20.5m (2019: £44.5m)
- Passenger volumes dipped to 10 per cent with 40 to 50 per cent of services operating during lockdown
- Passenger volumes now at 50 to 60 per cent with service levels at around 85 per cent of normal levels
- Cost savings achieved, including the temporary closure of some depots
- Government funding in place enabling broadly breakeven performance throughout the COVID-19 period to date
- Concessionary income, contractual revenue and Bus Service Operators Grant continue to be paid at pre-COVID-19 levels

London & International bus

- Operating profit before exceptional items was £48.5m (2019: £51.2m)
- Service levels reduced to around 80 per cent during lockdown
- Service levels now above 100 per cent of normal levels
- Contract revenue remains at pre-COVID-19 levels; variable cost savings returned to contracting authorities

Timeline*

* Timelines and government responses have differed in our international operating markets.

29 January
First confirmed COVID-19 cases in the UK

28 February
First confirmed case of virus transmission in the UK

11 March
WHO declares a pandemic

12 March
Go-Ahead announced half year results reporting no material impact of COVID-19 on operations

US announces international travel ban

16 March
UK Government urges people work from home and only travel if necessary

18 March
Decision to close UK schools announced

20 March
Pubs, cafes and restaurants closed in the UK. Coronavirus Job Retention Scheme announced

23 March
Go-Ahead issues statement on COVID-19 including announcement of rail Emergency Measures Agreements

UK lockdown measures announced

2 April
Global cases of COVID-19 exceeds 1 million

3 April
Regional bus funding package announced

Rail

- Operating profit before exceptional items was £8.9m (2019: £25.4m)
- Service levels now at around 90 per cent of normal levels
- Service levels reduced to around 50 per cent during lockdown
- GTR – Emergency Recovery Measures Agreement (ERMA) management contract in place until September 2021, with the potential to extend
- Southeastern – Emergency Measures Agreement (EMA) management contract in place until October 2021, with potential six-month extension
- German rail – Contract revenue remains at pre-COVID-19 levels; variable cost savings returned to contracting authority
- Norwegian rail – Continuing government support enabling broadly breakeven performance throughout the COVID period to date

Read more about the impact of COVID-19 on our three divisions in the Business and finance review on **pages 37 to 49**

Risks

Our principal risks relating to COVID-19 include:

- Slow recovery from COVID-19 pandemic; reduction in economic activity and passenger demand
- Economic impact, including implications of the pandemic on Brexit
- Financial pressures on clients such as Transport for London and local authorities
- Increased state control of bus and rail operations
- Loss of business to other modes
- Risk of second wave of the virus
- Ability of workforce to perform duties due to contraction of COVID-19 or requirement to self-isolate
- Increased level of threat to cyber security

Read about our principal risks and our risk management approach on **pages 50 to 58**

More information about COVID-19 can be found on the following pages

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20 May
DfT confirms continuation of regional bus funding

15 June
Face coverings on public transport become compulsory

Non-essential shops reopen

4 July
Pubs, restaurants, hairdressers and places of worship reopen

17 July
UK Government removes advice to avoid travelling by public transport

1 August
Employers have discretion over working arrangements

15 August
Further easing of lockdown restrictions

30 August
The number of global confirmed COVID-19 cases passes 25 million.

1 September
Schools reopen in England

9 September
Gatherings of more than six people banned in England

22 September
UK Government urges people to work from home

Restrictions around opening hours of hospitality venues

An acceleration of trends

A number of trends impacting our business have been developing for some time. The COVID-19 pandemic has driven an acceleration of some of those trends creating challenges and opportunities for Go-Ahead.

Travel, work and consumer habits

Pre-COVID-19

In recent years we have seen a shift in consumer behaviours with a trend towards increased home working and part time working, more online shopping, and more home entertainment through online gaming, social media and streaming services like Netflix. Mobile technology has become a core means of transacting and communicating, as customer demand for convenience, flexibility and ease of doing business has increased. In 2019, around 19 per cent of retail sales in the UK were made online and approximately 30 per cent of people worked from home at some point. Travel habits are also changing. In 2019, three in ten domestic holidaymakers planned to spend more holiday time in the UK than in the previous years based on convenience and affordability.

COVID-19

These trends have been further exacerbated by the impact of COVID-19 and associated travel and social restrictions. While shopping online is not a new phenomenon, many people who would not normally shop online for particular items have begun to do so with a third of people shopping online for the first time during lockdown. Online sales as a proportion of overall retail grew to a record high at 30.7 per cent in April 2020. Consumers have been spending more on home fitness products, gaming and streaming services. There has, however, been a growing sense of community during the pandemic. With closed borders, movement restriction and supply chain disruptions, consumers have looked to local businesses for convenience and ease of access. During lockdown, 59 per cent of consumers in Britain used more local shops to help support them throughout the crisis. The trend for staycations has also been amplified due to travel restrictions and concern around international travel; 68 per cent of people do not plan to travel abroad this year. Over the summer, holidaymakers were subject to new quarantine rules relating to those travelling back to the UK from European countries, prompting a reduction in flight bookings.

Our challenge

New behaviours and ways of working have been established during the pandemic. It is unclear to what extent these trends will endure as children settle back into school and working arrangements begin to stabilise.

Our opportunity

As people spend more time close to home,more local journeys will take place. Congestion, parking and the cost of motoring make car travel an less attractive option. In the six months to July 2020, car manufacturing in the UK slumped to the lowest levels since 1954. Local bus services and park and ride facilities provide convenient, value for money journey choices. A range of ticketing options can be provided supporting people's choices around flexible working.

As fewer international trips are taken and more domestic breaks are enjoyed, people can make greater use of bus, coach and rail services to reach appealing holiday destinations closer to home.

During lockdown
59%
of consumers in Britain used more local shops to help support them throughout the crisis

"Local bus services provide convenient, value for money journey choices. A range of ticketing options support people's choices around flexible working."

Active travel and mental health

Pre-COVID-19
Cycling and walking combined with public transport offer healthy, efficient and good value modes of travel for many local journeys whilst reducing pressure on the road system from private vehicle use. Research has also found that, on top of the physical health benefits of active travel, people who commute by using these modes have better mental health than those who drive to work.

Public transport is a vital component of society. It enables wider access to jobs, education, services, family and social life. It also offers increased social inclusion by providing access to employment, education and other services for people who do not drive or are less likely to own a car. Loneliness has long been a considerable public health challenge prompting the UK Government to launch a loneliness strategy in 2018. Public transport is a vital lifeline for people facing loneliness.

Not only is social contact vital for good mental health, it also supports physical health and has been proven to reduce blood pressure, boost immunity and increase brain health.

COVID-19
Throughout the crisis there has been considerable concern about the mental health impact of extended isolation. One in four people reported feelings of loneliness during lockdown, compared with one in ten before the pandemic. These figures are more worrying still for younger people with almost half of 18 to 24 year olds experiencing loneliness during lockdown. More than two-thirds of adults in the UK have reported feeling worried about the effect of the pandemic on their life with 56 per cent experiencing anxiety.

Our challenge
While social distancing measures and restrictions remain in place, our ability to support active travel and the mental health benefits associated with it is suppressed.

Our opportunity
To promote the wide-ranging benefits of public transport and attract more people to our services when restrictions are lifted and social activity begins to increase.

In the meantime, we encourage people to access our schemes, such as Virtual Chatty Bus through which people can find company and support at a challenging and lonely time. We are actively engaged with the Campaign to End Loneliness to find new ways to overcome loneliness coming out of the crisis.

Public transport users benefit from
26 minutes
more activity each day than those who commute by car

Air quality and climate change

Pre-COVID-19
An effective transport system is vital for economic stability and good quality of life. There are however concerns around the damaging effect of transport to the environment. In the UK, transport is the biggest source of air and noise pollution and is the largest contributor to greenhouse gas (GHG) emissions. Private cars contribute 56 per cent to GHG emissions from domestic UK transport, compared with buses at 3 per cent and trains at 2 per cent. In town centres and alongside busy roads, motor vehicles are responsible for most local pollution and most environmental noise. To combat this, the UK Government has set a target for net zero emissions by 2050.

COVID-19
The pandemic has provided an insight into what a car free society would look like and the resulting benefit to our environment. During the peak of the global confinements, daily emissions reduced by around 17 per cent compared to last year. In London, there was a 27 per cent reduction of NO_2 in the air in the first month of lockdown.

Our challenge
Initial government messaging has discouraged people from using public transport and encouraged increased car use. This is unsustainable and will prevent air quality and climate change targets being met.

Our opportunity
We have the opportunity to be part of the solution, working in partnership with government and local authorities to reduce the number of cars on the road, carrying more people on our cleaner and greener fleets of buses and trains.

5%
of the UK GHG emissions come from buses and trains compared to 56 per cent that come from private cars

"We have the opportunity to be part of the solution, carrying more people on our cleaner and greener fleets of buses and trains."

Our business model

Our purpose is to be the local partner taking care of journeys that enhance the lives and wellbeing of our communities across the world

Delivered through our strategy

Read about our strategy on **page 26**

Supported by a strong financial profile

Revenue generation

We generate revenue in two main ways:

- Through the fares we receive from our bus and rail passengers (around 10 per cent of revenue)
- Through contract payments we receive from our transport authority customers for which we operate services (around 90 per cent of total revenue)

During the COVID-19 pandemic, revenue has been supported by governments committed to maintaining essential transport networks.

Cost control

At local and Group levels we closely manage our costs without compromising on safety or quality. We have a particular focus on good cost control around employee utilisation, fuel efficiency, and contractual negotiations and management.

During the COVID-19 pandemic, we have taken action to reduce our cost base, with both temporary and permanent savings delivered.

Capital allocation

Our capital principles ensure our focus on maintaining an investment grade rating, safeguarding the interests of our shareholders and remaining within our target gearing range.

During the COVID-19 pandemic, we have maintained strong financial discipline and have limited the allocation of capital to preserve cash within the Group.

Reasons we are successful

Approach

- Clear strategy
- Customer focused decision making
- Innovative and agile approach
- Long-term focus on sustainable outcomes

Resources and relationships

- Empowered people
- Expertise, experience and influence
- Strong relationships with strategic partners and stakeholders
- Investment in fleets and depots

Management

- Devolved structure
- Financial discipline
- Risk appetite and management

Creates financial and non-financial value for all our stakeholders

Financial value	Stakeholder	Non-financial value
We look after our people, paying competitive salaries and offering attractive benefit packages.	**Our people**	We create safe and enjoyable inclusive working environments in which people are empowered and enabled to develop personally and professionally. We offer occupational health and other wellness services for both physical and mental health.
We provide value for money services, offering convenient alternatives to car travel against a backdrop of rising costs of private motoring.	**Customers**	Our services facilitate our customers' lives, connecting people with friends and family and enabling access to services, facilities, work and education. Our buses and trains provide safe and convenient places for people to use their travel time as they wish.
We support suppliers in the UK and internationally through the procurement of goods and services. Our payment practices are aligned with the Prompt Payment Code.	**Strategic partners and suppliers**	Through our Sustainable Supply Chain Charter we demonstrate high standards of integrity, responsibility and professional conduct. We endeavour to support our suppliers to improve the sustainability of their business.
Our contribution to the Government includes corporation tax and National Insurance contributions.	**Government**	Through our experience and expertise we help shape policies at national and local levels through our contribution to reviews and consultations. Through our activities we support government targets and objectives in areas such as climate change, diversity and social inclusion.
Our services enable and promote economic activity in our communities, providing access to retail and leisure facilities, and work and education.	**Communities**	We strive for our services to be accessible and inclusive. We promote social inclusion in our communities, often providing vital transport links to vulnerable people. We operate responsibly and are committed to maximising the role we play in slowing global climate change and improving air quality for our communities.
Our aim is to provide attractive total shareholder returns. We increased or maintained the dividend to shareholders every year between 1994 and 2019. While a dividend has not been declared for the current year, the Board is committed to resuming returns as soon as possible.	**Investors**	Shareholders' interests are safeguarded through the Board's strong commitment to good governance. Investor confidence in the long term sustainability of the Group is built through our approach to operating responsibly, such as measuring and reducing our impact on climate change.

Read about our engagement with stakeholders on **pages 22 to 25**

Engagement with our stakeholders

Our relationships with our stakeholders are key to our success. By engaging meaningfully, we gain insights into their needs. This feedback forms part of our decision-making process at every level of the business, from the Board to our local management teams, to help us continuously improve. The examples which follow demonstrate consideration of the matters set out in Section 172 of the Companies Act 2006.

Stakeholders	Why we engage	How we engage
Our people Our business is built by colleagues whose commitment, innovation and ambition help deliver the best possible transport service to our customers. We have an experienced, diverse and dedicated workforce who we recognise as a key asset of our business and to which we have a strong commitment to personal development.	• To promote wellbeing and ensure the safety of our people • To create a constructive, two-way dialogue, ensuring colleagues have a platform to have their voices heard • To maintain a highly engaged and motivated workforce • To understand how we can best provide a supportive and collaborative workplace • To ensure alignment between our people agenda and business strategy • To encourage equal opportunities and a more diverse workforce • To ensure we develop colleagues through professional development and training	• Ongoing dialogue with line managers • Engagement survey • Communication through the Group intranet, newsletters, forums and ad hoc meetings • Performance and development reviews • Colleague training programmes and workshops • Focus on development and succession planning • Business update presentations • Board and senior management site visits • Annual management conference
Customers Customers are at the heart of Go-Ahead and we are dedicated to providing them with safe, convenient and reliable services. We understand our local markets and strive to exceed our customers' expectations.	• To establish areas for improvement in order to maintain our high level of passenger satisfaction • To respond quickly and effectively to meet changes in customers' needs • To maintain high quality, reliable and safe passenger transport services • To enable us to deliver new and innovative products and integrated, customer focused solutions • To maintain a reputation for high standards of business conduct	• Online communications – website, newsletters, emails, social media and blogs • Customer satisfaction surveys • Continual review of customer feedback via customer service centres • Customer-facing colleague feedback • Customer panels and focus groups • Customer, industry and on-site events • Collaboration on product innovation
Strategic partners and suppliers Collaborative strategic partnerships are core to our business model. We build strong relationships with transport authorities, industry bodies and core suppliers to deliver efficient, high quality services.	• To develop strong relationships • To ensure close alignment of values • To encourage transparency • To find collaborative and innovative solutions to societal challenges • To enhance competitive advantage • To effectively monitor, manage and mitigate risks in our supply chain • To ensure the effective delivery of contracts • To ensure those with whom we work demonstrate a commitment to sustainability, employee wellness and diversity	• Joint membership of industry groups • Collaborative working with partners to deliver specific solutions • Engagement groups to build long term relationships • Periodic surveys of our current suppliers • A dedicated contract manager for each supplier • Regular meetings to discuss supplier performance and areas for improvement, identifying risk and mitigating plans

Key topics of engagement	How we responded
• Maintaining and continually improving employee engagement • Development and training opportunities • Opportunity to share ideas and make a difference • Flexible working • Health and safety • Diversity and inclusion • Modernising and transforming working environments • Colleague recognition and reward • Working throughout the COVID-19 pandemic	• Introduction of a People Steering Group focusing on training and development • Designated non-executive director for employee engagement • Continued focus on diversity and inclusion, including the introduction of relevant KPIs • Development of health and wellbeing initiatives • Introduction of employee apps across operations for safer and more efficient working • Increased colleague engagement and communication throughout the pandemic • Support of home working where possible and adaptation of working environments introduced for COVID-19 safety measures
• Reliability and punctuality of services • Overall on-board experience • Value for money • Quality and volume of delay and disruption information including timetable changes • Station amenities • Route and timetable enquiries • Contactless payment options • Colleague helpfulness • Accessibility and passenger support • Safety measures • Travel during the COVID-19 pandemic	• Enhanced safety features and cleaning regimes throughout the pandemic period • Strong communication through a range of channels, advising when to travel in order to maintain social distancing • Increasing accessibility and support enabling travel for all • Additional ticketing and payment options introduced, giving passengers more flexibility • Ongoing updates to bus app to improve journey planning, including service busyness
• Specific industry solutions • Long-term partnerships • Collaborative approach • Raising standards and delivering long term goals • Delivering value, consistency, engagement and better planning • Sustainability challenges • Open terms of business • Fair contract terms • Prompt payment	• Responsible actions during the COVID-19 crisis to support our business partners and our suppliers • Dialogue with partners and suppliers regarding our core policies and principles on social value, human rights, environment and sustainability • Setting targets on payment performance and regularly measure ourselves against the Prompt Payment Code • Exploring new methods on how to improve payments processes • Sustainable Procurement Charter Commitment from suppliers to align their processes and procedures • Identifying opportunities to use local suppliers where appropriate

Our stakeholders continued

Stakeholders	Why we engage	How we engage
Government Policy and regulatory changes affect our bus and rail businesses and create the framework through which we operate. Working closely with both central and local government enables us to contribute our private sector experience and expertise to the public agenda and produce better policy outcomes and service delivery.	• To support the delivery of economic development and environmental targets and social priorities • To raise public transport higher up government agendas • To influence and inform policy making • To represent the views of our other stakeholders; customers, colleagues, communities and shareholders • To formulate innovative and attractive bids as opportunities arise	• Ongoing engagement with government bodies, such as the Department for Transport • Member of the All Party Parliamentary Group on air pollution • Participation in various expert working groups and Government consultations • Engaging in policy discussions over key industry topics • Ongoing dialogue with local MPs • Responding to government consultations • Membership of the Low Carbon Vehicle Partnership
Communities As an operator of public transport, we provide a vital service to communities, transporting people to work, education, facilities and services every day. We strive to provide the social and economic benefits of affordable and accessible travel in the towns and cities in which we operate.	• To fulfil our purpose • To maintain our role at the heart of our communities and play our part in helping them thrive • To address economic, social and environmental issues and priorities • To find the best solutions for connecting people with family, friends, work and facilities • To enable us to respond appropriately to the needs of our communities • To maintain our focus on operating responsibly within society • To support social inclusion	• Meetings with councillors, planning officers and other key officials to work in partnership towards common community goals • Continual two-way communication with local businesses and organisations • Onsite community engagement events • Collaboration with local charities, participating in volunteering and fundraising initiatives • Regular news updates and social media posts to keep communities informed
Investors Go-Ahead is listed on the London Stock Exchange. We provide investors with open and transparent information and encourage two-way communication. Feedback from our shareholders forms part of the strategic Board discussions. We operate our business responsibly and with strong financial discipline to protect the interests of our investors.	• To ensure that our long term strategy is aligned with the interests of shareholders • To explain how we aim to deliver sustainable growth and maximise the growth potential of the business • To provide updates relating to the financial performance and position of the business • To ensure the views of shareholders are considered in policy setting • To understand investors' ESG criteria	• Face-to-face meetings and phone calls • Trading updates including full year and half year results • Results presentations and webcasts • Investor roadshows, conferences and site visits • Annual General Meeting • Annual Report • Investor focused website • Independent disclosure platforms for investors such as Carbon Disclosure Project

Key topics of engagement	How we responded
• Our performance and progress towards franchise targets • Environmental policy and compliance • Diversity and equal opportunities • Industry response to the COVID-19 pandemic • Proactive engagement with local authorities • Support for local economic plans and strategies • Sharing experience and expertise	• Active engagement with industry bodies and government to influence policy and regulatory developments • Further work undertaken for campaigns raising awareness of loneliness, active travel and air quality • Continued development of bus strategy and response to the Transport Select Committee's inquiry into the health of the bus market • Ongoing engagement with the DfT ministerial team
• Effectively managing our environmental impact • Investment in local infrastructure • Engaging and responding to community needs • Direct contributions through community volunteering, sponsorship and fundraising • Providing timely and accurate travel information to ensure safety and adherence to government guidelines on COVID-19 • Sustainable transport solutions	• Direct contributions through community volunteering, sponsorship and fundraising • Local meetings with MPs, Chamber of Commerce and Local Economic Partnership Boards • Regular stakeholder newsletters • Active member of the Place campaign with Business in the Community • Contributing to policy discussion • Developed active travel plans for customers at bus and rail stations • Open days at depots to educate local communities on the importance of pubic transport
• Strategy and business model • Shareholder returns • Financial performance • Liquidity and balance sheet strength • Risk management • Passenger demand and travel pattern • Future of UK rail franchising • ESG performance • Growth potential • International development strategy • Political environment	• Commitment to transparent reporting with clear communication of the business model and strategic priorities • Strong financial discipline and cash control, particularly since the outset of COVID-19 • Increased engagement with investment community, particularly throughout the pandemic • Disciplined approach to growth in international markets • Recognised by FTSE4Good Index and the London Stock Exchange Green Economy Mark

Our vision

A world where every journey is taken care of

Will be delivered by our strategy to

- Protect and grow the core
- Win new bus and rail contracts
- Develop for the future of transport

With responsibility as a business for

Better teams + Happier customers + Stronger communities + Safer working + Cleaner environment

Underpinned by our core beliefs and attitudes

We believe in

- Trusting people
- Being can do people
- Building relationships
- Being one step ahead

We are

- Accountable
- Down to earth
- Collaborative
- Agile

To fulfil our purpose

To be the local partner taking care of journeys that enhance the lives and wellbeing of our communities across the world.

Technology

Reputation

Our approach to sustainability

As an international transport operator, our businesses have a far reaching impact on our customers, colleagues, suppliers, regulators, shareholders and the communities we serve. We aim to align our business values, purpose and strategy with the social, economic and environmental needs of our stakeholders, embedding responsible and ethical business policies and practices in everything we do. We recognise our responsibility to manage the impact of our businesses on the environment. Part of this responsibility involves maintaining a proactive two-way dialogue with our stakeholders to ensure that we are managing our obligations in a sustainable manner that is aligned with stakeholders' priorities. Central to the success of this approach is the linkage of Environment, Social and Governance (ESG) matters to our business strategy.

ESG matters have long been core to Go-Ahead's strategy and operations and we provide clear and transparent information through our communications and reporting. We are striving to further improve our disclosures in this area and seek to engage with organisations recognised by our shareholders and other stakeholders.

External recognition includes:

- Sustainalytics rated 'low risk'
- MSCI rated 'AAA'
- Carbon Disclosure Project – B grade
- FTSE4Good percentile rating of 99 out of a maximum of 100
- London Stock Exchange Green Economy Mark

Our ESG data is available on our corporate website www.go-ahead.com

As a responsible business, we play an important role in society and can contribute positively to the United Nations' (UN's) vision for a more sustainable planet. From the UN's Sustainable Development Goals, we have identified five for which we believe we can make a positive impact for all our stakeholders. They are aligned with our five responsible business pillars: Better teams, Happier customers, Stronger communities, Safer working and Cleaner environment, which underpin the delivery of our strategic objectives.

Sustainable Development Goals

By focusing on these clear priorities, we strive to be a sustainable and responsible business that delivers long term value for all our stakeholders.

Better teams

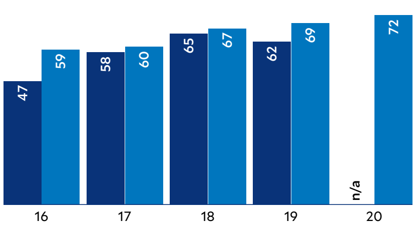
Our 30,000 colleagues are the foundation of our business. Their dedication, innovation and ambition contribute to the success of our business.

KPIs

Employee engagement index (%)

n/a Bus

72% Rail*



* Excludes international rail.

Description: We measure how engaged our people are through annual independent employee surveys, across our businesses. The results provide a measure of colleague engagement and help us identify areas where we can improve as an employer.

Performance: Our UK rail operations saw a strong improvement reflecting the increased focus on colleague engagement, personal development and performance management. As reported last year, the decision was taken to delay the timing of the bus colleague survey to better align the timing of colleague feedback with action being taken. In addition to the independent colleague engagement survey carried out, in light of the COVID-19 crisis additional pulse surveys have been undertaken across the business to ensure our people's views are being heard, and individual concerns addressed.

Engagement

Having an engaged workforce is key to our success. We use a range of engagement channels and approaches in our devolved businesses. We keep colleagues informed through internal media, newsletters and business updates. We also conduct surveys throughout the organisation, the results of which provide a measure of colleague engagement and help us identify areas for improvement. To strengthen our Board's two-way engagement process with our colleagues, Harry Holt has been designated as the non-executive director responsible for reviewing and supporting workforce engagement.

Read more on **page 70**

Being an employer of choice is important to maintaining a high level of employee retention. We provide market competitive remuneration and comprehensive benefit packages. Our colleagues are recognised and rewarded for their contribution and commitment.

The majority of our workforce are represented by trade unions and employee representatives and we strive to foster positive working relationships with them. This has never been more vital than in recent months. We have been working alongside trade unions to keep our colleagues informed and up to date on all government changes and safe working practices during the COVID-19 pandemic.

Learning and development

Our colleagues are our most valuable asset and we continue to invest in them. We recognise the importance of learning and development and have a culture of continuous improvement. One key area of focus during the year was our Senior Leadership and Management Development programme aimed at accelerating the development of some of our brightest talent across the organisation.

Our Executive and Senior Management Development programme, which focuses on developing leadership capability to support future succession planning, continues to provide colleagues with the necessary skills and training to be the leaders of tomorrow.

During the year, Investors in People (IiP) reaffirmed the gold accreditation for Group head office, recognising the way we lead, support and manage our colleagues to promote a culture of high performance. Plymouth Citybus is in the 1 per cent of IiP accredited companies to have been awarded Platinum accreditation reflecting its work to invest in, nurture and support its workforce. In September we launched a People Steering Group which will continue to focus on developing the talent pipeline across our organisation.

New talent

Go-Ahead is the only public transport operator registered as an approved provider delivering apprenticeships across both bus and rail. The scheme, which has helped us improve ethnic and gender diversity, is educating people for life and improving retention rates. We set ourselves the ambitious target of hiring 1,000 apprentices by the end of 2019 and reached this milestone by November of that year. Wanting to build on this success, a target of 1,200 was set for 2020.

Our Graduate programme, now in its ninth year, enables employees to learn on the job through placements in different parts of the business and through formal training programmes, focusing on self-awareness, business skills and technical understanding. GTR's 'Get Into Railways' programme with The Prince's Trust has been helping young people struggling to find work get better access to jobs through skills based training and work experience. So far, nearly 200 young people have completed the programme with 125 securing jobs with the business.

Go North East and Gateshead College received a royal seal of approval for their unique Bus Driver Routeway training programme at this year's Princess Royal Training Awards. The revolutionary programme was created by the organisations, in partnership with the Jobcentre, as a way of improving the recruitment process for unemployed people. Of the 250 learners who have undertaken the programme, success at interview has risen from 27 per cent to 76 per cent and learners gaining employment has increased from 9 per cent to 44 per cent.

In April, Plymouth Citybus received the Queen's Award for Enterprise for its work helping disadvantaged people get into a job. It was honoured in the Promoting Opportunity category for its work assisting the most vulnerable and disadvantaged find employment through its Social Mobility programme.

Health and wellbeing

Looking after the health and wellbeing of our colleagues is of utmost importance. Go-Ahead is a signatory of the 'Time to Change' pledge – a major commitment to recognising and supporting mental illness. We also have a number of Mental Health Advocates across our operations as well as providing onsite occupational health and medical facilities in various locations. We are working with our colleagues to improve health awareness, introducing a range of initiatives such as onsite exercise facilities and providing healthy eating options. Colleagues, within a safe environment, are encouraged to open-up about their mental health, with wellbeing assistance provided through an Employee Assistance Programme (EAP) which offers information, advice, training and services to help them deal with events and issues in both their work and personal lives.

The COVID-19 pandemic has dramatically impacted the personal and professional lives of many of our colleagues. We rapidly adapted working practices to prioritise health and safety in the context of the pandemic. These approaches have differed across the business, tailored to the specific needs of local businesses and individuals. We acknowledge the different challenges facing front-line colleagues to people working from home and have provided suitable equipment and support to safeguard physical health and safety, and mental health and wellbeing. At the beginning of the pandemic we conducted a 'pulse survey' to find out how our colleagues were feeling and where we could improve communications, specifically looking at how we were responding to the pandemic. Following this, we introduced coffee and chat sessions for furloughed colleagues and introduced sessions for line managers to improve communication between colleagues.

Read more about our safety measures in response to COVID-19 on **pages 33 and 34**

Diversity and inclusion

We are striving to build a sustainable colleague base which reflects the diversity of our communities and supports the delivery of our strategy for the long term. Gender diversity remains an issue for our sector as a whole and we are committed to driving change in the industry, promoting public transport as an attractive career choice for women.

We have female-focused recruitment campaigns, open days and initiatives to showcase opportunities, each with the aim of increasing the opportunities available to women to work in the industry over the coming years. Go-Ahead launched its 'Women in Bus' network at the end of July last year, as part of our initiative to support, develop and empower women across our bus companies, with the main goal to increase female representation in bus to 20 per cent by 2025. We also support the 'Women in Rail' initiative and are targeting female representation of 21 per cent across our rail business by 2025.

Go-Ahead's Board has 57 per cent female representation and 27 per cent of our Executive Leadership Team are women, setting the standard to which we aspire from the top of the organisation. Overall, women currently account for 15 per cent of total colleagues.

Of course, diversity is not only about gender and we recognise that building an inclusive culture is key to our future success. Recognising all of our people as individuals is important to us and we are encouraged that 73 per cent of our colleagues feel that individual differences are respected. Our next priority is seeking to increase ethnic diversity in our businesses.

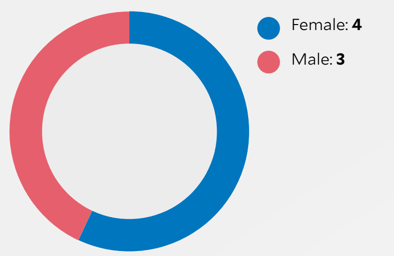
Go-Ahead is a progressive organisation and our commitment to inclusion and diversity starts at the top of our organisation. A group wide strategy to increase integration of inclusion and diversity into our policies and procedures is under development and we are rolling out unconscious bias training to all hiring managers.

Our policies

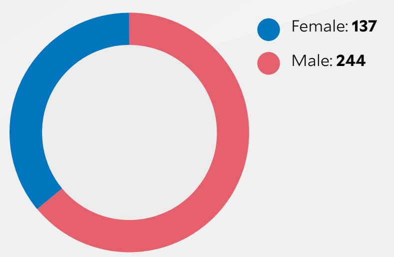
We have a comprehensive range of policies at Group and local levels. We believe in equal opportunities and apply fair and equitable employment practices. Our Code of Conduct states that all employees should be treated with respect and that their health, safety and basic human rights should be protected. Go-Ahead has a zero-tolerance approach to bribery and corruption and all our colleagues are required to adhere to our Anti-bribery and Corruption policy. Conflicts of interest, which interfere with proper performance or independent judgement, are prohibited. We also have well established whistleblowing procedures where colleagues can, in confidence, raise legitimate concerns about wrongdoing within their workplace.

Our policies and procedures can be viewed on our **corporate website**

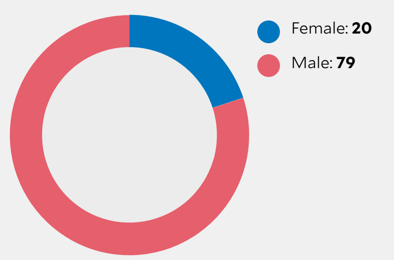
Board diversity



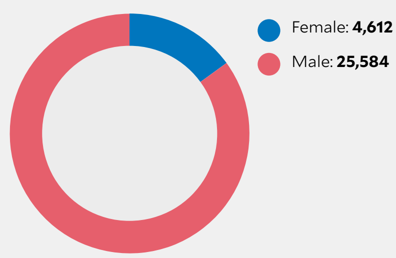
Direct reports of senior management gender diversity



Senior management gender diversity



Overall Group gender diversity



Happier customers

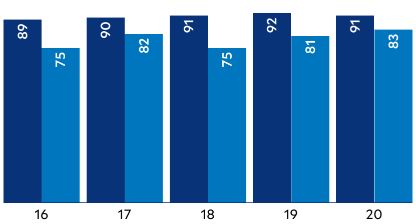
Our vision is a world where every journey is taken care of and it is our mission to provide our customers with convenient and reliable services.

KPIs

Customer satisfaction (%)*

91% Regional bus

83% Rail



* Excludes international divisions.

Description: Customer satisfaction is a strong measure of how well we are meeting our customers' needs. For regional bus and UK rail, customer satisfaction is measured by the independent passenger watchdog, Transport Focus. Surveys are conducted twice a year for our rail franchises and annually for our regional bus operations.

Performance: Our UK rail operations recorded a second consecutive year of strong improvement reflecting our continued efforts to improve the delivery of reliably, safe services across our network. Although the regional bus score saw a percentage dip from the prior year, we maintained the industry leading score in regional bus for our high quality, locally focused services.

* Our primary customers in our London & International bus division are the transport authority clients on behalf of which we operate services. We monitor their satisfaction using excess wait time, which tracks service punctuality, as it is the key metric used by our transport authority clients to assess our performance.

We build relationships with our customers through our passenger-facing colleagues, customer ambassadors and social media channels. Our customers' needs are constantly evolving, and these interactions enable us to better understand the needs of our passengers and where to focus improvements.

Continuous improvement and innovation

Convenience is important for our passengers, so we invest in developing solutions to make travelling on our services as easy as possible. This includes developing our apps to simplify real-time information, planning journeys and buying tickets, and providing different ticketing options to suit individuals' travel needs.

In autumn 2019, we introduced contactless bus fare capping for the first time outside of London, benefiting passengers on both our Brighton & Hove and Metrobus services. The system, which automatically limits the cost of travel at the appropriate day fare, has been rolled out across our Oxford bus operations. Passengers on our East Yorkshire bus service can subscribe to unlimited travel each month, without the need to buy individual tickets. Go North East has also introduced a new range of 'Flexi 5' tickets to enable more flexibility for passengers, allowing customers to buy a ticket for the usual price of their weekly ticket but split it over any five individual days.

Customers now have more options to travel on our rail network without a traditional paper ticket as we have expanded our digital ticketing options with more stations accepting contactless bank cards and e-tickets on mobile phones.

'The Key' smartcard has been rolled out across more stations and areas of our network and smart kiosks have enabled passengers to order a smartcard at stations for the first time.

The introduction of industry leading technology across our Southeastern services has enhanced communications between the control centre and front-line operations, resulting in quicker responses for recovery plans to reduce delays. There will, unfortunately, be times when things do not run smoothly, and we want to make it as easy as possible for passengers to claim refunds if they experience disruption on our services, so we have improved Delay Repay for our rail customers, making the process quicker and simpler.

In September 2020, East Yorkshire began operating the new 'JustGo' on-demand service across North Lincolnshire, providing an affordable, safe and convenient transport choice. The service uses the latest customer technology, enabling passengers to hail a ride through a few taps of an app. This draws upon the experience Go-Ahead gained from extensive demand-responsive transport trials in London and Oxford.

The Billion Journey Project is part of Go-Ahead's efforts to improve customer experience through innovative new offerings and is the UK's largest transport innovation accelerator programme. Now entering its third year, the 12-week programme offers small, ambitious businesses the chance to improve the experience of passenger journeys and offers unparalleled access to industry experts, behind the scenes knowledge and advice on how their technology could be delivered across the Go-Ahead Group and beyond.

The scheme previously generated an app for disabled transport users, which went on to be rolled out nationally across the railways. Another programme success was AirPortr, through which airline passengers could check in their baggage from home and access special ticketing offers to travel on Go-Ahead's Gatwick Express service.

Free WiFi is available onboard Go-Ahead buses and trains across the country and has been certified for safety and family-friendly content.

Transport for everyone

We are committed to providing an inclusive service. All our bus and rail operators strive to make their services as accessible as possible to everyone. Across our UK bus network, we have a 'Helping Hand' card scheme which helps passengers with accessibility needs, specifically hidden disabilities, communicate with bus drivers. On our UK rail networks, GTR offer a 'Try a Train' for those who lack confidence travelling by train to visit our stations and experience a train journey. Both GTR and Southeastern are members of the 'Sunflower Lanyard' scheme whereby customers wearing the lanyard can discreetly indicate to transport staff that the passenger has a hidden condition and may require a little more time or support when travelling.

We have been working with the Department for Transport on its new ongoing initiative, 'It's everyone's journey', which aims to bring together those committed to improving public transport for disabled people and deliver real-time improvements by changing attitudes and behaviours to create a more considerate and supportive travelling environment.

All of our customer-facing colleagues are trained in assisting people living with dementia and those who are blind or partially sighted. Our buses and trains are accessible to wheelchair users and we continue to increase audible announcements and information screens across our services.

Satisfaction

We delivered improvements in punctuality and reliability throughout the year. Ahead of the crisis, both GTR and Southeastern were two of the best performing large train operators, with punctuality levels for both franchises at some of their highest ever levels. Pre-COVID-19 customer satisfaction was 81 per cent for GTR and Southeastern delivered its best ever result of 83 per cent in the latest Transport Focus survey, the fourth consecutive survey to show improvement.

In regional bus, we achieved the industry's joint highest level of customer satisfaction for the sixth year running, with a customer satisfaction score of 91 per cent in the latest Bus Passenger Survey from Transport Focus. We are helping to drive up customer satisfaction and performance in bus markets in Singapore and Ireland, with Singapore achieving the highest ever score in the region and punctuality in Ireland improving by almost 25 per cent.

Smarter, safer travel

We are committed to providing the highest standards of health and safety across our services. The COVID-19 pandemic has required us to put additional processes in place to ensure that travelling by public transport remains a safe and convenient option for customers.

We have implemented enhanced cleaning of vehicles and have introduced social distancing measures, including the provision of information to help our customers adhere to government guidelines, including the wearing of face marks.

We developed a predictive tool to help customers plan the best time to travel on our bus services. The 'When2Travel' app and website offer dynamic, colour coded bus timetables that show seat availability on our services, giving customers who need to travel the confidence to plan bus journeys, avoiding busy times whilst capacity is reduced to enable social distancing. Southeastern rolled out swab testing at stations' high touch areas to confirm the effectiveness of its additional cleaning measures.

GTR and Southeastern have been using technology to monitor the number of passengers using their services. Weight sensors fitted on the trains identify when they reach maximum capacity while allowing space for social distancing, enabling front line colleagues to assist passengers on which train to board. In preparation for children's return to schools, Southeastern launched a 'Back to School Safety' guide for parents and students in September. While the guide briefed students on personal safety measures, Southeastern also prepped stations with one-way systems, increased services and station staff and provided over 50,000 extra seats each weekday and additional space on board to aid passengers with social distancing.

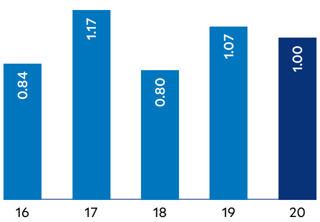
Stronger communities

Our services provide vital links to work, education and health services. They enable social inclusion and connect people with friends, family and leisure activities.

KPIs

Community investment (£m)*

1.00



Description: We contribute to the communities we serve across the UK and internationally. Such contributions include cash donations, the value of time spent volunteering, gifts in-kind such as travel tickets, as well contributions made through salaries sacrifice schemes.

Performance: Throughout the year, we contributed over £1m to our local communities. As well as cash donations and time spent volunteering, we applied specific expertise to benefit communities through our involvement with Business in the Community. Through our partnership with Transaid, we donated a bus to a community in Zambia. Towards the end of the year our investment was centred around supporting our communities during the COVID-19 pandemic.

* Excludes international rail.

Providing vital links

As a provider of an essential service, we know how important public transport is for our communities across the UK and overseas. The Group's devolved operating model enables our local businesses to respond quickly to changing community dynamics. Public transport has a vital role to play in tackling loneliness and poor mental health and we marked Mental Health Awareness Week by promoting initiatives to 'stop the stigma' associated with mental health. This initiative builds on our Chatty Bus campaign that was launched in January last year, where colleagues engaged in conversation with locals to remove the perceived difficulty of talking to strangers. During lockdown, to keep these conversations going and to continue to help tackle social isolation, we launched a Virtual Chatty Bus, where our Chatty Bus champions contacted people who felt isolated by phone to chat, share stories and simply offer a friendly listening ear.

Go-Ahead is also a signatory of the Government's Employer Pledge, which commits firms to working to improve social connections and tackle loneliness at all levels.

We are active members of the Place Leadership Team with Business in the Community, looking at how businesses, local authorities and non-governmental organisations can come together to improve the health and wellbeing of local communities across the country. Several of our local managing directors are now sitting on Town Deal boards which have been set up to distribute the Government's Town Deal funding, ensuring the maximum impact for our local communities.

Support local communities

Public transport is critical to the functioning of society and has been fundamental in supporting communities through the COVID-19 crisis. We have sought meaningful ways to support our communities in many forms; we have amended timetables to align with hospital workers' shift patterns, run shuttle services to hospitals and supported victims of domestic abuse to reach safe places. We have also supported efforts in tackling the crisis by bottling and distributing hand sanitiser for key workers, delivering food packages to those in need, and transporting medical equipment. The crisis has highlighted the importance of supporting local communicates and, at Go-Ahead, we want to ensure those we serve remain viable and prosperous in the long-term. To assist with the economic recovery whilst strengthening our ties to our local communities, we have set a target of allocating 33 per cent of our influenceable spend to small and medium-sized enterprises by 2023.

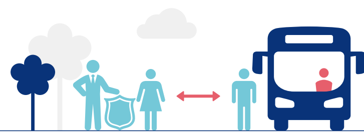
Doing our bit

Our businesses regularly join in national and local fundraising events and we support our colleagues in their volunteering activities within local communities. At Group level, Go-Ahead supports Transaid and the Campaign to End Loneliness through donations, volunteering, joint consumer and industry campaigns and sharing of expertise. Through our corporate donations, colleague fundraising and volunteering efforts, we have investment nearly £5m on our local communities over the last five years.

During the height of the pandemic, GTR's Southern Railway team transformed a train depot into a hand sanitiser bottling plant. The team in Horsham, West Sussex, set up the system in less than a day when they found that their normal suppliers had started to struggle to fulfil its usual order. Within a matter of hours, the team decanted hand sanitiser into 1,000 bottles and made deliveries across the network.

Safer working

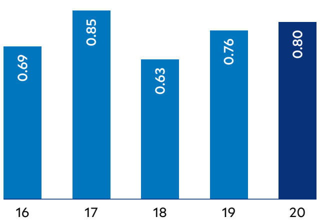
We have a responsibility to provide a safe and supportive working environment. We know there is nothing more important to customers than us providing a safe way for them to travel. Our responsibilities around health and safety extend to our communities, including other road users.



KPIs

UK rail SPADs (per million miles)

0.80

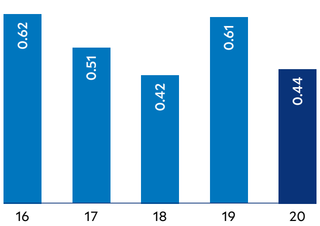


Description: Across the UK rail industry, train operating companies report signals passed at danger (SPADs). The majority of SPADs have little or no potential to cause harm.

Performance: The number of SPADs per million miles increased slightly in the year to 0.80 with the increase driven by GTR due to the significant expansion of the GTR network and the increased frequency of services. We have very tight controls around safety and high standards of driver training which minimise the likelihood of SPADs and investigate every SPAD that occurs on our services.

RIDDOR accidents (per 100 employees)*

0.44



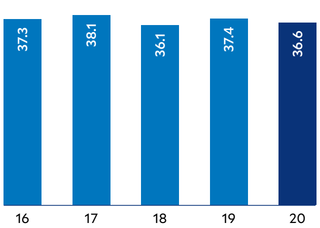
* Excludes Singapore bus and international rail.

Description: RIDDOR (reporting of injuries, diseases and dangerous occurrences regulations) relates to a workplace incident that results in any absence from work for over seven days or any legally reportable incident to the Health and Safety Executive across our UK operations.

Performance: Following an increase in 2019, RIDDOR accidents fell to 0.44 reflecting our increased efforts to maintain the highest standards in health and safety, which included the provision of appropriate tools and training to colleagues. These efforts have been increased during the COVID-19 pandemic to ensure the safety of all our colleagues.

Bus accidents (per million miles)

36.6



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

Performance: We have introduced various innovative solution across our services increasing safety. We continue to invest in driver training and monitoring the performance of our drivers, resulting in a reduction in bus accidents per million miles compared with the prior year.

Nothing is more important to us than the health, wellbeing and safety of our colleagues, customers and those within our communities. We set ourselves high safety standards and invest in monitoring, incident prevention, training and colleague engagement. We have a culture of continual improvement and are always striving to reduce our exposure to safety risk, with the aim of eliminating all injuries and health concerns resulting from our operations. We take seriously our responsibility to promote health and wellbeing to colleagues across our business and in our communities. Our health, wellbeing and safety policies and procedures set out the rules and guidelines to which we adhere. View these policies on our website www.go-ahead.com.

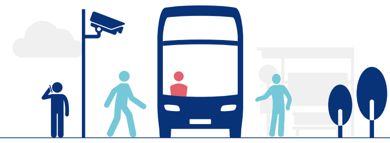
Harnessing technology

We continue to explore new ways for technology to help secure the safety of colleagues and passengers alike.

Business analytics solution Power BI, an electronic maintenance system, is increasingly used across both our bus and rail businesses as part of our continuous improvement for safety management. The system is used to analyse engineering maintenance performance regarding parts and labour utilisation, enabling our colleagues to respond quickly and efficiencies to be delivered.

GTR is assisting passengers and colleagues by making decisions that are informed by technology. It recently worked with Network Rail to implement a new technology system to enhance communication between the control centre and its core London GTR stations. This helps them to be aware of potential safety hazards and/or events that could trigger disruption – from overcrowded platforms to inadequate lighting.

Safer working continued



Harnessing technology continued

Across our UK bus operations, intelligent speed adaptation is being introduced, automatically reducing the speed of buses in defined areas, and trials are being launched using automated braking systems, which detect hazards from the buses' CCTV cameras.

A trial of an Acoustic Vehicle Alerting System, an artificial sound produced by quiet running vehicles such as our electric and hybrid buses, has recently started at Go-Ahead London. It is designed to alert pedestrians and cyclists, particularly those with vision impairments to the presence of electric vehicles at low speeds. We introduced a camera monitoring system, which replaced wing mirrors on our buses with high resolution cameras in August. The first of their kind to operate in London, these buses give greater visibility for drivers, particularly at night as well as eliminating the risk of mirror damage or injury to passengers and pedestrians when pulling into bus stops.

GTR is pioneering the use of technology through the COVID-19 pandemic with the development of in-house apps providing up-to-date information on cleaning and social distancing across its operations. This real time intelligence on social distancing is enhancing the day to day decisions made on train services, with front line teams reporting on overcrowded platforms and trains, and train drivers are being reassured of the cleanliness of their train – enabling them to see when the train was last cleaned. Elsewhere, Go-Ahead Singapore and Go-Ahead Ireland have introduced colleague apps to help with their daily tasks. These allow drivers to view a range of performance measures in real time such as driving styles, journey departure times and recording details of pre-service vehicle inspections at the touch of a button.

Suppliers

We work closely with our suppliers to ensure continuous improvements in health and safety performance. We operate in accordance with the ISO 20400:2017 standard on sustainable procurement including accountability, transparency, respect for human rights and ethical behaviour.

Last year, we launched an industry first Sustainable Supply Chain Charter in the UK which establishes minimum criteria in core areas of corporate responsibility, including safety. The Charter also requires suppliers to, amongst other things, demonstrate a commitment to sustainable innovation, employee wellness and diversity.

→ Read about our Sustainable Supply Chain Charter **on our website**

Supporting our colleagues: COVID-19

Through our normal business activities, we face a wide range of hazards which we manage through effective controls. In recent months we have been operating through a time of heightened risk with the COVID-19 pandemic adding considerably to our health and safety agenda and have taken appropriate measures to protect our colleagues.

We have introduced precautionary measures in all geographies including enhanced daily cleaning processes in vehicles and facilities, providing personal protective equipment, the provision of hand sanitiser in places of work, including vehicles, and making sure our colleagues have access to spaces to wash their hands more frequently. We are supporting social distancing on our services in line with government guidelines to protect our colleagues and customers. We have installed temporary screens in bus drivers' cabs and enabled middle-door-only boarding where possible. We have also taken bus seats out of use to provide extra space between drivers and passengers. Cash handling has reduced with more contactless payments being made across our services. All office based colleagues have been given comprehensive guidance on working remotely and office spaces have been set up appropriately to facilitate social distancing. We communicate regularly with colleagues on the latest updates and continue to support their mental and physical health and wellbeing.

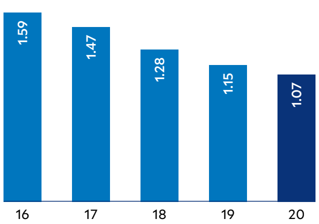
Cleaner environment

We manage our businesses in a responsible and sustainable way, to help create a thriving economy whilst limiting our impact on the environment.

KPIs

Carbon emissions per vehicle mile (kgs)

1.07



Description: We monitor all energy used within our operations and calculate our CO_2 emissions which we divide by the number of vehicle miles operated to establish CO_2e per vehicle mile.

Performance: Further reduction of around 6.5 per cent year on year which has largely been driven by improved fleet energy efficiency with all of new buses and trains being significantly more fuel efficient than those they have replaced.

Lowering our emissions

Trains and buses are two of the greenest travel choices people can make and we are working hard to further reduce our environmental impact. One bus can carry up to 75 people and a single train can carry over 1,000, collectively taking thousands of cars off the road.

We support the UK Government's target to achieve net zero carbon dioxide emissions (CO_2e) by 2050, and the introduction of Clean Air and Low Emission Zones in towns and cities. We believe public transport is central to reducing air pollution levels and improving air quality. We have our own targets in these areas: to operate a zero-emission bus fleet by 2035 and last year set a target to achieve a 25 per cent reduction on our CO_2e per vehicle mile by 2021 from our 2017 baseline. We achieved this target a year ahead of our initial expectations with a further 6.5 per cent reduction in CO_2e per vehicle mile achieved in the year, resulting in an overall reduction of 27.0 per cent since 2017. Work is underway to produce a detailed climate change strategy with long term science based targets.

Understanding and responding to climate-related risks and opportunities

The COVID-19 crisis has increased our understanding of the connection between the environment and social impact, with communities placing a much greater value on health and wellbeing than ever before. There is evidence which suggests that COVID-19 is more prevalent in areas with higher levels of air pollution.

Go-Ahead introduced a Task Force for Climate Change in 2019 with a primary aim of co-ordinating our climate-related activities on a Group-wide and local level. Areas considered in the year included the development on our approach to climate change in relation to business strategy, risk and opportunities and emissions reduction initiatives aligning with the recommendations of the Task Force on Climate-related Financial Disclosures.

Sustainable transport solutions

Building on Go-Ahead's committee to reduce our impact on the environment, we are the UK's largest operator of electric buses, operating around 180 electric vehicles. With the vast majority of our train fleet already being electric, we are committed to working with rail authorities to remove all remaining diesel only trains from our fleet.

Go-Ahead London's Waterloo depot was the first in Europe to become fully electric and emission free in 2016. In November 2019, this achievement was recognised with the International Energy Globe Award. Go-Ahead London also recently converted its Northumberland Park depot into the largest overnight charging electric bus garage in Europe, with 96 charging points, including a transformer station. The introduction of Go-Ahead London's electric bus fleet since the very first bus entered service in 2013, has prevented no fewer than 3,000 tons of CO_2e per year and harmful emissions being released into the air that Londoners breathe.

In September 2018, our Bluestar bus company in Southampton unveiled the UK's first air filtering bus that removed ultrafine particles from the air, trapping them through a filter as the bus moved through the streets, giving the double benefit of reducing air pollution through lower car congestion as well as cleaning the air. Following the success of this pilot, which cleaned 3.2 million cubic metres of the city's air, five more of these buses have been launched in the region.

Responsible business in action continued

Sustainable transport solutions continued

In Brighton, we introduced the UK's first hybrid 'geo-location' electric bus route, where buses automatically switch to zero-emission mode when driving through the city centre. These unique buses have an electric motor and use a small Euro 6 diesel generator to recharge the battery, which is additionally fuelled by regenerative braking and are rolling out 24 more of these buses in the coming months. Swapping to these buses equates to over 133,000 emission free miles for the 7.6 million passengers who travel on the route per year and is an important part of our commitment to making Brighton a clean air city with zero emissions by 2030.

Since July 2019, all electricity consumed in all Group premises is generated from fully renewable sources and is zero rated for CO_2.

Disclosure and verification

We participate in the Carbon Disclosure Project Climate Change Survey. Go-Ahead has the joint-highest score of all British transport operators with a B grade for our progress on sustainability and environmental measures.

During the year, we were awarded the London Stock Exchange Green Economy Mark, an accreditation which recognises businesses with at least 50 per cent green revenues. Go-Ahead was the first major public transport company to achieve the ISO 50001 certificate in 2018 for energy management for all of our UK operations. The certification independently verifies Go-Ahead's energy management processes and data, and supports compliance with mandatory disclosures.

Performance and targets

We are committed to operating our businesses in an increasingly sustainable manner and seek to reduce our environmental impact year on year.

Overall, in absolute terms, equivalent CO_2e in 2020 were 2.9 per cent lower year on year and are 21.8 per cent lower than in our baseline year 2017. The absolute reduction in CO_2e compared to our 2017 baseline is due to the significant changes in the composition of the Group, primarily due to the cessation of the London Midland rail franchise in December 2017. This reduction has been offset by the additional energy consumption and CO_2e caused by the acquisition or start-up of Go-Ahead Singapore, East Yorkshire Motor Services, Go-Ahead Ireland, and Go North West as well as the start of rail services in Germany and Norway in 2020. Additionally, the significant expansion of GTR operations in 2019 as part of the Thameslink project, a 20 per cent increase in operated mileage and lower CO_2e conversion factors for grid electricity, have also contributed.

In 2019 we set ourselves a target to achieve a 25 per cent reduction on our CO_2e per vehicle mile by 2021 from our 2017 baseline performance and not only achieved our target a year early, but also exceed it with an overall reduction of 27.0 per cent. This target was supported by secondary targets over the same timescale to improve bus fuel efficiency (fleet average miles per gallon) by 5 per cent and to improve traction electricity energy efficiency (fleet average vehicle miles/kwh) at GTR by 15 per cent, (excluding Southeastern which was scheduled to end in April 2020). The year on year reduction in CO_2e per vehicle mile has largely been driven by improved fleet energy efficiency with bus fuel efficiency improving by 6.9 per cent and GTR's traction electricity efficiency by 22.6 per cent against our 2017 baseline, achieving our secondary targets.

Greenhouse gas emissions

Our carbon footprint in tonnes of equivalent carbon dioxide (CO_2e)

	2020 Tonnes CO_2e	2019 Tonnes CO_2e	2018 Tonnes CO_2e	2017 Tonnes CO_2e
Scope 1				
Total	**369,665**	394,878	406,564	426,130
Scope 2				
Total Scope 2 – location	**369,439**	370,297	422,644	520,508
Total Scope 2 – market	**62,596**	61,971	63,306	61,037
Scope 3				
Electricity – transmission and distribution (total)	**31,554**	31,510	36,012	48,666
Out of scopes – biogenic content of bio-diesel	**15,188**	12,436	7,858	9,373
Total kwhs	**3,032,726,257**	2,983,369,795	3,150,113,300	
Scope 1, 2 & 3 and out of scopes				
Total – location	**785,846**	809,121	873,078	1,004,677
Total – market	**479,004**	500,795	513,740	545,207
Total vehicle miles	**733,702,870**	706,393,581	683,223,210	684,511,871

Total bus and rail mileage

All scopes kgs CO_2e (location)/vehicle mile	**1.0711**	1.1454	1.2779	1.4677
YoY % change	**(6.5%)**	(10.4%)	(12.9%)	
% change on 2017 baseline	**(27.0%)**	(22.0%)	(12.9%)	

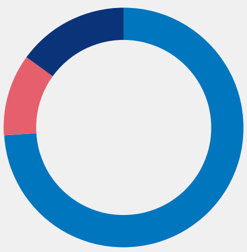
Annual emissions figures for prior years have been restated to reflect the collation of subsequent changes in consumption data and the correction of emissions.

Read more on pages 225 to 227

A resilient performance in challenging times and government commitment to supporting public transport, enabled by strong management and decisive action.

Revenue

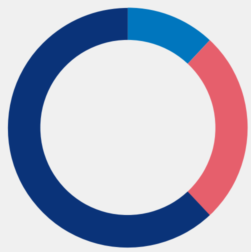
£3,898.4m



Rail: **£2,885.5m**
Regional bus: **£408.8m**
London & International bus: **£604.1m**

Operating profit*

£77.9m



Rail: **£8.9m**
Regional bus: **£20.5m**
London & International bus: **£48.5m**

* Pre-exceptional items.

Revenue

£3,898.4m

(2019: £3,674.2m restated)

Operating profit (Pre-exceptional items)

£77.9m

(2019: £121.1m)

Operating profit (Post-exceptional items)

£20.8m

(2019: £104.3m)

Group overview

	IFRS 16 2020 £m	IAS 17 2019* £m	Increase/ (decrease) £m	Increase/ (decrease) %
Group revenue	**3,898.4**	3,674.2	224.2	6.1
Regional bus operating profit	**20.5**	44.5	(24.0)	(53.9)
London & International bus operating profit	**48.5**	51.2	(2.7)	(5.3)
Total bus operating profit	**69.0**	95.7	(26.7)	(27.9)
Rail operating profit	**8.9**	25.4	(16.5)	(65.0)
Group operating profit (pre-exceptional items)	**77.9**	121.1	(43.2)	(35.7)
Exceptional operating items	**(57.1)**	(16.8)	(40.3)	(239.9)
Group operating profit (post-exceptional items)	**20.8**	104.3	(83.5)	(80.1)
Share of result of joint venture	**(0.6)**	(0.5)	(0.1)	(20.0)
Net finance costs	**(20.4)**	(6.8)	(13.6)	(200.0)
(Loss)/profit before tax	**(0.2)**	97.0	(97.2)	(100.2)
Total tax expense	**(11.9)**	(21.9)	10.0	45.7
(Loss)/profit for the period	**(12.1)**	75.1	(87.2)	(116.1)
Non-controlling interests	**(16.5)**	(16.3)	(0.2)	(1.2)
(Loss)/profit attributable to shareholders	**(28.6)**	58.8	(87.4)	(148.6)
Profit attributable to shareholders (pre-exceptional items)	**22.2**	72.8	(50.6)	(69.5)
Weighted average number of shares (m)	**43.0**	43.0	—	—
Earnings per share (pre-exceptional items) (p)	**51.6p**	169.4p	(117.8)p	(69.5)
(Loss)/earnings per share (post-exceptional items) (p)	**(66.5)p**	136.8p	(203.3)p	(148.6)
Proposed dividend per share (p)	**—**	102.08	(102.08)	(100.0)

At 30 June 2019, the Group implemented IFRS 16 Leases using the modified retrospective transition method. As a result, the comparative figures have not been restated and are presented on an IAS 17 basis.

* Restated (see note 2).

Business and finance review continued

All references to operating profit, EBITDA and margins are on a pre-exceptional basis unless otherwise detailed. A full reconciliation between pre and post-exceptional operating profit is shown within the income statement and associated notes.

Following adoption of IFRS 16 Leases in the year, all results are presented on this basis, unless otherwise stated. A reconciliation between pre and post-IFRS 16 results is shown below.

Prior year restatement

During the year, there was a change to how certain revenue streams in the rail division in relation to GTR and Southeastern have been recognised.

As explained further on page 147, in accordance with IFRS 15, revenue and costs for year ended 29 June 2019 have both been re-stated by £132.9m (decrease to both). There is no impact to operating profit and no impact on the other primary statements as a result of this restatement.

Financial overview

Revenue for the year was £3,898.4m, up £224.2m, or 6.1%, on last year (2019: £3,674.2m restated). This increase was primarily attributable to additional revenue generated by UK rail franchises and the introduction of new contracts, partially offset by the impact of the COVID-19 crisis on the Group.

Loss before tax of £0.2m (2019: £97.0m profit) includes £57.1m of exceptional items and reflects the impact of COVID-19 on our regional bus business and the losses in the German rail business. Profit attributable to shareholders (excluding exceptional items), decreased by £50.6m or 69.5% to £22.2m (2019: £72.8m) and earnings per share by 69.5% to 51.6p (2019: 169.4p). Including exceptional items of £57.1m (2019: £16.8m) relating to regional bus and German rail, profit attributable to shareholders for the year reduced by £87.4m, or 148.6%, to a loss of £28.6m (2019: profit of £58.8m) and earnings per share fell by 148.6% to a loss per share of 66.5p (2019: 136.8p).

Adjusted net debt (excluding restricted cash) at the year end was £321.6m, on a pre-IFRS 16 basis (2019: £270.3m), as reconciled in the cashflow statement on page 141. The increase in net debt reflects the temporary restriction of additional cash in the rail businesses following the introduction of the Emergency Measures Agreements (EMAs), partially offset by management action to limit cash outflows from the outset of the crisis, including lower capital investment and suspension of the interim dividend. The pre-IFRS 16 adjusted net debt (excluding restricted cash) to EBITDA ratio of 1.96x (2019: 1.32x) is at the mid-point of our target range of 1.5x to 2.5x, well below our primary bank covenant of 3.5x.

Impact of IFRS 16

The new accounting standard, IFRS 16 Leases, became effective for accounting periods beginning on or after 1 January 2019 and was adopted by the Group on 30 June 2019.

The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases and eliminates the operating lease classification meaning lessees are required to recognise right of use assets and lease liabilities for all leases on the balance sheet. On the income statement, the operating lease expense has been replaced by a combination of depreciation and interest.

On transition, the Group has applied IFRS 16 using the modified retrospective approach on a lease by lease basis. The Group recognised £782.7m right of use assets and £781.1m of lease liabilities as at 30 June 2019. Prior periods have not been restated and are presented as previously reported under IAS 17 (referred to as pre-IFRS 16 throughout).

The adoption of IFRS 16 has impacted the Group's rail division's results more significantly than the bus divisions.

	2020			2019
	IFRS 16 basis £m	IFRS 16 effect £m	IAS 17 basis £m	IAS 17 basis £m
EBITDA	547.8	383.9	163.9	205.5
Operating profit before exceptional items	77.9	9.7	68.2	121.1
Operating profit after exceptional items	20.8	9.7	11.1	104.3
Net finance costs	(20.4)	(13.7)	(6.7)	(6.8)
(Loss)/profit before tax	(0.2)	(4.0)	3.8	97.0
Cashflow from operations	508.6	385.5	123.1	209.9
Free cashflow	352.8	371.8	(19.0)	74.1
Adjusted net debt	965.9	644.3	321.6	270.3
Adjusted net debt/EBITDA	1.76x	0.20x	1.96x	1.32x

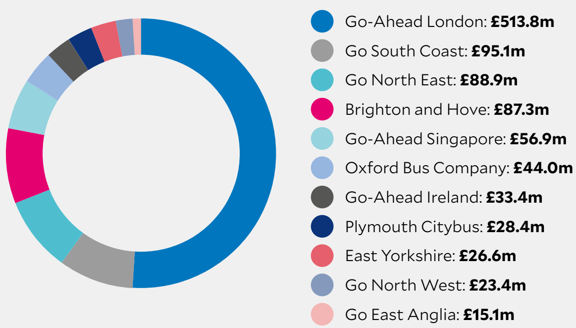
Bus

Go-Ahead is a leading bus operator. We transport passengers on our bus services across the UK, Ireland and Singapore.

Our bus financial highlights

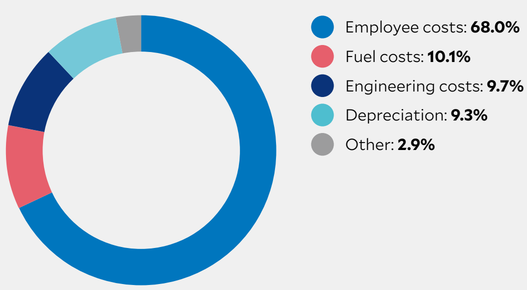
Bus revenue

£1,012.9m (2019: £1,002.2m)



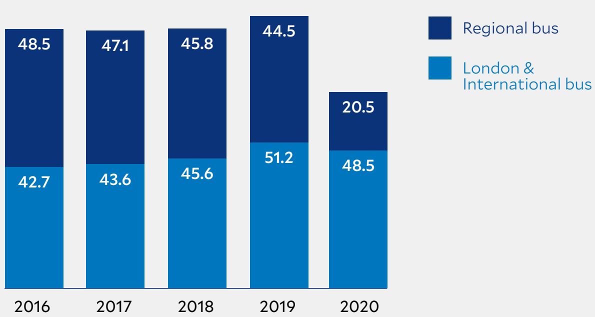
Bus operating cost base

£943.9m (2019: £906.5m)



Bus operating profit*

£69.0m (2019: £95.7m)



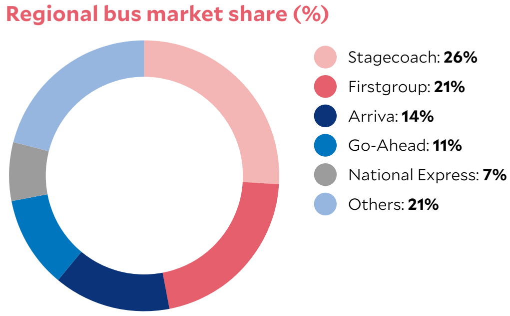
* Pre-exceptional items.

Bus overview

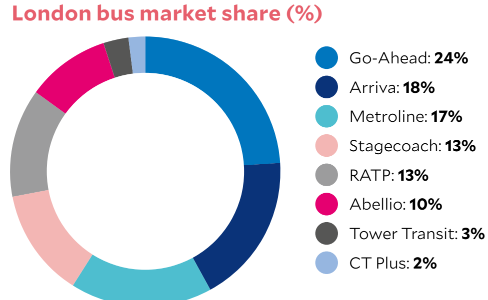
	2020	2019	Increase/ (decrease) £m	Increase/ (decrease) %
Total bus operations				
Revenue (£m)	**1,012.9**	1,002.2	10.7	1.1
Operating profit (£m)	**69.0**	95.7	(26.7)	(27.9)
Operating profit margin	**6.8%**	9.5%	n/a	(2.7ppt)
Regional bus				
Revenue (£m)	**408.8**	433.0	(24.2)	(5.6)
Operating profit (£m)	**20.5**	44.5	(24.0)	(53.9)
Operating profit margin	**5.0%**	10.3%	n/a	(5.3ppt)
London & International bus				
Revenue (£m)	**604.1**	569.2	34.9	6.1
Operating profit (£m)	**48.5**	51.2	(2.7)	(5.3)
Operating profit margin	**8.0%**	9.0%	n/a	(1.0ppt)
Like for like revenue growth				
Regional bus	**(11.4%)**	4.0%	n/a	(15.4ppt)
London & International bus	**3.0%**	0.4%	n/a	2.6ppt
Like for like volume growth				
Regional bus passenger journeys	**(24.7%)**	3.3%	n/a	(28.0ppt)
London & International bus miles operated*	**0.4%**	(3.4%)	n/a	3.8ppt

* On a like for like basis, excluding the impact of Go-Ahead Ireland's first year of operation.

Regional bus market share (%)



London bus market share (%)



Bus continued

Overall bus performance

Total bus revenue increased by 1.1%, or £10.7m, to £1,012.9m (2019: £1,002.2m) including the contribution of acquisitions, offset by reductions in the last four months of the year due to the impact on demand of COVID-19. Operating profit was £69.0m (2019: £95.7m) and the operating profit margin decreased by 2.7ppts to 6.8% (2019: 9.5%). This reflected consistent performance in London & International bus and a lower level of profit in the regional bus business due to a significant reduction in passenger journeys in the final four months of the year due to the impact of COVID-19.

Regional bus

In the first half of the year, work was underway to integrate Go North West into the Group following its acquisition in June 2019. We also received the news that the division would expand further following the successful bid for a large bus contract in Cornwall, providing around 50% of the county's bus services. The already established businesses began to deliver yield improvements and retained passenger numbers following a successful focus on passenger growth in the prior year.

On 16 March, the UK Government advised against all but essential travel, followed by an announcement on 18 March that schools would close. On 23 March the UK went into lockdown and travel restrictions were put in place. Passenger volumes fell rapidly to a low point of around 10% of pre-COVID-19 levels. These recovered to around 25% by the end of the year. We are now carrying around 50 to 60% of typical levels, ensuring compliance with social distancing requirements.

Following passenger growth of 0.2% in the first half of the year, the reduction of passenger demand in the last four months of the year had a significant impact on overall passenger volumes, leading to a 24.7% decline. This is on a like for like basis, excluding Go North West, which was acquired in June 2019, and a large bus contract in Cornwall which commenced in April 2020. Including these new businesses, passenger volumes fell by 18.9% in the year.

In response to the significant reduction in bus travel, the UK Government introduced a package of financial support for the industry on 3 April, backdated to 17 March. The COVID-19 Bus Service Support Grant (CBSSG) was designed to safeguard the vital bus network and prevent operators from incurring material losses while they worked to provide key services.

The Government's Coronavirus Job Retention Scheme (CJRS) was utilised immediately to furlough around 60% of colleagues in this part of the business. This reduced to around 20% at the end of June and is now less than 10%, reflecting the increase in service levels from around 40 to 50% during the UK lockdown to over 85% now. The total CJRS utilised in the period was £21.6m in regional bus.

Regional bus revenue for the year was £408.8m (2019: £433.0m), down £24.2m, or 5.6%, predominantly as result of significantly reduced travel since March, offset by the CBSSG and the inclusion of revenue from new businesses and operations. Excluding the impact of acquisitions, revenue declined by 11.4%.

Operating profit in the regional bus division fell £24.0m, or 53.9%, to £20.5m (2019: £44.5m), with the operating profit margin down 5.3ppts to 5.0% (2019: 10.3%). This significant reduction demonstrates the impact of COVID-19 on passenger demand. Income from the CBSSG, of which £20.1m has been recognised in other operating income, reflects amounts the Group considers it is reasonably certain to receive in line with the terms and conditions of this scheme.

The amount of CBSSG funding receivable for all bus operators is subject to a reconciliation process every 12 weeks. The first reconciliation process covering the period 17 March to 8 June is yet to be concluded by the DfT. The Group has identified a potential £7.3m upside to the £20.1m recognised in the 2020 financial year upon conclusion of the reconciliation. Some services are not eligible for CBSSG funding, such as coaching. As a result, a number of these services were either suspended or terminated as it became uneconomical to operate them. In addition to reviewing services in light of the impact of COVID-19, strategic reviews were carried out following a decline in the operational performance of the regional bus division. As a result of these reviews, several restructuring programmes of varying degrees were initiated during 2020 and a number of specific contracts, services and routes were terminated. Reflecting these reviews, an exceptional item of £26.7m has been recognised comprising £15.9m of plant, property and equipment impairments, £3.8m of intangible asset impairments (including £0.6m of goodwill), £5.5m of restructuring costs, £0.5m impairment of assets held for sale and £1.0m impairment of right of use assets.

Around 30% of regional bus revenue is derived from contracts and concessionary income. In the vast majority of cases, local authorities across the country have continued to fund these services at pre-crisis levels. The Bus Services Operators Grant (BSOG), relating to fuel duty, has also been maintained at pre-COVID-19 levels. The introduction of IFRS 16 has had very little impact on our regional bus division as most vehicles are owned by the Group.

	£m
2019 operating profit	44.5
Net impact of acquisitions	(1.2)
Pre-COVID-19 net movement	(3.8)
Costs saved from reduced service due to COVID-19	7.6
CJRS funding	21.6
CBSSG revenue	20.1
Passenger revenue impact of COVID-19	(68.6)
2020 IAS 17 basis	20.2
Impact of IFRS 16	0.3
2020 operating profit	**20.5**

London & International bus

The London & International bus division, which includes our operations in London, Singapore and Ireland, performed well in the year. In the pre-COVID-19 period operational and financial performance was good across all three operations and, due to the contracted nature of these businesses, they have been resilient throughout the crisis.

Our businesses in London, Singapore and Ireland operate contracts on behalf of transport authority clients, including Transport for London (TfL), on a gross cost basis, without exposure to changes in passenger demand. Transport authorities responded to changes in travel demand by adjusting service levels. Despite this, like for like mileage for the division increased by 0.4% mainly due to the timing of contract renewals and route wins in London.

Our transport authorities clients, including TfL, continued to pay contracted revenues at pre-crisis levels, with the variable cost savings associated with the temporary service reductions returned to the client.

Divisional revenue grew by 6.1%, to £604.1m in the year (2019: £569.2m), reflecting the introduction of new contracts in London and the impact of full operation of the contracts in Ireland.

Operating profit in the London & International bus division was £48.5m (2019: £51.2m), down £2.7m, or 5.3%, resulting in a corresponding reduction in operating profit margin to 8.0% (2019: 9.0%). This reflects the lower level of Quality Incentive Contract (QICs) income earned in London, down £4.0m to £14.3m (2019: £18.3m), due to temporarily operating a reduced schedule since March 2020 and the timing of settlements with TfL. This reduction was partially offset by additional contract revenue in London and a stronger year on year performance from our bus contracts in Singapore and Ireland.

	£m
2019 operating profit	51.2
Changes:	
QIC bonuses	(4.0)
Non-recurrence of additional contract work in prior year	(2.0)
Net volume increases/cost inflation	1.0
International bus	0.6
Other	1.1
2020 IAS 17 basis	47.9
Impact of IFRS 16	0.6
2020 operating profit	**48.5**

Capital expenditure and depreciation

	2020 £m	2019 £m
Regional bus fleet (inc. vehicle refurbishment)	**31.2**	27.1
London & International bus fleet (inc. vehicle refurbishment)	**13.5**	5.4
Technology and other	**8.8**	10.4
Depots	**3.1**	7.1
Total capital expenditure	**56.6**	50.0

In London, the purchase of 39 new buses (2019: 14 buses) reflects the timing of contract wins and renewals. In regional bus, 133 new buses (2019: 109 buses) were purchased. The majority of expenditure took place in the pre-COVID-19 period in the first three quarters of the year. Capital expenditure was largely placed on hold at the outset of the crisis with only essential, committed expenditure taking place. The average age of our buses is 7.6 years (2019: 7.3 years).

Depreciation on owned assets for the division was £66.2m (2019: £65.1m), reflecting the increased capital spend in recent years including the higher cost associated with transitioning to a greener fleet. Depreciation on the right of use assets was £21.7m (2019:£nil).

In 2021, we expect total capital expenditure for the bus division to be around £55m. This includes expenditure which was deferred in 2020 as a result of management action to conserve cash and disruption in the supply chain caused by the COVID-19 outbreak. A modest increase in capital expenditure in London & International bus is expected reflecting vehicle requirements associated with known contract wins and renewals in London.

Bus continued

Fuel

In the year, the bus division required around 135 million litres of fuel, with a net cost of £98.3m.

Bus fuel hedging prices

We have continued our bus fuel hedging programme which uses fuel swaps to fix the price of our diesel fuel in advance. Our core policy is to be fully hedged for the next financial year before the start of that year, at which point we aim to have also fixed 50% of the following year and 25% of the year after that. This hedging profile is then maintained on a month by month basis. Following the impact of COVID-19 in March 2020 the Group ceased further hedging for the 2021 year to take account of changes in our vehicle mileage.

The table below reflects the year end position; no significant purchases have been made following the year end.

	2021	2022	2023
% hedged	100	50	25
Price (pence per litre)	35.3	36.2	34.7

At each period end, the fuel hedges are marked to market price.

Bus financial outlook

In regional bus, in light of the continuing uncertainty due to COVID-19, we expect market conditions to remain challenging. In order to accurately forecast financial performance, greater clarity is required around three key variables: passenger demand, service levels operated and level of government funding. We are, therefore, not able to provide financial guidance for this part of the business at this time.

A range of scenarios for regional bus were considered as part of the going concern assessment for the Group. Details of the assessment are set out on pages 60 to 62 of this report.

One scenario which assumed passenger volumes return to 80% of normal levels and service levels stabilise at 95% of pre-COVID operations would be expected to result in a seven percentage point impact on profit margins in the period after CBSSG ceased. In a different scenario in which service levels return to pre-COVID levels with 90% of normal passenger volumes, the expected margin impact would be four percentage points. These scenarios do not consider the introduction of any mitigating actions. While service levels returning to pre-COVID levels with 90% of normal passenger volumes would be expected to impact margins by four percentage points. These scenarios do not consider the introduction of any mitigating actions.

In August, the DfT confirmed that regional bus funding will continue until is no longer required as it announced an eight-week £218.4m funding package, following which up to £27.3m will be available weekly. It is assumed that CBSSG funding will deliver a breakeven operating result for the period it covers. In our going concern assessment, set out on pages 60 to 62, our base case scenario assumes this funding will run until December 2020.

Our London & International bus division has already secured all of its expected revenue for the current year through successful contract bidding in London. While this remains a challenging and competitive market, especially in the context of COVID-19, in 2021 we expect the London & International bus division to deliver a similar operating result to 2020.

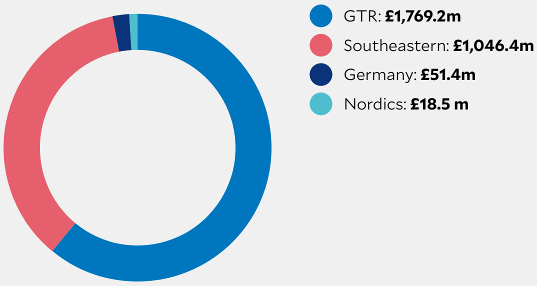
Rail

Go-Ahead's rail operations carry passengers on our services across the UK, Germany and Norway.

Our rail financial highlights

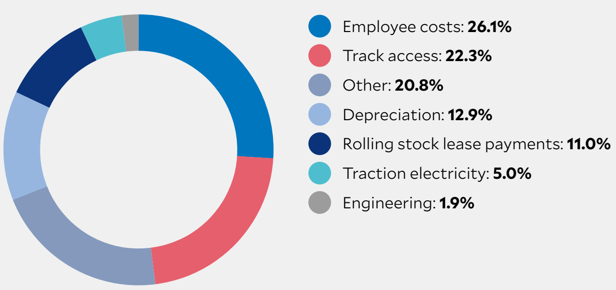
Rail revenue

£2,885.5m (2019*: £2,672.0m)



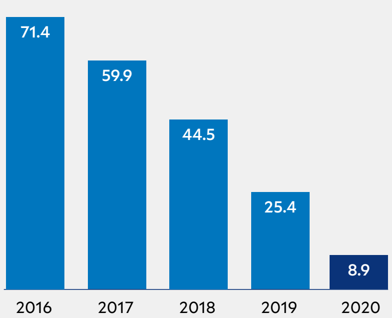
Rail operating cost base

£2,876.6m (2019: £2,646.6m*)



Rail operating profit**

£8.9m (2019: £25.4m)



* Restated (see note 2).

** Pre-exceptional items.

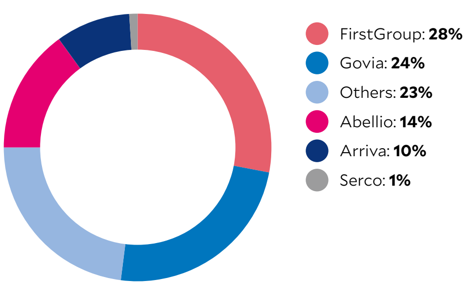
The rail division comprises contracts in the UK, Germany and Norway. UK franchises are operated by Govia, a 65% owned subsidiary, while our international contracts are 100% owned by Go-Ahead.

Rail overview

	2020	2019*	Increase/ (decrease) £m	Increase/ (decrease) %
Total rail operations				
Total revenue (£m)	**2,885.5**	2,672.0	213.5	8.0
Operating profit (£m)	**8.9**	25.4	(16.5)	(65.0)
Operating profit margin	**0.3%**	1.0%	n/a	(0.7ppt)
Like for like revenue growth				
Southeastern	**(20.9%)**	6.0%	n/a	(26.9ppt)
GTR	**(19.6%)**	8.0%	n/a	(27.6ppt)
Like for like passenger growth				
Southeastern	**(22.2%)**	3.7%	n/a	(25.9ppt)
GTR	**(21.6%)**	7.7%	n/a	(29.3ppt)

* Restated (see note 2).

UK rail market share (%)



Rail continued

Rail performance

Revenue

Total rail revenue increased by 8.0%, or £213.5m, to £2,885.5m (2019: £2,672.0m restated) reflecting increased revenue in the UK rail franchises and the introduction of new international contracts. The restatement in the prior year relates to a change in the presentation of certain rail revenue streams, further details of which are provided in note 2 to the Group financial statements.

	2020	2019*	Increase/ (decrease) £m	Increase/ (decrease) %
Passenger revenue				
GTR	**1,242.6**	1,528.7	(286.1)	(18.7)
Southeastern	**666.3**	828.3	(162.0)	(19.6)
Germany	**28.9**	0.7	28.2	4,028.6
Nordics	**11.2**	—	11.2	n/a
Total passenger revenue	**1,949.0**	2,357.7	(408.7)	(17.3)
Other revenue				
GTR	**151.1**	172.8	(21.7)	(12.6)
Southeastern	**19.5**	23.0	(3.5)	(15.2)
Germany	**4.6**	1.3	3.3	253.8
Other revenue	**0.9**	2.6	(1.7)	(65.4)
Total other revenue	**176.1**	199.7	(23.6)	(11.8)
Subsidy				
GTR	**375.5**	—	375.5	n/a
Southeastern	**360.6**	114.4	246.2	215.2
Germany	**17.9**	0.7	17.2	2,457.1
Nordic	**7.3**	—	7.3	n/a
Other subsidy	**(0.9)**	(0.5)	(0.4)	80
Total subsidy and revenue support	**760.4**	114.6	645.8	563.5
Total revenue	**2,885.5**	2,672.0	213.5	8.0

* Restated (see note 2).

Operating profit

Operating profit was significantly lower than the prior year at £8.9m (2019: £25.4m), driven by significant losses in our German business and the effect of lower margins in Southeastern as a result of new contractual terms early in the year and the introduction of the EMA as of 1 March 2020. These factors were partially offset by an improvement in GTR following stronger operational performance, one-off gains from the close out of balances on previous rail contracts and the impact of IFRS 16, which effects the Group's rail division more significantly than in other parts of the Group. Due to the nature of our rail contracts, IFRS 16 is only currently applicable to rolling stock leases in our UK rail franchises.

The operating profit margin decreased by 0.7ppts to 0.3% (2019: 1.0% restated).

	£m
2019 operating profit	25.4
GTR	24.0
Southeastern	(28.5)
Other	9.9
Germany	(28.2)
Norway	(2.5)
2020 IAS 17 basis	0.1
Impact of IFRS 16	8.8
2020 operating profit	**8.9**

GTR

Before the crisis, GTR's operational performance was strong, with all GTR brands ranking highly in industry performance tables. Overall punctuality was 81% contributing to one of the highest customer satisfaction scores achieved by the franchise at 82%. This strong operational performance supported the financial performance of the franchise and it began contributing to the Group's profitability in the first half of the year.

On 23 March 2020, the DfT announced the introduction of an industry-wide EMA, back dated to 1 March 2020, to support rail operators until 20 September 2020. While GTR was already operating within a management contract, the new terms removed the exposure to changes in the cost base and ancillary revenue such as car parking and retail commission, enabling a small operating margin to be generated.

On 19 September, an Emergency Recovery Measures Agreement (ERMA) was signed with the DfT for GTR which will run until at least September 2021. The agreement has a management fee of 0.5% of the pre-COVID cost base and a potential 1% performance-related incentive payment.

Southeastern

In the pre-COVID-19 period, Southeastern performed well both operationally and financially and had some of the highest punctuality and customer satisfaction scores in the industry at 81% and 83% respectively in the first half of the year.

The previous contract ended on the 31 March 2020, two weeks after passenger demand was significantly impacted by COVID-19. A new 18-month (plus six-month extension option) direct award contract was put in place from 1 April 2020 running to 16 October 2021 under terms mirroring those of the EMA introduced across the rail industry. However, unlike for the majority of franchises, these terms will remain in place for the duration of the contract generating a management fee of 1.5% with a potential 0.5% performance-related incentive payment.

Germany

German rail services commenced operations in June 2019 with additional services introduced in December 2019. Challenging operational performance has resulted in significant losses in the year. While initial operating losses were expected as revenues stepped up throughout the year, the level of losses was higher than originally anticipated as a result of operational penalties and higher than expected costs. This was caused by late delivery of trains and subsequent reliability issues, and driver shortages.

The German rail business operates within management contracts and is not exposed to changes in passenger demand. As a result, the impact of COVID-19 on the financial performance of the business has been limited.

A comprehensive review of the business has been undertaken and management changes have taken place. Operational performance has improved over recent months with all rolling stock now in service. Despite delays due to the crisis, we are making progress in training and recruiting drivers. Performance penalties have reduced to below 10% of revenue compared with highs of 30% earlier in the year. We have a plan to deliver profitability over the medium term.

Liquidated and consequential damage claims are ongoing against the rolling stock provider. Due to the current status of claims, the Group has not recognised these as an asset nor shown them as a contingent asset in the notes to the financial statements. The maximum upside in relation to these claims is £26m.

A total of £30.4m of exceptional costs were recognised in the year relating to our German operations. This includes £23.6m of provisions and impairments of franchise set up costs, £4.4m impairment of freehold land and buildings and £0.7m of software costs. Restructuring costs of £1.7m have also been recognised.

Norway

In December 2019, we began operating rail services in Norway; our first contract in this market and the first commercially run network in the country. The operation, which will run for eight years with an optional two-year extension, delivered high levels of punctuality, at 92%, in the early stages of the contract leading to strong customer satisfaction in passengers travelling on our 170 weekday services between Oslo and Stavanger.

The effects of the pandemic were felt just three months into this contract. We have a strong and experienced local management team in place which has steered the business through the crisis successfully with effective engagement with the transport authority client and the Government. While this is a revenue risk contract, the Norwegian government has supported the rail industry with a funding package covering the lost revenue since March 2020, enabling a broadly breakeven operating performance.

Bidding and international developments

Bidding and international development costs in the year were £5.2m (2019: £16.0m), primarily relating to bidding in the Nordic and Australasian markets.

Capital expenditure and depreciation

Capital expenditure for the rail division was £16.0m (2019: £22.6m), predominantly relating to the building of a depot in Germany as part of the mobilisation of the contracts and short term improvement programmes in Southeastern.

Depreciation on owed assets was £17.9m (2019: £14.2m), reflecting the timing of capex which is being depreciated over the life of the franchises. Depreciation on right of use assets was £353.8m (2019: £nil) as a result of IFRS 16.

In 2021, capital expenditure for the rail division is expected to be around £10m.

Rail continued

Rail financial outlook

In the UK, GTR and Southeastern will operate under ERMA and EMA contracts respectively for the remainder of their contractual terms. This provides visibility of financial performance with defined upside and downside operating profit margins.

In Germany, although operational performance has improved markedly in recent months, driver shortages continue to impact performance resulting in financial penalties. Plans are in place to continue improving service reliability and we expect our current operations in Baden-Württemberg to contribute to Group profitability in the 2023 financial year. Claims against the rolling stock provider are ongoing. Our two contracts in Bavaria commence in December 2021 and December 2022. Work is underway to ensure a smooth introduction of these contracts, in line with our current financial expectations which reflect impairments and provisions recognised in the 2020 accounts.

In Norway, the financial support provided by the Government is expected to continue while passenger demand remains suppressed.

Overall, in 2021, we expect the rail division to deliver a breakeven operating result.

Financial review

Earnings per share

Excluding exceptional items, earnings were £22.2m (2019: £72.8m), resulting in a decrease of pre-exceptional earnings per share from 169.4p in 2019 to 51.6p. Earnings were a loss of £28.6m (2019: gain of £58.8m), resulting in a decrease in earnings per share from 136.8p to a loss per share of 66.5p. The weighted average number of shares was 43.0 million and the number of shares in issue, net of treasury shares, was 43.0 million.

	2020*	2019*	2018*	2017	2016
Earnings per share	**51.6p**	169.4p	181.6p	207.7p	218.2p

* Pre-exceptional items.

Dividend

Reflecting the Group's action to conserve cash, the Board is not proposing to pay a final dividend (2019: 71.91p). No interim dividend was paid in the current year (2019: 30.17p). Dividends of £30.9m (2019: £43.8m) paid in the year represent the payment of the prior year's final dividend.

Dividends paid to non-controlling interests were £14.6m (2019: £12.7m). This represents the 35% share of the UK rail business owned by Keolis through our subsidiary, Govia Ltd.

Summary cashflow

	2020			2019	
	IFRS 16 basis £m	IFRS 16 effect £m	IAS 17 basis £m	IAS 17 basis £m	Increase/ (decrease) £m
EBITDA	**547.8**	**383.9**	**163.9**	205.5	342.3
Cash restricted under EMA	**(45.7)**	**—**	**(45.7)**	—	(45.7)
Working capital	**6.5**	**1.6**	**4.9**	4.4	2.1
Cashflow generated from operations	**508.6**	**385.5**	**123.1**	209.9	298.7
Tax paid	**(28.2)**	**—**	**(28.2)**	(32.5)	4.3
Net interest paid	**(19.9)**	**(13.7)**	**(6.2)**	(9.5)	(10.4)
Net capital investment	**(93.1)**	**—**	**(93.1)**	(81.1)	(12.0)
Dividends paid to non-controlling interests	**(14.6)**	**—**	**(14.6)**	(12.7)	(1.9)
Free cashflow	**352.8**	**371.8**	**(19.0)**	74.1	278.7
Net acquisitions	**—**	**—**	**—**	(11.5)	11.5
Net cash on issue/purchase of shares	**(0.2)**	**—**	**(0.2)**	(0.5)	0.3
Dividends paid	**(30.9)**	**—**	**(30.9)**	(43.8)	12.9
Inception of new leases	**(235.0)**	**(235.0)**	**—**	—	(235.0)
IFRS 16 lease liabilities onto balance sheet	**(781.1)**	**(781.1)**	**—**	—	(781.1)
Other	**(1.2)**	**—**	**(1.2)**	0.4	(1.6)
Movement in adjusted net debt*	**(695.6)**	**(644.3)**	**(51.3)**	18.7	(714.3)
Opening adjusted net debt*	**(270.3)**	**—**	**(270.3)**	(289.0)	n/a
Closing adjusted net debt*	**(965.9)**	**(644.3)**	**(321.6)**	(270.3)	n/a

* Adjusted net debt is net cash less restricted cash.

Financial review continued

Cashflow

Cash generated from operations before tax and excluding movements in restricted cash was £508.6m (2019: £209.9m).

This increase of £298.7m is largely due to the impact of IFRS 16 which results in EBITDA increasing by £383.9m, offset by lower earnings as a result of COVID-19 and challenges in the German rail operations. Tax paid of £28.2m (2019: £32.5m) comprised payments on account in respect of the current and prior years' liabilities. Net interest paid of £19.9m (2019: £9.5m) was lower than the net charge for the period of £20.4m (2019: £6.8m) which includes the impact of non-cash interest on pensions, the unwinding of discounting on provisions. Changes are higher than in the previous year due to the introduction of IFRS 16.

Total capital expenditure, net of sale proceeds and including spend on intangible costs was £12.0m higher in the year at £93.1m (2019: £81.1m). This is around £50m below forecast levels, reflecting swift management action to reduce expenditure at the outset of the pandemic. Ahead of the crisis, investment in our London bus fleet increased year on year reflecting contractual requirements, offset by a reduction in freehold land and buildings expenditure in Germany and timing of assets held for resale. Net Group capital investment is expected to be around £65m in 2021, lower than typical levels in response to the ongoing impact of COVID-19.

During the year, as part of a planned programme of monthly share purchases to satisfy future share awards, the Group purchased 39,770 ordinary shares for a total consideration of £0.7m (2019: 56,482 ordinary shares for a total consideration of £1.0m). This share purchase programme was placed on hold in March 2020 as part of the Group's cash preservation strategy.

Capital expenditure

Expenditure on capital during the year can be summarised as:

	2020 £m	2019 £m
Regional bus	**39.1**	40.4
London & International bus	**17.5**	9.6
Total bus	**56.6**	50.0
Rail	**16.0**	22.6
Group total	**72.6**	72.6

Net debt/cash

Net debt of £491.1m (2019: net cash of £214.6m) has increased mainly due the recognition of lease liabilities on the adoption of IFRS 16.

Adjusted net debt comprised debt arising from the £250m sterling bond, amounts drawn down against the £280m five year syndicate facility of £147.4m (2019: £144.7m), amounts drawn down against the Euro loan facilities of £14.9m (2019: £15.4m), and lease agreements of £648.6m (2019: £6.1m), offset by cash and short term deposits of £569.8m (2019: £630.8m) including £474.8m of restricted cash in rail (2019: £484.9m). There were no overdrafts in use at the year end (2019: £nil).

Our primary financial covenant under the syndicated facility is an adjusted net debt to EBITDA ratio of not more than 3.5x. Adjusted net debt (excluding restricted cash) to EBITDA of 1.96x, on a pre-IFRS 16 basis, (2019: 1.32x) is comfortably within our target range of 1.5x to 2.5x.

Capital structure

	2020 £m	2019 £m
Syndicated facility 2024	**280.0**	280.0
7 year £250m 2.5% sterling bond 2024	**250.0**	250.0
Euro financing facilities	**17.1**	16.7
Total core facilities	**547.1**	546.7
Amount drawn down at 27 June 2020	**412.3**	410.1
Balance available	**134.8**	136.6
Restricted cash	**474.8**	484.9
Net debt/(cash)	**491.1**	(214.6)
Adjusted net debt	**965.9**	270.3
EBITDA	**547.8**	205.5
Adjusted net debt/EBITDA	**1.76x**	1.32x

At the year end, significant medium-term finance was available through a £280m five year syndicated facility and a £250m sterling bond. A further one year extension is available which, if exercised, would extend the maturity to July 2025.

The Bank of England confirmed our eligibility for up to £300m additional financing through its COVID Corporate Financing Facility, which we have not utilised.

Investment grade ratings from Moody's (Baa3) and Standard & Poor's (BBB-) were reconfirmed recently with both considering the outlook to be 'stable'.

Exceptional items

Exceptional costs of £57.1m (2019: £16.8m) have been recognised in the year. They relate to action taken as a result of the COVID-19 crisis, a pre-COVID-19 strategic review of regional bus and a comprehensive review of the German rail business.

In regional bus, exceptional costs and asset impairments totalling £26.7m have been recognised, consisting of £15.9m of tangible assets impairment, £5.5m of restructuring costs, £3.8m of intangible assets impairment, £0.5m write down of assets held for sale and £1.0m right of use assets.

A further £30.4m of exceptional costs have been recognised in association with the Group's German rail operations. This includes £24.3m of intangible asset impairments and associated contract provisions, £4.4m of tangible asset impairment and £1.7m of restructuring and other one-off costs.

Amortisation

The amortisation charge for the year was £9.4m (2019: £4.8m), which relates to the non-cash charge of amortising software costs, franchise mobilisation costs and customer contracts. Following an IFRIC update in March 2020, the accounting policy over the capitalisation of training costs was changed and has resulted in an accelerated amortisation charge of £2.0m in relation to franchise set-up costs during the year.

Net finance costs

Net finance costs for the year were higher than the prior year at £20.4m (2019: £6.8m) due to the impact of IFRS 16 which accounted for an additional £13.7m of finance costs during the year. Finance costs of £25.8m (2019: £11.9m) were offset by finance revenue of £5.4m (2019: £5.1m). The average net interest rate for the period was 3.3% (2019: 3.4%).

Taxation

Net tax for the year was £11.9m (2019: £21.9m). During the year, exceptional costs arising as a result of the COVID-19 crisis, a strategic review in regional bus and a comprehensive review of the German rail business were recognised, the pre-exceptional effective tax rate is 32.0% (2019: 21.7%). This includes a charge in relation to the change in the UK deferred taxation rate from 17% to 19%, excluding this the effective tax rate is 22.3%. In the reporting period, the effective tax rate was higher due to the impact of higher local tax rates in our international markets.

Non-controlling interest

The non-controlling interest in the income statement of £16.5m (2019: £16.3m) arises from our 65% holding in Govia Limited, which owns 100% of our current UK 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 £37.7m (2019: £35.3m) consisting of bus costs of £2.1m (2019: £2.0m) and rail costs of £35.6m (2019: £33.3m). Group contributions to the schemes totalled £44.1m (2019: £41.5m).

Bus pensions

Under accounting valuations, the net surplus after taxation on the bus defined benefit schemes was £42.9m (2019: a surplus of £40.2m), consisting of pre-tax assets of £53.0m (2019: £48.7m) less a deferred tax liability of £10.1m (2019: £8.5m). The pre-tax asset consisted of assets of £934.4m (2019: £858.8m) less estimated liabilities of £881.4m (2019: £810.1m). The percentage of assets held in higher risk, return seeking assets was 33.8% (2019: 35.3%).

Rail pensions

As the long term responsibility for the rail pension schemes rests with the DfT, the Group only recognises the share of surplus or deficit expected to be realised over the life of each franchise. As a result, our pre-tax liability continues to be £nil (2019: £nil).

Identifying and managing our risks and uncertainties

Adrian Ewer
Audit Committee Chair

How we manage risk

Our governance

The successful delivery of the Group's strategic objectives depends on effective identification, understanding and mitigation of its principal risks and uncertainties. Ultimate accountability for risk management lies with the Board, supported by the audit committee and executive directors. The Board's means of mitigating and managing these risks are set out within the Group's policies and procedures manual. Compliance with these policies and procedures is mandatory, with local senior management tasked with ensuring compliance, and confirming this as part of their biannual risk reporting to the executive directors.

Our risk management framework

Our approach combines a top down strategic assessment of risk and risk appetite, with a bottom up operational identification and reporting process. The risk management framework includes a robust means of measuring risks in a way that informs the Board's decision making in support of creating value in a sustainable way.

Through our purpose, values and strategy, we empower all our colleagues to manage risk. This approach is designed to highlight potential problems at an early stage, enabling prompt action to be taken, minimising any negative impact to our customers and stakeholders.

Our risk appetite

Risk appetite is the level of risk the Group is willing to take to achieve its strategic objectives, together with the level of risk shock that it can withstand. The Board is responsible for setting and monitoring the Group's risk appetite, which is communicated through its risk appetite statement outlined on page 53. The Group risk appetite statement also provides a reference point against which our operating companies can benchmark their biannual risk management reporting, with any key risks being identified by management and discussed with the audit committee and Board. Those key risks are aggregated and reported as the Group's principal risks, as outlined on pages 54 to 58.

As part of its year end risk review, the Board considered the risk appetite of the Group in the context of the regulatory and economic environment, particularly as it affects the sectors in which we operate, and within the broader framework of our strategic ambition and the culture of the business. The timing of the review this year also provided the opportunity to reflect on the impact of COVID-19. In light of the actual and expected impact of the COVID-19 crisis on the business, the Group's risk appetite statement has been updated to distinguish between the risks which are outside of the Group's control or against which mitigations are limited, such as a pandemic or other extraordinary events, and the risks the Group has an appetite for.

Emerging risks

An important component of Go-Ahead's risk management process is the consideration of potential emerging risks and whether any of those identified have the potential to become a principal risk in the medium to long term. The greater uncertainty attached to these risks means it can be more difficult to predict their likelihood, timing and impact. The assessment of emerging risks is embedded within the day-to-day operations of each operating company. These assessments are consolidated before review and then reported to the Board on a biannual basis, with reporting including an explanation of the plans in place to mitigate and manage these risks.

Focus during the year

COVID-19

At the peak of the crisis, weekly Board meetings were being held and the Board was kept informed throughout with detailed briefings from the Group Chief Executive. The Group's devolved structure enabled individual operating companies to respond quickly and decisively which ensured the Group was able to continue to deliver essential transport services. The mitigating actions taken as the pandemic evolved are described more fully in the strategic report which should be read in conjunction with the disclosures in this section. These developments may shape the operating context for Go-Ahead for years to come and they have been a key focus area in our more recent assessment of risk.

For further details on how the Board sought to mitigate and manage the principal risks associated with the pandemic, please see **pages 16 and 17**

Climate change risk

During the year, the Board considered the emerging risks associated with climate change. It received updates on the progress made with Go-Ahead's climate change study, which built upon the measures developed the previous year in line with the recommendations from the Task Force on Climate-related Financial Disclosures. A climate change taskforce has been established to develop a climate change strategy incorporating carbon reduction plans and science based targets. During its annual Strategy Day, the Board also discussed climate change in the context of the Group's broader sustainability strategy, in addition to the impact of COVID-19 on our plans. Topics included environmental reporting, commuter behaviour, UK climate-related policy and parity of alternative fuels. Sustainability and climate change are very much a part of Go-Ahead's third strategic pillar, developing for the future of transport. This will remain a key priority for the Board over the year ahead as we not only look to manage and mitigate the emerging risk but also take advantage of the opportunities this provides.

Other key risk focus areas

In addition to the emerging risks detailed above, the Board spent time considering a number of key risk areas, with a rolling programme of scheduled in-depth presentations provided by the executive directors and senior management team.

Regular health and safety updates were given by the Group Corporate Services Director, which included the Group's new and international operations. The Board reviews the Group's health and safety policy annually, with the timing of this year's review providing the opportunity to take into account COVID-19. In addition, an in-depth review of Southeastern's Signals Passed at Danger (SPaDs) was undertaken during the year. While the number of SPaDs represented only a small percentage of the total number of incidents, it was the industry-wide rise in this number over recent years that had caused industry concern. The Board heard about Southeastern's operational risk strategy, which, having focused on the areas of culture, competence, management capability and risk removal, delivered a significant improvement in performance.

During the year, the Board also received briefings on the risks and opportunities associated with bid and contract tenders. In accordance with the Group's risk appetite statement, such opportunities were measured against the level of risk deemed proportional and acceptable to the Group, with Board approval required for all key submissions. Given the challenges experienced with mobilising the rail contracts in Germany, the arrangements for governance and resourcing are currently under review.

Cyber security remained a focus area for the Board during the year. In addition to the regular briefings the Board receives, an independent cyber security assessment was also commissioned this year. This assessment confirmed that a well-defined strategy was in place, with the appropriate framework, processes and platforms across the Group. A small number of areas for improvement were identified and subsequently addressed. Following the outbreak of COVID-19, Go-Ahead's cyber security risk profile was further reviewed with an additional update provided to the Board.

During the year, the Board also received an update from the Group's Data Protection Officer (DPO) on the Group's compliance with the General Data Protection Regulation (GDPR). The Board was satisfied that Go-Ahead continued to improve GDPR compliance, with framework processes strengthened during the year to monitor compliance and address any issues efficiently. This was underpinned by the Group DPO's visits to operating companies to provide support and, separately, GDPR refresher training was provided in face-to-face training sessions throughout the Group.

Focus for the year ahead

During the Board's July 2020 meeting, the following in-depth risk areas were discussed and approved for the year ahead:

- Lessons learnt from COVID-19
- Cyber security
- Lessons learnt from the review of German Rail bidding and mobilisation

Risk management framework

Implementation and compliance responsibility

Risk identification and reporting responsibilities

Board	**The Board's 2020 in-depth risk reviews included:** • Cyber security • Climate change • Rail SPaDs • Rail pensions • Health and safety, specifically in relation to international mobilisation	**Ultimate accountability for risk management** • Sets strategic priorities • Agrees the Group's appetite for risk • Assesses risks and tolerance levels • Top down risk identification • Sets delegated levels of authority • Approves Group policy and procedures
Audit committee	**Monitors risk management and assurance arrangements** Reviews the effectiveness of key risk management and control processes through: • Internal audit • External audit • Insurance • Risk surveys • Health and safety auditing	
Executive directors	**Monitors performance and changes in key risks** • Provide regular reports and updates to the Board • Report to the Board and the audit committee on the status of key risks • Provide guidance and advice to operating companies to assist with: – Identifying risks, assessing extent of risks' impact and implementing mitigating actions – Health and safety auditing – Insurance	
Operating companies	**Identify, manage and report local risks** • Maintain local risk management plans • Assessment of emerging risks • Implement mitigating actions	

Risk appetite

Our risk appetite statement below sets out how we balance risk and opportunity in pursuit of achieving our strategic objectives. It forms an integral part of the development of our corporate strategy, governance and reporting framework. During the year, the principal risks were reviewed by the Board in the context of the Group's risk appetite statement, which helped determine the level of mitigation and resource required to reduce the potential impact of each principal risk.

Go-Ahead's risk appetite statement:

In light of the actual and expected impact of the COVID-19 crisis on the business, the Group recognises the distinction between risks which are outside of the Group's control or against which mitigations are limited, such as a pandemic or other extraordinary events, and the risks the Group has an appetite for, which are categorised in this statement.

Safety and security

The Group has no tolerance for certain safety risk exposure, including an incident such as a major passenger accident or an act of terrorism.

Protect and grow the core

The Group will only tolerate low risk with regards to the management of its core activities.

Win new bus and rail contracts

The Group is willing to accept moderate risk within stable and regulated markets as it bids for new bus and rail contracts.

Develop for the future of transport

In pursuit of its objective to develop the future of transport, the Group recognises that innovation and striving to be one step ahead of our competitors comes with some inherent risk. Moderate risks, in some circumstances, will be accepted in pursuit of objectives.

Definitions

Low: The level of risk will not substantially impede the ability to achieve the Group's strategic objectives. Controls are prudent and robust.

Moderate: The level of risk may delay or disrupt achievement of the Group's strategic objectives. Controls are adequately designed and are generally effective.

Controls: Consist of policies, procedures, employee behaviour or activities that could reduce the likelihood and/or impact of risk events.

Our principal risks

A robust assessment has been undertaken by the Board to assess the principal risks facing the Group that could seriously affect the Group's prospects or reputation. As part of this assessment, consideration was given to those that threaten our business model and could impact on our future performance, solvency or liquidity as well as our strategic objectives.

This heat map shows the relative position of our principal risks to each other and their movement during the financial year ended 27 June 2020. Further details of the key risks within each of the Group's principal risk areas is shown on pages 54 to 58.

External risks

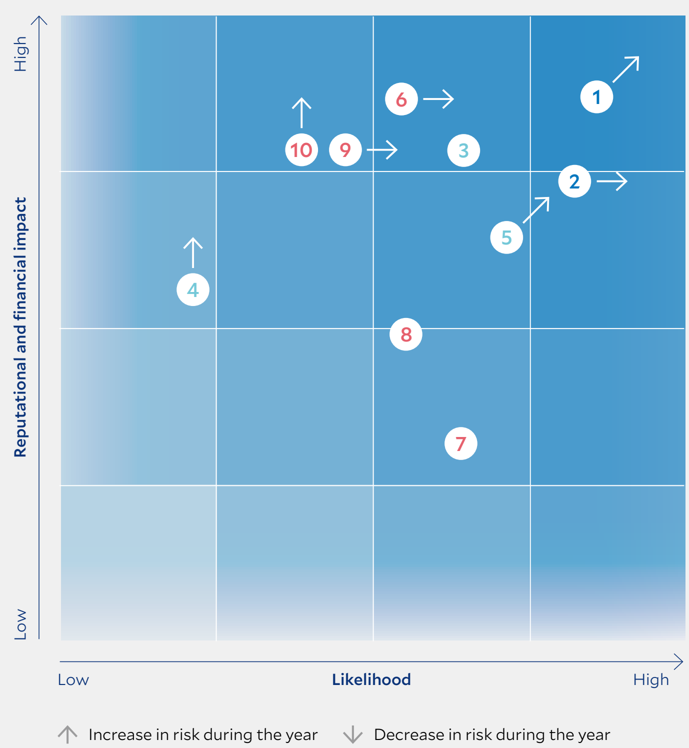
1. Economic environment and society post COVID-19
2. Political and regulatory framework

Strategic risks

3. Sustainability of UK rail profits or loss of franchise
4. Inappropriate investment
5. Competition

Operational risks

6. Catastrophic incident or severe infrastructure failure
7. Large scale infrastructure projects
8. Employee relations, resource planning and talent management
9. Information technology failure/interruption/security breach
10. Mobilisation of international rail contracts



Key: Protect and grow the core | Win new bus and rail contracts | Develop for the future of transport

External risks

1. Economic environment and society post COVID-19

Slow recovery from the COVID-19 pandemic. Reduction in economic activity and passenger demand accelerated by the pandemic.

Risk movement: Increased

Strategic objectives impacted:

Potential impact

Slow and partial rebuild of revenue and margin erosion as:

- Lockdown gradually eases and non-essential travel slowly recovers, stifled by social distancing
- Customers make fewer journeys (higher level of unemployment, flexible working, online shopping, slow resumption of leisure activities)
- Customers switch mode (to walking, cycling, private car, etc.), accelerated by fear of public transport
- Social distancing requirements generate inadequate demand to cover the cost base
- Contractual indexation mechanisms may not reflect reality of cost base in London & International bus

Mitigating actions

- 90 per cent of revenue currently contract based; discussing continuation of funding with clients and governments. Main area of exposure is regional bus
- Take all required actions to provide a safe environment and reassure about public transport
- Continue to focus our operations in more resilient geographical areas
- Promote public transport as a safe and accessible form of travel
- Constantly assess the needs of local markets and design services and products accordingly
- Optimise the network and cost base through route rationalisation, proactive cost control and back-office synergies; supported by robust scenario modelling in regional bus

Opportunity

- Maximise opportunities arising from "localism" and "staycations"
- Climate change agenda
- Share of £5bn Government funding

Change in risk in the year

- Significant increase in risk during the year, due to the COVID-19 pandemic, added to the economic impact of Brexit which remains uncertain

2. Political and regulatory framework

Changes to the legal and regulatory framework, impact of the UK leaving the EU, momentum around air quality agenda and national bus strategy. Potential increased appetite for state control of key industries including transport.

Risk movement: Increased

Strategic objectives impacted:

Potential impact

- Increased state control of bus and rail in the aftermath of COVID-19 in order to ensure the continuity of essential services
- Ceasing of public funding ahead of passenger demand recovery
- Lack of rail reform leading to disruptors taking advantage of inadequate rail fare structure, e.g. Trainline, split ticketing
- Reduced funding for public transport, including reduction in bus concessionary rates, as local authorities come under pressure to reduce spend
- Additional investment requirements to comply with air quality requirements
- The impact of Brexit on economic growth, material supply and availability of employees

Mitigating actions

- Maintain strong levels of punctuality and customer satisfaction
- Limit exposure to local authority funding through optimisation of network and cost base
- Active participation in key industry, trade and Government steering and policy development groups, including the Williams Rail Review, national bus strategy and bus franchising
- Collaboration and partnership working with local authorities
- Strong track record on air quality initiatives: air filtering bus, climate change taskforce, fleet conversion to cleaner emission standards
- Brexit contingency measures in place including operational plan in Southeastern, increased stock levels of spare parts maintained across bus and rail, and colleague engagement plans to support recruitment and retention

Opportunity

- The political and regulatory framework provides us with the opportunity to influence decisions through close dialogue with the Government, local authorities and other key parties
- The Bus Services Act 2017 could provide business opportunities in new markets, and facilitate the consolidation of existing relationships
- Share of the initial £5bn bus funding announced by the Government
- Proven ability to run profitable regulated bus contracts
- Political momentum around air quality: large number of cities announcing transition to clean air zones and zero-emission zones

Change in risk in the year

Increase in risk during the year due to:

- Despite a Conservative majority in December 2019 election reducing the risk of rail nationalisation in the short term, national bus funding and Emergency Measures Agreements in rail have led to increased level of Government intervention
- Failures or known financial difficulties in rail franchises run by other operators (Northern nationalisation and West Midlands performance improvements announced early 2020)
- Uncertainty over the regulatory impact of Brexit
- Ongoing budget pressure for our client Transport for London and emerging pressures on other clients and local authorities as economies recover from COVID-19
- Following the Group's acquisition of the Queens Road bus depot in June 2019, exposure to TfGM's aspirations for bus franchising

Key: Protect and grow the core | Win new bus and rail contracts | Develop for the future of transport

Strategic risks

3. Sustainability of UK rail profits or loss of franchise

Failure to retain UK rail franchises on acceptable terms and deliver target profit range in GTR

Risk movement: No change

Strategic objectives impacted:

Potential impact

- Group profitability and cashflow could fall over the next three years
- Return to revenue risk in UK rail in an unstable economic environment

Mitigating actions

- New Southeastern direct award contract allows for longer Emergency Measures Agreement (EMA) terms, withdrawing revenue and cost risk
- GTR has signed an Emergency Recovery Measures Agreement (ERMA) succeeding the EMA, which holds no revenue or cost risks
- Flexible and experienced management team which responds quickly and expertly to changing circumstances
- Shared risk through the Govia joint venture, which is 65 per cent owned by Go-Ahead and 35 per cent by Keolis
- Regular Board review of rail performance and Board approval of overall rail bidding strategy
- Close monitoring of compliance with franchise obligations

Opportunity

- GTR two-year extension and further extension of Southeastern beyond October 2021
- Well placed to take advantage of a UK rail franchising programme restart on new terms

Change in risk in the year

No change in risk during the year due to the offsetting impacts:

- EMAs and ERMAs introduced in response to the pandemic, temporarily suppressing revenue and cost exposure
- Southeastern direct award contract signed to October 2021 on EMA terms
- Remaining threats to Southeastern and GTR profitability from split ticketing, boundary fare zone claims and a profit share disagreement with the DfT

4. Inappropriate investment

Failure to deliver strategy or make appropriate investment decisions. Failure to deliver expected returns in German rail

Risk movement: Increased

Strategic objectives impacted:

Potential impact

- Lost shareholder value and reputational damage

Mitigating actions

- Comprehensive strategic discussions with main Board and advisors
- Extensive valuation and due diligence, supported by external expertise, and strong financial discipline when assessing viability of opportunities
- Restructure of the German business; decision to cease business development activities in Germany and rail business development in new geographies
- Cautious approach to investment opportunities overseas and outside our core operating areas
- Clear risk appetite statement that governs the acceptable level of risk in pursuit of strategic objectives
- Thorough review of underperforming parts of the business, e.g. closure of PickMeUp and route rationalisation across the business

Opportunity

- Continual focus on and review of strategy ensures the Board is well placed to assess value-adding opportunities as they arise
- Growth opportunities in the UK, Singapore, Ireland, Australasia and Nordic region
- Improved decision making based on lessons learnt from Germany
- Opportunity to negotiate share of revenue risk with Norwegian transport authority

Change in risk in the year

- Increase in risk during the year as start of operations in Germany has generated financial losses

Risk management continued

Key: Protect and grow the core | Win new bus and rail contracts | Develop for the future of transport

Strategic risks continued

5. Competition

Competition from existing and new market participants, loss of business to other modes and threats from market disruptors.

Risk movement: Increased

Strategic objectives impacted: Protect and grow the core; Win new bus and rail contracts; Develop for the future of transport

Potential impact
- Loss of revenue and profits
- Reputational damage
- Rapid change required to business model and structure
- Fear of public transport in the context of the pandemic impacting ability to drive modal shift

Mitigating actions
- Promote safe use of public transport
- Disciplined and focused bidding
- Adapt to changing customer requirements and technological advancements
- Foster close relationships with stakeholders to ensure we are meeting requirements including service quality and price
- Work in partnership with local authorities and other operators, including through interoperability
- Promote multi-modal travel, improving the overall door-to-door experience for passengers
- Focus on customer needs and expectations, including improved channels for ticket purchase and journey planning

Opportunity
- Strategic partnerships provide opportunities and aim to improve the passenger experience and perception of public transport as a whole
- Increased competition in the market encourages innovation which improves the customer experience. For example, demand-responsive transport or Mobility as a Service
- The economic crisis and shareholder drive for better sectorial returns could lead to further acquisition opportunities

Change in risk in the year
Increase in risk during the year, noting:
- The fear of public transport generated by the pandemic
- Potential opportunities for market consolidation as the industry's business model is challenged

Operational risks

6. Catastrophic incident or severe infrastructure failure

An incident, such as a major accident, an act of terrorism, a pandemic or a severe failure of rail infrastructure.

Risk movement: Increased

Strategic objectives impacted: Protect and grow the core

Potential impact
- Risk of a second wave of the current pandemic stifling the recovery of the economy and passenger demand
- Serious injury to the public, our passengers or our people
- Service disruption with financial losses and reputational damage
- Acts of terrorism, while not directly targeting rail/bus public transport, may discourage travel and tourism

Mitigating actions
- Rigorous, high profile health and safety programme throughout the Group; high levels of safety performance; promotion of safety culture; and reassurance over the use of public transport
- Crisis management policy updated and rolled out across the operating companies
- Appropriate and regularly reviewed and tested contingency and disaster recovery plans
- Thorough and regular training of colleagues
- Work closely with our industry partners, such as rail infrastructure provider Network Rail and Government agencies
- COVID-19 has created a precedent for strong Government support to the industry and reinforced its role within local communities

Opportunity
- COVID-19 has tested our response. Colleagues are now better trained and prepared as a result
- Continuous review of processes and procedures can identify areas for operational improvement and improve overall safety on our networks
- Vital role of public transport in local communities reinforced by the COVID-19 crisis

Change in risk in the year
- Increase in risk during the year due to the risk of a second wave of COVID-19, though the likelihood of an act of terror impacting the Group's transport network has not changed and our response to a major incident has improved as a result of the pandemic

Key: Protect and grow the core | Win new bus and rail contracts | Develop for the future of transport

Operational risks

7. Large scale infrastructure projects

Disruption caused by large scale infrastructure projects on and around the networks on which we operate, such as HS2, Gatwick Airport station and major roadworks.

Risk movement: No change

Strategic objectives impacted:

Potential impact
- Reduced capacity decreases resilience and creates congestion causing lower reliability which impacts service levels and contractual performance
- Inadequate planning or execution can cause severe disruption
- Slowdown in passenger numbers and increase in operating costs in regional bus as road networks become more congested

Mitigating actions
- Work constructively with industry partners, such as Network Rail, to minimise the impact of any disruption on our passengers
- Strong engagement with stakeholders, including our customers, to enable effective communication, especially during structural change programmes and disruption to the service
- Good relationships with local authorities and industry bodies, such as the DfT

Opportunity
- Investment in railway infrastructure and roads will deliver long term benefits to passengers travelling on our services
- Car traffic congestion could encourage modal shift with the appropriate bus priority policies in place

Change in risk in the year
- No change in risk during the year, although road congestion is an increasing concern in light of the fear of public transport arising from the pandemic

8. Employee relations, resource planning and talent management

Failure to effectively engage with our people and trade unions in providing reassurance, managing costs and driving change. Failure to attract, retain and develop talent.

Risk movement: No change

Strategic objectives impacted:

Potential impact
- Failure to attract, retain and develop the diverse talent required for robust succession planning
- Ageing workforce, reduction in European labour resource, fear of public transport and shielding requirements leading to a shortage in labour supply, skills and knowledge
- Wage costs increase higher than necessary or affordable in light of higher inflation
- Service disruption, costs and reputational damage arising from industrial action
- Review of Railways Pension Scheme leading to industrial action
- Low levels of morale and engagement lead to inadequate customer service or inability to deploy new technology and work practices for the benefit of customers
- Inability to recruit enough employees in Go-Ahead Singapore to meet required ratios set by the Land Transport Authority
- Inability to recruit and retain enough drivers for German operations
- Expansion in bus services leading to shortage of drivers in Go-Ahead London and Go-Ahead Ireland

Mitigating actions
- Succession planning exercise carried out annually
- Apprenticeship, graduate and leadership development programmes
- High level of colleague engagement across our businesses supported by surveys and action planning; strong response and relationships during the COVID-19 crisis
- Refreshed approach to the Group's vision, beliefs and attitudes
- Robust and regularly reviewed recruitment and retention policies, training schemes, resource planning and working practices
- Experienced approach to wage negotiations and proactive engagement on driver fatigue
- Proactive management of pension risks including active engagement with The Pensions Regulator and DfT over the review of the Railways Pension Scheme
- Widening the recruitment pool through initiatives aimed at attracting diverse talent, for example through the Women in Bus network and active recruitment of female drivers

Opportunity
- Through fostering positive employee relations and offering good employment packages we have a motivated and committed workforce, and offer a good employee value proposition
- The economic situation could ease recruitment challenges as the employment market softens
- Workforce planning and identification of critical skills shortage improves visibility and ability to plan

Change in risk in the year
- No change in risk during the year due to offsetting trends

Key: Protect and grow the core | Win new bus and rail contracts | Develop for the future of transport

Operational risks continued

9. Information technology failure/interruption/security breach

Prolonged or major failure of the Group's IT systems or a significant data breach.

Risk movement: Increased

Strategic objectives impacted: Protect and grow the core

Potential impact

- Disruption to trading and/or operational service delivery
- Reputational damage and regulatory breach from misuse of data
- Enforcement action against rail companies under the NIS framework
- Financial loss

Mitigating actions

- Data protection officers in place in all operating companies to monitor Group-wide GDPR compliance
- Robust processes and procedures in place to ensure compliance with the relevant laws and best practices; process standardisation and continued investment in best practice systems
- Continued investment in and maintenance of IT systems across the Group
- Design Authority Board in place for change control
- Clear and tested business continuity plans; test scenarios conducted across the Group
- Achieved Cyber Essentials standard
- Restructured IT function to refocus on operational delivery; now effectively implementing action plan following external maturity assessment
- GTR and Southeastern successfully audited against the NIS framework
- Adoption of a cyber security strategy and Information Security Management System (ISMS) framework across the Group, with the publication of monthly KPIs measuring mitigating measures

Opportunity

- Ensuring our systems and processes are efficient and reliable strengthens day-to-day operations across the Group
- Outcome of maturity assessment and fraud incident in December 2019 provided platform for action

Change in risk in the year

- Increase in risk during the year considering significant cyber-attacks, including ransomware attacks, across the public and private sector during the year, especially during the COVID-19 period

10. Mobilisation of international rail contracts

Failure to fully mobilise contracts within contractual timescales, especially driver recruitment and delivery of rolling stock, and to deliver required levels of operational performance.

Risk movement: Increased

Strategic objectives impacted: Protect and grow the core; Win new bus and rail contracts

Potential impact

- Significant financial losses
- Reputational damage impacting future international business opportunities
- Safety incident

Mitigating actions

- Experienced local teams; ability to mobilise internal UK rail and bus expertise
- Building strong relationships with local authorities
- Compliance with strong local regulation; established Safety Management Systems and Group Safety Audits
- Lessons being learnt from Baden-Württemberg mobilisation to avoid repeat in Bavaria
- Appointment of restructuring consultancy to transform performance in Germany

Opportunity

- Further international opportunities arising from strong reputation based on successful mobilisation and operation of services, e.g. bidding in the Nordics

Change in risk in the year

Increase in risk during the year:

- Our three rail contracts in Baden-Württemberg started operations in 2019. Significant operational challenges have led to revenue penalties and impacted our reputation and relationship with the local transport ministry
- Mobilisation is underway for our two further German contracts starting in Bavaria between 2022 and 2023, including new fleet delivery and driver recruitment. Our first rail contract in Norway successfully started operations in December 2019

Viability statement

In accordance with the provision of the revised UK Corporate Governance Code published in July 2018, and having considered the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the Financial Reporting Council (FRC) in September 2014, the directors are required to state whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.

Time horizon

The directors have assessed the Group's viability over a three-year period to June 2023. This is consistent with the period covered by the Group's detailed three-year Corporate Plan which is the basis for the strategic plan. Beyond three years, forecasts may be affected by changes in government transport policy and/or major contract wins and losses. The Group assumes that any contracts due to end in this period do not continue.

COVID-19 creates a challenging context for forecasting accuracy. Due to the fast moving and extreme effects of the pandemic, the Group supplemented its normal Corporate Plan process, particularly in the regional bus division, with scenarios reflecting the impact of the pandemic on passenger demand, relevant operational responses and availability of public funding for essential services.

Viability

In making its assessment, the Board took account of the Group's current financial position, operational performance, banking covenants, other key financial ratios (including those maintaining the Group's existing investment grade status), committed and future funding and both its contracted and anticipated capital expenditure.

The directors assessed the potential financial and operational impacts along with the principal risks and uncertainties following the COVID-19 pandemic.

In assessing the future prospects of the Group in the current situation, the Board has relied on a base case financial forecast which has been stress tested by overlaying severe but plausible scenarios of the principal risks and uncertainties set out on pages 54 to 58, and the likely effectiveness of mitigating actions.

It is assumed that regional bus will eventually recover to pre-crisis levels by the end of the forecast period, and that contracts in London and International Bus divisions will operate in a similar manner to the pre-crisis environment. UK rail contracts are assumed to continue to the end of their existing franchises under the recently awarded Emergency Measures Agreement (EMA) and Emergency Recovery Measures Agreement (ERMA) contracts.

The forecast assumes continued operations in all three divisions: regional bus, London & International bus and rail, both in the UK and in defined international areas as detailed by the Group's international strategy. Although forecasts assume ongoing costs of bidding for various international contract opportunities, no contract wins are assumed.

Funding for the Group is assumed to be reasonably available in the form of capital markets debt, bank debt or alternatives. Sufficient funding is also assumed to be available in all plausible market conditions, including if required, additional finance facilities.

The scenarios reflected the following risks:

Regional bus

A)

- Slower recovery of passenger demand in regional bus with passenger demand at 80 per cent of pre-COVID-19 levels from January 2021 and service levels commensurate with that demand;
- No government support for regional bus services outside of the Bus Services Operators Grant (BSOG) and concessionary travel income following December 2020 (when CBSSG is assumed to cease); or

B)

- Passenger demand remains below 85 per cent of pre-COVID-19 levels and government support remains in place until the end of the 2021 financial year. Under this scenario no mitigating actions are required as service levels would be held at constant levels.

Both scenarios result in broadly similar expected outcomes.

London & International bus

- Reduced contractual income and lower Quality Incentive Contract income in London bus due to lower passenger demand and financial pressure on Transport for London.

Rail

- Operational issues in our German rail operation leads to higher operational losses than those already included in the base case;
- Government support for our Norwegian rail operations ceases and passenger demand recovers more slowly than our base case assumes.

Liquidity and covenant headroom

Under all of the modelled scenarios, positive liquidity headroom exists throughout the going concern period and the Group remains in compliance with its covenants. There is significant availability of liquidity, as explained on page 11 of this Annual Report with committed bank facilities in place for the period to June 2024.

The Group also has investment grade long term credit ratings from Standard & Poor's BBB- (stable outlook) and Moody's Baa3 (stable outlook). The ratings have been maintained in the year ended 27 June 2020 and have been reconfirmed since the start of the COVID-19 pandemic.

Viability statement

Based on their assessment of the prospects and viability of the Group, the directors have concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet all of its liabilities as they fall due during the viability review period and that the likelihood of extreme scenarios which would lead to a breach of covenant is remote.

The directors also confirm that in making this statement it carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Going concern

UK Corporate Governance Code 2018

The revised UK Corporate Governance Code published in July 2018 (the Code) requires the Board to state whether it considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements, and to identify any material uncertainties to the Group's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.

The financial statements for the year ended 27 June 2020 were approved by the Board on 23 September 2020.

We also have responsibilities in relation to going concern under UK legislation, the Financial Conduct Authority's Listing Rules and International Accounting Standard 1 Presentation of Financial Statements.

The Code further suggests that the Board should state whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a longer period of assessment, drawing attention to any qualifications or assumptions as necessary.

It suggests that, taking account of the Group's current position and principal risks, the Board should explain how it has assessed the prospects of the Group, over what period it has done so and why it considers that period to be appropriate.

Background

The COVID-19 pandemic has had a significant impact on the business of the Group.

During the crisis, we have had three priorities: to safeguard the health and wellbeing of our colleagues and customers; to play our role in society in challenging times; and to protect our business.

The Group has a resilient business model, with limited exposure to changes in passenger demand, and has received various forms of government support in all divisions. Our businesses are key parts of the communities they serve and they have played a fundamental role in supporting them through this crisis.

Both governments and our clients recognised that it was critical to maintain essential services for key workers to get to their places of work and to provide appropriate funding to sustain services. This funding is testament to the importance of our business and wider industry.

In response to COVID-19, we have taken decisive action to protect our business by reducing our cost base, reducing our capital expenditure and reducing the effect of the revenue downturn on our cashflow. Where possible, we have frozen capital expenditure and chosen to lease rather than buy necessary vehicles to reduce cash outflows.

Cost reduction actions included the suspension of the interim dividend and not proposing a final dividend to shareholders, a 20 per cent reduction in Board members' salaries and fees, the use of the UK Government's Coronavirus Job Retention Scheme and a freeze on all discretionary expenditure.

While it has been necessary to reduce supplier orders in line with our own service reductions, we have adopted a structured and fair process, in line with our Sustainable Supply Chain Charter. We have taken active steps to protect our essential supply chain, including continuing to pay suppliers in line with the Prompt Payment Code. All short term decisions have been taken with consideration for the longer term impacts they may have.

In all our geographies, uncertainties remain around government guidelines and restrictions as well as their impact on public transport usage. The quantum and duration of government support measures, particularly in our regional bus business, also remains uncertain and will evolve throughout the coming months.

It is unclear how and when these support measures will be withdrawn and, if the crisis persists for a much longer period, the extent to which governments will continue to have the ability to provide financial and contractual support.

Going concern assessment

The Board used the financial forecasts prepared for business modelling and liquidity projection purposes as the basis for its assessment of the Group's ability to continue as a going concern for at least 12 months from the date of the financial statements.

As part of the this assessment, the Group has also considered the FRC Company Guidance (updated 20 May 2020) (COVID-19), which has encouraged companies to assess current forecasts (corporate plans) with more vigour, consider the impact of different potential scenarios along with a likelihood assessment, and consider both the uncertainty and the likely success of any realistic mitigations.

The Board has recognised the challenges around reliably estimating and forecasting the effects of COVID-19 on our business.

Key areas of forecasting uncertainty include:

- The extent and duration of COVID-19 restrictions in the UK and across the world.
- The duration and scale of government support measures to the bus sector, including the COVID-19 Bus Services Support Grant for eligible local bus services in England.
- Revenue recovery rates in Norwegian rail operations along with the duration and scale of government support.
- Recovery rates in regional bus revenue, including airline and coach services, and the size of the network required to support that level of passenger demand.
- Further losses on our German rail contracts following the challenging operational performance which has impacted the franchise since its commencement of operations.
- Ongoing cash restrictions within the UK rail businesses under Emergency Measures Agreements or Emergency Recovery Measures Agreements.

In particular, regional bus passenger demand assumptions reflect the consideration of a number of competing factors, which were debated by the Board during its annual Strategy Day in May 2020:

- COVID-19 accelerating trends of increased home working, online shopping, telemedicine and home education and the impact of these trends on travel patterns.
- The opportunity to secure the long term economic, social, health and environmental benefits brought by the reduced volume of car traffic and lower carbon emissions seen during COVID-19.
- The modal shift from private cars to active travel and more sustainable public transport, tackling climate change with strong government action to reduce car use, including as part of the committed £3bn government funding package. There is evidence of a modal shift towards bus travel in difficult economic circumstances.
- The growing trend in favour of "staycation" and increase in local leisure journeys as international or long distance travel is constrained by travel restrictions and health-related concerns; post-lockdown sense of community and sense of loneliness in lockdown driving more local journeys and a trend towards the flattening of the peak in passenger demand

The forecasts were modelled using the base case described in the viability assessment and based on the Group's three-year corporate plan.

The base case

The regional bus forecast assumes that:

- Regional bus operates 100 per cent of core weekday mileage from July 2020 with adjustments for ad hoc "out of scope" services (Park & Ride, airport, tourism, universities, etc.).
- Passenger levels return to c.50 per cent in September 2020, gradually ramping up to c.90 per cent by January 2021, with passenger demand back to pre-COVID-19 levels by July 2021.
- The UK Government's Coronavirus Job Retention Scheme ceases at the end of October 2020, as per current plans, and the COVID-19 Bus Services Support Grant (CBSSG) continues to the end of December 2020, although the Government has committed to the continuation of this funding for as long as it is required.

In the London & International bus division, passenger demand risk is borne by our transport authority clients. Contractual payments have been maintained through the crisis at pre-COVID-19 levels with variable cost savings being returned to the clients and funding towards additional costs provided where necessary. Mileage has now reverted to pre COVID-19 levels or in some cases more to allow for social distancing. Whilst all clients are expected to come under some financial pressure, there is no evidence that this will have an immediate impact on contractual payments or financial support. Consequently, the base case for the London & International bus division is consistent with pre-COVID-19 operational performance.

In rail, Southeastern is contracted to remain under its EMA for the duration of its franchise which extends beyond the assessment period. GTR is contracted to remain under the recently signed Emergency Recovery Measures Agreement (ERMA) for the duration of the assessment period. In our German rail operations contractual payments are protected and passenger revenue risk is borne by the transport authority client. Our forecasts assume that revenue support from the Norwegian Government will continue as long as necessary for our rail operation in Norway.

In reaching its conclusion on the going concern assessment, the Board considered the findings of the work performed to support the statement on the long term viability of the Group.

Reasonable worst case scenario

As noted in the viability statement, this included assessing forecasts of severe but plausible downside scenarios related to our principal risks, notably the extent to which the recovery in passenger demand and levels of government support are less favourable than assumed in our base case forecasts.

The reasonable downside scenario assumptions used were:

Regional bus

A)

- Slower recovery of passenger demand in regional bus with passenger demand increasing to only 80 per cent of pre-COVID-19 levels and service levels commensurate with that demand.
- The ceasing of government support from December 2020 except for the Bus Services Operators Grant (BSOG) and concessionary travel income.
- Under this scenario mitigating actions are required via cost reductions.

B)

- Passenger demand remains below 85 per cent of pre-COVID-19 levels;
- CBSSG support remaining in place until June 2021.
- Under this scenario (which may be likely if a second lockdown occurs) no mitigating actions are required as service levels would be held at constant levels.

The CBSSG funding scenario ensures operators broadly break even. The alternative (Scenario A) of a slower recovery offset with mitigations via cost reductions if passenger demand does not return gives a broadly similar expected outcome.

London & International bus

- Reduced contractual income and lower Quality Incentive Contract income in London bus due to lower passenger demand and financial pressures on Transport for London.

Rail

- As a result of EMA and ERMA support, all cash remains restricted in our UK rail businesses for the duration of the assessment period.
- Operational issues in our German rail operation lead to higher operational losses than those already included in the base case.
- Government support for our Norwegian rail operations ceases despite passenger demand recovering more slowly than our base case assumes.

In addition to the base case and the reasonable worst case scenario as detailed, the Board has reviewed reverse stress tests, in which the Group has assessed the set of circumstances that would be necessary for the Group to breach the limits of its covenant tests. These are explained in the section on liquidity and covenant testing overleaf.

Going concern continued

Liquidity and covenant testing

The Group has no debt maturities ahead of 2024. We have a strong balance sheet and good liquidity with adjusted net debt at 27 June 2020 of £965.9m (around £321.6m on a pre-IFRS 16 basis) and unutilised facilities and cash of £229.8m at the year end.

Funding is covered by a £250m corporate bond, which matures on 6 July 2024, and the Revolving Credit Facility of £280m which matures in July 2024 (a further one-year extension is available which if exercised would extend the maturity to July 2025). These arrangements extend beyond the viability review period.

The Bank of England has also confirmed our eligibility for up to £300m additional financing through its Covid Corporate Financing Facility (CCFF). This has not been utilised and its use is not included in any of our forecasting and modelling.

We maintain a positive dialogue with our lenders and keep our current facilities under review. In the final quarter of the year, Moody's and S&P reaffirmed credit ratings at Baa3 and BBB-, respectively; both consider the Group's outlook to be stable.

Our primary bank covenant continues to be assessed on a pre-IFRS 16 basis. At the year end, adjusted net debt was £321.6m on a pre-IFRS 16 basis (2019: £270.3m). Consequently, reflecting a reduction, adjusted net debt to EBITDA was 1.96 times, comfortably within our target range and allowing adequate headroom on our primary bank covenant of 3.5 times. Our covenants are measured twice a year, at full year and half year, and are measured under frozen accounting standards and therefore exclude the effects of IFRS 16.

Under the modelled scenarios as detailed above, positive liquidity headroom exists throughout the going concern period and the Group remains in compliance with its covenants.

In addition to the base case and the reasonable worst case scenario, the Board has reviewed reverse stress tests, in which the Group has assessed the set of circumstances that would be necessary for the Group to breach the limits of its covenant tests. Covenants would be breached before the Group breaches the limits of its borrowing facilities.

Even in the most severe of the downside scenarios as detailed above, there remains sufficient liquidity with minimum thresholds achieved throughout the going concern period after taking account of controllable mitigating actions.

In applying the reverse stress test to this the directors have concluded that the set of circumstances required to exhaust this level of liquidity are considered to be remote.

Mitigating action

The Board has considered all mitigations that would be within their control if faced with a short term material EBITDA reduction that would reduce covenant headroom. These include cost efficiencies, additional restructuring, reduction or postponement of capital expenditure, extended suspension of dividend payments, and sale of other assets. Whilst these mitigating actions cover the entire business, they are particularly focused on the regional bus division where, in the absence of further government funding, revenue risk is reintroduced as well as the opportunity to vary costs.

Other mitigations could be considered in more severe circumstances, including requests for amendments or waivers of covenants, raising further equity, sale and leaseback of vehicles, disposal of properties and disposal of investments or other assets.

Restructuring

A review of operations of the regional bus business to address the challenge on longer term reductions in passenger demand was considered. Regional bus business developed optimal solutions in a scenario where passenger demand only built back up to between 80 and 90 per cent of pre-COVID levels, delivering variable cost reductions along with specific targeted restructures of parts of the business. These reductions would include reduction in service levels across the network to match demand, cessation of operation of marginal cost routes', back office and discretionary spend reductions and specific items such as depot and outstation closures. All of which are within the control of the business.

Capital expenditure

Consideration was given to altering existing capital expenditure plans by leasing all vehicles originally planned to be purchased during the 2021 financial year. Beyond year one of our Corporate Plan, £50–£60m of capital expenditure is forecast in regional bus each year which could be postponed or leased, reducing the overall levels of debt.

Going concern statement

The directors have assessed, in light of current and anticipated economic conditions, the Group's ability to continue as a "going concern". The directors confirm they are satisfied that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the "going concern" basis in preparing the Annual Report and Accounts.

Governance

In this section

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Setting the benchmark for high standards

Clare Hollingsworth
Chairman

Dear Shareholder

I am pleased to present my first corporate governance report as Chairman of Go-Ahead. Since joining the business, I have been reassured to see how Go-Ahead's governance framework is integral to everything we do. It sets the benchmark for high standards and ensures Go-Ahead's culture and values are led from the top. This is evident not only with the Board, but throughout the business into all our operating companies, which is particularly important given our devolved management structure.

I hope this report will provide you with an overview of the way in which the Board has operated over the last year and insights into how our robust corporate governance principles underpin the decisions we take.

COVID-19

The timing of this report coincides with the ongoing COVID-19 pandemic and you will have read in the strategic report about the actions we have taken as a business.

As a Board, we have adapted quickly to these unprecedented times, holding weekly meetings during the peak of the crisis. Our purpose is to be the local partner taking care of journeys that enhance the lives and wellbeing of our communities across the world. This has driven the actions we have taken within our governance framework, with our devolved operating model proving invaluable at providing a tailored response quickly to the communities we serve.

The Board's collective values, experience and diversity of viewpoint have been important during this time as we guide the business through the crisis and beyond and return to a position of strength. I would like to thank my Board colleagues for their time and commitment both in and outside of the boardroom over the last year, but particularly over the last few months.

Recognising the scale of the impact of COVID-19 and the ongoing significant levels of uncertainty, we have gone back to examine the fundamentals of the way we operate, challenge our assumptions and test our beliefs, to find the best way to emerge from this crisis and become stronger for the longer term.

Corporate governance

Last year's report explained how already we complied with many of the changes introduced by the revised UK Corporate Governance Code published in July 2018 (the Code) and during the year we have continued to make further changes to embed best practice governance throughout the business.

This is the first year in which Go-Ahead has reported under the Code and our statement of compliance can be found on page 65.

Go-Ahead has always sought to build a good reputation for corporate governance, adopting best practice and reporting. I am committed to upholding this ambition, and ensuring we continue to meet our responsibilities and duties both to our stakeholders and the communities we serve.

Board and committee changes

Good succession planning and the composition and diversity of the Board and its committees are an integral part of good governance and board effectiveness. Over 50 per cent of our Board roles are now held by women and the nomination committee regularly reviews Board composition, structure and executive succession to ensure that the right skills, experience, behaviours, characteristics and diversity are in place, and that any refreshment of the Board is well planned. Biographical details of Board members and their skills, experience and contributions can be found on pages 66 and 67.

As reported last year, our succession planning resulted in a number of changes to the Board and our committees following the 2019 AGM, including my appointment as Chairman. Further details are provided on page 79 of the nomination committee report. Since joining the Board, I have undertaken a comprehensive and tailored induction, details of which can be found on page 75.

Board effectiveness

The Board appointed Independent Audit Limited to undertake an external effectiveness review this year. While unfortunately this work had to be postponed due to the onset of COVID-19, we resumed the review as soon as possible. Fortuitously the delay gave us a valuable opportunity to assess how the Board performed during the crisis and any key learnings can be used to strengthen our performance going forward.

At the time of writing this report, the review is not finalised but is nearing completion and you can find further information of the process we have undertaken, in addition to the Board's review of progress against the actions from last year's internal review, on page 77.

Stakeholder engagement

The Board has always placed great importance on listening to all our stakeholders and we have established processes in place to make sure that their voices are heard and inform the decisions we take.

This has been particularly important during the COVID-19 crisis, where feedback from stakeholders has been at the forefront of the Board's deliberations. It has been clear that the partnerships built before the crisis have served us well, as we have collaborated with stakeholders to resolve issues and create the best solutions together. An overview of how and why we engage with our stakeholders, the key topics raised, together with examples of how we responded, can be found on pages 22 to 25.

Earlier in the year, the Board also reviewed the arrangements we introduced last year for workforce engagement. As a result, Harry Holt was appointed as the non-executive director responsible for workforce engagement. You can read more about these arrangements and how they support better engagement on page 70.

Sustainability and the community

We are determined to drive positive change both within our business and in partnership with suppliers, customers, local government, investors and local communities. Our strategy and business model aim to deliver sustainable growth for all stakeholders including the communities we support. You can read more about how environmental, social and governance (ESG) factors are integral to our decision-making process and management of our business throughout the strategic report on pages 1 to 62.

Looking ahead

The decision not to make an interim or final dividend payment for the 2020 financial year was not taken lightly. It was made with the intention of strengthening our balance sheet and maximising liquidity at a time of unprecedented uncertainty. We thank our shareholders for their continued support during this time. The business has always enjoyed proactive engagement with investors and appreciates their understanding in allowing management the time and space to stabilise the business and start to work through the implications of the pandemic for the future.

The AGM this year will be held later than usual on 24 November 2020. Unfortunately, because of the ongoing difficulties in holding meetings during the current lockdown, the Board has taken the decision to adapt the format of this year's AGM and shareholders will not be able to attend in person. This has been a difficult decision, but one taken with the safety of our shareholders in mind. Details of the arrangements, including how shareholders can vote electronically and submit questions in advance, can be found on page 78.

Our focus over the year ahead will be to continue to develop our strategic response to the unprecedented challenges we are facing. We will be relentless in our efforts to return public transport back to its rightful place: being recognised as the safe and most sustainable mode of travel for the communities we serve. To do this, maintaining a safe working environment for our colleagues and a safe travelling environment for our customers will be key, as will working in partnership with our different stakeholders.

The Board understands the importance of dividends to Go-Ahead shareholders and will continue to assess the appropriate timing for the resumption of dividend payments, taking into consideration the Group's financial performance and level of Government support, balance sheet strength and outlook. In the meantime, the Board will strive to ensure that we make the right decisions to support the long term sustainable success of our business.

Clare Hollingsworth
Chairman

23 September 2020

Compliance with the 2018 UK Corporate Governance Code (the Code)

It is the view of the Board that The Go-Ahead Group plc substantially complies* with the principles and provisions of the July 2018 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (available from www.frc.org.uk). Further information on how Go-Ahead applied the principles and provisions throughout the year can be found as follows:

Section 1 – Board leadership and Company purpose

- Chairman's introduction to corporate governance — Page 64
- Board of directors — Page 66
- Board leadership and purpose — Page 71
- Shareholder and stakeholder engagement — Page 73
- People and culture — Page 73
- Workforce engagement — Page 70

Section 2 – Division of responsibilities

- Governance framework — Page 68
- Roles and responsibilities — Page 68
- Independence and time commitments — Page 80
- Information and support — Page 74

Section 3 – Composition, succession and evaluation

- Board evaluation — Page 76
- Nomination committee report, including:
  - Chairman's letter — Page 79
  - Board composition and succession planning — Page 79
  - Diversity and inclusion — Page 80
  - Annual re-election of directors — Page 81
  - Gender pay gap reporting — Page 80

Section 4 – Audit, risk and internal control

- Audit committee report, including:
  - Chairman's letter — Page 82
  - Risk management and internal controls — Page 85
  - Fair, balanced and understandable — Page 87
  - External audit — Page 88
  - Risk management — Page 50
  - Viability statement — Page 59
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Section 5 – Remuneration

- Directors' remuneration report, including:
  - Chairman's annual statement — Page 90
  - Remuneration 2020 at a glance (including summary of the remuneration policy) — Page 95
  - Annual report on remuneration — Page 99

* We are currently working towards implementing Provision 36 of the Code, where a formal policy for post-employment shareholdings will be introduced in conjunction with the new remuneration policy vote at the 2021 AGM. More details will be included in next year's Annual Report and Accounts.

Board of directors

Clare Hollingsworth, Non-Executive Chairman

N R

Appointment: Clare Hollingsworth joined the Board as Non-Executive Chairman Designate on 1 August 2019 before becoming Non-Executive Chairman of the Group on 31 October 2019.

Independent: On appointment.

Relevant skills, experience and contributions: Extensive Board experience both at executive and non-executive level across a range of sectors, including safety critical businesses in rail, aviation and healthcare. Worked nationally and internationally, and within different ownership models. Significant stakeholder management experience, including across regulators and UK Government. Former Non-Executive Chairman of Eurostar International Ltd, Non-Executive Director at Savills plc and Assura plc and CEO of Caledonian Airways Ltd, Bupa Hospitals Ltd and Spire Healthcare Ltd.

Other appointments: Non-Executive Director of UK Government Investments and Molnlycke AB and Senior Independent Director of The LTA.

David Brown, Group Chief Executive

Appointment: David Brown was appointed to the Board as Deputy Chief Executive on 1 April 2011 before becoming Group Chief Executive on 3 July 2011.

Independent: Not applicable.

Relevant skills, experience and contributions: With over 37 years of experience in the bus and rail industry, David offers a wealth of commercial, financial and general management experience. He has extensive practice of leading and growing businesses, both in the UK and overseas, and for delivering transformational change. David has an in-depth knowledge of the Group's operations and markets, which helps him to lead the business and be a key contributor to Board discussions. He regards stakeholder and shareholder engagement crucial and spends considerable time hosting colleague briefings and maintaining sector-wide relationships in the transport industry.

David has previously served as Managing Director of Surface Transport at Transport for London and as Chief Executive of Go-Ahead's London bus business.

Other appointments: Director of Rail Delivery Group Limited, Director of ATOC Limited (Chairman of the remuneration committee) and Senior Independent Director of Renew Holdings plc (Chairman of the remuneration committee and member of the nomination and audit committees).

Elodie Brian, Group Chief Financial Officer

Appointment: Elodie Brian was appointed to the Board as Group Chief Financial Officer on 5 June 2019.

Independent: Not applicable.

Relevant skills, experience and contributions: Elodie graduated from the HEC School of Management, and has over 16 years of experience in financial management. She has extensive international capability and contributes considerable financial insight to the Board from the perspective of consumer markets. Elodie has wide-ranging knowledge of the rail industry and financial negotiations, gained in part from spending over ten years working at Southeastern Railway, latterly as the Finance and Contracts Director. She brings a high level of probity and a sharp awareness of risks to the Board, and her comprehensive understanding of the financial position of the Group is invaluable when engaging with shareholders.

Elodie has a proven track record of driving and delivering results and her extensive knowledge and technical experience of accounting principles, financial planning and analysis to support operating/commercial decisions are critical in Board discussions and in serving the long term interests of the Group.

Other appointments: None.

Adrian Ewer, Senior Independent Director

N A R

Appointment: Adrian Ewer joined the Board on 25 April 2013 and succeeded Katherine Innes Ker as Senior Independent Director with effect from 31 October 2019.

Independent: Yes.

Relevant skills, experience and contributions: Adrian is a chartered accountant who brings extensive experience gained from senior financial roles at a number of financial services and listed companies. He also has comprehensive knowledge of public transport infrastructure and investment gained in part from his seven years as CEO at John Laing plc. Adrian's extensive board experience and understanding of different points of view and business circumstances underpin his appointment as Senior Independent Director.

Adrian brings to the Board a wealth of proficiency in major long term contracts. He displays strong customer focus and aptitude for finance and strategy and, as a fellow member of the Institute of Chartered Accountants in England and Wales, ensures that the Board has access to sound, recent and relevant financial information.

Other appointments: None.

Key Executive directors | Chairman and non-executive directors | Group Company Secretary and Committee Secretary

N Nomination committee | A Audit committee | R Remuneration committee | Committee Chair

Leanne Wood, Non-Executive Director

N A R

Appointment: Leanne Wood joined the Board on 23 October 2017 and succeeded Katherine Innes Ker as Remuneration Committee Chair with effect from 31 October 2019.

Independent: Yes.

Relevant skills, experience and contributions: Leanne's contribution to the Board is enhanced by her broad expertise in leading corporate strategy and organisational transformation obtained while working in senior roles at major consumer brands, including Burberry and Diageo. She has a particular strength for customer insight, which is key in leading Board discussions on stakeholder engagement and considering the views of the workforce. Her ability to consider the consequences of remuneration decisions, drawing on her understanding of the employee and wider business perspectives, allows her to be an effective Remuneration Committee Chair.

Leanne has extensive corporate experience working in several international executive roles. She is a graduate of the University of Cambridge, holding both a Master of Arts and an MBA from Institut Européen d'Administration des Affaires (INSEAD).

Other appointments: Chief Human Resources Officer at Vodafone Group plc and non-independent Non-Executive Director of Vodacom (member of the remuneration and nomination committees).

Harry Holt, Non-Executive Director

N A R

Appointment: Harry Holt joined the Board on 23 October 2017 and is the non-executive director responsible for workforce engagement.

Independent: Yes.

Relevant skills, experience and contributions: After a distinguished career in the British Army, Harry is now a proven business leader having fulfilled a number of senior executive positions at Rolls-Royce. Most recently he was President of their Nuclear Business Division, before taking up his current role as Chief People Officer, leading an ambitious transformation and restructuring programme across the company. He is skilled in all aspects of leadership, with a deep and practical experience of leading large organisations through change to successful attainment of their strategic ambitions. Harry brings to the Board a broad range of experiences and capabilities including: operational management, strategy, health and safety, employee engagement and cultural transformation.

Harry previously served eight years as Chairman of the Royal Foundation's Endeavour Fund, complementing his listed company experience with a non-corporate perspective.

Other appointments: Chief People Officer at Rolls-Royce plc and Chairman of Rolls-Royce Submarines Limited.

Katherine Innes Ker, Non-Executive Director

N

Appointment: Katherine Innes Ker joined the Board on 9 July 2010 and was appointed as Remuneration Committee Chair in February 2012 and Senior Independent Director in April 2013. Katherine stepped down as Senior Independent Director and Remuneration Committee Chair on 31 October 2019 and will be standing down from the Board after the 2020 AGM.

Independent: No.

Relevant skills, experience and contributions: Katherine has a strong track record of delivering operational excellence and has significant experience in financial, commercial and strategic roles. Her experience of working with major listed companies both at executive and non-executive levels allows her to have a deep insight into the impact of strategic changes on the bus and rail transport sectors and brings a highly knowledgeable perspective to the Board's business discussions.

Katherine also contributes helpful insights to shareholder relations through the differing perspectives gained in her various roles. She is a graduate of Oxford University, holding both a Master's degree in Chemistry and a Doctorate in Molecular Biophysics.

Other appointments: Non-Executive Chairman of The Mortgage Advice Bureau (Chairman of the remuneration and nomination committees and member of the audit committee), Senior Independent Director of Forterra plc (Chairman of the remuneration committee and member of the audit and nomination committees), Non-Executive Director of Vistry Group PLC (member of the remuneration, audit and nomination committees) and Independent Chairman of the remuneration committee, Balliol College, Oxford.

Carolyn Ferguson, Group Company Secretary

N A R

Appointment: Carolyn Ferguson was appointed as Group Company Secretary on 1 July 2006.

Independent: Not applicable.

Relevant skills, experience and contributions: Carolyn is an experienced Company Secretary and governance professional with a proven track record of working with the Group Board and senior management team to the highest of ethical and professional standards, supported by robust corporate governance principles. She is also an effective driver of pensions de-risking strategy for the Group's defined benefit bus schemes. She is a Fellow of the Institute of Chartered Secretaries and Administrators and a qualified and practising coach and mentor. Carolyn began working for the Group as Assistant Company Secretary in 2001, before being appointed to Group Company Secretary in 2006. Her previous employment includes working for Northern Electric, predominantly in the field of pensions.

Other appointments: Non-Executive Director of Better Boards Ltd and Trustee Director of The Go-Ahead Group Pension Plan.

Governance framework

The Board is responsible for maintaining a strong and effective system of governance throughout the Group.

Experienced leadership

As illustrated in our governance framework on pages 68 and 69, the Group operates a devolved operating model. Day-to-day management of the Group's activities, governance and oversight has been delegated to the executive directors. They are supported in this role by a team of highly skilled and experienced senior managers who are encouraged and empowered to operate our subsidiary companies as autonomous business units.

The senior management team comprises the managing directors of each operating company, along with individuals responsible for the key centralised Group functions. Further details of our senior management team can be found on our website. The executive directors meet with the senior management team on a monthly basis, through local operating company board meetings and Group executive committee meetings. These more formal meetings are supported by several cross-business forums that serve to facilitate the sharing of knowledge, ideas and best practice. These meetings and forums are an essential part of the Group's devolved management approach, facilitating quality discussion and decision making while also preserving the management and autonomy of local operations within the Group's core beliefs and attitudes. We believe that this approach encourages the right balance between local and Group initiatives and facilitates the sharing of best practice and expertise across the Group, while ensuring that we deliver more operating collectively than we would independently.

Delegation

The Board – roles and responsibilities

Go-Ahead is led by a Board which is responsible for creating and delivering long term sustainable value for the business. The Board is accountable for balancing the varying interests of the business, including those of our shareholders, colleagues and customers and the communities we serve.

Chairman

- Leads the Board, sets the agenda and promotes a culture of open and constructive debate
- Ensures individual director and collective Board effectiveness and Board succession planning
- Promotes the highest standards of corporate governance, in line with best practice
- Ensures effective engagement with all stakeholders, including shareholders and colleagues
- Ensures Board decisions are taken on a sound and well-informed basis

Non-Executive Directors

- Contribute to strategy development
- Scrutinise and challenge management's execution of strategy within the Group's risk appetite and control framework
- Provide a range of external perspectives and encourage robust debate

Senior Independent Director

- Provides a sounding board to the Chairman
- Appraises the Chairman's performance
- Acts as an intermediary for other directors, if needed
- Available to respond to shareholder concerns when contact through the normal channels is inappropriate

Board committees – roles and responsibilities

Delegated to by the Board and responsible for maintaining effective governance. The detailed responsibilities of the Board's three committees are set out in their terms of reference, available on our website.

Nomination committee

Ensures the Board and its committees have the correct balance of skills, experience and behaviours and that appropriate succession plans are in place

Read more on **pages 79 to 81**

Senior management team – roles and responsibilities

Responsible for executing strategic objectives and realising competitive business performance within our risk management framework, compliance policies, internal control systems and reporting requirements.

Operating company boards

- Operate autonomously and led by local senior management
- Board meetings held on a monthly basis with the executive directors chairing
- Local senior management report to the executive directors directly on management issues including risk
- Local senior management ensure operating compliance with Group policies and procedures
- Acting as an intermediary with the Board, executive directors ensure there is meaningful two-way feedback with operating company boards

Corporate governance

Accountability

Group Chief Executive

- Leads the senior management team, including development and succession planning
- Promotes the Group's purpose, vision and culture agenda
- Ensures the execution of strategy, with responsibility for the Group's overall performance
- Facilitates effective two-way communication between the Board, the business and the workforce

Group Chief Financial Officer

- Supports the Group Chief Executive in implementing the Group's strategy
- Provides strategic and financial guidance to ensure that the Group's financial commitments are met
- Responsible for the preparation and integrity of financial reporting
- Ensures maintenance of effective internal controls and risk management procedures

Group Company Secretary

- Acts as independent advisor
- Responsible for corporate governance, good information flows and ensuring best practice
- Provides a sounding board for all directors
- Supports the Chairman to facilitate induction programmes, Board development and effectiveness

Audit committee

Oversees the Group's financial reporting, maintains an appropriate relationship with the external auditor and monitors the Group's internal control and risk management system

Read more on **pages 82 to 89**

Remuneration committee

Establishes the Group's remuneration policy and ensures there is a clear link between performance and executive remuneration

Read more on **pages 90 to 112**

Cross-business rail and bus steering groups

- Comprise the managing directors in each operating company
- Meet with the executive directors on a regular basis to explore and identify new opportunities and initiatives
- Share knowledge, experience and best practice across operations
- Supported by a number of cross-business forums including safety, engineering, HR, diversity and inclusion, commercial and marketing, customer experience, operations and finance.

Group executive committee

- Comprises senior managers responsible for the key centralised Group functions
- Meets monthly with the executive directors to review the business and policies
- Monitors and assesses the extent to which vision and culture have been embedded throughout the Group
- Identifies synergies which can then be cascaded through cross-business groups and forums
- Shares knowledge and collaborates on key Group-wide projects

Workforce engagement

Our devolved management structure means it is important that our operating companies retain autonomy and responsibility for engagement with their own colleagues. The changes we made to improve the Board's engagement with our workforce have necessarily sought to preserve this.

Last year we introduced a process whereby acting as intermediary for the Board, operating companies were delegated responsibility for ensuring that there was an effective mechanism for genuine two-way engagement between their operating company boards and colleagues. Feedback generated from each operating company was shared with the Board. In turn, the Board reviewed this feedback and considered what Board information should be cascaded back to the operating companies for them to share with their colleagues.

These more formal feedback channels are supplemented with the Board's rolling programme of visits to Go-Ahead's operating companies, which are an important part of the Board's engagement with colleagues across the business. During the year, the Board visited Go North East, Go-Ahead Ireland and Plymouth Citybus, in addition to the Chairman's introductory visits to a number of businesses. While further visits were planned, those that had to be postponed as a result of the COVID-19 crisis will be rescheduled over the coming year. By spending time with management, customer-facing and operational colleagues, the Board can hear first hand about the work and initiatives underway and gain understanding into how our values and culture are being brought to life in a day-to-day setting. These valuable insights are then taken back to the boardroom and factored into the Board's deliberations.

Since Harry Holt's appointment as the non-executive director designated to review and support workforce engagement across the business, the Board has further strengthened its approach to engagement with colleagues and the wider workforce. In addition to the Board's rolling programme of operating company visits now including a specific meeting with employee forum representatives, an annual review of the effectiveness of these arrangements has also been introduced. The Board believes it is important for these arrangements to be effective and provide a genuine means of two-way engagement with the workforce.

At the Board's visit to Plymouth Citybus earlier in the year, Harry commented:

"The Platinum status accreditation Plymouth Citybus received under the Investors in People programme was a key area of discussion on the Board's visit. Understandably they are all very proud of this achievement – as indeed they should be – but it was fascinating to learn about all the hard work that had gone into this success. As we walked around the business, talking to many colleagues, it was easy to see why this accreditation had been earned and what a significant difference it had made to employee engagement. It was also no coincidence that the customer satisfaction scores were so strong. There is a lovely virtuous circle between leading your people well, high levels of employee engagement and excellent customer satisfaction. The Plymouth Citybus team are firmly in that sweet spot and my thanks to the great team there for an informative and enjoyable visit."

Whistleblowing, fraud and anti-bribery procedures

At Go-Ahead, we are committed to the highest standards of ethical conduct, honesty and integrity in our business practices. The Board recognises that transparent communication is essential to maintain our business values and is supportive of a culture where there is genuine means for the workforce to raise any concerns. During the year, in line with the revised UK Corporate Governance Code published in July 2018, the Board reviewed the whistleblowing policies in place across the Group. Our findings were positive, confirming that our policies were comprehensive and accessible, providing colleagues with the opportunity to raise concerns about any form of wrongdoing in confidence, anonymously and with protection from retaliation.

The Group also has zero tolerance of corruption, fraud, criminality (including financial crime), or the giving and receiving of bribes for any purpose. The Group's Code of Conduct sets out what is expected from colleagues and stakeholders to ensure they protect themselves as well as the Group's reputation and assets. Additionally, the Group has tailor-made online training for competition law, anti-bribery and corruption, which colleagues in high-risk areas (including the Board and senior management) are required to complete periodically. Any breach of procedures will be regarded as serious misconduct, potentially justifying immediate dismissal.

Board governance

Our Board is collectively responsible for creating and delivering the long term sustainable success of the Group, generating value for stakeholders and contributing to wider society.

The Board's role

The Board has responsibility for leading the Group and to ensure its long term success, taking into consideration the views and interests of all stakeholders. The Board sets the Group's strategy to deliver on its purpose, within an agreed risk appetite, ultimately ensuring implementation within our risk management and governance framework. The Board's role is integral to the Group's values and culture.

In conjunction with the appointment of a new Chairman, the Board undertook a comprehensive review of board policies and procedures, including the roles and responsibilities of the Chairman, the Group Chief Executive and the Senior Independent Director, the schedule of matters reserved for the board, terms of reference for all committees and the board's delegated authorities policy. A full description of the Board's role, including its specific responsibilities, is available on our website.

The size and composition of the Board and its committees is kept under review by the nomination committee to ensure there is an appropriate balance of capabilities, business experience, independence and diversity on the Board and its committees to meet the Group's business needs.

Board meetings

The Board agenda is set in collaboration between the Chairman, Group Chief Executive and Group Company Secretary. Pre-agreed meeting agendas, supported by the Board's Forward Planner, ensure time is balanced between different elements of our strategy and operational performance, as well as the Board's wide-ranging governance and regulatory responsibilities.

Ensuring there is sufficient time allocated to key strategic decisions is an important consideration to enable directors to discharge their duties fully and effectively.

A clearly defined schedule of matters reserved for the board and the Group Company Secretary ensures all board procedures are complied with. To allow directors to utilise their time and skills effectively at Board meetings, papers are circulated securely and electronically to all directors a week before each meeting.

Members of the senior management team and advisors are regularly invited to attend and present at meetings, providing the non-executive directors with a broader perspective and insight.

The Board holds nine scheduled meetings a year including a meeting dedicated exclusively to discussing the Group's strategy. Informal meetings and Board dinners are held usually either before or after Board meetings to allow directors to spend more time together, enabling a healthy boardroom culture that encourages open, transparent and constructive debate. Unscheduled meetings are held as required where topics warrant more time or decisions need to be made outside of the normal cycle of meetings. At the height of the COVID-19 crisis, for example, the Board was holding weekly meetings.

Each director is expected to attend all meetings of the Board and of those committees on which they serve and is required to be able to devote sufficient time to the Group's affairs allowing them to fulfil their duties effectively as directors.

Considering stakeholders in our decision-making

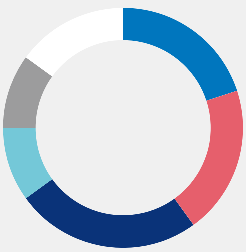
The Board believes that listening and engaging effectively with our key stakeholders is critical to ensuring the right decisions are made which take into account their needs and priorities. Our stakeholders' interests are therefore considered as part of the Board's decision-making processes throughout the year, in addition to receiving more formal stakeholder updates as part of our established reporting process twice a year. In these updates, the Board undertakes a review of the Group's key stakeholders, including why we engage, how we engage, key topics of engagement and how this engagement informs our decisions.

Our devolved management operating model is also a key feature of the Board's decision making process, with the executive directors who sit on the board of each operating company acting as an intermediary with the Board, ensuring there is two-way feedback between the Board and operating company boards. In line with this approach, the viability of a number of principal decisions (for example, acquisitions, disposals and major capital investments) will first be considered at operating company board meetings. If approved, the executive directors will then submit a proposal to the Group Board. This process supports the Board performing its duties in compliance with section 172 of the Companies Act 2006.

Key focus areas

Examples of some of the key matters considered by the Board during the year are set out below. Each scheduled Board meeting includes a report from the Group Chief Executive, including safety, operational and overall business performance and a report from the Group Chief Financial Officer including financial performance, cashflow and net debt, analysts' reviews, share price performance, analysis of the shareholder register and shareholder feedback.

Allocation of time



Strategy formulation and monitoring

An important focus area during the year has been the execution of our international strategy. This routinely involves the Board reviewing target opportunities in the current and future pipeline, approving the allocation of resources to support the growth plan, target bid and contract reviews and monitoring performance against plan.

In response to the mobilisation challenges within our German rail operations, the Board has taken decisive action to turn around performance and decided to pause development activities in new international rail markets while further consideration is given to our strategic options. Supplementary to this, the Board has also undertaken a detailed governance review to see what lessons can be learned going forward.

The timing of the annual Board Strategy Day also enabled the Board to reconsider our strategy with its three strategic pillars against the backdrop of COVID-19, and test whether it remained relevant. Although at a time of great uncertainty, when the Government itself was still unclear as to how and when to start to lift the measures put in place to reduce the spread of COVID-19, the Board Strategy Day provided an opportunity to step back from the immediate impact of the crisis. As a Board we sought to navigate the current state of uncertainty by assessing a range of possible outcomes and building scenarios, which we will continue to review and develop over time.

Financial reporting, risk and controls

The Board has approved the Group's 2020 Annual Report and Accounts, ensuring they are fair, balanced and understandable, in addition to approving the half year statements and trading updates earlier in the year. A comprehensive assessment of the prospects and viability of the Group and the appropriateness of preparing the financial statements on the going concern basis has also been undertaken.

Extensive discussions have taken place on the Group's budgets and forecasting in light of COVID-19, which has included scenario modelling, capital investment, cashflow, net debt and liquidity considerations. Capital allocation and dividend policy have been reviewed in the context of COVID-19 and remain under consideration as part of the Board's wider decision-making framework.

How the Board focused on colleague engagement during the year

July 2019
The Group's Annual Management Conference provided an opportunity for the Board to meet with senior management from across the Group and operating companies

September 2019
The Chairman Designate met with senior management during her first visit to Brighton. Themed discussions took place around stakeholders and the community, diversity and inclusion, the environment and customer focus

October 2019
A visit to Go-Ahead Ireland represented the last visit from the former Go-Ahead Chairman. The Board enjoyed a meeting with the local company directors and senior management as well as touring the Ballymount and Naas depots

October 2019

Travelling in a new "X-lines" bus, the Board enjoyed a tour of the Gateshead Riverside and Consett depots, as well as receiving an executive overview presentation from Go North East directors

As part of the new Chairman's induction, she also visited Go-Ahead London, Govia Thameslink Railway and Southeastern

Health and safety and cyber security remain key risk focus areas for the Board, with regular updates and reviews of policy and KPI reporting. The Board takes its responsibility for the oversight of defining and managing risk very seriously. As well as reviewing the processes in place to calculate and manage risk effectively, the Board also regularly reviews its risk appetite statement. This year the actual and expected impact of the COVID-19 was taken into account, with modest changes made to Go-Ahead's risk appetite statement as a result.

Environmental, social and governance (ESG)
The Board recognises that there is a growing sense of urgency for businesses to do the right things and be more transparent about their impact on the world and the people in it. Our business has been responding to the changing societal and environmental trends for some time now, assessing the potential impact and interacting with our stakeholders to help shape our strategy for the future. During the year, this focus has continued with climate change being one of the Board's in-depth risk reviews and the Board's Strategy Day including a dedicated session on ensuring our environmental, societal and governance priorities are aligned to our long term sustainability. You can read more about the Group's commitment to ESG and the Board's priorities during throughout the strategic report on pages 1 to 62.

People and culture
We have continued to monitor our culture to ensure it is aligned with the Group's values, strategy and purpose. In conjunction with our operating companies, the Board spent time reviewing and strengthening its workforce engagement processes and reviewing workforce and remuneration policies.

Our reviews have been positive and consistent with the Group's values which support and reinforce a healthy culture. Further details on how the Board has strengthened its engagement with the workforce can be found on page 70.

The Board continues to believe that a healthy culture is embedded throughout the organisation through its monitoring and assessment of the Group's health and safety policy, targets and performance; colleague engagement survey results and action plans; and customer satisfaction survey results.

The nomination committee also spent time this year reviewing diversity and inclusion strategy and policy, gender pay gap reporting and how talent more broadly is nurtured and developed. You can read more on this on page 80.

Shareholders and stakeholder engagement
Actively listening to and engaging effectively with our wide variety of stakeholders is key to ensuring responsible decisions are made. Pages 22 to 25 provide insight into the views and interests of all our stakeholders who are represented in the boardroom, together with the key topics raised and examples of how we responded. The Board appreciates the need to ensure that the decisions we take create value for all our stakeholders and support creation of long term sustainable value so that, ultimately, we can continue to be a vital part of the communities we serve.

Last year, we increased the regularity of updates to the Board and improved the quality of briefings received from senior management on the key views and areas of focus for each of our stakeholder groups. This year, the Board has overseen increased levels of engagement across all stakeholder groups. This has been part of a desire to build stronger relationships that enable constructive and two-way meaningful input into Board decision making. To read more about our engagement with shareholders, see page 78.

December 2019
Harry Holt was appointed as the non-executive director responsible for workforce engagement

February 2020
A highlight of the Board's visit to Plymouth Citybus was learning from colleagues about all the hard work that had gone into the success of earning the Platinum status accreditation

March 2020
At the Board's March 2020 meeting, an update was given on rail and head office colleague engagement survey results, with actions taking place both at Group and operating companies to improve engagement

Postponed visits
Visits to Go-Ahead Ireland, Go North West and Go South Coast previously arranged between March and June 2020 as part of the new Chairman's induction were postponed due to COVID-19. These will be rescheduled once safety restrictions have been lifted

Board and committee meeting attendance

The following table shows the directors' attendance at scheduled meetings they were eligible to attend:

	Board[6]	Audit committee	Remuneration committee[7]	Nomination committee[8]
Board attendance	Scheduled	Scheduled	Scheduled	Scheduled
Total meetings	**9**	**5**	**4**	**2**
Clare Hollingsworth[1,2]	8/8 – 100%	—	3/3 – 100%	2/2 – 100%
David Brown[3]	9/9 – 100%	—	—	—
Elodie Brian[3]	9/9 – 100%	—	—	—
Katherine Innes Ker[4]	9/9 – 100%	2/2 – 100%	3/3 – 100%	2/2 – 100%
Adrian Ewer	9/9 – 100%	5/5 – 100%	4/4 – 100%	2/2 – 100%
Leanne Wood	9/9 – 100%	5/5 – 100%	4/4 – 100%	2/2 – 100%
Harry Holt[5]	8/9 – 88.9%	5/5 – 100%	4/4 – 100%	2/2 – 100%

1. The Chairman attends audit committee meetings by invitation as appropriate, which have not been included.
2. The Chairman joined the Board as Chairman Designate and member of the nomination and remuneration committees on 1 August 2019 and succeeded Andrew Allner as Group Chairman and Nomination Committee Chairman from the conclusion of the 2019 AGM.
3. The executive directors attend committee meetings by invitation as appropriate, which have not been included.
4. Katherine Innes Ker has now served on the Board for over ten years. Following the 2019 AGM, she ceased to be a member of the audit and remuneration committees (in addition to stepping down as Senior Independent Director). This ensured compliance with the 2018 UK Corporate Governance Code, which requires members of the audit and remuneration committees to be wholly independent.
5. Harry Holt was unable to attend one scheduled Board meeting on 21 January 2020 on account of the original date of the meeting being changed at short notice and the revised meeting date conflicting with a long-standing prior commitment. Harry was sent all papers in advance, with the opportunity to provide input before and after the meeting via the Group Company Secretary.
6. Unscheduled Board meetings were held on 2 August 2019, 20 March 2020, 27 March 2020, 3 April 2020 and 17 April 2020, with all but one in response to COVID-19.
7. An unscheduled remuneration committee meeting was held on 22 May 2020 to discuss executive remuneration and the impact of COVID-19.
8. An unscheduled nomination committee meeting was held on 16 April 2020 to discuss emergency cover options in response to COVID-19.

Board training and development

The Board believes that continuous director training and development supports Board effectiveness. With the ever-evolving regulatory landscape in which the Group operates, it is critical that the Board maintains a good working knowledge of the transport sector and how the Group operates within its sector, as well as being aware of recent and upcoming developments in the wider legal and regulatory environment.

To assist the Board in undertaking its responsibilities, regular presentations are provided from senior management. Examples during the year included updates on ESG, health and safety, cyber security, Section 172 and stakeholder and workforce engagement. Additionally, the Group Company Secretary provides regular updates on corporate governance, legislative and regulatory matters. An example during the year was the update provided to the Board on the evolving approaches to governance matters during the COVID-19 crisis, with key focus areas for the Board including: engagement and communication, AGMs, dividends, executive pay, financial reporting and additional capital.

Examples of other ongoing training and development opportunities provided to all directors include:

- Key focus area updates and in-depth risk reviews
- Compliance and legal briefings including competition law, anti-bribery and corruption
- Board policies and committee terms of reference
- Site visits to operating companies
- Attendance at the annual management conference
- Participation in the Board's annual effectiveness review

Directors are encouraged to be proactive and identify areas where they would like additional information to ensure that they are adequately informed about the Group.

The Board confirms that all members have the requisite knowledge, ability and experience to perform the functions required of a director of a UK premium listed company.

Information and support

The Board is supplied with high quality information, presented in a form designed to enhance Board effectiveness. A comprehensive Board Procedures Manual is maintained, which includes formal procedures for the working of the Board and its committees, delegated authorities, the timely provision of appropriate information and the duties and responsibilities of directors, including standards of conduct and compliance. Last year, a new Board Mandate was adopted which articulates the Board's purpose and accountabilities, with particular regard to the Board leading by example and demonstrating the Group's culture and values.

Directors have access to the advice and services of the Group Company Secretary and may also take independent legal and/or financial advice at the Group's expense when it is judged necessary in order to discharge their responsibilities effectively.

Board induction programme

All new directors receive an extensive and tailored induction programme either shortly before or upon joining the Board. This programme ensures that new Board members have a full understanding of the business and their responsibilities and duties as directors so that they can be effective in their roles.

Chairman induction — Clare Hollingsworth

"My induction has been well tailored and professionally organised. It has enabled me to quickly develop my knowledge of all parts of the business and to gain an understanding of the interaction between the Group's centralised functions and the devolved, autonomous operating companies."

Clare Hollingsworth
Chairman

The Chairman's induction was tailored to her role as Chairman of a public limited company, listed on the London Stock Exchange. The programme was designed to cover all regulatory and compliance aspects, in addition to ensuring the Chairman gained sufficient knowledge and understanding of the business to effectively lead the Board in its strategic discussions and oversight of the Group.

Key focus areas of the Chairman's induction:

- Board – how it leads by example, discharges directors' duties and strives for excellence.
- Strategy – how we create, deliver and manage long term sustainable value.
- ESG – how these priorities are aligned to our broader strategy.
- Risk – reviewing key risks, internal controls and the Group's articulated risk appetite.
- Stakeholders – how the Group listens to and balances the interests of different stakeholders in decision making.
- Culture – how our culture underpins our purpose, values and strategy.
- Governance and regulation – how our governance framework and regulatory compliance support the business.

The Chairman was given access to all Board and committee meeting papers, in addition to an overview of the Board's Resource Centre, where information such as the Board Procedures Manual, policies and Board Mandate can be found. Introductory meetings were arranged with each Board member and the senior management team, in addition to visits to all of the Group's operating companies. While COVID-19 has prevented the Chairman from visiting all operating companies within her first year, these will be rescheduled as soon as the current restrictions are lifted. The Chairman also met independently with some shareholders as well as the Group's key advisors, including the internal and external auditors.

Board evaluation

In line with best practice, the Board is now undertaking an externally facilitated effectiveness review.

An internal review facilitated by the Group Company Secretary has been undertaken for the last two years. These reviews have built upon the findings of the externally facilitated Board effectiveness programme which the Board last undertook three years ago. In line with best practice, the Board is now undertaking an externally facilitated effectiveness review, this time with Independent Audit Limited (Independent Audit) which has been appointed to facilitate an interview based approach. Independent Audit does not have any other connection to the Group or individual directors.

The Board believes that an interview based approach will add more value than purely a questionnaire based approach as it enables more in-depth discussion and provides for deeper insights. Of particular importance will be the opportunity to consider any changes that may be appropriate, given a change of Chairman. It will also enable the Board to reflect upon how it performed in response to the COVID-19 crisis.

The process, which was delayed at the outset due to COVID-19, is now well underway. Following initial meetings with the Chairman and Group Company Secretary, Independent Audit is meeting with each individual Board member by video-conference on a one-to-one basis. Board and committee meeting papers have been reviewed and a full suite of Board and committee meetings observed by video-conference. Independent Audit will shortly discuss its findings on an anonymous basis with the Chairman and the Group Company Secretary, following which a final report will be produced for discussion and action planning with the wider Board.

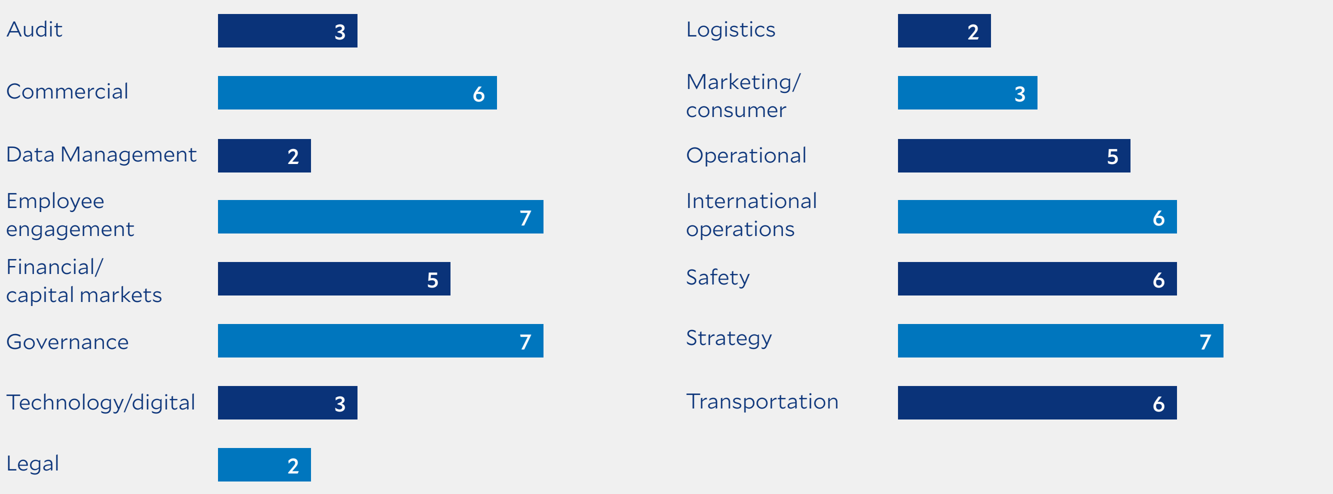
Individual director effectiveness

The Chairman also met with each director on an individual basis to discuss their personal performance and the perceived effectiveness of the Board and its committees. The Senior Independent Director will lead the process of evaluating the performance of the Chairman, in conjunction with the findings of the externally facilitated review.

Board committee effectiveness

A review of the nomination, audit and remuneration committees' effectiveness will be carried out by Independent Audit as part of the external evaluation outlined above. Findings will be disclosed in next year's report.

Board skills and experience



Progress against the principle areas of Board focus from the 2019 Board effectiveness review

The Group Company Secretary led the assessment of the progress against the principal areas of Board focus arising from last year's review and as set out on page 79 of the 2019 Annual Report and Accounts. The Board discussed these key areas at both the half year and the year end to ensure that it was making progress throughout the year, with the year end review also considering how the implementation of the actions had positively contributed to overall Board effectiveness. A summary of the Board's conclusions are as follows:

Composition and succession planning

There had been a well-managed transition and induction for the new Chairman. Senior management succession planning processes had been strengthened, in addition to a review of executive succession planning. The Board's wider succession planning will be reviewed again as part of the externally facilitated Board effectiveness review, and at the end of the Chairman's first year with the Group. The objective will be to ensure the Board remains well positioned for the future, with the right balance of skills, experience and diversity to support the Group's long term success.

Colleague and stakeholder engagement

Good progress had been made with increasing the frequency and quality of information to the Board, in addition to a strengthening of the engagement channels and processes implemented last year.

For colleague engagement in particular, the appointment of Harry Holt as the non-executive director responsible for workforce engagement had resulted in further progress being made to develop the ways by which the Board ensured there was genuine two-way engagement with the workforce within our devolved management framework. The Board's visits to operating companies also now include the non-executive directors meeting with employee forum representatives, thereby providing an opportunity for the Board to understand local themes and take key messages back into the boardroom.

People strategy and culture

The Board's oversight of the wider workforce had been enhanced through the reviews of workforce policies and practices, and diversity policy and strategy for the wider Group. These reviews supplemented the reviews the Board already undertook of a broad range of cultural indicators which included colleague engagement survey results, diversity and inclusion initiatives, graduate programmes, talent development and senior management succession planning.

Strategy and structure

The Board reviewed the impact of new business and international expansion on the current organisational model to ensure that the governance framework and resourcing would support the development and delivery of strategy. Given the challenges experienced with mobilising the rail contracts in Germany, the current arrangements for governance and resourcing are under further review.

Governance

The Board received regular governance updates during the year to ensure that the appropriate processes were in place to comply with the revised UK Corporate Governance Code published in July 2018. These included updates to the nomination and remuneration committees, where the remits of these committees in particular had been extended. A number of the measures also introduced have also supported the Board's fulfilment of its responsibilities under Section 172 of the Companies Act 2006.

Process for Board and committee evaluation

January 2020 — Board discussed and agreed that an externally facilitated evaluation should be undertaken.

February 2020 — Chairman and Group Company Secretary consider the different approaches and providers.

March 2020 — Decision to appoint Independent Audit to undertake the externally facilitated evaluation approved by the Board.

April 2020 — Review paused for COVID-19.

July 2020 — Preparatory planning meetings between Chairman, Group Company Secretary and Independent Audit.

August and September 2020— Review formally resumed with a series of interviews with individual directors conducted by video-conference.

September 2020— Independent Audit observed Board and committee meetings by video-conference, with access provided to papers in advance.

October 2020 — Draft findings and confidential feedback to be provided to the Chairman and Group Company Secretary.

November 2020— Independent Audit to discuss its final report findings with the wider Board.

November and December 2020— Priority development areas to be agreed and action plans prepared, with progress to be tracked over the year ahead (and reported on in next year's Annual Report).

Engagement with shareholders

The Board believes that effective communication and proactive engagement with shareholders is important in establishing a mutual understanding of both the Group and shareholder objectives. We place great importance on our relationships with our shareholders and continually strive to provide high levels of transparency and build trust. This commitment has been particularly important in recent months as we have sought to provide regular updates and maintain an open channel of communication between the Group and its shareholders throughout the COVID-19 pandemic.

The Group Chief Executive and Group Chief Financial Officer are the Board's principal contacts with institutional investors. The Chairman, the Senior Independent Director and the Committee Chairs are also available to shareholders to discuss strategy, governance and any concerns they may have.

The Group has a dedicated Investor Relations team which acts as the primary point of contact with the investor community. Throughout the year, we maintained open and frequent dialogue with investors, providing updates on significant events affecting the Group, including business strategy and financial performance.

The Group Chief Financial Officer and the Investor Relations team provide the Board with regular reports and updates, including analysts' reviews and analysis of the shareholder register. Output from effective two-way engagement with shareholders is an important contribution to the Board's strategic discussions.

Institutional investors and analysts receive regular communications from the Group. This includes formal full year and half year results presentations followed by meetings to promote a better understanding of the business and its strategic plans. In the intervening periods, Go-Ahead continues its dialogue with the investor community by meeting key investor representatives and attending conferences. We aim to provide access to operational parts of our business where possible, such as the site visit to our all-electric bus depot in Waterloo, London, in 2019.

We communicate with the wider investment community, including our smaller shareholders, through regulatory news releases and trading updates via the London Stock Exchange, which are also published on our website. Our corporate website, in particular the Investor section, provides a wealth of information including a dedicated results centre, access to reports, factsheets, latest news and presentations, as well as a share price analysis. Investors, and other interested parties, can subscribe to receive news through email updates by registering their details on our website, which is fully responsive to mobile devices.

Annual General Meeting (AGM)

The AGM will be held later this year on 24 November 2020. To comply with the public health and safety social distancing requirements currently in force, the AGM will be run as a closed meeting and it will not be possible for shareholders to attend in person (other than those directors designated as attending for the purposes of the quorum).

Shareholders will be able to vote and submit questions in advance and full details of the business to be discussed at the AGM will be posted to registered shareholders at least 20 working days in advance of the meeting and will also be available on our website. We will consider all questions received and, to the extent practicable, publish answers on our website.

The results of the voting will be announced to the London Stock Exchange and made available on our corporate website as soon as practicable after the meeting.

At last year's AGM, all resolutions were passed with votes in support ranging from 90.52 per cent to 99.99 per cent.

Nomination committee report

Clare Hollingsworth
Chairman

Dear Shareholder
On behalf of the Board, I am pleased to present the nomination committee's report for the year ended 27 June 2020, my first as the Nomination Committee Chairman of Go-Ahead.

Board and committee changes

I was appointed Chairman Designate with effect from 1 August 2019 and succeeded Andrew Allner as Chairman and Nomination Committee Chairman following last year's AGM. A change in Chairman is an opportunity for any company and my tailored and thorough induction programme during the year has been well paced, enabling me to quickly develop my knowledge of all parts of the business. I would like to thank my colleagues on the Board and throughout the business for the support they have provided during my transition into this role. You can read more about my induction programme on page 75. The process followed for my appointment last year is set out on page 83 of the 2019 Annual Report and Accounts.

Katherine Innes Ker has now served on the Board for over ten years. She was succeeded as Senior Independent Director by Adrian Ewer and as Remuneration Committee Chair by Leanne Wood following last year's AGM. Now Katherine has overseen the transition of my chairmanship, she will be standing down from the Board following this year's AGM. On behalf of the Board, I would like to thank Katherine for her collegiate support and valuable contribution to the business over the years.

Board effectiveness

I am pleased that the timing of our triennial external Board evaluation process coincided with the first year of my appointment. This provides me and the Board more generally with an independent perspective of our effectiveness as well as insights for how we could improve our individual and collective performance. This external review complements the individual performance discussions I have held with each director at the end of my first year.

Despite the challenges of COVID-19 delaying the start of the external process, I believed it was important that an external effectiveness review of the Board still be undertaken. In addition to supporting the committee's assessment of Board composition and succession planning, it also provides a unique opportunity to consider how the Board performed in response to the ongoing COVID-19 pandemic. Given the scale and the unprecedented nature of the crisis, we were keen to capture any direct learnings that would inform our responses to similar events in the future. More information on the external Board effectiveness review process that is now well underway can be found on pages 76 and 77 .

Board composition and succession planning

Board composition and succession planning are two key responsibilities of the committee. You will have read in my governance overview how the Board adapted quickly to the impact of COVID-19, with one immediate priority for the nomination committee being to review and agree the emergency cover succession plans for our executive directors. This was done to prepare for a situation where one or both of our executive directors were unable to fulfil their roles due to the pandemic and was supplementary to the annual review of Board succession planning.

During the year, the committee assessed the plans in place for the orderly succession to senior management positions below Board level and undertook a review of the senior management team demographic.

> **"Go-Ahead's commitment to diversity, which starts at the top, makes our business stronger, smarter and more representative of the communities we serve."**

The committee also received updates on the initiatives underway to build a diverse talent pipeline aligned to our culture and values, including executive, senior leadership and management development, executive and senior management development programmes, as well as operations management training, apprenticeship and graduate programmes.

Read more about the work we are doing in this area on **pages 28 and 29**

Board composition and succession continued

Diversity and inclusion

The Board recognises the benefits of having a diverse and inclusive Board, seeing it as essential to the success of Go-Ahead's strategy and building competitive advantage. It is the Board's belief that a diverse Board with different perspectives enhances the quality of debate and decision making to the benefit of all stakeholders. Despite being relatively small in number, the Board wants its membership to reflect as broad a combination of skills, experience, age, disability, ethnicity, gender, sexuality, education and social background as possible. When selecting new members for the Board, the committee will always take these considerations into account.

The Board believes that it has a responsibility to support the business in building a culture where everyone feels included and rewarded for the work they do and individual differences are recognised and valued. The Board's Diversity Policy forms part of Go-Ahead's Group-wide diversity and inclusion strategy which seeks to have a workforce which reflects the diversity of the communities we serve. In our colleague engagement surveys this year, it was encouraging to see that the number of colleagues responding positively to "individual differences are respected by Go-Ahead" had increased.

As reported last year, progress has been made with gender diversity on the Board. Following my appointment as Chairman, 57 per cent of Board roles are held by women. This exceeds the 33 per cent target set out in the Hampton-Alexander Review. The Board is also mindful of the recommendation of the Parker Review Report for FTSE 250 companies to have at least one director from an ethnic minority background by 2024. With no such representation on our Board presently, this will be an important consideration for the committee when next refreshing the Board.

The Board's policy also sets out our commitment to developing and strengthening our senior talent pipeline and culture to support career progression and improve diversity in all its forms. During the year, the committee started to take a more active role in setting diversity objectives, with a particular focus on ethnicity as well as gender, where targets were agreed with the committee. Supported by regular updates from the Group People Director, the committee's oversight now encompasses the Board, the senior management population, as well as the wider workforce and includes monitoring progress against these targets.

The committee has seen the positive impact our initiatives and programmes can have in providing an inclusive environment to our workforce, with our graduate and apprenticeship schemes notably bringing more ethnic and gender diversity into the business. Going forward, we will continue to focus on developing the talent pipeline across the workforce, supporting the work of the People Steering Group – a cross-business, cross-functional team created during the year.

You can read more about our Group-wide diversity and inclusion initiatives on **page 29**

Gender pay gap

We believe that the fair treatment and reward of all employees, regardless of gender, is fundamental to performing successfully as a company. Transport has historically been a male-dominated industry, which skews the balance of pay. Our businesses are working hard to improve female representation by aiming to recruit, develop and retain women at every level across the organisation.

We have recently published our third year of gender pay gap data for our bus and rail divisions. It is pleasing to note that our median pay gap across the UK bus business is 7.1 per cent, which is substantially lower than the UK average of 17.3 per cent. Our median pay gap in UK rail is 20.1 per cent.

Read more about the strategies and initiatives underway to improve the representation of women throughout our bus and rail divisions and narrow the gender pay gap on page 29.

Assessment of independence and time commitments of the non-executive directors

Following our assessment this year, the committee is satisfied that throughout the year, all non-executive directors remained independent as to both character and judgement and in accordance with the revised UK Corporate Governance Code published in July 2018 (the Code). This was with the exception of Katherine Innes Ker who is designated as a non-independent non-executive director, having served for more than ten years on the Board. The committee gave specific consideration to Adrian Ewer's continuing independence given his tenure now exceeds seven years and is confident that he continues to demonstrate independent judgement in all Board discussions.

Before appointing prospective directors, the Board takes into account the other demands on the directors' time and any significant time commitments are disclosed prior to appointment. The letters of appointment for the Chairman and non-executive directors set out their expected time commitments to the Group. Any additional external appointments following appointment to the Board require prior approval by the Board in accordance with the Code.

This year, full consideration was again given to the number of external appointments held by the non-executive directors, including the time commitment required for each. The nomination committee did not identify any instances of overboarding and confirms that all individual directors have sufficient time to fulfil their responsibilities and are fully engaged with the Group's business. This was particularly evident by the additional time each non-executive director devoted during the peak of the COVID-19 pandemic and beyond. No approvals were sought during this year for any external appointments. The full list of external appointments held by our directors can be found on pages 66 and 67.

Annual re-election of directors

As required by the Code, all directors will be subject to re-election at the next Annual General Meeting (AGM) except for Katherine Innes Ker who will stand down from the Board after this year's AGM. Details setting out why each director is deemed to be suitable for reappointment, and how their contribution continues to be important to the Group's long term success, can be found on pages 66 and 67.

Looking ahead

The committee's focus over the year ahead will be to continue to build a more diverse and inclusive business. This is more important than ever, as we work closely with the communities we serve to plan and operate transport systems that fully meet all stakeholders needs.

Board and senior management succession planning and strengthening our senior talent pipeline and culture to support career progression and improve diversity in all its forms will also remain key priorities. We look forward to considering the findings of this year's external Board effectiveness review, as well as monitoring our compliance with the Code.

Clare Hollingsworth
Nomination Committee Chairman

23 September 2020

Nomination committee

Membership

- During the year, the nomination committee comprised the Committee Chairman (Clare Hollingsworth), three independent non-executive directors (Adrian Ewer, Harry Holt and Leanne Wood) and one non-independent non-executive director (Katherine Innes Ker)

Meetings

- The committee usually meets at least twice a year. This year, one additional meeting was held to discuss emergency cover options in response to COVID-19. Attendance by members at committee meetings can be found on page 74
- By invitation, the Group Chief Executive, Group Chief Financial Officer and Group People Director regularly attend meetings, with presentations from external advisors as appropriate

Key responsibilities and terms of reference

- Board and committee composition, structure and size
- Balance of skills, knowledge, experience and diversity
- Review of time commitments and external directorships
- Leading the process for Board appointments
- Board diversity policy and targets
- Group-wide diversity policy and targets
- Gender pay gap results
- Oversight of the leadership talent development pipeline
- Board evaluation
- Committee effectiveness, including terms of reference

The committee's terms of reference are reviewed annually and approved by the Board. During the year, the terms of reference were updated in accordance with best practice and a copy is available on our website or upon request from the Group Company Secretary.

Key focus areas during the year

- Tailored induction for the new Chairman (see page 75)
- Compliance with the Code and committee remit
- Board and senior management succession planning
- Talent management and leadership development oversight
- Board and Group-wide diversity policy, strategy and targets
- External Board effectiveness review

Conflicts of interest

- The committee keeps under annual review any conflict or potential conflict of interest situations authorised by the Board in accordance with the Group's articles of association and Conflicts of Interest Policy
- Following a review of the above in 2020, the committee concluded that no changes were required to the conflicts register

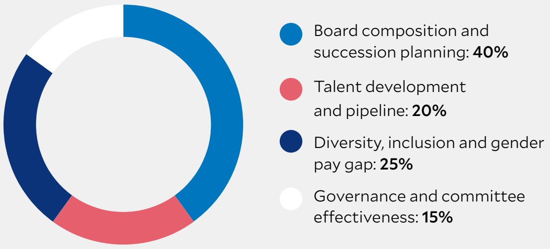
Effectiveness

- The internal review of the committee's effectiveness last year concluded that the committee was fully effective in discharging its duties and responsibilities. The review this year is being carried out by Independent Audit Limited as part of the external effectiveness review outlined on pages 76 and 77, the findings from which will be disclosed in next year's Annual Report

Future focus

- Board and senior management succession planning
- External Board effectiveness review findings
- Monitor diversity strategy and progress against targets
- Talent management and leadership development oversight
- Monitor compliance with the 2018 Code and committee remit

Allocation of time



Audit committee report

Adrian Ewer
Audit Committee Chair

Dear Shareholder

As Audit Committee Chair, I am pleased to present the committee's report for the year ended 27 June 2020. The committee plays a critical role in the Group's governance framework, providing independent challenge and oversight across the Group's financial reporting, risk management and internal control procedures.

This report aims to give you some insight into the committee's activities during the year, how shareholder interests are protected, and how the Group's long term strategy is supported. These activities have been more important than ever as we navigate the COVID-19 crisis.

Response to COVID-19

The onset of the COVID-19 pandemic has had, and continues to have, a significant effect on the Group and, more broadly, the transport industry. As a committee we have monitored the situation closely and have scrutinised the Group's related market updates.

The committee supported management in safeguarding liquidity and minimising the impact on earnings and net debt whilst continuing to run essential services during the crisis. The committee also supported the Board's decision to suspend the interim dividend and not to propose a final dividend. The combination of these actions has enabled the Group to maintain a strong balance sheet throughout the crisis, with all three operating divisions remaining cash generative.

Reflecting its responsibility to ensure financial reporting remains robust, and in recognition of the challenges faced in completing the audit work, the committee worked with management and the external auditor to agree the extension of the reporting timetable.

Further details on our response to the pandemic are included throughout this report and within the strategic report on pages 1 to 62.

Health and safety

Since the onset of the COVID-19 pandemic, managements' main priority has been to safeguard the health and wellbeing of our colleagues and customers. The high health and safety standards in place across the Group meant we were well positioned to monitor health and safety-related risks, as well as to rapidly implement COVID-19-related enhancements.

To that end, and in line with government and health service guidelines, each operating company responded quickly and professionally with social distancing measures, personal protective equipment and hand washing and sanitising procedures, as well as vehicle cleaning regimes.

In addition to its ongoing monitoring of these COVID-19 specific health and safety standards, the committee assessed the findings from the operating companies' annual health and safety audit programmes, with a particular focus on the international and new business audit arrangements. These programmes include an emphasis on driving the right behaviours, while also ensuring compliance with policies, procedures and legislative requirements. A key focus area again this year was contractor safety management, where there has been an extensive review of contractor management procedures to validate supplier competence and provide corporate assurance.

> **"The committee supported management in safeguarding liquidity."**

Risk management and internal controls, going concern and long term viability

The Board has delegated responsibility to the audit committee for monitoring the Group's risk management and assurance arrangements. The committee strongly believes that an effective risk management and internal controls system is key to the long term sustainable growth of the Group.

The committee's review of the Group's risk management and internal controls system became increasingly critical in the last quarter of the financial year with the emergence of COVID-19 and the immediate, and potentially long term, human, social, economic and business impact. Alongside our usual risk assessment, an assessment of each of the Group's principal risks was also undertaken in respect of the disruptive impact of the COVID-19 outbreak.

Due to the ongoing uncertainty surrounding the impact of the pandemic, the committee considered going concern as a significant matter in this year's report, along with the reviews undertaken of tangible and intangible assets and the carrying value of goodwill, focusing on the operating companies most at risk in light of the ongoing pandemic. Full details of our going concern review are contained on page 60 to 62. Following the review, we concluded that Go-Ahead continues to be a viable business and remains a going concern. Our viability statement can be found on page 59.

In light of the COVID-19 crisis, the committee also considered, with the Board, the Group's risk appetite and tolerance against each of its principal risks and uncertainties and our updated risk appetite statement can be found on page 53. Confirmation of the Board's robust assessment of the Group's emerging and principal risks, together with a description of the controls in place to ensure they are adequately managed and mitigated, can be found on pages 50 to 58. These are kept under regular review by management and the committee to ensure that prevailing and emerging risks are appropriately identified and prioritised and kept within the Group's risk appetite.

During the year, the committee also recommended that the Board undertake a number of in-depth risk reviews during the financial year, which included safety, IT, resilience, cyber security, and climate change. The Board has also already undertaken an initial risk review of the lessons learned from COVID-19.

Impact of IFRS 16

Building on our prior year assessment, the committee continued to monitor the Group's implementation of the new accounting standard IFRS 16 Leases which was adopted, for the first time, for the financial year ended 27 June 2020. The Group has applied IFRS 16 using the modified retrospective approach on a lease-by-lease basis. Therefore, right of use assets have been recognised on the balance sheet with a corresponding lease liability as at 30 June 2019. In the income statement, the operating lease expense has been replaced by a combination of depreciation and interest.

Following the adoption of IFRS 16 on 30 June 2019, we recognised £782.7m right of use assets and £781.1m of lease liabilities. As reported in the Group's half year financial results, the adoption of IFRS 16 has impacted our rail division results more significantly than our regional and London & International bus divisions. Since entering into the Direct Award Franchise Agreement on 1 April 2020, Southeastern, where the franchise term now exceeds 12 months, has also been required to review all leases and implement IFRS 16.

For further details on the impact of IFRS 16 to the Group's results, please see note 2 and note 13 of the Group's financial statements.

Other critical rail judgements

In addition to the judgements mentioned above, the committee spent considerable time discussing those critical judgements associated with the rail division. This included our German rail operations, the financial performance of which has been adversely impacted by availability and reliability of new trains and driver shortages. Particular focus was given to the internal auditor's financial controls health check and the Group Corporate Services Director's safety visit to Stuttgart and Essingen depot. In the second half of the year, the committee was updated on improvements to operational performance and service availability. As a committee we will continue to monitor the situation closely, including the progress of legal claims against the rolling stock provider. Further details on the Group's critical accounting judgements in relation to German rail are disclosed on pages 142 to 143.

In addition to the committee's ongoing scrutiny of our rail contracts, the carrying value of mobilisation costs in relation to the Group's international contracts remained a critical judgement for the committee, with the costs associated with contract mobilisation in Germany, Ireland and Norway discussed at length with management and the Group's external auditor. While the mobilisation costs are expected to be recovered in Ireland and Norway, the £16.4m of mobilisation assets in Germany have been impaired in the 2020 financial statements. The committee will continue to scrutinise these costs and ensure that the financial disclosures are appropriate and transparent.

The committee also undertook an assessment of the GTR franchise and the Group's rail contracts in Germany to ensure the accounting was appropriate. This assessment included a detailed review of future forecast and operational plans, with the assumptions underpinning future revenue projections challenged as appropriate. The committee will keep this position under review during the year ahead.

Fair, balanced and understandable

As requested by the Board, the committee has reviewed the content of this Annual Report and Accounts and advised that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. A more detailed analysis of the committee's review can be found within this audit committee report on page 87.

Looking ahead

Over the year ahead the committee will continue to provide independent challenge and oversight of the Group's financial reporting. This will include detailed scrutiny of the assumptions behind forecasts that influence tangible and intangible assets, the carrying value of goodwill, mobilisation costs and the going concern assessment. We will also review the processes in place for managing international bids, which will include progress against the mobilisation of the Group's German rail contracts. Further details on the Group's critical accounting judgements in relation to German rail are disclosed on page 143.

Adrian Ewer
Audit Committee Chair

23 September 2020

Audit committee

Membership

- During the year, the audit committee comprised the Committee Chairman (Adrian Ewer) and two independent non-executive directors (Harry Holt and Leanne Wood)
- The Audit Committee Chair has recent and relevant financial experience
- Detailed information on the experience, skills and qualifications of all committee members can be found on pages 66 and 67. The Board has confirmed it is satisfied that the committee members have the appropriate range of financial, commercial and sectoral expertise

Meetings

- Meetings of the committee generally take place immediately prior to a Board meeting to maximise the effectiveness of Board meetings. Attendance by members at committee meetings can be seen on page 74. There were five scheduled meetings during the year
- The Chairman, Group Chief Executive, Group Chief Financial Officer, Non-Independent Non-Executive Director, Group Financial Controller and internal and external auditors are regularly invited to attend meetings
- The Audit Committee Chair holds pre-audit committee meetings with management and key advisors between scheduled committee meetings and, at least once a year, the committee members hold separate meetings with the external and internal auditors, without the executive directors being present

Key responsibilities and terms of reference

- Monitoring the integrity of the Group's financial statements and reviewing significant financial reporting judgements
- Reviewing the system of risk management and internal controls
- Health and safety standards and auditing
- Reviewing the effectiveness of the audit process and the independence and objectivity of the external auditor
- Developing and implementing policy on engaging the external auditor to supply non-audit services
- Reviewing the external auditor's remuneration, terms of engagement and reappointment
- Setting and monitoring the internal audit plan and internal auditor effectiveness
- Committee effectiveness, including terms of reference

The committee's terms of reference are reviewed annually and approved by the Board. During the year, the terms of reference were updated in accordance with best practice and a copy is available on our website or upon request from the Group Company Secretary.

Key focus areas during the year

- Integrity of financial reporting
- Impact of COVID-19
- Impact of IFRS 16
- Mobilisation costs in international businesses
- Carrying value of goodwill and tangible and intangible assets
- Onerous rail contract assessments
- Risk management and internal controls
- Going concern and long term viability assessment
- Health and safety standards and auditing
- IT-related risks including resilience and cyber security

Effectiveness

- The internal review of the committee's effectiveness last year concluded that the committee was fully effective in discharging its duties and responsibilities. The review this year is being carried out by Independent Audit Limited as part of the external effectiveness review outlined on pages 76 and 77, the findings from which will be disclosed in next year's Annual Report

Future focus

- Monitor the integrity of the Group's financial reporting
- Review the effectiveness of the Group's risk management and internal control procedures
- Review internal audit arrangements
- Health and safety standards and auditing
- Review of the assumptions behind forecasts that influence the carrying value of goodwill and tangible and intangible assets, mobilisation costs and the going concern assessment
- Review the processes for monitoring the mobilisation of German rail franchises
- Monitor the ongoing liquidated and consequential damage claims against the rolling stock provider for German rail franchises
- Continued scrutiny of the key estimates and judgements underpinning the provisions in rail
- Review the process for managing international bids

Allocation of time

Risk management and internal controls

A summary of the key features of the Group's risk management and internal controls system is set out below:

Group structure

The Group's devolved organisational structure supports an effective top down/bottom up approach to risk management and control

Leadership

Clear leadership from the Board with the executive directors playing an integral role in working with operating companies

Board reporting

Regular review of reports received from the Group's internal auditor, external auditor, executive directors and senior management

Health and safety reporting

Regular review of health and safety reports and audits, including best practice and standards across operating companies (both UK and international)

Financial reporting

A comprehensive Group-wide system of financial reporting, budgeting and cash forecasting and control through which the consolidated financial accounts are prepared and submitted to the Board and from which the consolidated financial reporting is derived

Compliance management

Annual certification by each operating company that it has adhered to the Group's Policies and Procedures Manual, which reinforces the Group's corporate governance, internal control processes and management of risk

Assessment of the Group's risk management and internal controls system

The Board has confirmed that, through the committee's review of the key financial and internal control matters for 2020 as detailed on pages 86 and 87, it has reviewed the effectiveness of the system of internal, financial, operational and compliance controls and risk management and considers that such systems operated effectively throughout the financial year and up to the date on which the financial statements were signed.

Internal audit

The Group's internal audit function has been outsourced to PricewaterhouseCoopers LLP's (PwC), with overall responsibility and direction being retained by the audit committee. PwC provides assurance over the effectiveness of key internal controls as identified as part of the risk assessment process. In addition to meetings with local management, PwC reports to the committee at least four times a year.

In accordance with the previously agreed internal audit plan for the year ended 27 June 2020, the committee reviewed reports from our rolling programme of financial control reviews. These included findings from the internal audit reviews undertaken, the actions to implement the recommendations and the status of progress against previously agreed actions. This year, an in-depth financial control health check was also undertaken for several of the Group's international contracts. Reviews are scheduled where there has been significant change in operational or financial teams which allows prompt identification of those areas where internal control risk is expected to increase. This in turn enables a focus on monitoring and swift resolution.

During the year, the committee also approved the internal audit plan for the year ending 3 July 2021. The detail of the plan was developed through a number of discussions with the committee, the Group Chief Financial Officer and the Group Financial Controller. Meetings were also held with operating company finance and business assurance teams to understand key focus areas before finalising the plan with the committee.

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

Internal audit function effectiveness

Internal audit effectiveness is continually monitored and is formally reviewed annually by the Audit Committee Chair, Group Chief Financial Officer and Group Financial Controller, with feedback reviewed by the wider committee. An annual meeting between the committee and the internal auditor is also held, without management present.

Following the formal review this year, the committee concluded that the internal audit function was operating effectively and provided assurance over the Group's risk and controls environment. There were no significant concerns raised. The necessary procedures were also in place to ensure the appropriate independence of the internal audit function.

Key financial and internal control matters

During the year, the committee considered the following key financial and internal control matters in relation to the Group's financial statements and disclosures, with input from management and the external auditor:

Key financial and internal control matters for 2020	How the committee addressed these key financial and internal control matters
Compliance with franchise terms and conditions relating to the rail components of the Group, specifically relating to the accounting for related income and costs arising from franchise agreements. See **page 142** for more information	The committee regularly reviews the accounting policies relating to income and costs arising from franchise agreements and considers a range of reasonably probable outcomes. At interim and year end reviews, a full schedule of material income statement and balance sheet figures is assessed against the committee's expectations and discussed with the Group Chief Executive, the Group Chief Financial Officer and, where appropriate, the external auditor. The committee also considered the accounting for Rail as a consequence of the Emergency Measures Agreements and agreed with the treatment that was applied including the assessment and recognition of performance rates bonuses.
Ongoing review of provisions for liabilities, specifically relating to third party claims, lease return and dilapidation provisions for rolling stock, stations, depots and other properties and measurement of uninsured liabilities. See **note 24** of the consolidated financial statements	At interim and year end, the levels of provision for third party claims, lease return and dilapidation provisions are reviewed with the Group Chief Executive and the Group Chief Financial Officer. Management's review is supported by reports from appropriate third-party experts who independently assess the required provision based on their industry knowledge and an understanding of the Group's specific circumstances. Increases in provisions, utilisation and release of provisions are all reviewed for reasonableness in light of these reports and the Group's specific circumstances.
Impairment testing in respect of the value of goodwill and tangible and intangible assets on the Group's investments. See **note 14** of the consolidated financial statements	The ongoing review of goodwill, tangible and intangible assets and carrying value of investments, as presented by management, is challenged by the committee. This is done by assessing the expected performance of the individual cash generating units and ensuring that relevant risk factors are imputed to the rate of return used to assess net present value of future cashflows. The committee also reviews historical performance against expectations set in previous years.
Assessment of the Group's German rail contracts and carrying value of associated assets. See **note 7** of the consolidated financial statements	The German business commenced the operation of its rail services during the year and its operational losses were significantly higher than initially expected. This performance was deemed to be an internal impairment indicator and in line with IAS36, a full review of the forecast and operational plans was performed including the assessment of the carrying value of the assets. The committee considered and challenged the inputs of these models and cash flow forecasts as presented by management.
Assessment of the available resources to support the going concern assumption and the long-term viability statements. See **page 59 to 62** for more information	The committee reviewed and challenged management's forecasts and the impact of various possible downside scenarios including reverse stress assumptions. These took account of the potential ongoing impact of COVID-19 on passenger volumes, the availability and duration government funding measures and the mitigating actions that the group may undertake. Following the review, which the committee carried out at its meeting in September 2020, the committee recommended to the Board the adoption of both the going concern and viability statements for inclusion in this report.
Assumptions underpinning the calculation of the Group's defined benefit pension liabilities. See **note 28** of the consolidated financial statements	Pension scheme liabilities are assessed on behalf of the Group by independent actuaries. Additionally, management reviews and challenges the underlying assumptions with other professional advisors to ensure that the actuaries' own assumptions are appropriate for the Group. The committee also discusses the appropriateness of the assumptions with the Group's external auditor.
Understanding and treatment of exceptional items in the year end accounts. See **note 7** of the consolidated financial statements	The committee has considered separate disclosure of exceptional costs in light of the FRC recommendations of a balanced and consistent approach. The committee is mindful of the need to understand the underlying trends of each division within the business with the impact of large and unusual items separated out as necessary to avoid distortions from such non-recurring aspects.

Key financial and internal control matters for 2020	How the committee addressed these key financial and internal control matters
Implementation of IFRS 16 which applied for the first time during the year ended 27 June 2020. See **note 2** of the consolidated financial statements	IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. A full assessment has been carried out and concluded that IFRS 16 does have a material impact on the Group's balance sheet.
Ensuring operating company compliance with Group policies and procedures and maintaining the required financial control environment.	The committee, together with the Group Chief Executive and the Group Chief Financial Officer, approves the scope of internal audit including the cycle of visits to test operating company compliance and financial controls, based on a risk assessment. The results of the internal audit visits are considered by the committee, together with management's responses to any improvement points. Control matters and reporting issues identified as part of the external auditor interim and year end audits are also reviewed by the committee, which considers the adequacy of any management responses which, in particular, were in respect of IT controls during the period. In addition, management ensures that the recruitment and review process for operating company directors gives confidence in the calibre of the operating company teams and their management, and the control environment in which they operate.
Coronavirus had a material impact on the business from an operational level. The Group acted swiftly to reorganise its operating model including ensuring the vast majority of non-operational staff could work from home. We have ensured the business continues to operate to group policies and procedures in an appropriate control environment, ensuring the continuation of the essential services we operate were done in a safe manner in line with government policy.	The Committee received regular updates on progress throughout the coronavirus crisis and challenged and supported management to ensure all appropriate steps had been taken.

Fair, balanced and understandable

At the request of the Board, the committee has considered whether, in its opinion, the 2020 Annual Report and Accounts (collectively the Annual Report), taken as a whole, is fair, balanced and understandable, and whether or not it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

The process was led by the internal Annual Report Team (ART), consisting of members drawn from the Group Finance, Group Company Secretariat and Investor Relations teams. The inclusion of these various departments, with input from the executive directors and senior management within the Group and its operating companies as appropriate, ensures the balance, completeness and accuracy of the Annual Report. The ART was responsible for regularly reviewing work and ensuring balanced reporting with appropriate links between key messages and sections of the Annual Report.

The committee reviewed the Annual Report in its later stages and advised of any areas which would benefit from further clarity. Feedback was then incorporated ahead of final approval by the Board.

When forming its opinion, the committee reflected on the information it had received and its discussions throughout the year.

In particular, the committee considered:

Is the Annual Report fair?
Is the Annual Report balanced?
Is the Annual Report understandable?

Page 88 of the 2019 Annual Report and Accounts provides further details on the committee's considerations against each of these key questions last year, which the committee followed again this year.

Conclusion
Following its review, the committee was able to provide assurance to the Board that the Annual Report for the year ended 27 June 2020 is representative of the year and presents a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

External audit

The committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making the recommendation as to the appointment, reappointment and removal of the external auditor, assessing its independence on an ongoing basis and negotiating the audit fee.

Assessing the effectiveness of the external audit process

The assessment of the audit effectiveness for the year ended 29 June 2019 was undertaken during the year, following the completion of that audit. As always, the approach taken was fully independent and objective. The process was based on constructive, honest and open dialogue with the external auditor to ensure that optimum assurance was being derived from the audit.

The process of assessment was divided into five key areas:

Objectives	Clear objectives and desired outcomes were agreed at the outset.
Timing	A timetable with appropriate milestones was agreed, with assessments being incorporated at both the planning and completion stages.
Resources	The committee considered whether the external auditor had appropriate resources and expertise to conduct the audit.
Evaluation and assessment	The committee challenged and scrutinised the external auditor's strategy based on its own internal assessment. Key risks to audit quality were discussed with assurance provided by the external auditor on how these risks would be mitigated.
Reporting	The committee reviewed the quality of reporting from the external auditor and its recommendations.

Using the FRC's Audit Quality Practice Aid as guidance to support the committee, effectiveness was also assessed against a range of valuation components including mindset and culture, quality control, judgement and skills and knowledge.

The committee's assessment took into account views from the Group Chief Financial Officer, the Group Company Secretary and the Group Financial Controller. Deloitte also provided feedback on its own performance, measured against its internal performance objectives. Feedback arising from the process was passed to the Group's lead audit engagement partner so that any areas of improvement could be followed up.

The observations from the assessment were presented and discussed at a committee meeting and it was concluded that Deloitte had performed its 2019 audit effectively. Appropriate focus had been given to understanding the key areas of audit risk and Deloitte had applied robust challenge throughout the audit.

Following the onset of the COVID-19 pandemic, and as part of the committee's planning phase of the audit, the committee reviewed the process and procedures for the 2020 year end audit. Given the ongoing uncertainties relating to the pandemic and resulting accounting complexities, additional meetings were held with management and the committee to revise the approach to the audit this year to ensure it could be undertaken proactively and effectively, while also taking into account the impact of remote working. One of the key changes arising from this process was to delay the reporting of the final year end results by two weeks. We will report on the outcome of the audit effectiveness assessment for the financial year ended 27 June 2020 in next year's Annual Report.

Independence and objectivity of external auditor

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

Policy on the provision of non-audit services

The committee is responsible for developing, implementing and monitoring the Group's policy on the engagement of the external auditor to supply non-audit services. The principal requirements of that policy are:

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

Fees of external auditor

During the financial year, the Group external auditor's fees were £1.2m (2019: £0.9m); in addition, non-audit fees of £0.1m (2019: £0.1m) were payable to the Group's external auditor.

External audit partner rotation

On behalf of the Board, the committee oversees the relationship with the external auditor. Deloitte LLP was appointed as the auditor of the Group in October 2015 and reappointed at the 2019 AGM. Chris Powell, who has held the role of lead audit partner since the audit engagement began five years ago, is stepping down from his role in line with the FRC's Ethical Standard. Scott Bayne replaced Chris Powell with effect from the completion of the 2020 audit.

External audit tenure

In accordance with requirements set out within the Competition and Markets Authority's regulations (the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014) and the UK Corporate Governance Code, published in July 2018, the committee is required to retender the external audit contract by no later than the 2025 financial year, this being ten years since appointment.

The committee has assessed the quality, effectiveness and continuity of the relationship with Deloitte as the Group's current external auditor. It has recommended to the Board that it is in the best interests of the Group and shareholders to tender the audit contract by a date no later than that stipulated by the current regulations, 2025. At that point, there is no contractual obligation to retain the incumbent audit firm, with the choice of firm remaining a topic of consideration for the committee.

Reappointment of external auditor for the 2021 financial year

Through open and honest dialogue with the external auditor as well as feedback received from the Group Chief Financial Officer and senior management, the committee is satisfied with the objectivity and independence of the external auditor. The committee is also satisfied that Deloitte continues to perform its audit work to a high standard and with robust challenge. On this basis, the committee has recommended to the Board that Deloitte be reappointed at the 2020 AGM.

Directors' remuneration report

Leanne Wood
Remuneration Committee Chair

Dear Shareholder

On behalf of the Board, I am pleased to present the directors' remuneration report for the year ended 27 June 2020, my first as the Remuneration Committee Chair of Go-Ahead. I would like to thank Katherine Innes Ker for her hard work and dedication in her role as Committee Chair before me.

The report is divided into three principal sections:

- This annual statement, which provides the context for the committee's decisions during the year
- A summary of the remuneration policy which was adopted at the 2018 AGM and remuneration paid to the Board in respect of the 2020 financial year
- The annual report on remuneration, which provides details of remuneration paid to the Board during the 2020 financial year and how we will apply the remuneration policy for the forthcoming year 2021

COVID-19

I would firstly like to acknowledge the serious impact COVID-19 has had and continues to have on the Group's business and stakeholders in recent months. As noted in the Group Chief Executive's report, our priorities during this time have been to safeguard the health and wellbeing of our colleagues and customers, to play our role in society in challenging times, and to protect our business. It has been critically important to ensure we continue to be an integral part of public transport infrastructure, keeping vital services running for key workers and more recently, increasing service levels to provide safe travel as people return to their day-to-day lives. The significant contribution made by our colleagues cannot go unrecognised, with their hard work and innovation enabling the Group to respond quickly, supporting communities and Government during this challenging time.

Overall, our financial results for the year ended 27 June 2020 have been significantly impacted by the pandemic despite this only being present for just over a quarter of our financial year. The immediate and significant fall in passenger numbers meant that the Group had to take decisive action quickly to conserve cash and protect our business. This included suspending the interim dividend and not proposing a final dividend to shareholders, furloughing many of our colleagues, ceasing all non-essential capital expenditure and postponing investment in new vehicles. The committee also acknowledges that Government support and funding has been essential to ensure we have continued to provide vital services to our communities during this crisis, while also ensuring our businesses have remained viable.

The committee has considered the impact of all of these factors on our current executive remuneration arrangements, both in terms of outcomes for the current financial year and targets for the year ahead. In immediate response to the crisis, the Group Chief Executive, Group Chief Financial Officer, Chairman and non-executive directors voluntarily reduced their salaries/fees by 20 per cent on a temporary basis from 1 April 2020 to the end of the UK Government's Coronavirus Job Retention Scheme on 31 October 2020, in addition to waiving the 1 April 2020 annual salary review. The committee has also used its discretion to not pay bonuses for the 2020 financial year as well as defer the 2020 LTIP grants and target setting.

There is no doubt that the impact of COVID-19 will shape even more of the decisions we make over the coming months and we will continue to consider the alignment of executive remuneration decisions with the stakeholder experience, Government support and funding and against the background of the performance of the business.

> **"It is important that our policy is aligned to both shareholders' and other key stakeholders' interests and continues to operate in line with our long term business strategy, culture and values."**

Performance for the 2020 financial year

For more details on how the business has performed during the 2020 financial year, please read refer to the strategic report on pages 1 to 62.

The majority of the executive directors' annual bonus was based on challenging financial measures. Performance against the operating profit (65 per cent) and cashflow (10 per cent) targets was below the threshold level and performance in respect of the remaining strategic measures (25 per cent) was mixed. The committee considered its exercise of discretion very carefully and in the context of the impact of COVID-19 on the Group's wider stakeholders, it was agreed that it would not be appropriate to pay an annual bonus to the executive directors for the 2020 financial year.

Vesting of the LTIP award granted to the Group Chief Executive in November 2017 was determined by performance against earnings growth (EPS), total shareholder return (TSR) and customer service metrics. Performance against the EPS and TRS metrics was below the threshold level and while customer service had improved over the three year period such that an element of this metric would have vested, the additional financial underpin for the customer service metric resulted in no vesting of the Group Chief Executive's 2017 LTIP award.

The committee recognises and appreciates the hard work and contribution of the executive directors throughout the full financial year and, in particular, their commitment and swift response to mitigating the impact of COVID-19 on the business so that it is well placed to emerge strongly. Notwithstanding this, the committee believes that the 2020 pay outcomes are appropriate in the context of aligning the executive directors' interests with those of our stakeholders at this time.

The remuneration policy operated over the 2020 financial year as intended by the committee. Full details of the relevant targets and performance achieved are set out in section one of the annual report on remuneration on pages 99 to 103.

Discretion

The committee applies the exercise of discretion very carefully when considering the total amounts earned under the annual performance-related bonus and LTIP, including the overall performance of the Group and any exceptional factors. As explained earlier in my letter, the committee determined that discretion should be exercised to override the annual bonus outcome for 2020 to deliver no bonus payouts. The committee also determined that no discretion needed to be applied to override the LTIP outcome.

When determining the future vesting of any in-flight LTIP awards, the committee will carefully consider whether any discretion is required to ensure outcomes are fair and appropriate.

Executive remuneration 2021

Over the last year, the committee reviewed the current remuneration framework, measures and targets in the context of the ever-changing political and industry landscape and more recently in light of COVID-19. It is important that our policy is aligned to both shareholders' and other key stakeholders' interests and continues to operate in line with our long term business strategy, culture and values.

We are committed to ensuring that executives are properly rewarded for performance and not failure. In order to deliver our strategy successfully as well as providing motivation to perform, remuneration plays an important retention role and needs to be appropriately competitive without being excessive.

The annual performance-related bonus rewards executive directors for delivering our short term financial and operational goals with half of any bonus earned deferred in Go-Ahead shares for a period of three years. The financial and non-financial objectives against which annual performance-related bonus targets are assessed include Group operating profit, Group cashflow and strategic objectives. As usual, the annual bonus targets will be disclosed retrospectively in next year's report.

The long term focus of our strategy is supported through our LTIP under which performance is tested over three years. In-flight performance metrics currently include a mix of earnings growth, shareholder return, customer service and more recently international operating profit targets. A significant proportion of our executive directors' variable pay opportunity is represented by the LTIP to ensure that investment decisions are made, and operating efficiency achieved, against a background which is long term and aligned with our stakeholders' interests.

Given the exceptional circumstances, the committee has decided to defer the 2020 LTIP grants and target setting until there is greater visibility of the continuing impact of COVID-19. The committee will consider the potential impact of stock market movements on the number of shares to be granted under the 2020 LTIP. In any event, on vesting of these awards, the committee will carefully consider whether any discretion is required to ensure outcomes are fair and avoid any inappropriate windfall gains. We expect to provide full details of the targets in the regulatory news announcement when awards are made, as well as in next year's remuneration report.

We anticipate that executive directors' salaries and Board fees will be reviewed at the normal time during 2021, with any increases taking into account the business, social and economic environment at that point, as well as the salary position in respect of the wider workforce.

IFRS 16

As explained in last year's report, the committee will consider the impact of the new statutory accounting standard IFRS 16 on outstanding and future executive remuneration measures and targets. This, however, does not apply to the executive directors' remuneration for the 2020 financial year on account of no variable remuneration being paid.

Engagement with shareholders

We thank our major shareholder and representative bodies for their engagement last year in supporting the committee to vary the weighting and choice of metrics used in the 2019 LTIP award and align the Group Chief Executive's pension arrangements to that of the majority of the workforce. Following this consultation, the committee confirmed the revised weighting and choice of LTIP metrics to our major shareholders and representative bodies, in addition to providing full details in the regulatory news announcement issued when awards were made in November 2019. Full details of all the LTIP metrics for the 2019 LTIP award can be found on page 107.

The committee will also consult with shareholders in advance if there any substantive changes to the performance conditions for the 2020 LTIP grant

Remuneration committee advisor review

During the year, PricewaterhouseCoopers LLP (PwC) was appointed as the Group's new independent remuneration advisor to the committee following a tender process. Full details can be found on page 94.

Corporate governance

Last year, we made good progress with the early adoption of the majority of the provisions of the revised UK Corporate Governance Code, published in July 2018 (the Code) and other new regulatory requirements. Whilst not formally incorporated into the remuneration policy until the AGM 2021, the changes we made were effective immediately and included the alignment of the executive pension provision with our wider workforce; approval of a new malus and clawback policy and senior management remuneration policy; implementation of discretionary power to override formulaic outcomes for LTIP awards; share price impact scenario reporting; and CEO pay ratio. See page 97 of the 2019 Annual Report and Accounts for further information.

Details of how the current policy addresses the provisions of the Code, including clarity, simplicity, risk, proportionality and alignment to culture, are provided in the 2019 Annual Report and Accounts .

This year, we continued to build on and strengthen our governance and reporting processes. The committee considers that it has always felt well informed about the pay and related policy arrangements for the Group's wider workforce and so has been able to consider wider employee pay as context for any decisions taken with respect to the executive directors.

During the year, however, we formalised our processes for reviewing these arrangements with an annual update now provided by the Group People Director to the committee on a business-by-business basis. It is pleasing to note that our first formal review during the year found the wider workforce arrangements to be consistent with our values and supporting a healthy culture. Over the year ahead, the committee intends to supplement this formal review by working with Harry Holt, who was appointed by the Board during the year as the non-executive director designated to oversee colleague engagement across the Group, to explain how executive pay arrangements align with the wider Group pay policy. Despite the Board's rolling programme of site visits having to be suspended in light of the current pandemic, we look forward to the opportunity to gain first-hand feedback in two-way discussion with the workforce.

Looking ahead

The Group has demonstrated its strength with a resilient business model and the commitment of our people who have served our stakeholders well during this crisis. The last few months have highlighted how vital our role is in society, with our purpose and values remaining core to how we operate.

The year ahead marks the final year under the current remuneration policy, which was supported at the 2018 AGM with 99 per cent of shareholders voting in favour. Given the continued uncertainty we face in both the wider economy and the industry in which we operate, it is important that our future policy supports the delivery of our strategic goals and the creation of our shareholder value against the current backdrop.

A key focus for the year ahead is therefore to carry out a full review of our policy, taking account of developments in market best practice and investor expectations, as well as the specific needs of our business and the sector in which we operate. This review will also include the adoption of post-employment shareholding guidelines.

I look forward to engaging with shareholders prior to seeking approval for our new policy at the 2021 AGM.

Leanne Wood
Remuneration Committee Chair

23 September 2020

Remuneration committee

Membership

- During the year, the remuneration committee comprised of the Committee Chair (Leanne Wood) and three independent non-executive directors (Clare Hollingsworth, Adrian Ewer and Harry Holt). Katherine Innes Ker stepped down as Committee Chair at the AGM last year
- The members of the committee have no personal interests in the matters to be decided by the committee other than as shareholders and have no conflicts of interest arising from cross-directorships
- The Group Chief Executive and the Group People Director attended relevant parts of the committee meetings during the year. No individual was present when their own remuneration was being determined

Meetings

- The committee met five times during the year. Four of these meetings were scheduled, with one additional meeting held to discuss executive remuneration and the impact of COVID-19. Attendance by members at committee meetings can be found on page 74

Key responsibilities and terms of reference

A summary of the key responsibilities of the remuneration committee includes:

- Designing remuneration policy and practices to support long term strategy, purpose and value
- Developing policy on executive remuneration and determining senior management, new director and Chairman remuneration
- Reviewing pension arrangements for the executive directors to ensure alignment with the wider workforce
- Reviewing workforce remuneration and related policies to ensure consistency with Group values and culture
- Ensuring remuneration policy promotes long term shareholdings by executive directors that align with shareholders interests
- Selecting, appointing and setting the terms for any remuneration consultants to advise the committee
- Committee effectiveness, including terms of reference

The committee's terms of reference are reviewed annually and approved by the Board. During the year, the terms of reference were updated in accordance with best practice and a copy is available on our website or upon request from the Group Company Secretary.

Key focus areas during the year

- Set targets for the 2019 LTIP award and 2020 annual performance-related bonus
- Consulted with major shareholders and representative bodies on 2019 LTIP award metrics and weightings and alignment of Group Chief Executive pension arrangements with the wider workforce
- Approved 2019 annual performance-related bonus payout and nil vesting of the 2016 LTIP award
- Approved the 2019 directors' remuneration report
- Considered the impact of the new statutory accounting standard IFRS 16
- Reviewed senior management and Chairman remuneration
- Reviewed executive remuneration policy
- Reviewed the advisory services to the committee and approved the appointment of PwC as independent remuneration advisor

The committee also considered and approved the following during the year, which were subsequently waived due to the onset of COVID-19:

- Executive director and senior management salary increases from 1 April 2020
- Chairman and non-executive director fee increases from 1 April 2020

The Board subsequently volunteered to take a temporary 20 per cent reduction in their fees/salaries from 1 April 2020 to the end of the UK Government's Coronavirus Job Retention Scheme on 31 October 2020

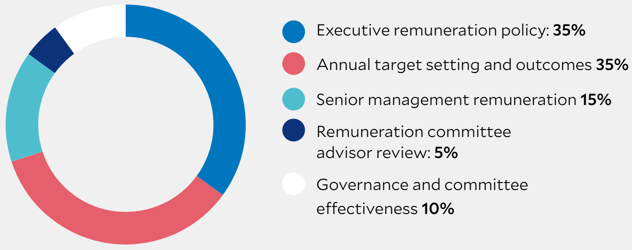
Effectiveness

- The internal review of the committee's effectiveness last year concluded that the committee was fully effective in discharging its duties and responsibilities. The review this year is being carried out by Independent Audit Limited as part of the external effectiveness review outlined on pages 76 and 77, the findings from which will be disclosed in next year's Annual Report

Future focus

- Executive remuneration policy review ahead of the 2021 AGM
- Review the alignment of executive performance-related pay targets to support and deliver Go-Ahead's strategy, taking into account the ongoing impact of COVID-19
- Review and determine senior management remuneration
- Review the effectiveness and transparency of remuneration reporting
- Monitor compliance with the Code and develop further remunerated-related engagement with the workforce

Allocation of time



Corporate governance

External advisors to the committee

New Bridge Street (NBS) (part of Aon plc) acted as an independent remuneration advisor to the committee from the start of the financial year to 31 May 2020, when it ceased to provide independent remuneration committee advice to listed companies. At the time of their appointment by the committee, a thorough tender process was undertaken. Neither Aon Hewitt Limited nor the wider Aon plc provided any other services to the Group during this time and therefore the committee was satisfied that it provided objective and independent advice. NBS is a member of the Remuneration Consultants Group and complies with its Code of Conduct. The fees payable to NBS for advice throughout the year were £44,458 (2019: £64,300), charged on a time and material basis.

PwC was appointed independent remuneration consultant by the committee with effect from 28 June 2020 after a rigorous tender process led by the Remuneration Committee Chair and the Group Company Secretary. PwC is one of the founding members of the Remuneration Consultants Group Code of Conduct and adheres to this code in its dealings with the committee. PwC also acts as the Group's internal audit function, providing assurance over the effectiveness of key internal controls as identified as part of the risk assessment process. The committee is comfortable that the PwC engagement partner and team who provide remuneration advice to the committee, do not have connections with the Group or individual directors of the Group, that might impair their independence. The advice received is independent and objective.

Statement of voting at Annual General Meeting

At last year's AGM (31 October 2019), the directors' remuneration report received the following votes from shareholders:

	Votes for and discretionary	Votes against	Total votes	Withheld
Remuneration report	30,557,653	388,774	30,946,427	8,563
	98.74%	1.26%	100.00%	

The remuneration policy was last approved for the year ended 30 June 2018 at the Annual General Meeting held on 1 November 2018, the voting outcome of which was:

	Votes for and discretionary	Votes against	Total votes	Withheld
Remuneration policy	30,249,362	307,034	30,556,396	19,230
	99.00%	1.00%	100.00%	

Remuneration 2020 at a glance

Summary of directors' remuneration policy

This report sets out a summary of Go-Ahead's policy on remuneration for executive and non-executive directors which was approved by shareholders at the AGM on 1 November 2018 and applies until the 2021 AGM. The full policy report is set out on pages 97 to 103 of our 2019 Annual Report and Accounts, available on our website. The policy is designed to attract, retain and motivate our leaders within a structure designed to support both the financial objectives and strategic priorities of the Group which is aligned with shareholders' and stakeholders' long term interests.

Element of remuneration	Link to strategy	Framework (operation and maximum opportunity)	Performance measures
Base salary	Enables the Group to recruit and retain individuals of the calibre required to deliver its strategic objectives.	Normally reviewed annually with changes effective from 1 April. No maximum salary level, but salary increases will not normally exceed the average increase awarded to other UK based employees.	N/A
Benefits	To provide a market competitive level of benefits for executive directors.	Family private healthcare, death in service and life assurance cover, free travel on the Group's services and professional membership subscriptions. Reasonable business-related expenses (if determined to be a taxable benefit). Other benefits introduced for the wider workforce. Benefits are intended to be market competitive but not subject to a maximum.	N/A
Pension allowance	Pension provision for executive directors has been aligned with the majority of the workforce.	Executive directors are eligible to participate in the Workplace Savings Section of The Go-Ahead Group Pension (which is the pensions auto-enrolment vehicle for the majority of employees) or receive a cash alternative equivalent. Maximum is 3 per cent of qualifying earnings as pension provision.	N/A
Performance-related bonus	Focuses on key strategic objectives for year ahead. Deferral of half of bonus into Group shares aligns executive directors' interests with those of shareholders.	Maximum of 150 per cent of salary. Awards normally delivered: 50 per cent in cash following AGM and 50 per cent in shares deferred for a period of three years. Subject to malus and clawback provisions for three years following the award.	Based on Group strategic objectives set for the year ahead. The majority of bonus will be subject to challenging financial targets. Performance below threshold results in zero payment, with no more than 25 per cent bonus available at threshold. Payments rise from 0 per cent to 100 per cent of the maximum opportunity levels for performance between threshold and maximum targets. A quality of earnings review and a health and safety underpin apply to the full bonus.

Summary of directors' remuneration policy continued

Element of remuneration	Link to strategy	Framework (operation and maximum opportunity)	Performance measures
Long Term Incentive Plan (LTIP)	Aligned to the strategic objectives of the Group to deliver long term returns to shareholders.	Maximum annual award of 150 per cent of base salary for the Group Chief Executive, and 100 per cent for the Group Chief Financial Officer. Awards normally vest based on performance over a period of three years (with the accrual of dividend equivalents). Post-tax number of shares vesting will be subject to an additional two-year holding period. Subject to malus and clawback provisions, for three years following vesting.	Subject to a combination of financial and/or non-financial measures, tested over a period of at least three years. Performance below the threshold results in zero vesting. The starting point for the vesting of each performance element will be no higher than 25 per cent and rises on a straight-line basis to 100 per cent for attainment of levels of performance between threshold and maximum targets. Performance measures may be introduced or reweighted so they are directly aligned with the Group's strategic objectives. Performance metrics currently include compound annual growth in adjusted earnings per share (EPS*) and relative total shareholder return with each accounting for at least 25 per cent of the award. The committee has the discretion to vary the weighting and choice of metrics including the comparator groups prior to each award.
All-employee shares plans	Encourage share ownership.	Participation is on the same basis as other eligible employees and in accordance with HMRC limits and guidelines as amended from time to time.	N/A
Share ownership	Aligns the financial interests of the executive directors with those of shareholders.	Executive directors are required to retain 50 per cent of the post-tax gain on vested LTIP and deferred share awards until such time as they have a holding of 200 per cent of base salary.	N/A
Chairman and non-executive directors' fees	Fees are set at a level to attract and retain individuals with appropriate expertise to complement the Group's strategy.	Fees are reviewed annually each year with reference to comparable listed companies. Additional fees may be paid for any committee chairmanship and/or for the Senior Independent Director. The aggregate level of non-executive directors' fees shall not exceed the maximum limit set out in the articles of association. Non-executive directors are not eligible to receive performance-related remuneration or pension entitlements or to participate in share option schemes.	N/A

* In line with our commitment to transparent reporting, EPS is reported on a statutory basis. Where targets have been based on adjusted EPS (EPS before exceptional items), vesting will be determined by a calculation on an adjusted basis, based on reported Group operating profit adding back any exceptional items, which is consistent with prior years. The committee will also consider the impact of IFRS 16 on outstanding and future executive remuneration measures and targets. Any impact on executive remuneration will be neutralised (by converting IFRS 16 outturns back to IAS 17) to ensure that the executive directors are neither rewarded or penalised vis-a-vis the basis on which their awards were based.

Summary executive remuneration 2020

	Group Chief Executive, David Brown	Group Chief Financial Officer, Elodie Brian
Basic salary and pension		
Base salary (£'000)	£582	£335
% increase from prior year[1]	0%	0%
Temporary reduced base salary (£'000)[1]	£465	£268
Pension (£'000)[2]	£1	£1
2020 annual performance-related bonus		
Maximum opportunity (% of salary)	150%	150%
Actual outcome following remuneration committee discretion (% of salary)	0%[3]	0%[3]
Cash amount	£nil	£nil
Amounts satisfied in shares	nil	nil
2017 LTIP award		
Maximum opportunity (% of salary)	150%	N/A[4]
Award vesting (percentage of maximum opportunity)	nil	N/A

1. In response to COVID-19, the executive directors volunteered to take a temporary 20 per cent reduction in their base salary with effect from 1 April 2020 to the end of the UK Government's Coronavirus Job Retention Scheme on 31 October 2020, in addition to waiving the 1 April 2020 annual salary review. The 2020 incentive opportunities will be based on full unadjusted salary.
2. Last year, pension provision for the executive directors was aligned with the majority of the workforce. The executive directors are therefore eligible to participate in the Workplace Savings Section of The Go-Ahead Group Pension Plan (which is the pensions auto-enrolment vehicle for the majority of employees) or receive an equivalent cash allowance. Both executive directors have opted to receive an equivalent cash allowance which represents 3 per cent of qualifying earnings.
3. The committee considered its exercise of discretion carefully. In the context of the impact of COVID-19 on the Group's wider stakeholders, it was agreed that it would not be appropriate to pay an annual bonus to the executive directors for the 2020 financial year.
4. The Group Chief Financial Officer's first LTIP award was granted in November 2019 for the three-year performance period 2020–2022.

The total single remuneration figure for our executive directors for the year ended 27 June 2020 is shown below:

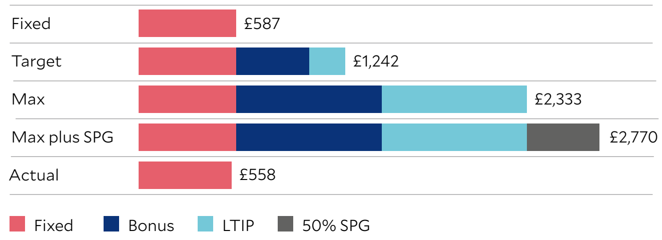
Total single remuneration figure for 2020 (£'000)

	2020	2019
Group Chief Executive, David Brown	**558**	1,269
Group Chief Financial Officer, Elodie Brian	**320**	46

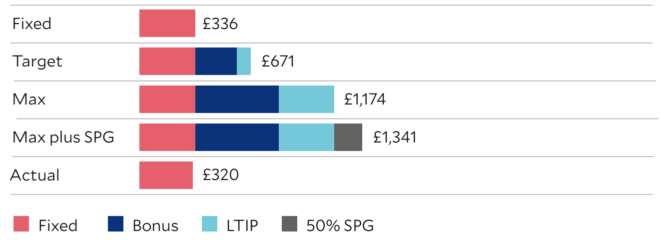
Executive directors' remuneration – actual vs policy (£'000)

The charts show a comparison of the total single remuneration figure received by the executive directors for the year ended 27 June 2020 compared with the fixed, target and maximum opportunity which was available under Go-Ahead's remuneration policy. Pursuant to The Companies (Miscellaneous Reporting) Regulations 2018, we have also included an illustration of the maximum opportunity available following 50 per cent share price growth on the maximum LTIP award value.

David Brown – Group Chief Executive



Elodie Brian – Group Chief Financial Officer

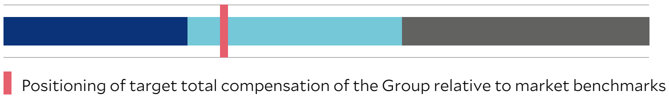


Executive remuneration compared with FTSE 250

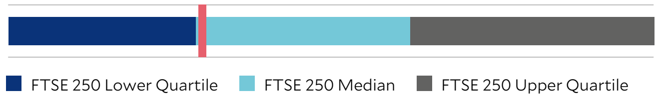
When setting the remuneration for the executive directors, one of the factors the committee considers is the relevant markets for the executive directors, which we believe is the FTSE 250, and the size of the Group compared with industry peers (FirstGroup plc, Stagecoach Group plc and National Express Group plc). Despite the recent fall in market capitalisation of the Group as a result of COVID-19, the committee believes that the FTSE 250 is still an appropriate benchmark for external comparison as it reflects the size and complexity of the Group and executive roles. This benchmark, however, will continue to be regularly reviewed.

The charts below shows the relative position of the Group Chief Executive's and Group Chief Financial Officer's base salaries in comparison with the lower median and upper quartiles of the FTSE 250.

David Brown – Group Chief Executive

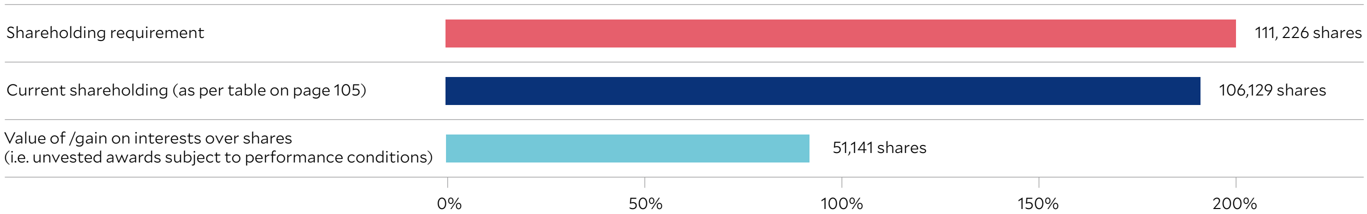


Elodie Brian – Group Chief Financial Officer

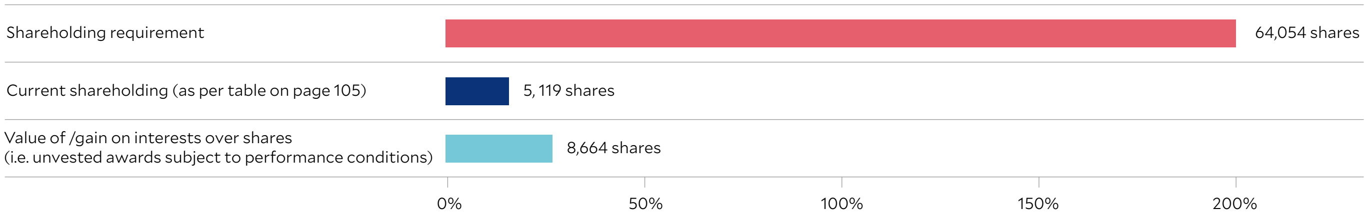


Shareholding requirement

David Brown – Group Chief Executive (% of salary)



Elodie Brian – Group Chief Financial Officer (% of salary)



Notes:
Current shareholding includes: (a) beneficial holdings including beneficial interests in shares held under the Group's Share Incentive Plan and (b) unvested ordinary shares under the deferred share bonus plan (DSBP) (on a net-of-tax basis). Unvested shares under the LTIP have not been included.

The current shareholding and value of/gain on interests over shares as a percentage of salary has been calculated using the Group Chief Executive's and Group Chief Financial Officer's full base salaries of £581,710 and £335,000 respectively.

The Group Chief Executive and Group Chief Financial Officer purchased 932 and 2,500 shares respectively between the period 30 June 2019 and 27 June 2020.

The value of the ordinary shares shown above has been based on the average share price between the period 30 June 2019 and 27 June 2020, being £10.46.

Value of/gain on interests over shares comprises unvested 2017, 2018 and 2019 LTIP awards for the Group Chief Executive and the unvested 2019 LTIP award for the Group Chief Financial Officer on a net-of-tax basis.

Unvested LTIP shares do not count towards satisfaction of the shareholding guidelines.

Annual report on remuneration

Set out below is the annual report on directors' remuneration for the year ended 27 June 2020 which, together with the annual statement from the Remuneration Committee Chair, will be put to shareholders for an advisory vote at the AGM on 24 November 2020. The remuneration committee has prepared this report on behalf of the Board in line with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Listing Rules of the Financial Conduct Authority and applies the main principles relating to remuneration which are set out in the revised UK Corporate Governance Code published in July 2018.

The annual report on remuneration is divided into three sections:

- **Section 1:** Single figure tables
- **Section 2:** Additional information on 2020 remuneration
- **Section 3:** Implementation of remuneration policy in 2021

The external auditor has reported on certain sections of this report and stated whether, in its opinion, those sections have been properly prepared. Those sections which have been subject to audit are clearly indicated.

Section 1: Single figure tables

Executive directors' single figure table (audited)

The table below summarises all remuneration that was earned by each executive director during the year.

The remuneration committee reviews all incentive awards prior to payment and uses judgement to ensure that the final assessments of performance are fair and appropriate.

			Short term incentives (performance-related bonuses)							
	Salary[1] £'000	Taxable benefits[2] £'000	Cash bonus[3] £'000	Deferred share bonus[3] £'000	Long Term Incentive Plan (LTIP)[4] £'000	Pension allowance[5] £'000	Other remuneration £'000	Total single remuneration figure £'000	Total fixed pay £'000	Total variable pay £'000
Executive directors										
Group Chief Executive, David Brown										
2020	**553**	**4**	**—**	**—**	**—**	**1**	**—**	**558**	**558**	**—**
2019	571	4	330	330	—	—	34[6]	1,269	575	694
Group Chief Financial Officer, Elodie Brian										
2020	**319**	**—**	**—**	**—**	**—**	**1**	**—**	**320**	**320**	**—**
2019	46	—	—	—	—	—	—	46	46*	—

* Elodie Brian was appointed as a statutory director from 5 June 2019. The salary received between 5 June 2019 and 29 June 2019 was backdated to 1 April 2019 in recognition of the qualifying services she performed during April and May in advance of her permanent statutory appointment.

Section 1: Single figure tables continued

Commentary on the executive directors' single figure table

1. Salary

Base salary levels for the executive directors are shown below and will remain in place until April 2021 when they are reviewed again.

No salary increases were awarded this year on account of the COVID-19 pandemic. In addition, the executive directors volunteered to temporarily waive 20 per cent of their base salaries on a temporary basis from 1 April 2020 to the end of the UK Government's Job Retention Scheme on 31 October 2020, the revised salaries for which are shown in brackets below:

	From 1 April 2020	From 1 April 2019	% increase
Executive directors			
Group Chief Executive, David Brown	**£581,710 (£465,368)**	£581,710	—
Group Chief Financial Officer, Elodie Brian	**£335,000 (£268,000)**	£335,000	—

2. Taxable benefits

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

3. Cash bonus and deferred share bonus (annual performance-related bonus)

The table below illustrates the components of the annual performance-related bonus award at maximum and actual payouts for business objectives set at the start of the year for the executive directors.

Metric	Performance measure	Weighting (percentage of maximum)	Maximum opportunity (percentage of salary)	Achieved	Actual payout (percentage of salary)
Group profit	Group operating profit 2020	65%	97.5%	0%	0%
Group cashflow	Net debt after adding back restricted cash	10%	15%	0%	0%
Strategic KPIs	See page 101	25%	37.5%	0%	0%
Total		**100%**	**150%**	**0%**	**0%**

The following tables illustrate in more detail the actual performance against each individual metric.

Group operating profit (65 per cent)

For Group operating profit for the year ended 27 June 2020, target vesting was proportionately weighted between the operating profit contribution from bus (45.5 per cent) and rail (19.5 per cent), with payout on a sliding scale. The actual Group operating profit for bus was £68.1m and the actual Group operating profit for rail was £nil resulting in no payout for either bus or rail. These figures have been calculated on a pre-IFRS 16 and a pre-exceptional basis.

Measure	Bus (70%)	Rail (30%)	Weighting (% of bonus)	Actual Group operating profit (bus)	Actual payout (bus)	Actual Group operating profit (rail)	Actual payout (rail)
Group operating profit 2020	Threshold vesting: £88.5m	Threshold vesting: £11.7m	0%	£68.1m	0%	£nil	0%
	Target vesting: £93.2m	Target vesting: £16.7m	50%				
	Maximum vesting: £97.9m	Maximum vesting: £21.7m	100%				

Cashflow (10 per cent)

The target for Group cashflow (defined as net debt after adding back restricted cash) was £274.9m, with maximum vesting at £261.2m. Actual Group cashflow for the year ended 27 June 2020 was £321.6m (2019: £237.4m on an adjusted basis), resulting in a 0 per cent payout. This has been calculated on a pre-IFRS 16 basis.

Measure	Target	Weighting (% of bonus)	Actual net debt	Actual payout
Net debt 2020	Target vesting: £274.9m	0%	£321.6m*	0%
	Maximum vesting: £261.2m	100%		

* Net debt has increased by circa £80.0m following the lock up of unrestricted cash following the introduction of the Emergency Measures Agreements for both UK rail operations.

Strategic KPIs (25 per cent)

The committee's assessment of the three key strategic targets is outlined below, with discretion applied such that no bonus will be payable for this element of the annual performance-related bonus.

Target	Assessment
Maximise profit in Southeastern, including end of franchise arrangements	Achieved – in response to COVID-19, the DfT introduced Emergency Measures Agreements (EMAs) across the industry. For Southeastern, the EMA terms were extended to a direct award contract of at least 18 months from 1 April 2020
Ensure the strategic growth of the business, including securing and mobilising international operations and/or identifying major opportunities	Not achieved – No new contract wins. Operations mobilised in Ireland, Germany and Norway.
Achieve a colleague engagement index of at least 68 per cent and deliver the 2018 Group-wide engagement plans	Achieved – Overall engagement score of 74 including growth in GTR and Southeastern

Health and safety target threshold

The annual performance-related bonus includes a health and safety underpin that enables the committee to use its discretion to reduce bonus payments potentially to zero should it be considered appropriate. The committee concluded that no scaling back of bonus would have been required in light of the Group's health and safety performance having been maintained during the year.

Rail customer service threshold

There was an additional underpin that enabled the committee to use its discretion if customer satisfaction across the Group's train operating companies in Spring 2020 (as measured by the Transport Focus National Rail Passenger Survey (NRPS) averaged across the Group's rail operating companies) was less than the London and South East Sector NRPS score of 81 per cent in Spring 2019. As the Spring 2020 NRPS score for the Group's train operating companies was 82 per cent and higher than the NRPS threshold, the committee agreed that no scaling back of bonus would have been required.

4. Nil vesting of 2017 LTIP award – Group Chief Executive only

The table on page 102 summarises the performance conditions for the Group Chief Executive's 2017 LTIP award and the actual performance achieved. This award was subject to performance conditions measured over the three financial years ending with the 2020 financial period.

As shown overleaf, none of the performance measures were achieved for this award.

The customer service targets for rail and bus (each with 10 per cent targets respectively) were measured by the independent passenger watchdog Transport Focus (formerly Passenger Focus):

- For the rail customer service target, the benchmark was the London and South East Sector NRPS score, with the threshold being the Spring 2017 London and South East Sector NRPS of 82 per cent. The target was to increase the score to 86 per cent over the three-year performance period.
- For the bus customer service target, the threshold was to maintain the 2017 Bus National Passenger Survey (NPS) score of 90 per cent, with the target to increase the score to 93 per cent over the three year performance period.
- While performance for both the rail and bus customer service targets was at, or above, threshold, in accordance with the additional profit threshold, there was nil vesting for the customer service element of the award. This threshold required earnings per share (EPS) growth over the three-year period to be greater than RPI +2 per cent before any element of this award could vest. For the year ended 27 June 2020, EPS growth was -36.1 per cent resulting in nil vesting for the customer service element of the 2017 LTIP award.

Section 1: Single figure tables continued

Performance conditions and actual performance achieved for the 2017 LTIP award

	Earnings per share (EPS)		Total shareholder return (TSR)		Customer		
	EPS payout (% of each element)	Compound annual growth in adjusted EPS	Payout (% of TSR element)	Relative TSR vs FTSE 250 (excluding certain sectors)	Payout (% of each customer element)	Rail customer service target	Bus customer service target
Weighting (% of total award)	—	40%	—	40%	—	10%	10%
Below threshold	0%	Less than RPI + 2% p.a.	0%	Below median	0%	Less than 82%	Less than 90%
Threshold	10%	RPI + 2% p.a.	25%	Median	10%	82%	90%
Between threshold and maximum	Between 10% and 100%	Between RPI + 2% p.a. and RPI + 10% p.a.	Between 25% and 100%	Between median and upper quartile	Between 10% and 100%	Between 82% and 86%	Between 90% and 93%
Maximum	100%	RPI + 10% p.a.	100%	Upper quartile	100%	86%	93%
Performance achieved		Adjusted EPS of 56.6p. From a base of 181.6p this is equivalent to RPI (34.66)% p.a.		68th out of 113 "live" companies		82%	91%
Actual % vesting	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**

In line with our commitment to transparent reporting, EPS and Group operating profit are now reported on a statutory basis. At the time of this LTIP award, the targets were based on adjusted EPS and adjusted Group operating profit (before amortisation and exceptional items) and on a pre-IFRS 16 basis. The performance of the 2017 LTIP award has therefore been calculated on an adjusted basis, based on reported Group operating profit adding back amortisation and any exceptional items, which is consistent with prior years and it had also been neutralised (by converting IFRS 16 outturns back to IAS 17) to ensure that the executive directors were neither rewarded or penalised vis-a-vis the basis on which their rewards were based.

5. Pension allowance

Further to aligning pension provision for the executive directors with the majority of the workforce last year, both the Group Chief Executive and Group Chief Financial Officer have opted to receive a cash allowance of 3 per cent of qualifying earnings. This is equivalent to the employer contribution rate they would have received had they participated in the Workplace Savings Section of The Go-Ahead Group Pension Plan (the pensions auto-enrolment vehicle for the majority of employees). For the purposes of auto-enrolment legislation, qualifying earnings for the tax year 2020/21 are gross taxable earnings between £6,240 pa and £50,000 pa. The lower and upper thresholds are reviewed each year by the government.

6. Other remuneration

The value of the gross cumulative dividend payment is in relation to the Group Chief Executive's deferred share bonus award which was granted on 29 October 2015, for the year ended 27 June 2015, and which vested on 29 October 2018 following the end of the three-year deferral period.

Non-executive directors' remuneration for the year ended 27 June 2020 (audited)

The table below sets out the total single remuneration figure received by each non-executive director for the year ended 27 June 2020 and the prior year:

	Committee membership and other responsibilities as at 27 June 2020				Total single remuneration figure	
Non-executive director	Nomination committee	Audit committee	Remuneration committee	Other	**2020 £'000**	2019 £'000
Clare Hollingsworth[1]	Chair	—	Member	Chairman	**164**	—
Adrian Ewer[2]	Member	Chair	Member	Senior Independent Director	**61**	60
Katherine Innes Ker[3]	Member	—	—	—	**54**	65
Harry Holt	Member	Member	Member	—	**50**	52
Leanne Wood[4]	Member	Member	Chair	—	**55**	52
Andrew Allner[5]	—	—	—	—	**63**	185

1. Clare Hollingsworth joined the Board as Non-Executive Chairman Designate on 1 August 2019 and succeeded Andrew Allner as Chairman of the Board and Nomination Committee Chairman with effect from the conclusion of the 2019 AGM.
2. Adrian Ewer succeeded Katherine Innes Ker as Senior Independent Director with effect from the conclusion of the 2019 AGM.
3. Katherine Innes Ker stepped down as Senior Independent Director and Remuneration Committee Chair with effect from the conclusion of the 2019 AGM and ceased to be a member of the audit and remuneration committees.
4. Leanne Wood succeeded Katherine Innes Ker as Remuneration Committee Chair with effect from the conclusion of the 2019 AGM.
5. Andrew Allner retired as Chairman of the Board and Nomination Committee Chairman with effect from the conclusion of the 2019 AGM.

Fees payable to the Chairman and non-executive directors (audited)

Base fee levels for the Chairman and non-executive directors are shown below and will remain in place until April 2021 when they are reviewed again.

No fee increases were awarded this year on account of the COVID-19 pandemic. In addition, the Chairman and non-executive directors volunteered to take a temporary 20 per cent reduction in their fees with effect from 1 April 2020 to the end of the UK Government's Coronavirus Job Retention Scheme on 31 October 2020, the revised fees for which are shown in brackets below:

Chairman and non-executive directors' annual fees with effect from 1 April 2020	£'000
Chairman	189 (151)
Non-executive director	53 (42)
Senior Independent Director	5 (4)
Audit Committee Chair	8 (6)
Remuneration Committee Chair	8 (6)

Corporate governance

Section 2: Additional information on 2020 remuneration

Directors' shareholdings and share plan interests (audited)

A summary of all directors' shareholdings and share plan interests as at 27 June 2020 are shown in the table below:

	Outstanding scheme interests as at 27 June 2020				Actual shares held[5]		
	Unvested scheme interests (subject to performance measures)[1]	Unvested scheme interests (not subject to performance measures)[2]	Vested but unexercised share options	Total shares subject to outstanding scheme interests	As at 30 June 2019	As at 27 June 2020	**Total of all share scheme interests and shareholdings as at 27 June 2020[8]**
Executive directors							
David Brown	146,485	34,735	—	181,220[4]	86,583	87,719[6]	**268,939**
Elodie Brian	16,347	3,405	1,537[3]	21,289	—	2,500[7]	**23,789**
Non-executive directors							
Clare Hollingsworth	—	—	—	—	—	2,290	**2,290[9]**
Adrian Ewer	—	—	—	—	3,018	3,022	**3,022[10]**
Katherine Innes Ker	—	—	—	—	116	116	**116**
Harry Holt	—	—	—	—	—	—	**—**
Leanne Wood	—	—	—	—	294	294	**294**
Andrew Allner	—	—	—	—	1,242	N/A	**N/A[11]**

1. LTIP awards still subject to performance measures. Excludes 2020 LTIP awards which have been deferred until there is greater visibility of the continuing impact of COVID-19.
2. Deferred share bonus plan awards that have not vested.
3. Relates to vested but unexercised 2014, 2015 and 2016 deferred share bonus awards which were granted on 25 November 2014, 19 November 2015 and 15 November 2016 respectively when Elodie Brian was Finance and Contracts Director of Southeastern.
4. Of the 181,220 ordinary shares, 49,993 related to the 2017 LTIP award which will lapse in November 2020 following the remuneration committee's determination that there should be a nil vesting for this LTIP award as performance conditions have not been met. Further details can be found on pages 101 and 102.
5. Actual shares are beneficial holdings which include the directors' personal holdings and those of their spouses. They also include the beneficial interests in shares which are held in trust under the Group's Share Incentive Plan.
6. During the year, David Brown's beneficial shareholding increased by 1,136 ordinary shares. This consisted of 94 ordinary shares acquired through the Group's Sharesave Scheme which matured on 1 May 2019 and was exercised in October 2019. David Brown purchased 932 shares in March 2020 and a further 110 shares were purchased during the period 30 June 2019 to 27 June 2020 under the Group's Share Incentive Plan. In the period 28 June 2020 to 23 September 2020, David Brown's ordinary shareholding increased from 87,719 to 87,784 as a result of shares purchased under the Group's Share Incentive Plan. There have been no other changes in the shareholdings of the executive directors between 28 June 2020 and the date of this Annual Report and Accounts.
7. During the year, Elodie Brian's beneficial shareholding increased by 2,500 shares which she purchased on 21 April 2020.
8. All share plan interests, vested, unvested and unexercised, together with any holdings of ordinary shares.
9. Clare Hollingsworth purchased 2,290 ordinary shares on 13 March 2020.
10. Adrian Ewer's shareholding increased by four ordinary shares during the year following the reinvestment of dividend income.
11. Andrew Allner retired as Chairman with effect from the conclusion of the 2019 AGM.

External appointments

In accordance with their service agreements, the executive directors are able to accept external appointments and are permitted to retain any fees paid for such services, provided that approval is given by the Board. The Group Chief Executive is a director of the Rail Delivery Group Limited and ATOC Limited and he does not receive any fees for either of these roles. He is also a non-executive director of Renew Holdings plc, for which he received £43,537 for the period 30 June 2019 to 27 June 2020 (2019: £45,000). The Group Chief Financial Officer does not have any external appointments.

Directors' share ownership guidelines (audited)

Executive directors are encouraged to build up a high level of personal shareholding to ensure a continuing alignment of interests with shareholders as soon as possible and within five years of their date of appointment. The shareholding guidelines require executive directors to hold ordinary shares equal in value to 200 per cent of their salary as set out in the table below.

Executive directors are required to retain 50 per cent of the post-tax gain on vested LTIP and deferred share awards until the shareholding requirement is met. Additionally, LTIP awards must be retained for a further two years from the vesting (other than to pay tax and National Insurance Contributions due on receipt of shares). For LTIP awards granted from 2019, this holding period has been extended to the fifth anniversary from date of grant.

As mentioned earlier in this report, the remuneration committee intends to implement a formal policy for post-employment shareholdings in conjunction with the next remuneration policy vote at the 2021 AGM. More details will be included in next year's Annual Report.

The table below sets out the number of shares held by the executive directors at the beginning and end of the financial year and the impact on the value of these shares taking the average opening price and closing price for the year. The differences of (£0.8m) and £0.02m for the Group Chief Executive and Group Chief Financial Officer respectively show their shareholdings as a comparison to their single figure. A material proportion of the Group Chief Executive's wealth is tied to the share price of the Group, aligning him with the ownership experience of other shareholders during the period. The Group Chief Financial Officer was appointed on 5 June 2019 and has not been eligible to receive any performance-related bonus share awards relating to her statutory appointment during the year. Both the Group Chief Executive and the Group Chief Financial Officer purchased shares out of their own funds during the financial year. It should be noted that the average share price fell during the period (£19.50 for the period 1 June 2019 to 29 June 2019 compared with £10.46 for the period 1 June 2020 to 27 June 2020).

	Number of eligible ordinary shares held at 30 June 2019[1]	Value of eligible ordinary shares held at 30 June 2019[2] £m	Number of eligible ordinary shares held at 27 June 2020[1]	Value of eligible ordinary shares held at 27 June 2020[3] £m	Difference £m	**2020 total single remuneration figure**	Share ownership as % of salary as at 27 June 2020[4]	Guideline on share ownership as % of salary	Guideline met
Group Chief Executive									
David Brown	96,447	1.9	106,129	1.1	(0.8)	**£557,826**	191%	200%	No[5]
Group Chief Financial Officer									
Elodie Brian	1,293	0.03	5,119	0.05	0.02	**£320,308**	16%	200%	No

1. Eligibility of shares: (a) beneficial holdings including beneficial interests in shares held under the Group's Share Incentive Plan have been included; (b) unvested ordinary shares under the deferred share bonus plan, which represent deferral of earned bonus, are eligible and count towards the requirement on a net-of tax basis and (c) unvested ordinary shares under the LTIP are not eligible and do not count towards the requirement during the performance period.
2. Value of ordinary shares is based on the average share price between the period 1 June 2019 and 29 June 2019, being £19.50.
3. Value of ordinary shares is based on the average share price between the period 1 June 2020 and 27 June 2020, being £10.46.
4. Share ownership as a per cent of salary has been calculated using the Group Chief Executive and Group Chief Financial Officer's full base salary of £581,710 and £335,000 respectively. The Group Chief Executive and Group Chief Financial Officer's share ownership increases to 239 per cent and 20 per cent respectively when their temporary base salaries, which were reduced by 20 per cent between the period of 1 April 2020 and the end of the UK Government's Coronavirus Job Retention Scheme on 31 October 2020, are used.
5. The Group Chief Executive's share ownership as a percentage of salary fell from 290 per cent last year to 191 per cent this year due to the fall in share price arising from the COVID-19 pandemic.

Section 2: Additional information on 2020 remuneration continued

Executive directors' interests in outstanding share awards and options (audited)

The following tables set out details of the executive directors' outstanding share awards (which will vest in future years subject to performance conditions and/or continued service).

Group Chief Executive, David Brown

Plan	Date of grant	Mid-market price on date of grant £	Option price £	Balance at 30 June 2019	Granted in year	Exercised in year	Lapsed in year	**Balance at 27 June 2020**	2017 LTIP award eligible for vesting 2020[6] Vested	2017 LTIP award eligible for vesting 2020[6] Lapsed	**Balance post lapsing of 2017 LTIP award**
Sharesave[1]	22.03.16	—	19.11	94	—	94	—	**—**	—	—	—
Deferred Share Bonus Plan	16.11.18	15.61[2]	—	18,612	—	—	—	**18,612**	—	—	**18,612**
	15.11.19	20.49[3]	—	—	16,123	—	—	**16,123**	—	—	**16,123**
LTIP	16.11.16	20.47[4]	—	39,698	—	—	39,698[5]	**—**	—	—	**—**
	17.11.17	16.58[4]	—	49,993	—	—	—	**49,993**	—	49,993	**—**
	16.11.18	15.79[4]	—	53,912	—	—	—	**53,912**	—	—	**53,912**
	15.11.19	20.49[4]	—	—	42,580	—	—	**42,580**	—	—	**42,580**
Total				162,309	58,703	94	39,698	**181,220**	—	49,993	**131,227**

1. Sharesave is an all-employee share option plan and has no performance condition as per HMRC Regulations. David Brown's sharesave options were granted in 2016, matured in May 2019 and were exercised in October 2019.
2. The number of shares over which the 2018 DSBP was granted was calculated using the average of the middle market quotations during the period of 20 dealing days immediately prior to the date of grant in accordance with the Plan Rules.
3. In accordance with emerging best practice, the number of shares over which the 2019 DSBP award was granted was calculated using the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant also in accordance with the Plan Rules.
4. The number of shares over which the 2016–2019 LTIP awards were granted was calculated using the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the Plan Rules.
5. As none of the performance conditions was achieved, the 2016 LTIP lapsed in full in November 2019.
6. Relates to the 2017 LTIP award following the three year performance period ended 27 June 2020.

Group Chief Financial Officer, Elodie Brian

Plan	Date of grant	Mid-market price on date of grant £	Balance at 30 June 2019	Granted in year	Lapsed in year	**Balance at 27 June 2020**
Deferred Share Bonus Plan	25.11.14	24.74[1]	505[3]	—	—	**505[4]**
	19.11.15	25.17[1]	658[3]	—	—	**658[4]**
	15.11.16	20.81[1]	374[3]	—	—	**374[4]**
	17.11.17	17.27[1]	402[3]	—	—	**402**
	16.11.18	15.61[1]	500[3]	—	—	**500**
	15.11.19	20.49[1]	—	2,503	—	**2,503**
LTIP	15.11.19	20.49[2]	—	16,347	—	**16,347**
Total			2,439	18,850	—	**21,289**

1. The number of shares over which the 2014–2018 DSBP awards were granted was calculated using the average of the middle market quotations during the period of 20 dealing days immediately prior to the date of grant in accordance with the Plan Rules. In accordance with emerging best practice, the number of shares over which the 2019 DSBP was granted was calculated using the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the Plan Rules.
2. The number of shares over which the 2019 LTIP award was granted was calculated using the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the Plan Rules.
3. Relates to the deferred share bonus awards granted to Elodie Brian between 2014 and 2018, prior to her statutory appointment to the Board in June 2019, and during her employment as Finance and Contracts Director for Southeastern.
4. Relates to the deferred share bonus awards granted between 2014 and 2016 and vested on 25 November 2017, 19 November 2018 and 15 November 2019 and remain unexercised.

Long Term Incentive Plan

2019 LTIP award granted during the year ended 27 June 2020 (audited)

LTIP awards were granted to the executive directors during the year ended 27 June 2020, structured as a nil cost option, exercisable at the end of a three-year performance period commencing at the start of the 2020 financial period and ending with the 2022 financial period, subject to the satisfaction of performance conditions. The LTIP award is subject to malus and clawback provisions for three years following vesting. It is also subject to a holding period that applies until the later of (i) the fifth anniversary of the grant date or (ii) the second anniversary of vesting. During this time, any vested awards cannot be sold (other than to pay any tax or NICs due on exercise). This results in an overall five-year period before executives can realise the gain on the vested shares.

The 2020 grant policy was to grant an award with a face value of 150 per cent of base salary for the Group Chief Executive and 100 per cent of salary for the Group Chief Financial Officer as follows:

Executive director	Basis of award granted	Share price at grant date	Number of shares over which award was granted[1]	Face value of award[2] £'000	% of award which vests as threshold	Vesting determined by performance over
David Brown	150% of salary	£21.12	42,580	899	10% for EPS, 25% for TSR, 10% for each customer element and 10% for international operating profit	Three financial years ending on 2 July 2022
Elodie Brian	100% of salary	£21.12	16,347	345	10% for EPS, 25% for TSR, 10% for each customer element and 10% for international operating profit	Three financial years ending on 2 July 2022

1. The number of shares over which the award was granted was calculated using a share price of £20.49, this being the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the Plan Rules.
2. The face value of the award has been calculated on a share price of £21.12. This was the share price on 15 November 2019, the date of grant.

Performance conditions attaching to the 2019 LTIP award

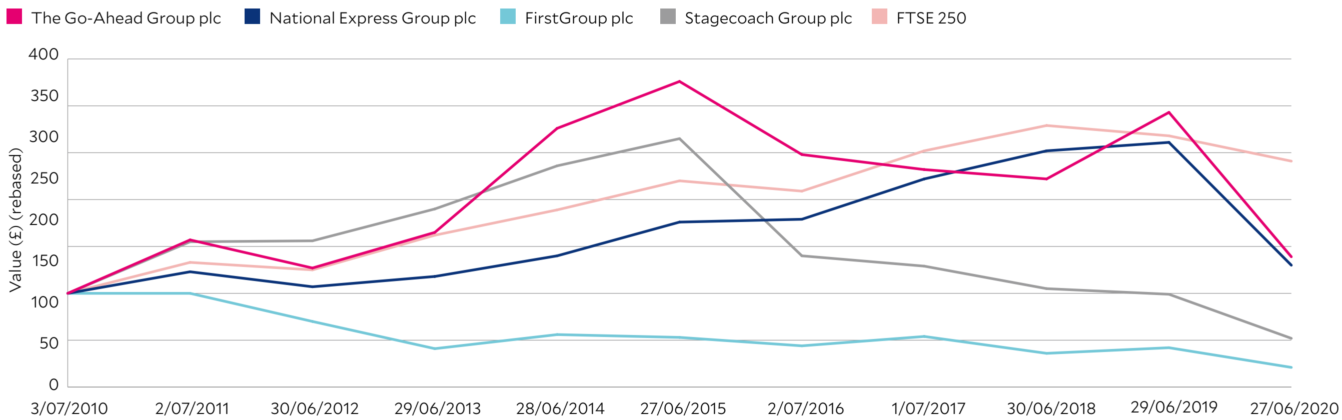
Following consultation with our major shareholders and shareholder representative bodies regarding proposed changes to the LTIP's performance targets and weightings, the performance conditions attaching to the 2019 LTIP award were as follows:

	Earnings per share (EPS)		Total shareholder return (TSR)		Customer			International operating profit	
	Payout (% of element)	Compound annual growth in EPS	Payout (% of element)	Relative TSR vs FTSE 250 (excluding certain sectors)	Payout (% of element)	Average bus customer service target	Average rail customer service target	Payout (% of element)	Target
Weighting (% of total award)	—	20%	—	50%	—	10%	10%	—	10%
Below threshold	0%	Less than RPI + 2% p.a.	0%	Below median	0%	Less than 90%	Less than 80%	0%	Less than £10m
Threshold	10%	RPI +2 % p.a.	25%	Median	10%	90%	80%	10%	£10m
Between threshold and maximum	Between 10% and 100%	Between RPI + 2% p.a. and RPI + 10% p.a.	Between 25% and 100%	Between median and upper quartile	Between 10% and 100%	Between 90% and 94%	Between 80% and 84%	Between 10% and 100%	Between £10m and £15m
Maximum	100%	RPI + 10% p.a.	100%	Upper quartile	100%	94%	84%	100%	£15m

Section 2: Additional information on 2020 remuneration continued

Total shareholder return (TSR) performance graph 2010- 2020

The graph below shows a comparison of The Go-Ahead Group plc cumulative TSR against that achieved by the FTSE 250 Index for the last ten financial years to 27 June 2020. The chart also shows cumulative TSR over the same period for the other major UK transportation groups. Despite the recent fall in market capitalisation of the Group as a result of COVID-19, the committee believes that the FTSE 250 index comparator group is still an appropriate and fair benchmark in assessing the performance of the Group's TSR. This benchmark, however, will continue to be regularly reviewed.



This graph shows the value, by 27 June 2020, of £100 invested in The Go-Ahead Group plc on 3 July 2010, compared with the value of £100 invested in the FTSE 250 Index and the peer group (National Express Group plc, FirstGroup plc and Stagecoach Group plc) on the same date.

The other points plotted are the values at intervening financial year ends.

Remuneration of the Group Chief Executive over the last ten years

The table below shows the remuneration of the Group Chief Executive for the period from 3 July 2010 to 27 June 2020. The total remuneration figure includes the performance-related bonus and LTIP awards (and the percentage of the maximum opportunity that these represent).

Group Chief Executive's remuneration history

Year	Group Chief Executive	Single total remuneration figure £'000	Annual performance-related bonus (actual award vs maximum opportunity) £'000 (and % vesting)	Long term incentive vesting (vesting vs maximum opportunity) £'000 (and % vesting)
2020	David Brown	558	Nil[1]	Nil[2]
2019	David Brown	1,269	660 (75.8%)[3]	Nil[4]
2018	David Brown	1,175	582 (68.3%)[5]	Nil[6]
2017	David Brown	782	Nil[7]	220 (54%)
2016	David Brown	1,214	Nil[7]	647 (90%)
2015	David Brown	2,134	558 (69.6%)	1,067 (100.0%)
2014	David Brown	1,960	766 (97.5%)	666 (80.0%)
2013	David Brown	942	422 (55.3%)	—
2012	David Brown	1,022	513 (68.0%)	—
2011	David Brown	251[8]	125 (100.0%)	—
2011	Keith Ludeman	1,564	530 (100.0%)	—
2010	Keith Ludeman	1,349	689(100.0%)	73 (21.7%)

1. Based on the assessment of performance against targets, the Group Chief Executive was awarded no annual performance-related bonus for the year ended 27 June 2020.
2. The 2017 LTIP award will lapse in full from November 2020 on account of none of the performance measures being met following the three-year performance period ended 27 June 2020.
3. Based on the assessment of performance against targets, the Group Chief Executive was awarded an overall bonus of 75.8 per cent of the maximum bonus opportunity (113.6 per cent of base salary) for the year ended 29 June 2019.
4. The 2016 LTIP award lapsed in full from November 2019 on account of none of the performance measures being met following the three-year performance period ended 29 June 2019.
5. In accordance with the executive directors' request to reduce any performance-related bonus by 25 per cent, the committee exercised discretion and reduced the Group Chief Executive's overall 2018 bonus by 25 per cent resulting in an actual bonus of 68.3 per cent of maximum bonus (102.4 per cent of salary).
6. The 2015 LTIP award lapsed in full in November 2018 on account of none of the performance measures being met following the three-year performance period ended 30 June 2018.
7. At the request of the Group Chief Executive, there were no annual performance-related bonuses paid for the years 2017 and 2016.
8. Following his appointment in April 2011, the Group Chief Executive was paid a pro-rata performance-related bonus for the financial year 2011.

Annual change in directors' remuneration compared to average employee remuneration

In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the table below shows the percentage change in each executive and non-executive directors' total remuneration compared with the average change for all employees of the parent company for the year ended 27 June 2020. Going forward, this disclosure will build up over time to cover a rolling five-year period.

Given the parent company only employs a small proportion of the workforce (circa 200 employees), from next year, we intend to disclose the change in directors' remuneration compared with all employees, including overseas, as a more representative comparison alongside the statutory disclosure. It was not possible to do so this year due to the timing and impact of COVID-19.

	% change from 2019 to 2020		
	Salary[1]	Benefits	Bonus
David Brown	(3.2)%	7.3%[2]	(100)%[3]
Elodie Brian	(4.8)%[4]	0.0%	0.0%[3]
Clare Hollingsworth	N/A[5]	N/A	N/A
Adrian Ewer	1.7%[6]	N/A	N/A
Katherine Innes Ker	(16.0)%[7]	N/A	N/A
Harry Holt	(3.2)%	N/A	N/A
Leanne Wood	6.3%[8]	N/A	N/A
Andrew Allner	N/A[9]	N/A	N/A
Average employees[10]	3.6%	0.9%	(100)%

1. No executive or non-executive director was awarded a base salary or fee increase this year. In immediate response to COVID-19, each director also volunteered to reduce their salaries/fees by 20 per cent on a temporary basis from 1 April 2020 to the end of the UK Government's Job Retention Scheme on 31 October 2020.
2. The Group Chief Executive received family healthcare membership in the amount of £4,325 for the year ended 27 June 2020 (2019: £4,030).
3. Neither the Group Chief Executive or the Group Chief Financial Officer were awarded an annual performance-related bonus for the year ended 27 June 2020 (2019: £660,822 and £nil respectively).
4. The Group Chief Financial Officer was appointed as statutory director from 5 June 2019. To provide a representative comparison, the percentage change has been calculated as if she received her full base salary of £335,000 for the full year ended 27 June 2020.
5. Clare Hollingsworth was appointed to the Board as Non-Executive Chairman Designate on 1 August 2019 before succeeding Andrew Allner as Non-Executive Chairman at the conclusion of the 2019 AGM. No remuneration was received for the year ended 29 June 2019.
6. Adrian Ewer succeeded Katherine Innes Ker as Senior Independent Director with effect from the conclusion of the 2019 AGM. He receives an additional £5,000 per annum for this role.
7. Katherine Innes Ker stepped down as Senior Independent Director and Remuneration Committee Chair with effect from the conclusion of the 2019 AGM. Her annual fees have reduced by £5,000 and £8,000 per annum for these roles respectively.
8. Leanne Wood succeeded Katherine Innes Ker as Remuneration Committee Chair with effect from the conclusion of the 2019 AGM. She receives an additional £8,000 per annum for this role.
9. Andrew Allner retired as Chairman of the Group with effect from the conclusion of the 2019 AGM.
10. Reflects the average percentage change in salary, benefits and bonus for employees of the parent company for the year ended 27 June 2020 (excluding the Board) on a full time equivalent basis. Leavers, joiners and employees on reduced pay (due to sick pay, maternity leave etc) have been excluded as have employees on secondment. For furloughed employees, their reduced salaries of 80 per cent have been included in the calculation plus any annual leave taking during the furlough period which was paid at 100 per cent, whilst receiving a reduction in salary.

Section 2: Additional information on 2020 remuneration continued

Group Chief Executive pay ratio

The table below sets out the ratios of the Group Chief Executive to the equivalent pay for the lower quartile, median and upper quartile UK employees (calculated on a full time basis). The ratios have been calculated in accordance with The Companies (Miscellaneous Reporting) Regulations 2018.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2020	Option A	22:1	17:1	13:1
2019	Option A	47:1	37:1	29:1

Total pay and benefits

Year	CEO £'000	25th percentile pay ratio £'000	50th percentile pay ratio £'000	75th percentile pay ratio £'000
2020	558	25	33	43
2019	1,269	27	34	44

Base salary component of total pay and benefits

Year	CEO (£'000)	25th percentile pay ratio (£'000)	50th percentile pay ratio (£'000)	75th percentile pay ratio (£'000)
2020	553	17	25	29
2019	571	9	32	23

The Group Chief Executive's remuneration package comprises a fixed element (base salary, family healthcare membership and a pension cash allowance), an annual performance-related bonus (maximum of 150 per cent of base salary with half paid in cash and half paid in shares deferred for a period of three years under the DSBP) and LTIP (maximum of 150 per cent of base salary). A significant proportion of the Group Chief Executive's potential remuneration is, therefore, performance related and dependent on the achievement of a broad range of challenging financial and non-financial targets. In addition, a significant proportion of the Group Chief Executive's remuneration is delivered in Go-Ahead Group shares. This means that the ratios will depend significantly on the Group Chief Executive's annual performance-related bonus and LTIP outcomes and may fluctuate significantly from year to year. Only the executive directors participated in the LTIP during the year. However, both the executive directors and other senior employees also receive part of their remuneration in shares through participation in the DSBP and all employees with at least six months' notice are eligible to participate in share-based incentives via the Group's HMRC approved Share Incentive Plan.

The median pay ratio has fallen between 2019 and 2020 due to the Group Chief Executive's total pay and benefits having decreased by £711,000. This is attributable to the lower base salary he received after volunteering to temporarily waive 20 per cent of his base salary in response to the COVID-19 pandemic between the period 1 April 2020 and the end of the UK Government's Job Retention Scheme on 31 October 2020, in addition to not receiving any variable performance-related remuneration for the year ended 27 June 2020.

The committee believes that the median pay ratio is consistent with the Group's pay, reward and progression policies. Base salaries of all colleagues, including the executive directors, are set with reference to a range of factors including market comparators, individual experience and performance in role.

1. "Option A" methodology was selected on the basis that it provides the most robust and statistically accurate means of identifying the median, lower quartile and upper quartile colleagues.
2. The Group Chief Executive remuneration is the total single figure remuneration for the year ended 27 June 2020 contained on page 99.
3. The workforce comparison is based on actual payroll data for the period 30 June 2019 to 27 June 2020.
4. The total single figure remuneration calculated for each employee includes full time equivalent base pay, annual bonuses for the 2019 performance year, overtime, benefits, allowances and employer pension contributions. For furloughed employees, total single figure remuneration is based on reduced salaries of 80 per cent.
5. Due to the timing constraints of when employee annual bonuses are determined and paid across the Group, the value of employee annual bonus payments included in the calculation is in respect of the year ended 29 June 2019.
6. Part time workers have been included by calculating the full time equivalent value of their pay and benefits.
7. Leavers, joiners and employees on reduced pay (due to sick pay, maternity leave, etc.) have been included.
8. Smart pension reductions have been excluded on the basis that these are a voluntary arrangement whereby an employee forgoes part of their salary in exchange for additional pension contributions rather than a reduction in the salary provided.

Relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in the financial year being reported compared with the previous year.

	2020 £m	2019 £m	% change
Dividends	**30.9**	43.8	(29.4)%[1]
Overall expenditure on pay	**1,355.9**	1,272.7	6.5%[2]

1. In light of the rapidly evolving COVID-19 situation, the Board took the prudent decision to suspend the 2020 interim dividend of 30.17p per share and not propose a final dividend to shareholders for the year ended 27 June 2020.
2. The 6.5 per cent increase in overall expenditure on pay has largely been driven by new operating companies which were not trading or only part trading last year. If these increases are removed the overall increase would be 3.6 per cent, which is in line with the prior year.

The Group has not made any other significant distributions and payments or other uses of profit or cashflow deemed by the directors to assist in understanding the relative importance of spend on pay.

Payments to former directors and payments for loss of office (audited)

There were no payments made to former executive directors or payments for loss of office during the year ended 27 June 2020 (2019: £nil).

Material contracts

There have been no other contracts or arrangements during the financial year in which a director of the Group was materially interested and/or which were significant in relation to the Group's business.

Section 3: Implementation of remuneration policy in 2021

The committee is not proposing any changes to the remuneration policy for the financial year 2021.

Executive directors' 2021 base salaries

The base salaries of the executive directors for the period from 1 April 2020 to the end of the UK Government's Coronavirus Job Retention Scheme on 31 October 2020 were £465,368 and £268,000 for the Group Chief Executive and Group Chief Financial Officer respectively, reflecting a 20 per cent reduction. From 1 November 2020, the base salaries of the executive directors will be £581,710 and £335,000 for the Group Chief Executive and Group Chief Financial Officer respectively and will remain unchanged until the next annual review.

Benefits

The benefits for both executive directors will be adopted in line with the remuneration policy, approved during the 2018 AGM as summarised on pages 95 and 96, with the full policy report being set out on pages 97 to 103 of the 2019 Annual Report and Accounts, available on our website.

Pensions

Pension provision for executive directors has been aligned with the majority of the workforce, with the executive directors being eligible to receive 3 per cent of qualifying earnings as pension provision or receive a cash alternative equivalent. Such provision will remain effective for the forthcoming financial year.

2021 performance-related bonus

The performance measures and weightings for 2021, which remain unchanged from 2020, are as follows:

Metric	Weighting (% of maximum bonus)
Operating profit	65%
Group cashflow	10%
Strategic KPIs	25%

Operating profit, cashflow and strategic KPI targets will be stretching for the 2020 financial year and more information on the specific targets and performance against them will be provided retrospectively in next year's remuneration report to the extent that they are not commercially sensitive at the time.

A health and safety underpin will continue to apply to the full bonus, with the remuneration committee having discretion to reduce or not pay the bonus if health and safety performance was not satisfactory.

Any bonus payable will be satisfied 50 per cent in cash and 50 per cent in deferred shares. Malus and clawback provisions will apply to the full performance-related bonus and the audit committee will undertake a formal end-of-year quality of profit and budget review in conjunction with the auditor before approval of any bonus payment.

2020 LTIP awards

Given the exceptional circumstances, the committee has decided to defer the 2020 LTIP grants and target setting until there is greater visibility of the continuing impact of COVID-19. The committee will consider the potential impact of stock market movements on the number of shares to be granted under the 2020 LTIP. In any event, on vesting of these awards, the committee will carefully consider whether any discretion is required to ensure outcomes are fair and avoid any inappropriate windfall gains. We expect to provide full details of the targets in the regulatory news announcement when awards are made, as well as in next year's remuneration report.

As described earlier in this report, the committee intends to carry out a full review of the remuneration policy during 2021, including developing a formal policy for post-employment shareholdings. An amended policy will be presented for approval at the 2021 AGM.

Non-executive directors' fees

The non-executive directors' fees will remain unchanged until the next annual fee review is undertaken.

Leanne Wood
Remuneration Committee Chair

23 September 2020

Directors' report

The directors present their report and audited financial statements for the year ended 27 June 2020. This directors' report forms part of the management report as required under the Disclosure Guidance and Transparency Rules.

Information incorporated by reference

The following information is provided in other appropriate sections of this Annual Report and Accounts and is incorporated by reference:

Information	Reported in	Page(s)
Corporate governance	Corporate governance statement	64 to 78
	Directors' statement of responsibilities	116
Directors	Board of directors	66 and 67
	Directors' remuneration report – directors' shareholdings and share interests	90 to 112
Employees	Non-financial information statement	1
	Strategic report – employee policies, employee engagement and information on diversity and inclusion	28 and 29
	Directors report – employee involvement (including policy on employment of disabled persons)	114
Business model	Strategic report	20 and 21
Likely future developments in the business	Strategic report	1 to 62
Important events since 27 June 2020	Strategic report	115 and 200
Greenhouse gas emissions	Strategic report	35 and 36
	Appendix to shareholder information	225 to 227
Risk factors and principal risks	Strategic report	50 to 58
Stakeholder engagement	Strategic report	22 to 25
	Corporate governance report	64 to 78
Viability statement	Strategic report	59
Going concern	Strategic report	60 to 62

Listing Rule 9.8.4R disclosures

The table below sets out where information required to be disclosed under Listing Rule 9.8.4R can be found in this Annual Report and Accounts (to the extent applicable to the Group).

Listing Rule 9.8.4R Required disclosure	Reference
Interest capitalised and tax relief	Not applicable
Publication of unaudited financial information	Not applicable
Details of long term incentive schemes	Note 6 of the financial statements and directors' remuneration report on pages 90 to 112
Waiver of emoluments by a director	Directors' remuneration report on pages 90 to 112
Waiver of future emoluments by a director	Directors' remuneration report on pages 90 to 112
Non-pre-emptive issues of equity for cash	Not applicable
Non-pre-emptive issues of equity for cash by major subsidiary undertakings	Not applicable
Parent participation in a placing by a listed subsidiary	Not applicable
Contracts of significance	Not applicable
Provision of services by a controlling shareholder	Not applicable
Shareholder waivers of dividends	Directors' report on page 115
Shareholder waivers of future dividends	Directors' report on page 115

Group's articles of association (the articles)

The articles may only be amended by a special resolution at a general meeting of shareholders and must comply with the provisions of the Act and the FCA's Disclosure Guidance and Transparency Rules. Shareholders of the Group can request a copy of the articles by contacting the Group Company Secretary at the registered office.

Directors' conflicts of interests

The Board has established robust procedures for ensuring that its power to authorise conflicts of interest is operated in accordance with the Group's articles of association and Conflicts of Interest Policy. All Board directors are required to make the Board aware of any other commitments and potential conflicts of interest are advised to and approved by the Board and recorded in the conflicts register.

The Board has delegated authority to the nomination committee to keep under annual review any conflict or potential conflict of interest situations authorised by the Board and to determine whether it is appropriate for such matter(s) to remain so authorised. Following a review in 2020, the nomination committee concluded that no changes were required to the conflicts register.

Appointment and removal of directors

The appointment and removal of directors are governed by the articles, the UK Corporate Governance Code published in July 2018, the Companies Act 2006 (the Act) and related legislation. Directors may be appointed by the Company, by ordinary resolution or by the Board. The Company may, by ordinary resolution, remove any director before the expiry of the director's period of office. The powers of the directors are set out in the articles and the Act.

In accordance with the Board's succession plan, Katherine Innes Ker will be standing down from the Board after the 2020 AGM and will therefore not be standing for re-election. All other directors will be submitting themselves for re-election at the 2020 AGM.

The Board is satisfied that each director is qualified for re-election by virtue of their skills, experience and contribution to the Board. Biographical details of all directors for the year ended 27 June 2020 can be found on pages 66 and 67.

Directors' indemnities

In accordance with our articles, and to the extent permitted by law, directors are granted an indemnity from the Group in respect of liability incurred as a result of their office. In addition, we maintained a directors' and officers' liability insurance policy throughout the year. Neither an indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently. Qualifying third party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 27 June 2020 and continue to remain in force.

Employee involvement and equal opportunities

Go-Ahead is committed to employee involvement throughout the business. The Group is intent on motivating staff, keeping them informed on matters that concern them in the context of their employment, and involving them through local consultative procedures.

Employees are kept well informed on matters of interest and the financial and economic factors affecting the Group's performance. This is done through management channels, Group forums, meetings, publications and intranet sites. More detail on inclusion and development, together with information on employee engagement and learning and development, can be found in the better teams section of the strategic report.

Go-Ahead supports employee share ownership by providing, whenever possible, employee share plan arrangements which are intended to align employees' interests with those of shareholders. The Company operates an all-employee Share Incentive Plan, of which approximately 2,000 colleagues currently participate in.

The Group believes in equal opportunities regardless of gender, age, religion or belief, sexual orientation, race and, where practicable, disability. This approach is underpinned by our commitment to providing equal opportunities to our current and potential employees and applying fair and equitable employment practices. The Group gives full and fair consideration to job applications from people with disabilities, considering their skills and abilities. In respect of existing colleagues who may become disabled, the Group's policy is to provide continuing employment, training and career development. The Group's Equal Opportunities, Diversity and Inclusion Policy forms part of our Code of Conduct and Ethics policy.

Change of control

Details of the change of control provisions in place across the Group can be found on page 223.

There are no agreements between the Group and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Profit and dividend

The loss for the financial year, after taxation, amounts to £12.1m. In the prior financial year, the profit after taxation, amounted to £75.1m. As a result of the impact of the COVID-19 pandemic, the Board suspended the interim dividend and has decided not to propose a final dividend to shareholders for the year ended 27 June 2020 (2019 total dividend: 102.08p).

The Board recognises that dividends are an important component of total shareholder return for many investors and remains committed to reinstating a sustainable dividend at the appropriate time, having regard to the Group's financial performance, balance sheet and outlook.

Political donations and expenditure

It is the Group's policy not to make political donations and, accordingly, no such payments were made in the year (2019: £nil). Additionally, the Group did not incur any political expenditure as defined in the Act (2019: £nil).

Post balance sheet events

On the 26 August 2020, the Land Transport Authority (LTA) of Singapore awarded the Group a two year contract extension to the existing contract which will now run to September 2023.

On 19 September 2020, the Department for Transport (DfT) awarded an Emergency Recoveries Measurement Agreement (ERMA) to the GTR franchise. This agreement replaces the existing franchise agreement and has been awarded for a period of 12 months. The contract end date of September 2021 is the same as the previous franchise agreement.

Financial instruments

Details of the Group's financial risk management in relation to its financial instruments are available in note 23 of the consolidated financial statements.

Auditor

Resolutions to reappoint Deloitte LLP as auditor of the Group and to authorise the audit committee to determine its remuneration will be proposed at the 2020 AGM. Further details on the external auditor are provided on pages 88 and 89.

Share capital and substantial shareholdings

All information relating to the Group's capital structure, rights attaching to shares, dividends, any restrictions on the transfer of shares, the policy to repurchase the Group's own shares, substantial shareholdings and other shareholder information is shown on pages 222 to 224.

Share schemes

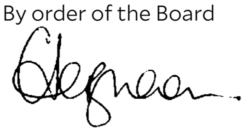
Employee Benefit Trust

Computershare Trustees (Jersey) Limited, the Trustee of The Go-Ahead Group Employee Trust (the Trust), holds shares for the benefit of the Group's executive directors and senior managers, and in particular for the satisfying of awards made under the Group's Long Term Incentive Plan (LTIP) and Deferred Share Bonus Plan (DSBP). During the financial period, as part of a planned programme of monthly share purchases, the Trust purchased a total of 39,770 ordinary shares at a total price of £692,349 (including all associated costs). The average price was £18.41 per share. On 20 April 2020, in light of the COVID-19 situation and the Board's priority of prudent cash management during this unprecedented time, the Board took the decision to suspend the monthly share purchase until further notice. As at 23 September 2020 (being the latest practicable date prior to the date of this report) the Trust held 169,323 ordinary shares representing 0.4 per cent of the issued share capital of the Group, less treasury shares, in trust for the benefit of the executive directors and senior managers of the Group under the LTIP and DSBP. The voting rights in relation to these shares are exercised by the Trustee and dividends are waived while the shares are held by the Trustee.

Share Incentive Plan

The Group operated a Share Incentive Plan during the year under review, enabling employees of the Group to acquire shares in The Go-Ahead Group plc. In order to preserve certain tax benefits, these shares are held in a trust by EES Corporate Trustees Limited for participating employees. Whilst these shares are held in trust, the voting rights attached to them will not be exercised by the Trustee or the employees for whom they are held. As at 23 September 2020 (being the latest practicable date prior to the date of this report), 1 per cent of the issued share capital of the Group, less treasury shares, was held by EES Corporate Trustees Limited. In the event of an offer being made to acquire these shares, the employees are entitled to direct EES Corporate Trustees Limited to accept an offer in respect of the shares held on their behalf.

By order of the Board



Carolyn Ferguson
Group Company Secretary

23 September 2020

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations. Detailed below are statements made by the directors in relation to their responsibilities and disclosure of information to the auditor.

Directors' responsibilities in respect of the preparation of the financial statements

Company law requires the directors to prepare Group financial statements for each financial year. The directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law, the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable IFRSs as adopted by the European Union (EU) have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose at any time and with reasonable accuracy the financial position of the Group, and to enable them to ensure that the Group financial statements and the directors' remuneration report comply with the Companies Act 2006 (the Act) and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on pages 66 and 67 of the Annual Report and Accounts, confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole
- The strategic report includes a fair view of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and Accounts, taken as whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy

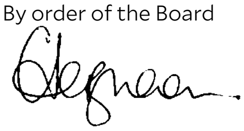
Disclosure of information to the auditor

Each of the persons who are directors at the date of approval of this report confirms that:

- There is no relevant audit information (as defined in Section 418(3) of the Act) of which the Group's auditor is unaware
- The directors have taken all the steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Act.

By order of the Board



Carolyn Ferguson
Group Company Secretary

23 September 2020

Financial statements

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Independent auditor's report to the members of The Go-Ahead Group plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of The Go-Ahead Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 27 June 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company balance sheets;
- the consolidated cash flow statement;
- the critical accounting judgements and key sources of estimation uncertainty; and
- the related notes to the consolidated financial statements 1 to 30 and to the parent company financial statements 1 to 20.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework".

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 5 to the consolidated financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Going concern;
- Franchise compliance and associated income under rail contracts;
- Rail franchise, dilapidation and other provisions and accruals;
- Valuation of uninsured liabilities;
- Valuation of pension scheme assets and liabilities and related disclosures;
- Revenue recognition for the bus division;
- Accounting treatment for government support packages;
- Recoverability and impairment of regional bus assets and investments in subsidiaries; and
- Assessment of potential onerous contracts in Germany.

Within this report, key audit matters are identified as follows:

! Newly identified

Increased level of risk

Similar level of risk

Decreased level of risk

Materiality

The materiality that we used for the group financial statements was £4.3m which was determined as 2% of net assets, adjusted for the pension surplus.

Scoping

Full scope audit procedures were performed on 8 principal locations, with specified procedures performed at a further 2 locations. The locations in full scope represent the principal business units and account for 83% of the group's net assets, 91% of the group's revenue and 86% of the group's operating profit.

Significant changes in our approach

Due to the significant impact that COVID-19 has had on the business in the current year, we have identified three new key audit matters related to:

- Going concern
- Accounting treatment for government support packages; and
- Recoverability and impairment of regional bus assets and investments in subsidiaries.

We have also identified a new key audit matter in relation to:

- Assessment of potential onerous contracts in Germany.

This is due to the significant operational difficulties that the German business has incurred in its first full year of trading.

We have also reassessed the pension valuation key audit matter since last year, relating to scheme liabilities, to additionally include the valuation of pension scheme assets. This is due to some of the assets not having an active market and the presence of stale prices in some of the pension asset funds at year-end.

In addition, we have changed the benchmark used to determine materiality from profit before tax (pre-exceptional items) in the prior year, to net assets adjusted for pension surplus in the current year. The reason for the change in benchmark is due to the impact that COVID-19 has had on the profitability of the business in the current year and the anticipated continued impact expected for the following year.

4. Conclusions relating to going concern, principal risks and viability statement

4.1 Going concern

We have reviewed the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of the COVID-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2 Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 50 to 58 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 53 that they have carried out a robust assessment of the principal and emerging risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 59 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Going concern	
Key audit matter description	The group operates public transport services in the United Kingdom, Ireland, Singapore, Norway and Germany. In light of current economic events as a result of COVID-19, management's adoption of the going concern basis of accounting has been determined as a key audit matter. This is primarily due to the significant impact of COVID-19 on the transport sector, particularly in relation to passenger demand, both current and future, and the consequences for profitable operation of the group's operations. The group has benefitted from various government support packages but the ongoing nature and extent of these is not certain. The group has a £250m corporate bond which matures in July 2024, and a Revolving Credit Facility of £280m which matures in July 2024. These facilities have covenants, which the directors have considered in their going concern assessment. In addition to this, the group has confirmed it's eligibility for additional financing of £300m with the Bank of England through the Coronavirus Corporate Funding Facility (CCFF). The group have not yet drawn down on this and therefore have not included this additional financing in any of the modelling. As per note 2 and the critical accounting judgements and key sources of estimation uncertainty note in the consolidated financial statements, based on their assessment of the current and future prospects of the group, the directors have concluded that the going concern basis of accounting is appropriate. Given the significant amount of judgement involved in forecasting future performance of the business, we deemed this a potential fraud risk for our audit. Management performed a detailed risk assessment and scenario modelling in order to reach their conclusion. This included the identification of the following risks and scenarios: • Slower than anticipated recovery in regional bus; • Operational issues in Germany leading to higher operational losses than those already included in the base case scenario; • Lower than anticipated income from Quality Incentive Contracts in London bus; and • Nordics passenger numbers not returning to pre-COVID levels and no further support from the Norwegian government when funding ceases post October 2020. Management have modelled a base case scenario, a downside scenario and several "break-it" scenarios in order to reach their conclusion. See pages 60 to 62 of the Annual Report for further detailed information.
How the scope of our audit responded to the key audit matter	Our audit procedures included: • Obtained an understanding of the relevant controls over the going concern process • Performed accuracy, completeness and reasonableness checks on the underlying data in the base case scenario by comparing to historic results and detailed knowledge of the business • Assessed the veracity of management's models by comparing the consolidated position to historical results and auditing the mathematical accuracy and integrity of the underlying model that management have used in their assessment • Challenged each of management's assumptions applied by agreeing to supporting evidence such as contractual agreements, and performing additional sensitivity on model's where necessary • Assessed whether management's assumptions were in line with our understanding of the external factors and forecast market trends • Applied more aggressive downside sensitivities in order to test the resilience of the business under more pessimistic scenarios • Assessed any contradictory evidence as part of our audit work and the impact on management's conclusion • Performed a lookback exercise on the accuracy of management's historic ability to forecast in order to support the likelihood of their latest forecasting being accurate • Understood covenant requirements and assessed for the going concern period • Performed covenant compliance tests and sensitivities on key variables • Understood the Coronavirus Corporate Financing Facility (CCFF) and checked that management have correctly excluded this from their models in line with guidance • Assessed the results of the group for the period after the reporting date compared to budget in order to assess if there are any early indicators that management have been too optimistic in their forecasting for the current year or whether there are any other indicators that the business may not be able to continue as a going concern • Reviewed the appropriateness of the disclosures made by management within the financial statements.
Key observations	The results of our procedures were satisfactory and we concurred with management's conclusion that adopting the going concern assumption for the group financial statements is appropriate.

5.2. Franchise compliance and associated income under rail contracts	
Key audit matter description	In respect of the two UK train operating companies (TOCs), a franchise agreement details the arrangements covering entitlement to revenue, certain costs and performance conditions. Due to the complexity of the arrangements, there is a risk that the financial statements do not appropriately reflect the correct revenue and costs in terms of completeness, measurement and occurrence. There is a risk that income/penalties that can arise based on the actual performance of the individual TOC under the franchise agreement are not accounted for appropriately due to the judgement involved. The COVID-19 related measures of franchise compliance and associated income are considered separately within this report below. Revenue for the two UK TOCs for the year-ended 27 June 2020 totalled £2,815.5m (2019: £2,669.4m). This is noted in the critical accounting judgements and key sources of estimation uncertainty note on pages 142 to 144 of the financial statements. Due to the complexity of the franchise arrangements, and the level of management judgement involved, we deemed this a potential fraud risk for our audit. During the year, management reviewed the application of their accounting policy relating to certain revenue items within the UK TOC's, with reference to IFRS 15, as set out in note 2 of the consolidated financial statements. Management determined that there was a material misclassification of certain amounts between revenue and operating costs in the prior year and have therefore restated the prior year amounts in the financial statements.
How the scope of our audit responded to the key audit matter	Our audit procedures included: • Obtained an understanding of the relevant controls over the franchise compliance process • Read the key elements of the franchise agreements to understand the critical elements, to inform our planned audit approach and challenge the accounting treatments adopted. This also included reviewing the key elements of the Emergency Measures Agreement (EMA) put in place from 1 March 2020, which has been discussed further in key audit matter 5.7 below • Challenged management's assessment of all significant assets, provisions and accruals by reviewing against external evidence where appropriate, significant being quantitatively or qualitatively material. We also tested the associated revenue or costs recognised to assess whether their recognition and quantum was appropriately stated, and whether there were any indicators that the balances held should no longer be recognised due to the passage of time, changes in contractual commitments, or legal requirements • Held meetings with each of the franchise compliance managers to assess whether there were any new issues of non-compliance or expected non-compliance, and whether any franchise committed obligations will not be delivered • Tested the supporting documentation for these balances as prepared by management to source information, evaluated whether it was compliant with the franchise agreements, and tested the calculations applied including recalculation where relevant • Held meetings with the finance directors and members of the finance team to assess on a case by case basis the movements in the provisions and accruals, during the period under audit, and challenged management both on the recognition of new provisions and accruals, and also the continued recognition of long standing provisions and accruals • Reviewed board minutes and board papers to assess whether there was any inconsistency in the determination of the provisions and accruals balances or any significant judgements which have not been accounted for by management • Reviewed relevant legal documentation and minutes of meetings held with the DfT • Performed a detailed review of UK rail franchise revenue and costs in the context of IFRS 15 in order to assess the appropriateness of the prior year restatement • Assessed disclosure of this area within the financial statements as a critical judgement against the requirements of IAS 1
Key observations	The results of our procedures were satisfactory. We concur with the judgements made at the year-end in respect of accounting for income or penalties resulting from compliance with the franchise agreements. We concur with management's accounting treatment and prior year restatement.

5.3. Rail franchise, dilapidation and other provisions and accruals

Key audit matter description	This key audit matter relates to the valuation of contractual and property related liabilities for the group's UK TOC's. These include contingent liabilities, in particular third party claims from customers or suppliers, and dilapidation provisions relating to rolling stock, depots and stations – as disclosed in notes 24 and 27 of the consolidated financial statements. Given the nature of these balances, there is judgement involved in determining whether they are classified as a provision or contingent liability based on the definitions of IAS 37. The accounting for these commitments also requires significant judgement by management in determining the correct value of provisions to be held and therefore, we deemed this a potential fraud risk for our audit. As of 27 June 2020, total rail franchise, dilapidation and other provisions and accruals totalled £184.6m (2019: £166.7m) in the UK TOC's. This is noted in the critical accounting judgements and key sources of estimation uncertainty note on pages 142 to 144 of the financial statements.
How the scope of our audit responded to the key audit matter	Our audit procedures included: • Obtained an understanding of the relevant controls over the rail franchise, dilapidations, other provisions and accruals accounting process • Gained an understanding of each significant accrual or provision, the basis of estimate and the range of possible outcomes with the finance directors and relevant members of the finance teams • Completed a review of supporting documentation and evidence for the existence of the obligation, obtaining correspondence directly from third parties where relevant. We have re-performed management's calculations to assess the quantum of the obligation outstanding at year-end, challenging whether the obligation exists based on reviews of clauses in the franchise agreements and other contracts and any correspondence with the DfT or other relevant claimant • Assessed whether the provisions meet the criteria for recognition per IAS 37 and whether they have been appropriately classified as provisions or as an accrual depending on the level of uncertainty of the liability as in certain cases the amount to be paid can become known • Assessed disclosures within the financial statements against the relevant accounting standards, particularly with regard to contingent liabilities to determine if the balance met the definition of a provision • Assessed whether the third parties used to estimate relevant valuations have the appropriate experience, qualifications and knowledge of the business, and agreed the findings from their surveys into the provision • Reviewed relevant legal documentation and correspondence with Network Rail regarding the condition of the stations and depots • Reviewed reports from rolling stock leasing companies (ROSCOs) and management's valuation experts on their inspections and surveys on the condition of the rolling stock • Assessed disclosure of this area within the financial statements as a critical judgement against the requirements of IAS 1
Key observations	The results of our procedures were satisfactory. We concur with the level of provisions held at the year-end.

5.4. Valuation of uninsured liabilities

Key audit matter description	This key audit matter relates to the valuation of insurance related provisions and in particular the completeness of motor and other provisions relating to transport incidents. Judgement is required in the assessment of the recognition criteria in each individual circumstance and the level of the provision held. The methodology of calculating the self-insurance provision also requires management judgement regarding the level of provision required in respect of claims incurred but not reported (IBNR) based on historic trends. Due to this, we deemed this a potential fraud risk for our audit. The uninsured claims provision held in the Group financial statements at 27 June 2020 was £49.9m (2019: £43.4m) (see note 24 to the consolidated financial statements). The IBNR element represents £9.5m (2019: £8.3m) of the £49.9m (2019: £43.4m) total self-insurance provision. During the year, management revised their accounting policy in relation to the accounting treatment of the provision. This is now measured on a gross basis with a separate reimbursement asset recognised for amounts recoverable from insurance providers (see note 2 of the consolidated financial statements). Management determined that retrospective application of this change in accounting policy was not material, and have therefore not adjusted comparative figures in the financial statements.

How the scope of our audit responded to the key audit matter	Our audit procedures included: • Obtained an understanding of the relevant controls over the valuation of uninsured liabilities accounting process • Gained an understanding of the group's obligations under its insurance policies with relevant members of the finance team and reviewed the relevant documents • Assessed the methodology used to calculate the claims incurred liabilities • Assessed the approach used to determine the provision for claims incurred but not received and tested this provision against historical trends • Tested completeness of the self-insurance claims provision by sampling individual claims reported to the individual operating companies and tracing back to the claim handlers' reports, and the provision held at group level • Reviewed group and subsidiary Board minutes, Board papers and held discussions with management to identify any significant matters which should have been considered when creating the provision and to identify any inconsistencies between the minutes and our understanding from the review of provisions performed • Assessed the self-insurance provision to settle claims for incidents which arose prior to the balance sheet date (including those for incidents incurred but not reported) for completeness and accuracy through discussions held with the finance team and a review and testing of third party reports • Performed detailed testing on the additional reimbursement asset, following the revised accounting policy • Assessed whether a prior year adjustment was required as a result of the change in accounting policy • Assessed disclosure of this area within the financial statements as a critical judgement against the requirements of IAS 1
Key observations	The results of our procedures were satisfactory and we concurred with the level of provisions held. We concur with management's accounting treatment of the provision, including the change in accounting policy and concluded that no prior period adjustment was required.

5.5. Valuation of pension scheme assets and liabilities and related disclosures

Key audit matter description	The group operates a number of defined benefit pension schemes, which can be categorised as Bus retirement benefit schemes and Rail retirement benefit schemes. Each Bus scheme's pension asset or liability is calculated as the total for each plan of the present value of the defined benefit obligation, less fair value of plan assets, out of which the obligations are to be settled directly. This is then presented in the group balance sheet. As of 27 June 2020, the Bus schemes were in a net surplus before taxation of £53.0m (2019: £48.7m) as presented in note 28 of the consolidated financial statements. For the Rail schemes, the group's TOCs participate in the Railways Pension Scheme (RPS), which is an industry-wide defined benefit scheme. The group is obliged to fund the relevant section of the schemes over the period for which the franchises are held and therefore the Rail scheme's defined benefit asset or liability is not presented in the group balance sheet owing to the fact that a franchise adjustment is applied. As of 27 June 2020, the group's TOCs gross deficit was £1,056.3m (2019: £738.3m) as presented in note 28 of the consolidated financial statements. Given the quantum of these schemes, managing the liabilities is complex and significant judgement is required in determining the value of the liabilities provided in accordance with IAS 19 revised. See the critical accounting judgements and key sources of estimation uncertainty note on pages 142 to 144. The significant judgements relating to the assumptions underpinning the calculation of the defined benefit pension liabilities, include the inflation rate, discount rate, future salary and mortality assumptions applied in arriving at the liability value. These could materially impact the group's balance sheet position for the Bus schemes. There is also complexity involved in the accounting treatment of the RPS due to the franchise adjustment, as mentioned above. In addition to this, both the Bus and Rail schemes held a significant amount of assets as at 27 June 2020 that do not have an active market. The Secure Income Fund within the Bus schemes had a total asset value of £78m as at 27 June 2020, of which 60% of the assets have been valued using stale prices. The assets held by the RPS including stale prices totalled £2.2bn. Appropriately determining the fair value of such assets requires significant judgement without an active market, particularly given the market volatility caused by COVID-19 in the current year. The effect of these matters is a potential range of reasonable outcomes for the valuations of these assets. The changes in the Bus schemes' assets would impact the group's balance sheet. However, the changes in valuations of the RPS assets do not impact the group's balance sheet for the reasons mentioned above. See note 28 of the consolidated financial statements.

How the scope of our audit responded to the key audit matter	Our audit procedures included: **Pension liabilities:** • Obtained an understanding of the relevant controls over the pension scheme liabilities accounting process and the process for the related disclosures within the Annual Report • Involved our actuarial specialists to assess whether the values used by management's actuaries for key assumptions at the year-end are within Deloitte's acceptable range with a focus on estimations of future changes in salaries, inflation and longevity of current and deferred members and the selection of a suitable discount rate • Involved our actuarial specialists to assess the appropriateness of the methodology used by management's actuaries to calculate the liabilities for the pension schemes • Tested the membership data utilised by the actuaries to calculate the liabilities for the pension scheme **Pension assets:** • Obtained an understanding of the relevant controls over the pension scheme assets accounting process and the process for the related disclosures within the Annual Report • Given the market volatility caused by COVID-19 we have inquired with investment managers to determine whether stale prices were used in their valuation of pension assets as at 27 June 2020. Where stale prices were identified we have: – Worked with asset valuation specialists to test the accuracy of the year-end valuation by using alternate benchmarks where relevant – Obtained direct confirmation of the year-end valuation from the investment managers – Obtained an understanding of the relevant controls at the investment managers and their competency to perform the valuations – Reviewed appropriateness of management's disclosures within the financial statements **Disclosures:** • Reviewed the accounting treatment of the Rail Pension Scheme for compliance with the group's accounting policy and IFRS • Assessed the pension disclosures in the financial statements and considered their compliance with the requirements of IAS19 revised • Assessed disclosure of this area within the financial statements as a critical judgement against the requirements of IAS 1
Key observations	The results of our procedures were satisfactory and we concurred with the assumptions applied in respect of the valuation of the scheme liabilities. These assumptions fall within the middle of our acceptable range. While we note the significant estimation uncertainty in relation to the adjustments made in respect of stale prices as a result of the COVID-19 pandemic, in our testing all but two funds fell within our reasonable range established by our pension asset specialists. These funds were in relation to the RPS which does not impact the group's balance sheet. This resulted in only a potential reclassification misstatement which management and we did not consider material to the financial statements. We consider the valuation of the unquoted investments to be acceptable.

5.6. Revenue recognition for the bus division

Key audit matter description

In the bus division the key audit matter over revenue recognition has been focused on whether recognising revenue in relation to concessionary fare income, contract sales and most significantly Quality Incentive Contract premiums (QICs) in London Bus is appropriate. Judgement is involved in determining QICs revenue which is based on performance measures associated with the contract. QICs income reflects the area of most judgement in the Bus division reflecting that it requires an assessment of the likely additional revenue receivable under the contractual terms with Transport for London for performance in the period.

Revenue for the year ended 27 June 2020 totalled £1,012.9m (2019: £1,002.2m) for the bus operating segment (see note 4 of the consolidated financial statements). Due to the management judgement involved in determining QICs revenue we deemed this a potential fraud risk for our audit. QICs revenue represented £14.3m (2019: £18.3m) of the total bus revenue balance. See note 2 of the consolidated financial statements.

How the scope of our audit responded to the key audit matter

Our audit procedures included:

- Obtained an understanding of the relevant controls relating to the revenue process
- Reviewed the amount recognised against the terms of the contract
- Obtained a breakdown of the revenue balances and agreed a sample through to bank statements
- Recalculated the revenue based on the terms of the contract, including the number of days operated taking account of new contracts, terminated contracts and price adjustments during the year
- Performed detailed testing to supporting documentation, being third party where relevant, of the key revenue balances at each in scope bus business including a focus on the QICs premium income recognised in London Bus

Key observations

The results of our procedures were satisfactory and we concurred with the recognition of revenue in the bus division.

5.7. Accounting treatment for government support packages

Key audit matter description

This key audit matter relates to the accounting treatment of government support packages across the group received as a result of the impacts of COVID-19 on the business operations during the current year.

The group was the recipient of government support packages during the year following the COVID-19 pandemic. The UK support received was as follows:

- The group's UK regional bus services received the COVID-19 Bus Services Support Grant (CBSSG) of £20.1m
- The group's two UK rail companies received support through the Emergency Measures Agreement (EMA)

Given the complexity of the government support contracts and judgement involved in determining "allowable costs", this has been determined as a potential fraud risk for the current year audit in relation to revenue recognition under IFRS 15.

It is noted in the critical accounting judgements and key sources of estimation uncertainty note on pages 142 to 144 and in the key financial and internal control matters in the Audit Committee report on pages 82 to 89 of the Annual Report.

How the scope of our audit responded to the key audit matter	Our audit procedures included: **UK regional bus** • Obtained an understanding of the relevant controls over the accounting treatment of the CBSSG income within the regional bus businesses • Performed a recalculation of the bus CBSSG grants and the subsequent accrued income recognised and reviewed agsinst the group's policy and the requirements of CBSSG, being that operators may not recognise a profit • Performed testing over the accuracy and completeness of the data inputs (being passenger numbers and mileage) behind management's calculation • Assessed the disclosures made in the financial statements, particularly under IAS 1 where judgements or estimates are present **UK rail** • Obtained an understanding of the relevant controls over the accounting treatment of the EMA • Reviewed the EMA to determine appropriateness of treatment of EMA under IFRS 15 • Gained a detailed understanding of disallowable costs and other key terms in the agreement • Profiled costs and performed detailed testing of costs to determine whether they meet the definition of allowable costs and challenged management on those that involved management judgement, requesting additional evidence to support management's position, where appropriate • Reviewed periodic reports and correspondence with DfT and specifically focused our challenge of management on any discussion points that the DfT raised in relation to various costs • Reviewed periodic actual versus budget analysis with management explanations and challenged management by focusing on those areas where actual costs were higher than those budgeted to fully understand the costs incurred
Key observations	The results of our procedures were satisfactory and we concurred with the accounting treatment of the government support packages across the group.

5.8. Recoverability and impairment of regional bus assets and investments in subsidiaries (!)

Key audit matter description	As of 27 June 2020, the group holds £436.6m (2019: £456.4m) of property, plant and equipment and £24.6m (2019: £20.9m) of intangible assets across regional bus and Germany, post-impairment. In light of the current economic environment, there is a risk that the carrying value of the tangible and intangible assets may be higher than their recoverable amount. The quantum of impairments posted across the group this year is £42.7m (being £21.2m in regional bus and £21.5m in Germany) as noted in note 7 of the consolidated financial statements. Given the level of judgement involved and the negative impact that COVID-19 has had on the business, we have determined that this is a key audit matter for the current year audit. It is noted in the critical accounting judgements and key sources of estimation uncertainty note on pages 142 to 144 and in the key financial and internal control matters in the Audit Committee report on pages 82 to 89 of the Annual Report.
How the scope of our audit responded to the key audit matter	Our audit procedures included: • Obtained an understanding of the relevant controls over the impairment process • In regional bus, we challenged management on the determined recoverable amount of the coaches that had been written down by considering whether using scrap value was appropriate for the write down of coaches in regional bus entities, given forecasted future recovery post-COVID • In Germany, we have reviewed and assessed management's judgements and calculations and also challenged the reasonableness of the assumptions used to determine the recoverable amount of assets by testing the accuracy, completeness and appropriateness of the assumptions used in the discounted cash flows (including the forecasted future cash flows, growth rates and discount rates) and in particular focusing on the availability of supporting evidence • Challenged the other operating companies and investments balances to assess whether impairment beyond those management identified are required, by reviewing the performance of subsidiaries across the group and assessing the future forecasted cash flows in these subsidiaries • Assessed the classification of the impairment as an exceptional item in accordance with IAS 1
Key observations	The results of our procedures were satisfactory and we concurred with management's approach to the impairment arising in the financial statements.

Independent auditor's report to the members of The Go-Ahead Group plc continued

5.9. Assessment of potential onerous contracts in Germany (!)

Key audit matter description	Since Go-Ahead Germany commenced the operation of its rail services in June 2019, it has experienced significant operational difficulties in relation to the Baden-Württemberg franchise, leading to significant financial losses for the year-ended 27 June 2020. Whilst initial operating losses were planned, the losses have been higher than expected owing to a shortage of both trains and drivers. As a result, management have performed both an impairment review and assessment of the need for a provision for onerous contract in all German contracts by determining the value-in-use and discounted cash flows factoring in relevant assumptions in the following key areas: • the level of penalties (revenue deductions); • inflation assumptions including driver costs; • improvements regarding operating cost efficiencies; and • the applicability of management's discount rate in relation to risk-adjustment. For the year ended 27 June 2020, management have recognised a provision of £7.2m relating to committed, irrecoverable franchise set-up costs in relation to the Bavarian franchise. Management have assessed the future forecasts relating to the Baden-Württemberg franchise and have determined that the contract is not onerous. It is noted in the critical accounting judgements and key sources of estimation uncertainty note on pages 132 to 134 and in the key financial and internal control matters in the Audit Committee report on pages 86 and 87 of the Annual Report.
How the scope of our audit responded to the key audit matter	Our audit procedures included: • Obtained an understanding of the relevant controls over the onerous contracts assessment process • Understood the contracts in the German business • Reviewed and challenged the reasonableness of the assumptions used to determine management's value in use models in respect of each of the German rail contracts by testing the accuracy, completeness and appropriateness of the assumptions used in the DCFs and in particular focusing on the availability of supporting evidence • Validated the material individual assumptions by discussing them with management and by assessing them with the relevant regulations of the respective contract, using experience from previous projects and expectations of the industry • Performed sensitivity analysis on key assumptions in the models, including the level of penalties (revenue deductions), inflation assumptions including driver costs and improvements regarding operating cost efficiencies
Key observations	The results of our procedures were satisfactory and we concurred with management's provisions in respect of the Bavarian contract of £7.2m.

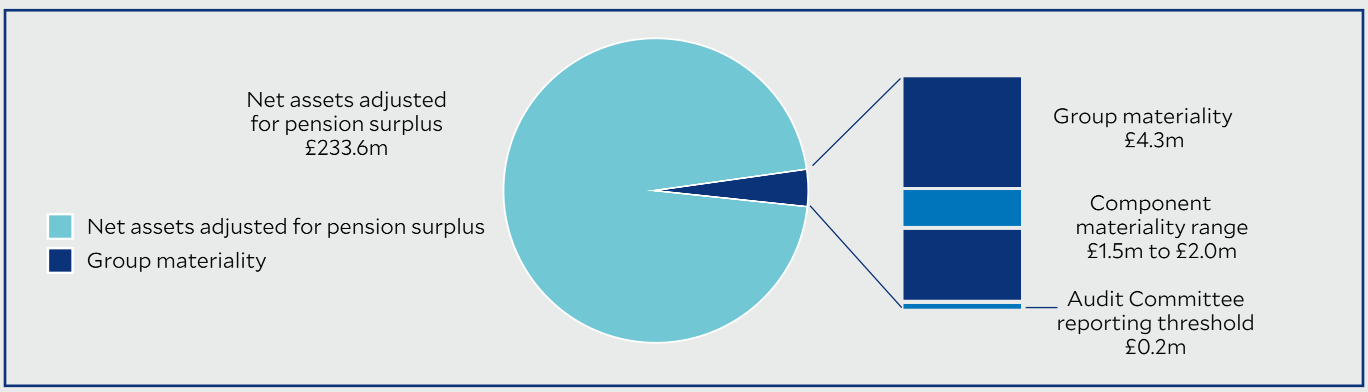
6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£4.3m (2019: £5.8m)	£1.5m (2019: £2.3m)
Basis for determining materiality	We determined materiality of the group based on 2% of net assets adjusted for the pension surplus (2019: 5% of profit before tax pre-exceptional items).	Parent company materiality equates to less than 1% of net assets (2019: less than 1%), which is capped at 40% of group materiality (2019: capped at 40% of group materiality).
Rationale for the benchmark applied	In the current year, we determined materiality as 2% of net assets adjusted for the pension surplus. In 2019, we determined materiality with reference to profit before tax adjusted for exceptional items. Prior year materiality expressed as a percentage of 2019 net assets adjusted for pension surplus was 2%. The reason for the change in benchmark is due to the impact that COVID-19 has had on the profitability of the business in the current year and the anticipated continued impact expected for the following year.	Net assets has been selected as an appropriate measure on which to determine materiality as the parent company is a holding company.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- The quality of the financial reporting process and control environment;
- The level of corrected and uncorrected misstatements in the prior periods; and
- The potential impact of COVID-19 on the control environment.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.2m (2019: £0.3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit scope was determined after obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work at 8 (2019: 11) principal locations including both of the UK rail businesses which were subject to a full scope audit. The change year on year was reflective of our continued assessment of financial significance of each component to the group. In addition to this, we performed specified procedures at a further 2 locations, one of which being the Norwegian franchise that commenced in December 2019.

The locations in full audit scope represent the principal business units and account for 83% (2019: 95%) of the group's net assets, 91% (2019: 98%) of the group's revenue and 86% (2019: 87%) of the group's operating profit. The locations were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the principal locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality and within the range disclosed above.

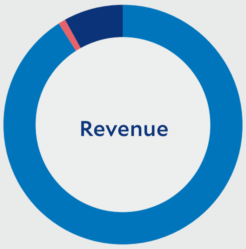
Our scoping decisions considered a number of factors including the individual financial significance of a component, and whether the key audit matters were applicable to the components. In the current year our audit scoping has risk assessed the commencement of rail operations in Norway in 2019 and also the impact of a full year of operations for rail operations in Germany.

Component materiality was used to perform the audit work at all component locations and for the current year audit, this ranged from £1.5m to £2.0m (2019: £2.3m to £4.1m). Component materiality is used to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the group financial statements exceeds materiality for the group financial statements as a whole.

7.2. Working with other auditors

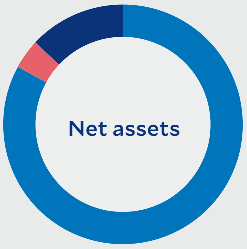
The group audit team have directed and supervised the work of the component audit teams during the course of the year. We issued detailed instructions to our component audit teams and included all component teams in our team briefing, discussed their risk assessment and remained in contact throughout the audit process. In addition, we attended planning and close meetings with them and component management teams, and reviewed their component reporting. For all UK components, the Senior Statutory Auditor has access to the audit files and directly reviews the work performed in key risk areas relevant to the group, including significant risk areas. For overseas components, we remained in close communication with them throughout the audit process and reviewed significant work papers to gain sufficient oversight of the work performed. In addition, we performed desktop reviews for the non-scope entities.

At the group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.



Full audit scope: **91%**
Specified audit procedures: **1%**
Review at group level: **8%**

Full audit scope: **86%**
Specified audit procedures: **13%**
Review at group level: **1%**



Full audit scope: **83%**
Specified audit procedures: **4%**
Review at group level: **13%**

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable –** the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting –** the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code –** the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: going concern, franchise compliance and associated income under rail contracts, rail franchise, dilapidation and other provisions and accruals, valuation of uninsured liabilities, revenue recognition for the bus division and accounting treatment for government support packages. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pension legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These include compliance with the terms of the group's schedules of the franchise agreements for the train operating companies which are fundamental to the group's business operations.

11.2 Audit response to risks identified

As a result of performing the above, we identified the following key audit matters related to the potential risk of fraud or non-compliance with laws and regulations:

- Going concern
- Franchise compliance and associated income under rail contracts
- Rail franchise, dilapidation and other provisions and accruals
- Valuation of uninsured liabilities
- Revenue recognition for the bus division
- Accounting treatment for government support packages

The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house/external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the DfT in relation to the rail operating franchises; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters

14.1 Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Company's members on 22 October 2015 to audit the financial statements for the year ending 2 July 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years, covering the years ending 2 July 2016 to 27 June 2020.

14.2 Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Powell, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

23 September 2020

Consolidated income statement

for the year ended 27 June 2020

	Notes	Pre-exceptional 2020 £m	Exceptional items 2020 £m	Post-exceptional 2020 £m	Pre-exceptional 2019* £m	Exceptional items 2019 £m	Post-exceptional 2019* £m
Group revenue	4	**3,898.4**	**—**	**3,898.4**	3,674.2	—	3,674.2
Operating costs	5–7	**(3,820.5)**	**(57.1)**	**(3,877.6)**	(3,553.1)	(16.8)	(3,569.9)
Group operating profit		**77.9**	**(57.1)**	**20.8**	121.1	(16.8)	104.3
Share of result of joint venture		**(0.6)**	**—**	**(0.6)**	(0.5)	—	(0.5)
Finance revenue	8	**5.4**	**—**	**5.4**	5.1	—	5.1
Finance costs	8	**(25.8)**	**—**	**(25.8)**	(11.9)	—	(11.9)
Profit/(loss) before taxation		**56.9**	**(57.1)**	**(0.2)**	113.8	(16.8)	97.0
Tax expense	9	**(18.2)**	**6.3**	**(11.9)**	(24.7)	2.8	(21.9)
Profit/(loss) for the year from continuing operations		**38.7**	**(50.8)**	**(12.1)**	89.1	(14.0)	75.1
Attributable to:							
Equity holders of the parent		**22.2**	**(50.8)**	**(28.6)**	72.8	(14.0)	58.8
Non-controlling interests		**16.5**	**—**	**16.5**	16.3	—	16.3
		38.7	**(50.8)**	**(12.1)**	89.1	(14.0)	75.1
Earnings per share							
– basic	10	**51.6p**	**(118.1)p**	**(66.5)p**	169.4p	(32.6)p	136.8p
– diluted	10	**51.5p**	**(117.9)p**	**(66.4)p**	169.0p	(32.5)p	136.5p
Dividends paid (pence per share)	11			**71.91p**			102.08p
Final dividend proposed (pence per share)	11			**—**			71.91p

At 30 June 2019, the Group implemented IFRS 16 Leases using the modified retrospective transition method. As a result, the comparative figures have not been restated and are presented on an IAS 17 basis.

* Restated (see note 2).

The consolidated income statement includes the majority of our income and expenses for the year with the remainder recorded in the consolidated statement of comprehensive income

Highlights of the movements in the year are set out below:

Revenue

Revenue increased by 6.1% to £3,898.4m (2019: £3,674.2m restated). Rail operations comprised 74.0% of the total revenue and increased by 8.0% during the year to £2,885.5m. Regional bus comprised 10.5% of revenue, decreasing by 5.6% to £408.8m whilst London & International bus comprised the remaining 15.5%, growing by 6.1% to £604.1m. The prior year revenue has been restated following a change in the recognition of certain revenue streams within rail, as explained in note 2. Segmental performance is shown in note 4.

Operating profit

Overall, the operating profit, before exceptional items, decreased 35.7% from £121.1m to £77.9m reflecting the impact of COVID-19 and a challenging performance in the German rail operation. The pandemic has mostly impacted performance in the regional bus division and margins have declined from 10.3% to 5.0%. The London & International bus division has been more resilient, and margins decreased to 8.0% from 9.0%. Rail profit margins decreased from 1.0% (restated) to 0.3% as a result of of the significant losses in our German operation and lower margins in the Southeastern franchise, as a result of revised contractual terms.

Exceptional operating item

During the year, an exceptional charge of £57.1m has been recognised. £26.7m related to the regional bus division following the impact of COVID-19 and a strategic review into the decline of operational performance. £30.4m related to the rail division following challenges within the German rail operation. Both strategic reviews resulted in exceptional items in respect of asset impairments, provisions and restructuring costs, as detailed in note 7.

Finance costs

Net finance costs have increased following the adoption of IFRS 16 which directly resulted in an additional finance costs of £13.7m in the year. Finance revenue remained consistent.

Tax expense

The tax expense decreased from £21.9m in 2019 to £11.9m. On a pre-exceptional basis, the 2020 effective tax rate is 32.0% (2019: 21.7%). This includes a £5.5m charge in relation to the change in the UK deferred taxation rate from 17% to 19%; excluding this, the effective tax rate is 22.3% (2019: 21.7%). The effective rate is higher than the statutory rate in both years due to the impact of bidding in and mobilising operations in international markets.

Consolidated statement of comprehensive income

for the year ended 27 June 2020

	Notes	2020 £m	2019 £m
(Loss)/profit for the year		**(12.1)**	75.1
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement (losses)/gains on defined benefit pension plans	28	**(3.1)**	21.6
Tax relating to items that will not be reclassified	9	**0.4**	(3.7)
		(2.7)	17.9
Items that may subsequently be reclassified to profit or loss:			
Unrealised losses on cashflow hedges	23	**(25.3)**	(4.9)
Losses/(gains) on cashflow hedges taken to income statement – operating costs	23	**5.7**	(8.8)
Tax relating to items that may be reclassified	9	**3.8**	2.4
Foreign exchange differences on translation of foreign operations		**(1.8)**	—
		(17.6)	(11.3)
Other comprehensive (losses)/gains for the year, net of tax		**(20.3)**	6.6
Total comprehensive (losses)/income for the year		**(32.4)**	81.7
Attributable to:			
Equity holders of the parent		**(48.9)**	65.4
Non-controlling interests		**16.5**	16.3
		(32.4)	81.7

The consolidated statement of comprehensive income records all of the income and losses generated for the year

Highlights of the movements in the year are set out below:

Loss for the year

The loss for the year after taxation is £12.1m and includes amounts attributable to equity shareholders and non-controlling interests.

Remeasurement of defined benefit pension plans

As analysed in note 28 the remeasurement losses on defined benefit pension plans were £3.1m, which consisted of rail pension plans showing remeasurements of £nil and bus pension plans showing remeasurements of £3.1m.

Unrealised losses on cashflow hedges

The Group manages its exposure to the future cost of diesel through a programme of hedging. At each period end, the derivatives used are marked to a market price and the amounts attributable to future periods are revalued through the statement of comprehensive income. Due to decreases in market prices a loss in the year arose.

Consolidated statement of changes in equity

for the year ended 27 June 2020

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Share premium reserve £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 30 June 2018	74.2	(71.3)	14.8	1.6	0.7	—	267.9	287.9	31.5	319.4
Profit for the year	—	—	—	—	—	—	58.8	58.8	16.3	75.1
Net movement on hedges (net of tax) (note 23)	—	—	(11.3)	—	—	—	—	(11.3)	—	(11.3)
Remeasurement on defined benefit retirement plans (net of tax) (note 28)	—	—	—	—	—	—	17.9	17.9	—	17.9
Total comprehensive income/(losses)	—	—	(11.3)	—	—	—	76.7	65.4	16.3	81.7
Exercise of share options	—	1.0	—	—	—	—	(1.0)	—	—	—
Share based payment charge (and associated tax) (note 6)	—	—	—	—	—	—	1.1	1.1	—	1.1
Acquisition of own shares	—	(1.0)	—	—	—	—	—	(1.0)	—	(1.0)
Share issue	0.5	—	—	—	—	—	—	0.5	—	0.5
Dividends (note 11)	—	—	—	—	—	—	(43.8)	(43.8)	(12.7)	(56.5)
At 29 June 2019	74.7	(71.3)	3.5	1.6	0.7	—	300.9	310.1	35.1	345.2
(Loss)/profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(28.6)**	**(28.6)**	**16.5**	**(12.1)**
Net movement on hedges (net of tax) (note 23)	**—**	**—**	**(15.8)**	**—**	**—**	**—**	**—**	**(15.8)**	**—**	**(15.8)**
Remeasurement on defined benefit retirement plans (net of tax) (note 28)	**—**	**—**	**—**	**—**	**—**	**—**	**(2.7)**	**(2.7)**	**—**	**(2.7)**
Foreign exchange	**—**	**—**	**—**	**—**	**—**	**(1.8)**	**—**	**(1.8)**	**—**	**(1.8)**
Total comprehensive (losses)/income	**—**	**—**	**(15.8)**	**—**	**—**	**(1.8)**	**(31.3)**	**(48.9)**	**16.5**	**(32.4)**
Exercise of share options	**—**	**0.7**	**—**	**—**	**—**	**—**	**(0.7)**	**—**	**—**	**—**
Share based payment charge (and associated tax) (note 6)	**—**	**—**	**—**	**—**	**—**	**—**	**1.6**	**1.6**	**—**	**1.6**
Acquisition of own shares	**—**	**(0.7)**	**—**	**—**	**—**	**—**	**—**	**(0.7)**	**—**	**(0.7)**
Share issue	**0.5**	**—**	**—**	**—**	**—**	**—**	**—**	**0.5**	**—**	**0.5**
Dividends (note 11)	**—**	**—**	**—**	**—**	**—**	**—**	**(30.9)**	**(30.9)**	**(14.7)**	**(45.6)**
At 27 June 2020	**75.2**	**(71.3)**	**(12.3)**	**1.6**	**0.7**	**(1.8)**	**239.6**	**231.7**	**36.9**	**268.6**

The consolidated statement of changes in equity shows the movements in equity shareholders' funds and non-controlling interests

Equity shareholders' funds decreased from £310.1m to £231.7m as a result of the retained loss for the year, dividend payments, losses on the remeasurement of defined benefit retirement plans and losses on the fuel hedge derivatives.

Non-controlling interests have increased from £35.1m to £36.9m and consist of the appropriate share of UK rail profits, less dividends paid to non-controlling interests during the year.

The hedging reserve reflects the movements on the fuel hedge derivatives which are marked to a market price. The decrease is due to reductions in market prices resulting in a loss in the year.

Consolidated balance sheet

as at 27 June 2020

	Notes	2020 £m	2019 £m
Assets			
Non-current assets			
Property, plant and equipment	12	**589.0**	631.9
Right of use assets	13	**648.9**	—
Goodwill and intangible assets	14	**96.1**	108.8
Deferred tax assets	9	**2.9**	0.2
Other financial assets	23	**0.1**	1.5
Retirement benefit assets	28	**63.3**	53.8
		1,400.3	796.2
Current assets			
Inventories	17	**19.7**	16.8
Trade and other receivables	18	**268.5**	350.3
Other financial assets	23	**0.1**	4.4
Assets classified as held for sale	16	**7.2**	2.7
Current tax asset	9	**4.9**	—
Cash and cash equivalents	19	**569.8**	630.8
		870.2	1,005.0
Total assets		**2,270.5**	1,801.2
Liabilities			
Current liabilities			
Trade and other payables	20	**(718.0)**	(847.7)
Other financial liabilities	23	**(9.9)**	(0.8)
Interest-bearing loans and borrowings	21	**(6.1)**	(5.5)
Lease liabilities	13	**(517.3)**	(1.8)
Current tax liabilities	9	**(0.9)**	(13.1)
Provisions	24	**(46.1)**	(34.8)
		(1,298.3)	(903.7)
Non-current liabilities			
Trade and other payables	20	**(15.6)**	(9.0)
Other financial liabilities	23	**(5.6)**	(0.8)
Interest-bearing loans and borrowings	21	**(403.9)**	(401.6)
Lease liabilities	13	**(131.3)**	(4.3)
Retirement benefit obligations	28	**(10.3)**	(5.1)
Deferred tax liabilities	9	**(49.0)**	(49.5)
Provisions	24	**(87.9)**	(82.0)
		(703.6)	(552.3)
Total liabilities		**(2,001.9)**	(1,456.0)
Net assets		**268.6**	345.2
Capital and reserves			
Share capital	25	**75.2**	74.7
Reserve for own shares	25	**(71.3)**	(71.3)
Hedging reserve	25	**(12.3)**	3.5
Share premium reserve	25	**1.6**	1.6
Capital redemption reserve	25	**0.7**	0.7
Translation reserve	25	**(1.8)**	—
Retained earnings		**239.6**	300.9
Total shareholders' equity		**231.7**	310.1
Non-controlling interests		**36.9**	35.1
Total equity		**268.6**	345.2

At 30 June 2019, the Group implemented IFRS 16 Leases using the modified retrospective transition method. As a result, the comparative figures have not been restated and are presented on an IAS 17 basis.

The financial statements were approved by the Board of Directors on 23 September 2020 and were signed on its behalf by:

Clare Hollingsworth – Chairman

Elodie Brian – Group Chief Financial Officer

The consolidated balance sheet shows all of our assets and liabilities at the year end
Further details of the major movements of our assets and liabilities in the year are set out below:

Assets

Property, plant and equipment

Overall, property, plant and equipment totalled £589.0m, down £42.9m on the prior year, with the vast majority held in the bus division in freehold land and buildings and bus vehicles. During the year, the Group spent £72.6m on assets, £56.6m in the bus division and £16.0m in the rail division; offsetting this were depreciation charges of £84.1m, £66.2m in the bus division and £17.9m in the rail division. Assets of £21.3m were impaired at year end and included £16.1m in the bus division, following a strategic review and the impact of COVID-19. This was mainly relating to coaching contracts and airline routes. In rail, £4.4m was impaired in Germany in relation to freehold land and buildings following a strategic review of this business.

Right of use assets

The Group adopted IFRS 16 Leases on 30 June 2019 and the impact of this standard saw £782.7m of right of use assets come onto the balance sheet at this date. A further £236.9m of assets were added during the year, mainly as a result of the Southeastern direct award contract being awarded from 1 April 2020. Depreciation of £375.5m is significant and is due to the majority of the leases relating to the UK rail businesses, which have short lease terms due to the remaining terms of the current franchises.

Goodwill and intangible assets

The total intangible balance of £96.1m is down £12.7m on the prior year. Additions, which comprised £5.3m of software costs and £13.1m of franchise set-up costs, are offset by impairments totalling £21.5m relating to franchise set-up costs, software assets, customer contracts and goodwill, mainly in the rail division. The amortisation charge for the year totalled £9.4m.

Other current assets

The Group's current assets totalled £870.2m, down £134.8m on the prior year. Of this decrease, £61.0m was in cash and the remainder of the movement was due to lower trade receivables. Both of these reductions were mainly in the UK rail businesses and arose from the impact of COVID-19 and the franchises operating under the Emergency Measures Agreements (EMAs).

Other financial assets and liabilities

Included in current assets is £0.1m and in non-current assets is £0.1m, offset by current liabilities of £9.9m and non-current liabilities of £5.6m. These represent the mark to market value of the fuel hedges, split between those due within one year and those due in more than one year.

Trade and other payables

Trade and other payables have decreased by £129.7m to £718.0m, mainly attributable to the impact of COVID-19 on deferred season ticket income and the impact of funding under the EMAs in the rail division.

Interest-bearing loans and borrowings

Non-current interest-bearing loans and borrowings totalled £403.9m, up from £401.6m in 2019. Principal balances within this are amounts drawn on our revolving credit facility of £147.4m and the £250.0m corporate bond, offset by deferred debt issue costs. Current interest-bearing loans and borrowings totalled £6.1m, £5.5m in 2019. Interest rates and movements on these balances are shown in full in note 21.

Lease liabilities

The Group adopted IFRS 16 Leases on 30 June 2019. The impact of this standard saw £781.1m of lease liabilities come onto the balance sheet at this date. During the year the liability has decreased to £648.6m mainly due to the majority of the leases relating to the rail businesses which have short lease terms due to the remaining term of the current franchises.

Retirement benefit schemes

Further details of the retirement benefit schemes in both bus and rail are shown in note 28. The net surplus on the bus schemes totals £53.0m and represents the excess of current assets compared to future liabilities in the pension fund. An asset-backed off-balance sheet funding arrangement is in place, as agreed with the scheme trustees. The rail deficit is £nil reflecting that the franchise adjustment (for the amounts which are the ongoing responsibility of the Department for Transport (DfT) or others beyond the franchise term) offsets the pension scheme deficit calculated.

Provisions

As shown in note 24, the Group provides for both uninsured claims and for rail franchise commitments including property and rolling stock dilapidations.

The total provision for uninsured claims of £49.9m is £6.5m higher than in 2019. Rail franchise commitments are £9.6m higher than prior year at £73.6m. The Group engages with external third party professionals to assist in the calculation of these provisions.

Total equity

Movements in equity and reserves are described in the commentary on the consolidated statement of changes in equity.

Consolidated cashflow statement

for the year ended 27 June 2020

	Notes	2020 £m	2019 £m
(Loss)/profit after tax for the year		**(12.1)**	75.1
Net finance costs	8	**20.4**	6.8
Tax expense	9	**11.9**	21.9
Depreciation of property, plant and equipment	12	**84.1**	79.3
Depreciation of right of use assets	13	**375.5**	—
Amortisation of intangible assets	14	**9.4**	4.8
Asset impairment		**0.9**	—
Investment impairment		**—**	0.3
Exceptional items	7	**57.1**	16.8
Share of result of joint venture		**0.6**	0.5
Loss on sale of assets held for sale		**—**	0.1
Profit on sale of property, plant and equipment		**(0.9)**	(0.2)
Share based payment charges	6	**1.6**	1.0
Difference between pension contributions paid and amounts recognised in the income statement		**(7.3)**	(7.1)
Increase in inventories		**(2.9)**	(1.6)
Decrease/(increase) in trade and other receivables		**78.4**	(10.6)
(Decrease)/increase in trade and other payables		**(128.1)**	55.6
Movement in provisions, excluding exceptional items		**9.9**	13.5
Cashflows generated from operations		**498.5**	256.2
Taxation paid	9	**(28.2)**	(32.5)
Net cashflows from operating activities		**470.3**	223.7
Cashflows from investing activities			
Interest received		**5.5**	5.0
Proceeds from sale of property, plant and equipment		**0.7**	3.4
Proceeds from sale of property, plant and equipment held for sale		**2.0**	12.4
Purchase of property, plant and equipment		**(72.6)**	(72.6)
Purchase of property, plant and equipment held for sale		**(4.8)**	(2.1)
Purchase of intangible assets		**(18.4)**	(22.2)
Purchase of businesses	15	**—**	(11.5)
Net cashflows used in investing activities		**(87.6)**	(87.6)
Cashflows from financing activities			
Interest paid on lease liabilities		**(13.9)**	(0.3)
Other interest paid		**(11.5)**	(14.2)
Dividends paid to members of the parent	11	**(30.9)**	(43.8)
Dividends paid to non-controlling interests		**(14.6)**	(12.7)
Proceeds from issue of shares		**0.5**	0.5
Payment to acquire own shares		**(0.7)**	(1.0)
Repayments of borrowings		**(0.8)**	(0.7)
Proceeds from borrowings		**2.5**	13.7
Payment of lease liabilities		**(374.3)**	(3.3)
Net cashflows used in financing activities		**(443.7)**	(61.8)
Net (decrease)/increase in cash and cash equivalents		**(61.0)**	74.3
Cash and cash equivalents at 29 June 2019	19	**630.8**	556.5
Effect of foreign exchange rate changes		**—**	—
Cash and cash equivalents at 27 June 2020	19	**569.8**	630.8

At 30 June 2019, the Group implemented IFRS 16 Leases using the modified retrospective transition method. As a result, the comparative figures have not been restated and are presented on an IAS 17 basis.

Cash balances of £474.8m (2019: £484.9m) were restricted at 27 June 2020. Following the introduction of the Emergency Measures Agreements (EMAs) in the UK rail companies on the 1 March 2020, all cash balances in these businesses became restricted. Further details are shown in note 19.

The consolidated cashflow statement shows the cashflows from operating, investing and financing activities for the year

Net cash/debt

Closing adjusted net debt on a post-IFRS 16 basis was £965.9m, an increase of £695.6m from opening adjusted net debt of £270.3m. Closing adjusted net debt on a pre-IFRS 16 basis was £321.6m

Cashflow reconciliation

A reconciliation of cash generated by operations to free cashflow and net debt, two non-GAAP measures used by management, is shown below. Free cashflow and adjusted net debt are measures used by management, which reflect the impact of restricted cash on cashflows.

	2020			2019	
Summary cashflow	IFRS 16 basis £m	IFRS 16 effect £m	IAS 17 basis £m	IAS 17 basis £m	Increase/ (decrease) £m
EBITDA	**547.8**	**383.9**	**163.9**	205.5	342.3
Cash restricted under EMA	**(45.7)**	**—**	**(45.7)**	—	(45.7)
Working capital	**6.5**	**1.6**	**4.9**	4.4	2.1
Cashflow generated from operations (excluding restricted cash movements)	**508.6**	**385.5**	**123.1**	209.9	298.7
Tax paid	**(28.2)**	**—**	**(28.2)**	(32.5)	4.3
Net interest paid	**(19.9)**	**(13.7)**	**(6.2)**	(9.5)	(10.4)
Net capital investment	**(93.1)**	**—**	**(93.1)**	(81.1)	(12.0)
Dividends paid to non-controlling interests	**(14.6)**	**—**	**(14.6)**	(12.7)	(1.9)
Free cashflow	**352.8**	**371.8**	**(19.0)**	74.1	278.7
Net acquisitions	**—**	**—**	**—**	(11.5)	11.5
Other	**(1.2)**	**—**	**(1.2)**	0.4	(1.6)
Payments to acquire own shares	**(0.7)**	**—**	**(0.7)**	(1.0)	0.3
Proceeds from issue of shares	**0.5**	**—**	**0.5**	0.5	—
Inception of new leases	**(235.0)**	**(235.0)**	**—**	—	(235.0)
IFRS 16 lease liabilities onto balance sheet	**(781.1)**	**(781.1)**	**—**	—	(781.1)
Dividends paid to members of the parent	**(30.9)**	**—**	**(30.9)**	(43.8)	12.9
Movement in adjusted net debt*	**(695.6)**	**(644.3)**	**(51.3)**	18.7	(714.3)
Opening adjusted net debt*	**(270.3)**	**—**	**(270.3)**	(289.0)	n/a
Closing adjusted net debt*	**(965.9)**	**(644.3)**	**(321.6)**	(270.3)	n/a

* Adjusted net debt represents net cash less restricted cash.

EBITDA (earnings before interest, tax, depreciation and amortisation) increased to £547.8m due to the impact of IFRS 16. On a pre-IFRS 16 basis, EBITDA decreased to £163.9m as result of the COVID-19 pandemic and operational challenges within the German business.

Capital expenditure, net of sale proceeds, was £12.0m higher in the year at £93.1m (2019: £81.1m) due to lower sales proceeds offset by lower purchases.

Tax payments in the year decreased by £4.3m to £28.2m primarily due to the settlement of the HMRC inquiry in the prior year and lower operating profit offset by the changes in timing for payments on account introduced by HMRC.

EBITDA reconciliation

	2020 £m	2019 £m
(Loss)/profit after tax for the year	**(12.1)**	75.1
Exceptional operating items	**57.1**	16.8
Net finance costs	**20.4**	6.8
Tax expense	**11.9**	21.9
Depreciation of property, plant and equipment	**84.1**	79.3
Depreciation of lease liabilities	**375.5**	—
Amortisation of intangible assets	**9.4**	4.8
Share of result of joint venture	**0.6**	0.5
Asset impairment	**0.9**	—
Investment impairment	**—**	0.3
EBITDA	**547.8**	205.5

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

No areas of critical accounting judgements or key sources of estimation uncertainty have been identified in relation to Brexit.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Going concern

During the financial year, and up to the date of signing the annual report and accounts, the COVID-19 pandemic has had a significant impact on the Group. Whilst the Group has seen positive trends emerging in the past few weeks, it is difficult to assess what the long-term impact of the pandemic will be to the wider economy and, in particular, the transport section in which the Group operates. Owing to this, the going concern assessment is considered a critical accounting judgement. However the directors' have considered the Group's current and future prospects and continue to adopt the going concern basis of preparation as they are satisfied that the Group can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Please refer to the directors' report for the Group's going concern statement.

COVID-19: Rail – Emergency Measures Agreements (EMAs)

The COVID-19 pandemic has had a major impact on the global economy and has had an impact on the Group's operational performance during the current year. The Group has received government support in each area of its divisional operations and it is expected that this support will continue as operations gradually return to normal.

In the rail division, from 1 March 2020, UK operations have seen all the revenue and cost risk being transferred to the Government by way of Emergency Measures Agreements (EMAs).

As part of these agreements, signed by the DfT, GTR and Southeastern, there are two income streams. A management fee to run a revised National Rail timetable across the UK and a performance payment bonus receivable from the DfT once the EMA term ends. The term end for GTR was 19 September 2020 and for Southeastern it is 17 October 2021.

The management fee is recognised within franchise subsidy revenue, in line with the revenue recognition policy for subsidy receipts received from the DfT.

The performance payment bonus is assessed through an EMA review process, which awards the rail franchisees with a score of 1, 2 or 3 against three criteria over the entire term of the EMA in areas of operational performance, customer experience and acting as a good and efficient operator. The performance payment bonus can range between £nil and £4.7m over the EMA term for GTR and between £nil and £8.0m for Southeastern. The EMA review process is subjective, and the directors' consider there is not a sufficient basis to recognise any revenue in respect of these performance payments, in the year ended 27 June 2020.

Whilst GTR was already operating within a management contract, the new terms have removed the risk to changes in the cost base but also other revenue such as car parking and retail commission. The GTR EMA was in place for an initial period to 19 September 2020. Post this date, GTR is operating under an Emergency Recovery Measures Agreement (ERMA) for a further 12 months. The ERMA is similar in nature to that of the EMA with GTR continuing to receive a management fee for the remainder of its franchise.

In Southeastern, the EMA is in place until 16 October 2021 due to a new 18-month (plus six-month extension option) direct award contract being agreed from 1 April 2020. The terms of this EMA were backdated and were effective from 1 March 2020.

In Germany, the rail contracts currently in operation are management contracts. Consequently, there is no material revenue risk associated with these contracts.

In Norway, the rail contract is partly subject to revenue risk, in relation to the unsubsidised part of the contract. The Norwegian Government has supported the rail industry with a package covering revenue lost since March 2020. This is expected to continue while demand remains suppressed.

Exceptional operating items

In certain years the Group presents as exceptional operating items on the face of the income statement material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance. The determination of whether items merit treatment as exceptional in a particular year is therefore a matter of judgement.

During the year, the following strategic reviews took place and resulted in material, one-off costs arising. A review of the regional bus operation was initiated during the financial year, following a decline in the operational performance which resulted in restructuring in some operations with certain routes being terminated due to them no longer being financially viable. In addition, the impact of COVID-19 brought about further challenges which led to asset impairments.

Further exceptional costs have been recognised in association with the Group's German business, which has had a challenging first year of operation. This includes restructuring, one-off costs, asset impairments and a provision recognised as a result of irrecoverable future franchise set-up costs. Further details are given in note 7.

During the prior year, a charge in relation to the impact of the Guaranteed Minimum Pensions (GMP) ruling on the Group defined benefit schemes was classified as exceptional.

Accounting for the Railways Pension Scheme (RPS)

The UK train operating companies participate in the Railways Pension Scheme (RPS), a defined benefit pension scheme which covers the whole of the UK rail industry. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme which means that costs are formally shared 60% employer and 40% employee. The Group only recognises amounts in relation to its share of costs in the income statement. The RPS is partitioned into sections and the Group is responsible for the funding of these sections whilst it operates the relevant franchise. At the end of the franchise term, responsibility for the funding, and consequently any deficit or surplus existing at that date, is passed to the next franchisee. At each balance sheet date a franchise adjustment is recognised to the IAS 19 net pension asset or liability to reflect that portion expected to pass to the next franchisee.

The directors view this arrangement as synonymous to the circumstances described in paragraphs 92–94 of IAS 19 Employee Benefits (Revised), with a third party taking on the obligation for future contributions. As there is no requirement to make contributions to fund the current deficit, then it is assumed that all of the current deficit will be funded by another party and hence none of the deficit is attributable to the current franchisee. In respect of the future service costs, there is currently no pension obligation in respect of those costs. When the costs are recognised in the income statement, the extent to which the committed contributions fall short determines the amount that is to be covered by contributions of another party in the future, which is recognised as an adjustment to service cost in the income statement. As a result, any portion of service cost not expected to be covered by contributions paid during the franchise but expected to transfer at the end of the franchise is treated as an adjustment to the income statement.

Under circumstances where contributions are renegotiated, for example, following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through the statement of other comprehensive income.

The directors deem this to be the most appropriate interpretation of IAS 19 to reflect the specific circumstances of the RPS where the franchise commitment is only to pay contributions during the period in which we run the franchise. An alternative approach would involve not limiting the measurement of the service cost through the recognition of an income statement franchise adjustment, but recognising all movements on the franchise adjustment as a movement in a reimbursement right in other comprehensive income. For the year ended 27 June 2020, the impact of this alternative treatment, on a post-tax basis, would be an increase in costs of £72.6m (2019: £59.5m) to the income statement and a debit to other comprehensive income of £185.0m (2019: debit of £74.5m). Since the franchise contract only refers to the contribution requirements during the franchise term, and not any reimbursement rights, the directors consider that viewing the treatment as contribution sharing with the next franchisee is most appropriate.

German rail franchises

The Group has a number of contractual commitments in Germany in respect of its current rail franchises in Baden-Württemberg and Bavaria. IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be made for an onerous contract where it is probable that the future economic benefits to be derived from the contract are less than the unavoidable costs under the contract.

The estimation of both the forecasts and discount rate involves a significant degree of judgement. Cashflow forecasts are derived from the most recent corporate plan for 2020/21 and the Group's three-year plan. Cashflows for the remainder of the contract years are extrapolated based on the third year of the corporate plan, updated to reflect the past performance and expected future developments. The pre-tax discount rates applied are derived from the Group's weighted average cost of capital, adjusted for country-specific risk, in order to match the discount rate with the underlying risk in the cash generating units.

The Group has concluded that the assets in relation to the Baden-Württemberg franchise are impaired, however, it holds the view that the contract is not onerous as the estimated value in use is positive, based on expected future cashflows and using a risk-adjusted discount rate.

The future forecasts, relating to the Baden-Württemberg franchise, are most sensitive to a change in assumptions used most notably on the assessment of future performance penalties and that of driver costs. A change of 0.5% in the level of performance penalties would increase or decrease the present value of future cashflows by approximately £4.0m and an increase in driver costs of 5% would decrease the present value of future cashflows by approximately £3.0m. In addition, liquidated and consequential damage claims are ongoing against the rolling stock provider. Due to the current status of the claims these are not recognised as an asset or contingent asset in the financial statements, but any settlement in part of full in relation to these claims would increase future cashflows. The maximum amount of upside in relation to these claims is £26.0m.

In relation to the Bavarian franchise, the Group has concluded that the assets are impaired and a provision of £7.2m relating largely to committed, irrecoverable franchise set-up costs has been recognised during the current year due to uncertainty surrounding the estimated value in use of the contract, based on expected future cashflows and using a risk-adjusted discount rate. The franchise forecasts are most sensitive to changes the assessment of future performance penalties, driver costs and the costs of franchise set-up. A change of 0.5% in the level of performance penalties would increase or decrease the present value of future cashflows by approximately £5.0m and an increase in driver costs of 5% would decrease the present value of future cashflows by approximately £3.0m. Changes in franchise set up costs relating driver training and recruitment costs of 5% would result in a change of £1.0m to the provision. The provision is included within franchise commitments and further details can be found in note 24.

Leases

At the lease commencement date, the lease liability is calculated by discounting the lease payments. The discount rate used should be the interest rate implicit in the lease (IRIIL). However, if that rate cannot be readily determined, the lessee's incremental borrowing rate (IBR) is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions. Due to the capital structure of the Group, the Group's cost of debt forms the base of the IBR with specific finance and lease adjustments made, when applicable, which are linked to the lease term, country of lease and start date.

Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term. Break and extension options are aligned with specific contract and franchise agreements which contain possible extension options, with the awarding of such extensions outside the control of the Group. Hence at commencement of the lease, break or extension options are not typically considered reasonably certain that they will be exercised. Leases are regularly reviewed and will be revalued if it becomes likely that a break clause or option to extend the lease is exercised.

Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are in relation to:

COVID-19: Bus – Bus Services Support Grant (CBSSG)

In the regional bus division, government support has been received in the form of the COVID-19 Bus Services Support Grant (CBSSG) from 17 March 2020. This is a grant payable to bus operators in respect of commercial services in return for making available sufficient capacity to run an agreed level of commercial miles. In the year ended 27 June 2020, the Group has recognised revenue of £20.1m, being the amount the Group considers it is reasonably certain to receive in line with the terms and conditions of this scheme. This grant income has been recognised within other revenue in the income statement.

Estimating the amount receivable for the year ended 27 June 2020 involves significant estimation uncertainty. The scheme is subject to a cap on the level of funding available for the scheme and therefore the extent to which that budget cap is sufficient to cover the relevant shortfalls of revenue versus costs of all eligible operators is a function of all those operators' revenues and costs.

While the Group has visibility of its own revenues and costs, it does not have visibility of other operators' revenues and costs and the grant mechanism is subject to interpretation. As such, estimating the extent to which the budget cap will limit the Group's CBSSG grant income involves estimation uncertainty.

The Group's operating companies have initially estimated that should the budget cap not be applicable, they are potentially entitled to CBSSG of £27.4m for the year ended 27 June 2020, £7.3m higher than the amount recognised in the financial statements.

Contract and franchise accounting

The commercial entities in the UK rail industry were created at the time of privatisation and the relationships between them are governed by a number of contracts between the major participants, the DfT, Network Rail and train operating companies (TOCs). These contracts include detailed performance regimes which determine the allocation of financial responsibility relating to the attribution of delays. The processes for attribution, whilst well understood, require detailed assessment and can take significant time to resolve, particularly in unusual circumstances.

The Group makes provision for income and costs relating to performance regimes and contractual obligations relating to operating delays caused by Network Rail or caused by our own operating companies. This process can be based primarily on previous experience of settling such claims, or, in certain circumstances, based on management's view of the most likely outcome of individual claims. The Group has significant internal expertise to assess and manage these aspects of the agreements and the issues relating to delay attribution to enable management to assess the most probable outcomes; nonetheless significant judgements are required, which can have material impacts on the financial statements.

Accordingly, judgements in these and other areas are made on a continuing basis with regard to amounts due and the recoverable carrying value of related assets and liabilities arising from franchises and other contracts. Regular reviews are performed on the expected outcome of these arrangements, which require assessments and judgements relating to the expected level of revenues and costs.

Please refer to note 27 for details of contingent liabilities relating to these judgements and estimations.

As a result of the COVID-19 pandemic, on 23 March 2020 the UK Government suspended all rail franchise agreements and introduced an industry-wide Emergency Measures Agreement (EMA) scheme to support train operating companies. The GTR EMA was in place for an initial period to 19 September 2020. Post this date, GTR is operating under an Emergency Recovery Measures Agreement (ERMA) for a further 12 months. The ERMA is similar in nature to that of the EMA with GTR continuing to receive a management fee for the remainder of its franchise.

The accounting for EMAs is deemed to be a critical accounting judgement, rather than a source of estimation uncertainty and as such no sensitivity analysis has been disclosed.

Contract and franchise accounting specific to the rail business is disclosed in the segmental analysis in note 4.

Measurement of franchise commitments

The measurement of franchise commitments, comprising dilapidation provisions on rolling stock, depots and stations, within the UK rail franchises, and a provision relating to the franchise set-up costs of the German Bavaria franchise, is set out in note 24.

Significant elements of the dilapidation provisions are subject to interpretation of franchise agreements and rolling stock agreements. The Group has significant internal expertise to assess and manage these aspects of the agreements and to enable management to assess the most probable outcomes. Where appropriate, and specifically in assessing dilapidation provisions, this process is supported by valuations from professional external advisors to support provision levels.

The forecasts in relation to the estimated value in use of the German franchise are subject to estimation due to the assumptions used. The most sensitive assumptions relate to the assessment of future performance penalties, driver costs and costs of franchise set up.

Sensitivity analysis with respect to franchise commitments is provided in note 24.

Retirement benefit schemes – bus

The measurement of defined benefit pension schemes requires the estimation of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 28. The Group engages Willis Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to the Group's particular circumstances. Management also benchmark these assumptions on a periodic basis with other professional advisors. Sensitivity analysis on the bus retirement defined benefit schemes is detailed in note 28.

Notes to the consolidated financial statements

1. Authorisation of financial statements and statement of compliance with International Financial Reporting Standards (IFRSs)

The consolidated financial statements of The Go-Ahead Group plc (the Group) for the year ended 27 June 2020 were authorised for issue by the Board of directors on 23 September 2020 and the balance sheet was signed on the Board's behalf by Clare Hollingsworth and Elodie Brian. The Group is a public company, limited by shares, that is incorporated, domiciled and registered in the England and Wales. The registered office is 3rd Floor, 41–51 Grey Street, Newcastle upon Tyne, NE1 6EE, UK. The Group's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

The consolidated financial statements of the Group have been prepared in accordance with IFRSs. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union (EU) and therefore the Group financial statements comply with Article 4 of the EU IAS Regulations.

The Group is required to comply with IFRSs under IAS 1 Presentation of Financial Statements, except in extremely rare circumstances where management concludes that compliance would be so misleading that it would conflict with the objective to "present fairly" its financial statements.

2. Summary of significant accounting policies

Basis of preparation

This note details the accounting policies which have been applied in the Group's consolidated financial statements. New accounting standards and interpretations which require adoption in future years have also been listed, along with our current view of the impact they will have on financial reporting.

The financial statements are prepared under the historical cost convention, as modified by the fair value of financial instruments.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand (£0.1m) except when otherwise indicated.

Going concern

The directors have considered the Group's current and future prospects, risks and uncertainties set out in the risk management objectives and policies, and its availability of financing, and are satisfied that the Group can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For this reason, the directors continue to adopt the going concern basis of preparation for these financial statements. Further detailed information is provided in the going concern statement in the directors' report and is therefore not replicated here.

New standards

The following new standards or interpretations are mandatory for the first time for the financial year ended 27 June 2020:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendment to IAS 28 Long Term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Annual improvements to IFRSs 2015–17 cycle

IFRS 16 Leases

The Group initially adopted IFRS 16 Leases on 30 June 2019. IFRS 16 replaces IAS 17 Leases and three interpretations (IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases and eliminates the operating lease classification meaning lessees are required to recognise right of use assets and lease liabilities for all leases on the balance sheet. On the income statement, the operating lease expense has been replaced by a combination of depreciation and interest. On the cashflow statement, the total amount of cash paid is now recognised in financial activities and is split between the principal portion and interest.

2. Summary of significant accounting policies continued

New standards continued

IFRS 16 Leases continued

Adoption approach

On transition the Group has applied IFRS 16 using the modified retrospective approach on a lease by lease basis. Prior periods have not been restated and are presented as previously reported under IAS 17.

- IAS 17
  Prior to the adoption of IFRS 16, leases were either classified as operating or finance leases. Payments made in respect of operating leases were charged to the income statement on a straight-line basis over the duration of the lease. Finance leases were recognised on the balance sheet with depreciation and interest being charged to the income statement.
- IFRS 16 – the standard
  IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

  The new standard eliminates the operating lease classification and therefore lessees are required to recognise right of use assets and lease liabilities for all leases on the balance sheet, unless lease terms are less than 12 months, are of low value or are exempt due to the application of other accounting standards. In the income statement, the operating lease expense has been replaced by a combination of depreciation and interest.

  For leases previously classified as finance leases, the Group has recognised the carrying amount of the finance lease asset and liability under IAS 17 as at 29 June 2019 as the carrying amount of the right of use asset and the lease liability under IFRS 16 at 30 June 2019.
- IFRS 16 adoption – lease identification
  On transition to IFRS 16, the Group elected to apply the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 30 June 2019.

Impact of adoption

The Group's incremental borrowing rate applied to the lease liabilities as at 29 June 2019 ranged from 1.38% to 2.54% and the Group's weighted average incremental borrowing rate was 2.03%.

This rate is the interest rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value over a similar term and with similar security to the right of use asset in a similar economic environment.

- IFRS 16 impact – balance sheet
  In respect of leases that would previously have been classified as operating leases, the Group has recognised £782.7m of right of use assets and £781.1m of lease liabilities as at 30 June 2019.

	30 June 2019 IFRS 16 basis £m	IFRS 16 effect £m	29 June 2019 IAS 17 basis £m
Assets			
Property, plant and equipment	623.0	—	623.0
Right of use assets	791.6	782.7	8.9
Trade and other receivables	348.7	(1.6)	350.3
Other assets not impacted by IFRS 16	819.0	—	819.0
Total assets/impact on assets	2,582.3	781.1	1,801.2
Liabilities			
Trade and other payables	(856.7)	—	(856.7)
Interest-bearing loans and borrowings	(407.1)	—	(407.1)
Current lease liabilities	(325.7)	(323.9)	(1.8)
Non-current lease liabilities	(461.5)	(457.2)	(4.3)
Other liabilities not impacted by IFRS 16	(186.1)	—	(186.1)
Total liabilities/impact on liabilities	(2,237.1)	(781.1)	(1,456.0)
Net assets	345.2	—	345.2
Capital and reserves			
Retained earnings	300.9	—	300.9
Other equity not impacted by IFRS 16	44.3	—	44.3
Total equity	345.2	—	345.2

2. Summary of significant accounting policies continued
New standards continued
IFRS 16 Leases continued

Impact of adoption continued

The lease liabilities as at 30 June 2019 can be reconciled to the opening lease commitments as at 29 June 2019 as follows:

	30 June 2019 IFRS 16 basis £m
Operating lease commitments as at 29 June 2019	2,644.8
Rail charges for track, station and depot access	(829.1)
Rolling stock leases in the international rail business which are not considered to be right of use assets	(400.3)
Components of leases which do not meet the definition of a lease under IFRS 16 as they relate to the ongoing maintenance of the assets	(303.3)
Short term leases where the lease term ends within 12 months from the date of initial application	(233.3)
Leases entered into but where the commencement date is after 30 June 2019	(77.6)
Effect of discounting	(19.5)
Other	(0.6)
Lease liabilities recognised as at 30 June 2019	781.1

- IFRS 16 impact – income statement
  In respect of the income statement impact, the application of IFRS 16 resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared to IAS 17.

  During the year ended 27 June 2020, the Group recognised £375.5m of depreciation charges, £13.9m of interest costs from all leases, including those recognised as finance leases under IAS 17, and short term and low value lease expenses of £112.9m.

Other new standards

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

Prior year restatement
During the year, there was a change to how certain revenue streams in the rail division have been recognised. For the year ended 29 June 2019, the amounts payable to the DfT exceeded the amounts receivable from the DfT in relation to the GTR franchise. In accordance with IFRS 15 Revenue from Contracts with Customers, the financial statements should have reflected the amounts received from passengers as income and the net payments to the DfT as an expense. In the prior year, while some of the amounts relating to DfT were correctly recognised as an expense, £115.0m was incorrectly recorded as an adjustment (increase) to revenue. In relation to the Southeastern franchise, it was also noted that a net amount of £17.9m payable to the DfT (relating to profit share and Schedule 7.1 payments) should have been netted against subsidy revenue in accordance with IFRS 15.70, rather than presented as an operating cost, as this amount was not paid in respect of goods/services that were distinct from the operation of the rail franchise itself.

These changes have resulted in a prior year restatement of £132.9m within revenue and operating costs (decrease to both) in the consolidated income statement and the corresponding notes. There is no impact to operating profit and no impact on the other primary statements.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and the entities it controls (its subsidiaries) as at 27 June 2020. Control is achieved when the Group:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affects its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Group, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The financial statements of subsidiaries for use in the consolidation are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

2. Summary of significant accounting policies continued

Basis of consolidation continued

Non-controlling interests represent the equity interests not held by the Group in Govia Limited, a 65% owned subsidiary, and are presented within equity in the consolidated balance sheet, separately from shareholders' equity.

Joint ventures represent the 50% equity interest held by the Group in respect of On Track Retail Limited, which is accounted for as a joint arrangement, and disclosures are limited in this Annual Report as the business is currently immaterial to the Group.

Joint arrangements

A joint arrangement is defined as an arrangement by which two or more parties have joint control and rights to the net assets. Joint control is the contractually agreed sharing of control, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Interests in joint arrangements are accounted for as either a joint venture or a joint operation in accordance with IFRS 11 Joint Arrangements.

A joint arrangement is accounted for as a joint venture when the Group, along with other parties, has joint control and rights to the net assets of the arrangement. Joint ventures are equity accounted in accordance with IAS 28 Investments in Associates and Joint Ventures (Revised). A joint arrangement is accounted for as a joint operation when the Group, along with other parties, has joint control of the arrangement, rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for by including the Group's share of the assets, liabilities, income and expense on a line by line basis.

Revenue recognition

The revenue of the Group, arising from it's contracts with customers, mainly comprises income from road passenger transport and rail passenger transport.

The Group has a number of revenue streams which consist of revenue from passengers, contracts, franchise subsidy as well as other miscellaneous revenue streams. Revenue is recognised on satisfaction of performance obligations which are generally clear. Revenue is measured based on the fair value of the consideration received or receivable (excluding discounts, rebates, VAT and other sales taxes or duty) to which the Group expects to be entitled to and excludes amounts collected on behalf of third parties.

An explanation of the main revenue streams is set out below:

Passenger revenue

Passenger revenue mainly relates to revenue from ticket sales in the regional bus and rail divisions.

In regional bus, passenger revenue mainly consists of commercial and concessionary revenue. Commercial passenger revenue relates to ticket sales for travel on the regional bus transport services and is recognised in the period in which the travel occurs. Season tickets and travel cards enable passengers to use travel services over a period of time. Management assess the revenue recognised in the period and future revenue is deferred, within liabilities, and subsequently recognised in the income statement within the applicable accounting period.

Concessionary revenue is received from public bodies, such as local authorities, with a performance obligation to transport certain eligible passengers free of charge. Revenue is recognised in the period of travel and the transaction price varies between agreements and can include areas of estimation. Revenue is only recognised when the amount can be measured reliably and it is highly probable that a significant reversal in the amount of cumulative revenue will not occur.

In UK rail, revenue comprises amounts based principally on agreed models of route usage by Railway Settlement Plan Limited (RSP) (which administers the income allocation system within the UK rail industry), in respect of passenger receipts and other related services such as rolling stock maintenance and commission on tickets sold. In relation to the GTR franchise, passenger revenue is collected and remitted to the DfT net of management charges. In accordance with the GTR franchise agreement and IFRS 15 Revenue from Contracts with Customers, passenger revenue is regarded as income and an expense is recognised for the net amount paid to the DfT. Over their lifetime, the UK rail franchises may switch between being in a 'premium' position (when the amounts payable to the DfT exceed the amounts received from them) and being in a 'subsidy' position (when the amounts received from the DfT exceed the amounts paid to them). When the franchises are in a subsidy position subsidy revenue is recognised, in addition to passenger revenue.

In Germany, in line with the requirements of IFRS 15, passenger revenue is allocated by the tariff authority in each region between the various transport providers based on ticket income declared, passenger counts, tariff authority estimates and historical trends. Revenue is recognised based on the allocations made; where these are not yet available, on the payments on account made by the tariff authority or on other best estimates.

In Norwegian rail, passenger revenue is dependent on passenger numbers and the type of ticket purchased. It is recognised when the passenger travels and the service is delivered.

Contract revenue

Contract revenue mainly relates to the London & International bus division and comprises contractual income from government bodies which are recognised in the period to which they relate. Quality incentive contracts (QICs) are received as part of the contract revenue and the potential premiums or penalties are assessed cumulatively on a contract by contract basis, at the end of each period based on key performance obligations. The whole of cumulative penalties/premiums are recognised in the income statement on a pro rata basis to the contract year.

2. Summary of significant accounting policies continued

Revenue recognition continued

Contract revenue continued

When determining the QICs income to be recognised, the Group utilises a weighted average approach to estimate the variable consideration element, but constrains this estimate to ensure that variable consideration is only included in revenue to the extent that it is highly probable that it will not reverse when the final outcomes are known. The determination of this constrained estimate includes consideration of past performance and other performance expectations. Reflecting the current consistent portfolio of contracts which are spread throughout the year there is not expected to be a material impact from this approach in year on year performance.

In regional bus, revenue generated from services provided on behalf of local transport authorities is also recognised as income in the period to which it relates.

Other revenue

Other revenue mainly relates to revenue for ancillary services, such as rail replacement, maintenance and cleaning. Other revenue also includes rental income which is generated from rental of surplus properties and subleasing of railway infrastructure access. Other revenue is recognised in the period to which it relates,for the transaction price specified in the contract.

Revenue in relation to the COVID-19 Bus Services Support Grant (CBSSG) has been recognised within other revenue and is recognised in the period in which the operational revenue and costs it is supporting relates to. CBSSG requires that a minimum level of service is operated, revenue is variable and includes areas of estimation when determining the transaction price with the actual revenue not confirmed until the reconciliation process is complete. The Group have recognised revenue where the amount can be measured reliably and it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. Given the uncertainty of the outcome of the reconciliation process, no reliable estimate for recognition can be made for any additional potential receipts that may be due.

Franchise subsidy

Franchise subsidy revenue arises in the rail division and comprises receipts, from the relevant local transport authorities, which are receivable under the terms of the franchise agreements. The franchise agreements include minimum specifications of passenger services to be provided, which is the performance obligation. Franchise premium payments to the DfT, for amounts due under the terms of the UK franchises, are recognised in operating costs.

The Emergency Measures Agreements (EMAs) in the UK transferred all revenue and cost risk to the Government for an initial period from 1 March 2020. UK rail companies are paid a small management fee to continue running a revised National Rail timetable across the UK. Net EMA funding, including the management fee, is recognised as franchise subsidy within revenue.

In Germany, the franchise contracts determine subsidy revenue without reference to the passenger revenue; the shortfall between passenger revenue and franchise contract revenue is paid as a subsidy by the Public Transport Authority (PTA). Franchise contract revenue is based among other factors on mileage and performance/quality levels. Revenue is recognised based on the performance figures reported monthly to the PTA. In accordance with IFRS 15, costs payable to the PTA are netted against subsidy income.

In Norway, subsidy revenue is received from the Rail Directorate as per the Traffic Agreement. This is fixed although there are variable elements with penalties payable based on performance. The revenue subsidy is interrelated with a number of costs payable to the customer. These are costs payable to the state, are specified by the Traffic Agreement and are accounted for as a reduction in transaction price. Following the impact of COVID-19, the revenue subsidy has been amended and is now variable and the agreement ensures that the business can operate the agreed service in the period without incurring operating losses.

All franchise subsidies are recognised in the period to which they relate.

Profit and revenue sharing/support agreements

The UK rail companies have certain revenue and profit sharing agreements with the DfT. An accrual is made within amounts payable to central government for the estimated cost to the Group of the relevant amounts accrued at the balance sheet date. Payments are charged to operating costs.

Revenue support is provided by the DfT typically in the last two years of a franchise. Receipts are shown in revenue.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost on transition to IFRSs less accumulated depreciation, any impairment in value and any residual value. Freehold land is not depreciated.

Residual values and useful economic lives are reviewed annually. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal and over their expected useful life on a straight-line basis, to operating costs in the income statement, as follows:

Leasehold land and buildings	The life of the lease
Freehold buildings	Over 50 to 100 years
Bus vehicles	Over 8 to 15 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists the assets are written down to their recoverable amount, being the higher of value in use or fair value less costs of disposal. Any impairment in value is recognised immediately in the income statement.

2. Summary of significant accounting policies continued

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in operating costs within the income statement over the period necessary to match on a systematic basis to the costs that it is intended to compensate. Where the grant relates to a non-current asset, the value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset.

Government grants have also been recognised in relation to the ongoing COVID-19 pandemic. These comprise amounts receivable under the Coronavirus Job Retention Scheme (CJRS).

CJRS comprises grants receivable in relation to the costs incurred by the Group for furloughed employees and is recognised in the income statement, within operating costs, in the same period as the related costs and when there is reasonable assurance that the grant will be received.

Share based payment transactions

The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of the Group (market conditions); conditions not related to performance or service (non-vesting conditions); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised at each reporting date reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Exceptional operating items

The Group presents as exceptional operating items on the face of the income statement material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance.

Finance revenue

Interest on deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest-bearing loans and borrowings

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other derecognition of debt are recognised directly in the income statement. Issue costs relating to any term extensions are offset against the proceeds and amortised over the life of the extension.

Leases

Lease identification

At inception of a contract, the Group shall assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right of use asset

Right of use assets are measured initially at cost based on the value of the associated lease liability, adjusted for any payments made before inception, initial direct costs and an estimate of the dismantling, removal and restoration costs required in the terms of the lease.

The right of use assets are subsequently depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

In addition, the right of use asset is periodically reduced by impairment losses, if applicable, and adjusted for certain remeasurements of the lease liability.

Leases continued

Lease liability

At the commencement date of the lease, the lease liability is initially measured at the present value of lease payments to be made over the lease term with payments discounted at the rate implicit in the lease or, where that cannot be measured, at the Group's incremental borrowing rate.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid by the Group under residual value guarantees. The lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option. Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease, are also included.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability and reducing the carrying amount to reflect the lease payments made. The carrying value is remeasured when there is a change in future lease payments arising from the effective date of a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Short term and low value asset leases

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of less than 12 months and leases of low value assets. Lease payments relating to short term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- On the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income, or directly, in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

Business combinations and goodwill

Business combinations are accounted for under IFRS 3 Business Combinations (revised) using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 in the income statement.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate from the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion, are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

2. Summary of significant accounting policies continued

Business combinations and goodwill continued

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (or groups of cash-generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Software

Software, which is not integral to the related hardware, is capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three to five years.

Franchise set-up costs

A key part of the Group's activities is the process of bidding for and securing franchises, principally to operate rail services in the UK and bus and rail services internationally. In the UK, all franchise bid costs incurred prior to achieving preferred bidder status are treated as an expense in the income statement irrespective of the ultimate outcome of the bid. Internationally, all franchise bid costs incurred prior to a contract win are treated as an expense in the income statement irrespective of the ultimate outcome of the bid. Directly attributable, incremental costs incurred after achieving preferred bidder status, entering into a franchise extension or winning an international bid are capitalised as an intangible asset and amortised on a straight-line basis over the life of the franchise, which ranges from 5 to 13 years. The amortisation expense is taken to the income statement as operating costs.

Customer contracts

Customer contracts relate to the value attributed to contracts and relationships purchased as part of the Group's acquisitions. The value is based on the unexpired term of the contracts at the date of acquisition. Customer contracts have a residual value of £nil and are amortised on a straight-line basis over the unexpired contract term, which is determined on an individual customer basis. The amortisation expense is taken to the income statement as operating costs.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount, being the higher of the asset's or cash generating unit's fair value less costs to sell and its value in use. Value in use is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Impairment losses (including goodwill impairment) of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Goodwill impairment losses are not reversed. The reinstated amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, on a systematic basis less any residual value, over its remaining useful life.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2. Summary of significant accounting policies continued

Inventories

Inventories of fuel and engineering spares are valued at the lower of cost and net realisable value on a first in first out basis after making due allowance for obsolete and slow moving items. Cost comprises direct materials and costs incurred in bringing the items to their present location and condition. Net realisable value represents the estimated selling price less costs of sale.

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand, and short term deposits with an original maturity of three months or less. For the purpose of the consolidated cashflow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial instruments

Financial assets

The Group's financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through profit or loss in the income statement, directly attributable transaction costs. Financial assets are subsequently classified as being measured at amortised cost, fair value through other comprehensive income, or fair value through the income statement.

The Group's financial assets at amortised cost are non-derivative financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

The Group does not have any financial assets held at fair value through the income statement.

The Group does not have any financial assets held at fair value through other comprehensive income.

The Group uses an impairment model with impairment provisions based on expected credit losses rather than incurred credit losses. The Group applies the IFRS 15 simplified approach and measures the loss allowance on the lifetime expected credit losses at each reporting date.

Financial liabilities

The Group's financial liabilities include trade payables, accruals, interest-bearing loans and borrowings and derivative financial instruments. At initial recognition, the Group measures financial liabilities at fair value plus, in the case of a financial liability not at fair value through the income statement, transaction costs that are directly attributable to the issue of the financial liability.

With the exception of derivative financial instruments, all other financial liabilities are subsequently measured on an amortised costs basis.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivative financial instruments

The Group uses derivatives to hedge its risks associated with fuel price fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently remeasured at fair value at each balance sheet date.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cashflows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

2. Summary of significant accounting policies continued

Fair value measurement

The Group measures financial instruments (derivatives) and non-financial assets at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in note 23.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

When required, the Group presents the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, expected future cashflows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

The Group provides for property, station and fleet dilapidations, where appropriate, based on the future expected repair costs required to restore them to their fair condition at the end of their respective lease terms, where it is considered a reliable estimate can be made.

Uninsured liabilities

The Group limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits for total claims within the excess limits. A discounted provision is recognised for the estimated cost to settle claims for incidents occurring prior to the balance sheet date.

The estimation of this provision is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Group by the insurer.

Provisions are accounted for on a gross basis with a separate reimbursement asset recognised for amounts recoverable from insurance providers.

2. Summary of significant accounting policies continued

Treasury shares

Reacquired shares in the Group, which remain uncancelled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares. Any gain or loss on the purchase, sale, issue or cancellation of the Group's shares is transferred from the reserve for own shares to revenue reserves.

Investments

Investments are held at cost less impairment.

Retirement benefits

The Group operates a number of pension schemes, both defined benefit and defined contribution. The costs of these are recognised in the income statement.

Bus retirement benefit schemes

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest) are recognised in the statement of comprehensive income in the period in which they occur.

The current service cost is recognised in the income statement within operating costs. The net interest expense or income is recognised in the income statement within finance costs.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

Contributions payable under defined contribution schemes in both regional bus and London & International bus are charged to operating costs in the income statement as they fall due.

Rail retirement benefit schemes

The Group's UK Train Operating Companies (TOCs) participate in the Railways Pension Scheme (RPS), which is an industry-wide defined benefit scheme. The Group is obligated to fund the relevant section of the scheme over the period for which the franchise is held.

All the costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members. In addition, at the end of the franchise, any deficit or surplus passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable during the period over which it operates the franchise, these contributions being subject to change on consideration of future statutory valuations. The net liability reflects the Group's obligation to fund the statutory deficits of the relevant RPS sections over the franchise term.

The last statutory valuation of the RPS scheme sections in which the Group is involved, carried out on 31 December 2013 as noted in note 28, and its IAS 19 actuarial valuation are carried out for different purposes and may result in materially different amounts. There are ongoing funding deficits across the RPS schemes in which the Group participates and the IAS 19 valuation is set out in the disclosures below.

The accounting treatment for the time based risk-sharing feature of the Group's participation in the RPS is not explicitly considered by IAS 19 Employee Benefits (Revised). Since the contributions currently committed to being paid to each TOC section are lower than the share of the service cost (for current and future service) than would normally be calculated under IAS 19 Employee Benefits (Revised), the Group does not account for uncommitted contributions towards the sections current or expected future deficits. This reflects the legal position that some of the existing deficit and some of the service costs in the current year will be funded in future years beyond the term of the current franchise and committed contributions. As a result, the Group consequently reduces any section deficit balance and reduces any service costs that would give rise to an increase in such deficit through the use of a franchise adjustment. The franchise adjustment reflects the extent to which third parties are expected to contribute towards the cost of the plan as a consequence of the deficit transferring at the end of the franchise, which is deemed, in the directors' view, in line with paragraphs 92–94 of IAS 19 Employee Benefits (Revised). Under circumstances where contributions are renegotiated, for example, following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through the statement of other comprehensive income.

Contributions payable under defined contribution schemes in Germany and Norway are charged to operating costs in the income statement as they fall due.

Please refer to note 28 for further details.

2. Summary of significant accounting policies continued

New standards and interpretations not applied

The International Accounting Standards Board (IASB) has issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date (periods beginning on or after)
Amendments to references to conceptual framework in IFRSs	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Not yet announced by IASB
Amendments to IFRS 3 Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
Conceptual framework amendments to references to the conceptual framework in IFRSs	1 January 2020

3. Reconciliation of alternative profit measures (APMs)

The Group uses a number of alternative performance measures (APMs) throughout the Annual Report and Accounts. Management believes that adjusting for these items provide them with a better understanding of the Group's operating performance and financial position.

The APMs used by the Group are disclosed below:

Operating profit pre-exceptional items

Exceptional operating items represent material items of revenue or expenses which, because of the size or nature and the expected infrequency of the events giving rise to them, distort the Group's underlying performance.

Reconciliation of pre and post operating profit:

	2020 £m	2019 £m
Operating profit	**20.8**	104.3
Exceptional items:		
– Asset impairments and restructuring costs – regional bus	**26.7**	—
– Asset impairments, provisions and restructuring costs – rail	**30.4**	—
– Charge in relation to GMP equalisation	**—**	16.8
Operating profit pre-exceptional items	**77.9**	121.1

Further detailed information on the exceptional items is given in note 7.

A summary of impact of the exceptional items on other statutory measures is as follows:

	Pre-exceptional 2020 £m	**Exceptional 2020 £m**	**Post-exceptional 2020 £m**	Pre-exceptional 2019 £m	Exceptional 2019 £m	Post-exceptional 2019 £m
Group operating profit	**77.9**	**(57.1)**	**20.8**	121.1	(16.8)	104.3
Profit/(loss) before taxation	**56.9**	**(57.1)**	**(0.2)**	113.8	(16.8)	97.0
Tax expense	**(18.2)**	**6.3**	**(11.9)**	(24.7)	2.8	(21.9)
Profit/(loss) for the year from continuing operations	**38.7**	**(50.8)**	**(12.1)**	89.1	(14.0)	75.1
Attributable to:						
– Equity holders of the parent	**22.2**	**(50.8)**	**(28.6)**	72.8	(14.0)	58.8
– Non-controlling interests	**16.5**	**—**	**16.5**	16.3	—	16.3
	38.7	**(50.8)**	**(12.1)**	89.1	(14.0)	75.1
Earnings per share						
– basic	**51.6p**	**(118.1)p**	**(66.5)p**	169.4p	(32.6)p	136.8p
– diluted	**51.5p**	**(117.9)p**	**(66.4)p**	169.0p	(32.5)p	136.5p

3. Reconciliation of alternative profit measures (APMs) continued

Adjusted net debt

Adjusted net debt is the net cash/debt position of the Group adjusted to reflect the impact of restricted cash on cashflows. Net cash/debt is the value of cash and cash equivalents offset by borrowings, including interest-bearing loans and borrowings and lease liabilities. Restricted cash represents amounts held in the rail division which can only be distributed with the agreement of the relevant local transport authorities and are therefore outside of management's control.

The components of adjusted net debt are shown within note 21.

Free cashflow

Free cashflow is used by management to determine the amount of cash the Group has generated in the year from its operations that can utilised for strategic purposes. A summary of free cashflow and the reconciliation between the cashflow statement and the adjusted net debt position is presented as part of the consolidated cashflow statement.

4. Segmental analysis

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

For management purposes, the Group is organised into three reportable segments: regional bus, London & International bus and rail. Operating segments are reported to the chief operating decision maker, considered to be the Group Chief Executive, on a periodic basis for the purposes of resource allocation and assessment of segmental performance. Segments are organised based on the long term economic characteristics as well as the similar nature of the business activities and are reported as follows:

The regional bus division comprises UK bus operations outside London.

The London & International bus division comprises bus operations in London under the control of Transport for London (TfL), rail replacement and other contracted services in London, bus operations in Singapore under the control of the Land Transport Authority (LTA) of Singapore and bus operations in Ireland under the control of the National Transport Authority (NTA) of Ireland. These are aggregated as a single segment for internal management purposes given the similar contractual nature of the services and how these services are provided, the type of customer, the similar economic characteristics and the similar regulatory environment. The operations are also governed and controlled by a distinct management team.

The rail division comprises UK and overseas rail operations. The UK rail operation, through an intermediate holding company, Govia Limited, is 65% owned by Go-Ahead and 35% by Keolis and comprises two rail franchises: Southeastern and GTR. The registered office of Keolis (UK) Limited is in England and Wales. Overseas rail operations commenced on 15 June 2019 in Germany and on 15 December 2019 in Norway. A further two contracts are being mobilised in Germany. These operations are 100% owned by Go-Ahead.

Rail operating companies have similar business activities and objectives, to provide passenger rail services and to achieve a modest profit margin through franchise arrangements with the relevant local transport authorities in their respective countries. Each company targets similar margins, has similar economic risks and operates services under heavily controlled regimes and specifications, set by the local transport authorities. The operations are internally controlled and governed by a distinct management team and are viewed as one segment by the chief operating decision maker.

Management will continue to assess the appropriateness of the operating reporting segments, in accordance with the requirements of IFRS 8 Operating Segments, going forward.

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, on a pre- and post-exceptional basis below.

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

4. Segmental analysis continued

The following tables present information regarding the Group's reportable segments for the year ended 27 June 2020 and the year ended 29 June 2019.

Year ended 27 June 2020

	Regional bus £m	London & International bus £m	Total bus £m	Rail £m	Total operations £m
Passenger revenue	347.1	—	347.1	1,949.0	2,296.1
Contract revenue	67.6	627.3	694.9	0.6	695.5
Other revenue	31.6	3.7	35.3	211.2	246.5
Franchise subsidy	—	—	—	760.4	760.4
Segment revenue	446.3	631.0	1,077.3	2,921.2	3,998.5
Inter-segment revenue	(37.5)	(26.9)	(64.4)	(35.7)	(100.1)
Group revenue	408.8	604.1	1,012.9	2,885.5	3,898.4
Operating costs	(388.3)	(555.6)	(943.9)	(2,876.6)	(3,820.5)
Group operating profit (pre-exceptional items)	20.5	48.5	69.0	8.9	77.9
Exceptional operating items					(57.1)
Group operating profit (post-exceptional items)					20.8
Share of result of joint venture					(0.6)
Net finance costs					(20.4)
Loss before tax and non-controlling interests					(0.2)
Tax expense					(11.9)
Loss for the year					(12.1)

Further information on exceptional operating items is disclosed in note 7.

	Regional bus £m	London & International bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure					
– Additions	39.1	17.5	56.6	16.0	72.6
– Intangible assets	2.0	2.4	4.4	14.0	18.4
– Right of use assets	8.2	23.6	31.8	205.1	236.9
Depreciation					
– Owned assets	38.0	28.2	66.2	17.9	84.1
– Right of use assets	5.0	16.7	21.7	353.8	375.5

Inter-segment revenue relates to transactions between the Group's operating segments and includes rail replacement services and sub-leasing of rolling stock.

At 27 June 2020, there were non-current assets included within the London & International bus segment of £12.4m (2019: £12.1m) relating to operations in Singapore and Ireland. Operations in Singapore generated a revenue of £56.9m (2019: £59.6m) and operations in Ireland generated a revenue of £33.4m (2019: £16.5m) during the year.

Non-current assets included within rail of £34.6m (2019: £37.7m) relate to international operations in Germany and the Nordics. The revenue generated in the year from these operations was £69.9m (2019: £2.6m).

We have two major customers which individually contribute more than 10% of Group revenue, one of which contributed £736.1m (2019: £114.4m restated), and the other contributed £506.4m (2019: £486.2m). No other individual customer contributed 10% or more to the Group's revenue in either the current or prior year.

4. Segmental analysis continued
Year ended 29 June 2019

	Regional bus £m	London & International bus £m	Total bus £m	Rail* £m	Total operations* £m
Passenger revenue	384.1	—	384.1	2,357.7	2,741.8
Contract revenue	69.1	592.4	661.5	—	661.5
Other revenue	14.4	4.5	18.9	242.8	261.7
Franchise subsidy	—	—	—	114.6	114.6
Segment revenue	467.6	596.9	1,064.5	2,715.1	3,779.6
Inter-segment revenue	(34.6)	(27.7)	(62.3)	(43.1)	(105.4)
Group revenue	433.0	569.2	1,002.2	2,672.0	3,674.2
Operating costs	(388.5)	(518.0)	(906.5)	(2,646.6)	(3,553.1)
Group operating profit (pre-exceptional items)	44.5	51.2	95.7	25.4	121.1
Exceptional operating items					(16.8)
Group operating profit (post-exceptional items)					104.3
Share of result of joint venture					(0.5)
Net finance costs					(6.8)
Profit before tax and non-controlling interests					97.0
Tax expense					(21.9)
Profit for the year					75.1

* Restated (see note 2).

	Regional bus £m	London & International bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
– Additions	40.4	9.6	50.0	22.6	72.6
– Acquisitions	11.9	—	11.9	—	11.9
– Intangible assets	3.1	4.8	7.9	14.3	22.2
Depreciation	36.9	28.2	65.1	14.2	79.3

5. Operating costs
Detailed below are the key amounts recognised in arriving at our operating costs. For accounting policies see 'Profit and revenue sharing/support agreements', 'Property, plant and equipment', 'Government grants' and 'Franchise set-up costs' in note 2.

	2020 £m	2019* £m
Employee costs (note 6)	**1,355.9**	1,272.7
Rail operating charges[1] (see below)	**990.8**	1,247.2
Energy costs (see below)	**261.8**	262.7
DfT franchise agreement payments/(receipts)	**93.3**	(1.1)
Depreciation (see below)	**459.6**	79.3
Intangible amortisation	**9.4**	4.8
Auditor's remuneration (see below)	**1.3**	1.0
Impairment losses on trade receivables	**2.6**	0.9
Loss on sale of assets held for sale	**—**	0.1
Other operating income	**(27.1)**	(28.7)
Government grants	**(3.6)**	(2.7)
Government grants: COVID-19	**(27.2)**	—
Profit on disposal of property, plant and equipment	**(0.9)**	(0.2)
Other operating costs	**704.6**	717.1
Total operating costs (pre-exceptional operating items)	**3,820.5**	3,553.1

* Restated (see note 2).

1. Rail operating charges constitute costs that were previously classified as operating leases payments under IAS 17.

5. Operating costs continued

Further analysis of the above operating costs is as follows:

	2020 £m	2019 £m
Rail operating charges[1]		
– bus vehicles	—	16.1
– non-rail properties	—	2.1
– other non-rail	—	0.1
– rail rolling stock	**212.9**	522.7
– other rail	**194.4**	173.9
Total lease and sublease payments recognised as an expense (excluding rail access charges)	**407.3**	714.9
– rail access charges	**583.5**	532.3
Total lease and sublease payments recognised as an expense	**990.8**	1,247.2
Depreciation		
– owned assets	**84.1**	78.0
– right of use assets	**375.5**	1.3
Total depreciation expense	**459.6**	79.3
Auditor's remuneration		
– audit fee for the audit of the parent financial statements	**0.1**	0.1
– audit fee for the audit of the subsidiary financial statements	**1.1**	0.8
Total audit fees for the audit of the financial statements	**1.2**	0.9
Total non-audit fees	**0.1**	0.1
Total auditor's remuneration	**1.3**	1.0
Energy costs		
– bus fuel	**98.3**	103.2
– rail diesel fuel	**2.4**	3.1
– rail electricity	**145.1**	140.9
– cost of site energy	**16.0**	15.5
Total energy costs	**261.8**	262.7

1. Rail operating charges constitute costs that were previously classified as operating leases payments under IAS 17.

The Group adopted IFRS 16 Leases on 30 June 2019. The Group previously categorised the majority of its bus leases (vehicles and property) and rail rolling stock leases as operating leases, under IAS 17. These have now been taken to the balance sheet as right of use assets. On adoption, the rail rolling stock leases in the Southeastern franchise were classified as short term assets, as the franchise had less than a year to run, and so were not recognised as right of use assets on transition. On 1 April 2020 Southeastern entered a direct award contract, with a term exceeding 12 months, and all associated leases became right of use assets at that point.

The Group's rail operating companies hold agreements with different local entities for access to the railway infrastructure (track, stations and depots). These are now classified as rail operating charges as they do not constitute a right of use asset.

Government grant income of £3.6m (2019: £2.7m) is mainly attributable to the release of grants received to support the mobilisation of international business operations and service improvements including smart ticketing, deliverable over a period of up to 15 years.

Government grant income in relation to the COVID-19 pandemic of £27.2m (2019: £nil) primarily relates to the Coronavirus Job Retention Scheme (CJRS) in the UK, and the equivalent schemes in our international operations. The amounts recognised reflect the grants receivable in respect of the year ended 27 June 2020 and relate to the costs reclaimable for furloughed employees to the extent that it is reasonably certain that the grant will be received.

6. Employee costs

This note shows total employment costs, inclusive of share based payment charges. We have a number of share plans used to award shares to directors and employees. A charge is recognised over the vesting period in the consolidated income statement, based on the fair value of the award at the date of grant. The note also shows the average number of people employed by the Group during the year. For accounting policies see 'Share based payment transactions' in note 2.

	2020 £m	2019 £m
Wages and salaries	**1,181.2**	1,109.7
Social security costs	**117.0**	111.2
Other pension costs	**56.1**	50.8
Share based payments charge	**1.6**	1.0
	1,355.9	1,272.7

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

	2020	2019
Administration and supervision	**3,643**	3,489
Maintenance and engineering	**2,763**	2,581
Operations	**23,594**	22,125
	30,000	28,195

The information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the directors' remuneration report. Aggregate directors emoluments are also disclosed in note 29.

Sharesave scheme

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

The Sharesave scheme is open to all full time and part time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the Group was £50. Participants were given the choice of taking their money back, or to purchase Go-Ahead Group shares at a 20% discount of the market price set at the date of invitation. Sharesave 2016 participants had six months from the maturity date to exercise their options. Sharesave 2016 matured on 1 May 2019. There are no current active Sharesave schemes in place.

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

There are no savings-related options at 27 June 2020.

The expense recognised for the scheme during the year to 27 June 2020 was £nil (2019: £nil).

6. Employee costs continued

Sharesave scheme continued

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

	2020 No.	2020 WAEP £	2019 No.	2019 WAEP £
Outstanding at the beginning of the year	**174,606**	**19.11**	249,242	19.11
Forfeited during the year	**(144,554)**	**19.11**	(52,698)	19.11
Exercised during the year	**(30,052)**	**19.11**	(21,938)	19.11
Outstanding at the end of the year	**—**	**—**	174,606	19.11

The weighted average exercise price at the date of exercise for the options exercised in the period was £19.11 (2019: £19.11).

At the year end no options (2019: 174,606) were exercisable and the weighted average exercise price of the options at year end was £nil (2019: £19.11).

The options outstanding at the end of the year have a weighted average remaining contracted life of nil years (2019: nil years).

Long Term Incentive Plans

The executive directors participate in The Go-Ahead Group Long Term Incentive Plan 2015 (LTIP). The LTIP provides for executive directors to be awarded nil cost shares in the Group conditional on specified performance conditions being met over a period of three years. Refer to the directors' remuneration report for further details of the LTIP.

The expense recognised for the LTIP during the year to 27 June 2020 was £0.7m (2019: £0.4m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 27 June 2020 and 29 June 2019 were:

	2020 % per annum	2019 % per annum
The Go-Ahead Group plc:		
Future share price volatility	**31.0**	33.0
FTSE Mid-250 index comparator:		
Future share price volatility	**25.0**	25.0
Correlation between companies	**30.0**	30.0

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

	2020	2019
Outstanding at the beginning of the year	**143,603**	163,144
Granted during the year	**58,927**	53,912
Forfeited during the year	**(39,698)**	(73,453)
Exercised during the year	**—**	—
Outstanding at the end of the year	**162,832**	143,603

The LTIP award granted to the Group Chief Executive in November 2017 will lapse in full from November 2020 as none of the performance measures were achieved following the three-year performance period ending 27 June 2020.

The weighted average share price of the options at the year end was £9.06 (2019: £19.72). The weighted average fair value of options granted during the year was £21.12 (2019: £15.74). The weighted average remaining contractual life of the options was 1.05 years (2019: 1.10 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £nil (2019: £nil).

The estimated amounts due to the relevant tax authorities in relation to the above transactions are detailed in the directors' remuneration report.

6. Employee costs continued

Deferred Share Bonus Plan

The Deferred Share Bonus Plan (DSBP) provides for executive directors and certain other senior employees to be awarded shares in the Group conditional on the achievement of financial and strategic targets. The shares are deferred over a three-year period. Refer to the directors' remuneration report for further details of the DSBP. The DSBP options are not subject to any market based performance conditions. Therefore, the fair value of the options is equal to the share price at the date of grant.

The expense recognised for the DSBP during the year to 27 June 2020 was £0.9m (2019: £0.6m).

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

	2020	2019
Outstanding at the beginning of the year	**150,420**	147,233
Granted during the year	**63,125**	59,677
Forfeited during the year	**(1,476)**	(6,770)
Exercised during the year	**(32,014)**	(49,720)
Outstanding at the end of the year	**180,055**	150,420

The weighted average fair value of options granted during the year was £21.12 (2019: £15.74). At the year end, 24,196 options related to DSBP awards, which vested before the year end, which have not yet been exercised by participants. Of these 24,196 options, 942 options related to the award granted in November 2013, 4,315 related to the award granted in November 2014, 5,025 related to the award granted in November 2015 and 13,914 related to the award granted in November 2016. 34,365 options, relating to the DSBP award granted in November 2017, will be eligible to vest from November 2020 following the end of a three-year deferral period. The weighted average share price of the options at the year end was £9.06 (2019: £19.72).

The weighted average remaining contractual life of the options was 0.91 years (2019: 1.02 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £20.86 (2019: £17.72).

Share incentive plans

The Group operates a 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' continuous service with a Group company at the date they are invited to participate in the plan.

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

7. Exceptional items

This note identifies items of an exceptional nature that have a significant impact on the results of the Group in the period. For accounting policies see 'Exceptional items' in note 2.

	2020 £m	2019 £m
Asset impairments and restructuring costs – regional bus	**26.7**	—
Asset impairments, provisions and restructuring costs – rail	**30.4**	—
Charge in relation to GMP equalisation	**—**	16.8
Exceptional operating items	**57.1**	16.8

Year ended 27 June 2020

Total exceptional operating items in the year comprised a charge of £57.1m to the income statement.

Asset impairments and restructuring costs – regional bus

During the year, strategic reviews were carried out following a decline in the operational performance of the regional bus division and the impact of COVID-19. As a result of these reviews, several restructuring programmes of varying degrees were initiated during 2020 and a number of specific contracts, services and routes were terminated. In addition, COVID-19 has had a significant impact on certain bus operations, in particular, coaching contracts, airline and other holiday routes. Related assets have also been impaired to reflect the changing environment. An exceptional item of £26.7m has been recognised and comprises £15.9m of plant, property and equipment impairments, £3.8m of intangible asset impairments (including £0.6m of goodwill), £5.5m of restructuring costs, £0.5m impairment of assets held for sale and £1.0m impairment of right of use assets.

7. Exceptional items continued

Year ended 27 June 2020 continued

Asset impairments, provisions and restructuring costs – rail

German rail operations commenced on 15 June 2019 and have faced a number of challenges during the first year of operation. A comprehensive review of the overall business, including future franchises, has been undertaken and this has identified that there were indicators for possible impairments across the business. A full impairment review was subsequently carried out and an exceptional item of £30.4m has been recognised during the year. Impairments and provisions have been identified in relation to intangible assets and committed, irrecoverable franchise set-up costs. These include, £23.6m of franchise set-up costs and £0.7m of software, plus a £4.4m impairment of the freehold land and buildings. Restructuring costs of £1.7m have also been recognised as an exceptional item.

Year ended 29 June 2019

Total exceptional operating items in the year comprised a charge of £16.8m to the income statement.

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women. As a result, pension scheme trustees were obliged to adjust benefit payments in order that benefits received by male and female members with equivalent age, service and earnings histories are equal. The judgement had implications for many defined benefits schemes, including those in which the Go-Ahead Group participates.

We worked with our actuarial advisors to understand the implications of the judgement and the £16.8m pre-tax exceptional expense in the year reflected our best estimate of the effect on our reported pension liabilities.

8. Finance revenue and costs

Finance revenue mainly comprises interest received from bank deposits. Finance costs mainly arise from interest due on the bond and bank loans. For accounting policies see 'Finance revenue' and 'Interest-bearings loans and borrowings' in note 2.

	2020 £m	2019 £m
Bank interest receivable on bank deposits	**3.8**	4.1
Interest on net pension asset	**1.3**	0.9
Other interest receivable	**0.3**	0.1
Finance revenue	**5.4**	5.1
Interest payable on bank loans and overdrafts	**(4.4)**	(2.7)
Interest payable on £250m sterling 7 year bond	**(6.3)**	(6.3)
Other interest payable	**(0.4)**	(1.7)
Unwinding of discounting on provisions	**(0.7)**	(0.8)
Interest payable on lease liabilities	**(13.9)**	(0.3)
Interest on net pension liability	**(0.1)**	(0.1)
Finance costs	**(25.8)**	(11.9)

9. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note sets out the deferred tax assets and liabilities held across the Group. For accounting policies see 'Taxation' in note 2.

The Group taxation policy can be found at www.go-ahead.com.

a. Tax recognised in the income statement and in other comprehensive income

Tax relating to items charged or credited in the income statement:

	2020 £m	2019 £m
Current year tax charge	**11.2**	26.4
Adjustments in respect of current tax of previous years	**(0.1)**	(1.3)
Total current tax	**11.1**	25.1
Deferred tax relating to origination and reversal of temporary differences at 19.0% (2019: 19.0%)	**(4.4)**	(3.3)
Adjustments in respect of deferred tax of previous years	**(0.3)**	0.1
Impact of opening deferred tax rate	**5.5**	—
Total deferred tax	**0.8**	(3.2)
Tax reported in consolidated income statement	**11.9**	21.9

The tax reported in the consolidated income statement in the current year includes exceptional amounts relating to asset impairments and restructuring costs in the regional bus division. The prior year includes exceptional amounts arising on the GMP equalisation charge. See note 7 for further details.

9. Taxation continued

a. Tax recognised in the income statement and in other comprehensive income continued

Tax relating to items charged or credited outside of the income statement:

	2020 £m	2019 £m
Tax on remeasurement gains on defined benefit pension plans	**(0.4)**	3.7
Deferred tax on cashflow hedges	**(3.8)**	(2.4)
Deferred tax on share based payments (taken directly to equity)	**0.2**	(0.1)
Tax reported outside of the consolidated income statement	**(4.0)**	1.2

b. Reconciliation

A reconciliation of income tax applicable to accounting profit before taxation, at the statutory tax rate, to tax at the Group's effective tax rate for the years ended 27 June 2020 and 29 June 2019 is as follows:

	2020 £m	2019 £m
Accounting (loss)/profit before taxation	**(0.2)**	97.0
At United Kingdom tax rate of 19.0% (2019: 19.0%)	**—**	18.4
Share scheme costs not allowable for tax purposes	**0.3**	—
Non-qualifying depreciation	**0.9**	0.7
Expenditure not allowable for tax purposes	**1.1**	1.8
Adjustments in respect of deferred tax of previous years	**(0.3)**	0.1
Movement on unrecognised deferred tax on losses carried forward	**4.5**	1.6
Effect of the difference between current year corporation tax and deferred tax rates	**—**	0.3
Adjustments in respect of current tax of previous years	**(0.1)**	(1.3)
Overseas tax rate difference	**—**	0.3
Impact of opening deferred tax rate	**5.5**	—
Tax reported in consolidated income statement	**11.9**	21.9
Effective tax rate	**(5,950.0%)**	22.6%

The 2020 effective tax rate on a pre-exceptional basis is 32.0% (2019:21.7%). The pre and post-exceptional effective tax rates include a £5.5m charge in relation to the UK corporation tax rate change from an opening rate of 17.0% to a closing rate of 19.0%. This change was substantively enacted at the balance sheet date and maintained the UK rate at 19.0% from 1 April 2020. Excluding this charge, the effective tax rate is 22.3% (2019: 21.7%).

The Group had subsidiary trading companies in Germany, Ireland, Norway and Singapore during the year. The tax residencies of these companies are the same as the countries of incorporation, which are disclosed in note 29.

Singapore and Ireland profits are generated through the provision of bus passenger services and have been taxed at the appropriate local taxation rates of 17.0% and 12.5% respectively and have been included in the total statutory tax charge. Germany has faced trading difficulties which has resulted in a loss, therefore no taxation has been recognised during the financial year. Norway commenced trading on 15 December 2019 and its trading result for the financial year is immaterial.

The Group has not recognised a deferred tax asset of £13.1m (2019: £5.1m) based on a taxation rate of 30.0% (2019: 30.0%) in respect of losses incurred in Germany carried forward. There is no time limit on the utilisation of these assets in Germany and they have not been recognised due to the uncertainty over their recovery in future periods.

c. Reconciliation of net current tax (asset)/liability

A reconciliation of the net current tax (asset)/liability is provided below:

	2020 £m	2019 £m
Current tax liability at the start of the year	**13.1**	20.5
Corporation tax reported in consolidated income statement	**11.1**	25.1
Net paid in the year	**(28.2)**	(32.5)
Net current tax (asset)/liability at the end of the year	**(4.0)**	13.1

9. Taxation continued

d. Deferred tax

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

	2020 £m	2019 £m
Deferred tax liability		
Accelerated capital allowances	**(18.8)**	(20.1)
Other temporary differences	**(8.6)**	(9.1)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**(11.5)**	(10.9)
Cashflow hedges	**—**	(0.9)
Retirement benefit obligations	**(10.1)**	(8.5)
Deferred tax liability included in balance sheet	**(49.0)**	(49.5)
Deferred tax asset		
Cashflow hedges	**2.9**	—
Share based payments	**—**	0.2
Deferred tax asset included in balance sheet	**2.9**	0.2

The deferred tax asset is recognised as it is considered probable that there will be future taxable profits available.

The deferred tax liabilities and assets included in the balance sheet have been calculated using applicable enacted rates.

The movements in deferred tax in the income statement and other comprehensive income for the years ended 27 June 2020 and 29 June 2019 are as follows:

Year ended 27 June 2020

	At 30 June 2019 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	At 27 June 2020 £m
Accelerated capital allowances	**(20.1)**	**1.3**	**—**	**—**	**(18.8)**
Asset backed funding pension arrangement	**(9.7)**	**(0.8)**	**—**	**—**	**(10.5)**
Other temporary differences	**0.6**	**1.3**	**—**	**—**	**1.9**
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**(10.9)**	**(0.6)**	**—**	**—**	**(11.5)**
Retirement benefit obligations	**(8.5)**	**(2.0)**	**0.4**	**—**	**(10.1)**
Cashflow hedges	**(0.9)**	**—**	**3.8**	**—**	**2.9**
Share based payments	**0.2**	**—**	**—**	**(0.2)**	**—**
	(49.3)	**(0.8)**	**4.2**	**(0.2)**	**(46.1)**

9. Taxation continued
d. Deferred tax continued
Year ended 29 June 2019

	At 1 July 2018 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	Acquisitions £m	At 29 June 2019 £m
Accelerated capital allowances	(20.2)	0.5	—	—	(0.4)	(20.1)
Asset backed funding pension arrangement	(9.9)	0.2	—	—	—	(9.7)
Other temporary differences	0.3	0.3	—	—	—	0.6
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(11.4)	0.5	—	—	—	(10.9)
Retirement benefit obligations	(6.5)	1.7	(3.7)	—	—	(8.5)
Cashflow hedges	(3.3)	—	2.4	—	—	(0.9)
Share based payments	0.1	—	—	0.1	—	0.2
	(50.9)	3.2	(1.3)	0.1	(0.4)	(49.3)

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

	2020 £m	2019 £m
Accelerated capital allowances	**(3.8)**	(0.5)
Revaluation	**(0.6)**	(0.5)
Retirement benefit obligations	**1.4**	(1.7)
Other temporary differences	**(1.4)**	(0.6)
	(4.4)	(3.3)
Adjustments in respect of prior years	**(0.3)**	0.1
Adjustment in respect of opening deferred tax rate	**5.5**	—
Deferred tax expense	**0.8**	(3.2)

e. Factors affecting tax charges
The standard rate of UK corporation tax is 19.0% and therefore 19.0% applies to the current tax charge arising during the year ended 27 June 2020. Previous legislation advised a reduction in the UK corporation tax rate to 17.0% from 1 April 2020 and this rate was applied, where applicable, to the Group's deferred tax balance at the prior year end. Legislation substantively enacted in the Finance Bill 2020 amended this rate to 19.0% with effect from April 2020 and therefore 19.0% has been applied, where applicable, to the Group's deferred tax balance as at the balance sheet date.

10. Earnings per share

Basic earnings per share is the amount of profit after tax for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

Basic and diluted earnings per share

	Pre-exceptional 2020 £m	Exceptional items 2020 £m	Post-exceptional 2020 £m	Pre-exceptional 2019 £m	Exceptional items 2019 £m	Post-exceptional 2019 £m
Net profit/(loss) attributable to equity holders of the parent	**22.2**	**(50.8)**	**(28.6)**	72.8	(14.0)	58.8

	Pre-exceptional 2020	Exceptional items 2020	Post-exceptional 2020	Pre-exceptional 2019	Exceptional items 2019	Post-exceptional 2019
Basic weighted average number of shares in issue ('000)	**42,998**	**—**	**42,998**	42,985	—	42,985
Dilutive potential share options ('000)	**104**	**—**	**104**	97	—	97
Diluted weighted average number of shares in issue ('000)	**43,102**	**—**	**43,102**	43,082	—	43,082
Earnings per share:						
Basic earnings per share (pence per share)	**51.6**	**(118.1)**	**(66.5)**	169.4	(32.6)	136.8
Diluted earnings per share (pence per share)	**51.5**	**(117.9)**	**(66.4)**	169.0	(32.5)	136.5

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

No shares were bought back and cancelled by the Group in the period from 27 June 2020 to 23 September 2020.

11. Dividends paid and proposed

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

	2020 £m	2019 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2019: 71.91p per share (2018: 71.91p)	**30.9**	30.9
Interim dividend for 2020: nil per share (2019: 30.17p)	**—**	12.9
	30.9	43.8

	2020 £m	2019 £m
Proposed for approval at the AGM (not recognised as a liability as at 27 June 2020)		
Equity dividends on ordinary shares:		
Final dividend for 2020: nil per share (2019: 71.91p)	**—**	31.0

Payment of proposed dividends does not have any tax consequences for the Group.

12. Property, plant and equipment

The Group holds significant investments in land and buildings, bus vehicles and plant and equipment, which form our tangible assets. All assets (excluding freehold land) are depreciated over their useful economic lives. For accounting policies see 'Property, plant and equipment' in note 2.

	Freehold land and buildings £m	Long term leasehold land and properties £m	Short term leasehold land and properties £m	Bus vehicles £m	Plant and equipment £m	Total £m
Cost						
At 30 June 2018	194.1	3.2	17.7	704.1	220.0	1,139.1
Additions	17.6	1.1	1.5	32.5	19.9	72.6
Acquisitions	4.6	—	—	7.3	—	11.9
Disposals	—	—	—	(37.2)	(5.0)	(42.2)
Transfer categories	1.2	(1.2)	—	0.5	(0.5)	—
At 29 June 2019	217.5	3.1	19.2	707.2	234.4	1,181.4
Additions	**10.2**	**—**	**3.8**	**44.7**	**13.9**	**72.6**
Disposals	**—**	**—**	**(8.0)**	**(24.9)**	**(58.1)**	**(91.0)**
Transfer categories	**1.9**	**(3.1)**	**3.1**	**1.1**	**(3.0)**	**—**
Transfer of assets held for sale	**(2.3)**	**—**	**—**	**—**	**—**	**(2.3)**
Transfer of ROU assets	**—**	**—**	**—**	**(11.4)**	**—**	**(11.4)**
Effect of foreign exchange rate changes	**0.3**	**—**	**(0.1)**	**—**	**0.1**	**0.3**
At 27 June 2020	**227.6**	**—**	**18.0**	**716.7**	**187.3**	**1,149.6**
Depreciation and impairment						
At 30 June 2018	12.7	—	11.3	329.4	157.0	510.4
Charge for the year	1.2	0.5	0.9	56.7	20.0	79.3
Disposals	—	—	—	(35.3)	(4.9)	(40.2)
At 29 June 2019	13.9	0.5	12.2	350.8	172.1	549.5
Charge for the year	**1.9**	**—**	**2.1**	**57.1**	**23.0**	**84.1**
Impairment	**5.4**	**—**	**0.8**	**15.0**	**0.1**	**21.3**
Disposals	**—**	**—**	**(7.2)**	**(24.8)**	**(58.1)**	**(90.1)**
Transfer categories	**1.6**	**(0.5)**	**0.3**	**(0.4)**	**(1.0)**	**—**
Transfer of ROU assets	**—**	**—**	**—**	**(4.2)**	**—**	**(4.2)**
Effect of foreign exchange rate changes	**—**	**—**	**(0.1)**	**—**	**0.1**	**—**
At 27 June 2020	**22.8**	**—**	**8.1**	**393.5**	**136.2**	**560.6**
Net book value						
At 27 June 2020	**204.8**	**—**	**9.9**	**323.2**	**51.1**	**589.0**
At 29 June 2019	203.6	2.6	7.0	356.4	62.3	631.9
At 30 June 2018	181.4	3.2	6.4	374.7	63.0	628.7

During the year, a Group-wide exercise was undertaken to assess the carrying value of property, plant and equipment. This resulted in several assets, with a brought forward net book value of £nil, being identified as no longer being owned by the Group. These assets are included within the disposals line in both cost and depreciation during the year. The impact on the income statement in relation to these was £nil.

The impairment charge in the year includes £20.3m (2019: £nil) which arose following strategic reviews in the regional bus and rail divisions and is included within exceptional items in the income statement. Of this charge, £15.9m relates to the regional bus division and £4.4m relates to the rail division. Please refer to note 7 for further details.

13. Leases

This note details right of use assets and the associated lease liabilities. For accounting policies see 'Leases' in note 2.

The Group has lease liabilities for land and buildings, rail rolling stock, bus vehicles and various items of plant and equipment. These contracts have no terms of renewal or purchase option escalation clauses.

Right of use assets

The right of use assets were brought onto the balance sheet on 30 June 2019 on the Group's transition to IFRS 16 Leases.

	Leasehold land and properties £m	Rolling stock £m	Plant and equipment £m	Total £m
Cost				
At 29 June 2019	—	—	—	—
On transition to IFRS 16	**25.0**	**757.4**	**0.3**	**782.7**
Additions	**4.6**	**232.3**	**—**	**236.9**
Disposals	**—**	**(0.7)**	**—**	**(0.7)**
Transfer from owned assets	**—**	**11.4**	**—**	**11.4**
Effect of foreign exchange rate changes	**0.1**	**—**	**—**	**0.1**
At 27 June 2020	**29.7**	**1,000.4**	**0.3**	**1,030.4**
Depreciation and impairment				
At 29 June 2019	—	—	—	—
Charge for the year	**5.7**	**369.7**	**0.1**	**375.5**
Impairment	**—**	**1.0**	**—**	**1.0**
Disposals	**—**	**(0.3)**	**—**	**(0.3)**
Transfer from owned assets	**—**	**4.2**	**—**	**4.2**
Other	**1.1**	**—**	**—**	**1.1**
At 27 June 2020	**6.8**	**374.6**	**0.1**	**381.5**
Net book value				
At 27 June 2020	**22.9**	**625.8**	**0.2**	**648.9**
At 29 June 2019	—	—	—	—

Lease liabilities

The balance sheet includes the following amounts:

	2020 £m	2019 £m
Current	**517.3**	1.8
Non-current	**131.3**	4.3
	648.6	6.1

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2020 £m	2019 £m
Less than one year	**525.9**	1.9
One to two years	**97.0**	1.5
Two to three years	**14.7**	1.5
Three to four years	**9.3**	1.0
Four to five years	**8.2**	0.5
More than five years	**5.8**	—
Total undiscounted lease liability	**660.9**	6.4

See note 21 for a reconciliation of the opening to closing lease liabilities.

13. Leases continued

Amounts recognised in the Group income statement

	2020 £m	2019 £m
Depreciation expense on right of use assets	**375.5**	1.3
Interest payable on lease liabilities	**13.9**	0.3
Variable payment expenses not included in lease liabilities	**—**	—
Expenses relating to short term leases	**112.6**	—
Expenses relating to low value leases	**0.3**	—
	502.3	1.6

Amounts recognised in the Group cashflow statement

	2020 £m	2019 £m
Total cash outflow for leases	**388.2**	3.6

Sale and leaseback transactions

A number of bus vehicles in the Group are leased with some purchased and sold immediately at fair value and for the same value as the carrying value of the asset at no gain or loss. This is to match vehicles to specific income streams. The cashflow impact of these transactions results in the cash received for the sale of vehicles offsetting the payments made for the purchase of vehicles. Cash payments are subsequently made over the life of the lease and over the income streams the vehicle is operating on.

Service concession agreements

International rail operations are similar in nature and consist of the operation of service concession agreements and the provision of transport services on behalf of local government bodies. The Group has access to infrastructure whilst operating the service agreement which is returned to the grantor at the end of the contract. Consideration received is determined by the franchise agreement with variable elements attributable to performance and revenue is accounted for and classified in line with IFRS 15. There are no construction or upgrade elements to the service agreement; therefore, no financial or intangible assets have been recognised.

Terminations

A significant number of the Group's rolling stock lease contracts include extension options which mirror potential franchise and revenue agreement extensions. The award of revenue extensions is at the discretion of the customer and outside the control of the Group. Therefore, it is management's judgement that it is not reasonably certain that the lease will be extended and therefore the lease term excludes extension periods.

14. Goodwill and intangible assets

The consolidated balance sheet contains significant intangible assets mainly in relation to goodwill, software, franchise set-up costs and customer contracts. Goodwill, which arises when the Group acquires a business and pays a higher amount than the fair value of the net assets primarily due to the synergies the Group expects to create, is not amortised but is subject to annual impairment reviews. Software is amortised over its expected useful life. Franchise set-up costs are amortised over the life of the franchise. Customer contracts are amortised over the life of the contract. For further details see 'Software', 'Franchise set-up costs', 'Business combinations and goodwill', 'Impairment of assets' and 'Customer contracts' in note 2.

	Goodwill £m	Software costs £m	Franchise set-up costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
Cost						
At 30 June 2018	87.4	26.1	21.0	16.7	14.7	165.9
Additions	—	6.1	16.1	—	—	22.2
Disposals	—	(5.4)	—	—	—	(5.4)
At 29 June 2019	87.4	26.8	37.1	16.7	14.7	182.7
Additions	**—**	**5.3**	**13.1**	**—**	**—**	**18.4**
Disposals	**—**	**(3.5)**	**(0.1)**	**—**	**(4.7)**	**(8.3)**
Effect of foreign exchange rate changes	**—**	**(0.1)**	**—**	**—**	**—**	**(0.1)**
At 27 June 2020	**87.4**	**28.5**	**50.1**	**16.7**	**10.0**	**192.7**
Amortisation and impairment						
At 30 June 2018	13.3	21.2	10.9	16.7	12.3	74.4
Charge for the year	—	2.8	1.7	—	0.3	4.8
On disposal	—	(5.3)	—	—	—	(5.3)
At 29 June 2019	13.3	18.7	12.6	16.7	12.6	73.9
Charge for the year	**—**	**3.0**	**6.1**	**—**	**0.3**	**9.4**
Impairment	**0.6**	**3.4**	**16.4**	**—**	**1.1**	**21.5**
On disposal	**—**	**(3.4)**	**(0.1)**	**—**	**(4.7)**	**(8.2)**
At 27 June 2020	**13.9**	**21.7**	**35.0**	**16.7**	**9.3**	**96.6**
Net book value						
At 27 June 2020	**73.5**	**6.8**	**15.1**	**—**	**0.7**	**96.1**
At 29 June 2019	74.1	8.1	24.5	—	2.1	108.8
At 30 June 2018	74.1	4.9	10.1	—	2.4	91.5

Software costs

Software costs capitalised exclude software that is integral to the related hardware. Software is amortised on a straight-line basis over its expected useful life of three to five years.

During the year £3.4m (2019: £nil) of software assets have been fully impaired to a net book value of £nil. Of these, £2.0m related to the regional bus division and £1.4m to the rail division. £2.7m of the impairments have been recognised as an exceptional item in the year. Please refer to note 7 for further details.

Franchise set-up costs

A part of the Group's activities is the process of bidding for and securing franchises to operate rail and bus services in the UK and overseas. Directly attributable, incremental costs incurred after achieving preferred bidder status, entering into a franchise extension or winning an international bid are capitalised as an intangible asset and amortised on a straight-line basis over the life of the franchise, currently between 5 and 13 years.

During the year £16.4m (2019: £nil) of franchise set-up costs, relating to specific contracts within the German rail operation, have been fully impaired to a net book value of £nil. The impairments have been recognised as an exceptional item in the year. Please refer to note 7 for further details.

Rail franchise asset

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

14. Intangible assets continued

Customer contracts

This relates to the value attributed to customer contracts and relationships purchased as part of the Group's acquisitions on a straight-line basis. The value is calculated based on the unexpired term of the contracts at the date of acquisition and is amortised over that period. The unexpired term is 7.5 years.

During the year £1.1m (2019: £nil) of customer contracts, relating to the regional bus division, have been fully impaired to a net book value of £nil. The impairments have been recognised as an exceptional item in the year. Please refer to note 7 for further details.

Goodwill

Goodwill acquired through acquisitions has been allocated to individual cash generating units (CGUs) 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:

	2020 £m	2019 £m
Go South Coast	34.6	34.6
Brighton & Hove	12.7	12.7
Plymouth Citybus	13.0	13.0
Go-Ahead London	10.5	10.5
Go North East	2.7	2.7
Oxford	—	0.6
	73.5	74.1

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. The assumptions used are consistent with the historical performance of each unit and are expected to be realistically achievable in light of economic and industry measures and forecasts. The directors have also considered the implications of climate change, when assessing the medium to long term projections. The Group, as a public transport services provider, has a vital role to play in helping reduce carbon emissions, and they therefore feel there is no adverse impact on the assumptions used.

Growth has been extrapolated forward, using a growth rate of 2.0%, from the end of the three-year forecasts over a total period of five years plus a terminal value using a growth rate of 2.0% which reflects the directors' view of long term growth rates in each business, and the long term recurrent nature of the businesses.

The Group's weighted average cost of capital, on a pre-IFRS 16 basis, has been initially calculated as 5.5% (2019: 5.5%). Historically, the economic conditions that the cash generating units operate in were considered similar enough, primarily being UK based, to use the same discount rate. Following the adoption of IFRS 16, separate discount rates have been calculated for the different cash generating units due to the varying impact of IFRS 16 on the underlying cashflows. Given the current low weighted average cost of capital the calculation of value in use has been initially derived based on the internal rate of return that the Group uses to appraise investments, currently 8.0%, to identify any goodwill balances requiring further consideration and review.

	Pre-tax and post-IFRS 16 discount rate		Growth rate used to extrapolate cashflows	
	2020 %	2019 %	2020 %	2019 %
Regional bus	6.7	6.8	2.0	2.0
London bus	6.6	6.8	2.0	2.0

The assessment of the value in use for regional bus cash generating units is dependent on judgements surrounding the return of passenger numbers to pre-COVID-19 levels. This is deemed to be a key assumption and is based on management's experience of the local markets and past trends.

14. Intangible assets continued

Financial modelling adopting the assumptions outlined confirms that the carrying amount of the CGUs does not exceed their recoverable amount and no impairment charge is required with the exception of Tom Tappin, Limited (a subsidiary of the Oxford regional bus business). Tom Tappin, Limited is the cash generating unit for the City Sightseeing tourist buses in the Oxford area which have been impacted by COVID-19. This uncertainty has been reflected in budgets and forecasts going forward and the goodwill of £0.6m has been fully impaired.

The calculation of value in use for each CGU is most sensitive to the principal assumptions of discount rate, growth rates and margins achievable. Sensitivity analysis has been performed to understand what the percentage change in the principal assumptions would erode the headroom to zero. Details have been disclosed below of where a possible change in key assumptions would cause the carrying amount of a CGU to exceed its recoverable amount, on a worst case basis.

	Regional bus %
Discount rate	9.3
Terminal growth rate	0.3
Terminal margin	10.1

15. Business combinations

This note details acquisition transactions carried out in the current and prior periods. For accounting policies see 'Business combinations and goodwill' and 'Customer contracts' in note 2.

Year ended 27 June 2020

No business combinations occurred during the current year.

Year ended 29 June 2019

As disclosed in the 2019 Annual Report and Accounts, on 2 June 2019, the Group acquired the Queens Road bus depot in Manchester along with the associated trade and assets, from FirstGroup plc, in line with the Group's strategic vision and its objective to win new bus and rail contracts. The total consideration paid was £11.5m and no significant changes to the fair value previously reported were subsequently identified. Given the size and prior year disclosures, further detail is not replicated in this Annual Report and Accounts.

16. Assets classified as held for sale

This note identifies any non-current assets or disposal groups that are held for sale. The carrying amounts of these assets will be recovered principally through a sale rather than through continuing use. For accounting policies see 'Non-current assets held for sale' in note 2.

At 27 June 2020, assets held for sale had a carrying value of £7.2m (2019: £2.7m) and related to property, plant and equipment. Assets held for sale, relating to bus rolling stock, have a carrying value of £4.8m (2019: £2.1m) and are included in the London & International bus division. Assets held for sale, relating to land and buildings, have a carrying value of £2.4m (2019: £0.6m). Of these, £0.2m (2019: £0.6m) are included with regional bus and £2.2m (2019: £nil) are included within the rail division.

The Group expects to sell £7.2m within 12 months of them going onto the "for sale" list and being actively marketed or reflecting contracts already in place for certain bus assets. Assets held for sale of £0.2m relate to land and buildings, within property, plant and equipment. The value at each balance sheet date represents management's best estimate of their resale value less disposal costs.

During the year ended 27 June 2020, assets held for sale were sold for a profit of £nil (2019: loss of £0.1m), included within operating costs in the income statement.

17. Inventories

Inventory primarily consists of vehicle spares and fuel and is presented net of allowances for obsolete products. For accounting policies see 'Inventories' in note 2.

	2020 £m	2019 £m
Raw materials and consumables	**19.7**	16.8

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

18. Trade and other receivables

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

	2020 £m	2019 £m
Current		
Trade receivables	**55.4**	163.0
Less: provision for impairment of receivables	**(4.1)**	(2.1)
Trade receivables – net	**51.3**	160.9
Other receivables	**16.5**	18.9
Prepayments	**76.4**	27.8
Accrued income	**33.2**	42.0
Receivable from central government	**91.1**	100.7
	268.5	350.3

Contract assets

	2020 £m	2019 £m	2018 £m
Contract assets	**124.3**	142.7	89.0

Accrued income and amounts receivable from central government principally comprises amounts relating to contracts with customers. Accrued income primarily comprise contract income which is billed on a regular basis and which is reclassified to trade receivables at the point at which it is billed. Contract assets have reduced during the year as a result of the COVID-19 pandemic.

Ageing of trade receivables

As at 27 June 2020 and 29 June 2019, the ageing analysis of trade receivables and the provision for impairment of receivables based on expected credit losses were as follows:

Year ended 27 June 2020

	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	Greater than 120 days £m
Expected rate of credit losses	**7.4%**	**—**	**4.3%**	**—**	**67.7%**	**36.4%**	**76.5%**
Trade receivables	**55.4**	**39.0**	**6.9**	**3.6**	**3.1**	**1.1**	**1.7**
Provision for impairment of receivables	**4.1**	**—**	**0.3**	**—**	**2.1**	**0.4**	**1.3**

Year ended 29 June 2019

	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	Greater than 120 days £m
Expected rate of credit losses	1.3%	—	—	—	7.4%	—	82.6%
Trade receivables	163.0	149.3	4.7	3.3	2.7	0.7	2.3
Provision for impairment of receivables	2.1	—	—	—	0.2	—	1.9

Provision for impairment of receivables

Trade receivables at nominal value of £4.1m (2019: £2.1m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2020 £m	2019 £m
At 29 June 2019	**2.1**	1.7
Charge for the year	**2.6**	0.9
Utilised	**(0.4)**	(0.6)
Unused amounts reversed	**(0.2)**	0.1
At 27 June 2020	**4.1**	2.1

The credit risk associated with the Group's trade and other receivables is explained in note 22.

19. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits which have a maturity of three months or less to comply with DfT short term liquidity requirements. For accounting policies see 'Cash and cash equivalents' in note 2.

	2020 £m	2019 £m
Cash at bank and in hand	**139.6**	86.8
Cash and cash equivalents	**430.2**	544.0
	569.8	630.8

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

Amounts held by UK 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 distributable reserves or based on a working capital formula. Following the introduction of the Emergency Measures Agreements (EMAs), from 1 March 2020, all of the cash held within the current operating UK rail companies (Southeastern and GTR) is now restricted. As at 27 June 2020, balances amounting to £474.8m (2019: £484.9m) were restricted. Part of this amount is to cover deferred income for rail season tickets, which was £21.3m at 27 June 2020 (2019: £167.8m).

20. Trade and other payables

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

Current trade and other payables

	2020 £m	2019 £m
Trade payables	**129.2**	152.8
Other taxes and social security costs	**28.8**	31.3
Other payables	**72.1**	61.8
Deferred season ticket income	**21.3**	167.8
Accruals	**265.2**	224.2
Deferred income	**94.9**	50.3
Payable to central government	**102.6**	156.6
Government grants	**3.9**	2.9
	718.0	847.7

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

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

Non-current trade and other payables

	2020 £m	2019 £m
Government grants	**15.6**	9.0

Contract liabilities

	2020 £m	2019 £m	2018 £m
Contract liabilities	**116.2**	218.1	210.9

Deferred season ticket income and deferred income principally comprise amounts relating to contracts with customers.

Contract liabilities at each balance sheet date are expected to be recognised as revenue within the next financial year. The balance as at 27 June 2020 has primarily decreased due to reduced season ticket sales in the rail division, as a direct result of the COVID-19 pandemic.

21. Interest-bearing loans and borrowings

The Group's sources of borrowing for funding and liquidity requirements come from a range of committed bank facilities and a capital market bond. For accounting policies see 'Interest-bearing loans and borrowings', 'Cash and cash equivalents' and 'Leases' in note 2.

Net cash/debt and interest-bearing loans and borrowings

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

Year ended 27 June 2020

	Current			Non-current		
	Effective interest rate %	Maturity	Within one year £m	After one year but not more than five years £m	After more than five years £m	Total £m
Syndicated loans	**0.69**	**0–4 years**	**—**	**147.4**	**—**	**147.4**
Debt issue costs on syndicated loans			**(0.1)**	**(0.5)**	**—**	**(0.6)**
£250m sterling seven-year bond	**2.50**	**0–4 years**	**—**	**250.0**	**—**	**250.0**
Debt issue costs on £250m sterling seven-year bond			**(0.6)**	**(1.1)**	**—**	**(1.7)**
€8m revolving credit facility	**2.10**	**0–1 years**	**5.8**	**—**	**—**	**5.8**
€10.85m loan	**2.79**	**Over 5 years**	**1.0**	**3.6**	**4.5**	**9.1**
Leases liabilities (note 13)	**2.07**	**0–8 years**	**517.3**	**124.3**	**7.0**	**648.6**
Total interest-bearing loans and borrowings			**523.4**	**523.7**	**11.5**	**1,058.6**
Debt issue costs			**0.7**	**1.6**	**—**	**2.3**
Total interest-bearing loans and borrowings (gross of debt issue costs)			**524.1**	**525.3**	**11.5**	**1,060.9**
Cash and short term deposits (note 19)			**(569.8)**	**—**	**—**	**(569.8)**
Net debt/(cash)			**(45.7)**	**525.3**	**11.5**	**491.1**
Restricted cash*						**474.8**
Adjusted net debt						**965.9**

Year ended 29 June 2019

	Current			Non-current		
	Effective interest rate %	Maturity	Within one year £m	After one year but not more than five years £m	After more than five years £m	Total £m
Syndicated loans	1.00	Over 5 years	—	—	144.7	144.7
Debt issue costs on syndicated loans			(0.4)	(0.4)	—	(0.8)
£250m sterling seven-year bond	2.50	Over 5 years	—	—	250.0	250.0
Debt issue costs on £250m sterling seven-year bond			(0.6)	(1.6)	—	(2.2)
€8m revolving credit facility	1.30	0–1 years	5.7	—	—	5.7
€10.6m loan	2.79	Over 5 years	0.8	3.5	5.4	9.7
Lease liabilities (note 13)	7.60	0–4 years	1.8	4.3	—	6.1
Total interest-bearing loans and borrowings			7.3	5.8	400.1	413.2
Debt issue costs			1.0	2.0	—	3.0
Total interest-bearing loans and borrowings (gross of debt issue costs)			8.3	7.8	400.1	416.2
Cash and short term deposits (note 19)			(630.8)	—	—	(630.8)
Net (cash)/debt			(622.5)	7.8	400.1	(214.6)
Restricted cash*						484.9
Adjusted net debt						270.3

* Restricted cash balances are amounts held by rail companies which are included in cash and cash equivalents. The restricted cash can only be distributed with the agreement of the DfT, normally up to the value of revenue reserves or based on the working capital formula. Following the introduction of the Emergency Measures Agreements (EMA), from 1 March 2020, all of the cash held within the current operating UK rail companies (GTR and Southeastern) is now restricted.

21. Interest-bearing loans and borrowings continued

Analysis of Group net debt/(cash)

	Cash and cash equivalents £m	Syndicated loan facility £m	Lease liabilities £m	£250m sterling bond £m	Euro RCF £m	Euro loan £m	Total £m
At 30 June 2018	556.5	(136.0)	(9.4)	(250.0)	(6.5)	(4.7)	149.9
Cashflow	74.3	(8.7)	3.3	—	0.8	(5.0)	64.7
At 29 June 2019	630.8	(144.7)	(6.1)	(250.0)	(5.7)	(9.7)	214.6
Cashflow	**(61.0)**	**(2.5)**	**373.6**	**—**	**—**	**0.8**	**310.9**
Inception of new leases	**—**	**—**	**(235.0)**	**—**	**—**	**—**	**(235.0)**
Effect of foreign exchange rate changes	**—**	**(0.2)**	**—**	**—**	**(0.1)**	**(0.2)**	**(0.5)**
On transition to IFRS 16	**—**	**—**	**(781.1)**	**—**	**—**	**—**	**(781.1)**
At 27 June 2020	**569.8**	**(147.4)**	**(648.6)**	**(250.0)**	**(5.8)**	**(9.1)**	**(491.1)**

Reconciliation of liabilities arising from financing activities

	Syndicated loan facility £m	Lease liabilities £m	£250m sterling bond £m	Euro RCF £m	Euro loan £m	Total liabilities from financing activities £m
At 30 June 2018	(136.0)	(9.4)	(250.0)	(6.5)	(4.7)	(406.6)
Cashflow	(8.7)	3.3	—	0.8	(5.0)	(9.6)
At 29 June 2019	(144.7)	(6.1)	(250.0)	(5.7)	(9.7)	(416.2)
Cashflow	**(2.5)**	**373.6**	**—**	**—**	**0.8**	**371.9**
Inception of new leases	**—**	**(235.0)**	**—**	**—**	**—**	**(235.0)**
Effect of foreign exchange rate changes	**(0.2)**	**—**	**—**	**(0.1)**	**(0.2)**	**(0.5)**
On transition to IFRS 16	**—**	**(781.1)**	**—**	**—**	**—**	**(781.1)**
At 27 June 2020	**(147.4)**	**(648.6)**	**(250.0)**	**(5.8)**	**(9.1)**	**(1,060.9)**

Syndicated loan facility

On 16 July 2014, the Group entered into a £280.0m 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. The original facility was for five years and has had a number of extensions, the most recent agreed on 9 July 2019, extending the maturity to July 2024. A further one-year extension is available which, if exercised, would extend the maturity to July 2025.

As at 27 June 2020, £147.4m (2019: £144.7m) of the facility was drawn down.

£250m sterling bond

On 6 July 2017, the Group raised a £250.0m bond of seven years maturing on 6 July 2024, with a coupon rate of 2.5%.

Euro RCF

On 24 October 2017, the Group's subsidiary, Go-Ahead Verkehrsgesellschaft Deutschland GmbH, entered into an €8.0m one-year revolving credit facility.

As at 27 June 2020, €6.4m or £5.8m (2019: €6.4m or £5.7m) was drawn down. The facility is unsecured and interest is charged at 2.1% plus EURIBOR.

Euro loan

On 24 October 2017, the Group's subsidiary, Go-Ahead Facility GmbH, entered into a €10.6m 10.5 year loan, which subsequently increased to €10.85m.

As at 27 June 2020, €10.0m or £9.1m (2019: €10.8m or £9.7m) was outstanding. The loan is secured against the German land and buildings included within property, plant and equipment. Interest is charged at a fixed rate of 2.79%.

Debt issue costs

There are debt issue costs of £0.6m (2019: £0.8m) on the syndicated loan facility.

The £250m sterling seven-year bond has debt issue costs of £1.7m (2019: £2.2m).

The Group is subject to two covenants in relation to its borrowing facilities. The covenants specify a maximum adjusted net debt to EBITDA and a minimum net interest cover. These covenants are on a pre-IFRS 16 basis. At the year end and throughout the year, the Group has not been in breach of any bank covenants.

22. Financial risk management objectives and policies

This note details our treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to interest rate, liquidity, foreign exchange and credit risk, and the policies in place to monitor and manage these risks.

Financial risk factors and management

The Group's principal financial instruments comprise bank loans, a sterling bond, lease contracts and cash and short term deposits. The main purpose of these financial instruments is to provide an appropriate level of net debt to fund the Group's activities, namely working capital, fixed asset expenditure, acquisitions and dividends. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

It is Group policy to enter into derivative transactions relating to fuel swaps. The purpose of these is to manage the fuel price risks arising from the Group's operations.

It is, and has been throughout 2018/19 and 2019/20, the Group's policy that no trading in derivatives shall be undertaken and derivatives are only purchased for internal benefit.

The main financial risks arising from the Group's activities are interest rate risk, liquidity risk, credit risk and commodity price risk, managed via fuel derivatives.

COVID-19

The Group reduced vehicle mileage in response to the COVID-19 situation and as a result, fuel usage reduced. Due to the timing of the reduction in volumes, hedging volumes were altered in advance of year end and in respect of the forthcoming year based upon revised assumptions as outlined in our going concern scenarios. The COVID-19 situation means that there is greater estimation uncertainty in our forecast fuel consumption; however, the Government's current support via CBSSG and its desire to operate as close to 100% of existing services during this period of support, mitigates and reduces the commodity price risk and sensitivity.

Interest rate risk

The Group borrows and deposits funds and is exposed to changes in interest rates. The Group's policy towards cash deposits is to deposit cash short term on UK money markets.

The Group has net cash and hence the present adverse risk is a decrease in interest rates.

The maturity and interest rate profile of the financial assets and liabilities of the Group (excluding unamortised debt issue costs) as at 27 June 2020 and 29 June 2019 is as follows:

	Average rate %	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Year ended 27 June 2020								
Floating rate (assets)/liabilities								
Syndicated loans	**0.69**	**—**	**—**	**—**	**—**	**147.4**	**—**	**147.4**
€8m revolving credit facility	**2.10**	**5.8**	**—**	**—**	**—**	**—**	**—**	**5.8**
Gross floating rate liabilities		**5.8**	**—**	**—**	**—**	**147.4**	**—**	**153.2**
Cash assets		**(569.8)**	**—**	**—**	**—**	**—**	**—**	**(569.8)**
Net floating rate (assets)/liabilities		**(564.0)**	**—**	**—**	**—**	**147.4**	**—**	**(416.6)**
Fixed rate liabilities								
£250m sterling seven-year bond	**2.50**	**—**	**—**	**—**	**—**	**250.0**	**—**	**250.0**
€10.85m loan	**2.79**	**1.0**	**0.9**	**0.9**	**0.9**	**0.9**	**4.5**	**9.1**
Lease liabilities	**2.07**	**517.3**	**95.6**	**13.8**	**8.7**	**6.2**	**7.0**	**648.6**
Net fixed rate liabilities		**518.3**	**96.5**	**14.7**	**9.6**	**257.1**	**11.5**	**907.7**

22. Financial risk management objectives and policies continued

Interest rate risk continued

	Average rate %	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Year ended 29 June 2019								
Floating rate (assets)/liabilities								
Syndicated loans	1.00	—	—	—	—	—	144.7	144.7
€8m revolving credit facility	1.30	5.7	—	—	—	—	—	5.7
Gross floating rate liabilities		5.7	—	—	—	—	144.7	150.4
Cash assets		(630.8)	—	—	—	—	—	(630.8)
Net floating rate (assets)/liabilities		(625.1)	—	—	—	—	144.7	(480.4)
Fixed rate liabilities								
£250m sterling seven-year bond	2.50	—	—	—	—	—	250.0	250.0
€10.6m financing facility	2.79	0.8	0.8	0.9	0.9	0.9	5.4	9.7
Lease liabilities	7.60	1.8	1.4	1.4	1.0	0.5	—	6.1
Net fixed rate liabilities		2.6	2.2	2.3	1.9	1.4	255.4	265.8

The expected maturity of the financial assets and liabilities in the table above is the same as the contractual maturity of the financial assets and liabilities.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables above are non-interest bearing and are therefore not subject to interest rate risk.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) based on recent historical changes.

	Increase/ (decrease) in basis points	Effect on profit before tax £m	Effect on equity £m
2020			
GBP	**50.0**	**(0.8)**	**(0.8)**
GBP	**(50.0)**	**0.8**	**0.8**
2019			
GBP	50.0	(0.6)	(0.6)
GBP	(50.0)	0.6	0.6

Liquidity risk

The Group has in place a £280.0m syndicated loan facility which allows the Group to maintain liquidity within the desired gearing range.

On 16 July 2014, the Group entered into a £280.0m 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. The original facility was for five years and has had a number of extensions, the most recent was agreed on 9 July 2019, extending the maturity to July 2024. A further one-year extension is available which, if exercised, would extend the maturity to July 2025.

On 6 July 2017, the Group raised a £250m bond of seven years maturing on 6 July 2024 with a coupon rate of 2.5%.

On 24 October 2017, the Group's subsidiary, Go-Ahead Verkehrsgesellschaft Deutschland GmbH, entered into an €8.0m one-year revolving credit facility. The facility is unsecured and interest is charged at 2.1% plus EURIBOR. As at 27 June 2020, €6.4m or £5.8m (2019: €6.4m or £5.7m) was drawn down.

On 24 October 2017, the Group's subsidiary, Go-Ahead Facility GmbH, entered into a €10.6m 10.5 year loan which subsequently increased to €10.85m. The loan is secured against the German land and buildings included within property, plant and equipment. Interest is charged at a fixed rate of 2.79%.

The level of drawdowns and prevailing interest rates are detailed in note 21.

22. Financial risk management objectives and policies continued

Liquidity risk continued

Available liquidity as at 27 June 2020 and 29 June 2019 was as follows:

	2020 £m	2019 £m
Syndicated loans	**280.0**	280.0
£250m sterling seven-year bond	**250.0**	250.0
€8m revolving credit facility	**7.3**	7.2
€10.85m loan	**9.8**	9.5
Total core facilities	**547.1**	546.7
Amount drawn down at year end	**412.3**	410.1
Headroom	**134.8**	136.6

The Group's rail rolling stock and bus vehicles can be financed by lease arrangements, or term loans at fixed rates of interest over two to eight year primary borrowing periods. This provides a regular inflow of funding to cover expenditure as it arises.

Currency risk

The Group has foreign exchange exposure in respect of cashflow commitments to its operations in Germany, Singapore, the Nordics, Ireland and Australia. These are currently not material to the Group.

Credit risk

The Group's credit risk is primarily attributable to its financial assets, comprising trade and other receivables (see note 18), cash and cash equivalents (see note 19) and fuel hedge derivatives (see note 23). The maximum credit risk exposure of the Group as at the year end was £762.1m (2019: £959.2m) and comprises amounts from a number of unconnected parties.

The considerable majority of the Group's receivables are with public (or quasi-public) bodies (such as the DfT) or sales are paid as they arise and historically the annual cost of bad debts has been immaterial so limited disclosures are therefore provided. The trade receivables from such public bodies are not considered to present a significant credit risk, which is supported by cash payment performance.

Smaller sundry individual trade receivables with third parties that have arisen are assessed as required for credit loss and a provision accrued when considered appropriate. The Group applies the IFRS 9 simplified approach and measures the loss allowance on the lifetime expected credit losses at each reporting date. Expected credit losses are assessed based on the number of days past due, the customer type, a judgement on credit risk, consideration of macroeconomic forecasts, as well as past experience when relevant. Movement in the provisions for the impairment of trade receivables are recorded within operating costs within the income statement.

Risk of exposure to non-return of cash on deposit is managed through a treasury policy of holding deposits with banks rated A- or A3 or above by at least one of the credit rating agencies. The treasury policy outlines the maximum level of deposit that can be placed with any one given financial institution.

Commodity price risk

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. The Group operates a bus fuel hedging policy which uses fuel hedges to fix the price of diesel fuel in advance. The core policy is to be fully hedged for the next financial year before the start of that year, with at least 50% of the following year fixed and 25% of the year thereafter. This hedging profile is then maintained on a month by month basis. Additional purchases can be made to lock in future costs, subject to Board approval. Risk component hedging has been adopted under IFRS 9, meaning that the hedged price risk component of the purchased fuel matches that of the underlying derivative commodity. The hedged risk component is considered to be separately identifiable and reliably measurable. Gasoil is considered to be the risk component and there is a strong correlation between the movements in the price of the derivative and the fuel price purchased. Variances in pricing between the derivative commodity and the purchased price relate to underlying costs such as duty and delivery and are excluded from the hedge relationship. Further details are given in note 23.

22. Financial risk management objectives and policies continued

Contractual payments

The tables below summarise the maturity profile of the Group's financial liabilities at 27 June 2020 and 29 June 2019 based on contractual undiscounted payments.

Year ended 27 June 2020

	On demand £m	Less than 3 months £m	3–12 months £m	1–5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	**—**	**0.3**	**6.5**	**151.1**	**4.4**	**162.3**
£250m sterling seven year bond	**—**	**6.2**	**—**	**250.0**	**—**	**256.2**
Lease liabilities	**—**	**131.5**	**394.4**	**129.2**	**5.8**	**660.9**
Other financial liabilities	**—**	**2.5**	**7.4**	**5.6**	**—**	**15.5**
Trade and other payables	**101.1**	**368.3**	**99.8**	**—**	**—**	**569.2**
	101.1	**508.8**	**508.1**	**535.9**	**10.2**	**1,664.1**

Year ended 29 June 2019

	On demand £m	Less than 3 months £m	3–12 months £m	1–5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	—	0.3	7.9	7.8	150.2	166.2
£250m sterling seven year bond	—	5.7	—	—	248.3	254.0
Trade and other payables	49.3	455.4	90.7	—	—	595.4
	49.3	461.4	98.6	7.8	398.5	1,015.6

Managing capital

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Details of the issued capital and reserves are shown in note 25. Details of interest-bearing loans and borrowings are shown in note 21.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 27 June 2020 and 29 June 2019.

The Group applies the primary objective by managing its capital structure such that net debt (adjusted to exclude restricted cash) to EBITDA* is within a range which retains an investment grade debt rating of at least BBB-.

In the year ended 2 July 2011, the Group obtained investment grade long term credit ratings from Standard & Poor's and Moody's as follows:

Standard & Poor's	BBB- (stable outlook)
Moody's	Baa3 (stable outlook)

Those ratings have been maintained in the year ended 27 June 2020 and recently reconfirmed.

The Group's policy is to maintain an adjusted net debt to EBITDA ratio of 1.5x to 2.5x. The Group's calculation of adjusted net debt is set out in note 21 and includes cash and short term deposits, interest-bearing loans and borrowings, and excludes restricted cash. During the year, following the impact on revenue following COVID-19, the Group suspended its interim dividend and placed a freeze on all discretionary expenditure and capital investment. These actions were taken by the board as a measure to protect this ratio and the Group's investment grade debt rating.

Our primary financial covenant under the 2024 syndicated loan facility is an adjusted net debt to EBITDA ratio of not more than 3.5x and at 27 June 2020 it was 1.96x (2019: 1.32x). This is on a pre-IFRS 16 basis.

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

Rail operating charges (previously operating lease arrangements)

The Group previously categorised its rail rolling stock, and a number of bus and coach vehicles as operating leases. From 30 June 2019, these have been recognised as right of use assets and lease liabilities on the balance sheet, except for short term and low value leases, as a result of the transition to IFRS 16. Further details are given in note 13.

Lease arrangements continue in respect of UK rail charges for track, station and depot access, along with rolling stock leases in the international rail business. These lease arrangements are not considered to be right of use assets, in line with industry standards. These arrangements are now referred to as rail operating charges.

23. Derivatives and financial instruments

A derivative is a security whose price is dependent upon or derived from an underlying asset. The Group uses energy derivatives to hedge its risks associated with fuel price fluctuations. For accounting policies see 'Financial instruments', 'Fair value measurement' and 'Interest-bearing loans and borrowings' in note 2.

a. Fair values

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 27 June 2020 and 29 June 2019 and are as follows:

	2020 £m	2019 £m
Non-current financial assets: fuel price derivatives	**0.1**	1.5
Current financial assets: fuel price derivatives	**0.1**	4.4
	0.2	5.9
Current financial liabilities: fuel price derivatives	**(9.9)**	(0.8)
Non-current financial liabilities: fuel price derivatives	**(5.6)**	(0.8)
	(15.5)	(1.6)
Net financial derivatives	**(15.3)**	4.3

The carrying value of the Group's financial assets and liabilities is as follows:

Year ended 27 June 2020

	Amortised cost £m	**Derivatives used for cashflow hedging £m**	**Total carrying value £m**	**Fair value £m**
Financial assets and derivatives				
Trade and other receivables	**192.1**	**—**	**192.1**	**192.1**
Cash and cash equivalents	**569.8**	**—**	**569.8**	**569.8**
Fuel price derivatives	**—**	**0.2**	**0.2**	**0.2**
	761.9	**0.2**	**762.1**	**762.1**
Financial liabilities and derivatives				
Interest-bearing loans and borrowings	**(410.0)**	**—**	**(410.0)**	**(400.3)**
Lease liabilities	**(648.6)**	**—**	**(648.6)**	**(648.6)**
Trade and other payables	**(598.0)**	**—**	**(598.0)**	**(598.0)**
Fuel price derivatives	**—**	**(15.5)**	**(15.5)**	**(15.5)**
	(1,656.6)	**(15.5)**	**(1,672.1)**	**(1,662.4)**

Year ended 29 June 2019

	Amortised cost £m	Derivatives used for cashflow hedging £m	Total carrying value £m	Fair value £m
Financial assets and derivatives				
Trade and other receivables	322.5	—	322.5	322.5
Cash and cash equivalents	630.8	—	630.8	630.8
Fuel price derivatives	—	5.9	5.9	5.9
	953.3	5.9	959.2	959.2
Financial liabilities and derivatives				
Interest-bearing loans and borrowings	(413.2)	—	(413.2)	(411.7)
Trade and other payables	(626.7)	—	(626.7)	(626.7)
Fuel price derivatives	—	(1.6)	(1.6)	(1.6)
	(1,039.9)	(1.6)	(1,041.5)	(1,040.0)

23. Derivatives and financial instruments continued

a. Fair values continued

Year ended 29 June 2019 continued

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The fair values of all other assets and liabilities in notes 18, 19 and 20 are not significantly different from their carrying amount, with the exception of the £250m sterling seven-year bond which has a fair value of £240.3m (2019: £248.5m) but is carried at its amortised cost of £250.0m (2019: £250.0m). The fair value of the £250m sterling seven-year bond has been determined by reference to the price available from the market on which the bond is traded, and is therefore a level 1 valuation. The fuel price derivatives were valued externally by the respective banks by comparison with the market fuel price for the relevant date.

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

As at 27 June 2020 and 29 June 2019, the Group has used a level 2 valuation technique to determine the fair value of the fuel price derivatives. The valuations are based on the external Mark-to-Market (MtM) valuations provided by the derivative providers and are prepared in accordance with the provider's own internal models and calculation methods based upon well recognised financial principles, relevant current market conditions and reasonable estimates about relevant future market conditions.

There are a small number of foreign currency hedges in place as at 27 June 2020 and 29 June 2019. The foreign currency hedge valuations are based on the external MtM valuations and are currently not material to the Group.

During the years ended 27 June 2020 and 29 June 2019, there were no transfers between valuation levels.

b. Hedging activities

Fuel derivatives

As discussed in note 22, the Group is exposed to commodity price risk as a result of fuel usage.

Bus

As at 27 June 2020, the Group had derivatives against bus fuel of 184 million litres for the three years ending June 2023. 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 27 June 2020 the Group's external hedging profile is as follows:

	<1 year	1–2 years	2–5 years	Total
Actual percentage hedged	**Fully**	**50%**	**25%**	
Litres hedged (million)	**103**	**54**	**27**	**184**
Average hedged rate (pence per litre)	**35.3**	**36.2**	**34.7**	**35.4**

The changes in the fair values of the fuel derivatives during the year are as follows:

	2020 £m	2019 £m
Changes in fair value of hedged item	**(19.6)**	(13.7)
Changes in fair value of hedging instrument	**19.6**	13.7
Changes in fair value through the hedging reserves (net of tax)	**(15.8)**	(11.3)

The maturity of the hedge profile is between July 2020 and June 2023.

In relation to the hedging reserve, the following balances are included with respect to the fuel derivatives:

	2020 £m	2019 £m
Balance in the cashflow hedging reserve for continuing hedges	**(12.3)**	3.5
Balance in the cashflow hedging reserve arising from hedging relationships for which hedge accounting is no longer applied	**—**	0.5

Rail

As at 27 June 2020 the Group had no derivatives against rail fuel for the 2020 financial year (2019: nil).

24. Provisions

A provision is a liability recorded in the consolidated balance sheet, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provisions we hold are in relation to uninsured claims and dilapidation provisions relating to franchise commitments. For accounting policies see 'Provisions' and 'Uninsured liabilities' in note 2.

	Franchise commitments £m	Uninsured claims £m	Other £m	Total £m
At 30 June 2018	51.9	45.3	6.1	103.3
Provided (after discounting)	33.7	15.1	3.6	52.4
Utilised	(19.6)	(11.8)	(0.2)	(31.6)
Released	(2.2)	(4.8)	(0.1)	(7.1)
Unwinding of discounting	0.2	(0.4)	—	(0.2)
At 29 June 2019	64.0	43.4	9.4	116.8
Provided (after discounting)	**18.2**	**24.8**	**2.9**	**45.9**
Utilised	**(7.0)**	**(16.2)**	**(1.0)**	**(24.2)**
Released	**(2.0)**	**(1.8)**	**(0.8)**	**(4.6)**
Unwinding of discounting	**0.4**	**(0.3)**	**—**	**0.1**
At 27 June 2020	**73.6**	**49.9**	**10.5**	**134.0**

	2020 £m	2019 £m
Current	**46.1**	34.8
Non-current	**87.9**	82.0
	134.0	116.8

Franchise commitments

Franchise commitments comprise £73.6m (2019: £64.0m) and relate to dilapidation provisions on vehicles, depots and stations across our two (2019: two) active UK rail franchises as well as a provision for future franchise set-up costs for the German Bavarian franchise. Of these provisions, £26.6m (2019: £21.6m) are classified as current.

During the year £2.0m (2019: £2.2m) of dilapidation provisions previously provided were released following the successful renegotiation of certain contract conditions. The dilapidations will be incurred as part of a rolling maintenance contract over the next two years. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisors.

Estimation uncertainties arise with respect to dilapidation provisions, due to the complex nature of the assets. Estimated dilapidations can range significantly depending on the specific asset been considered. The range of outcomes are assessed on an asset by asset basis and the range can vary between a plus or minus 5%-20% dependant on procurement, production or maintenance efficiencies as well as potential economies of scale. Based on the individual assessments, the provision at the year end could fall between an estimated range of £55.0m to £82.0m.

The provision for the German franchise commitment mainly relates to expected forecasted franchise set-up costs in respect of driver recruitment and training costs before the contract becomes operational in December 2021. Estimation uncertainties arise around the costs of recruitment and training. An increase in these costs of 5% would lead to an increase in the provision of £1.0m.

Uninsured claims

Uninsured claims represent the cost to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer. Of the uninsured claims, £17.2m (2019: £12.6m) are classified as current and £32.7m (2019: £30.8m) 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. Both the estimate of settlements that will be made in respect of claims received as well as the estimate of settlements made in respect of incidents not yet reported are based on historical trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

Uninsured claims are provided on a gross basis and a separate reimbursement asset, for amounts due back from the insurance providers, of £3.5m is included within other receivables.

Other

The other provisions of £10.5m (2019: £9.4m) relate to dilapidations in the bus division, of which £2.3m (2019: £0.6m) are classified as current and £8.2m (2019: £8.8m) are classified as non-current. It is expected that the dilapidations will be incurred within two to six years. Reflecting the nature of the judgements associated with the provisioning for dilapidations, it is not practicable to provide further sensitivity analysis of the extent by which these amounts could change in the next financial year.

25. Issued capital and reserves

Called up share capital is the number of shares in issue at their par value. For accounting policies see 'Treasury shares' in note 2.

	Allotted, called up and fully paid			
	Millions	**2020 £m**	Millions	2019 £m
As at 27 June 2020 and 29 June 2019	**47.1**	**4.7**	47.1	4.7

The Group has one class of ordinary shares which carry no right to fixed income and have a par value of 10p per share.

Share capital

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

Reserve for own shares

The reserve for own shares is in respect of 4,071,553 ordinary shares (8.6% of share capital), of which 169,323 are held for LTIP and DSBP arrangements.

The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances. During the year ended 27 June 2020 the Group repurchased 39,770 shares for a total consideration of £0.7m for LTIP and DSBP arrangements (2019: 56,482 shares repurchased for a total consideration of £1.0m). This programme was suspended on 20 April 2020 due to COVID-19 and the Group's decision to conserve cash. The Group has not cancelled any shares during the year (2019: no shares cancelled).

Hedging reserve

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

Share premium reserve

The share premium 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.

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

Translation reserve

The translation reserve records exchange differences arising from the translation of the balance sheets of foreign currency denominated subsidiaries.

	2020 £m	2019 £m
At 30 June 2019	**—**	—
Movement during the year	**(1.8)**	—
At 27 June 2020	**(1.8)**	—

26. Commitments

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

Capital commitments

	2020 £m	2019 £m
Contracted for but not provided – acquisition of property, plant and equipment	**37.4**	69.6

Lease commitments

	2020 £m	2019 £m
Contracted for but not commenced – right of use assets	**268.9**	—

Rail operating charges – Group as lessee

The Group previously categorised the majority of bus leases (vehicles and property) and rail leases (rolling stock, access charges, stations and depots) as operating leases, under IAS 17.

The majority of bus leases and rail rolling stock leases are now deemed to be right of use assets, following the implementation of IFRS 16, and are now recognised on the balance sheet, with a corresponding lease liability. The exception is for short term and low value assets.

The Group's train operating companies hold agreements with various different local entities for access to the railway infrastructure (track, stations and depots). These are now classified as rail operating charges, as they do not result in a right of use asset. The leases typically run for a period until the end of the relevant franchise.

26. Commitments continued

Rail operating charges – Group as lessee continued

Future minimum rentals payable under non-cancellable rail operating arrangements as at 27 June 2020 and operating lease commitments as at 29 June 2019 were as follows:

As at 27 June 2020

	Rail rolling stock £m	Rail access charges £m	Rail and other £m	Total £m
Within one year	**252.4**	**668.2**	**135.2**	**1,055.8**
In the second to fifth years inclusive	**176.3**	**198.2**	**44.7**	**419.2**
Over five years	**171.7**	**12.1**	**9.1**	**192.9**
	600.4	**878.5**	**189.0**	**1,667.9**

As at 29 June 2019

	Bus vehicles and other £m	Bus property £m	Rail rolling stock £m	Rail access charges £m	Rail other £m	Total £m
Within one year	15.7	4.4	558.1	376.3	150.8	1,105.3
In the second to fifth years inclusive	28.2	12.8	725.7	281.1	186.4	1,234.2
Over five years	—	7.9	267.8	6.7	22.9	305.3
	43.9	25.1	1,551.6	664.1	360.1	2,644.8

Rail operating charges – Group as lessor

The Group's rail operating companies sub lease access to stations and depots to other commercial organisations.

Future minimum rentals receivable under non-cancellable rail operating arrangements as at 27 June 2020 and operating lease commitments as at 29 June 2019 were as follows:

	2020		2019	
	Land and buildings £m	**Other rail agreements £m**	Land and buildings £m	Other rail agreements £m
Within one year	**1.2**	**8.0**	1.1	23.9
In the second to fifth years inclusive	**1.6**	**1.7**	1.6	39.2
Over five years	**—**	**—**	—	—
	2.8	**9.7**	2.7	63.1

27. Contingencies

Performance bonds and other guarantees

The Group has provided bank guaranteed performance bonds of £70.7m (2019: £67.1m), a loan guarantee bond of £36.3m (2019: £36.3m) and season ticket bonds of £165.0m (2019: £151.9m) to the DfT in support of the Group's UK rail franchise operations. In addition the Group, together with Keolis, has a joint parental company commitment to provide funds of £136.0m (2019: £136.0m) to the DfT in respect of the Govia Thameslink Railway franchise, of which the Group has a 65% share equating to £88.4m (2019: £88.4m). At the year end £nil (2019: £nil) has been provided.

To support subsidiary companies in their normal course of business, the Group has provided parental company guarantees and indemnified certain banks and insurance companies which have issued certain performance bonds and a letter of credit. The letter of credit at 27 June 2020 is £62.0m (2019: £58.0m).

The Group has a bond of $4.2m SGD (2019: $4.2m SGD) to the Land Transport Authority (LTA) of Singapore in support of the Group's Singapore bus operations. At the year end exchange rate this equates to £2.5m (2019: £2.5m).

The Group has bonds of €30.8m (2019: €11.1m) in favour of the local rail authorities in support of the Group's German rail operations. At the year end exchange rate these equate to £28.0m (2019: £9.9m). The Group has provided a parental company guarantee to provide funds of €134.3m (2019: €35.0m) in respect of the Germany operations, of which €nil (2019: €nil) has been provided for at year end. At the year end exchange rate this equates to £122.1m (2019: £31.3m).

The Group has bonds of €10.0m (2019: €10.0m) in favour of the National Transport Authority in Ireland in support of the Group's Irish bus operations. At the year end exchange rate this equates to £9.1m (2019: £9.0m).

The Group has a bond of 271.3m NOK (2019: 200m NOK) in favour of the local rail authorities in Norway in support of the Group's Nordic rail operations. At the year end exchange rate this equates to £22.5m (2019: £18.4m).

27. Contingencies continued

Contingent liabilities

Boundary zone fare proceedings

On 27 February 2019 a Collective Proceedings Application was filed at the Competition Appeal Tribunal under Section 47B of the Competition Act 1998 against one of the Group's subsidiary companies, London and Southeastern Railway Limited (LSER). The claim alleges that the company failed to make Boundary Zone Fares sufficiently available to those rail passengers who held TfL travelcards across its multiple sales channels and failed to ensure that customers were aware of these. Equivalent applications were made against South West Trains and South Western Railway.

The proceedings are at a early stage with the next step being that the Competition Appeal Tribunal will initially decide whether this is a claim that meets the legislative criteria for this type of claim. A hearing in relation to this is scheduled for later in 2020. If the criteria were met, it would allow the claim to proceed to a full trial.

The claim is disputed in respect of its technical merits and the basis of the claim appears to be an initial estimate with assumptions that cannot initially be substantiated. No provision associated with the claim (other than legal costs) has accordingly been made.

There is no legal precedent both in respect of this type of claim or how it would be valued if found to be a valid claim. Finally, determining how such a claim would be allocated amongst the various parties, and other stakeholders including the Department for Transport (DfT), is highly uncertain.

Accordingly, the Group cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the Annual Report and Accounts.

Profit share dispute

On 31 March 2020, the Secretary of State for Transport notified one of the Group's subsidiary companies, London and Southeastern Railway Limited (LSER) that it was required to recalculate the Profit Share payable over the period from 12 October 2014 to 29 June 2019 pursuant to the Franchise Agreement dated 10 September 2014.

LSER has subsequently provided the Secretary of State for Transport with an explanation for the historical calculation of profit share and has recognised a best estimate of the assessed outcome within these financial statements. Any additional amounts payable are disputed due to LSER's statement of position being supported by express terms or agreement, correspondence between LSER and the Secretary of State for Transport, treatment in practice and the development and terms of the Franchise Agreement.

Should the Secretary of State for Transport's notification prove successful then the outflow of resources could be in the region of £8.0m.

28. Retirement benefit schemes

The Group operates a defined contribution pension scheme and a workplace saving scheme for our employees. We also administer a defined benefit pension scheme, which is closed to new entrants and future accruals. The UK train operating companies participate in the Railways Pension Scheme (RPS), a defined benefit scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. For accounting policies see 'Retirement benefits' in note 2.

Retirement benefit obligations consist of the following:

	2020			2019		
	Bus £m	**Rail £m**	**Total £m**	Bus £m	Rail £m	Total £m
Pre-tax pension scheme asset	**53.0**	**—**	**53.0**	48.7	—	48.7
Deferred tax liability	**(10.1)**	**—**	**(10.1)**	(8.5)	—	(8.5)
Post-tax pension scheme asset	**42.9**	**—**	**42.9**	40.2	—	40.2

The net surplus before taxation on the bus defined benefit schemes was £53.0m (2019: £48.7m), consisting of estimated assets of £934.4m (2019: £858.8m) less liabilities of £881.4m (2019: £810.1m). During the prior year an exceptional charge of £16.8m has been taken to the income statement as a result of the GMP equalisation ruling which directly impacted the bus pension scheme liabilities.

The net deficit before taxation on the rail schemes was £nil (2019: £nil). The nature of these schemes means at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates under the franchise.

28. Retirement benefit schemes continued

	2020			2019		
	Bus £m	**Rail £m**	**Total £m**	Bus £m	Rail £m	Total £m
Remeasurement gains/(losses) due to:						
Experience on benefit obligations	**5.5**	**42.8**	**48.3**	24.3	—	24.3
Changes in demographic assumptions	**(0.1)**	**—**	**(0.1)**	22.5	—	22.5
Changes in financial assumptions	**(87.6)**	**(319.6)**	**(407.2)**	(54.5)	(156.7)	(211.2)
Return on assets greater than discount rate	**79.1**	**48.4**	**127.5**	29.3	67.0	96.3
Franchise adjustment movement	**—**	**228.4**	**228.4**	—	89.7	89.7
Remeasurement (losses)/gains on defined benefit pension plans	**(3.1)**	**—**	**(3.1)**	21.6	—	21.6

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 funded defined benefit sections and defined contribution sections as follows.

The defined contribution sections of the Go-Ahead Plan are not contracted out of the State Second Pension Scheme. The Money Purchase Section is now closed to new entrants, except by invitation from the Company, and has been replaced by the Workplace Saving Section, which is also a defined contribution plan. The expense recognised for the Money Purchase Section of the Go-Ahead Plan is £10.0m (2019: £9.3m), being the contributions paid and payable. The expense recognised for the Workplace Saving Scheme is £7.8m (2019: £6.4m), being the contributions paid and payable.

The defined benefit sections of the Go-Ahead Plan are contracted out of the State Second Pension Scheme and provide benefits based on a member's final pensionable salary. The assets of the defined benefit sections are held in a separate trustee-administered fund. Contributions to these sections are assessed in accordance with the advice of an independent qualified actuary. The defined benefit sections of the Go-Ahead Plan have been closed to new entrants since 1 October 1994 and closed to future accrual from 31 March 2014.

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

The Go-Ahead Plan is governed by a Trustee Company in accordance with a Trust Deed and Rules. It is also subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the Go-Ahead Plan and the Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the Go-Ahead Plan had an effective date of 31 March 2018, and the next will have an effective date of 31 March 2021.

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

Other pension plans

Some employees of Plymouth Citybus Limited are members of a Devon County Council defined benefit scheme. This scheme is externally funded and no further entrants can join. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary.

Some employees of East Yorkshire Motor Services Limited are members of the EYMS Group pension defined benefit scheme. The scheme was closed to future accrual with effect from 6 January 2011 having previously been closed to new entrants with effect from 6 April 2001. Contributions to the scheme are based on advice from an independent qualified actuary. Existing contributions are based on the 5 April 2017 valuation.

The actuarial assumptions disclosed are in respect of the Go-Ahead Plan and EYMS plan only, given the respective sizes of the three bus pension schemes.

28. Retirement benefit schemes continued

Bus schemes continued

Summary of bus schemes year end assumptions

	2020 %	2019 %
Retail price index inflation	**2.9**	3.2
Consumer price index inflation	**2.1**	2.2
Discount rate	**1.5**	2.3
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment and deferred pension	**2.2**	2.3

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.

	2020 Years	2019 Years
Pensioner	**21**	21
Non-pensioner	**23**	23

Sensitivity analysis

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

	2020 Pension deficit %	2019 Pension deficit %
Discount rate – increase of 0.5%	**(7.0)**	(7.3)
Price inflation – increase of 0.5%	**6.8**	6.8
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment – increase of 0.5%	**4.8**	4.8
Increase in life expectancy of pensioners or non-pensioners by one year	**4.3**	4.3

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.5% and one year in the sensitivity analysis is considered to be a reasonable illustrative approximation of possible changes, as these variations can regularly arise.

Maturity profile of bus schemes defined benefit obligation

The following table shows the expected future benefit payments of the bus schemes at 27 June 2020.

	2020 £m
June 2021	**28.6**
June 2022	**29.3**
June 2023	**29.9**
June 2024	**30.6**
June 2025	**31.2**
June 2026 to June 2030	**166.4**

Category of assets at the year end

	2020		2019	
	£m	%	£m	%
Equities	**95.3**	**10.2**	75.8	8.8
Bonds	**87.8**	**9.4**	77.6	9.0
Property	**56.1**	**6.0**	57.0	6.6
Liability driven investment portfolio	**457.9**	**49.0**	399.1	46.5
Cash/other	**237.3**	**25.4**	249.3	29.1
	934.4	**100.0**	858.8	100.0

28. Retirement benefit schemes continued

Bus schemes continued

Category of assets at the year end continued

Most of the asset categories are held within pooled funds and are classed as quoted in an active market where the underlying assets are exchanged or traded or can be valued with a reasonable degree of certainty based on market data. Any liquidity funds have been classed as unquoted in active markets. Asset categories requiring judgement, mainly relating to property portfolios, are subject to significant uncertainty due to the unknown market situation relating to COVID-19 and a higher degree of caution should be given than in normal circumstances.

The plan invests a significant portion of its assets in a 'Liability Driven Investment' (LDI) portfolio which aims to match the Go-Ahead Plan's liabilities. This is expected to reduce the volatility of the Go-Ahead Plan's funding level due to changes in interest rates and inflation. The plan also has a 'Journey Plan' in place, which means that over time as opportunities arise, the level of risk within the investment strategy is expected to reduce, with a larger portion of the plan's assets transitioned to matching assets. The plan measures the LDI portfolio at fair value at each reporting date using the following fair value hierarchy:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

At 27 June 2020, the LDI portfolio was valued, using a level 1 valuation, as follows:

- At the closing bid price or, if single priced, at the closing single price
- At the latest available net asset value (NAV)

Funding position of the Group's pension arrangements

	2020 £m	2019 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	(881.4)	(810.1)
Assets at fair value	934.4	858.8
Pension scheme asset	53.0	48.7

Pension cost for the financial year

	2020 £m	2019 £m
Administration costs	2.1	2.0
Settlement charge	—	16.8
Interest cost on net liabilities	(1.2)	(0.8)
Total pension costs	0.9	18.0

In the prior year, on 26 October 2018, the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women. As a result, pension scheme trustees will be obliged to adjust benefit payments in order that benefits received by male and female members with equivalent age, service and earnings histories are equal. The judgement has implications for many defined benefit schemes, including those in which the Group participates.

As a result of this change, a pre-tax, non-cash exceptional settlement charge of £16.8m was recognised in the income statement.

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

	2020 £m	2019 £m
Pension scheme liabilities – at start of year	810.1	792.5
Interest cost	17.8	20.9
Settlement loss	—	16.8
Remeasurement (gains)/losses due to:		
Experience on benefit obligations	(5.5)	(24.3)
Changes in demographic assumptions	0.1	(22.5)
Changes in financial assumptions	87.6	54.5
Benefits paid	(28.7)	(27.8)
Pension scheme liabilities – at end of year	881.4	810.1

28. Retirement benefit schemes continued

Bus schemes continued

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

	2020 £m	2019 £m
Fair value of assets – at start of year	**858.8**	829.3
Interest income of plan assets	**19.1**	21.7
Remeasurement gains due to return on assets greater than discount rate	**79.1**	29.3
Actuarial loss on assets	**(0.4)**	—
Administration costs	**(2.1)**	(2.0)
Group contributions	**8.5**	8.2
Benefits paid	**(28.6)**	(27.7)
Fair value of plan assets – at end of year	**934.4**	858.8

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2021	**8.3**
Estimated employee contributions in financial year 2021	**—**
Estimated total contributions in financial year 2021	**8.3**

Rail schemes

The Railways Pension Scheme (RPS)

The majority of employees in our train operating companies are members of sections of the Railways Pension Scheme (RPS), an industry-wide defined benefit scheme. The Group is obligated to fund the relevant section of the scheme over the period for which the franchise is held.

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

All the costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members. 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.

In addition, at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates the franchise.

Changes in financial assumptions include the effect of changes in the salary cap agreed to offset additional National Insurance costs as a result of the schemes no longer "opting out".

The accounting policy for the Railways Pension Scheme (RPS) is detailed in note 2 and the accounting judgements are covered in the Critical accounting judgements and key sources of estimation uncertainty section in the Group financial statements.

British Railways Additional Superannuation Scheme (BRASS) matching AVC Group contributions of £0.3m (2019: £0.3m) were paid in the year.

Summary of year end assumptions

	2020 %	2019 %
Retail price index inflation	**2.8**	3.2
Consumer price index inflation	**2.1**	2.2
Discount rate	**1.6**	2.4
Rate of increase in salaries	**3.1**	3.5
Rate of increase of pensions in payment and deferred pension	**2.1**	2.2

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.

	2020 Years	2019 Years
Pensioner	**21**	21
Non-pensioner	**23**	23

The mortality assumptions adopted as at 27 June 2020 are based on the initial results of the funding valuation as at 31 December 2016, which has not yet been completed, and 29 June 2019 are based on the results of the funding valuation as at 31 December 2013.

28. Retirement benefit schemes continued
Rail schemes continued
Sensitivity analysis
Due to the nature of the franchise adjustment, the balance sheet position in respect of the RPS is not sensitive to small movements in any of the assumptions and therefore we have not included any quantitative sensitivity analysis.

Category of assets at the year end

	2020 £m	2020 %	2019 £m	2019 %
Equities	**2,138.8**	**98.4**	2,023.0	98.6
Property	**22.4**	**1.0**	26.7	1.3
Cash	**13.5**	**0.6**	2.0	0.1
	2,174.7	**100.0**	2,051.7	100.0

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

Funding position of the Group's pension arrangements

	2020 £m	2019 £m
Employer's 60% share of pension scheme:		
Liabilities at the end of the year	**(3,231.0)**	(2,790.0)
Assets at fair value	**2,174.7**	2,051.7
Gross deficit	**(1,056.3)**	(738.3)
Franchise adjustment	**1,056.3**	738.3
Pension scheme liability	**—**	—

Pension cost for the financial year

	2020 £m	2019 £m
Service cost	**103.1**	85.7
Administration costs	**3.9**	3.4
Franchise adjustment to current period costs	**(71.4)**	(55.8)
Interest cost on net liabilities	**18.2**	15.9
Interest on franchise adjustments	**(18.2)**	(15.9)
Pension cost	**35.6**	33.3

Analysis of the change in the employer's 60% share of pension scheme liabilities over the financial year

	2020 £m	2019 £m
Pension scheme liabilities less members' share (40%) of the deficit – at start of year	**2,790.0**	2,474.1
Franchise adjustment (100%)	**(738.3)**	(576.9)
	2,051.7	1,897.2
Liability movement for members' share of assets (40%)	**73.0**	85.1
Service cost (60%)	**102.9**	85.4
Interest cost (60%)	**47.9**	47.0
Interest on franchise adjustment (100%)	**(18.2)**	(15.9)
Franchise adjustment to current period costs (100%)	**(71.4)**	(55.8)
Remeasurement losses/(gains) due to:		
Experience on benefit obligations (60%)	**(42.8)**	—
Changes in financial assumptions (60%)	**319.6**	156.7
Benefits paid (100%)	**(59.6)**	(58.3)
Franchise adjustment movement (100%)	**(228.4)**	(89.7)
	2,174.7	2,051.7
Franchise adjustment (100%)	**1,056.3**	738.3
Pension scheme liabilities less members' share (40%) of the deficit – at end of year	**3,231.0**	2,790.0

28. Retirement benefit schemes continued
Rail schemes continued
Analysis of the change in the pension scheme assets over the financial year

	2020 £m	2019 £m
Fair value of assets – at start of year (100%)	**2,051.7**	1,897.2
Interest income of plan assets (60%)	**29.8**	31.1
Remeasurement gains due to return on assets greater than discount rate (60%)	**48.4**	67.0
Administration costs (100%)	**(6.4)**	(5.7)
Group contributions (100%)	**35.3**	33.0
Benefits paid (100%)	**(59.6)**	(58.3)
Members' share of movement of assets (40%)	**75.5**	87.4
Fair value of plan assets – at end of year (100%)	**2,174.7**	2,051.7

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2021	**38.4**
Estimated employee contributions in financial year 2021	**25.6**
Estimated total contributions in financial year 2021	**64.0**

Franchise adjustment
The effect of the franchise adjustment on the financial statements is provided below:

	2020 £m	2019 £m
Balance sheet		
Defined benefit pension plan	**(1,056.3)**	(738.3)
Deferred tax asset	**200.7**	125.5
	(855.6)	(612.8)
Other comprehensive income		
Remeasurement losses	**228.4**	89.7
Tax on remeasurement losses	**(43.4)**	(15.2)
	185.0	74.5
Income statement		
Franchise adjustment to current period costs	**(71.4)**	(55.8)
Interest on franchise adjustments	**(18.2)**	(15.9)
Deferred tax charge	**17.0**	12.2
	(72.6)	(59.5)

28. Retirement benefit schemes continued

Risks associated with defined benefit plans

UK rail schemes

Despite remaining open to new entrants and future accrual, the risks posed by the RPS are limited as under the franchise arrangements, the train operating companies are not responsible for any residual deficit at the end of a franchise. As such, there is limited short term cashflow risk within this business and, if agreed, it would also be proportionately borne by the employees as well as the Group. Following the conclusion of The Pension Regulator's ongoing investigation into rail pensions, the risks associated with the Group's rail schemes will be reviewed.

Bus schemes

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

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

Risk	Description	Mitigation
Asset volatility	The liabilities are calculated using a discount rate set with reference to bond yields with maturity profiles matching pension maturity; if assets underperform this yield, this may lead to a deficit. Most of the defined benefit arrangements hold a proportion of return-seeking assets (equities, diversified growth funds and global absolute return funds) and, to offset the additional risk, hold a proportion in liability driven investments, which should reduce volatility relative to the liabilities.	Asset liability modelling has been undertaken recently in all significant plans to ensure that unrewarded risks are hedged where appropriate and that we have a balance of risk seeking and liability driven investments.
Inflation risk	A significant proportion of the UK benefit obligations are linked to inflation, and higher expected inflation will lead to higher liabilities.	The business has some inflation linking in its revenue streams, which helps to offset this risk. During the 2018 financial year, the key inflation measure for the Group final salary scheme was changed from RPI to CPI when looking at future pension increases, which has helped to lower the magnitude of the inflation risk.
Life expectancy	The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.	The Group final salary scheme has recently carried out a pensioner buy-in for a small subset of the pensioner population. This has mitigated the longevity risk for the members included in the buy-in. The assumptions used to fund the scheme are regularly reviewed and updated to reflect changes in expected life expectancy.
Legislative risk	Future legislative changes are uncertain. In the past these have led to increases in obligations, introducing pension increases, and vesting of deferred pensions, or reduced investment return through the ability to reclaim Advance Corporation Tax. The UK Government has legislated to end contracting out in 2016. On 26 October 2018 the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women. The judgement has had an impact on the Plan's defined benefit pension liabilities (see note 7 for further details).	The Group takes professional advice to keep abreast of legislative changes.

29. Related party disclosures and Group undertakings

Our subsidiaries listed below each contribute to the profits, assets and cashflow of the Group. The Group has a number of related parties including joint ventures, pension schemes and directors. For accounting policies see 'Interests in joint arrangements' in note 2.

The consolidated financial statements include the financial statements of The Go-Ahead Group plc and the following Group undertakings:

Name	Country of incorporation and principal place of business	% equity interest 2020	2019
Trading subsidiaries			
Go-Ahead Holding Limited	United Kingdom[1]	**100**	100
Go North East Limited	United Kingdom	**100**	100
London General Transport Services Limited	United Kingdom	**100**	100
Go-Ahead London Rail Replacement Services Limited	United Kingdom	**100**	100
Brighton & Hove Bus and Coach Company Limited	United Kingdom	**100**	100
The City of Oxford Motor Services Limited	United Kingdom	**100**	100
Go South Coast Limited	United Kingdom	**100**	100
Plymouth Citybus Limited	United Kingdom	**100**	100
Konectbus Limited	United Kingdom	**100**	100
Thames Travel (Wallingford) Limited	United Kingdom	**100**	100
Carousel Buses Limited	United Kingdom	**100**	100
New Southern Railway Limited	United Kingdom[2]	**65**	65
London & South Eastern Railway Limited	United Kingdom[2]	**65**	65
London & Birmingham Railway Limited	United Kingdom[2]	**65**	65
Southern Railway Limited	United Kingdom[2]	**65**	65
Govia Thameslink Railway Limited	United Kingdom[2]	**65**	65
Govia Limited	United Kingdom[2]	**65**	65
Go-Ahead Scotland Limited	United Kingdom	**100**	100
Tom Tappin, Limited	United Kingdom	**100**	100
EYMS Group Limited	United Kingdom	**100**	100
East Yorkshire Motor Services Limited	United Kingdom	**100**	100
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Germany	**100**	100
Go-Ahead Baden Württemberg GmbH	Germany	**100**	100
Go-Ahead Facility GmbH	Germany	**100**	100
Go-Ahead Bayern GmbH	Germany	**100**	100
Go-Ahead Seletar PTE. Ltd	Singapore	**100**	100
Go-Ahead Singapore PTE. Ltd	Singapore	**100**	100
Go-Ahead Sverige AB	Sweden	**100**	100
Go-Ahead Norge AS	Norway	**100**	100
Go-Ahead Finland Oy	Finland	**100**	100
Go-Ahead Transport Services (Dublin) Limited	Ireland	**100**	100
Go North West Limited	United Kingdom	**100**	100
GA Retail Services Limited	United Kingdom	**100**	100
Go-Ahead Australia Pty. Limited	Australia	**100**	—
Jointly controlled entities			
On Track Retail Limited	United Kingdom[3]	**50**	50
Investments			
Mobileeee GmbH	Germany[4]	**10**	12

1. Held by The Go-Ahead Group plc. All other companies are held through subsidiary undertakings.
2. The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.
3. On Track Retail Limited is a joint venture with Assertis Limited.
4. Mobileeee GmbH is an investment of Go-Ahead Verkehrsgesellschaft Deutschland GmbH.

The above trading subsidiaries have one class of ordinary shares which carry no right to fixed income, with the exception of On Track Retail Limited, which also has redeemable preference shares.

The registered office of all trading subsidiaries incorporated in the United Kingdom is: 3rd Floor, 41–51 Grey Street, Newcastle upon Tyne NE1 6EE.

29. Related party disclosures and Group undertakings continued

The registered offices of trading subsidiaries incorporated outside of the United Kingdom are as follows:

Subsidiary	Registered office
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Jean-Monnet-Straße 2, D-10557, Berlin, Germany
Go-Ahead Baden Württemberg GmbH	Büchsenstraße 20, D-73457, Stuttgart, Germany
Go-Ahead Facility GmbH	Bahnhof 2, D-73457, Essingen, Germany
Go-Ahead Bayern GmbH	Ludwigstr, 186150 Augsburg
Go-Ahead Sverige AB	Mäster Samuelsgatan 20, SE 101 39, Stockholm, Sweden
Go-Ahead Norge AS	Jernbanetorget 1, DA-bygget, 0154 Oslo, Norway
Go-Ahead Finland Oy	Bulevardi 1A, 00100 Helsinki, Finland
Go-Ahead Seletar PTE Ltd and Go-Ahead Singapore PTE Ltd	2 Loyang Way, Singapore 508776
Go-Ahead Dublin Services (Transport) Limited	Ballymount Road Lower, Dublin 12, D12 X201
Go-Ahead Australia Pty. Limited	DW Accounting & Advisory Pty Ltd, Level 4, 91-97 William Street, Melbourne Vic 3000, Australia

Name	Company number	Country of incorporation	% equity interest 2020	2019
Dormant subsidiaries				
East Midlands Railway Limited	7164882	United Kingdom	**100**	100
Go Wear Buses Limited	2019645	United Kingdom	**100**	100
Go-Reading Limited	3158846	United Kingdom	**100**	100
The Go-Ahead Group Trustee Company limited	2125799	United Kingdom	**100**	100
Go-Ahead Property Development Limited	7128594	United Kingdom	**100**	100
GHI Ltd	4262016	United Kingdom	**100**	100
Southern Vectis Limited	2005917	United Kingdom	**100**	100
Birmingham Passenger Transport Services Limited	2901263	United Kingdom	**100**	100
Go Coastline Limited	2018469	United Kingdom	**100**	100
Go London Limited	2849983	United Kingdom	**100**	100
Go West Midlands Limited	2490584	United Kingdom	**100**	100
Levers Coaches Limited	2524573	United Kingdom	**100**	100
MetroCity (Newcastle) Limited	4153866	United Kingdom	**100**	100
Thames Trains Limited	3007943	United Kingdom	**100**	100
Victory Railway Holdings Limited	3147927	United Kingdom	**100**	100
Thameslink Rail Limited	3013232	United Kingdom[1]	**65**	65
London and South East Passenger Rail Services Limited	6537238	United Kingdom[1]	**65**	65
London & East Midlands Railway Limited	5814586	United Kingdom[1]	**65**	65
London and West Midlands Railway Limited	5537947	United Kingdom[1]	**65**	65
Abingdon Bus Company Limited	3151270	United Kingdom	**100**	100
Reed Investments Limited	4236536	United Kingdom	**100**	100
Gatwick Handling Limited	2984113	United Kingdom	**100**	100
GH Heathrow Ltd.	2813292	United Kingdom	**100**	100
GH Manchester Ltd	1883900	United Kingdom	**100**	100
GH Stansted Limited	1983429	United Kingdom	**100**	100
Midland Airport Services Limited	1592083	United Kingdom	**100**	100
Oxford Newco Limited	9542008	United Kingdom	**100**	100
London General Trustee Company Limited	6953098	United Kingdom	**100**	100
Go-Ahead Finance Company	4699524	United Kingdom	**100**	100
Hants & Dorset Motor Services Limited	2752603	United Kingdom	**100**	100
Hants & Dorset Trim Limited	2017829	United Kingdom	**100**	100
Solent Blue Line Limited	2103030	United Kingdom	**100**	100
Marchwood Motorways (Services) Limited	2201331	United Kingdom	**100**	100
Marchwood Motorways (Southampton) Limited	1622531	United Kingdom	**100**	100
The Southern Vectis Omnibus Company Limited	0241973	United Kingdom	**100**	100
Tourist Coaches Limited	3006529	United Kingdom	**100**	100
Wilts and Dorset Bus Company Limited	1671355	United Kingdom	**100**	100
Wilts & Dorset Investments Limited	4613075	United Kingdom	**100**	100
Wilts & Dorset Holdings Limited	2091878	United Kingdom	**100**	100
Dockland Buses Limited	3420004	United Kingdom	**100**	100

29. Related party disclosures and Group undertakings continued

Name	Company number	Country of incorporation	% equity interest 2020	% equity interest 2019
Dormant subsidiaries continued				
Blue Triangle Buses Limited	3770568	United Kingdom	**100**	100
Go-Ahead Leasing Limited	5262810	United Kingdom	**100**	100
Go Northern Limited	0132492	United Kingdom	**100**	100
London Central Bus Company Limited	2328565	United Kingdom	**100**	100
Metrobus Limited	1742404	United Kingdom	**100**	100
Hants & Dorset Transport Support Services Limited	8669065	United Kingdom	**100**	100
Thamesdown Transport Limited	1997617	United Kingdom	**100**	100
Excelsior Coaches Limited	4329621	United Kingdom	**100**	100
Excelsior Transport Ltd.	4329645	United Kingdom	**100**	100
Excelsior Travel Limited	4342549	United Kingdom	**100**	100
East Yorkshire Concert Tours Limited	2142740	United Kingdom	**100**	100
East Yorkshire Coach Holidays Limited	0243051	United Kingdom	**100**	100
Bus UK Limited	2232813	United Kingdom	**100**	100
Buscall Limited	3887602	United Kingdom	**100**	100
Connor and Graham Limited	0546796	United Kingdom	**100**	100
East Yorkshire Buses Limited	0254844	United Kingdom	**100**	100
East Yorkshire Coaches Limited	0331077	United Kingdom	**100**	100
East Yorkshire Properties Limited	2256485	United Kingdom	**100**	100
East Yorkshire Tours Limited	0172326	United Kingdom	**100**	100
East Yorkshire Travel Limited	3225828	United Kingdom	**100**	100
East Yorkshire Holiday Tours Limited	2140988	United Kingdom	**100**	100
Frodingham Coaches Limited	2135501	United Kingdom	**100**	100
Hull and District Motor Services Limited	2183936	United Kingdom	**100**	100
Hull Park and Ride Limited	3886603	United Kingdom	**100**	100
Kingstonian Travel Services Limited	3561955	United Kingdom	**100**	100
EYMS Bus & Coach Training Limited	2123369	United Kingdom	**100**	100
Scarborough and District Motor Services Limited	2133854	United Kingdom	**100**	100
Hedingham & District Omnibuses Ltd.	0863658	United Kingdom	**100**	100
Anglian Bus Limited	1260689	United Kingdom	**100**	100
HC Chambers & Son Limited	0327497	United Kingdom	**100**	100
Aviance UK Limited	1036291	United Kingdom	**100**	100

Name	Company number	Country of incorporation	% equity interest 2020	% equity interest 2019
Jointly controlled dormant entities				
South Tyneside Smartzone Limited	09907829	United Kingdom	**50**	50
Newcastle Smartzone Limited	09907839	United Kingdom	**33**	33
North Tyneside Smartzone Limited	09907842	United Kingdom	**33**	33
Sunderland Smartzone Limited	09907836	United Kingdom	**33**	33

1. The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.

The registered office of all dormant subsidiaries incorporated in the United Kingdom is: 3rd Floor, 41–51 Grey Street, Newcastle upon Tyne, NE1 6EE.

The registered office of all jointly controlled dormant entities is: Kepier House, Belmont Business Park, Durham, DH1 1TH.

All dormant companies listed above, incorporated in the United Kingdom, have taken advantage of the UK Companies Act 2006, Section 480 exemption from audit.

Transactions with other related parties

The Group meets certain costs of administering the Group's retirement benefit plans, including the provision of meeting space and office support functions to the trustees. Costs borne on behalf of the retirement benefit plans amounted to £0.2m (2019: £0.2m).

Joint ventures

The Group's joint venture, On Track Retail Limited (OTR), has its principal place of business in the United Kingdom. The principal activity of OTR is the development and provision of web ticketing applications for the rail industry. The activities of the joint venture are strategically important to the business activities of the Group. The Group owns 50% of the ordinary share capital of OTR and the Group's share of OTR's result for the year is disclosed on the face of the income statement.

29. Related party disclosures and Group undertakings continued

Investments

The Group's subsidiary Go-Ahead Verkehrsgesellschaft Deutschland GmbH holds a 10.4% shareholding in Mobileeee Betriebsgesellschaft mbh & Co KG, an all-electric car-sharing service based in Germany.

Compensation of key management personnel of the Group

The key management are considered to be the directors of the parent company.

	2020 £m	2019 £m
Short term employee benefits	**1.5**	1.8
Long term employee benefits[1]	**—**	0.4
Post-employment benefits	**—**	—
	1.5	2.2

1. The long term employee benefits relate to LTIP and DSBP.

Material partly owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	2020	2019
Govia Limited	United Kingdom	**35%**	35%
London and South Eastern Railway Limited[1]	United Kingdom	**35%**	35%
Southern Railway Limited[1]	United Kingdom	**35%**	35%
London and Birmingham Railway Limited[1]	United Kingdom	**35%**	35%
Govia Thameslink Railway Limited[1]	United Kingdom	**35%**	35%
Thameslink Rail Limited[1]	United Kingdom	**35%**	35%
New Southern Railway Limited[1]	United Kingdom	**35%**	35%

1. Subsidiary of Govia Limited.

	2020 £m	2019 £m
Accumulated balances of material non-controlling interest:		
Govia Limited	**35.1**	33.0
Total comprehensive income allocated to material non-controlling interest:		
Govia Limited	**16.5**	16.3

The summarised financial information of these subsidiaries is provided below. The information is based on amounts before inter-company eliminations.

Summarised income statement of Govia Limited and its subsidiary companies for the years ended 27 June 2020 and 29 June 2019:

	2020 £m	2019* £m
Revenue	**2,814.7**	2,669.4
Operating costs	**(2,744.8)**	(2,612.7)
Finance revenue	**3.7**	4.1
Finance costs	**(14.1)**	(1.9)
Profit before taxation	**59.5**	58.9
Tax expense	**(12.1)**	(12.7)
Profit for the year from controlling operations	**47.4**	46.2
Total comprehensive income	**47.4**	46.2
Attributable to non-controlling interests	**16.5**	16.3
Dividends paid to non-controlling interests	**14.6**	12.7

* Restated (see note 2).

29. Related party disclosures and Group undertakings continued

Summarised balance sheet of Govia Limited and its subsidiary companies as at 27 June 2020 and 29 June 2019:

	2020 £m	2019 £m
Current assets – inventories, trade and other receivables, cash	**705.1**	873.6
Non-current assets – property, plant and equipment, intangible assets, deferred tax	**598.5**	41.1
Current liabilities – trade and other payables, provisions	**(1,075.8)**	(766.9)
Non-current liabilities – provisions	**(127.3)**	(53.4)
Total equity	**100.5**	94.4
Attributable to:		
Equity holders of the parent	**65.3**	61.4
Non-controlling interest	**35.2**	33.0

These balance sheet amounts are shown before intercompany eliminations.

Summarised cashflow information of Govia Limited and its subsidiary companies for the year ended 27 June 2020 and 29 June 2019:

	2020 £m	2019 £m
Operating	**320.8**	103.4
Investing	**(3.1)**	(5.7)
Financing	**(408.3)**	(38.2)
Net (decrease)/increase in cash and cash equivalents	**(90.6)**	59.5

At 30 June 2019 the Group implemented IFRS 16 Leases using the modified retrospective transition method. As a result, the comparative figures have not been restated and are presented on an IAS 17 basis.

The non-controlling interests have no significant restrictions on the ability of the Group to access or use assets and settle liabilities.

There are no terms or conditions relating to any related party transactions which need to be separately disclosed.

30. Post balance sheet events

London & International bus

On 26 August 2020, the Land Transport Authority (LTA) of Singapore awarded the Group a two year contract extension to the existing contract and will now run to September 2023.

Rail

On 19 September 2020, the Department for Transport (DfT) awarded an Emergency Recoveries Measurement Agreement (ERMA) to the GTR franchise. This agreement replaces the existing franchise agreement and has been awarded for a period of 12 months. The contract end date of September 2021 is the same as the previous franchise agreement.

Company balance sheet

as at 27 June 2020

Registered No. 02100855

	Notes	2020 £m	2019 £m
Assets			
Non-current assets			
Intangible assets	5	**2.6**	5.3
Property, plant and equipment	6	**188.4**	185.6
Right of use assets	7	**10.2**	—
Investments	8	**215.1**	215.1
Trade and other receivables	9	**16.5**	11.6
Financial assets	12	**0.1**	1.5
Retirement benefit assets	15	**63.3**	53.8
		496.2	472.9
Current assets			
Trade and other receivables	9	**690.0**	737.4
Cash and cash equivalents		**30.5**	9.7
Assets held for sale		**0.2**	0.6
Financial assets	12	**0.1**	4.4
		720.8	752.1
Total assets		**1,217.0**	1,225.0
Liabilities			
Current liabilities			
Trade and other payables	10	**(90.0)**	(68.0)
Lease liabilities	7	**(2.4)**	—
Financial liabilities	12	**(9.9)**	(0.8)
		(102.3)	(68.8)
Non-current liabilities			
Trade and other payables	10	**(63.1)**	(66.5)
Provisions	13	**(10.2)**	(8.0)
Interest-bearing loans and borrowings	11	**(248.3)**	(247.7)
Lease liabilities	7	**(7.4)**	—
Financial liabilities	12	**(5.6)**	(0.8)
Deferred tax liabilities	14	**(43.0)**	(37.1)
		(377.6)	(360.1)
Total liabilities		**(479.9)**	(428.9)
Net assets		**737.1**	796.1
Capital & reserves			
Share capital	16	**75.2**	74.7
Revaluation reserve	16	**60.3**	63.7
Share premium reserve	16	**1.6**	1.6
Capital redemption reserve	16	**0.7**	0.7
Reserve for own shares	16	**(71.3)**	(71.3)
Retained earnings		**670.6**	726.7
Total equity		**737.1**	796.1

At 30 June 2019, the Company implemented IFRS 16 Leases using the modified retrospective transition method. As a result, the comparative figures have not been restated and are presented on an IAS 17 basis.

The loss for the year ended 27 June 2020 was £32.1m (2019: profit of £71.0m).

Elodie Brian
Group Chief Financial Officer

23 September 2020

Company statement of changes in equity

for the year ended 27 June 2020

	Share capital £m	Revaluation reserve £m	Share premium reserve £m	Capital redemption reserve £m	Reserve of own shares £m	Retained earnings £m	Total equity £m
At 30 June 2018	74.2	67.1	1.6	0.7	(71.3)	677.4	749.7
Profit for the year	—	—	—	—	—	71.0	71.0
Remeasurement on defined benefit retirement plans (net of tax)	—	—	—	—	—	18.3	18.3
Total comprehensive income	—	—	—	—	—	89.3	89.3
Dividend paid (note 4)	—	—	—	—	—	(43.8)	(43.8)
Movement on revaluation reserve (note 16)	—	(3.4)	—	—	—	3.4	—
Acquisition of own shares	—	—	—	—	(1.0)	—	(1.0)
Net share based payment charge	—	—	—	—	—	1.4	1.4
Reserves transfer	—	—	—	—	1.0	(1.0)	—
Share issue	0.5	—	—	—	—	—	0.5
At 29 June 2019	74.7	63.7	1.6	0.7	(71.3)	726.7	796.1
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(32.1)**	**(32.1)**
Remeasurement on defined benefit retirement plans (net of tax)	**—**	**—**	**—**	**—**	**—**	**2.5**	**2.5**
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**(29.6)**	**(29.6)**
Dividend paid (note 4)	**—**	**—**	**—**	**—**	**—**	**(30.9)**	**(30.9)**
Movement on revaluation reserve (note 16)	**—**	**(3.4)**	**—**	**—**	**—**	**3.4**	**—**
Acquisition of own shares	**—**	**—**	**—**	**—**	**(0.7)**	**—**	**(0.7)**
Net share based payment charge	**—**	**—**	**—**	**—**	**—**	**1.7**	**1.7**
Reserves transfer	**—**	**—**	**—**	**—**	**0.7**	**(0.7)**	**—**
Share issue	**0.5**	**—**	**—**	**—**	**—**	**—**	**0.5**
At 27 June 2020	**75.2**	**60.3**	**1.6**	**0.7**	**(71.3)**	**670.6**	**737.1**

The adoption of IFRS 16 Leases on 30 June 2019 had no impact on the Company statement of changes in equity.

Directors' responsibilities in relation to the Company financial statements

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Notes to the Company financial statements

1. Company accounting policies

Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 (FRS 101)

The Company financial statements of The Go-Ahead Group plc for the year ended 27 June 2020 were authorised for issue by the Board of directors on 23 September 2020 and the balance sheet was signed on the Board's behalf by Elodie Brian. The Go-Ahead Group plc is a public company, limited by shares, that is incorporated, domiciled and registered in England and Wales. The registered office is 3rd Floor, 41–51 Grey Street, Newcastle-upon-Tyne, NE1 6EE. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in line with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs).

No income statement is presented by the Company as permitted by Section 408 of the Companies Act 2006.

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 27 June 2020.

The financial statements are prepared under the historical cost convention as modified by financial instruments recognised at fair value.

The financial statements are prepared in pounds sterling and are rounded to the nearest one hundred thousand (£0.1m).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures and standards not yet effective:

- The requirements of paragraphs 45(b) and 46–52 of IFRS 2 Share Based Payment
- The requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91–99 of IFRS 13 Fair Value Measurement
- The requirements in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment
  - paragraph 118(e) of IAS 38 Intangible Assets
- The requirements of paragraphs 10(d), 10(f), 16, 39(c), 40A, 40B, 40C, 40D, 111 and 134–136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cashflows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of paragraphs 110 (2nd sentence), 113(a), 114, 115, 118, 119(a)-119(c), 120–127 and 129 of IFRS 15 Revenue from Contracts with Customers; and
- The requirements of paragraph 52, 89 (2nd sentence), 90, 91 and 93 of IFRS 16 Leases and the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Leases

At the lease commencement date, the lease liability is calculated by discounting the lease payments. The discount rate used should be the interest rate implicit in the lease (IRIIL). However, if that rate cannot be readily determined, the lessee's incremental borrowing rate (IBR) is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions. Due to the capital structure of the Group, the Group's cost of debt forms the base of the IBR with specific finance and lease adjustments made, when applicable, which are linked to the lease term, country of lease and start date.

Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term. Break and extension options are aligned with specific contract and franchise agreements which contain possible extension options, with the awarding of such extensions outside the control of the Company. Hence at commencement of the lease, break or extension options are not typically considered reasonably certain that they will be exercised. Leases are regularly reviewed and will be revalued if it becomes likely that a break clause or option to extend the lease is exercised.

Exceptional operating items

In certain years the Company presents as exceptional operating items on the face of the income statement material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance. The determination of whether items merit treatment as exceptional in a particular year is therefore a matter of judgement.

As a result of strategic reviews following a decline in the operational performance and the impact of COVID-19, a review of our regional bus operation was initiated during 2020. The outcome of which has led to asset impairments within the Company due to it holding a number of properties and intangible assets in relation to this division. These impairments have been recognised as exceptional items in the period. Further details are given in note 3.

During the prior year, a charge in relation to the impact of the Guaranteed Minimum Pensions (GMP) ruling on the Group defined benefit schemes was classified as exceptional.

Key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are in relation to:

Retirement benefit scheme

The measurement of defined benefit pension schemes requires the estimation of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 15. The Company engages with Willis Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to our particular circumstances. Management also benchmark these assumptions on a periodic basis with other professional advisors. Sensitivity analysis on the retirement defined benefit schemes is detailed in note 15.

Accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the income will flow to the Company and the value can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and comprises intercompany management charges and property rental.

Plant, property and equipment

Property, plant and equipment is stated at cost or deemed cost on transition to IFRSs less accumulated depreciation, any impairment in value and residual value. Freehold land is not depreciated.

Residual values and useful economic lives are reviewed annually. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal and over their expected useful life on a straight-line basis, to operating costs in the income statement, as follows:

Leasehold land and buildings	The life of the lease
Freehold buildings	Over 50 to 100 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists the assets are written down to their recoverable amount, being the higher of value in use or fair value less costs of disposal. Any impairment in value is recognised immediately in the income statement.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

Leases

Lease identification

At inception of a contract, the Company shall assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right of use asset

Right of use assets are measured initially at cost based on the value of the associated lease liability, adjusted for any payments made before inception, initial direct costs and an estimate of the dismantling, removal and restoration costs required in the terms of the lease.

The right of use assets are subsequently depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

In addition, the right of use asset is periodically reduced by impairment losses, if applicable, and adjusted for certain remeasurements of the lease liability.

Lease liability

At the commencement date of the lease, the lease liability is initially measured at the present value of lease payments to be made over the lease term with payments discounted at the rate implicit in the lease or, where that cannot be measured, at the Company's incremental borrowing rate.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid by the Company under residual value guarantees. The lease payments also include the exercise price of a purchase option if the Company is reasonably certain to exercise that option. Payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate the lease, are also included.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability and reducing the carrying amount to reflect the lease payments made. The carrying value is remeasured when there is a change in future lease payments arising from the effective date of a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

1. Company accounting policies continued

Accounting policies continued

Leases continued

Short term and low value asset leases

The Company has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of less than 12 months and leases of low value assets. Lease payments relating to short term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Retirement benefits

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest) are recognised in the statement of comprehensive income in the period in which they occur.

The current service cost is recognised in the income statement within operating costs. The net interest expense or income is recognised in the income statement within finance costs.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which obligations are to be settled directly for The Go-Ahead Group Pension Plan. Fair value is based on market price information and in the case of quoted securities is the published bid price.

For the defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share based payment transactions

The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group plc (market conditions); conditions not related to performance or service (non-vesting conditions); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised, at each reporting date, reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

Uninsured liabilities

The Company limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits. A discounted provision is recognised for the estimated cost to settle claims for incidents occurring prior to the balance sheet date.

1. Company accounting policies continued

Accounting policies continued

Uninsured liabilities continued

The estimation of this provision is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Company by the insurer.

Provisions are accounted for on a gross basis with a separate reimbursement asset recognised for amounts recoverable from insurance providers.

Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount, being the higher of the asset's or cash generating unit's fair value less costs to sell and its value in use. Value in use is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reinstated amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, on a systematic basis less any residual value, over its remaining useful life.

Treasury shares

Reacquired shares in the Company, which remain uncancelled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares. Any gain or loss on the purchase, sale, issue or cancellation of the Company's shares is transferred from the reserve for own shares to revenue reserves.

Interest-bearing loans and borrowings

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition, the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other derecognition of debt are recognised directly in the income statement.

Issue costs relating to any term extensions are offset against the proceeds and amortised over the life of the extension.

Provisions for liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, expected future cashflows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Other liabilities include dilapidations provisions, reflecting the nature of the judgements associated with the provisioning for dilapidations it is not practicable to provide sensitivity analysis of the extent by which these amounts could change in the next financial year.

Financial instruments

Financial assets

The Company's financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through the income statement, directly attributable transaction costs. Financial assets are subsequently classified as being measured at amortised cost, fair value through other comprehensive income, or fair value through the income statement.

The Company's financial assets at amortised cost are non-derivative financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

The Company does not have any financial assets held at fair value through the income statement or any financial assets held at fair value through other comprehensive income.

The Company uses an impairment model with impairment provisions based on expected credit losses rather than incurred credit losses. The Company applies the IFRS 15 simplified approach and measures the loss allowance on the lifetime expected credit losses at each reporting date.

1. Company accounting policies continued

Accounting policies continued

Financial instruments continued

Financial liabilities

The Company's financial liabilities include trade payables, accruals, interest-bearing loans and borrowings and derivative financial instruments. At initial recognition, the Company measures financial liabilities at fair value plus, in the case of a financial liability not at fair value through the income statement, transaction costs that are directly attributable to the issue of the financial liability.

With the exception of derivative financial instruments, all other financial liabilities are subsequently measured on an amortised costs basis.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivative financial instruments

The Company uses derivatives to hedge its risks associated with fuel price fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently remeasured at fair value at each balance sheet date.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cashflows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Fair value measurement

The Company measures financial instruments (derivatives) and non-financial assets at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in note 12.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

1. Company accounting policies continued
Accounting policies continued
Fair value measurement continued
For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Company's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

When required, the Company presents the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Software
Software, which is not integral to the related hardware, is capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three to five years.

New standards
The following new standards or interpretations are mandatory for the first time for the financial year ended 27 June 2020:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment features with negative compensation
- Amendment to IAS 28 Long term interests in associates and joint ventures
- Amendments to IAS 19 Plan amendment, curtailment or settlement

IFRS 16 Leases
The Company initially adopted IFRS 16 Leases on 30 June 2019. IFRS 16 replaces IAS 17 Leases and three interpretations (IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases and eliminates the operating lease classification meaning lessees are required to recognise right of use assets and lease liabilities for all leases on the balance sheet.

Adoption approach
On transition the Company has applied IFRS 16 using the modified retrospective approach on a lease by lease basis. Prior periods have not been restated and are presented as previously reported under IAS 17.

- IAS 17
  Prior to the adoption of IFRS 16, leases were either classified as operating or finance leases. Payments made in respect of operating leases were charged to the income statement on a straight-line basis over the duration of the lease. Finance leases were recognised on the balance sheet with depreciation and interest being charged to the income statement.
- IFRS 16 – the standard
  IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

  The new standard eliminates the operating lease classification and therefore lessees are required to recognise right of use assets and lease liabilities for all leases on the balance sheet, unless lease terms are less than 12 months or are of low value. In the income statement, the operating lease expense has been replaced by a combination of depreciation and interest.
- For leases previously classified as finance leases, the Company has recognised the carrying amount of the finance lease asset and liability under IAS 17 as at 29 June 2019 as the carrying amount of the right of use asset and the lease liability under IFRS 16 at 30 June 2019.
- IFRS 16 adoption – lease identification
  On transition to IFRS 16, the Company elected to apply the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 30 June 2019.

1. Company accounting policies continued
Accounting policies continued
IFRS 16 Leases continued
Impact of adoption
The Company's incremental borrowing rate applied to the lease liabilities as at 29 June 2019 ranged from 2.00% to 2.50% and the Company's weighted average incremental borrowing rate was 2.22%.

This rate is the interest rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value over a similar term and with similar security to the right of use asset in a similar economic environment.

- IFRS 16 impact – balance sheet
  In respect of leases that would previously have been classified as operating leases, the Company has recognised £12.6m of right of use assets and £12.7m of lease liabilities as at 30 June 2019.

	30 June 2019 IFRS 16 basis £m	IFRS 16 effect £m	29 June 2019 IAS 17 basis £m
Assets			
Property, plant and equipment	185.6	—	185.6
Right of use assets	12.6	12.6	—
Trade and other receivables	749.0	—	749.0
Other assets not impacted by IFRS 16	290.4	—	290.4
Total assets/impact on assets	1,237.6	12.6	1,225.0
Liabilities			
Trade and other payables	(134.4)	0.1	(134.5)
Interest-bearing loans and borrowings	(247.7)	—	(247.7)
Lease liabilities	(12.7)	(12.7)	—
Other liabilities not impacted by IFRS 16	(46.7)	—	(46.7)
Total liabilities/impact on liabilities	(441.5)	(12.6)	(428.9)
Net assets	796.1	—	796.1
Capital and reserves			
Retained earnings	726.7	—	726.7
Other equity not impacted by IFRS 16	69.4	—	69.4
Total equity	796.1	—	796.1

The lease liabilities as at 30 June 2019 can be reconciled to the opening lease commitments as at 29 June 2019 as follows:

	30 June 2019 IFRS 16 basis £m
Operating lease commitments as at 29 June 2019	13.1
Components of leases which do not meet the definition of a lease under IFRS 16 as they relate to the ongoing maintenance of the assets	(0.1)
Short term leases where the lease term ends within 12 months from the date of initial application	—
Leases entered into but where the commencement date is after 30 June 2019	—
Change in length of lease or lease payment schedule	1.2
Effect of discounting	(1.5)
Other	—
Lease liabilities recognised as at 30 June 2019	12.7

- IFRS 16 impact – income statement
  In respect of the income statement impact, the application of IFRS 16 resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared to IAS 17.

  During the year ended 27 June 2020, the Company recognised £2.4m of depreciation charges, £0.2m of interest costs from such leases and short term and low value lease expenses of £0.1m.

Other new standards
Adoption of the other standards and interpretations had no material impact on the Company's financial position or related performance.

2. Employee costs

This note shows total employment costs, inclusive of share based payment charges. We have a number of share plans used to award shares to directors and employees. A charge is recognised over the vesting period, based on the fair value of the award at the date of grant. The note also shows the average number of people employed by the Company during the year. For accounting policies see 'Share based payments' in note 1.

	2020 £m	2019 £m
Wages and salaries	**11.7**	15.9
Social security costs	**1.4**	1.5
Other pension costs	**2.3**	2.4
Share based payments charge	**1.1**	0.6
	16.5	20.4

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

	2020 £m	2019 £m
Administration and supervision	**234**	225

The information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the directors' remuneration report.

Sharesave scheme

Shareholder approval was obtained at the 2013 AGM for a Savings-Related Share Option scheme, known as The Go-Ahead Group plc 2013 Savings-Related Share Option Scheme (the Sharesave scheme) for employees of the Company.

The Sharesave scheme is open to all full time and part time employees (including executive directors) who have completed at least six months of continuous service with the Company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the Group was £50. Participants were given the choice of taking their money back, or to purchase Go-Ahead Group shares at a 20% discount of the market price at the date of invitation. Sharesave 2016 participants had six months from the maturity date to exercise their options. Sharesave 2016 matured on 1 May 2019. There are currently no active Sharesave schemes in place.

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

There are no savings-related options at 27 June 2020.

The expense recognised for the scheme during the year to 27 June 2020 was £nil (2019: £nil).

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

	2020		2019	
	No.	WAEP £	No.	WAEP £
Outstanding at the beginning of the year	**2,547**	**19.11**	3,120	19.11
Granted during the year	**—**	**—**	—	—
Forfeited during the year	**(2,077)**	**19.11**	(479)	19.11
Exercised during the year	**(470)**	**19.11**	(94)	19.11
Outstanding at the end of the year	**—**	**—**	2,547	19.11

The weighted average exercise price at the date of exercise for the options exercised in the period was £19.11 (2019: £19.11).

At the year end, no (2019: 2,547) options were exercisable and the weighted average exercise price of the options was £nil (2019: £19.11).

The options outstanding at the end of the year have a weighted average remaining contracted life of nil years (2019: nil years).

2. Employee costs continued

Long Term Incentive Plans

The executive directors participate in The Go-Ahead Group Long Term Incentive Plan 2015 (LTIP). The LTIP provides for executive directors 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 27 June 2020 was £0.7m (2019: £0.4m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 27 June 2020 and 29 June 2019 were:

	2020 % per annum	2019 % per annum
The Go-Ahead Group plc:		
Future share price volatility	**31.0**	33.0
FTSE Mid-250 index comparator:		
Future share price volatility	**25.0**	25.0
Correlation between companies	**30.0**	30.0

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

	2020	2019
Outstanding at the beginning of the year	**143,603**	163,144
Granted during the year	**58,927**	53,912
Forfeited during the year	**(39,698)**	(73,453)
Exercised during the year	**—**	—
Outstanding at the end of the year	**162,832**	143,603

The LTIP award granted to the Group Chief Executive in November 2017 will lapse in full from November 2020 as none of the performance measures were achieved following the three-year performance period ending 27 June 2020.

The weighted average share price of the options at the year end was £9.06 (2019: £19.72). The weighted average fair value of options granted during the year was £21.12 (2019: £15.74).

The weighted average remaining contractual life of the options was 1.05 years (2019: 1.10 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £nil (2019: £nil).

The estimated amounts due to the relevant tax authorities in relation to the above transactions are detailed in the directors' remuneration report.

Deferred Share Bonus Plan

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

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

The expense recognised for the DSBP during the year to 27 June 2020 was £0.4m (2019: £0.2m).

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

	2020	2019
Outstanding at the beginning of the year	**60,152**	58,660
Granted during the year	**30,821**	35,060
Forfeited during the year	**—**	(6,770)
Exercised during the year	**(11,385)**	(26,798)
Outstanding at the end of the year	**79,588**	60,152

The weighted average fair value of options granted during the year was £21.12 (2019: £15.74).

At the year end, 1,913 options related to DSBP awards, which vested before the year end, which have not yet been exercised by participants. Of these 971 options related to the award granted in November 2016 and 942 options related to the grant awarded in November 2013.

11,794 options, relating to the DSBP award granted in November 2017, will be eligible to vest from November 2020 following the end of a three-year deferral period. The weighted average share price of the options at the year end was £9.06 (2019: £19.72).

The weighted average remaining contractual life of the options was 1.21 years (2019: 1.36 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £20.20 (2019: £18.51).

2. Employee costs continued

Share incentive plans

The Company operates a share incentive plan, known as The Go-Ahead Group plc Share Incentive Plan (SIP). The SIP is open to all Company employees (including executive directors) who have completed at least six months' continuous service with the 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 £150 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.

3. Exceptional operating items

	2020 £m	2019 £m
Asset impairments and restructuring costs	**(4.6)**	—
Charge in relation to GMP equalisation	**—**	(15.7)
Exceptional operating items	**(4.6)**	(15.7)

Year ended 27 June 2020

Total exceptional operating items in the year comprised a charge of £4.6m to the income statement.

During the year, strategic reviews were carried out following a decline in the operational performance of the regional bus division and the impact of COVID-19. As a result of these reviews, several restructuring programmes of varying degrees were initiated during 2020 and a number of specific contracts, services and routes were terminated. In addition, COVID-19 has had a significant impact on certain bus operations in particular coaching contracts and airline and other holiday routes. Related assets have also been impaired to reflect the changing environment. An exceptional item of £4.6m has been recognised and comprises £1.2m of plant, property and equipment impairments, £2.0m of intangible asset impairments, £0.5m impairment of assets held for sale and £0.9m of restructuring costs.

The recoverable balance of assets and the cash generating units impaired is based on a value in use calculation. The discount rate used for the value in use has been disclosed within the Group financial statements in note 14.

Year ended 29 June 2019

Total exceptional operating items in the year were a charge of £15.7m to the income statement.

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women. As a result, pension scheme trustees will be obliged to adjust benefit payments in order that benefits received by male and female members with equivalent age, service and earnings histories are equal. The judgement has implications for many defined benefits schemes, including those in which the Go-Ahead Group participates.

We worked with our actuarial advisors to understand the implications of the judgement and the £15.7m pre-tax exceptional expense in the year reflected our best estimate of the effect on our reported pension liabilities.

4. Dividends

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

	2020 £m	2019 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2019: 71.91p per share (2018: 71.91p)	**30.9**	30.9
Interim dividend for 2020: nil per share (2019: 30.17p)	**—**	12.9
	30.9	43.8

	2020 £m	2019 £m
Proposed for approval at the AGM (not recognised as a liability as at 27 June 2020)		
Equity dividends on ordinary shares:		
Final dividend for 2020: nil per share (2019: 71.91p)	**—**	31.0

5. Intangible assets

	Software £m
Cost	
At 29 June 2019	13.4
Additions	**1.6**
Disposals	**(0.7)**
At 27 June 2020	**14.3**
Amortisation and impairment	
At 29 June 2019	8.1
Charge for the year	**1.6**
Impairment	**2.0**
At 27 June 2020	**11.7**
Net book value	
At 27 June 2020	**2.6**
At 29 June 2019	5.3

Software costs capitalised exclude software that is integral to the related hardware. Software is amortised on a straight-line basis over its expected useful life of three to five years.

During the year £2.0m (2019: £nil) of software assets have been fully impaired to a net book value of £nil and have been recognised as an exceptional item in the year. Please refer to note 3 for further details.

6. Property, plant and equipment

	Freehold land and buildings £m	Short term leasehold land and buildings £m	Plant and equipment £m	Total £m
Cost				
At 29 June 2019	198.0	4.8	8.2	211.0
Additions	**5.4**	**0.1**	**0.4**	**5.9**
Disposals	**(1.2)**	**—**	**(0.2)**	**(1.4)**
Transfer categories	**(0.1)**	**—**	**—**	**(0.1)**
At 27 June 2020	**202.1**	**4.9**	**8.4**	**215.4**
Depreciation and impairment				
At 29 June 2019	16.2	2.1	7.1	25.4
Charge for the year	**1.1**	**0.2**	**0.3**	**1.6**
Disposals	**(1.2)**	**—**	**—**	**(1.2)**
Impairment	**1.1**	**—**	**0.1**	**1.2**
At 27 June 2020	**17.2**	**2.3**	**7.5**	**27.0**
Net book value				
At 27 June 2020	**184.9**	**2.6**	**0.9**	**188.4**
At 29 June 2019	181.8	2.7	1.1	185.6

Freehold land and buildings include non-depreciable land amounting to £121.3m (2019: £121.5m).

7. Leases

The Company has lease liabilities for land and buildings. These contracts have no terms of renewal or purchase option escalation clauses.

Right of use assets

The right of use assets were brought onto the balance sheet on 30 June 2019 on transition to IFRS 16 Leases.

	Short term leasehold land and properties £m
Cost	
At 29 June 2019	—
On transition to IFRS 16	**12.6**
At 27 June 2020	**12.6**
Depreciation and impairment	
At 29 June 2019	—
Charge for the year	**2.4**
At 27 June 2020	**2.4**
Net book value	
At 27 June 2020	**10.2**
At 29 June 2019	—

Lease liabilities

The balance sheet includes the following amounts:

	2020 £m	2019 £m
Current	**(2.4)**	—
Non-current	**(7.4)**	—
	(9.8)	—

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2020 £m	2019 £m
Less than one year	**(2.6)**	—
One to two years	**(2.2)**	—
Two to three years	**(1.7)**	—
Three to four years	**(1.0)**	—
Four to five years	**(0.9)**	—
More than five years	**(2.1)**	—
Total undiscounted lease liability	**(10.5)**	—

8. Investments

	Loans to Group £m	Shares in Group companies £m	Total £m
Cost			
At 27 June 2020 and 29 June 2019	**63.2**	**151.9**	**215.1**
Provisions			
At 27 June 2020 and 29 June 2019	**—**	**—**	**—**
Net carrying amount			
At 27 June 2020 and 29 June 2019	**63.2**	**151.9**	**215.1**

During the year ended 28 June 2014, The Go-Ahead Group plc undertook a transaction involving certain properties used by the Group. This has been accounted for as a sale and leaseback and results in a long term investment of £63.2m in an intermediate Group company.

For details of the subsidiary undertakings as at 27 June 2020, refer to note 29 of the Group financial statements.

Notes to the Company financial statements continued

9. Trade and other receivables
Amounts falling due within one year

	2020 £m	2019 £m
Amounts owed by Group companies	**669.9**	715.5
Corporation tax	**16.3**	11.0
Other debtors	**3.8**	10.9
	690.0	737.4

Amounts falling due after more than one year

	2020 £m	2019 £m
Amounts owed by Group companies	**16.5**	11.6

10. Trade and other payables
Amounts falling due within one year

	2020 £m	2019 £m
Amounts owed to Group undertakings	**69.8**	47.5
Trade and other creditors	**20.2**	20.5
	90.0	68.0

Amounts falling due after more than one year

	2020 £m	2019 £m
Amounts owed to Group undertakings	**63.1**	66.5

During the year ended 28 June 2014, The Go-Ahead Group plc undertook a sale and leaseback of certain properties used by the Group. Included in the amounts owed to Group undertakings is an amount of £65.0m (2019: £66.8m) relating to this transaction. This arrangement has no terms of renewal or purchase option escalation clauses and there are no restrictions imposed by the arrangement. The remaining contractual maturities of these lease liabilities, which are gross and undiscounted, are as follows:

	2020 £m	2019 £m
Less than one year	**4.9**	4.8
One to two years	**5.1**	4.9
Two to three years	**5.2**	5.1
Three to four years	**5.3**	5.2
Four to five years	**5.5**	5.3
More than five years	**65.3**	70.7
Total undiscounted lease liability	**91.3**	96.0

11. Interest-bearing loans and borrowings
Amounts falling due after more than one year

	2020 £m	2019 £m
Interest-bearing loans and borrowings repayable:		
After more than five years	**248.3**	247.7
	248.3	247.7

Interest-bearing loans and borrowings comprise a £250m sterling bond, less issue costs. For further details refer to note 21 of the Group financial statements. The Company has no security over its liabilities.

12. Financial instruments at fair value

The fair values of the Company's financial instruments carried in the financial statements have been reviewed as at 27 June 2020 and 29 June 2019 and are as follows:

	2020 £m	2019 £m
Non-current financial assets: fuel price derivatives	**0.1**	1.5
Current financial assets: fuel price derivatives	**0.1**	4.4
	0.2	5.9
Current financial liabilities: fuel price derivatives	**(9.9)**	(0.8)
Non-current financial liabilities: fuel price derivatives	**(5.6)**	(0.8)
	(15.5)	(1.6)
Net financial derivatives	**(15.3)**	4.3

Further information on the financial derivatives can be found in note 23 of the Group financial statements.

13. Provisions

	Uninsured claims £m	Other £m	Total £m
As at 30 June 2018	9.4	0.3	9.7
Provided (after discounting)	0.5	—	0.5
Released	(1.6)	—	(1.6)
Utilised	(0.7)	—	(0.7)
Unwinding of discounting	0.1	—	0.1
As at 29 June 2019	7.7	0.3	8.0
Provided (after discounting)	**4.3**	**—**	**4.3**
Released	**(1.2)**	**—**	**(1.2)**
Utilised	**(1.0)**	**—**	**(1.0)**
Unwinding of discounting	**0.1**	**—**	**0.1**
As at 27 June 2020	**9.9**	**0.3**	**10.2**

Uninsured claims represent the cost to the Company 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 Company by the insurer, subject to the overall stop loss. It is estimated that the majority of uninsured claims will be settled within six years. Both the estimate of settlements that will be made in respect of claims received, as well as the estimate of settlements made in respect of incidents not yet reported, are based on historical trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

Uninsured claims are provided on a gross basis and a separate reimbursement asset, for amounts due back from the insurance providers, of £nil (2019: £nil) is included within other receivables.

The other provision relates to dilapidation costs. It is expected that the dilapidations will be incurred within five to six years. Reflecting the nature of the judgements associated with the provisioning for dilapidations it is not practicable to provide further sensitivity analysis of the extent by which these amounts could change in the next financial year.

14. Deferred taxation

Deferred taxation provided at the enacted rate is as follows:

	2020 £m	2019 £m
Accelerated capital allowances	**8.5**	6.1
Other timing differences	**11.1**	11.0
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**11.4**	10.9
Retirement benefit obligations	**12.0**	9.1
Deferred taxation	**43.0**	37.1

Notes to the Company financial statements continued

14. Deferred taxation continued

The movements in deferred tax in the income statement and other comprehensive income for the year ended 27 June 2020 are as follows:

	At 30 June 2019 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	Transfer to Group undertakings £m	At 27 June 2020 £m
Accelerated capital allowances	**(6.1)**	**(1.5)**	**—**	**—**	**(0.9)**	**(8.5)**
Asset backed funding pension arrangement	**(9.7)**	**(0.8)**	**—**	**—**	**—**	**(10.5)**
Other temporary differences	**(1.4)**	**1.0**	**—**	**—**	**—**	**(0.4)**
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**(10.9)**	**(0.5)**	**—**	**—**	**—**	**(11.4)**
Retirement benefit obligations	**(9.1)**	**(2.0)**	**(0.9)**	**—**	**—**	**(12.0)**
Share based payments	**0.1**	**—**	**—**	**(0.3)**	**—**	**(0.2)**
	(37.1)	**(3.8)**	**(0.9)**	**(0.3)**	**(0.9)**	**(43.0)**

The deferred tax asset related to the share based payments was recognised in the prior year as it was considered probable that there would be future taxable profits available.

15. Retirement benefits

Defined contribution scheme

During the year ended 27 June 2020, the Company participated in the defined contribution scheme of The Go-Ahead Group Pension Plan (the Go-Ahead Plan). This scheme is not contracted out of the State Second Pension Scheme. It is now closed to new entrants and has been replaced by a workplace saving scheme, which is also a defined contribution pension scheme. The expense recognised in these accounts for the year in respect of the defined contribution scheme of the Go-Ahead Plan was £0.3m (2019: £0.4m), being the contributions paid and payable. The expense recognised for the workplace saving scheme was less than £0.1m (2019: less than £0.1m), being the contributions paid and payable.

Defined benefit scheme

During the year ended 27 June 2020, the Company participated in a scheme which is part of the Go-Ahead Plan. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The defined benefit section of the Go-Ahead Plan has been closed to new entrants and to future accrual.

The most recent actuarial valuation of the scheme was at 31 March 2018 and was updated by Willis Towers Watson to take account of the requirements of IAS 19 (revised) in order to assess the liabilities of the scheme at 27 June 2020 and 29 June 2019.

The total net assets and liabilities of the scheme are recognised on the Company balance sheet.

	2020 £m	2019 £m
Pre-tax pension scheme asset	**63.3**	53.8
Deferred tax liability	**(12.0)**	(9.1)
Post-tax pension scheme asset	**51.3**	44.7

The following disclosures provide details of the entire defined benefit scheme.

The main assumptions are:

	2020 %	2019 %
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment and deferred pensions	**2.2**	2.2
Discount rate	**1.5**	2.3
Retail price index inflation	**2.9**	3.2
Consumer price index inflation	**2.2**	2.2

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

	2020 Years	2019 Years
Pensioner	**21**	21
Non-pensioner	**22**	22

15. Retirement benefits continued

Sensitivity analysis

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

	2020 Pension deficit %	2019 Pension deficit %
Discount rate – increase of 0.5%	**(8.0)**	(7.5)
Price inflation – increase of 0.5%	**7.5**	7.5
Rate of increase in salaries – increase of 0.5%	**n/a**	n/a
Rate of increase of pensions in payment – increase of 0.5%	**4.0**	4.0
Increase in life expectancy of pensioners or non-pensioners by one year	**4.2**	4.3

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.5% and one year in the sensitivity analysis is considered to be a reasonable approximation of possible changes, as these variations can regularly arise.

Maturity profile of defined benefit obligation

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

	2020 £m
June 2021	**26.3**
June 2022	**26.9**
June 2023	**27.5**
June 2024	**28.1**
June 2025	**28.1**
June 2026 to June 2029	**153.0**

Category of assets at the year end

	2020		2019	
	£m	%	£m	%
Equities	**66.7**	**7.6**	44.9	5.6
Bonds	**86.9**	**9.9**	77.1	9.6
Property	**55.3**	**6.3**	56.1	7.0
Liability driven investment portfolio	**445.2**	**50.7**	385.0	48.0
Cash/other	**223.9**	**25.5**	239.0	29.8
	878.0	**100.0**	802.1	100.0

All of the asset categories above are held within pooled funds and are classed as quoted in an active market where the underlying assets are exchanged, traded or can be valued with a reasonable degree of certainty based on market data. Any liquidity funds have been classed as unquoted in active markets.

Funding position of the Group's pension arrangements

	2020 £m	2019 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	**(814.7)**	(748.3)
Assets at fair value	**878.0**	802.1
Pension scheme asset	**63.3**	53.8
Deferred tax liability	**(12.0)**	(9.1)
Post-tax pension scheme asset	**51.3**	44.7

Pension cost for the financial year

	2020 £m	2019 £m
Administration costs	**1.7**	1.7
Settlement gain	**—**	15.7
Interest cost on net liabilities	**(1.3)**	(0.9)
Total pension costs	**0.4**	16.5

15. Retirement benefits continued

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

	2020 £m	2019 £m
Pension scheme liabilities – at start of year	**748.3**	734.6
Interest cost	**16.5**	19.4
Remeasurement (gains)/losses due to:		
Experience on benefit obligations	**(5.9)**	(24.3)
Changes in demographic assumptions	**—**	(23.1)
Changes in financial assumptions	**81.5**	51.0
Settlement gain	**—**	15.7
Benefits paid	**(25.7)**	(25.0)
Pension scheme liabilities – at end of year	**814.7**	748.3

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

	2020 £m	2019 £m
Fair value of assets – at start of year	**802.1**	776.0
Interest income on plan assets	**17.8**	20.3
Remeasurement gains due to return on assets greater than discount rate	**78.2**	25.7
Administration costs	**(1.7)**	(1.7)
Group contributions	**7.0**	6.8
Benefits paid	**(25.4)**	(25.0)
Fair value of plan assets – at end of year	**878.0**	802.1

Estimated contributions for future

	£m
Estimated Company contributions in financial year 2021	**7.1**
Estimated employee contributions in financial year 2021	**—**
Estimated total contributions in financial year 2021	**7.1**

Risks associated with the defined benefit plan, the nature of the benefits provided by the plan, a description of the regulatory framework and a description of the responsibilities for the governance of the plan are outlined in note 28 to the Group financial statements.

Compensation of key management personnel are detailed in note 29 of the Group financial statements.

16. Issued capital and reserves

	Allotted, called up and fully paid			
	Millions	2020 £m	Millions	2019 £m
As 27 June 2020 and 29 June 2019	**47.1**	**4.7**	47.1	4.7

The Company has one class of ordinary shares which carry no right to fixed income and have a par value of 10p per share.

Share capital

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

Revaluation reserve

The revaluation reserve represents the value of properties involved in an asset backed funding transaction with the Go-Ahead Pension Plan, adjusted for amortisation, together with historical revaluation balances. The movement on the revaluation reserve represents the write down of the revaluation reserve over the expected useful life of the properties, offsetting the depreciation charges being taken to the profit or loss account.

Share premium reserve

The share premium 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.

The information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the directors' report.

Capital redemption reserve

The capital redemption reserve reflects the nominal value of cancelled shares.

16. Issued capital and reserves continued

Reserve for own shares

The reserve for own shares is in respect of 4,071,553 ordinary shares (8.6% of share capital), of which 169,323 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 reissue in appropriate circumstances. During the year ended 27 June 2020, the Company has repurchased 39,770 shares for £0.7m for LTIP and DSBP purposes (2019: 56,482 shares repurchased for £1.0m). This programme was suspended on 20 April 2020 due to COVID-19 and the Company's action to conserve cash. The Company has not cancelled any shares during the year (2019: no shares cancelled).

Retained earnings

The audit fee for the audit of the financial statements payable in respect of the Company was £0.1m (2019: £0.1m). Please refer to note 5 of the Group financial statements.

17. Operating lease arrangements (under IAS 17)

The Company previously categorised bus property leases as operating leases under IAS 17. From 30 June 2019, the Company has recognised right of use assets and lease liabilities for these leases, except for short-term and low-value leases. See Note 7 for further information.

The Company's future minimum rentals payable under non-cancellable operating leases as at 27 June 2020 and 30 June 2019 are as follows:

	Bus property	
	IFRS 16 2020 £m	IAS 17 2019 £m
Within one year	**—**	2.4
In second to fifth years	**—**	7.1
More than five years	**—**	3.6
	—	13.1

18. Capital commitments

There were capital commitments of £nil at 27 June 2020 (2019: £nil).

19. Contingent liabilities

The Company provides guarantees in respect of bank and equipment finance borrowings of the subsidiaries of The Go-Ahead Group plc.

The Company has issued guarantees dated 30 March 2006 to participating subsidiaries of The Go-Ahead Group Pension Plan in respect of scheme liabilities arising. Total assets on a post-tax basis in respect of this guaranteed scheme were £51.3m as at 27 June 2020 (2019: assets of £44.7m).

At 27 June 2020 letters of credit amounting to £62.0m (2019: £58.0m) were provided by a Company banker, guaranteed by the Company, in favour of the Group's insurers, to cover liabilities of the Company and its subsidiaries.

20. Related party transactions

The Company has taken advantage of the exemption under FRS 101, and transactions with 100% subsidiaries of The Go-Ahead Group plc have not been disclosed.

The Company owns 65% of the ordinary shares in Govia Limited. London and Southeastern Railway Limited (Southeastern), London and Birmingham Railway Limited (London Midland), Thameslink Rail Limited (Thameslink), New Southern Railway Limited (New Southern), Southern Railway Limited (Southern) and Govia Thameslink Railway Limited (GTR) are 100% owned by Govia Limited and hence the Company owns a 65% interest.

	100% owned group subsidiaries		Govia		Southeastern		London Midland		Thameslink		New Southern		GTR	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Interest paid to related party	**—**	—	**0.3**	0.3	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Repayment of loan from related party	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Management charges	**7.4**	7.2	**—**	—	**3.0**	2.7	**—**	—	**—**	—	**—**	—	**4.8**	3.9
Amounts owed from related party	**681.6**	703.1	**28.7**	26.6	**0.3**	—	**—**	—	**—**	—	**—**	—	**0.3**	11.6
Amounts owed to related party	**33.0**	38.5	**—**	—	**—**	1.2	**—**	0.1	**0.6**	0.6	**3.8**	3.8	**—**	—

During the year Southeastern and GTR have traded with wholly owned subsidiaries of the Company; £35.7m (2019: £43.0m) of costs were incurred by Southeastern and GTR on an arm's length basis.

Company financial statements

Shareholder information

Financial calendar*

Annual General Meeting	24 November 2020
Trading update	December 2020
Half year end	2 January 2021
Half year results announcement	March 2021
Trading update	June 2021
Next financial year end	3 July 2021
Full year results announcement	September 2021

* Our online financial calendar is updated throughout the year.

Annual General Meeting (AGM)

The 33rd AGM of the Group will be held at The Go-Ahead Group plc, 4 Matthew Parker Street, Westminster, London SW1H 9NP on Thursday 24 November 2020 at 4pm. To comply with the public health and safety social distancing requirements currently in force, the AGM will be run as a closed meeting and it will not be possible for shareholders to attend in person (other than those directors designated as attending for the purposes of the quorum). Shareholders will be able to vote and submit questions in advance and full details of the business to be considered can be found in the Notice of AGM which will be available on the Group's corporate website (www.go-ahead.com) from 15 October 2020. We will consider all questions received and, to the extent practicable, publish answers on our website.

Shareholder profile by size of holding as at 27 June 2020

	No. of holdings	% of holdings	No. of shares held	% of issued share capital
1–10,000	2,801	92.11	1,796,949	3.82
10,001–100,000	166	5.46	5,730,714	12.17
100,001–500,000	57	1.87	13,326,126	28.31
500,001–1,000,000	7	0.23	4,578,628	9.72
Over 1,000,001	10	0.33	21,647,203	45.98
Total	**3,041**	**100**	**47,079,620***	**100**

* This total includes 3,902,230 shares held in treasury.

Shareholder profile by category as at 27 June 2020

	No. of holdings	Number of shares	% of holdings	% of shares
Treasury shares	1	3,902,230	0.03	8.29
Directors	6	95,941	0.20	0.20
Other individuals	2,499	3,531,663	82.18	7.50
Institutional investors	535	39,549,786	17.59	84.01
Total	**3,041**	**47,079,620**	**100**	**100**

It should be noted that many private investors hold their shares through nominee companies. Therefore, the percentage of shares held by private holders is likely to be higher than that shown.

Dividends

The Board recognises that dividends are an important component of total shareholder return for many investors and remains committed to reinstating a sustainable dividend at the appropriate time, having regard to the Group's financial performance, balance sheet and outlook. The Board suspended the interim dividend and is not proposing a final dividend to shareholders for the year to 27 June 2020..

Electronic communications

We encourage shareholders to consider receiving their communications from the Group electronically as this will enable you to receive them more quickly and securely as well as reduce the environmental impact. It also helps the Group conserve cash, where in these unprecedented times of COVID-19, many initiatives to reduce costs have been implemented across the business. To register for this service, you should go to our website: www.go-ahead.com/investors/email-alerts or www.shareview.co.uk and follow the steps detailed in "Managing your shares online" below.

Managing your shares online

The Group's Registrar, Equiniti, is responsible for maintaining our register of members. Shareholders with queries relating to their shareholding should contact Equiniti directly.

Go-Ahead shareholders can go online to manage their shareholdings and find out about Go-Ahead's performance by joining Shareview.

Through Shareview, you can:

- Select how you wish to receive Go-Ahead communications – either direct to your email or via post
- Update your address and bank details online
- Vote in advance of general meetings
- Sell or purchase shares in the Group

To register, go to www.shareview.co.uk and click on "Register" and "Open Portfolio Account". You will need your 11-digit shareholder reference which is shown on your last dividend confirmation voucher or share certificate. As far as possible, the Group provides shareholder documents via the corporate website. By electing to receive shareholder communications electronically you will be allowing us to communicate with you securely in a more environmentally friendly way.

Duplicate documents

If you have more than one account on the Share Register and receive duplicate documentation from us as a result, please contact Equiniti to request that your accounts be combined.

Shareholder security

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted, please inform the FCA using the share fraud reporting form at https://www.fca.org.uk/consumers/report-scam-us. You can also call the FCA helpline on 0800 111 6768 or through Action Fraud on 0300 123 2040. More detailed information, guidance and key contact details are available on the FAQs page within the investor information section of our corporate website.

By law, the Group's register of members is available for public inspection. We do not, however, endorse any specific share dealing facilities and will not pass on shareholder information to any third party, and any requests for access to the register are subject to "proper purpose" requirements which ensure that personal data is not used unlawfully.

Shareholder and control structure

As at 27 June 2020, the Group's issued share capital comprised a single class of shares referred to as ordinary shares, with a nominal value of 10p each. As at this date, there were 47,079,620 ordinary shares in issue, of which 3,902,230 were held in treasury.

The Group did not purchase any of its own shares during the year either for cancellation or to hold as treasury shares, and no such shares were purchased between the period end and the date of this report. However, Computershare Trustees (Jersey) Limited, the Trustees of The Go-Ahead Group Employee Trust (the Trust), purchased 39,770 ordinary shares of 10p each in the Group as part of a planned programme of share purchases (2019: 56,482) to satisfy awards made under the Group's Long Term Incentive Plan and Deferred Share Bonus Plan awards. This programme was suspended on 20 April 2020 due to COVID-19 and the Group's action to conserve cash.

The Group is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights other than:

- Certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws)
- Restrictions pursuant to the Listing Rules of the FCA whereby certain employees of the Group require the approval of the Group to deal in the Group's securities

All shareholders have the same voting rights for each share regardless of the total number of shares held. On the show of hands at a general meeting of the Group, every holder of shares present in person or by proxy and entitled to vote shall have one vote (except in circumstances where a proxy has been appointed by more than one member, in which case he or she will have one vote for and one vote against if he or she has been instructed by one or more member to vote for the resolution and by one or more member to vote against). On a poll, every member present in person or by proxy and entitled to vote has one vote for every ordinary share held.

As mentioned on Page 222, to comply with the public health and safety social distancing requirements currently in force, the 2020 AGM will be run as a closed meeting and it will not be possible for shareholders to attend in person. The Notice of AGM specifies deadlines for exercising voting rights by proxy in relation to resolutions to be passed at the 2020 AGM. All proxy votes are counted, and the numbers for, against or "withheld" in relation to each resolution are announced as soon as practicable following the AGM and published on the Group's corporate website (www.go-ahead.com).

The directors currently have no intention to allot shares other than in connection with employee share schemes. The authorities for the Group to allot relevant securities (up to an aggregate nominal amount of £1,438,705 and for the disapplication of pre-emption rights on the allotment of equity securities) for cash up to an aggregate nominal amount of £215,805, as passed by ordinary and special resolutions at the 2019 AGM, were not utilised in the financial year or up to the date of this report.

These authorities will expire at the 2020 AGM and approval for new authorities will be sought. In the last three years, no shares have been issued on a non-pre-emptive basis, other than those issued under all-employee share schemes which are not included for the purposes of this authority.

The authority for the Group to make market purchases of its own ordinary shares, as passed by special resolution at the 2019 AGM, was still in effect at the end of the financial year and will expire at the 2020 AGM when approval for a new authority will be sought.

Under the existing authority the maximum aggregate number of shares that can be purchased is 4,316,117. The authority also limits the maximum number of shares held in treasury to 10% of the issued share capital of the Group and states minimum and maximum prices payable for shares purchased under the authority. During the financial year this authority was not utilised.

Each of the Group's rail franchise agreements are subject to change of control criteria that would mean, on a change of control, there would be deemed to be an "event of default" that could potentially terminate the rail franchise. This is, however, subject to the discretion of the Secretary of State. Additionally, the Group's sterling bond issue dated 6 July 2017, and the revolving credit and loan facilities dated 16 July 2014, 27 April 2017, 23 October 2017, 20 July 2018 and 9 July 2019 are subject to change of control clauses that contain certain specified conditions which could lead to a compulsory prepayment of the bond and loans respectively. Transport for London, the Land Transport Authority in Singapore and the National Transport Authority in Ireland all have powers to prevent the operation of, respectively, London Bus, Go-Ahead Loyang PTE. Limited and Go-Ahead Transport Services (Dublin) Limited contracts by an existing operator which is the subject of a change of control. In Germany, certain areas of our franchise arrangements contain change of control provisions which require approval from the Passenger Transport Authority. These are the E-Net Allgäu Bavaria and ABN Lot 1 franchise arrangements. Also in Norway there is a change of control clause in the agreement stating that change of control must be approved by the client, the rail directorate.

Shareholder information continued

Major shareholders

As at 27 June 2020, the following percentage interests in the ordinary share capital of the Group, disclosable under the Disclosure Guidance and Transparency Rules (DTR), had been notified to the directors.

	Number of ordinary shares disclosed	% of voting rights disclosed
HSBC Global Custody Nominee (UK) Limited	4,273,107	9.90
Standard Life Aberdeen plc	4,320,655	10.01

In the period from 27 June 2020 to the date of this report, we received three further notifications in accordance with the DTR from Standard Life Aberdeen plc, the most recent being 31 August 2020, disclosing a holding of 4,827,354 ordinary shares (being 11.18% of voting rights).

Corporate website

Our corporate website, www.go-ahead.com, provides up-to-date, detailed information on the Group's operations and brands. It includes a dedicated investor relations section that has a wealth of information including access to reports, factsheets, latest news and presentations, as well as share price analysis. Stakeholders are encouraged to sign up to receive email notification of results and press announcements as they are released by registering at www.go-ahead.com/investors/email-alerts.

Shareholder relations

To give us your feedback or if you have any questions, please contact: investorrelations@go-ahead.com. Alternatively, you can write to us at:

Investor Relations
The Go-Ahead Group plc
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Greenhouse gas emissions

Our carbon footprint in tonnes of equivalent carbon dioxide (CO_2e):

	2020		2019		2018		2017 (current baseline)	
Scope 1	**Consumption**	**tCO_2e**	Consumption	tCO_2e	Consumption	tCO_2e	Consumption	tCO_2e
Gas buses (kWh)	**5,640,483**	**1,037**	6,015,533	1,106	6,075,632	1,118	3,721,896	685
Gas premises (Bus) (kWh)	**25,327,060**	**4,657**	23,811,076	4,381	22,081,195	4,062	19,100,488	3,518
Gas premises (Rail) (kWh)	**23,026,795**	**4,234**	24,922,178	4,582	31,305,147	5,759	34,172,777	6,293
Bus diesel (10% biodiesel blend)(ltrs)	**136,608,713**	**347,810**	142,617,090	369,964	137,374,506	360,875	138,863,052	361,066
Gas oil (Rail) (ltrs)	**4,325,028**	**11,927**	5,381,957	14,845	11,698,766	34,751	18,475,417	54,567
Total scope 1 (tCO_2e)		**369,665**		394,878		406,564		426,130
Scope 2								
Traction electricity (kWh)	**1,477,645,807**	**344,498**	1,356,323,985	346,676	1,389,289,129	393,266	1,371,415,035	482,135
Mains electricity premises (Bus) (including Singapore and Ireland) (kWh)	**19,264,512**	**5,179**	18,789,409	3,953	18,374,050	5,387	17,722,995	6,231
Mains electricity premises (Rail) (kWh)	**71,999,941**	**16,814**	74,410,676	19,019	82,862,076	23,456	90,511,067	31,820
Mains electricity premises (Head Office) (kWh)	**122,954**	**29**	183,629	47	162,890	46	95,683	34
Mains electricity electric bus (kWh)	**4,729,277**	**1,110**	2,352,029	601	1,726,965	489	822,497	289
Solar electricity generated and consumed in premises (Bus) (kWh)	**211,301**	**0**	175,415	0	102,836	0	114,661	0
Solar electricity generated and consumed in premises (Rail) (kWh)	**734,430**	**0**	431,706	0	0	0	0	0
Solar electricity generated and consumed in premises (Total) (kWh)	**945,731**	**0**	607,121	0	102,836	0	114,661	0
Total scope 2 – location (tCO_2e)		**367,439**		370,297		422,644		520,508
Total scope 2 – market (tCO_2e)		**62,596**		61,971		63,306		61,037
Scope 3								
Electricity – transmission and distribution **Total (tCO_2e)**		**31,554**		31,510		36,012		48,666
Breakdown by division								
Scope 1, 2 and 3	**Location**	**Market**	Location	Market	Location	Market	Location	Market
Bus (tCO_2e)	**360,275**	**355,629**	380,465	383,211	372,415	373,668	372,399	372,072
Rail (tCO_2e)	**410,352**	**108,184**	416,169	105,084	492,755	132,155	622,869	163,728
Group (tCO_2e)	**31**	**2**	51	63	50	60	37	33
Total (tCO_2e)	**770,658**	**463,815**	796,685	488,357	865,220	505,882	995,304	535,833
Scopes 1-3 by country	**Location**	**Market**	**Location**	**Market**	**Location**	**Market**	**Location**	**Market**
UK (tCO_2e)	**690,460**	**371,863**	742,066	433,685	819,356	460,018	957,787	498,316
Singapore (tCO_2e)	**46,791**	**46,791**	48,283	48,283	45,864	45,864	37,517	37,517
Ireland (tCO_2e)	**11,875**	**11,921**	6,336	6,391	0	0	0	0
Norway (tCO_2e)	**806**	**517**	0	0	0	0	0	0
Germany (tCO_2e)	**20,727**	**32,723**	0	0	0	0	0	0
Total (tCO_2e)	**770,658**	**463,815**	796,685	488,359	865,220	505,882	995,304	535,833
Out of scopes								
Biogenic content of biodiesel (tCO_2e)	**15,188**		12,436		7,858		9,373	
Scope 1, 2 and 3 and Out of Scopes	**Location**	**Market**	**Location**	**Market**	**Location**	**Market**	**Location**	**Market**
Total (tCO_2e)	**785,846**	**479,003**	809,121	500,795	873,078	513,740	1,004,677	545,207
YoY % change	**-2.88%**	**-4.35%**	-7.33%	-2.52%	-13.10%	-5.77%	n/a	
% change on 2016/17 baseline	**-21.78%**	**-12.14%**	-19.46%	-8.15%	n/a	n/a	n/a	
Total bus & rail mileage	**733,702,870**		706,393,581		683,223,210		684,511,871	
All scopes kg CO_2e/vehicle mile	**1.0711**	**0.6529**	1.1454	0.7089	1.2779	0.7519	1.4677	0.7965
YoY % change	**-6.49%**	**-7.91%**	-10.37%	-5.72%	-12.93%	-5.59%	n/a	n/a
% change on 2016/17 baseline	**-27.03%**	**-18.03%**	-21.96%	-10.99%	-12.93%	-5.59%	n/a	n/a
Total global energy consumption (kwhs)	**3,032,726,257**		2,983,369,795		3,042,437,920		3,207,016,101	

* Annual emissions figures for prior years have been restated to reflect the collation of subsequent changes in consumption data and the correction of emissions.

Methodology, scope and exclusions

We report on greenhouse gas (GHG) emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard, and the UK Government's Environmental Reporting Guidance methodologies and are also in line with SASB recommendations.

In line with the GHG Protocol and guidance, we have reported all Scope 1 and 2 emissions other than fugitive emissions from air conditioning equipment in our premises and vehicles due to the difficulty in obtaining this data. A screening exercise was carried out that established that these emissions account for less than 0.5% of our total GHG emissions and are therefore not considered material. We do not currently report on our scope 3 emissions other than those arising from losses within the electricity transmission and distribution systems. A screening exercise is currently underway to quantify our scope 3 emissions and consideration will be given to incorporating material scope 3 emissions into future GHG reporting and targets. We also report our out of scopes CO_2e emissions which relate to the biogenic content of biodiesel that is used in our diesel bus fleet.

All scope 1 emissions are calculated by using the correct CO_2e conversion factor for each energy source.

We report our Scope 2 emissions on both a 'location' and a 'market' basis. This dual reporting applies to CO_2e emissions arising from our electricity consumption only. The location-based method uses the national average carbon factors for mains electricity which takes the total mix of fuels used to generate electricity across all the countries we operate in.The correct location based CO_2e conversion factors for each country that we operate in have been used to calculate our location based CO_2e emissions. The market based method uses supplier or product-specific carbon factors (where available), which reflect supply contract specifications agreed between supplier and customer. In some instances, particularly for traction electricity where we do not contract directly with the supplier, supplier or product specific market based CO_2 conversion factors are not available. Where this occurs, we follow the hierarchy of market based factors as specified in the GHG Reporting Protocol and have used national mix residual factors instead. All the above emissions sources fall within the businesses included in our consolidated financial statements.

We define our organisational reporting boundary by applying the financial control approach with a materiality threshold set at 5%.

Emissions are expressed in terms of equivalent carbon dioxide (CO_2e). Our relative performance metric is kilogrammes of CO_2e per vehicle mile operated. This metric ensures there is a direct correlation between our performance and the purchase of increasing numbers of ultra-low carbon vehicles as well as the measures we are taking to improve our energy efficiency. For 2020, the mileage figures provided by our German and Norwegian rail operations (1.1% of total mileage) are for fleet mileage rather than for vehicle mileage, resulting in the total vehicle mileage figure for 2020 being slightly understated. As our performance metric is CO_2e per vehicle mile, understating the mileage has a negative impact on performance, so performance has also been slightly understated. Correct vehicle mileage figures for 2019/20 will be obtained and overall kg CO_2e/vehicle mile will be restated in next year's reporting.

To maintain transparency and enable stakeholders to see our performance trends over time, we provide historical data for both our absolute CO_2e emissions and for our relative performance metric. We restate figures for historical CO_2e emissions and our relative performance when there has been a subsequent change in energy consumption data or if methodologies change or accounting errors were made.

Context

Performance over time must be seen in the context of the changes in the composition of the Group since our 2017 baseline year. The loss of the London Midland rail franchise in December 2017 resulted in a significant absolute reduction in our energy consumption and CO_2e from that date onwards. However, that reduction has been offset by the additional energy consumption and CO_2e caused by the acquisition or start-up of Go-Ahead Singapore (September 2016), East Yorkshire Motor Services (June 2018), Go-Ahead Ireland (September 2018) and Go North West (June 2019) as well as the start of rail services in Germany and Norway in 2019 and 2020, respectively. Additionally, the significant expansion of Govia Thameslink Railway operations between 2018 and 2019 increased in traction electricity consumption. The net effects of these changes in the Group since 2017 cancel themselves out. Lower CO_2e conversion factors for grid electricity since 2017 have also contributed to our performance.

Performance

Overall, in absolute terms, on a location basis, our equivalent CO_2e emissions in 2020 were 2.9% lower year on year and are 21.8% lower than in our baseline year 2017.

Last year, we have ourselves a target to achieve a 25% reduction on CO_2e per vehicle mile by 2021 from our 2017 baseline performance. In 2020 we achieved a 6.5% year on year reduction in CO_2e per vehicle mile, a reduction of 27.0% against our 2017 baseline, achieving our target a year ahead of schedule. CO_2 reduction performance has largely been driven by improved fleet energy efficiency with bus fuel efficiency improved by 2.6% year on year and by 6.9% since 2017.

This target was supported by secondary targets over the same timescale to improve bus fuel efficiency (fleet average miles per gallon) by 5% and to improve traction electricity energy efficiency (fleet average vehicle miles/kwh) at GTR by 15% (excluding Southeastern which was scheduled to end in April 2020). GTR's traction electricity efficiency has improved by 5.2% year on year and by 22.6% since 2017, achieving our secondary targets.

Actions that were implemented during 2019/20 to improve energy efficiency include:

- On-going investment in our bus fleet: The majority of new buses purchased in the year were Euro VI and 172 new buses entered service with our operating companies in the year. In line with the Group's vehicle procurement policy to only purchase diesel buses certified as Low Emission Buses (LEB) other than in exceptional circumstances, virtually all of these new buses are certified as LEBs. Thirty of these new buses were next generation extended range electric/diesel hybrid buses, certified as ultra-low emission buses, that were purchased by Brighton & Hove Bus Company. They use 'geo-fencing' to enable them to operate in purely electric, zero-emissions mode throughout the city's Ultra-Low Emission Zone. These buses are fully electric with an electric motor which drives the bus at all times. They use a small on-board Euro 6 diesel generator for recharging the buses' batteries, when needed, which enables them to operate longer routes than standard plug-in battery electric buses. All of these new buses are significantly more fuel efficient than those they have replaced and contributed to an overall improvement in fleet average miles per gallon of 2.6% year on year and 6.9% better than in 2017.
- Notwithstanding the above, we also introduced over 100 electric buses to our fleet, bringing the total number of electric buses operated by the Group to nearly 200 and making the Group the largest operator of electric buses in the UK. This increase in the size of our electric bus fleet, and the number of services operated on them, accounts for the significant increase in electric bus electricity consumption in 2020. However, these ultra-low emission electric buses also contributed to lower overall CO_2e emissions from the fleet as they have generally replaced diesel buses. Additionally, following extensive feasibility studies carried out in 2019, Go-Ahead successfully bid for funding to assist with the purchase of 20 new hydrogen buses. Following delays caused by issues with the manufacturer and COVID-19, these buses will now be delivered to Brighton & Hove Bus Company in 2021 if funding arrangements can be carried forward. The purchase of these buses, as well as those such as the extended range electric/diesel hybrids with 'geo-fencing', clearly demonstrate the Group's innovative and sector leading approach to adopting low carbon vehicle technologies that also contribute to reducing air pollution.
- Trial of solar panels installed on 18 bus roofs at Go South Coast with the trial shortly to be extended to buses at Go-Ahead London and Brighton & Hove Bus Company. The electricity generated by the panels will reduce the load on the vehicles' alternators/drivetrain and contribute to a marginal improvement in fuel efficiency. One of these trial buses is also fitted with a roof mounted filter designed to remove particulates from the air, contributing to improving air quality.
- New rolling stock, which is significantly more energy efficient than the units it replaced, have continued to be introduced on the GTR franchise. Excluding London Midland from 2017 and the new German and Norwegian rail operations, this new rolling stock contributed to an overall year on year improvement in electric fleet energy efficiency (vehicle miles/kwh) of 1.5% (6.4% better than in 2016/17). For GTR only, the year on year improvement was 5.2% and against the 2017 baseline, a 22.6% improvement was achieved, exceeding the 15% improvement target a year earlier than planned.
- Solar PV was installed at four Southeastern Railway depots, Thames Travel's Didcot bus depot and Go North East's Hownsgill depot in 2019 adding to the existing installations at Oxford and Hull bus depots, increasing the amount of self-generated, zero-carbon electricity that we consumed. Additionally, we have continued to roll out LED lighting to reduce electricity consumption within our premises.
- From 1 July 2019, all electricity supplied to Group premises within our central Group electricity supply contract was entirely generated from fully renewable sources (wind, solar, hydro, etc.) and is zero rated for CO_2e under a market based reporting approach.
- Go-Ahead's bus division achieved ISO 50001 certification in September 2018. The scope of the certification was extended during 2020 to include East Yorkshire Motor Services and Go North West bus operations and, with the existing certifications held by the Group's two train operating companies, all of Go-Ahead's UK operations are now covered by ISO 50001 certification, recognised as best practice for energy management.
- During 2019, Go-Ahead has also carried out a review of the climate change risks and opportunities, including scenario planning, as recommended by the Task Force on Climate-related Financial Disclosures (TCFD). We are currently working on incorporating the review findings into a new Group climate change strategy which will also feature a long term science based CO_2 reduction target and a commitment to achieve net zero by a specified date. These workstreams are still ongoing and the outcomes will be included in our 2021 Annual Report when our current energy and CO_2 reduction targets expire.
- Go-Ahead also continued to collaborate with partners on a variety of innovative 'future of transport' initiatives such as demand-responsive transport (DRT) services and potential tie-ups with logistics companies that will achieve net reductions in carbon emissions as well as reducing air pollution from transport and congestion.

Corporate information

www.go-ahead.com

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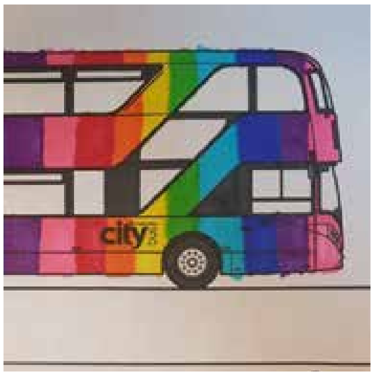

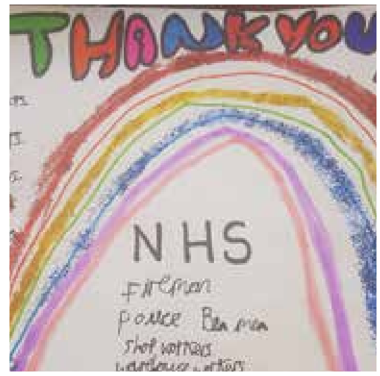

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Summary Verification Statement from Bureau Veritas UK Ltd

Bureau Veritas UK Ltd (Bureau Veritas) has provided verification for The Go-Ahead Group plc (Go-Ahead) over selected sustainability indicators contained within the Group's Annual Report. The information and data reviewed in this verification process covered the period 30 June 2019 to 27 June 2020.

The full verification statement including Bureau Veritas' verification opinion, methodology, recommendations and a statement of independence and impartiality can be found on the Go-Ahead Group website:

www.go-ahead.com

Bureau Veritas UK Ltd
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